# 2010 Annual Report

## E.ON Group Financial Highlights[1]

| € in millions | 2010 | 2009 | +/- % |
|---|---|---|---|
| Electricity sales[2] (billion kWh) | 1,030.4 | 785.5 | +31 |
| Gas sales[2] (billion kWh) | 1,342.4 | 1,206.5 | +11 |
| Sales | 92,863 | 79,974 | +16 |
| Adjusted EBITDA | 13,346 | 12,975 | +3 |
| Adjusted EBIT | 9,454 | 9,291 | +2 |
| Net income | 6,281 | 8,669 | -28 |
| Net income attributable to shareholders of E.ON AG | 5,853 | 8,420 | -30 |
| Adjusted net income | 4,882 | 5,097 | -4 |
| Investments | 8,286 | 8,655 | -4 |
| Cash provided by operating activities of continuing operations | 10,614 | 8,590 | +24 |
| Economic net debt (at year-end) | -37,701 | -44,665 | +6,964[3] |
| Debt factor[4] | 2.8 | 3.4 | -0.6[3] |
| Equity | 45,585 | 43,986 | +4 |
| Total assets | 152,881 | 152,614 | – |
| ROCE (%) | 11.9 | 12.2 | -0.3[5] |
| Pretax cost of capital (%) | 8.3 | 9.1 | -0.8[5] |
| After-tax cost of capital (%) | 6.1 | 6.7 | -0.6[5] |
| Value added | 2,864 | 2,362 | +21 |
| Employees (at year-end) | 85,105 | 85,108 | – |
| Earnings per share[6, 7] (€) | 3.07 | 4.42 | -31 |
| Equity per share[6, 7] (€) | 21.86 | 21.19 | +3 |
| Dividend per share (€) | 1.50 | 1.50 | – |
| Dividend payout | 2,858 | 2,858 | – |
| Market capitalization[7] (€ in billions) | 43.7 | 55.7 | -22 |

[1]Adjusted for discontinued operations.
[2]Includes trading sales volume.
[3]Change in absolute terms.
[4]Ratio of adjusted EBITDA to economic net debt.
[5]Change in percentage points.
[6]Attributable to shareholders of E.ON AG.
[7]Based on shares outstanding.

# Contents





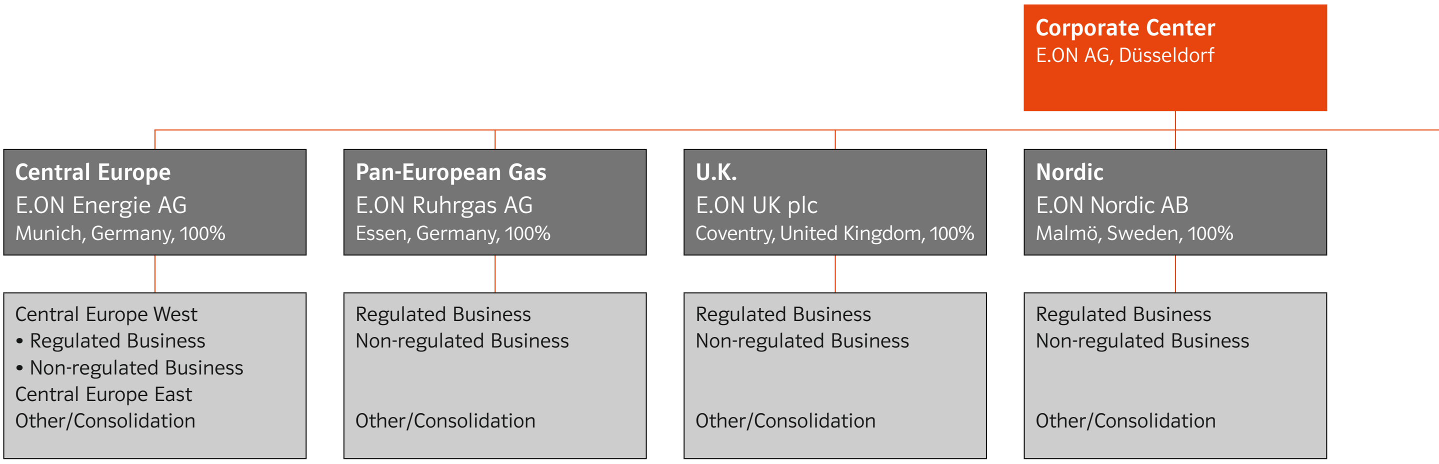
[1]Part of the Combined Group Management Report.

Our 2010 Annual Report describes the E.ON Group in line with the organizational setup that was in place through December 31, 2010. We have a new setup effective January 1, 2011. Information about it can be found in the Forecast section of this report and, in greater detail, in our Company Report. You can download our reports, or order the print versions, at www.eon.com/brochures.

# Combined Group Management Report

- Adjusted EBIT up 2 percent
- Cash provided by operating activities up 24 percent
- Management to propose dividend of €1.50
- 2011 adjusted EBITDA expected at between €11.2 and €11.9 billion

**E.ON Group: Market Units, Lead Companies, and Reporting Units (Structure until Year-End 2010)**




## Corporate Profile and Operating Environment

### Corporate Structure and Operations in 2010

E.ON is a major investor-owned energy company. Until year-end 2010, our operations were segmented geographically or functionally into market units. As part of our new strategic focus, we segment our operations into global and regional units effective January 1, 2011 (for more information, see the Forecast section of this report).

For reasons of materiality, we combined our Climate & Renewables, Russia, Italy, and Spain market units in a single reporting segment called New Markets.

Following the successful conclusion of sales negotiations for our U.S. Midwest market unit, pursuant to IFRS 5 this segment was classified as a discontinued operation from April 1 until its departure. We have therefore adjusted the relevant figures—including energy-related figures—accordingly for all of 2010 and, retroactively, for 2009 and no longer provide commentary on this market unit. The transaction closed on November 1, 2010.

#### Central Europe

This market unit has operations in many countries in Central Europe, including Germany, the Benelux states, France, Hungary, Slovakia, the Czech Republic, Bulgaria, and Romania. The Central Europe West Regulated and Non-regulated reporting units consist of the operation of conventional and nuclear power stations as well as renewable-source and waste-incineration power generation, electric transmission via high-voltage wires networks, regional distribution (electricity, gas, and heat), and electricity, gas, and heat sales. The Central Europe East reporting unit consists mainly of our shareholdings in regional electric and gas distributors in this region.

In 2010, E.ON Energie supplied power and gas to about 17 million customers in and outside Germany, about half of them in Central Europe West and half in Central Europe East. This figure includes customers served by significant minority shareholdings.

**Energy Trading**
E.ON Energy Trading SE
Düsseldorf, Germany, 100%

Proprietary Trading
Optimization

**New Markets**
E.ON Climate & Renewables GmbH
Düsseldorf, Germany, 100%
E.ON Russia Power
Moscow, Russia, 100%
E.ON Italia S.p.A.
Milan, Italy, 100%
E.ON España S.L.
Madrid, Spain, 100%

## Pan-European Gas

E.ON Ruhrgas is one of Europe's leading gas companies and one of the world's largest gas importers. Its customers are regional and municipal energy companies as well as industrial enterprises in and outside Germany. The Regulated reporting unit consists of ownership interests in energy companies in European countries other than Germany (E.ON Ruhrgas International) and the regulated transport business. The Non-regulated reporting unit consists of the gas wholesale business, the exploration and production business, and the gas storage business. Following the sale of Thüga operartions, Other/Consolidation consists only of consolidation effects. Thüga, which has minority ownership interests in municipal gas and electric utilities in Germany, was sold to a consortium of municipal utilities effective December 1, 2009.

At year-end 2010, the pipeline system of Open Grid Europe and its project companies in Germany had a total length of about 12,000 kilometers. In addition, 66 kilometers of coke-gas pipelines are owned by E.ON Ruhrgas. The working gas capacity of E.ON Gas Storage's owned, jointly owned, project-company-owned, and leased underground storage facilities was approximately 7 billion cubic meters ("bcm"); this includes 650 million cubic meters ("mcm") marked by E.ON Hanse/E.ON Avacon/Storengy. Its maximum withdrawal rate is roughly 7.3 mcm per hour. Including subsidiaries in Hungary (E.ON Földgáz Storage) and the United Kingdom (E.ON Gas Storage UK), E.ON Gas Storage has a total working gas capacity in Europe of more than 11 bcm and a maximum withdrawal rate of about 9.6 mcm per hour. More capacity is under construction.

## U.K.

E.ON UK runs our energy business in the United Kingdom. The Regulated reporting unit consists of Central Networks, which operates an electricity distribution business in central England. The Non-regulated reporting unit includes the generation, retail, and energy-services businesses. The generation business covers activities including power generation, operation and maintenance of combined heat and power plants, and power station development and operation. The retail business encompasses the sale of electricity and gas services to residential, business, and industrial customers. As of December 31, 2010, E.ON UK supplied approximately 8 million customer accounts, of which 7.4 million were residential and 0.6 million were business customer accounts.

## Nordic

E.ON Sverige manages our energy operations in Northern Europe. The Regulated reporting unit consists of power and gas distribution. The Non-regulated reporting unit consists mainly of power generation, heat production, sales (power, gas, and heat), and energy services. At year-end 2010, Nordic supplied roughly 1 million electricity, gas, and heat customer accounts.

### Energy Trading

Energy Trading is responsible for all our risk-management activities, which consist of Optimization and Proprietary Trading, mainly for power, gas, coal, oil, and carbon allowances. These activities are conducted according to our trading limits and risk-management systems. In some cases, they can involve intentionally utilizing changes in market prices and risk positions.

### New Markets

E.ON Climate & Renewables is responsible for managing and expanding E.ON's global renewables operations (with the exception of large-scale hydroelectricity) and climate-protection projects.

E.ON Russia Power is responsible for the E.ON Group's electricity operations in Russia. Our Russian business focuses on the operation of thermal power stations in Central Russia, Ural, and Siberia, predominantly fast-growing, industrialized regions of the country.

E.ON Italia manages our power and gas business in Italy. Its operations consist of power generation, power and gas sales, and gas distribution. E.ON Italia served about 854,000 customer accounts as of year-end 2010.

E.ON España is the lead company of the Spain market unit. It runs our integrated energy business in Spain and served about 0.6 million customer accounts in Spain at year-end 2010.

### Corporate Center

The E.ON AG Board of Management steers the E.ON Group. Its main tasks are to manage E.ON as an integrated energy company, chart E.ON's strategic course, manage and secure necessary financing, manage business issues that transcend individual markets, manage risk, and continually optimize the Group's business portfolio.

The Corporate Center segment consists of E.ON AG itself and ownership interests managed directly by E.ON AG. We also allocate consolidation effects at the Group level to this segment.

## Sales Markets and Market Positions

### Central Europe

- No. 3 in power generation
- No. 2 in power and gas sales
- Significant operations in Germany, Belgium, France, the Netherlands, Hungary, the Czech Republic, Slovakia, Romania, and Bulgaria

### Pan-European Gas

- One of Europe's leading gas companies
- Pan-European gas supply portfolio consisting of long-term supply contracts with Russia, Norway, Germany, the Netherlands, Denmark, and the United Kingdom

### U.K.

- No. 4 in power generation
- No. 2 in power and gas sales
- Significant operations in the United Kingdom

### Nordic

- No. 4 in power generation in the Nordic region
- No. 3 in power sales in the Nordic region
- Significant operations in Sweden and Finland

### New Markets

- Climate & Renewables
  With operations in Germany, France, Poland, Sweden, Italy, Spain, Portugal, the United Kingdom, and the United States, E.ON Climate & Renewables ranks among the global leaders in wind power
- Russia
  E.ON is one of Russia's leading thermal power producers
- Italy and Spain
  We have solid market positions in Italy and Spain

## Strategy

E.ON's business portfolio and deep expertise make it one of Europe's leading energy companies. Our growth in recent years has enabled us to strengthen our presence in Europe, tap new markets like Russia, and become a leader in renewables. We are therefore well positioned to successfully meet new challenges and seize new opportunities in Europe's energy marketplace and outside Europe.

At our Capital Market Day event in November 2010, we announced our new strategic focus and our new organizational setup under which our business is segmented into global and regional units beginning on January 1, 2011. For commentary, see the Forecast section of this report.

## Energy Policy and Regulatory Environment

### International

The 16th United Nations climate change conference took place in Cancún, Mexico, from November 29 to December 10, 2010. Delegates continued to work on a successor treaty to the Kyoto Protocol. The conference did not result in emission-reduction targets for individual countries. Discussions about possible individual reduction targets for 2050 will be held at the next climate change conference, which will take place in Durban, South Africa, at the end of 2011.

### Europe

In 2010, the European Commission presented its new energy strategy for the period through 2020. The strategy calls for the process of "Europeanizing" energy policy to be resolutely continued. It contains additional proposals regarding energy efficiency, infrastructure expansion, and renewables. The aim is to make the European Union a pacesetter in these areas. The EU heads of state and government discussed these issues at a meeting on February 4, 2011.

In November 2010, the Commission passed the rules under which carbon allowances will be auctioned when the third phase of carbon trading begins in 2013. In 2009, the EU passed the green legislative package whose purpose is to enable the EU to achieve its climate targets. The package includes the stipulation that starting in 2013 carbon allowances for the EU-wide Emissions Trading Scheme ("ETS") will no longer be allocated at no cost. Instead, power producers will have to acquire them through auctions.

There continues to be strong political support for the expansion of renewables. The Renewable Energy Directive ("RED"), which took effect in 2009, sets a binding target for the Community to increase renewables' share of total energy consumption to 20 percent, which will require renewables' share of electricity consumption to increase to about 34 percent. To help promote the achievement of this target, member states will have to submit national action plans (containing their support policies for renewables) to the Commission. For the foreseeable future, this can be expected to result in the member states maintaining or expanding their support policies. On the other hand, the RED's flexible mechanisms, whose purpose is to facilitate multinational collaborative projects, represent an important step towards harmonizing support for renewables, thereby rendering it more effective.

In general, the member states may still decide on their own energy mix. In view of nuclear energy's significant contribution to the EU's energy supply, the European Council emphasized the need for a broad-based dialog on the opportunities and risks of nuclear energy in the Community.

The Commission aims to pave the way to a low-carbon economy, in particular by reducing carbon emissions in power generation and the transport sector (through, for example, the development of electric cars). To support this aim, the Commission intends to foster the creation of a European super network for power and gas. It also announced that it intends to design an energy strategy for the period through 2050, in which enhancing energy efficiency and expanding renewables will remain key policy objectives.

European regulatory agencies have put together draft framework guidelines for capacity allocation and congestion management at cross-border transfer points, particularly in regard to intra-European power trading. One of the proposals is for national power markets that have structural grid congestion to be divided along these topological congestion points into a number of different zones. This proposal is based on the assumption that grid congestion in national markets prevents the optimal use of cross-border transfer points. Structural congestion that cannot be rapidly relieved through grid expansion would be solved through different day-ahead prices in the different zones. Redispatching, the current method of congestion management in many EU countries, would be restricted to cases of minor congestion. A division of the German market (or of other European markets) into price zones could have considerable consequences for the profitability of generating units depending on where they are located, since electricity prices could vary significantly by zone. As is beginning to be apparent in Sweden, the creation of different price zones can also have a negative impact on the retail business.

## Germany

In September 2010, the German federal government enacted its new energy strategy. The strategy contains numerous targets for Germany to gradually transition from an energy supply based predominantly on conventional sources to one based predominantly on renewables. By 2050, Germany is to reduce its greenhouse-gas ("GHG") emissions by 80 to 95 percent compared with a 1990 baseline. The federal government also passed legislation to extend the operating lives of nuclear power plants ("NPPs") in Germany by an average of 12 years while ensuring that the plants continue to meet stringent national and international safety standards. Older NPPs will be allowed additional power output equal to an 8-year extension of their operating lives. New NPPs will be allowed additional output equal to a 14-year extension. The lion's share of the additional profits resulting from the extension of operating lives will go to the German federal treasury in the form of a nuclear-fuel tax paid into an Energy and Climate Fund. The nuclear-fuel tax, which will be levied from 2011 to 2016, is expected to generate up to €2.3 billion annually to help consolidate the federal budget. The main purpose of the Energy and Climate Fund is to finance measures to enhance energy efficiency in line with the federal government's energy strategy.

Germany's new energy strategy also contains a ten-point rapid-action plan to be implemented by the end of 2011. The plan's objectives include an initiative to establish a consistent, nationwide plan for expanding networks, a credit program for offshore wind farms, changes to the rules for network connections, and the passage of legislation for carbon capture and storage.

The federal government intends for Germany to also become a lead market for e-mobility. It aims for 1 million battery-powered vehicles to be on the country's streets by 2020. It intends to design a broad, technology-neutral mobility and fuel strategy that will incorporate all alternative technologies and energy sources. The EU also plans to support the development of electric vehicles.

## Incentive-Based Regulation

The regulation of energy networks in Germany changed from a cost-based model to an incentive-based model on January 1, 2009. Under the applicable ordinance, gas transmission systems were supposed to have been migrated to incentive-based regulation on January 1, 2010. Prior to migration, the small number of gas transmission system operators ("TSOs") in Germany are to be benchmarked against each other. The preliminary individual efficiency factor was communicated to network companies in late March 2010. A decision on the final efficiency factors is expected early in 2011. The individual efficiency factor will have an impact on the revenue cap. Network operators will have ten years to lower their costs to those of a fully efficient operator. E.ON network operators included in the nationwide benchmarking conducted by the German Federal Network Agency (known by its German acronym, "BNetzA") already average close to 100-percent efficiency. In July 2008, the BNetzA defined the allowed return on equity for the first regulation period: the allowed return for both power and gas is 9.29 percent for new assets and 7.56 percent for assets built prior to 2006. Compared with the previously applicable figures, the allowed return for gas assets is essentially unchanged, whereas the allowed return for electricity assets is higher.

On December 15, 2010, the BNetzA issued a position paper on the establishment of quality standards for power network reliability under incentive-based regulation. The quality standard will be factored into the calculation of the annual revenue cap and will therefore have an effect on network revenues. The position paper calls for the regulation of power network service quality to begin on January 1, 2012. A timeline for the start of the regulation of gas network service quality has not yet been announced.

### Gas Network Access

Germany's gas transport pipeline system is divided into regional segments called market areas. The coupling of many of these market areas along with the introduction of the two-contract model has significantly simplified gas-network access. Initially, Germany had more than 20 market areas. Effective October 1, 2009, it only has three for high-calorific ("H") gas and three for low-calorific ("L") gas. NetConnect Germany, the country's largest and most liquid H gas market area, includes the pipeline systems of Open Grid Europe and bayernets as well as those of its new members, ENI/GVS and GRTgaz Germany. The country's second large H gas market area is called Gaspool. The coupling of market areas is an important milestone for Germany's gas market and fulfills the BNetzA's stipulation that the number of market areas be significantly reduced. The gas network access ordinance (known by its German abbreviation, GasNZV), which was amended in 2010, calls for the number of market areas to be reduced further. In collaboration with the BNetzA, Germany's gas TSOs are currently designing a plan for Germany to have just two quality-neutral market areas starting on April 1, 2011.

## United Kingdom

The United Kingdom has been governed by a coalition of Conservatives and Liberal Democrats since May 2010. In July, the Energy Ministry announced that it would conduct a review of the country's electricity market with the aim of improving the investment climate for low-carbon technologies (including renewables and nuclear energy) and enhancing supply security. In December 2010, the U.K. government initiated a comprehensive consultation process. The proposals under discussion include mechanisms like capacity markets, feed-in tariffs, and carbon-emission caps. The consultation process will be concluded by the end of 2011. In December 2010, the U.K. government also put forward the Green Deal, a package of initiatives designed to enhance energy efficiency in residential and commercial buildings so that customers have better access to efficiency measures.

In 2010, Ofgem, the U.K. energy regulator, completed its review of network regulation. It then issued proposals for regulatory changes that would affect network expansion.

## Sweden

In February 2009, the Swedish government agreed on a package of sustainable energy and climate policies. Its primary objective is to end Sweden's dependence on fossil fuels in order to reduce GHG emissions and enhance supply security. It aims to achieve this by increasing the renewables component in all sectors of the economy and enhancing energy efficiency. The government has set ambitious targets for 2020: renewables are to meet 50 percent of Sweden's overall energy demand and 10 percent in the transport sector. Energy efficiency is to be increased by 20 percent. GHG emissions are to be cut by 40 percent from a 1990 baseline.

The heat market is to be 100 percent fossil-free by 2020. The government intends to promote hybrid and battery-powered vehicles in order to make the transport sector fossil-free by 2030. In the electricity market, the government intends to retain nuclear energy in order to promote climate protection but also wants to diversify the country's generation mix, which has long consisted mainly of nuclear and hydro power. The aims are to make the power system more reliable and enhance supply security. In addition to promoting the expansion of wind power and other renewables, the government reversed Sweden's nuclear-energy policy by repealing its nuclear phase-out law and lifting the nearly 30-year-old ban on the construction of new reactors, which will be limited to existing NPP sites.

In consultation with the European Commission, in May 2010 Sweden's power TSO decided to divide the country's wholesale power market into different price zones starting in November 2011.

## USA

In 2009, the United States enacted a $17 billion stimulus package called the New Green Deal whose main purposes are to increase renewables capacity, foster the establishment of smart grids, and expand network infrastructure. Climate-protection legislation, also drafted in 2009, failed to pass the U.S. congress in the summer of 2010.

The U.S. Environmental Protection Agency ("EPA") and state-level agencies are taking the lead in the debate on establishing specific measures to reduce carbon emissions. In 2010, the EPA issued a variety of rules aimed at reducing carbon emissions; they consist of ordinances that set caps for individual plants. Because the U.S. congress does not have the votes to establish a national carbon-trading system similar to Europe's ETS, the discussion is focused on establishing emissions standards (but not binding climate-protection targets for the United States). The results of congressional elections held in November 2010 rendered further climate initiatives difficult. This is likely the reason behind the U.S. delegation's cautious stance at the Cancún climate change conference in November 2010. However, support programs to fund renewables continue.

The discovery of large unconventional gas reserves and rising global energy demand were among the factors that led U.S. energy policy in 2010 to focus more on issues like supply security and less on climate protection.

## France

In April 2009, the Champsaur Commission submitted its report on redesigning electricity-market regulation. The report calls for regulated tariffs for medium-sized and industrial customers to be gradually phased out after a transition period in 2010. However, regulated tariffs for large industrial customers will not be fully eliminated until 2015. The report also calls for competitors to gain temporary, limited access to French base-load capacity (particularly nuclear capacity). In response, in 2010 the French government produced a draft package of electricity-market reforms (the package is known by its French acronym, NOME). Under the package, regulated tariffs for residential and small-business customers would be retained for an initial period.

### Italy

Italy enacted two important ordinances in 2010. The purpose of the gas-market ordinance is to enhance competition, mainly through mechanisms that give energy-intensive customers and operators of gas-fired generating units access to gas storage facilities. A second ordinance initiates the first phase of the country's Natural Gas Exchange, which would establish an organized market to deal with the increasing trading volume of gas. The existing clearing house (Gestore dei Mercati Energetici, known as "GME") will gradually be integrated into the exchange. In addition, Italy's regulator proposed the introduction of a market-based payment system that would send forward price signals.

Italy is revising its incentive programs for renewables. Green certificates will be gradually phased out between now and 2015. Support for renewables facilities larger than 5 MW that enter service in 2013 or after will be based on a bid process. Smaller facilities will receive feed-in payments. For facilities built before 2013, there will be a transition period from green certificates to feed-in payments.

### Spain

Like Germany's, Spain's renewables capacity has grown significantly in recent years, resulting in an increase in total subsidy payments. In view of this situation, the government and opposition both believe that the support system must be amended. Disagreements between the government and the largest opposition party (Partido Popular) influenced the design of an energy strategy, leading to a freeze on subsidy payments in July 2010.

Spain's energy policy is currently dominated by efforts to give preferential treatment to domestic coal. Other issues include developing a strategy for continuing renewables growth at reasonable prices, facilitating moderate price increases, and promoting energy efficiency and e-mobility.

### Russia

Russia's economy is recovering from the financial crisis of 2008–2009. Forecasts call for moderate economic growth in the years ahead. Driven in part by extreme weather conditions, Russia consumed 4.4 percent more electricity in 2010 than in 2009.

Russia's day-ahead power market was fully opened to competition at the end of 2010. This does not include power supplied to residential and similarly classed customers. The rules for the long-term capacity market introduced in 2010 have different pricing schemes for existing and new generating capacity. Prices for existing capacity are based on a competitive selection process that factors in the specific competitive conditions of regional submarkets. New capacity built pursuant to a contractual investment obligation receives guaranteed prices for a period of up to ten years. After ten years, the two markets will be combined into a uniform capacity market for new and existing assets.

## Macroeconomic Environment

The global economy recovered surprisingly quickly from the recession of 2009. According to an estimate by the German Council of Economic Experts ("GCEE"), global gross domestic product ("GDP") increased by 4.8 percent in 2010 thanks to support from expansive monetary and fiscal policy and from stable demand in emerging countries. As during the recession, however, the overall increase masks a variety of regional trends. GDP grew by 2.3 percent in real terms in industrial countries but at a significantly higher rate (7.6 percent) in emerging countries. Although global GDP returned to the level it had been at prior to the financial crisis, GDP in most industrial countries did not. The economies of several Asian countries never contracted during the crisis.

Emerging countries provided support to global recovery, whereas industrial countries showed hesitant growth in 2010. Here, several factors—weakness in the financial and real-estate sectors, government debt, and unemployment—hindered a stronger recovery. For example, economic activity in the United States increased tangibly in the second half of 2010, and private consumption rose despite high unemployment and an increase in household savings rates. However, the GCEE estimates that U.S. domestic consumption was weak for the year as a whole.

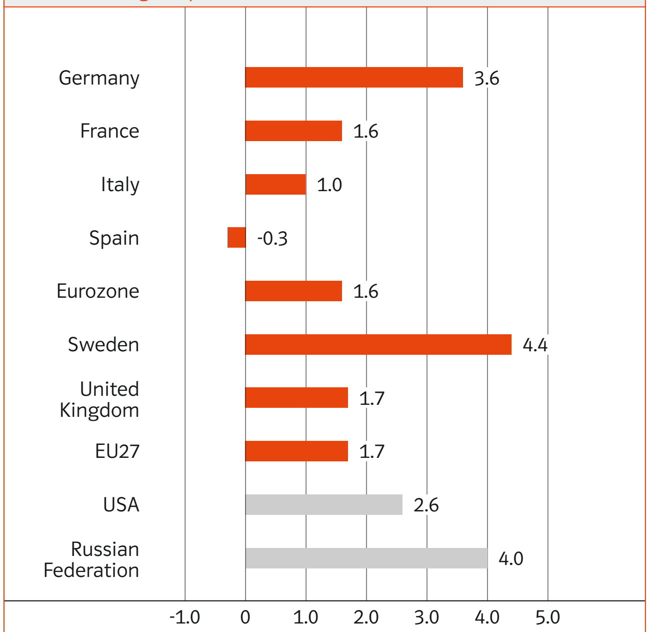
Overall, eurozone economic performance was tepid. As with the global economy, rates of growth varied by region. Recovery in countries like Spain and Italy was generally below average. In particular, a number of countries on Europe's periphery ran into difficulties at the start of 2010 and were under pressure to make painful fiscal adjustments. An improving German economy served as the engine for the EU's moderate growth. Starting in the spring of 2010, Germany benefited from rising global demand and stronger domestic impetus. According to the GCEE, Germany's robust job market and low interest rates provided the domestic prerequisites for further growth. Despite Germany's good situation, it is important to remember that its economy at mid-2010 only returned to the size it had been at year-end 2006. Overall, economic recovery in the eurozone was driven by exports and private consumption.

Although GDP in the United Kingdom expanded at the EU average, growth in Sweden and Denmark surpassed it. As in Western Europe, GDP in Eastern Europe varied by country but grew on average at roughly the same rate as the EU as a whole.

Russia was the weakest economic performer among the BRIC countries (Brazil, Russia, India, China). Although higher oil prices helped stabilize Russia's economy, domestic demand and external trade remained weak, according to the GCEE.

**2010 GDP Growth in Real Terms**

Annual change in percent




Sources: German Council of Economic Experts (November 2010) and Federal Office of Statistics.

## Energy Industry

According to figures from AGEB, an energy industry working group, Germany's consumption of primary energy in 2010 rose by 4.6 percent to about 480 million metric tons of hard coal equivalent ("MTCE"), nearly at the level before the onset of the economic crisis in 2008.

AGEB lists Germany's solid economic situation and markedly lower temperatures as the main drivers for the various energy sources. Germany's petroleum consumption increased by a bit more than 1 percent, its natural-gas consumption by 4.2 percent. After a significant decline in 2009, consumption of hard coal rose sharply, increasing by more than 15 percent. Lignite consumption was slightly above the prior-year level. Nuclear power production in Germany was about 4 percent higher. Renewables' share of primary energy consumption increased by 9.9 percent to 45 MTCE. Hydroelectric generation (excluding pumped storage) rose by 3 percent, whereas wind generation declined by 5.5 percent owing to unfavorable wind conditions. Photovoltaic production recorded a sharp increase (more than 80 percent). Biogas and biofuels increased by 12 percent and 4 percent, respectively.

**2010 Primary Energy Consumption in Germany by Energy Source**

| Percentages | 2010 | 2009 |
|---|---|---|
| Petroleum | 33.6 | 34.8 |
| Natural gas | 21.8 | 21.9 |
| Hard coal | 12.1 | 10.9 |
| Lignite | 10.7 | 11.2 |
| Nuclear | 10.9 | 11.0 |
| Renewables | 9.4 | 8.9 |
| Other (including net power imports/exports) | 1.5 | 1.3 |
| **Total** | **100.0** | **100.0** |

Source: AG Energiebilanzen.

Germany's gross generation increased by 4.7 percent in 2010, with increases recorded for all energy sources: renewables (+7.8 percent), hard coal (+7.5 percent), natural gas (+7.2 percent), nuclear (+4.2 percent), and lignite (1 percent).

The increase in Germany's energy consumption led to a roughly 4-percent increase in its energy-related carbon emissions because, according to AGEB, the country's 2010 energy mix displayed only a small shift towards lower-carbon energy sources and because carbon-based fuels accounted for about two thirds of the total increase in consumption.

Electricity consumption in England, Scotland, and Wales was 320 billion kWh in 2010 compared with 315 billion kWh in 2009. Gas consumption (excluding power stations) was 647 billion kWh in 2010 compared with 597 billion kWh in 2009. The increases were due to colder weather throughout the year, particularly during the first and fourth quarters, partially offset by continuing energy-efficiency improvements.

The Nordic region consumed 394 billion kWh of electricity in 2010, about 19 billion kWh more than in 2009. Very cold weather in the first and fourth quarters was responsible for 12 billion kWh of the increase. Other factors were slightly higher industrial demand in Sweden and Finland and sharply higher demand by Norwegian energy-intensive industry in the third quarter. Net electricity imports to the Nordic region from surrounding countries were around 18.7 billion kWh in 2010, about 10.1 billion kWh higher than in the prior year. Net imports from Germany totaled 5.1 billion kWh.

Russia's total generation increased by 4.4 percent to 1,025 billion kWh because of the economic recovery.

Italy consumed 326.2 billion kWh of electricity, an increase of 1.8 percent from the prior-year figure (1.7 percent if adjusted for differences in temperature and number of working days). Driven by the increase in consumption, domestic power production rose by 1.9 percent to 286.5 billion kWh. Italy's gas consumption rose by 6.6 percent year on year to 876.2 billion kWh; consumption was higher mainly in the industrial and residential customer segments.

Peninsular electricity consumption in Spain was 260 billion kWh, 3.2 percent higher than in the prior year (2.9 percent higher if adjusted for differences in temperature and the number of working days).

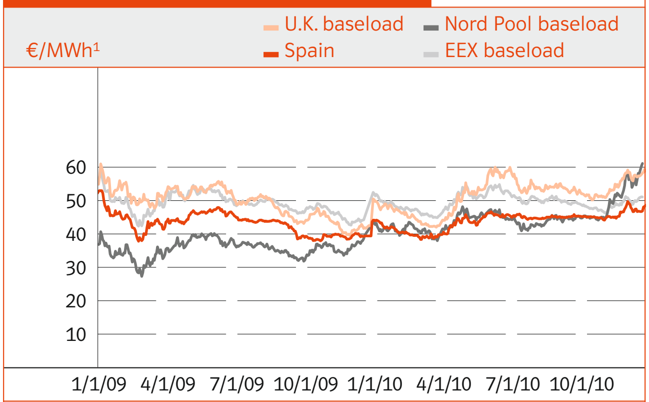
## Energy Prices

Four main factors drove electricity and natural gas markets in Europe and Russia in 2010:

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

After moving lower in the first quarter, prices for commodities (with the exception of Brent crude oil) and for electricity recovered during the second quarter. Forward power prices subsequently declined in Germany, the United Kingdom, and Italy through November, whereas prices for other forward products (like Nordic power as well as coal and natural gas) stagnated. Power prices rose in all markets towards the end of the year. After reaching an intermediate peak in May, Brent crude oil trended still higher in the second half of the year.

Electricity Price Movements in E.ON's Core Markets




[1]For next-year delivery.

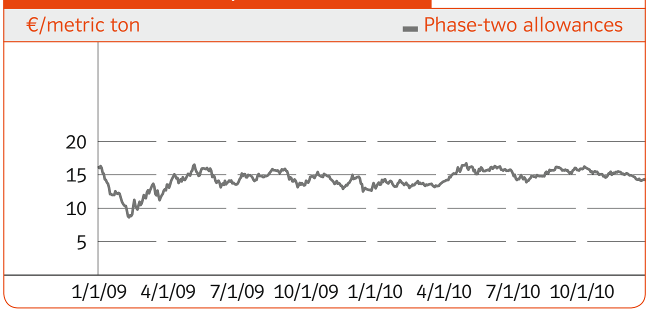
Brent crude oil for next-month delivery moved up and down in a corridor of $70 to $90 per barrel. Prices rose on expectations for an accelerating economic recovery, increasing demand in Asia, and support from financial and commodity markets; they declined on concerns about eurozone government debt and the underperforming U.S. economy. In response to exceptionally strong growth in global oil demand and to the early onset of winter, oil prices moved above $90 in early December.

The European market for coal as measured by the API#2 index began 2010 strongly with prices of around $100 per metric ton, benefiting from extremely cold weather in China and Europe. Coal prices fell to about $85 in the spring due to ample coal inventories and to declining European gas prices. Lower prices created new global arbitrage opportunities (such as coal shipments from Colombia to China). As gas prices rebounded in the second quarter, coal prices did as well and subsequently traded in a corridor between $95 and $105. Prices rose continually from September and finished the year at around €120. This sharp increase was driven by a supply shortage resulting from roughly simultaneous floods in Columbia, South Africa, and Australia and by an early, cold winter in the northern Hemisphere. The freight market was under downward price pressure throughout the year due to vessel oversupply.

European gas prices generally continued their recovery from the prior year, although there were some fluctuations. After declining in the first quarter owing to global oversupply and a recession-driven decline in demand, prices rose steadily in the second quarter. The key drivers were stronger gas-to-power and industrial demand, lower storage levels after a long and cold winter, and significant supply bottlenecks in Norway. In addition, the supply of LNG was lower than anticipated because of maintenance outages at existing liquefaction facilities and a delay in the completion of new liquefaction facilities in Qatar and because of a significant increase in Asian demand. Storage levels were below average due to unexpectedly high gas prices in the summer. Third-quarter spot gas prices declined on the back of higher LNG imports following the return to service of liquefaction facilities in Qatar. Spot and forward prices recovered in the fourth quarter, owing particularly to support from the onset of cold winter weather and from increased storage activity. U.S. gas prices were under continuous pressure starting in the first quarter of 2010 and, increasingly, moved independently of European prices.

The December carbon contract for next-year delivery of EU allowances under the European Emissions Trading Scheme traded within a narrow range of €13 to €14 per metric ton during the first quarter. Following the release of verified 2009 emissions numbers, carbon prices rose on heavy trading, at times to levels above €16. Prices stabilized from mid-year until December in a new trading range of €15 to €16, with the exception of a brief phase during summer vacation. The carbon market continued to be driven by the policy debate. The European Commission published an analysis of options for raising the EU's emission-reduction target and, in November, issued a recommendation to limit the CERs from certain climate-gas-reduction projects starting in 2013. Prices seemed to ignore the UN climate-treaty negotiations in Cancún, but did come under pressure from improved CER issuance and from heavy selling and finished the year at just over €14.

Carbon Allowance Price Movements in Europe

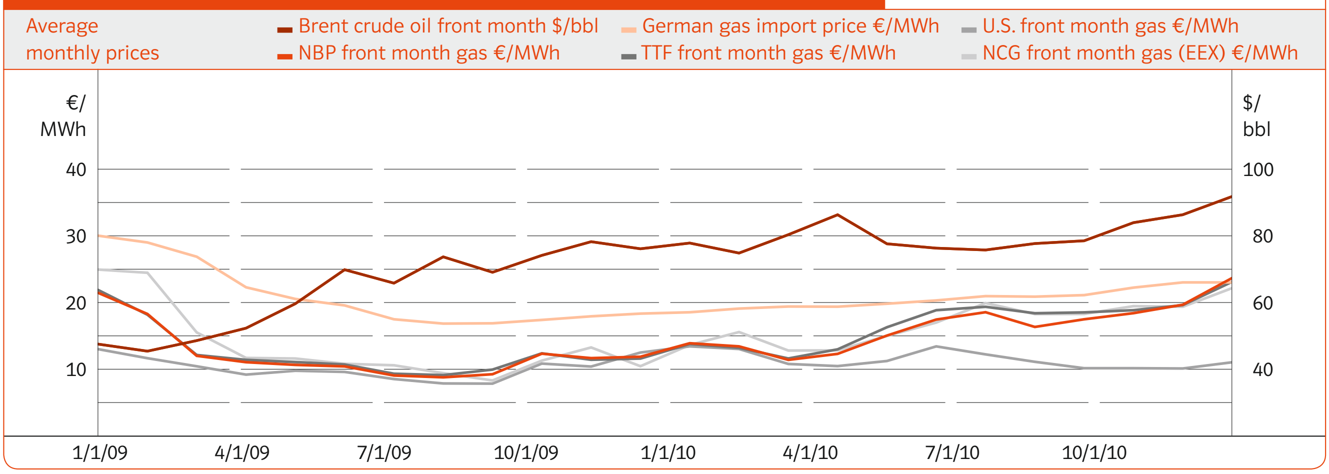


The German power market tracked economic trends and fuel prices. Prices for baseload electricity for 2011 delivery declined to €45 per MWh in the first quarter and recovered to €55 in the second quarter. Prices then fell back to about €51 owing to the commissioning of new thermal and renewable-source generating capacity and to the prospect of lifetime extensions for nuclear power stations in Germany. High output from solar facilities (Germany had roughly 15.5 GW of installed solar capacity as of October 2010) resulted in lower spot-market spreads between peak and off-peak electricity. U.K. electricity prices moved in a similar pattern but rose more steeply and fell less steeply through November because of relatively stable gas prices. They tracked rising gas prices near the end of the year and increased to just under €60 per MWh. Electricity prices in the Nordic market were influenced by production problems at Swedish nuclear plants, the lowest reservoir levels since 1996, and higher consumption than in the prior year. Electricity for next-year delivery began the year at around €42, rose dramatically from November, and finished the year at around €61. Spot prices rose at the same time, and the December average spot price of €82 was the highest monthly average of the year. The increase was driven by the further deterioration of the hydrological balance and by extremely cold temperatures.

First-half forward electricity prices in Spain and Italy moved in a pattern similar to prices in Northwestern Europe. After recovering during the second quarter, Spanish prices for next-year delivery remained stable at around €45 per MWh through November and then rose to €50 on the release of new regulated electricity tariffs. Italian prices tracked declining German prices from mid-year to November and then increased to about €72 at year-end on rising fuel prices.

Electricity demand in Russia was 4.4 percent above the prior-year figure. The average spot price on the liberalized wholesale electricity market rose to RUB 834 (around €21) per MWh in the European price zone and to RUB 486 (around €12) in the Siberian price zone. Support came from higher fuel prices, extremely high summer temperatures in the European zone, and production constraints at power stations. The liberalization of Russia's wholesale electricity market was completed effective January 1, 2011, and the first auction on the capacity market was held.

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



## Attributable Generating Capacity

The E.ON Group's attributable generating capacity increased by 4 percent, from 65,829 MW at year-end 2009 to 68,475 MW at year-end 2010.

Central Europe's attributable generating capacity increased by 4 percent to 29,626 MW (prior year: 28,407 MW), mainly because of the commissioning of units 7 and 8 at Émile Huchet power station, unit 5 at Irsching power station, and a new unit at Plattling.

U.K.'s attributable generating capacity was 10,330 MW, the same as at year-end 2009.

Nordic had 6,829 MW of attributable generating capacity, nearly unchanged from year-end 2009 (6,842 MW).

The attributable generating capacity reported in the New Markets segment totaled 21,690 MW (prior year: 20,250 MW), with the following breakdown: Climate & Renewables 3,600 MW (2,957 MW), Russia 8,646 MW (8,264 MW), Italy 6,091 (5,676 MW), and Spain unchanged at 3,353 MW.

Climate & Renewables' attributable generating capacity increased by about 22 percent, or 643 MW, predominantly because of new wind farms onshore in the United States and offshore in Europe.

Russia's attributable generation capacity increased by 382 MW, owing mainly to the commissioning of a new CCGT at Shaturskaya power station.

Italy's attributable generating capacity increased by 415 MW, primarily because of the commissioning of a new 407 MW CCGT in Scandale.

**Attributable Generating Capacity**

| December 31, 2010, MW | Central Europe | U.K. | Nordic | New Markets | E.ON Group |
|---|---|---|---|---|---|
| Nuclear | 8,555 | – | – | – | 8,555 |
| Lignite | 852 | – | – | – | 852 |
| Hard coal | 6,016 | – | – | – | 6,016 |
| Natural gas | 3,786 | – | – | – | 3,786 |
| Oil | 1,095 | – | – | – | 1,095 |
| Hydro | 2,490 | – | – | – | 2,490 |
| Wind | 10 | – | – | 197 | 207 |
| Other | 344 | – | – | – | 344 |
| **Germany** | **23,148** | **–** | **–** | **197** | **23,345** |
| Nuclear | – | – | 2,774 | – | 2,774 |
| Lignite | 62 | – | – | 1,418 | 1,480 |
| Hard coal | 3,988 | 4,910 | – | 2,032 | 10,930 |
| Natural gas | 2,363 | 3,506 | 624 | 13,098 | 19,591 |
| Oil | – | 1,300 | 1,440 | 305 | 3,045 |
| Hydro | 31 | – | 1,765 | 1,262 | 3,058 |
| Wind | 2 | – | – | 3,320 | 3,322 |
| Other | 32 | 614 | 226 | 58 | 930 |
| **Outside Germany** | **6,478** | **10,330** | **6,829** | **21,493** | **45,130** |
| **E.ON Group** | **29,626** | **10,330** | **6,829** | **21,690** | **68,475** |

## Power Procurement

The E.ON Group's owned generation increased by 2 percent, from 270 billion kWh in 2009 to 275.5 billion kWh in 2010. Power procured increased by 44 percent to 776.1 billion kWh. Renewables accounted for about 10 percent of our owned generation.

The increase in Central Europe's owned generation is attributable to the commissioning of gas-fired generating units, particularly at sites in Germany (Irsching and Plattling) and France (Émile Huchet). These units more than offset the reduction in Central Europe's power capacity in line with E.ON's commitment to the European Commission.

**Power Procured**

| | Central Europe | | U.K. | | Nordic | | Energy Trading | | New Markets | | Consolidation | | E.ON Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Billion kWh | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Owned generation | 133.8 | 130.4 | 28.8 | 32.8 | 24.3 | 19.0 | – | – | 88.6 | 87.8 | – | – | 275.5 | 270.0 |
| Purchases | 274.3 | 260.6 | 52.5 | 48.8 | 29.7 | 27.3 | 804.9 | 578.8 | 28.0 | 40.3 | -413.3 | -417.4 | 776.1 | 538.4 |
| *Jointly owned power plants* | *3.2* | *5.4* | *0.8* | *1.6* | *9.0* | *8.0* | *–* | *–* | *–* | *0.5* | *–* | *–* | *13.0* | *15.5* |
| *Energy Trading/ outside sources* | *271.1* | *255.2* | *51.7* | *47.2* | *20.7* | *19.3* | *804.9* | *578.8* | *28.0* | *39.8* | *-413.3* | *-417.4* | *763.1* | *522.9* |
| **Total** | **408.1** | **391.0** | **81.3** | **81.6** | **54.0** | **46.3** | **804.9** | **578.8** | **116.6** | **128.1** | **-413.3** | **-417.4** | **1,051.6** | **808.4** |
| Station use, line loss, etc. | -11.9 | -13.0 | -3.5 | -3.6 | -1.8 | -1.8 | – | – | -4.0 | -4.5 | – | – | -21.2 | -22.9 |
| **Power sales** | **396.2** | **378.0** | **77.8** | **78.0** | **52.2** | **44.5** | **804.9** | **578.8** | **112.6** | **123.6** | **-413.3** | **-417.4** | **1,030.4** | **785.5** |

U.K. generated 28.8 billion kWh of electricity at its own power plants in 2010, about 12 percent less than in 2009 (32.8 billion kWh). The reduction is mainly attributable to lower market spreads which made our U.K. fleet less economic to operate.

Nordic's owned generation increased by 5.3 billion kWh, mainly due to higher output from nuclear assets (+3.6 billion kWh) and from the new CHP unit in Malmö (+1.5 billion kWh).

The breakdown of New Markets' owned generation of 88.6 billion kWh (prior year: 87.8 billion kWh) is:

- Climate & Renewables 7.9 billion kWh (5.2 billion kWh)
- Russia 55.8 billion kWh (53.9 billion kWh)
- Italy 14.9 billion kWh (16.5 billion kWh)
- Spain 10 billion kWh (12.2 billion kWh).

Climate & Renewables' owned generation was 52 percent higher than the prior-year figure. Wind farms accounted for 97 percent of its owned generation, with biomass and micro-hydro facilities accounting for the rest.

**Owned Generation by Energy Source**

| | Central Europe | | U.K. | | Nordic | | New Markets | | E.ON Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| Billion kWh | 2010 | % | 2010 | % | 2010 | % | 2010 | % | 2010 | % |
| Nuclear | 59.9 | 45 | – | – | 12.1 | 50 | – | – | 72.0 | 26 |
| Lignite | 5.2 | 4 | – | – | – | – | 9.3 | 10 | 14.5 | 5 |
| Hard coal | 40.2 | 30 | 13.7 | 48 | – | – | 7.9 | 9 | 61.8 | 23 |
| Natural gas/oil | 17.6 | 13 | 15.1 | 52 | 3.2 | 13 | 60.2 | 68 | 96.1 | 35 |
| Hydro | 5.6 | 4 | – | – | 8.0 | 33 | 3.3 | 4 | 16.9 | 6 |
| Wind | – | – | – | – | – | – | 7.7 | 9 | 7.7 | 3 |
| Other | 5.3 | 4 | – | – | 1.0 | 4 | 0.2 | – | 6.5 | 2 |
| **Total** | **133.8** | **100** | **28.8** | **100** | **24.3** | **100** | **88.6** | **100** | **275.5** | **100** |

Russia generated 55.8 billion kWh (about 91 percent of its total needs of 61.1 billion kWh) at its own power stations and procured 5.3 billion kWh from outside sources.

Italy met 14.9 billion kWh, or 49 percent, of its total needs of 30.5 billion kWh from its own power plants. The prior-year figure includes 1.8 billion kWh of generation from assets carved out to A2A effective the end of June 2009. Italy procured 15.6 billion kWh of power on the market. It purchased 1.6 billion kWh from E.ON Energy Trading S.p.A., mainly for sales activities.

Spain generated 63 percent of its total needs of 15.8 billion kWh with electricity from its own power plants, less than in the prior year (70 percent). The decrease reflects a selective deployment of the generation portfolio in a market characterized by narrower spreads. The 2.2 billion kWh reduction in owned generation was partially offset by an increase of 0.6 billion kWh in power procured from outside sources.

## Gas Procurement

E.ON Ruhrgas procured about 684.5 billion kWh of natural gas from producers in and outside Germany in 2010, about 10 percent more than in 2009. The biggest suppliers were Russia (which accounted for 27 percent), Norway (25 percent), Germany (23 percent), and the Netherlands (17 percent).

Pan-European Gas's gas production in the North Sea rose by just under 7 percent year on year to 1,513 million cubic meters, primarily because of very good output at Rita field and the start of production at Babbage field in the British North Sea. Liquid and condensates production of 5.2 million barrels was slightly lower, mainly due to a natural production decline at older fields. In addition to its North Sea production, Pan-European Gas had 6 billion cubic meters of production from Yuzhno Russkoye, which was acquired in late 2009 and is accounted for using the equity method. Pan-European Gas's own gas production thus increased by about 75 percent relative to the prior year.

| Upstream Production | 2010 | 2009 | +/- % |
|---|---|---|---|
| Liquids/oil (million barrels) | 5.2 | 5.5 | -4 |
| Gas (million standard cubic meters) | 1,513 | 1,420 | +7 |
| **Total (million barrels of oil equivalent)** | **14.8** | **14.4** | **+2** |

## Trading Volume

To execute its procurement and sales mission for the E.ON Group, Energy Trading traded the following financial and physical quantities:

| Trading Volume | 2010 | 2009 |
|---|---|---|
| Power (billion kWh) | 1,472 | 1,240 |
| Gas (billion kWh) | 2,005 | 1,498 |
| Carbon allowances (million metric tons) | 650 | 501 |
| Oil (million metric tons) | 72 | 69 |
| Coal (million metric tons) | 289 | 223 |

## Power Sales

On a consolidated basis, the E.ON Group increased its power sales by 31 percent, from 785.5 billion kWh in 2009 to 1,030.4 billion kWh in 2010. Power sales to end-customers and resellers rose by 6 percent to 332.3 billion kWh.

The increase in Central Europe's power sales was mainly due to procurement rights from power stations outside Germany obtained through asset swaps in line with E.ON's commitment to the European Commission in 2008. In addition, the onset of the economic recovery had a positive impact on demand from industrial and commercial ("I&C") customers.

U.K.'s sales to residential and small and medium-sized ("SME") customers increased by 6 percent. The increase in sales due to cold weather was partly offset by reduced customer numbers and energy-efficiency measures. Electricity sales to I&C customers increased by 18 percent, largely as a result of successful sales rounds.

Nordic sold 7.7 billion kWh more electricity, mainly due to colder weather and higher production volumes. Sales to retail customers, sales partners (including minority shareholders of nuclear power plants), and Energy Trading increased, whereas sales to I&C customers were on par with the prior-year figure.

The breakdown of New Markets' power sales of 112.6 billion kWh (prior year: 123.6 billion kWh) is:

- Climate & Renewables 9.2 billion kWh (6.4 billion kWh)
- Russia 59.3 billion kWh (57.3 billion kWh)
- Italy 29.8 billion kWh (44.2 billion kWh)
- Spain 14.3 billion kWh (15.7 billion kWh).

Climate & Renewables sold its power exclusively in non-regulated markets. Its power sales rose by 44 percent, mainly because of an increase in owned generation.

**Power Sales**

| | Central Europe | | U.K. | | Nordic | | Energy Trading | | New Markets | | Consolidation | | E.ON Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Billion kWh | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Residential and SME | 45.8 | 46.3 | 28.9 | 27.3 | 8.7 | 7.1 | – | – | 7.3 | 6.9 | – | – | 90.7 | 87.6 |
| I&C | 81.2 | 75.3 | 19.4 | 16.4 | 10.8 | 10.8 | – | – | 10.7 | 10.1 | – | – | 122.1 | 112.6 |
| Sales partners | 111.2 | 105.9 | – | – | 5.5 | 4.2 | – | – | 2.8 | 3.5 | – | – | 119.5 | 113.6 |
| **Customer segments** | **238.2** | **227.5** | **48.3** | **43.7** | **25.0** | **22.1** | **–** | **–** | **20.8** | **20.5** | **–** | **–** | **332.3** | **313.8** |
| Wholesale market/ Energy Trading | 158.0 | 150.5 | 29.5 | 34.3 | 27.2 | 22.4 | 804.9 | 578.8 | 91.8 | 103.1 | -413.3 | -417.4 | 698.1 | 471.7 |
| **Total** | **396.2** | **378.0** | **77.8** | **78.0** | **52.2** | **44.5** | **804.9** | **578.8** | **112.6** | **123.6** | **-413.3** | **-417.4** | **1,030.4** | **785.5** |

Russia sold 59.3 billion kWh on the wholesale market, over 3 percent more than in 2009. The main factors were harsh weather conditions in 2010 and higher output at Surgutskaya power station due to maintenance rescheduling.

Lower sales to Energy Trading and the carve-out of assets to A2A were the main reasons for the decline in Italy's power sales, which had the following breakdown by customer segment: 4.7 billion kWh to residential and SME customers, 6.4 billion kWh to I&C customers, 1.8 billion kWh to sales partners, 14.9 billion kWh to the wholesale market, and 2 billion kWh to E.ON Energy Trading S.p.A.

Spain's power sales declined by 1.4 billion kWh, mainly because of lower sales on the wholesale market due to the above-mentioned narrower spreads.

## Gas Sales

On a consolidated basis, the E.ON Group's natural gas sales in 2010 increased by 135.9 billion kWh relative to the prior-year figure.

**Gas Sales**

| Billion kWh | 2010 | 2009 | +/- % |
|---|---|---|---|
| Regional/municipal gas companies | 434.4 | 386.6 | +12 |
| Industrial customers | 94.9 | 78.1 | +22 |
| Outside Germany | 166.1 | 144.4 | +15 |
| **E.ON Ruhrgas AG sales** | **695.4** | **609.1** | **+14** |
| Sales of other shareholdings | 135.5 | 151.7 | -11 |
| Pan-European Gas internal sales | -73.7 | -49.2 | – |
| **Pan-European Gas sales** | **757.2** | **711.6** | **+6** |
| *Intragroup sales* | *-233.8* | *-187.9* | – |
| Other market units | 819.0 | 682.8 | +20 |
| **E.ON Group** | **1,342.4** | **1,206.5** | **+11** |

The increase in Central Europe's gas sales volume is mainly attributable to the inclusion, effective January 1, 2010, of new companies in the Central Europe East reporting unit.

E.ON Ruhrgas sold about 86 billion kWh more gas in 2010 than in 2009. The volume increase had the following main drivers. Cold weather, particularly in the first and fourth quarters, had a positive impact on sales volume to resellers (regional gas companies and municipal utilities). In addition, the onset of economic recovery had a positive effect on gas demand from industrial customers that E.ON Ruhrgas supplies indirectly through resellers and on those it supplies directly. Higher sales to customers outside Germany accounted for about 22 billion kWh of E.ON Ruhrgas's total volume growth, with additional amounts being supplied mainly to customers in Luxembourg, Austria, and Sweden. An increase in short-term trading with Energy Trading was a further positive factor. Gas sales of other shareholdings were lower primarily due to a competition-driven decline in sales volume at E.ON Földgáz Trade in Hungary and to the absence of sales by the Thüga Group, which was sold in the fourth quarter of 2009.

U.K.'s gas sales to residential and SME customers increased by 13 percent. Most of this was due to very cold weather in the first and fourth quarters of 2010. The remainder is explained by increased customer numbers, partially offset by continuing energy-efficiency measures. Gas sales to I&C customers declined significantly owing to changes in the customer portfolio. This was slightly offset by the positive effect of the colder weather.

Nordic's gas sales were down by 0.3 billion kWh, due mainly to the loss of two large customers and to lower wholesale sales. This was partly offset by a weather-driven increase in sales. Heat sales of 8.8 billion kWh were up by 11 percent from the prior-year figure of 7.9 billion kWh, mainly because of colder weather.

In the New Markets segment, Italy sold a total of 17.8 billion kWh of natural gas (prior year: 25.7 billion kWh): 11.0 billion kWh to residential customers and SME, 3.5 billion kWh to I&C customers, and 3.3 billion kWh to the wholesale market. The decline mainly reflects a smaller I&C customer base and the fact that gas sales to sales partners were zero in 2010.

**Gas Sales (Excluding Pan-European Gas)**

| | Central Europe | | U.K. | | Nordic | | Energy Trading | | New Markets | | Consolidation | | E.ON Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Billion kWh | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Residential and SME | 64.5 | 58.1 | 59.9 | 52.8 | 0.3 | 0.2 | – | – | 11.0 | 10.3 | – | – | 135.7 | 121.4 |
| I&C | 68.2 | 60.1 | 14.5 | 18.5 | 3.8 | 4.0 | – | – | 3.5 | 7.4 | – | – | 90.0 | 90.0 |
| Sales partners | 20.6 | 22.9 | – | – | – | – | – | – | – | 2.4 | – | – | 20.6 | 25.3 |
| **Customer segments** | **153.3** | **141.1** | **74.4** | **71.3** | **4.1** | **4.2** | **–** | **–** | **14.5** | **20.1** | **–** | **–** | **246.3** | **236.7** |
| Wholesale market/ Energy Trading | 5.2 | 5.0 | – | – | 0.2 | 0.4 | 836.6 | 753.8 | 3.3 | 5.6 | -272.6 | -318.7 | 572.7 | 446.1 |
| **Total** | **158.5** | **146.1** | **74.4** | **71.3** | **4.3** | **4.6** | **836.6** | **753.8** | **17.8** | **25.7** | **-272.6** | **-318.7** | **819.0** | **682.8** |

## Business Development

In 2010, we, like many other energy companies, had to struggle with the effects of the economic crisis. Thanks to foresightful, prudent policymaking during the crisis, the economies of Germany and many countries in Northern Europe have recovered quickly and without lasting damage. But economic recovery in many other European countries has been sluggish. Europe's energy consumption and production remain markedly below pre-crisis levels. The energy industry has not completed the necessary process of adapting to its altered competitive environment. But E.ON responded early to these challenges. We therefore met our earnings targets, even in this difficult environment. Our 2010 adjusted EBIT of €9.5 billion was slightly above the high prior-year figure, and our adjusted net income of €4.9 billion was slighlty below the high prior-year level.

We executed the following significant transactions in 2010.

## Acquisitions, Disposals, and Discontinued Operations in 2010

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

### Discontinued Operations

In late April 2010, E.ON concluded agreements to sell the power and gas business of the U.S. Midwest market unit to Pennsylvania Power & Light Corporation. The transaction closed on November 1, 2010.

### Disposal Groups and Assets Held for Sale

In mid-December 2010, contractual agreements were concluded to sell the shares of E.ON Rete, which operates the Italian gas distribution network for the Italy market unit. The transaction is expected to close in the first half of 2011.

Following the disposal of the Thüga Group in 2009, our stakes in Stadtwerke Duisburg and Stadtwerke Karlsruhe held through the Pan-European Gas market unit were reclassified as assets held for sale. The Stadtwerke Karlsruhe transaction closed in early 2011. We expect to dispose of our Stadtwerke Duisburg stake in the first half of 2011.

After the disposal of the Thüga Group, in the third quarter of 2010 a concrete stage was reached in the negotiations to sell the 40-percent stake in HEAG Südhessische Energie that E.ON holds through the Pan-European Gas market unit. The transaction is expected to close in the first half of 2011.

In a portfolio-streamlining measure, E.ON sold its 50-percent stake in Europgas a.s. in the Czech Republic. The transaction closed in late July 2010.

Furthermore, E.ON decided to sell its roughly 21-percent stake in BKW FMB Energie of Switzerland. In July 2010, E.ON concluded the first part of the transaction by selling a roughly 14-percent stake.

In another portfolio-streamlining measure, E.ON sold most of its stake in Gazprom to Vnesheconombank of Russia.

E.ON's commitment to the European Commission to sell a variety of power capacity and its ultrahigh-voltage network in Germany took effect in December 2008. E.ON fulfilled this commitment in its entirety in April 2010.

These disposals resulted in cash-effective effects totaling €9,601 million in 2010 (prior year: €5,384 million).

## Sales

Our 2010 sales were higher mainly because Energy Trading recorded higher external sales as a result of an increase in its optimization activities. Currency-translation effects and higher prices at Nordic also had a positive effect.

Sales

| € in millions | 2010 | 2009 | +/- % |
|---|---|---|---|
| Central Europe | 42,651 | 41,419 | +3 |
| Pan-European Gas | 20,896 | 20,640 | +1 |
| U.K. | 10,547 | 10,097 | +4 |
| Nordic | 4,486 | 3,348 | +34 |
| Energy Trading | 47,948 | 41,251 | +16 |
| New Markets | 6,871 | 7,749 | -11 |
| Corporate Center | -40,536 | -44,530 | – |
| **Total** | **92,863** | **79,974** | **+16** |

## Central Europe

Central Europe's sales rose by €1.2 billion relative to the prior year.

| Sales € in millions | 2010 | 2009 | +/- % |
|---|---|---|---|
| Central Europe West | 38,844 | 39,715 | -2 |
| *Regulated* | *11,185* | *12,288* | *-9* |
| *Non-regulated* | *27,659* | *27,427* | *+1* |
| Central Europe East | 5,721 | 5,323 | +7 |
| Other/Consolidation | -1,914 | -3,619 | – |
| **Central Europe** | **42,651** | **41,419** | **+3** |

Central Europe West Regulated's sales were down by €1.1 billion. A primarily regulation-driven increase in network charges in the distribution network was not sufficient to offset the reduction in sales resulting from the disposal of our ultrahigh-voltage transmission system in late February 2010.

Central Europe West Non-regulated's sales rose by €0.2 billion, primarily because of the additional marketing of electricity from procurement rights from nuclear power stations outside Germany and the commissioning of new generating units. Lower gas prices and the disposal of power capacity in line with E.ON's commitment to the European Commission were the main negative factors.

Central Europe East's sales rose by €0.4 billion, owing mainly to the inclusion of new gas companies at this reporting unit.

The disposal of our ultrahigh-voltage transmission system in late February 2010 meant that fewer intrasegment sales were netted out, resulting in an increase of €1.7 billion in sales reported under Other/Consolidation.

## Pan-European Gas

Pan-European Gas's sales rose by 1 percent to €20.9 billion (prior year: €20.6 billion).

| Sales € in millions | 2010 | 2009 | +/- % |
|---|---|---|---|
| Regulated | 4,598 | 4,647 | -1 |
| Non-regulated | 18,691 | 17,659 | +6 |
| Other/Consolidation | -2,393 | -1,666 | – |
| **Pan-European Gas** | **20,896** | **20,640** | **+1** |

Regulated's sales fell by €49 million, or 1 percent, in particular because of lower sales volume at E.ON Földgáz Trade in Hungary. The transport business posted higher sales owing to an increase in sales of control and balancing energy. This effect was partially mitigated by a reduction in sales for transport services following the introduction of cost-based charges.

Non-regulated's sales rose by €1 billion, or 6 percent. Upstream sales were sharply higher, owing in particular to the inclusion of Yuzhno Russkoye gas field in Siberia for the entire year and to energy-price movements in the United Kingdom and Norway. Sales at the gas wholesale business were up slightly, although the effect of significantly higher sales volume was almost entirely offset by adverse price movements.

In the prior year, Other/Consolidation included the sales of Thüga, which was sold in late 2009.

## U.K.

U.K.'s sales increased by €450 million in reporting currency and £52 million in local currency.

| Sales € in millions | 2010 | 2009 | +/- % |
|---|---|---|---|
| Regulated | 792 | 717 | +10 |
| Non-regulated | 9,909 | 9,526 | +4 |
| Other/Consolidation | -154 | -146 | – |
| **U.K.** | **10,547** | **10,097** | **+4** |
| £ in millions | | | |
| Regulated | 680 | 639 | +6 |
| Non-regulated | 8,500 | 8,488 | – |
| Other/Consolidation | -132 | -131 | – |
| **U.K.** | **9,048** | **8,996** | **+1** |

Regulated's sales increased by €75 million because of increased tariffs and higher volumes, in addition to currency movements. Non-regulated's sales increased by €383 million, largely because of currency movements.

## Nordic

Nordic's sales increased by €1,138 million, or 34 percent. In local currency, sales were up by 20 percent.

| Sales | | | |
|---|---|---|---|
| € in millions | 2010 | 2009 | +/- % |
| Regulated | 944 | 728 | +30 |
| Non-regulated | 3,530 | 2,616 | +35 |
| Other/Consolidation | 12 | 4 | – |
| **Nordic** | **4,486** | **3,348** | **+34** |
| SEK in millions | | | |
| Regulated | 9,002 | 7,731 | +16 |
| Non-regulated | 33,666 | 27,782 | +21 |
| Other/Consolidation | 118 | 43 | – |
| **Nordic** | **42,786** | **35,556** | **+20** |

Regulated's sales increased by €216 million to €944 million primarily because of a weather-driven increase in sales volume and higher tariffs. Power distribution tariffs were raised effective January 1 to cover the higher costs of other system operators (particularly Svenska Kraftnät) and substantial investments in network reliability. Currency-translation effects constituted another positive factor.

Non-regulated's sales increased by €914 million, mainly because of higher retail prices, higher market-based transfer prices in the generation business, and positive currency-translation effects.

## Energy Trading

Energy Trading recorded sales of €48 billion. This increase compared with the prior-year figure is due to higher market prices, mainly in the outright portfolios. Sales from proprietary trading are shown net, along with the associated cost of materials, in the Consolidated Statements of Income. This method resulted in the disclosure of negative sales.

| Sales | | | |
|---|---|---|---|
| € in millions | 2010 | 2009 | +/- % |
| Proprietary trading | -36 | 190 | – |
| Optimization | 47,984 | 41,061 | +17 |
| **Energy Trading** | **47,948** | **41,251** | **+16** |

## New Markets

Sales in this segment declined by 11 percent to €6.9 billion.

| Sales | | | |
|---|---|---|---|
| € in millions | 2010 | 2009 | +/- % |
| Climate & Renewables | 666 | 466 | +43 |
| Russia | 1,252 | 973 | +29 |
| *RUB in millions* | *50,344* | *42,931* | *+17* |
| Italy | 3,564 | 4,964 | -28 |
| Spain | 1,389 | 1,346 | +3 |
| **New Markets** | **6,871** | **7,749** | **-11** |

Climate & Renewables' sales increased by 43 percent. The main factors were a significant increase in installed capacity, predominantly in the United States, and a fully operational portfolio in Italy in 2010.

Russia's sales rose by 29 percent owing to higher electricity prices on the liberalized electricity market supported by signs of economic recovery and harsh weather conditions. Higher output at Surgutskaya power station also had a positive impact on sales, as did the ruble's appreciation against the euro.

Italy's sales declined owing to lower sales volumes to Energy Trading. Another factor was that the prior-year figure included €137 million in sales from assets carved out to A2A at the end of June 2009.

Spain's sales increased because of the consolidation of operations in Argentina.

## Corporate Center

The figure recorded under Corporate Center reflects, in particular, the intragroup offsetting of sales between our European market units and Energy Trading.

### Development of Significant Line Items of the Consolidated Statements of Income

Own work capitalized increased by 11 percent, or €56 million, to €588 million (prior year: €532 million). This is chiefly attributable to engineering services performed in our network business in conjunction with new-build projects.

Other operating income declined by 36 percent to €15,961 million (prior year: €24,942 million). Lower income from exchange-rate differences of €5,177 million (€10,849 million) and from derivative financial instruments of €6,046 million (€7,458 million) were the main negative factors. In derivative financial instruments, there were significant effects from commodity derivatives, as in the prior year. These principally affected our coal, oil, and natural gas positions. Countervailing effects were recorded under other operating expenses. Gains on the disposal of securities, shareholdings, and fixed assets—primarily through the sale of our Gazprom stake and the disposal of power capacity and our ultrahigh-voltage transmission system (transpower) in line with our commitment to the European Commission—amounted to €3,478 million (€5,307 million). Miscellaneous other operating income consisted primarily of reductions of valuation allowances and provisions, and compensation payments received for damages.

Costs of materials rose by €12,552 million to €73,575 million (prior year: €61,023 million), in particular due to an increase in business volume.

Personnel costs increased by €123 million to €5,281 million.

Depreciation charges rose significantly to €6,457 million (prior year: €3,806 million), primarily because of impairment charges of about €1.1 billion on goodwill and about €1.5 billion on other assets, mainly at operations in Italy, Spain, and France acquired from Enel/Acciona and Endesa (see commentary in Note 14 to the Consolidated Financial Statements).

Other operating expenses declined by 40 percent, or €8,887 million, to €13,597 million (prior year: €22,484 million). This is mainly attributable to lower expenses relating to currency differences of 4,936 million (€11,095 million) and lower expenses relating to derivative financial instruments of €3,559 million (€5,701 million).

Income from companies accounted for under the equity method was €663 million compared with €941 million in 2009. The decline is primarily attributable to the absence of income from Thüga shareholdings that we sold in the fourth quarter of 2009.

## Adjusted EBIT

Adjusted EBIT was, until year-end 2010, E.ON's key figure for purposes of internal management control and as an indicator of a business's long-term earnings power. It is derived from income/loss from continuing operations before interest and taxes and adjusted to exclude certain extraordinary items. The adjustments include book gains and losses on disposals and other non-operating income and expenses of a non-recurring or rare nature (see commentary in Note 23 to the Consolidated Financial Statements).

Our 2010 adjusted EBIT surpassed the prior-year figure by €163 million, despite the loss of earnings due to the disposal of power capacity, the ultrahigh-voltage transmission system, and Thüga shareholdings. The main drivers were:

- higher tariffs and sales volume in the regulated business, colder weather, and operating improvements at U.K.
- higher sales volume and higher tariffs at Nordic
- wider margins at Energy Trading
- an increase in generating capacity at Climate & Renewables and wider margins at Russia.

**Adjusted EBIT**

| € in millions | 2010 | 2009 | +/- % |
|---|---|---|---|
| Central Europe | 4,743 | 4,832 | -2 |
| Pan-European Gas | 1,471 | 1,754 | -16 |
| U.K. | 890 | 649 | +37 |
| Nordic | 580 | 549 | +6 |
| Energy Trading | 1,196 | 949 | +26 |
| New Markets | 908 | 862 | +5 |
| Corporate Center | -334 | -304 | – |
| **Total** | **9,454** | **9,291** | **+2** |

### Central Europe

Central Europe's adjusted EBIT declined by €89 million.

**Central Europe**

| | Adjusted EBITDA | | Adjusted EBIT | |
|---|---|---|---|---|
| € in millions | 2010 | 2009 | 2010 | 2009 |
| Central Europe West | 5,499 | 5,786 | 4,239 | 4,583 |
| *Regulated* | *1,923* | *1,688* | *1,289* | *1,061* |
| *Non-regulated* | *3,576* | *4,098* | *2,950* | *3,522* |
| Central Europe East | 795 | 641 | 499 | 359 |
| Other/Consolidation | 168 | 39 | 5 | -110 |
| **Total** | **6,462** | **6,466** | **4,743** | **4,832** |

Central Europe West Regulated's adjusted EBIT was adversely affected by the disposal of our ultrahigh-voltage transmission system in late February 2010. But this was more than offset, in particular by a regulation-driven increase in power and gas network charges. Adjusted EBIT surpassed the prior-year figure by €228 million.

Central Europe West Non-regulated's adjusted EBIT declined by €572 million. The absence of earnings streams due in part to the disposal of generating capacity along with narrower margins in the gas business was not entirely offset by efficiency improvements and the commissioning of new generating units.

Central Europe East's adjusted EBIT rose by €140 million. The increase resulted from positive energy-related earnings, the inclusion of new gas companies, less adverse impact from the recession, and positive currency-translation effects.

Adjusted EBIT recorded under Other/Consolidation increased to €5 million, owing in part to the absence of adverse earnings effects recorded in the prior-year period in conjunction with the economic and financial crisis.

## Pan-European Gas

Pan-European Gas's adjusted EBIT declined by €283 million, or 16 percent, to €1,471 million.

| Pan-European Gas | Adjusted EBITDA | | Adjusted EBIT | |
|---|---|---|---|---|
| € in millions | 2010 | 2009 | 2010 | 2009 |
| Regulated | 690 | 918 | 538 | 761 |
| Non-regulated | 1,375 | 1,085 | 967 | 751 |
| Other/Consolidation | -34 | 272 | -34 | 242 |
| **Pan-European Gas** | **2,031** | **2,275** | **1,471** | **1,754** |

Regulated's adjusted EBIT declined by €223 million, or 29 percent, to €538 million. Earnings at the transport business were down, mainly due to the application of cost-based charges effective October 1, 2009, and to lower equity earnings from associated companies. E.ON Ruhrgas International recorded a decline in earnings. Lower equity earnings from associated companies were partially offset by higher book gains on asset sales. Earnings at E.ON Földgáz Trade were lower because of the revenue-based crisis tax Hungary introduced in 2010 for the period 2010 to 2012.

Non-regulated's adjusted EBIT improved by €216 million, owing in particular to the exploration business. The upstream business benefited from the inclusion of Yuzhno Russkoye gas field for the entire year and from higher oil prices. At E.ON Ruhrgas's gas wholesale business, the positive effect of higher sales volume was largely offset by competition-driven pressure on sales prices, in particular since the start of the new gas industry year on October 1, 2010. The dividend on our Gazprom stake was higher than in the prior year.

In the prior year, Other/Consolidation included the earnings of Thüga, which was sold in late 2009.

## U.K.

U.K.'s adjusted EBIT increased by €241 million.

| U.K. | Adjusted EBITDA | | Adjusted EBIT | |
|---|---|---|---|---|
| € in millions | 2010 | 2009 | 2010 | 2009 |
| Regulated | 583 | 525 | 456 | 407 |
| Non-regulated | 843 | 613 | 527 | 308 |
| Other/Consolidation | -84 | -58 | -93 | -66 |
| **Total** | **1,342** | **1,080** | **890** | **649** |
| £ in millions | | | | |
| Regulated | 500 | 468 | 391 | 363 |
| Non-regulated | 723 | 546 | 452 | 275 |
| Other/Consolidation | -73 | -52 | -80 | -59 |
| **Total** | **1,150** | **962** | **763** | **579** |

Regulated's adjusted EBIT increased by €49 million because of tariff increases and higher sales volumes.

Non-regulated's adjusted EBIT increased by €219 million, predominantly because of efficiency improvements and a combination of higher demand throughout the year due to colder weather and lower wholesale costs during the first half of 2010.

## Nordic

Nordic's adjusted EBIT increased by €31 million, or 6 percent, in reporting currency and declined by 5 percent in local currency.

| Nordic | Adjusted EBITDA | | Adjusted EBIT | |
|---|---|---|---|---|
| € in millions | 2010 | 2009 | 2010 | 2009 |
| Regulated | 448 | 342 | 313 | 226 |
| Non-regulated | 530 | 514 | 299 | 348 |
| Other/Consolidation | -3 | 9 | -32 | -25 |
| **Total** | **975** | **865** | **580** | **549** |
| SEK in millions | | | | |
| Regulated | 4,276 | 3,633 | 2,988 | 2,401 |
| Non-regulated | 5,054 | 5,458 | 2,856 | 3,698 |
| Other/Consolidation | -28 | 94 | -317 | -269 |
| **Total** | **9,302** | **9,185** | **5,527** | **5,830** |

Regulated's adjusted EBIT rose by €87 million, or 38 percent, owing primarily to a weather-driven increase in sales volume and tariff increases. Currency-translation effects constituted another positive factor.

Non-regulated's adjusted EBIT decreased by €49 million, or 14 percent, mainly because of increased provisions in the nuclear business, which were only partly offset by higher market-based transfer prices and higher sales volumes. Currency-translation effects constituted another positive factor.

## Energy Trading

Energy Trading recorded an adjusted EBIT of €1,196 million. Optimization, whose main purpose is to limit risks and to optimize the deployment of the E.ON Group's generation and production assets, contributed €1,303 million, mainly because of higher margins in the power and gas portfolio. Proprietary Trading, which recorded a loss of €107 million, was adversely affected by a challenging market environment.

| Energy Trading | Adjusted EBITDA | | Adjusted EBIT | |
|---|---|---|---|---|
| € in millions | 2010 | 2009 | 2010 | 2009 |
| Proprietary trading | -105 | 127 | -107 | 124 |
| Optimization | 1,310 | 834 | 1,303 | 825 |
| **Total** | **1,205** | **961** | **1,196** | **949** |

## New Markets

New Markets' adjusted EBIT rose by 5 percent to €908 million.

| New Markets | Adjusted EBITDA | | Adjusted EBIT | |
|---|---|---|---|---|
| € in millions | 2010 | 2009 | 2010 | 2009 |
| Climate & Renewables | 452 | 293 | 240 | 146 |
| Russia | 377 | 203 | 250 | 73 |
| *RUB in millions* | *15,180* | *8,959* | *10,062* | *3,209* |
| Italy | 526 | 821 | 297 | 540 |
| Spain | 231 | 227 | 121 | 103 |
| **Total** | **1,586** | **1,544** | **908** | **862** |

Climate & Renewables' adjusted EBIT was considerably higher, owing mainly to a significant increase in installed generating capacity.

Russia's adjusted EBIT rose by €177 million, mainly because of an improved energy margin.

Italy posted an adjusted EBIT of €297 million. The decline is primarily attributable to a one-off effect in the prior year relating to the renegotiation of power contracts and to the carve-out of assets to A2A in late June 2009.

Spain recorded an adjusted EBIT of €121 million, of which €47 million came from its generation business and €77 million from its distribution business. Wider margins in the distribution business constituted the main positive factor. The consolidation of operations in Argentina formly part of U.S. Midwest added €7 million.

## Net Income

Net income attributable to shareholders of E.ON AG of €5.9 billion and corresponding earnings per share of €3.07 were 30 and 31 percent, respectively, lower than the prior-year figures of €8.4 billion and €4.42.

| Net Income | | | |
|---|---|---|---|
| € in millions | 2010 | 2009 | +/- % |
| **Adjusted EBIT** | **9,454** | **9,291** | **+2** |
| Adjusted interest expense (net) | -2,257 | -2,201 | – |
| Net book gains | 2,873 | 4,815 | – |
| Restructuring and cost-management expenses | -621 | -443 | – |
| Other non-operating earnings | -386 | 38 | – |
| **Income/loss from continuing operations before income taxes** | **9,063** | **11,500** | **-21** |
| Income taxes | -1,946 | -2,858 | – |
| **Income/loss from continuing operations** | **7,117** | **8,642** | **-18** |
| Income/loss from discontinued operations, net | -836 | 27 | – |
| **Net income** | **6,281** | **8,669** | **-28** |
| *Shareholders of E.ON AG* | *5,853* | *8,420* | *-30* |
| *Minority interests* | *428* | *249* | *+72* |

Our adjusted interest expense (net) of €2,257 million was on par with the prior-year figure (€2,201 million). Among the negative factors was the non-recurring recognition of the adverse interest effect on prepayments to a fund to support renewables. The main positive factor was lower interest expenditures due to the decrease in our net debt over the course of the year.

| Adjusted Interest Expense (Net) | | |
|---|---|---|
| € in millions | 2010 | 2009 |
| Interest expense shown in Consolidated Statements of Income | -2,303 | -2,273 |
| Interest income (-)/expense (+) not affecting net income | 46 | 72 |
| **Total** | **-2,257** | **-2,201** |

Net book gains in 2010 were €1.9 billion below the prior-year level. This is attributable to the sale of power capacity in line with our commitment to the European Commission. The resulting book gains were considerably higher in 2009 than in 2010. The figure for 2010 includes the book gains on the sale of Gazprom equity and of our ultrahigh-voltage transmission system (transpower).

Restructuring and cost-management expenditures rose by about €178 million. As in the prior year, a significant portion of these expenditures resulted from restructuring measures at our regional utilities in Germany and from the continued implementation of the changes to the E.ON Group's organizational structure decided on in 2008. In addition, our PerformtoWin project led to higher costs in 2010 than in 2009.

Other non-operating earnings primarily reflect impairment charges of about €1.1 billion on goodwill and about €1.5 billion on other assets at operations in Italy, Spain, and France acquired from Enel/Acciona and Endesa (see Note 14 to the Consolidated Financial Statements). The marking to market of derivatives resulted in a positive effect of about €2.7 billion at December 31, 2010, compared with about €1.1 billion at December 31, 2009. We use derivatives to shield our operating business from price fluctuations. In addition, the prior-year figure was adversely affected by the fine of €553 million for alleged market sharing between E.ON Ruhrgas and GdF Suez.

Our continuing operations recorded a tax expense of €1.9 billion in 2010. Our effective tax rate was 22 percent compared with 25 percent in 2009. The decline resulted mainly from a higher share of tax-free earnings, in particular from the sale of Gazprom equity.

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

## Adjusted Net Income

Net income reflects not only our operating performance but also special effects such as the marking to market of derivatives. Adjusted net income is an earnings figure after interest income, income taxes, and minority interests that has been adjusted to exclude certain special effects. In addition to the marking to market of derivatives, the adjustments include book gains and book losses on disposals, restructuring expenses, other non-operating income and expenses (after taxes and minority interests) of a special or rare nature. Adjusted net income also excludes income/loss from discontinued operations and from the cumulative effect of changes in IFRS principles (after taxes and minority interests), as well as special tax effects.

**Adjusted Net Income**

| € in millions | 2010 | 2009 | +/- % |
|---|---|---|---|
| Net income attributable to shareholders of E.ON AG | 5,853 | 8,420 | -30 |
| Net book gains | -2,873 | -4,815 | – |
| Restructuring and cost-management expenses | 621 | 443 | – |
| Other non-operating earnings | 386 | -38 | – |
| Taxes and minority interests on non-operating earnings | 171 | 1,130 | – |
| Special tax effects | -112 | -20 | – |
| Income/loss from discontinued operations, net | 836 | -23 | – |
| **Total** | **4,882** | **5,097** | **-4** |

## ROCE and Value Added

### Group-wide Value-Oriented Management Approach

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

In addition to adjusted EBIT, which until year-end 2010 was our most import key figure for purposes of internal management control, we also use return on capital employed ("ROCE") and value added to monitor the value performance of our operating business. To monitor the periodic performance of our business segments, we compare each segment's ROCE with its business-specific cost of capital. In addition to ROCE, which is a relative performance metric, we also measure performance using valued added, which is an absolute performance metric.

### Cost of Capital

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

Because of significant changes to these parameters, we adjusted our cost of capital in 2010.

The table on the next page illustrates the derivation of cost of capital before and after taxes. The reduction in cost of capital relative to the prior year is mainly attributable to lower market interest-rate levels. The E.ON Group's debt-to-equity ratio is unchanged at 35 to 65. This figure reflects a target capital structure derived from a level of debt commensurate with E.ON's target rating and from the market value of E.ON's equity.

On balance, the changes to the parameters reduced the E.ON Group's pretax cost of capital from 9.1 percent in 2009 to 8.3 percent in 2010. After-tax cost of capital declined from 6.7 percent to 6.1 percent. We also adjusted the market units' respective minimum ROCE requirements, which for 2010 ranged from 8.2 percent to 10.6 percent before taxes.

**Cost of Capital**

| | 2010 | 2009 |
|---|---|---|
| Risk-free interest rate | 4.0% | 4.5% |
| Market premium[1] | 4.0% | 4.0% |
| Beta factor[2] | 0.84 | 0.88 |
| **Cost of equity after taxes** | **7.4%** | **8.0%** |
| Tax rate | 27% | 27% |
| Cost of equity before taxes | 10.1% | 11.0% |
| Cost of debt before taxes | 5.0% | 5.7% |
| Tax shield (tax rate: 27%)[3] | 1.3% | 1.5% |
| **Cost of debt after taxes** | **3.7%** | **4.2%** |
| Share of equity | 65.0% | 65.0% |
| Share of debt | 35.0% | 35.0% |
| **Cost of capital after taxes** | **6.1%** | **6.7%** |
| **Cost of capital before taxes** | **8.3%** | **9.1%** |

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

## Analyzing Value Creation by Means of ROCE and Value Added

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

Capital employed represents the interest-bearing capital tied up in the Group. Capital employed is equal to a segment's operating assets less the amount of non-interest-bearing available capital. Goodwill from acquisitions is included at acquisition cost, as long as this reflects its fair value.

As in the prior year, capital employed does not include the marking to market of other share investments. The purpose is to provide us with a more consistent picture of our ROCE performance. Other share investments are recorded in the Consolidated Balance Sheets at their mark-to-market valuation. Changes in their market value do not affect adjusted EBIT but are included in equity, resulting in neither profit nor loss. This applies in particular to our Gazprom stock.

Value added measures the return that exceeds the cost of capital employed. It is calculated as follows: Value added = (ROCE – cost of capital) x capital employed.

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

**E.ON Group ROCE and Value Added**

| € in millions | 2010 | 2009 |
|---|---|---|
| **Adjusted EBIT** | **9,454** | **9,291** |
| Goodwill, intangible assets, and property, plant, and equipment[1] | 83,528 | 79,336 |
| + Shares in affiliated and associated companies and other share investments | 8,544 | 12,783 |
| + Inventories | 4,064 | 4,320 |
| + Accounts receivable | 15,819 | 11,300 |
| + Other non-interest-bearing assets, including deferred income and deferred tax assets | 23,709 | 23,631 |
| – Non-interest-bearing provisions[2] | 8,006 | 7,441 |
| – Non-interest-bearing liabilities, including deferred expenses and deferred tax liabilities | 46,224 | 43,959 |
| – Adjustments[3] | 1,076 | 2,588 |
| **Capital employed in continuing operations (at year-end)** | **80,358** | **77,382** |
| **Capital employed in continuing operations (annual average)[4]** | **79,553** | **76,199** |
| **ROCE** | **11.9%** | **12.2%** |
| **Cost of capital before taxes** | **8.3%** | **9.1%** |
| **Value added** | **2,864** | **2,362** |

[1]Goodwill represents final figures following the completion of the purchase-price allocation (see Note 4 to the Consolidated Financial Statements).
[2]Non-interest-bearing provisions mainly include current provisions, such as those relating to sales and procurement market obligations. They do not include provisions for pensions or for nuclear-waste management.
[3]Capital employed is adjusted to exclude the mark-to-market valuation of other share investments (including related deferred tax effects) and operating liabilities for certain purchase obligations to minority shareholdings pursuant to IAS 32. The adjustment to exclude the mark-to-market valuation of other share investments applies primarily to our shares in Gazprom.
[4]In order to better depict intraperiod fluctuations in capital employed, annual average capital employed is calculated as the arithmetic average of the amounts at the beginning of the year, the end of the year, and the balance-sheet dates of the three interim reports. Capital employed in continuing operations amounted to €78,783 million, €82,426 million, and €78,817 million at March 31, June 30, and September 30, 2010, respectively.

## ROCE and Value Added Performance in 2010

Despite the absence of earnings streams resulting from the disposal of power capacity and our ultrahigh-voltage transmission system, the E.ON Group continued its positive ROCE performance. Next to our stable adjusted EBIT, we saw primarily an investment-driven increase in our capital employed. With a ROCE of 11.9 percent in 2010, we again significantly exceeded our pretax cost of capital. Value added amounted to €2,864 million.

**ROCE and Value Added by Segment**

| € in millions | Central Europe 2010 | Central Europe 2009 | Pan-European Gas[1] 2010 | Pan-European Gas[1] 2009 | U.K. 2010 | U.K. 2009 | Nordic 2010 | Nordic 2009 |
|---|---|---|---|---|---|---|---|---|
| Adjusted EBIT | 4,743 | 4,832 | 1,471 | 1,754 | 890 | 649 | 580 | 549 |
| ÷ Capital employed | 23,152 | 22,171 | 18,591 | 17,638 | 9,341 | 8,947 | 7,343 | 6,098 |
| = ROCE | 20.5% | 21.8% | 7.9% | 9.9% | 9.5% | 7.3% | 7.9% | 9.0% |
| Cost of capital[2] | 8.4% | 9.2% | 8.2% | 8.8% | 9.0% | 9.8% | 8.3% | 9.3% |
| Value added | 2,801 | 2,793 | -56 | 194 | 47 | -224 | -29 | -18 |

[1]Capital employed is adjusted to exclude the mark-to-market valuation of other share investments. This applies primarily to our Gazprom stock.
[2]Before taxes.

## Central Europe

Central Europe's 2010 ROCE of 20.5 percent was slightly below the prior-year figure but continued to be well ahead of its cost of capital. Despite an increase in capital employed resulting from higher investments in property, plant, and equipment, Central Europe's value added was slightly higher because its cost of capital decreased by 0.8 percentage points.

## Pan-European Gas

Pan-European Gas's ROCE fell to 7.9 percent, which is below its cost of capital. The decline is particularly attributable to the continued difficult market situation in the gas business and the absence of earnings streams from Thüga. Furthermore, despite the disposal of Thüga operations and the sale of equity in Gazprom, capital employed increased, in part through the acquisition, in October 2009, of a stake in Yuzhno Russkoye gas field and through investments in the upstream business and in gas infrastructure.

## U.K.

U.K.'s ROCE increased to 9.5 percent, which is above its cost of capital. However, this positive performance is mainly attributable to the significant earnings increase posted by U.K.'s Non-regulated reporting unit, which benefited primarily from efficiency improvements and a weather-driven increase in retail demand. Currency-translation effects were almost solely responsible for the increase in capital employed in reporting currency; in local currency, capital employed was nearly at the prior-year level.

## Nordic

Nordic's ROCE declined to 7.9 percent, which is slightly below its cost of capital. Nordic's ROCE performance mainly reflects non-controllable external effects like higher costs for nuclear-waste management and asset retirement. Earnings were also lower because of the reduced availability of nuclear assets due to capacity-expansion and modernization measures. The increase in capital employed is mainly attributable to investment projects in nuclear energy and the power network and to currency-translation effects.

| Energy Trading | | New Markets | | Corporate Center | | E.ON Group | |
|---|---|---|---|---|---|---|---|
| 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| 1,196 | 949 | 908 | 862 | -334 | -304 | 9,454 | 9,291 |
| – | – | 20,216 | 19,067 | 1,261 | 1,751 | 79,553 | 76,199 |
| – | – | 4.5% | 4.5% | – | – | 11.9% | 12.2% |
| – | – | 10.6% | 10.4% | – | – | 8.3% | 9.1% |
| – | – | -1,233 | -1,125 | – | – | 2,864 | 2,362 |

## Energy Trading
Due to the structural particularities of the trading business, Energy Trading's ROCE and value added have very limited information value and are therefore not included here.

## New Markets
We expect these long-term investments to generate earnings increases and create added value in the years ahead.

## Investments

Our investments declined to €8.3 billion in 2010. We invested about €7.9 billion in property, plant, and equipment and in intangible assets (prior year: €7.8 billion). Share investments totaled €382 million versus €824 million in the prior year.

| Investments | | | |
|---|---|---|---|
| € in millions | 2010 | 2009 | +/- % |
| Central Europe | 3,192 | 3,256 | -2 |
| Pan-European Gas | 1,244 | 1,610 | -23 |
| U.K. | 1,029 | 897 | +15 |
| Nordic | 730 | 1,104 | -34 |
| Energy Trading | 16 | 53 | -70 |
| New Markets | 1,975 | 1,881 | +5 |
| Corporate Center | 100 | -146 | – |
| **Total** | **8,286** | **8,655** | **-4** |
| *Outside Germany* | *5,924* | *6,099* | *-3* |
| *Maintenance investments* | *1,110* | *1,108* | – |

Central Europe invested €64 million less than in 2009. Investments in property, plant, and equipment and intangible assets rose by €64 million to €3,103 million. Investments in power generation assets increased by €18 million to €1,755 million. Higher expenditures for several generation projects (Gönyü, Maasvlakte, and Irsching 4) were largely offset by lower expenditures for generation projects completed in 2010. Investments in network assets increased by €83 million to €1,186 million, mainly because of higher investments in distribution networks, particularly in conjunction with Germany's Renewable Energy Law. This increase more than offset the effect of the sale of the ultrahigh-voltage transmission system; investments for this voltage level were included for the entire prior year and reflected in particular connections for offshore wind farms. Share investments of €89 million were €128 million below the prior-year figure.

Pan-European Gas invested €1,244 million. Of this figure, €1,102 million (prior year: €1,117 million) went towards property, plant, and equipment and towards intangible assets. It consisted mainly of investments in the exploration business and in gas infrastructure. Share investments of €142 million were lower than the high prior-year figure (€493 million), which included payments to acquire a stake in Yuzhno Russkoye gas field.

U.K. invested €1,006 million (prior year: €864 million) in property, plant, and equipment and intangible assets. U.K.'s expenditure mainly related to investments in its generation fleet (including the construction of Grain gas-fired CHP plant) and in its distribution network. Share investments amounted to €23 million (€33 million).

Nordic invested €374 million less than in the prior year. It invested €726 million (prior year: €810 million) in intangible assets and property, plant, and equipment to maintain and expand existing production plants and to upgrade and modernize its distribution network. Share investments were €4 million (€294 million). The high prior-year figure contains a compensation payment to Statkraft.

The New Markets segment invested €1,975 million (prior-year: €1,881 million). Climate & Renewables invested €1,163 million (prior-year: €1,031 million). The slight increase was due to the completion of Rødsand 2 offshore wind farm in Denmark. Russia invested €434 million (€403 million), mainly in its new-build program. Italy's investments of €93 million (€172 million) went mainly towards the retrofit of Terni hydroelectric station and its distribution network. Spain's investments of €285 million (€275 million) mainly reflect expenditure on the 817 MW CCGT under construction in Algeciras.

## Cash Flow and Financial Position

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

Our cash provided by operating activities of continuing operations rose by 24 percent, from €8.6 billion in the prior year to €10.6 billion. The main drivers were operating, cash-effective effects in conjunction with the increase in adjusted EBITDA and the absence of the fine paid to the European Commission in the prior year. In addition, our prior-year adjusted EBITDA included a number of non-recurring non-cash-effective items, such as the renegotiation of power supply contracts at Italy. Effects from gas storage usage constituted a negative factor in 2010, whereas working-capital changes across the company largely offset each other. Lower tax payments and tax refunds were responsible for a significant improvement in 2010.

Cash provided by investing activities of continuing operations amounted to €1.1 billion in 2010 (prior year: -€2.4 billion). This is primarily attributable to payments received for asset disposals. In addition, investment expenditures were lower than in 2009.

Cash provided by financing activities of continuing operations of -€9.9 billion in 2010 (prior year: -€5.2 billion) primarily reflects the repayment of bonds and payments to minority shareholders.

Note 29 to the Consolidated Financial Statements contains further information about the Consolidated Statements of Cash Flows.

Compared with the figure recorded at December 31, 2009 (-€27,991 million), our net financial position improved by €7,676 million to -€20,315 million, mainly because of the sale of U.S. Midwest and of our Gazprom stake. In addition, our cash provided by operating activities nearly fully sufficed to fund our investments in property, plant, and equipment and E.ON AG's dividend payout. These effects also led to an improvement in our economic net debt, although they were partially mitigated by an increase in provisions for nuclear-waste management and for pensions. As a result, our economic net debt only improved by €6,964 million, from -€44,665 million at December 31, 2009, to -€37,701 million at December 31, 2010.

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

**Economic Net Debt**

| | December 31 | |
|---|---|---|
| € in millions | 2010 | 2009 |
| Liquid funds | 8,273 | 6,116 |
| Non-current securities | 3,903 | 3,670 |
| **Total liquid funds and non-current securities** | **12,176** | **9,786** |
| Financial liabilities to banks and third parties | -31,799 | -35,579 |
| Financial liabilities resulting from interests in associated companies and other shareholdings | -692 | -2,198 |
| **Total financial liabilities** | **-32,491** | **-37,777** |
| **Net financial position** | **-20,315** | **-27,991** |
| Fair value (net) of currency derivatives used for financing transactions[1] | 334 | -6 |
| Provisions for pensions | -3,250 | -2,884 |
| Asset retirement obligations | -15,968 | -15,050 |
| Less prepayments to Swedish nuclear fund | 1,498 | 1,266 |
| **Economic net debt** | **-37,701** | **-44,665** |
| Adjusted EBITDA | 13,346 | 12,975 |
| **Debt factor** | **2.8** | **3.4** |

[1]Does not include transactions relating to our operating business or asset management.

Due in particular to the improvement in our economic net debt, our debt factor declined from 3.4 at year-end 2009 to 2.8 at year-end 2010.

## Finance Strategy

Equity and debt capital are both important sources of funding for the E.ON Group. E.ON's finance strategy therefore keeps the interests of shareholders and debt investors equally in view. At our Capital Market Day on November 10, 2010, we announced the following adjustments to our finance strategy to enable us to respond appropriately to the increased challenges that lie ahead in our regulatory and policy environment and in Europe's power and gas markets.

Our target rating is now solid single A. This will give us the flexibility to ensure that we do not have to take hasty action to maintain a narrowly defined target rating. For example, it will ensure that measures to improve our debt figures, including divestments, can be undertaken in a way that optimizes value.

The main focus of our finance strategy is on E.ON's capital structure, which we monitor using debt factor. Debt factor is our economic net debt divided by adjusted EBITDA. Economic net debt includes not only our financial liabilities but also our provisions for pensions and asset retirement obligations as well as the fair value (net) of currency derivatives used for financing transactions (but excluding transactions relating to our operating business and asset management). In prior years, the target range for our debt factor was between 2.8 and 3.3, which was compatible with our then-valid A flat/A2 target rating. Our new medium-term target debt factor is less than 3 or 3. To ensure that we achieve this target and maintain our target debt rating, we announced, on Capital Market Day in November 2010, an additional program to manage our portfolio and capital structure. Its purpose is to unlock €15 billion through divestments by the end of 2013. More than half of these proceeds will be used to reduce our debt. We already successfully completed a strategic portfolio-optimization program in 2009 and 2010. It generated disposal proceeds of about €13 billion, significantly surpassing our original target of €10 billion.

Over the years, our stable, consistent dividend policy has been a key element of our finance strategy, and we intend to continue it. Our target payout ratio—which determines our per-share dividend—will remain at 50 to 60 percent of adjusted net income. We are proposing a dividend of €1.50 per share for the 2010 financial year, unchanged from the prior-year dividend. We also plan to propose a dividend of at least €1.30 per share for the 2011 and 2012 financial years. This ensures that our shareholders have a long-term, value-enhancing investment with a stable return.

## Funding Policy and Initiatives

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

Neither E.ON AG nor E.ON International Finance B.V. issued bonds in 2010. Our cash provided by operating activities and disposal proceeds nearly fully covered our funding needs for our investments and dividend payment. In addition, towards the end of 2010 we repaid, ahead of schedule, financial liabilities totaling roughly €1.1 billion. Overall, we reduced our financial liabilities at year-end 2010 by €5.3 billion relative to year-end 2009.

At the level of our market units, Central Networks East and West, E.ON subsidiaries in the United Kingdom, issued two bonds totaling £500 million in December 2010. The purpose of this transaction was to give us greater strategic flexibility with regard to our distribution-network business in England.

With the exception of a U.S.-dollar-denominated bond issued in 2008, all bonds currently outstanding on the level of E.ON AG and E.ON International Finance B.V. were issued under our Debt Issuance Program ("DIP"). After being in effect for one year, the DIP expired, as planned, in December 2010 and was not immediately extended owing to the absence of near-term and medium-term funding needs. From a total DIP volume of €35 billion, we had about €24 billion worth of bonds outstanding at the program's expiry in December 2010. We plan to update the DIP again some time in 2011.

Large E.ON bonds are included in relevant bond indices, such as the iBoxx EUR Non-Financials and the iBoxx EUR Utilities. Selection for inclusion in indices is subject to several criteria, such as a bond's rating, maturity, and minimum outstanding.

In addition to our DIP, we have a €10 billion European Commercial Paper ("CP") program and a $10 billion U.S. CP program under which we can issue short-term liabilities. We use CP to finance short-term funding peaks and to further diversify our investor base. However, we used increasingly less CP last year and had none outstanding at year-end 2010 after having had €1.5 billion outstanding at year-end 2009.

**Financial Liabilities**

| € in billions | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---|---|
| Bonds[1] | 27.5 | 29.0 |
| *EUR* | *16.6* | *18.3* |
| *GBP* | *5.5* | *4.8* |
| *USD* | *2.5* | *2.9* |
| *CHF* | *1.6* | *1.5* |
| *SEK* | *0.4* | *0.6* |
| *JPY* | *0.7* | *0.7* |
| *Other currencies* | *0.2* | *0.2* |
| Promissory notes | 1.4 | 1.4 |
| CP | – | 1.5 |
| Other liabilities | 3.6 | 5.9 |
| **Total** | **32.5** | **37.8** |

[1]Includes private placements.

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

We concluded a new five-year, €6 billion syndicated credit facility effective November 25, 2010. This facility has not been drawn on and instead serves as a reliable general liquidity reserve for the E.ON Group. It replaced our previous credit facility, whose two tranches had expiration dates in November 2010 and December 2011, respectively.

Standard & Poor's ("S&P") long-term rating for E.ON is A; Moody's long-term rating for E.ON is A2. The short-term ratings are A-1 (S&P) and P-1 (Moody's). The ratings assigned by both agencies are in line with E.ON's rating target. Both S&P and Moody's confirmed their long-term and short-term ratings for E.ON, all with a stable outlook, in February 2011 and December 2010, respectively.

**E.ON AG Ratings**

| | Long term | Short term | Outlook |
|---|---|---|---|
| Moody's | A2 | P-1 | Stable |
| S&P | A | A-1 | Stable |

## E.ON Stock

E.ON stock (factoring in the reinvestment of dividends) finished 2010 17 percent below its year-end closing price for 2009, thereby underperforming its peer index, the STOXX Europe 600 Utilities, which declined by 4 percent during the same period.

The latest information about E.ON stock is available on our website at www.eon.com.

**E.ON Stock**

| | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---|---|
| Earnings per share[1] (€) | 3.07 | 4.42 |
| Dividend per share[2] (€) | 1.50 | 1.50 |
| Shares outstanding[3] (millions) | 1,905 | 1,905 |
| Closing price[3] (€) | 22.94 | 29.23 |
| Market capitalization[3,4] (€ in billions) | 43.7 | 55.7 |

[1]Attributable to shareholders of E.ON AG.
[2]For the respective financial year; the 2010 figure is management's proposed dividend.
[3]On December 30.
[4]Based on shares outstanding.

Non-current assets at year-end 2010 declined by 6 percent compared with the figure at year-end 2009, mainly due to the disposal of U.S. Midwest. Impairment charges on goodwill and on other assets, mainly at operations in Italy, Spain, and France acquired from Enel/Acciona and Endesa, also served to reduce non-current assets. These effects were partially offset by investments in property, plant, and equipment.

Current assets rose by 17 percent from year-end 2009, mainly because of a seasonal increase in receivables and an increase in liquid funds due to the inflow of the purchase price for U.S. Midwest.

Our equity ratio of 30 percent is slightly above the figure recorded at year-end 2009.

Non-current liabilities declined by 1 percent relative to year-end 2009, primarily because of the repayment of non-current debt. This effect was partially mitigated by an increase in non-current provisions. Current liabilities at year-end 2010 were on par with those at year-end 2009. Although liabilities from trade payables rose, current debt was reduced by a slightly higher amount.

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

- Non-current assets are covered by equity at 43 percent (December 31, 2009: 39 percent).
- Non-current assets are covered by long-term capital at 108 percent (December 31, 2009: 102 percent).

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

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

Our earnings situation (adjusted EBIT was slightly higher, adjusted net income slightly lower), our continued positive value performance, our strong cash provided by operating activities, and the improvement in our financial key figures are indicative of the E.ON Group's solid financial condition in 2010.

Consolidated Assets, Liabilities, and Equity

| € in millions | Dec. 31, 2010 | % | Dec. 31, 2009 | % |
|---|---|---|---|---|
| Non-current assets | 106,657 | 70 | 113,046 | 74 |
| Current assets | 46,224 | 30 | 39,568 | 26 |
| **Total assets** | **152,881** | **100** | **152,614** | **100** |
| Equity | 45,585 | 30 | 43,986 | 29 |
| Non-current liabilities | 69,580 | 45 | 70,775 | 46 |
| Current liabilities | 37,716 | 25 | 37,853 | 25 |
| **Total equity and liabilities** | **152,881** | **100** | **152,614** | **100** |

## Financial Statements of E.ON AG

E.ON AG prepares its Financial Statements in accordance with the German Commercial Code (as codified in the Accounting Law Reform Act, which took effect on May 29, 2009) and the German Stock Corporation Act. Initial application of the Accounting Law Reform Act effective January 1, 2010, had an effect on extraordinary earnings and retained earnings.

**Balance Sheet of E.ON AG (Summary)**

| | December 31 | |
|---|---|---|
| € in millions | 2010 | 2009 |
| Intangible assets and property, plant, and equipment | 134 | 146 |
| Financial assets | 38,983 | 38,341 |
| **Non-current assets** | **39,117** | **38,487** |
| Receivables from affiliated companies | 19,310 | 23,267 |
| Other receivables and assets | 5,835 | 4,909 |
| Liquid funds | 2,271 | 2,025 |
| **Current assets** | **27,416** | **30,201** |
| **Total assets** | **66,533** | **68,688** |
| Equity | 13,648 | 12,453 |
| Special items with provision component | – | 384 |
| Provisions | 6,043 | 4,954 |
| Liabilities to affiliated companies | 44,237 | 46,345 |
| Other liabilities | 2,605 | 4,552 |
| **Total equity and liabilities** | **66,533** | **68,688** |

The following represent the main accounting adjustments resulting from the reform act. Special items with provision component of €384 million and financial assets of €74 million were reclassified as retained earnings; neither had an effect on net income. Treasury shares in the amount of €214.3 million recorded as assets at January 1, 2010, were reclassified as equity. Furthermore, other non-current provisions increased by a total of €86 million owing to the first-time recognition of future cost and price increases. This figure is recorded in the Income Statement under extraordinary expenses.

E.ON AG's net income for 2010 amounts to €3,811 million compared with €3,834 million in the prior year. After transferring €953 million to retained earnings, net income available for distribution totals €2,858 million.

**Income Statement of E.ON AG (Summary)**

| € in millions | 2010 | 2009 |
|---|---|---|
| Income from equity interests | 6,742 | 6,689 |
| Interest income | -1,324 | -1,195 |
| Other expenditures and income | -883 | -487 |
| **Income from continuing operations** | **4,535** | **5,007** |
| Extraordinary expenses | -86 | – |
| Taxes | -638 | -1,173 |
| **Net income** | **3,811** | **3,834** |
| Net income transferred to retained earnings | -953 | -976 |
| **Net income available for distribution** | **2,858** | **2,858** |

E.ON AG's income from equity interests of €6,742 million was at the prior-year level. The main profit transfers (including intragroup tax transfers) in 2010 were €2,796 million from E.ON Energie AG (prior year: €4,004 million) and €3,840 million from E.ON Ruhrgas Holding GmbH (prior year: €3,073 million).

The negative figure recorded under other expenditures and income (net) declined by €396 million year on year to -€883 million, in particular because of an increase in write-downs on financial assets in the amount of €1,476 million. Book gains of €893 million on the disposal of financial assets and positive effects from financial transactions in the amount of €171 million constituted the main positive factor.

Income taxes include current taxes for 2010 and for prior years and taxes for prior years due to outstanding tax audits.

At the Annual Shareholders Meeting on May 5, 2011, management will propose that net income available for distribution be used to pay a cash dividend of €1.50 per ordinary share. The dividend is thus being maintained at the prior-year level. We believe that in this way E.ON stock remains attractive to investors.

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

### Disclosure of Takeover Barriers

The disclosures pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4 of the German Commercial Code, which are part of this Combined Group Management Report, are in the chapter Disclosure of Takeover Barriers on pages 182 to 184 of this report.

## Corporate Responsibility ("CR")

Society expects increasingly more of the energy industry, particularly of large energy companies. At E.ON, we are committed to providing answers to questions about climate change, energy efficiency, and what tomorrow's energy supply will look like. The mission of our CR organization is to help us deal with society's different expectations and engage in dialog with our stakeholders. This is the only way we will continue to earn our license to operate and our license to build. Our ability to remain successful over the long term depends in part on incorporating our stakeholders' interests and expectations into the way we operate our business.

We have defined clear targets for CR, environmental, and occupational-health-and-safety issues that affect our business. Our priority is to establish Group-wide standards and policies and ensure that they are implemented and integrated into central aspects of our corporate strategy. In 2010, we further sharpened E.ON's CR profile in several areas, including responsible fuel procurement, transparent performance reporting, and occupational safety for own employees and those of our contractors.

Capital-market rankings and international standards for sustainable management and reporting confirm that we are on the right course. In 2010, we were again included in the Dow Jones Sustainability Index and added to the Carbon Performance Leadership Index.

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

| Million metric tons | Central Europe | U.K. | Nordic | New Markets | E.ON Group |
|---|---|---|---|---|---|
| $CO_2$ emissions[1] | 55.251 | 21.061 | 1.876 | 11.725 | 89.913 |
| Allocated carbon allowances[2] | 46.747 | 15.097 | 1.291 | 11.516 | 74.651 |

[1]Includes carbon emissions attributable to CHP units in the United Kingdom that are not counted in our owned generation.
[2]Our Russia market unit, which is not covered by the EU Emissions Trading Scheme, emitted 31.3 million metric tons of carbon dioxide in 2010.

E.ON emitted 116.7 million metric tons of $CO_2$ from power generation in 2010, 1.7 million metric tons more than in 2009. Our carbon intensity declined incrementally (by 0.5 percent) to 0.419 metric tons per MWh. These carbon emission figures from power generation include our CHP units in the United Kingdom pursuant to existing legal obligations. We expect our carbon intensity to trend lower in the years ahead as we add more new, high-efficiency fossil-fueled capacity and more renewables capacity. Pan-European Gas emitted about 512,000 metric tons of $CO_2$ in 2010 and was allocated roughly 513,000 EU carbon allowances.

**E.ON Group Carbon Intensity[1]**

| Metric tons of $CO_2$ per MWh | 2010 | 2009 |
|---|---|---|
| Central Europe | 0.385 | 0.388 |
| U.K.[2] | 0.658 | 0.539 |
| Nordic | 0.045 | 0.031 |
| New Markets | 0.533 | 0.505 |
| **E.ON Group** | **0.419** | **0.421** |
| **E.ON Group (Europe only)** | **0.391** | **0.386** |

[1]Specific carbon emissions is defined as the amount of $CO_2$ emitted for each MWh of electricity generated.
[2]Includes carbon emissions attributable to CHP units in the United Kingdom that are not counted in our owned generation.

More information about our CR efforts is available at www.eon.com/responsibility, where you will also find our CR Report, which will be released in May 2011. This information is not to be considered part of the Combined Group Management Report.

## Employees

### Workforce Figures

At year-end 2010, the E.ON Group had 85,105 employees worldwide, roughly unchanged from year-end 2009. E.ON also had 2,501 apprentices and 301 board members and managing directors.

**Employees[1]**

| | December 31 | | |
|---|---|---|---|
| | 2010 | 2009 | +/- % |
| Central Europe | 48,525 | 48,126 | +1 |
| Pan-European Gas | 3,189 | 3,143 | +2 |
| U.K. | 14,831 | 16,098 | -8 |
| Nordic | 5,253 | 5,570 | -6 |
| Energy Trading | 1,062 | 1,075 | -1 |
| New Markets | 8,496 | 7,976 | +7 |
| Corporate Center[2] | 3,749 | 3,120 | +20 |
| **Total** | **85,105** | **85,108** | **-** |

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

Central Europe gained employees because of the inclusion of new subsidiaries in the Central Europe East reporting unit. Its workforce in Germany shrank owing to the sale of its ultrahigh-voltage transmission system and the transfer of staff to E.ON IT.

The decline in U.K.'s headcount is mainly attributable to efficiency-enhancement measures in the retail business, the transfer of E.ON IT employees, and a divestment in the energy-services business.

Nordic's workforce declined in part because of restructuring measures and the transfer of IT staff to E.ON IT.

The increase in New Markets' workforce is mainly attributable to the consolidation of a gas company at Spain and the creation of a centralized maintenance unit at Russia.

Corporate Center's headcount rose mainly due to the transfer of IT staff to E.ON IT. The creation of a headquarters unit for fleet management also led to employee transfers to the Corporate Center.

### Geographic Profile

At year-end 2010, 49,989 employees, or 59 percent of all staff, were working outside Germany, nearly unchanged from year-end 2009.

**Employees by Region[1]**

| | Dec. 31, 2010 |
|---|---|
| Germany | 35,116 |
| United Kingdom | 16,343 |
| Romania | 6,535 |
| Hungary | 5,431 |
| Sweden | 5,064 |
| Russia | 4,828 |
| Czech Republic | 3,454 |
| Bulgaria | 2,038 |
| Italy | 1,516 |
| Other[2] | 4,780 |

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

### Gender and Age Profile, Part-Time Staff

At the end of 2010, around 27 percent of our employees were women. The share of women among our senior managers was unchanged at 12 percent and increased to 7 percent among our top executives. The average E.ON Group employee was 42 years old and had worked for us for about 15 years. A total of 7,932 E.ON Group employees were on a part-time schedule, of whom 4,337, or 55 percent, were women. Employee turnover resulting from voluntary terminations averaged around 4.5 percent across the organization.

## Employer Branding

With the pace of demographic change increasing, the war for talent is becoming more intense. E.ON needs to be perceived as an attractive employer for us to hire and retain the best-qualified and most talented people. To succeed in this effort, we seek out opportunities to meet and dialog with potential hires from a variety of target groups. This enables us to communicate with them at eye level and address their individual needs and interests. In this effort, we use a wide range of channels, including career events and social media.

To strengthen our employer brand, we are also very active in marketing our company to potential hires among university students, secondary-school students, and people interested in an apprenticeship. We also make a special effort to reach out to people from minority groups. We offer excellent job opportunities and graduate programs, promote the development of women employees, and foster a range of internal employee networks. Our steadily improving rankings in independent surveys—including Best Workplaces in Germany and, since 2008, Best Workplaces in Europe, both of which are conducted by the Great Place to Work Institute—indicate that our employer branding strategy is a success.

## E.ON Graduate Program

Since it was launched in 2005, the E.ON Graduate Program has accepted 287 trainees Group-wide, 51 in 2010 alone. A total of 207 trainees have completed the program successfully and started their careers with our company.

## HR Development

Our revamped talent-management effort will play an important role in enabling us to fill management positions with talent from inside our organization. It involves identifying high potentials, systematically developing their skills, and placing them in the right functions. Its foundation consists of annual performance appraisals for employees and the annual Group-wide management review for senior managers and high potentials. The results of these processes are incorporated into our Group-wide succession planning and our target-oriented HR development planning.

Group-wide HR development costs amounted to around €73 million in 2010. The majority of this training is conducted by E.ON Academy, our corporate university.

## Executives

We reviewed the HR mechanisms for our executives in order to create a clearer leadership structure and to make it easier for executives to change functions. We adjusted incentive systems, particularly the short-term incentive, to fit with E.ON's new management model. Individual performance—especially the performance of those functions that are central to an individual manager's role—now receive increased weighting. At the same time, the company component of performance evaluation now consists of our new key earnings metrics, adjusted EBITDA and return on capital employed.

## Compensation, Pension Plans, Employee Participation

Attractive compensation and appealing fringe benefits are essential to a competitive work environment. Company contributions to employee pension plans represent an important component of an employee's compensation package and have long had a prominent place in the E.ON Group. They are an important foundation of employees' future financial security and also foster employee retention. E.ON companies supplement their company pension plans with attractive programs to help their employees save for the future. Another factor in employee retention is enabling them to participate in their company's success. This includes the performance rights (with a multi-year term) granted to executives under the E.ON Share Performance Plan. Our employee stock purchase program became even more attractive through an increase in the tax-free company contribution in 2009. In 2010, 20,470 employees purchased a total of 980,897 shares of E.ON stock; 55 percent of employees participated in the program, down slightly from 57 percent in 2009.

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

We have compiled a Compensation Report for the 2010 financial year which provides an overview of the compensation plans for the Board of Management and Supervisory Board and each board member's E.ON Group compensation. The report applies the regulations of the German Commercial Code amended to reflect the Management Board Compensation Disclosure Law as well as the principles of the German Corporate Governance Code. The Compensation Report, which is part of this Combined Group Management Report, can be found on pages 168 to 175.

## Apprentice Programs

E.ON has always placed great emphasis on apprentice programs. In 2010, apprentices accounted for about 7 percent of the E.ON Group's workforce in Germany, almost unchanged from the prior year. Established in 2003, the E.ON training initiative to combat youth unemployment was continued in 2010. Beyond a new class of 743 regular apprentices (prior year: 810), in 2010 we offered about 925 young people in Germany prospects for the future through vocational training, an internship to prepare them for training, and school projects.

**Apprentices in Germany**

| | Dec. 31, 2010 |
|---|---|
| Central Europe | 2,148 |
| Pan-European Gas | 212 |
| E.ON AG/Other[1] | 141 |
| **E.ON Group** | **2,501** |

[1]Includes E.ON IT.

## Research and Development ("R&D")

In 2010, E.ON created a Board of Management position for technology issues. This underscores the importance we place on innovative energy technology.

We maintained our R&D activities in 2010 despite our difficult business environment. We have long taken a two-pronged approach to our wide range of R&D activities.

First, we optimize our existing facilities and processes in order to find innovative solutions for operational challenges and to operate our facilities efficiently and economically across their lifecycle.

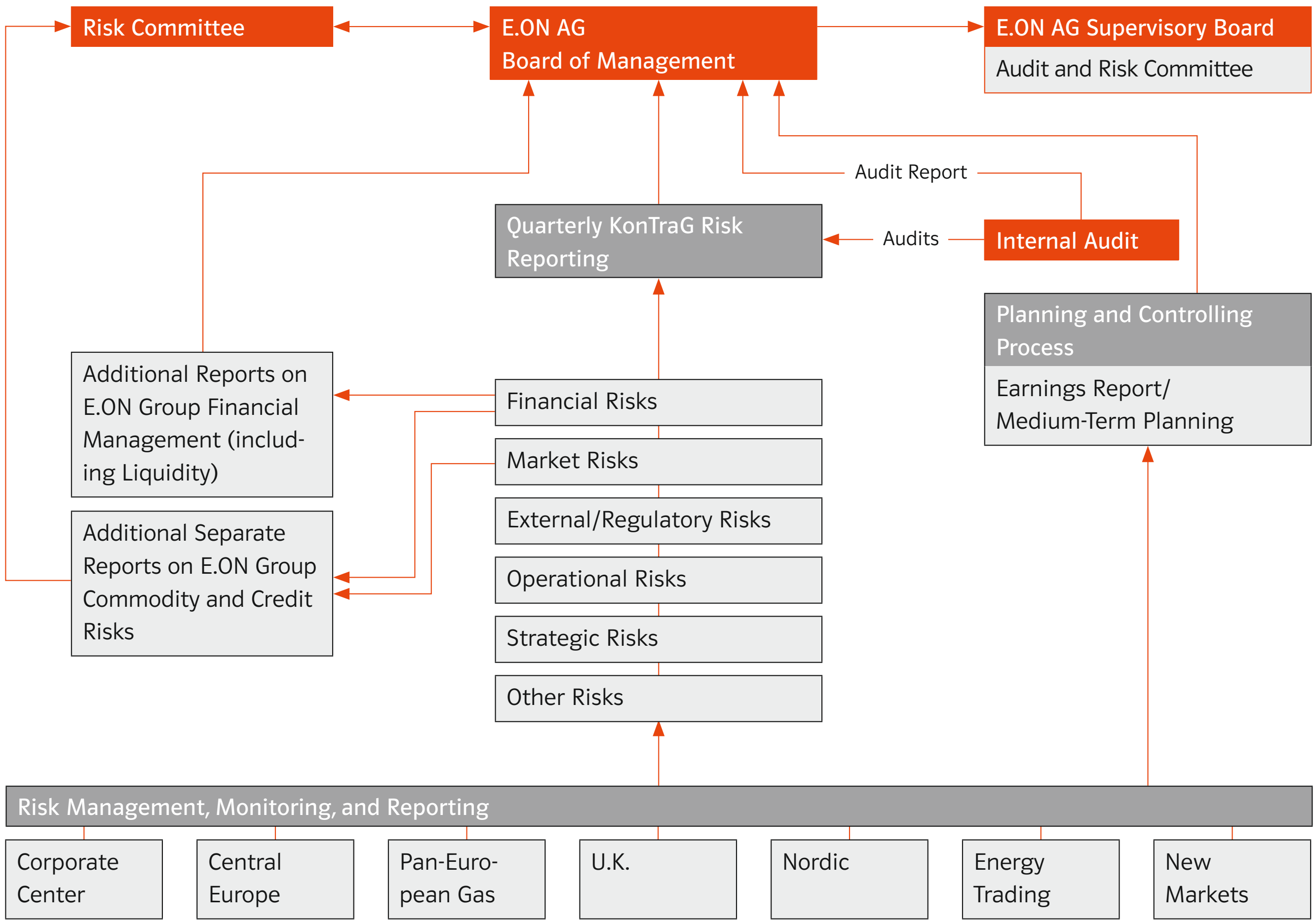
Second, we actively support the development of key technologies and accelerate their commercial viability through innovate.on, our technology initiative. We believe this is part of our responsibility as one of the world's leading energy companies. The purpose of these activities is to deploy research results in operational applications and to play an active role in making them commercially viable.

Our R&D expenses pursuant to IAS 38 totaled about €61 million in 2010 (prior year: €62 million). Overall, 231 employees work in R&D at E.ON.

In addition to E.ON's investments to optimize and refine technologies, E.ON also actively promotes basic research and provided €6 million of support in the form of funding and sponsoring for energy research at universities and institutes in 2010.

E.ON's total expenditures for new technology (which include support for university research, R&D, and demonstration projects) amounted to €93 million (prior year: €105 million).

**Risk Management System**




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

We continually review our Group-wide planning, controlling, and reporting processes to ensure that they remain effective and efficient. As required by law, the effectiveness of our risk management system is reviewed regularly by Internal Audit.

## Risk Management and Insurance

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

## Risk Committee

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

## Risk Situation

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

### Market Risks

Our market units operate in an international market environment that is characterized by general risks relating to the business cycle. In connection with the economic crisis, E.ON faces risks from declining demand, primarily from industrial and commercial customers who, increasingly, are cutting their production and may cut it further. This could result in us being unable to sell energy we have already procured. In addition, the entry of new suppliers into the marketplace along with more aggressive tactics by existing market participants has created a keener competitive environment for our electricity business in and outside Germany which could reduce our margins. E.ON Ruhrgas faces increasing and considerable competitive pressure in the gas marketplace. Increasing competition in the gas market and increasing trading volumes at virtual trading points and gas exchanges could result in considerable risks for natural gas purchased under long-term take-or-pay contracts. In addition, substantial price risks result from the fact that gas procurement prices are predominantly indexed to oil prices, whereas sales prices are increasingly guided by wholesale prices. Generally, contracts between producers and importers are subject to periodic adjustments to the current market situation. E.ON Ruhrgas is currently conducting intensive negotiations with producers.

The demand for electric power and natural gas is seasonal, with our operations generally experiencing higher demand during the cold-weather months of October through March and lower demand during the warm-weather months of April through September. As a result of these seasonal patterns, our sales and results of operations are higher in the first and fourth quarters and lower in the second and third quarters. Sales and results of operations for all of our energy operations can be negatively affected by periods of unseasonably warm weather during the autumn and winter months. Our Nordic market unit also could be negatively affected by a lack of precipitation, which could lead to a decline in hydroelectric generation. We expect seasonal and weather-related fluctuations in sales and results of operations to continue.

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

### Commodity Price Risks

The E.ON Group's business operations are exposed to commodity price risks. In order to limit our exposure to these risks, we conduct systematic risk management. The key elements of our risk management are, in addition to the above-mentioned binding Group-wide guidelines and Group-wide reporting system, the use of quantitative key figures, the limitation of risks, and the strict separation of functions between departments. To limit commodity price risks, we utilize derivative financial instruments that are commonly used in the marketplace. These instruments are transacted with financial institutions, brokers, power exchanges, and third parties whose creditworthiness we monitor on an ongoing basis. The creation of E.ON Energy Trading has enabled us to systematically combine and consistently manage price risks on Europe's liquid commodity markets.

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

## Financial Risks

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

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

We also use systematic risk management to manage our interest-rate and currency risks. Here, E.ON AG plays a central role by aggregating risk positions through intragroup transactions and hedging these risks on the market. Due to its intermediary role, E.ON AG's risk position is largely closed. Detailed information about E.ON's risk management can be found in Note 31 to the Consolidated Financial Statements.

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

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

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

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

## Strategic Risks

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

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

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

## Operational and Environmental Risks

Technologically complex production facilities are involved in the production and distribution of energy. Significant parts of Europe and the United States have experienced major power outages in recent years. The reasons for these outages vary, although generally they involved a locally or regionally inadequate balance between power production and consumption, with single failures triggering a cascade-like shutdown of lines and power plants following overload or voltage problems. The likelihood of this type of problem has increased in recent years following the liberalization of EU electricity markets, partly due to an emphasis on unrestricted cross-border physically settled electricity trading that has resulted in a substantially higher load on the international network, which was originally designed mainly for purposes of mutual assistance and operational optimization. As a result, there are transmission bottlenecks at many locations in Europe, and the high load has resulted in lower levels of safety reserves in the network. In Germany, where power plants are located in closer proximity to population centers than in many other countries, the risk of blackouts is lower due to shorter transmission paths and a strongly meshed network. In addition, the spread of a power failure is less likely in Germany due to the organization of the German power grid into four balancing zones. Nevertheless, our electricity operations in and outside Germany could experience unanticipated operational or other problems (whose possible causes include extreme weather) leading to a power failure or shutdown. Operational failures or extended production stoppages of facilities or components of facilities could negatively impact our earnings.

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

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

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

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

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

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

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

E.ON is building a hard-coal-fired power plant in Datteln, Germany. The plant is designed to have a net electric capacity of about 1,055 MW. E.ON has invested about €1 billion in the project so far. The Münster Superior Administrative Court ("SAC") issued a decision on September 3, 2009, that declares void the City of Datteln's Development Plan (No. 105 E.ON Kraftwerk). The SAC criticized errors in judgment and, in particular, that the Development Plan did not sufficiently take into consideration binding state-level planning rules. On March 16, 2010, the Federal Administrative Court in Leipzig upheld the SAC's ruling, which is now legally binding. However, the Federal Administrative Court's ruling does not forbid the construction of a hard-coal-fired power plant at the planned site. On March 17, 2010, the Datteln City Council passed a resolution to begin the process of designing a new Development Plan. On December 13, 2010, the Ruhr Regional Association passed a resolution to institute a regional plan-alteration process; the opinion of independent legal experts will be solicited in order to establish a solid legal foundation for this process. The new planning process must address and resolve the SAC's objections in order to reestablish a secure planning foundation for the Datteln power plant. In view of the planning processes under way, we currently anticipate that the Datteln plant will enter service later than originally planned. However, we remain convinced that the plant will be sucessfully completed. In principle, these types of risks attend our other power and gas new-build projects. We strive to identify such risks early and to minimize them by monitoring planning and consents processes.

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

E.ON Ruhrgas currently obtains about one fourth of its total natural-gas supply from Russia pursuant to long-term supply contracts with Gazprom. In addition, E.ON Ruhrgas currently obtains natural gas from five other supply countries, giving it one of the most diversified gas procurement portfolios in Europe. Certain past events in some Eastern European countries have heightened concerns in parts of Western Europe about the reliability of Russian gas supplies, even though Russia has always been a very reliable supplier. Economic or political instability or other disruptive events in any transit country through which Russian gas must pass before it reaches its final destination in Western Europe can have a material adverse effect on the supply of such gas, and all such events are completely outside E.ON Ruhrgas's control.

## External Risks

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

The eleventh amended version of Germany's Nuclear Energy Act codifies the extension of the operating lives of nuclear power plants ("NPPs") in Germany as stipulated by the coalition agreement. Older NPPs (those that entered service through 1980) will be allowed additional power output equal to an 8-year extension of their operating lives; new NPPs will be allowed additional output equal to a 14-year extension. A significant portion of the additional profits resulting from the extension of operating lives will go to the German federal treasury in the form of promotion payments as part of an Energy and Climate Fund. In addition, a nuclear fuel tax will be levied. The details of the promotion payments are specified in the Promotion Fund Agreement, between NPP operators, their parent companies, and the Federal Republic of Germany. If there is a change in Germany's federal government, it is unclear whether a new federal government would retain the operating-life extension in its current form and whether the legally stipulated additional output would be fully realized. In addition, we anticipate a number of lawsuits against the operating-life extension, although their chances of success are thought to be slim.

European regulatory agencies have been putting together recommendations for a legally binding set of rules on how gas transmission system operators ("TSOs") manage gas capacity and bottlenecks in their systems. The rules will apply to cross-border transfer points between member states and to transfer points between different gas TSOs within a single member state. Market participants had an opportunity to take part in an official consultation concerning the recommendations, which may create risks for existing supply contracts and for intraday flexibility. In parallel, the Federal Network Agency (known by its German acronym, "BNetzA") is planning to issue rules for capacity allocation procedures on gas transmission pipelines in Germany. These changes could affect our existing gas operations.

As established in its coalition agreement, the German federal government began the process of lifting the Gorleben moratorium. The study of Gorleben will now continue in a multi-stage, open-ended process. The Federal Ministry of the Environment does not expect the preparatory phase (which will determine whether Gorleben is suitable and end, if such a determination is made, with the drafting of new nuclear-energy legislation) to be completed before the end of the next legislative period.

In late 2009, the BNetzA instituted formal proceedings against all E.ON Energie regional distribution companies ("RDCs") in Germany that have implemented the new regional structure and against E.ON Energie for allegedly not complying with unbundling requirements. The BNetzA plans to treat the proceedings against E.ON Bayern and E.ON Energie as model-case proceedings and to suspend the proceedings against the other RDCs. E.ON Energie along with E.ON Bayern and E.ON edis (which is an RDC with minority municipal shareholders) have filed a detailed statement relating to the formal proceedings initiated against them. Initial negotiations about these issues will take place at the BNetzA's offices in the first half of 2011.

The BNetzA has stipulated that IT-based billing systems must have a firewall between data on sales customers and data on network customers. Some companies encountered technical difficulties implementing this requirement. The BNetzA therefore extended the compliance deadline to October 1, 2010. E.ON also encountered some technical delays, while system migrations resulted in a number of residual errors. Following complaints from traders, the BNetzA fined E.ON edis twice for non-compliance (once for €650,000, once for €1.3 million) and warned that another violation would result in a further €1.3 million fine. In the interim, E.ON Bayern and Schleswig-Holstein Netz have been warned they could be subject to fines of €2.5 million and €750,000, respectively. E.ON is currently working to migrate all the IT systems of its RDCs and to eliminate any remaining residual errors. It is also conducting talks with the BNetzA.

The supraregional transport business of Open Grid Europe (formerly E.ON Gastransport) was supposed to be migrated to incentive-based regulation in 2010. Prior to migration, the BNetzA is to benchmark Germany's ten gas TSOs, which vary considerably in terms of transport mission, size, and network history. The preliminary individual efficiency factor was communicated to companies in late March 2010. However, the BNetzA has not issued a decision on the final efficiency factors and has instead defined preliminary revenue caps for 2010 and 2011. These caps are identical to those defined in the BNetzA's cost ruling of September 30, 2009. They will remain in effect until the BNetzA defines final caps. The BNetzA is currently considering whether to modify its current benchmarking method (which is based on three parameters) yet again. The individual efficiency factor will have an impact on the revenue cap. We cannot rule out the possibility of additional risks arising from the regulation of transport charges.

In August 2009, the European Commission, the European Parliament, and the member states approved the third internal-market package. In addition to the complete legal unbundling of electricity and gas TSOs, the third internal-market package allows the establishment of an independent transmission operator ("ITO") or an independent system operator ("ISO"). The third legislative package will affect the entire value chain and will grant national and European regulatory agencies far-reaching new authority to intervene in markets. Risks result not only from the increased scope of intervention options, but also from the legislation that the member states enact to transpose the third legislative package into national law, which could go beyond the guidelines of the electricity and gas directives. The member states are currently transposing the directives into national law.

In addition, the European Commission, the European Parliament, and the Council passed the green legislative package whose purpose is to enable the EU to achieve its climate targets. By 2020, renewables are supposed to meet 20 percent of the EU's energy consumption, while greenhouse-gas emissions are to be reduced by 20 percent (and possibly by 30 percent) from 1990 levels. ETS emission allowances have so far been allocated at no cost. No-cost allocation will gradually be replaced by the auctioning of allowances. Starting in 2013, power producers will have to acquire all of their allowances through auctions. The number of allowances will be reduced each year. Industries not subject to the ETS will also have to reduce their emissions in accordance with national targets. A portion of the fuels for private users (heating, transport) must come from renewable sources. The EU will provide financial support for the development of carbon-capture-and-storage technology. The green package will have a profound impact on the future generation mix, network infrastructure, and market rules.

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

## IT Risks

The operational and strategic management of the E.ON Group relies heavily on complex information technology. Our IT systems are maintained and optimized by qualified E.ON Group experts, outside experts, and a wide range of technological security measures. In addition, the E.ON Group has in place a range of technological and organizational measures to counter the risk of unauthorized access to data, the misuse of data, and data loss.

### Reputation Risks

E.ON has an acceptable brand image in all its key markets except Germany. As with all other large energy utilities in Germany, our brand image has deteriorated considerably as a result of the nuclear-energy debate in general and putative billion-euro profits in particular. E.ON is especially prominent in Germany and is almost always mentioned during public discussions of controversial energy-policy issues. Moreover, E.ON has its headquarters in Germany and tends to be in the public eye because of its position as a large corporate stock in Germany's DAX 30 blue-chip index.

Trust and credibility are essential for us to remain successful over the long term. The foundation for earning trust and credibility is built by clear and consistent communications with our key stakeholders (policymakers, the general public, and customers). We anticipate that the new strategy we communicated in 2010 ("cleaner & better energy") and the revision of our stakeholder-management processes in 2011 will help us achieve this objective.

In addition, we work hard to engage in dialog and maintain good relationships with our key stakeholders. We pay even more attention than in the past to environmental, social, and corporate-governance issues. These efforts support our interactions with our stakeholders (including investors), our business decisions, and our public relations. Our objective is to minimize our reputation risks and garner public support so that we can continue to operate our business successfully.

## Management's Evaluation of the Risk Situation

During the year under review, the risk situation of the E.ON Group's operating business deteriorated compared with year-end 2009. It remains the case that sustained low price levels in commodity markets and a lasting and significant reduction in demand, particularly from industrial customers, could, over the medium term, have a substantial impact on the E.ON Group's earnings situation. Increasing gas-market competition and its effect on sales volumes and prices along with delays in power and gas new-build projects could also adversely affect our earnings situation. From today's perspective, however, we do not perceive any risks in the future that would threaten the existence of the E.ON Group or individual segments.

## Disclosures on the Internal Control System for the Accounting Process

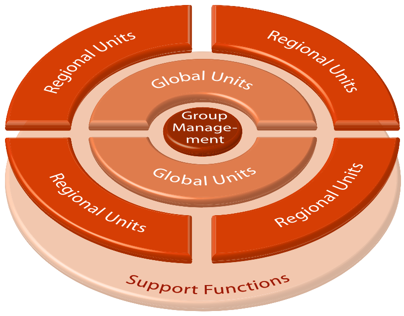
Disclosures pursuant to Section 289, Paragraph 5, of the German Commercial Code, which are part of the Combined Group Management Report, are on pages 184 to 186.

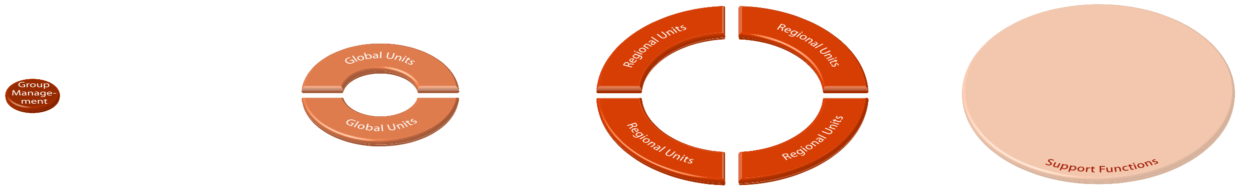
## Subsequent Events

To reduce its debt, E.ON made a two-step offer to bondholders on January 24, 2011, to repurchase several bond issues and repurchased bonds with a total nominal value of €1.81 billion under this offer.

In line with our strategy to divest roughly €15 billion of assets by the end of 2013, we reached an agreement to sell our U.K. power distribution business to Pennsylvania Power & Light of the United States. The transaction is expected to close in early April 2011. Note 35 to the Consolidated Financial Statements contains more information about this transaction.

## E.ON Corporate Structure (Effective January 1, 2011)




**Group Management**

**Global Units**
Conventional Generation
Renewables Generation
New Build & Technology[1]
Global Gas
Trading

**Regional Units**
Germany
Other EU Countries
- U.K.
- Sweden
- Italy
- Spain
- France
- Netherlands
- Hungary
- Czech Republic
- Slovakia
- Romania
- Bulgaria

Russia[2]

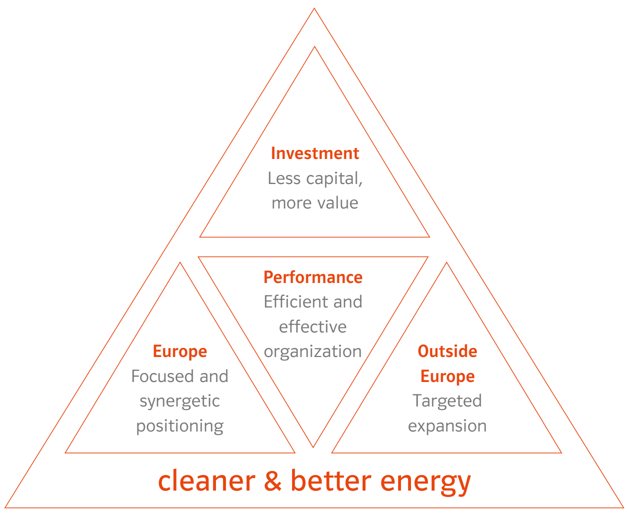
**Support Functions[1]**
IT
Procurement
Insurance
Consulting
Business Processes

[1]Not a reporting segment.
[2]Special-focus country.

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

### Planned Changes in Corporate Strategy and Non-Financial Targets

E.ON's objective is to make energy cleaner and better. To achieve this objective, we will focus on competitive businesses in Europe and enhance our efforts to leverage synergies across our businesses and business areas in Europe's converging energy markets. E.ON is systematically implementing its new-build projects in Russia and will further expand its renewables capacity in North America. In addition, E.ON intends to deploy its expertise in power generation and renewables in, initially, two other regions outside Europe. By achieving a broader international footprint, E.ON plans for its businesses outside Europe to deliver one quarter of its total adjusted EBITDA by 2015. In the future, E.ON will put even greater emphasis on the profitability of its existing and new businesses. E.ON aims to further enhance its performance. This new strategic focus will enable E.ON to achieve less capital-intensive growth and to address the business challenges it will face in the years ahead resulting from public-policy decisions and an altered market environment.



E.ON will execute its new strategy supported by a new, leaner organizational setup. Group Management in Düsseldorf will oversee and coordinate operations, which will be segmented by function into global units and by country into regional units. Five global units will be responsible for managing conventional power generation, new build and technology (which is not a reporting segment), renewables generation, global gas, and trading. Twelve regional units in Europe (comprising two reporting segments, Germany and Other European Countries) will manage our retail business, regional energy networks, and distributed-generation business. Our power business in Russia will be managed as a special-focus region. Support functions like IT and procurement will be led centrally by Group Management.

## Efficiency Enhancement

Our new setup makes us leaner, quicker, and more efficient. We will therefore no longer make efficiency enhancement the focus of special programs or projects but instead seek to firmly embed it in our company's performance culture. Our objective is to deliver an additional €600 million in annual earnings improvements by the end of 2013. We are well on the way to achieving most of the €1.5 billion in annual earnings improvements under the PerformtoWin program we launched in 2008.

## Future Sales Markets

Europe is and will remain the main focus of our operations. Going forward, we will concentrate more on competitive businesses in which we have advantages of scale and that can be optimized together. We will focus primarily on converging energy markets in order to optimally leverage synergies across businesses and national boundaries.

Outside Europe, we aim to tap the global growth in energy demand and have created a new unit, E.ON International Energy, for this purpose. Europe's main priority is to make its energy supply more efficient and climate friendlier. But other parts of the world still have a lot of catching up to do in terms of expanding their generating capacity. E.ON is a leading expert in building conventional and renewable-source generating facilities. Going forward, we intend to deploy our experience and expertise not only in Russia and North America but also in, initially, two other regions. In this effort, we will focus exclusively on offering solutions that significantly improve the energy supply in these regions.

## Future Use of New Technologies and Processes

We will accelerate our climate-protection efforts. We now plan to halve the specific carbon emissions of our power generation in Europe by 2020 from a 1990 baseline, ten years earlier than previously planned. We have the climate-policy objectives of the European Union and the German federal government firmly in view. By systematically decarbonizing our power generation and by offering customers energy-efficient products and services, E.ON will make a very substantial contribution to bringing about the transition to a climate-friendly energy supply and to reducing carbon emissions.

## Future Products and Services

We will work systematically to further reduce the carbon intensity of our power generation in Europe. The main focus will be on substantially expanding our renewables capacity by deploying advanced, cost-effective technologies on an industrial scale, such as large onshore and offshore wind farms. We will also make selective investments in flexible, low-carbon conventional generating units as well as pumped-storage and run-of-river hydroelectric plants.

Our international gas business will remain an important part of our portfolio in the future. The primary objective is to adjust long-term supply contracts to reflect new market realities. We have already entered into discussions with producers to address this issue. We also intend to do more to seize opportunities through integrated optimization on a European scale.

We intend to expand and further optimize our international trading business. This will enable us seize opportunities created by the ongoing globalization of commodity markets.

In our energy retail business in Europe, we will aim to achieve greater differentiation from our competitors by offering intelligent products for residential customers (such as micro CHP units for single-family homes) and efficient energy solutions for business customers. In this way, our retail business will also be geared towards greater energy efficiency and sustainability.

E.ON will study how best, depending on the respective regulatory environment, to further develop its regulated power and gas networks.

## Business Environment

### Macroeconomic Situation

The German Council of Economic Experts ("GCEE") expects the global economic recovery to continue through the end of 2011 but to lose momentum. In addition to the existing risks, there is uncertainty about possible currency-valuation and trade disputes. Although robust growth is likely to continue in emerging economies, industrial countries can expect their recovery to remain tepid.

Moderate economic growth is forecast for the United States in 2011. Investment activity will be supported by low interest rates, but private-sector debt reduction will continue to stifle private consumption. The current, heterogeneous performance of EU27 national economies is likely to continue in 2011. Northern European countries are expected to put in a better performance than those of Southern Europe, which are hampered by problems in their financial and real-estate sectors and by unemployment. On balance, underutilized capacity will lead to only a moderate increase in investment.

Economic recovery in Russia is expected to continue in 2011, although its growth will be the weakest among the BRIC countries (Brazil, Russia, India, China).

The GCEE does not anticipate inflationary tendencies in 2011 in the United States or the European Union. As a result, prices are expected to increase at rates similar to those seen in 2010.

Despite the considerable financial and economic uncertainty, IHS Global Insight expects the global economy to get back on the growth path in 2012 and beyond. It sees China and the United States as potential engines for the growth process. Growth in the eurozone, Eastern Europe, and Russia is expected to be positive but hesitant. Central Banks are expected to counteract any inflationary tendencies.

### Energy Markets

The price signals on power and fuel markets are predominantly positive for 2011 and 2012.

Assuming a stable economic environment over the next two years, Brent crude oil is expected to trade at prices above the level of the last two years. The Brent contract for next-month delivery started 2011 at just over $90 per barrel, which is significantly above its average price ($80) in 2010. The Brent forward market displayed a contango pattern, with outlying delivery periods priced higher than nearby periods; for example, the average price for 2012 is higher than that for 2011. The assumptions supporting this trend include rising oil demand (primarily in emerging countries) and rising production costs (for unconventionals, for instance).

Like oil, hard coal for next-year delivery also began 2011 well above its average price in 2010 (about $100 per metric ton as measured by the API#2 index). Unlike oil, however, coal displayed a backwardation pattern, with outlying periods priced lower than nearby periods. Prices for 2012 products are lower than for 2011 products. The structure of the forward market is the temporary result of weather-driven supply bottlenecks due primarily to flooding in Columbia, South Africa, and Australia.

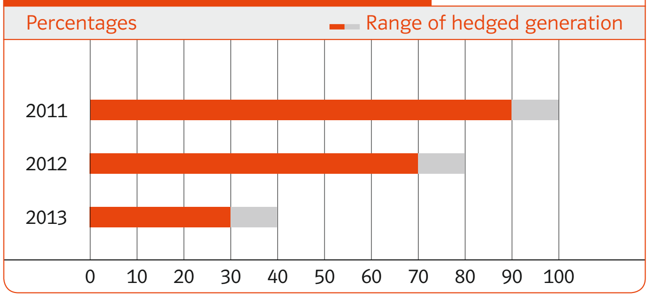
European wholesale gas prices recovered in 2010 with support coming from the economic upturn, weather conditions, and infrastructure-related supply limitations. Prices for the next two years will be driven by European demand and, particularly, by the degree to which the world's increasing LNG supply capacity will be utilized by higher gas demand in Asia and Latin America. The U.S. gas market is expected to be almost insular, with prices remaining at low levels because of the increasingly cost-effective extraction of shale-gas reserves. At European trading points, in 2010 forward products for delivery in 2011 and 2012 moved in parallel with spot prices and thus rose significantly. The current market expectation is for this upward trend to continue but to flatten out going forward. Current forward prices have not returned to the levels seen in 2008.

Forward carbon prices are driven largely by market perceptions about climate-policy developments. Currently, global efforts to pursue moderate emission-reduction targets are being supplemented by EU initiatives to make Europe's targets even more ambitious. In addition, quality restrictions that take effect in 2013 will likely limit imports of CERs earned through emission-reduction projects outside Europe, thereby further reducing the supply of carbon allowances in the EU. This could result in positive signals for power prices.

Near-term and medium-term power prices are determined largely by the price of hard coal and natural gas and by the price of carbon allowances. Market expectations for higher fuel prices tend to push up forward power prices. Power prices are also influenced by forecasts about the ratio of supply (available generating capacity) to demand. Following the crisis-driven decline, power demand continues to increase across Europe, although the rate varies by region. This also gives upward impetus to power prices, as does the anticipated withdrawal of older generating capacity. On the other hand, new renewables capacity and (to a lesser degree) new conventional capacity will be commissioned. On January 13, 2011, the EEX forward baseload contract was trading at €53 per MWh for 2012 delivery and €54 for 2013 delivery and thus above the level—€51—at which the contract for 2011 delivery traded at the end of 2010. Factoring in the above-mentioned drivers, the overall market estimation is that power prices on the EEX and neighboring markets will have an upward tendency in 2012 and 2013.

Our power production for 2011 is already almost completely hedged. Our hedging practices will, over time, serve to increase the hedge rate of subsequent years, as well (as an example, the graph below shows the hedge rate for our European outright portfolio, which essentially consists of our non-fossil power production from nuclear and hydro assets).

European Outright Portfolio




## Employees

The number of employees in the E.ON Group (excluding apprentices and board members/managing directors) is expected to decline by year-end 2011. The outsourcing of E.ON IT's IT infrastructure and integration and efficiency-enhancement measures at companies in Eastern Europe are the main factors.

## Anticipated Earnings Situation

### Forecast Earnings Performance

On the release of our interim report in November 2010, we also presented our new organizational setup and our new strategy. At that time, we also announced targets for 2013 for several consolidated key figures. As an exception, this forecast therefore also contains the forecast for certain figures through 2013.

Effective January 1, 2011, adjusted EBITDA replaces adjusted EBIT as our key figure for purposes of internal management control and as an indicator of a business's long-term earnings power. It is an earnings figure before interest, taxes, depreciation, and amortization and is adjusted to exclude certain extraordinary items. We made the change because adjusted EBITDA is unaffected by investment and depreciation cycles and also provides a better indication of our cash-effective earnings.

Despite the efficiency enhancements we have already achieved and those in planning, we will face considerable business challenges in the years ahead. In particular, our earnings development will be adversely affected by Germany's nuclear-fuel tax, the full auctioning of EU carbon allowances, the altered market environment in the gas business, and narrower wholesale margins. From today's perspective we anticipate that our 2011 adjusted EBITDA will be between €11.2 billion and €11.9 billion. We expect our adjusted EBITDA to increase slightly in 2012 and, in 2013, to again be at roughly the 2010 level.

This forecast is based—without factoring in the announced portfolio measures—on the following assumptions:

- power and gas demand will increase as the industrial segment recovers
- coal prices and spot gas prices will trend upwards
- carbon-allowance prices will increase only slightly
- the difference between coal and gas procurement prices and the sales prices of power generated using these fuels is at historically low levels; we do not expect this trend to continue.

We expect our 2011 adjusted net income to be down significantly and to be in a range from €3.3 billion to €4 billion. As with adjusted EBITDA, we anticipate that adjusted net income will increase in subsequent years, a trend that will be partially offset by an increase in our relative tax expense.

Our forecast by segment:

**Adjusted EBITDA**

| € in billions | 2011 (forecast) | 2010[1] |
|---|---|---|
| Conventional Generation | 3.7 to 4.0 | 3.9 |
| Renewables Generation | 1.4 to 1.6 | 1.2 |
| Global Gas | 0.7 to 1.2 | 2.0 |
| Trading | -0.3 to -0.1 | 1.2 |
| Germany | 2.1 to 2.3 | 2.5 |
| Other EU Countries | 2.7 to 2.9 | 2.6 |
| Russia | 0.5 to 0.7 | 0.4 |
| Group Management/Other | – | -0.5 |
| **Total** | **11.2 to 11.9** | **13.3** |

[1]Adjusted EBITDA figures for 2010 are preliminary and were calculated to provide a comparison under our new organization setup. They may change during 2011.

We expect Conventional Generation's 2011 adjusted EBITDA to be at a level of €3.7 to €4 billion. Higher market-based transfer prices paid to our generation units by Trading will offset the adverse impact of the nuclear-fuel tax Germany enacted in 2010. We expect Conventional Generation's 2012 earnings to be significantly below the prior-year level owing to declining transfer prices and the adverse impact of the nuclear-fuel tax.

For Renewables Generation we anticipate a 2011 adjusted EBITDA of between €1.4 and €1.6 billion. It will benefit from a significant increase in generating capacity, particularly in wind power. We anticipate a slight decline in Renewables Generation's earnings in 2012. The positive impact of additional wind capacity will be offset by declining prices for hydroelectricity.

We expect Global Gas's 2011 adjusted EBITDA to be between €0.7 and €1.2 billion. The gas wholesale business remains under considerable cost pressure due to continued keen competition and the ongoing disconnect between oil-indexed procurement prices and gas wholesale prices. This situation has led to negotiations with producers to reduce procurement costs, which creates considerable planning uncertainty for this segment. Upstream earnings will be higher on increased production as new fields come on stream. The transport business and operations in Hungary will continue to be under regulatory pressure in 2011. The positive impact of anticipated successful negotiations with producers along with increased upstream production will lead to an improvement in Global Gas's earnings in 2012.

We anticipate that Trading's 2011 adjusted EBITDA will be between -€0.3 and -€0.1 billion, mainly due to continued high transfer prices between Trading and our generation units. This effect is enhanced by declining achieved prices. We expect Trading's earnings to improve in 2012 thanks to better margins.

We expect the Germany segment's 2011 adjusted EBITDA to be between €2.1 and €2.3 billion. Earnings in 2010 benefited in particular from positive effects in the network business that will not be repeated in a similar magnitude in 2011. As a result, we expect this segment's earnings to be stable in 2012.

We anticiate that the Other EU Countries segment will post an adjusted EBITDA of €2.7 to €2.9 billion in 2011. A key factor will be the absence of an adverse earnings effect relating to renewables recorded at the Czech regional unit in 2010. We expect this segment's 2012 earnings to be stable, as well.

We expect Russia's 2011 adjusted EBITDA to be between €0.5 and €0.7 billion. It will benefit the commissioning of new generating capacity along with higher margins at existing capacity. We anticipate a further increase in 2012.

### Anticipated Dividend Development

Our dividend policy, which calls for a payout ratio of 50 to 60 percent of adjusted net income, will remain unchanged. Management is proposing a dividend of €1.50 per ordinary share for the 2010 financial year, unchanged from the prior year. We plan to pay a dividend of at least €1.30 per share for the 2011 and 2012 financial years. The payout ratio for both of these years could therefore deviate from our dividend policy and exceed 60 percent.

## Anticipated Financial Condition

### Planned Funding Measures

At our Capital Market Day on November 10, 2010, we announced certain adjustments to our finance strategy. Details can be found in the chapter of this report entitled Financial Condition in the section Finance Strategy. We expect to have no funding needs in 2011. Furthermore, we will use more than half the proceeds from the announced portfolio measures to reduce our debt. We expect to be able to fund our investment expenditures planned for 2011 and the dividend payout by means of cash provided by operating activities and proceeds from disposals. Any funding peaks during the course of the year can be dealt with by making short-term use of commercial paper.

### Planned Investments

Our medium-term plan calls for investments of €7.5 billion in 2011. This figure also does not factor in the announced portfolio measures. About one fifth of our planned investments will go towards maintaining our existing assets, the rest towards expansion or organic growth. The main geographic focus of our investments will continue to be Germany, where we will make substantial investments to maintain and expand our conventional generation assets and our power and gas infrastructure.

**Investments: 2011 Plan**

| | € in billions | Percentages |
|---|---|---|
| Conventional Generation | 2.3 | 31 |
| Renewables Generation | 1.1 | 15 |
| Global Gas | 1.2 | 15 |
| Trading | – | – |
| Germany | 0.9 | 12 |
| Other EU Countries | 1.6 | 21 |
| Russia | 0.6 | 8 |
| Group Management/Other | -0.2 | -2 |
| **Total** | **7.5** | **100** |

We plan to invest €2.3 billion in 2011 to expand and replace Conventional Generation's portfolio of hard-coal, gas, and nuclear assets. These plans include fossil new-build projects (such as Maasvlakte 3 und Datteln 4) and measures to extend asset operating lives (the 2 GW hard-coal-fired plant at Ratcliffe in the United Kingdom). Investments in nuclear assets include the activities of Horizon Nuclear Power, our joint venture with RWE to develop up to two nuclear power plants ("NPPs") in the United Kingdom. The plan also includes substantial measures to extend the operating lives of NPPs in Germany and Oskarshamn 2 NPP in Sweden.

We plan to invest about €1.1 billion in our Renewables Generation segment (E.ON Climate & Renewables and our hydroelectric stations) in 2011. The main focus will be on offshore wind farms (such as London Array) and onshore farms in Europe and onshore farms in the United States.

Most of Global Gas's investments of €1.2 billion will go towards developing gas and oil fields. This segment will also invest in its gas transport and storage infrastructure.

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

About one fifth of our investments are earmarked for the Other EU Countries segment and will consist primarily of maintenance investments in our regional energy networks in Sweden and the United Kingdom.

We plan to invest about €600 million in our Russia segment in 2011, mainly to continue ongoing projects to build new generating units.

The E.ON Group's planned investments for 2012 total about €5.8 billion. Our Conventional Generation and Other EU Countries segments will each account for about one quarter of investments. Slightly more than one quarter will go towards expanding our operations in the Renewables Generation and Global Gas segments. The remainder is earmarked, in particular, for the Germany segment and our power generation business in Russia.

## Opportunities

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

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

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

Opportunities will also be created in the years ahead by the establishment of the Agency for the Cooperation of Energy Regulators ("ACER"), whose independence from purely national considerations will enable it to do more to promote European market integration. This will lead to the harmonization of market structures, making it easier to enter, and achieve growth in, other markets.

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

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

## General Statement on E.ON's Future Development

We will face a considerably adverse business environment in the years ahead as we transform our company into a leading provider of superb energy solutions. But supported by our new strategy, our significantly leaner organizational setup, and our new performance culture, we will work hard to continue E.ON's success story, even in this difficult environment. The focus in 2011 and 2012 will mainly be on financial consolidation. But at the same time, we intend to begin implementing our plan to achieve long-term growth both in and outside Europe.

## Auditor's Report

We have audited the consolidated financial statements prepared by the E.ON AG, Düsseldorf, comprising the balance sheet, the income statement, statement of recognised income and expense, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Company for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 1, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| sgd. Dr. Norbert Vogelpoth | sgd. Dr. Norbert Schwieters |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

## E.ON AG and Subsidiaries Consolidated Statements of Income

| € in millions | Note | 2010 | 2009 |
|---|---|---|---|
| Sales including electricity and energy taxes | | 94,812 | 81,875 |
| Electricity and energy taxes | | -1,949 | -1,901 |
| **Sales** | (5) | **92,863** | **79,974** |
| Changes in inventories (finished goods and work in progress) | | 82 | 43 |
| Own work capitalized | (6) | 588 | 532 |
| Other operating income | (7) | 15,961 | 24,942 |
| Cost of materials | (8) | -73,575 | -61,023 |
| Personnel costs | (11) | -5,281 | -5,158 |
| Depreciation, amortization and impairment charges | (14) | -6,457 | -3,806 |
| Other operating expenses | (7) | -13,597 | -22,484 |
| Income/Loss (-) from companies accounted for under the equity method | | 663 | 941 |
| **Income/Loss (-) from continuing operations before financial results and income taxes** | | **11,247** | **13,961** |
| Financial results | (9) | -2,184 | -2,461 |
| *Income/Loss (-) from equity investments* | | *119* | *-188* |
| *Income from other securities, interest and similar income* | | *653* | *600* |
| *Interest and similar expenses* | | *-2,956* | *-2,873* |
| Income taxes | (10) | -1,946 | -2,858 |
| **Income/Loss (-) from continuing operations** | | **7,117** | **8,642** |
| Income/Loss (-) from discontinued operations, net | (4) | -836 | 27 |
| **Net income** | | **6,281** | **8,669** |
| *Attributable to shareholders of E.ON AG* | | *5,853* | *8,420* |
| *Attributable to non-controlling interests* | | *428* | *249* |
| in € | | | |
| **Earnings per share (attributable to shareholders of E.ON AG)—basic and diluted** | (13) | | |
| from continuing operations | | 3.51 | 4.41 |
| from discontinued operations | | -0.44 | 0.01 |
| **from net income** | | **3.07** | **4.42** |

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

| € in millions | 2010 | 2009 |
|---|---|---|
| **Net income** | **6,281** | **8,669** |
| Cash flow hedges | -1 | 207 |
| *Unrealized changes* | *-204* | *45* |
| *Reclassification adjustments recognized in income* | *203* | *162* |
| Available-for-sale securities | -1,658 | 772 |
| *Unrealized changes* | *419* | *2,617* |
| *Reclassification adjustments recognized in income* | *-2,077* | *-1,845* |
| Currency translation adjustments | 469 | 129 |
| *Unrealized changes* | *662* | *473* |
| *Reclassification adjustments recognized in income* | *-193* | *-344* |
| Changes in actuarial gains/losses of defined benefit pension plans and similar obligations | -722 | -1,500 |
| Companies accounted for under the equity method | -15 | 23 |
| *Unrealized changes* | *-15* | *23* |
| *Reclassification adjustments recognized in income* | – | – |
| Income taxes | 324 | 763 |
| **Total income and expenses recognized directly in equity** | **-1,603** | **394** |
| **Total recognized income and expenses (total comprehensive income)** | **4,678** | **9,063** |
| *Attributable to shareholders of E.ON AG* | *4,248* | *8,807* |
| *Attributable to non-controlling interests* | *430* | *256* |

## E.ON AG and Subsidiaries Consolidated Balance Sheets—Assets

| € in millions | Note | December 31 2010 | December 31 2009 | January 1 2009 |
|---|---|---|---|---|
| Goodwill | (14a) | 14,588 | 16,901 | 17,311 |
| Intangible assets | (14a) | 8,070 | 8,665 | 7,059 |
| Property, plant and equipment | (14b) | 60,870 | 60,327 | 56,004 |
| Companies accounted for under the equity method | (15) | 6,343 | 7,342 | 8,931 |
| Other financial assets | (15) | 6,104 | 9,131 | 8,823 |
| *Equity investments* | | *2,201* | *5,461* | *3,806* |
| *Non-current securities* | | *3,903* | *3,670* | *5,017* |
| Financial receivables and other financial assets | (17) | 3,357 | 2,652 | 2,451 |
| Operating receivables and other operating assets | (17) | 4,022 | 3,388 | 3,789 |
| Income tax assets | (10) | 822 | 1,549 | 1,988 |
| Deferred tax assets | (10) | 2,481 | 3,091 | 2,266 |
| **Non-current assets** | | **106,657** | **113,046** | **108,622** |
| Inventories | (16) | 4,064 | 4,518 | 4,774 |
| Financial receivables and other financial assets | (17) | 1,674 | 1,729 | 2,101 |
| Trade receivables and other operating assets | (17) | 27,492 | 23,007 | 28,848 |
| Income tax assets | (10) | 2,678 | 1,925 | 1,515 |
| Liquid funds | (18) | 8,273 | 6,116 | 6,348 |
| *Securities and fixed-term deposits* | | *1,697* | *1,722* | *2,125* |
| *Restricted cash and cash equivalents* | | *433* | *184* | *552* |
| *Cash and cash equivalents* | | *6,143* | *4,210* | *3,671* |
| Assets held for sale | (4) | 2,043 | 2,273 | 4,521 |
| **Current assets** | | **46,224** | **39,568** | **48,107** |
| **Total assets** | | **152,881** | **152,614** | **156,729** |

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

| | | December 31 | | January 1 |
|---|---|---|---|---|
| € in millions | Note | 2010 | 2009 | 2009 |
| Capital stock | (19) | 2,001 | 2,001 | 2,001 |
| Additional paid-in capital | (20) | 13,747 | 13,747 | 13,741 |
| Retained earnings | (21) | 29,026 | 26,609 | 22,188 |
| Accumulated other comprehensive income | (22) | 410 | 1,552 | 110 |
| Treasury shares | (19) | -3,531 | -3,530 | -3,549 |
| **Equity attributable to shareholders of E.ON AG** | | **41,653** | **40,379** | **34,491** |
| Non-controlling interests (before reclassification) | | 4,532 | 4,157 | 4,538 |
| Reclassification related to put options | | -600 | -550 | -578 |
| **Non-controlling interests** | (23) | **3,932** | **3,607** | **3,960** |
| **Equity** | | **45,585** | **43,986** | **38,451** |
| Financial liabilities | (26) | 28,880 | 30,657 | 25,036 |
| Operating liabilities | (26) | 6,506 | 7,773 | 9,629 |
| Income taxes | (10) | 3,406 | 3,124 | 2,602 |
| Provisions for pensions and similar obligations | (24) | 3,250 | 2,884 | 3,559 |
| Miscellaneous provisions | (25) | 20,381 | 18,808 | 19,198 |
| Deferred tax liabilities | (10) | 7,157 | 7,529 | 6,299 |
| **Non-current liabilities** | | **69,580** | **70,775** | **66,323** |
| Financial liabilities | (26) | 3,611 | 7,120 | 16,022 |
| Trade payables and other operating liabilities | (26) | 26,357 | 23,099 | 28,370 |
| Income taxes | (10) | 2,578 | 1,643 | 2,153 |
| Miscellaneous provisions | (25) | 4,950 | 4,715 | 4,260 |
| Liabilities associated with assets held for sale | (4) | 220 | 1,276 | 1,150 |
| **Current liabilities** | | **37,716** | **37,853** | **51,955** |
| **Total equity and liabilities** | | **152,881** | **152,614** | **156,729** |

E.ON AG and Subsidiaries Consolidated Statements of Cash Flows

| € in millions | 2010 | 2009 |
|---|---|---|
| Net income | 6,281 | 8,669 |
| Income from discontinued operations, net | 836 | -27 |
| Depreciation, amortization and impairment of intangible assets and of property, plant and equipment | 6,457 | 3,806 |
| Changes in provisions | 968 | 145 |
| Changes in deferred taxes | 265 | 849 |
| Other non-cash income and expenses | 347 | 395 |
| Gain/Loss on disposal of | -3,246 | -5,093 |
| *Intangible assets and property, plant and equipment* | *104* | *-60* |
| *Equity investments* | *-3,133* | *-4,829* |
| *Securities (> 3 months)* | *-217* | *-204* |
| Changes in operating assets and liabilities and in income taxes | -1,294 | -154 |
| *Inventories* | *342* | *720* |
| *Trade receivables* | *-3,836* | *1,940* |
| *Other operating receivables and income tax assets* | *-686* | *1,904* |
| *Trade payables* | *-195* | *-858* |
| *Other operating liabilities and income taxes* | *3,081* | *-3,860* |
| **Cash provided by operating activities of continuing operations (operating cash flow)** | **10,614** | **8,590** |
| **Cash provided by operating activities of discontinued operations** | **471** | **464** |
| **Cash provided by operating activities** | **11,085** | **9,054** |
| Proceeds from disposal of | 9,601 | 5,384 |
| *Intangible assets and property, plant and equipment* | *242* | *309* |
| *Equity investments* | *9,359* | *5,075* |
| Purchases of investments in | -8,286 | -8,655 |
| *Intangible assets and property, plant and equipment* | *-7,904* | *-7,831* |
| *Equity investments* | *-382* | *-824* |
| Proceeds from disposal of securities (> 3 months) and of financial receivables and fixed-term deposits | 6,316 | 6,538 |
| Purchases of securities (> 3 months) and of financial receivables and fixed-term deposits | -6,247 | -6,014 |
| Changes in restricted cash and cash equivalents | -256 | 342 |
| **Cash provided by (used for) investing activities of continuing operations** | **1,128** | **-2,405** |
| **Cash used for investing activities of discontinued operations** | **-372** | **-994** |
| **Cash provided by (used for) investing activities** | **756** | **-3,399** |
| Payments received/made from changes in capital[1] | -332 | -1 |
| Payments for treasury shares, net | -1 | 25 |
| Cash dividends paid to shareholders of E.ON AG | -2,858 | -2,857 |
| Cash dividends paid to non-controlling interests | -243 | -298 |
| Proceeds from financial liabilities | 2,429 | 10,398 |
| Repayments of financial liabilities | -8,929 | -12,436 |
| **Cash used for financing activities of continuing operations** | **-9,934** | **-5,169** |
| **Cash provided by (used for) financing activities of discontinued operations** | **10** | **-1** |
| **Cash used for financing activities** | **-9,924** | **-5,170** |
| **Net increase/decrease in cash and cash equivalents** | **1,917** | **485** |
| Effect of foreign exchange rates on cash and cash equivalents | 16 | 54 |
| Cash and cash equivalents at the beginning of the year | 4,210 | 3,671 |
| **Cash and cash equivalents at the end of the year** | **6,143** | **4,210** |
| **less: Cash and cash equivalents of discontinued operations at the end of the year** | **0** | **15** |
| **Cash and cash equivalents of continuing operations at the end of the year** | **6,143** | **4,195** |

[1]No material netting has taken place in either of the years presented here.

## Supplementary Information on Cash Flows from Operating Activities

| € in millions | 2010 | 2009 |
|---|---|---|
| Income taxes paid (less refunds) | -726 | -1,737 |
| Interest paid | -1,619 | -1,800 |
| Interest received | 534 | 602 |
| Dividends received | 866 | 1,017 |

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

## Statement of Changes in Equity

| € in millions | Capital stock | Additional paid-in capital | Retained earnings | Change in accumulated other comprehensive income | | |
|---|---|---|---|---|---|---|
| | | | | Currency translation adjustments | Available-for-sale securities | Cash flow hedges |
| **Balance as of January 1, 2009** | **2,001** | **13,741** | **22,188** | **-2,547** | **2,676** | **-19** |
| Change in scope of consolidation | | | | | | |
| Treasury shares repurchased/sold | | | | | | |
| Capital increase | | 6 | | | | |
| Capital decrease | | | | | | |
| Dividends paid | | | -2,857 | | | |
| Other changes | | | | | | |
| Share additions | | | -87 | | | |
| Net additions/disposals from reclassification related to put options | | | | | | |
| Total comprehensive income | | | 7,365 | 542 | 835 | 65 |
| *Net income* | | | *8,420* | | | |
| *Other comprehensive income* | | | *-1,055* | *542* | *835* | *65* |
| *Changes in actuarial gains/losses of defined benefit pension plans and similar obligations* | | | *-1,055* | | | |
| *Change in accumulated other comprehensive income* | | | | *542* | *835* | *65* |
| **Balance as of December 31, 2009** | **2,001** | **13,747** | **26,609** | **-2,005** | **3,511** | **46** |
| **Balance as of January 1, 2010** | **2,001** | **13,747** | **26,609** | **-2,005** | **3,511** | **46** |
| Change in scope of consolidation | | | | | | |
| Treasury shares repurchased/sold | | | | | | |
| Capital increase | | | | | | |
| Capital decrease | | | | | | |
| Dividends paid | | | -2,858 | | | |
| Other changes | | | | | | |
| Share additions | | | -115 | | | |
| Net additions/disposals from reclassification related to put options | | | | | | |
| Total comprehensive income | | | 5,390 | 435 | -1,588 | 11 |
| *Net income* | | | *5,853* | | | |
| *Other comprehensive income* | | | *-463* | *435* | *-1,588* | *11* |
| *Changes in actuarial gains/losses of defined benefit pension plans and similar obligations* | | | *-463* | | | |
| *Change in accumulated other comprehensive income* | | | | *435* | *-1,588* | *11* |
| **Balance as of December 31, 2010** | **2,001** | **13,747** | **29,026** | **-1,570** | **1,923** | **57** |

| Treasury shares | Equity attributable to shareholders of E.ON AG | Non-controlling interests (before reclassification) | Reclassification related to put options | Non-controlling interests | Total |
|---|---|---|---|---|---|
| **-3,549** | **34,491** | **4,538** | **-578** | **3,960** | **38,451** |
| | | -52 | | -52 | -52 |
| 19 | 19 | | | | 19 |
| | 6 | 23 | | 23 | 29 |
| | | -25 | | -25 | -25 |
| | -2,857 | -270 | | -270 | -3,127 |
| | | -1 | | -1 | -1 |
| | -87 | -312 | | -312 | -399 |
| | | | 28 | 28 | 28 |
| | 8,807 | 256 | | 256 | 9,063 |
| | *8,420* | *249* | | *249* | *8,669* |
| | *387* | *7* | | *7* | *394* |
| | *-1,055* | *-11* | | *-11* | *-1,066* |
| | *1,442* | *18* | | *18* | *1,460* |
| **-3,530** | **40,379** | **4,157** | **-550** | **3,607** | **43,986** |
| **-3,530** | **40,379** | **4,157** | **-550** | **3,607** | **43,986** |
| | | 147 | | 147 | 147 |
| -1 | -1 | | | | -1 |
| | | 68 | | 68 | 68 |
| | | -35 | | -35 | -35 |
| | -2,858 | -223 | | -223 | -3,081 |
| | | | | | 0 |
| | -115 | -12 | | -12 | -127 |
| | | | -50 | -50 | -50 |
| | 4,248 | 430 | | 430 | 4,678 |
| | *5,853* | *428* | | *428* | *6,281* |
| | *-1,605* | *2* | | *2* | *-1,603* |
| | *-463* | *-29* | | *-29* | *-492* |
| | *-1,142* | *31* | | *31* | *-1,111* |
| **-3,531** | **41,653** | **4,532** | **-600** | **3,932** | **45,585** |

## (1) Basis of Presentation

Based in Germany, the E.ON Group ("E.ON" or the "Group") is an international group of companies with integrated electricity and gas operations. The E.ON Group's reportable segments are presented in line with the Group's internal organizational and reporting structure, as defined by International Financial Reporting Standard ("IFRS") 8, "Operating Segments" ("IFRS 8"):

- The Central Europe market unit, led by E.ON Energie AG ("E.ON Energie"), Munich, Germany, operates E.ON's electricity business and the downstream gas business in Central Europe.

- Pan-European Gas is responsible for the upstream and midstream gas business. This market unit additionally holds interests predominantly in energy businesses in Europe outside of Germany. It is led by E.ON Ruhrgas AG ("E.ON Ruhrgas"), Essen, Germany.

- The U.K. market unit encompasses the energy business in the United Kingdom. This market unit is led by E.ON UK plc ("E.ON UK"), Coventry, U.K.

- The Nordic market unit, which is led by the integrated energy company E.ON Sverige AB ("E.ON Sverige"), Malmö, Sweden, is concentrated on the energy business in Northern Europe.

- The Energy Trading market unit, led by E.ON Energy Trading SE ("E.ON Energy Trading"), Düsseldorf, Germany, holds the E.ON Group's European trading activities for electricity, gas, coal, oil and $CO_2$ allowances.

- All of the remaining operating segments have been combined in accordance with IFRS 8, and are reported as the "New Markets" segment. New Markets contains the activities of the new Climate & Renewables, Italy, and Russia market units, as well as the Spain market unit.

Furthermore, Corporate Center/Consolidation contains E.ON AG itself ("E.ON" or the "Company"), the interests held directly by E.ON AG, as well as the consolidation effects that take place at Group level. Note 33 provides additional information about the segments.

These Consolidated Financial Statements have been prepared in accordance with Section 315a (1) of the German Commercial Code ("HGB") and with those IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that were adopted by the European Commission for use in the EU as of the end of the fiscal year, and whose application was mandatory as of December 31, 2010.

## (2) Summary of Significant Accounting Policies

### General Principles

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

### Scope of Consolidation

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

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

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

### Associated Companies

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

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

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

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

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

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

## Joint Ventures

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

## Business Combinations

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

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

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

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

## Foreign Currency Translation

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

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

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

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

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

**Currencies**

| | ISO Code | €1, rate at year-end | | €1, annual average rate | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| British pound | GBP | 0.86 | 0.89 | 0.86 | 0.89 |
| Norwegian krone | NOK | 7.80 | 8.30 | 8.00 | 8.73 |
| Russian ruble | RUB | 40.82 | 43.15 | 40.20 | 44.14 |
| Swedish krona | SEK | 8.97 | 10.25 | 9.54 | 10.62 |
| Hungarian forint | HUF | 277.95 | 270.42 | 275.48 | 280.33 |
| U.S. dollar | USD | 1.34 | 1.44 | 1.33 | 1.39 |

## Recognition of Income

### a) Revenues

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

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

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

### b) Interest Income

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

### c) Dividend Income

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

## Electricity and Energy Taxes

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

## Accounting for Sales of Shares of Subsidiaries or Associated Companies

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

## Earnings per Share

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

## Goodwill and Intangible Assets

### Goodwill

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

Newly created goodwill is allocated to those cash-generating units expected to benefit from the respective business combination. The cash-generating units regularly used at E.ON for goodwill impairment testing purposes are the operating units one level below the segments or the segments themselves.

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

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

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

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

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

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

Impairment losses recognized for goodwill in a cash-generating unit may not be reversed in subsequent reporting periods.

### Intangible Assets

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

Acquired intangible assets subject to amortization are classified as marketing-related, customer-related, contract-based, and technology-based. Internally generated intangible assets subject to amortization are related to software. Intangible assets subject to amortization are measured at cost and useful lives. The useful lives of marketing-related, customer-related and contract-based intangible assets generally range between 5 and 25 years. Technology-based intangible assets are generally amortized over a useful life of between 3 and

5 years. This category includes software in particular. Contract-based intangible assets are amortized in accordance with the provisions specified in the contracts. Useful lives and amortization methods are subject to annual verification. Intangible assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that such assets may be impaired.

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

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

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(a) for additional information about goodwill and intangible assets.

## Research and Development Costs

Under IFRS, research and development costs must be allocated to a research phase and a development phase. While expenditure on research is expensed as incurred, recognized development costs must be capitalized as an intangible asset if all of the general criteria for recognition specified in IAS 38, as well as certain other specific prerequisites, have been fulfilled. In the 2010 and 2009 fiscal years, these criteria were not fulfilled, except in the case of internally generated software.

## Emission Rights

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

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

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

## Property, Plant and Equipment

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

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

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

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

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

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

## Exploration for and Evaluation of Mineral Resources

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

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

## Borrowing Costs

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset from the time of acquisition or from the beginning of construction or production until its entry into service are capitalized and subsequently amortized alongside the related asset. In the case of a specific financing arrangement, the respective specific borrowing costs for that arrangement are used. For non-specific financing arrangements, a financing rate uniform within the Group of 4.5 percent was applied for 2010 (2009: 4.5 percent). Other borrowing costs are expensed.

## Government Grants

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

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

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

## Leasing

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

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

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

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

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

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

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

## Financial Instruments

### Non-Derivative Financial Instruments

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

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

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

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

### Derivative Financial Instruments and Hedging Transactions

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

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

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

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

Changes in fair value of derivative instruments that must be recognized in income are presented as other operating income or expenses. Gains and losses from interest-rate derivatives are netted for each contract and included in interest income. Gains and losses from derivative proprietary trading instruments are shown net as either revenues or cost of materials. Certain realized amounts are, if related to the sale of products or services, also included in sales or cost of materials.

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

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

## Inventories

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

## Receivables and Other Assets

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

## Liquid Funds

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

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

## Assets Held for Sale and Liabilities Associated with Assets Held for Sale

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

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

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

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

## Equity Instruments

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

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

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

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

## Share-Based Payment

Share-based payment plans issued in the E.ON Group are accounted for in accordance with IFRS 2, "Share-Based Payment" ("IFRS 2"). Both the E.ON Share Performance Plan introduced in fiscal 2006 and the remaining Stock Appreciation Rights that were granted between 1999 and 2005 as part of the virtual stock option program of E.ON AG are share-based payment transactions with cash compensation, the value of which is reported at fair value as of each balance sheet date. Compensation expense is recorded pro rata over the vesting period. E.ON determines fair value using the Monte Carlo simulation technique.

## Provisions for Pensions and Similar Obligations

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

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

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

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

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

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

## Provisions for Asset Retirement Obligations and Other Provisions

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

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

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

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

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

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

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

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

## Income Taxes

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

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

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

Deferred taxes for domestic companies are calculated using a total tax rate of 30 percent (2009: 30 percent). This tax rate includes, in addition to the 15 percent (2009: 15 percent) corporate income tax, the solidarity surcharge of 5.5 percent on the corporate tax (2009: 5.5 percent on the corporate tax), and the average trade tax rate of 14 percent (2009: 14 percent) applicable to the E.ON Group. Foreign subsidiaries use applicable national tax rates.

Note 10 shows the major temporary differences so recorded.

## Consolidated Statements of Cash Flows

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

## Segment Information

In accordance with the so-called management approach required by IFRS 8, the internal reporting organization used by management for making decisions on operating matters was used to identify the Company's reportable segments, and the internal performance measure, i.e., adjusted EBIT, was used as the segment result (see Note 33).

## Structure of the Consolidated Balance Sheets and Statements of Income

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

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

## Capital Structure Management

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

Based on adjusted EBITDA in 2010 of €13,346 million (2009: €12,975 million) and economic net debt of €37,701 million as of the balance sheet date (2009: €44,665 million), the debt factor is 2.8 (2009: 3.4).

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

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

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

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

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

## New Standards and Interpretations

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations that have been transferred by the EU into European law and whose application is mandatory in the reporting period from January 1, 2010, through December 31, 2010:

### IFRS 1, "First-time Adoption of International Financial Reporting Standards"

In November 2008, the IASB issued a revised version of IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). The objective of the new version is to simplify the application of this standard. Revised IFRS 1 is to be applied no later than for fiscal years beginning on or after December 31, 2009. It has been transferred by the EU into European law.

The IASB additionally approved further amendments to IFRS 1 in July 2009 and in January 2010, which primarily define simplifying exemptions in the initial transition to IFRS for particular circumstances. The version thus amended has been transferred by the EU into European law. As a result, the amendments are to be applied for fiscal years beginning on or after January 1, 2010. Earlier application is permitted.

Since E.ON already prepares its Consolidated Financial Statements in accordance with IFRS, neither the restructuring of IFRS 1 nor the amendments to it are of relevance.

### IFRS 3, "Business Combinations"

In January 2008, the IASB issued a revised version of IFRS 3, "Business Combinations" ("IFRS 3"), as part of its "Business Combinations II" project. The most significant changes from the previous version relate to the recognition and measurement of assets and liabilities acquired through a business combination, the measurement of non-controlling interests, as well as to the calculation of goodwill and the presentation of transactions with variable purchase prices. The revised standard is to be applied for transactions taking place in fiscal years beginning on or after July 1, 2009. The standard has been transferred by the EU into European law. Given the option in the standard concerning the determination of goodwill, which may be exercised on an individual basis, E.ON is unable to make a general statement on the impact of IFRS 3 on its Consolidated Financial Statements.

### IAS 27, "Consolidated and Separate Financial Statements"

In January 2008, the IASB issued a revised version of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"), which contains guidance on consolidation, as part of its "Business Combinations II" project. In particular, this standard for the first time deals with transactions in which shares in a company (subsidiary) are bought or sold without resulting in a change of control. Additional significant changes from the previous version relate in particular to the recognition and measurement of the remaining investment in an entity after a loss of control of what had been a subsidiary, and to the recognition of losses attributable to non-controlling interests. The amendments have been transferred into European law and are to be applied for fiscal years beginning on or after July 1, 2009. The amendments to IAS 27 may have transaction-related effects on the E.ON Consolidated Financial Statements that preclude making a general statement about effects.

### Omnibus Standard to Amend Multiple International Financial Reporting Standards

In addition to the amendments of individual standards that have been described above, the IASB also revises existing standards as part of its Annual Improvements Process. The amendments made through this process are considered by the IASB to be non-urgent but necessary, and are therefore summarized in one omnibus standard. The second such omnibus standard was issued by the IASB in April 2009. The amendments are to be applied for fiscal years beginning on or after January 1, 2010. The omnibus standard has been transferred by the EU into European law. Insofar as they were of relevance to E.ON, the changes contained in the standard were applied accordingly. The amendments have no material impact on the Consolidated Financial Statements.

### Amendments to IFRS 2, "Share-based Payment"

In June 2009, the IASB issued amendments to IFRS 2 that clarify how cash-settled share-based payment transactions are accounted for by a subsidiary within a group. The guidance relates to arrangements in which an entity that prepares financial statements receives goods or services but its parent or another entity in the group must pay for those goods or services, not the receiving entity. The amendments also incorporate guidance previously included in IFRIC 8, "Scope of IFRS 2," and IFRIC 11, "IFRS 2—Group and Treasury Share Transactions." As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments to IFRS 2 are to be applied for the first time for fiscal years beginning on or after January 1, 2010.

Earlier application is permitted. The amendments have been transferred by the EU into European law. They have no material impact on E.ON's Consolidated Financial Statements.

### Amendment to IAS 39, "Financial Instruments: Recognition and Measurement"—Eligible Hedged Items

In July 2008, the IASB issued an amendment to IAS 39, "Financial Instruments: Recognition and Measurement"—Eligible Hedged Items. The amendment primarily clarifies the principles for the designation of inflation risks as a hedged item and for the designation of a one-sided risk in a hedged item. The amendment is to be applied for fiscal years beginning on or after July 1, 2009. The standard has been transferred by the EU into European law. The amendment has no material impact on E.ON.

### IFRIC 12, "Service Concession Arrangements"

IFRIC 12, "Service Concession Arrangements" ("IFRIC 12"), was published in November 2006. The interpretation governs accounting for arrangements in which a public-sector institution grants contracts to private companies for the performance of public services. In performing these services, the private company uses infrastructure that remains under the control of the public-sector institution. The private company is responsible for the construction, operation, and maintenance of the infrastructure. The interpretation has been transferred by the EU into European law and its application is thus mandatory, at the latest, for fiscal years beginning on or after March 29, 2009. The transitional provisions additionally require retrospective application of IFRIC 12. In that context, E.ON has made corresponding reclassifications in the prior-year values, consisting primarily of approximately €0.4 billion reclassified from property, plant and equipment to intangible assets in the network operations in Romania.

### IFRIC 15, "Agreements for the Construction of Real Estate"

IFRIC 15, "Agreements for the Construction of Real Estate" ("IFRIC 15"), was published in July 2008. The interpretation provides guidance on accounting practice for the recognition of revenue from real estate sales where agreements are entered into with the purchaser before construction is complete. IFRIC 15 defines criteria that determine whether an agreement is within the scope of IAS 11, "Construction Contracts," or IAS 18, "Revenue." This also determines when revenue from the construction should be recognized. It additionally specifies which disclosures must be made in the notes to the financial statements. The interpretation has been transferred by the EU into European law and thus it is to be applied for fiscal years beginning after December 31, 2009. The first-time application of IFRIC 15 has no material impact on E.ON's Consolidated Financial Statements.

### IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" ("IFRIC 16"), was published in July 2008. The interpretation addresses issues arising in connection with the hedging of a foreign operation. It provides guidance on identifying what is a hedged risk in the hedge of a net investment in a foreign operation, where a hedging instrument to minimize this risk may be held within a group of companies, and how an entity should proceed upon disposal of the foreign operation. The interpretation has been transferred by the EU into European law and is to be applied for fiscal years beginning after June 30, 2009. There are no material changes for E.ON arising from the first-time application of IFRIC 16.

### IFRIC 17, "Distributions of Non-cash Assets to Owners"

IFRIC 17, "Distributions of Non-cash Assets to Owners" ("IFRIC 17"), was published in November 2008. The interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners. Under IFRIC 17, a dividend payable should be recognized when the dividend has been appropriately authorized and is no longer at the discretion of the entity. This payable is measured at the fair value of the net assets to be distributed. The difference between the dividend payable and the carrying amount of the asset distributed must be recognized in income. The interpretation also requires an entity to provide additional disclosures if the assets being held for distribution meet the definition of a discontinued operation. The interpretation has been transferred by the EU into European law and thus it is to be applied for fiscal years beginning after October 31, 2009. The application of IFRIC 17 has no impact on the Consolidated Financial Statements.

### IFRIC 18, "Transfers of Assets from Customers"

IFRIC 18, "Transfers of Assets from Customers" ("IFRIC 18"), was published in January 2009. IFRIC 18 applies in cases where an entity receives from its customers a non-cash asset, or the funds necessary for the production or acquisition of a non-cash asset, in order to then provide those customers with access to a network, a service or the delivery of goods. The interpretation has been transferred by the EU into European law and its application is thus mandatory, at the latest, for fiscal years beginning after October 31, 2009. IFRIC 18 has no material impact on the Consolidated Financial Statements.

## Additional Changes

Because of retrospective reclassifications of certain financial statement items, E.ON has published the opening balance for the comparative period (January 1, 2009) and made adjustments to the corresponding disclosures in these Notes.

## Standards and Interpretations Not Yet Applicable in 2010

The IASB and the IFRIC have issued the following additional standards and interpretations. These standards and interpretations are not being applied by E.ON in the 2010 fiscal year because adoption by the EU remains outstanding at this time for some of them, or because their application is not yet mandatory:

### IFRS 9, "Financial Instruments"

In November 2009, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9"). Under this new IFRS 9, all financial instruments currently within the scope of IAS 39 will henceforth be subdivided into only two classifications: financial instruments measured at amortized cost and financial instruments measured at fair value. In October 2010, the IASB issued an extended version of IFRS 9. This version contains additional requirements for the accounting of financial assets and liabilities. It is anticipated that the application of the new standard will be mandatory for fiscal years beginning on or after January 1, 2013, with earlier application permitted. The standard has not yet been transferred by the EU into European law. E.ON is currently evaluating the impact on its Consolidated Financial Statements.

### IAS 24, "Related Party Disclosures"

In November 2009, the IASB issued a revised version of IAS 24 "Related Party Disclosures" ("IAS 24"). In particular, the revisions clarify the definition of a "related party" and simplify the disclosure requirements for entities deemed related by virtue of being controlled or significantly influenced by a particular government. Revised IAS 24 has been transferred by the EU into European law and its application is thus mandatory for fiscal years beginning on or after January 1, 2011. Earlier application is permitted. E.ON is currently evaluating the impact on its Consolidated Financial Statements.

### Omnibus Standard to Amend Multiple International Financial Reporting Standards

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

### Amendment to IFRS 1, "First-time Adoption of International Financial Reporting Standards," and to IFRS 7, "Financial Instruments: Disclosures"—Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

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

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

In October 2010, the IASB issued amendments to IFRS 7. The new version of the standard seeks to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations of debt and deposits). The amendments relate in particular to the disclosure of potential risks that remain with the entity that transferred the assets as a consequence of continuing involvement. Mandatory application of revised IFRS 7 is planned for fiscal years beginning on or after July 1, 2011. It has not yet been transferred into European law. At this time, E.ON anticipates no material impact on its Consolidated Financial Statements.

### Amendments to IAS 12, "Income Taxes"

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

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

In October 2009, the IASB issued an amendment to IAS 32, "Financial Statements: Presentation," regulating in particular the classification of rights issues. This new amendment requires that certain subscription rights, options and warrants that are denominated in a foreign currency be recognized as equity by the issuer of the equity instrument to which the rights refer, rather than as a derivative liability, as was past practice. The amendment is to be applied for fiscal years beginning on or after February 1, 2010. Earlier application is permitted. The amendment has been transferred by the EU into European law. E.ON does not anticipate any impact on its Consolidated Financial Statements.

### Amendments to IFRIC 14—Prepayments of a Minimum Funding Requirement

In November 2009, an amendment to IFRIC 14 was published. The amendment relates to entities that are subject to minimum funding requirements and make prepayments of contributions. According to the amendment, such an entity is now permitted to present the benefit of such a prepayment as an asset where applicable. The amendment has been transferred by the EU into European law and thus it is to be applied for fiscal years beginning on or after January 1, 2011. Early application is permitted. This will have no impact on E.ON's Consolidated Financial Statements.

### IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

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

## (3) Scope of Consolidation

The number of consolidated companies changed as follows:

**Scope of Consolidation**

| | Domestic | Foreign | Total |
|---|---|---|---|
| Consolidated companies as of January 1, 2009 | 151 | 495 | 646 |
| Additions | 15 | 14 | 29 |
| Disposals/Mergers | 21 | 68 | 89 |
| **Consolidated companies as of December 31, 2009** | **145** | **441** | **586** |
| Additions | 9 | 14 | 23 |
| Disposals/Mergers | 8 | 121 | 129 |
| **Consolidated companies as of December 31, 2010** | **146** | **334** | **480** |

In 2010, a total of 53 domestic and 53 foreign associated companies were accounted for under the equity method (2009: 57 domestic and 74 foreign). Significant acquisitions, disposals and discontinued operations are discussed in Note 4.

## (4) Acquisitions, Disposals and Discontinued Operations

### Discontinued Operations in 2010

#### U.S. Midwest

At the end of April 2010, E.ON and Pennsylvania Power & Light Corporation ("PPL"), Allentown, Pennsylvania, U.S., signed agreements on the sale of the power and gas business in the United States, bundled in the U.S. Midwest market unit. The agreed purchase price for the equity and for the assumption of certain liabilities was approximately $7.6 billion (equivalent to approximately €5.5 billion as of November 1, 2010). We also transferred pension obligations in the amount of approximately $0.8 billion. The increased probability of the intended sale taking place necessitated a reexamination of the measurement of the U.S. businesses, taking into account the expected proceeds on disposal. The result of this examination, taken together with the purchase price actually agreed, resulted in goodwill impairment of approximately €0.9 billion, which already had to be recognized in the first quarter of 2010. The U.S. Midwest market unit had been classified as a discontinued operation since April, because the criteria for such classification were not met until the disposal process took greater shape in April 2010. The transaction closed on November 1, 2010. Amounts totaling -€0.2 billion that were carried in OCI had to be transferred to the income statement in connection with this disposal.

The table below provides selected financial information, including the 2010 goodwill impairment and subsequent effects from the settlement of existing contractual relationships of Western Kentucky Energy Corp. ("WKE"), Henderson, Kentucky, U.S. The major balance sheet line items as of the disposal date were approximately €5.7 billion in property, plant and equipment, €0.3 billion and €0.2 billion respectively in operating receivables and inventory, as well as €0.8 billion and €0.5 billion respectively in pension obligations and financial liabilities. With respect to WKE, please refer to the discussion in Note 4 of the 2009 Annual Report.

| Selected Financial Information—U.S. Midwest (Summary) | | |
|---|---|---|
| € in millions | 2010 | 2009 |
| Sales | 1,563 | 1,934 |
| Other income/expenses, net | -2,233 | -1,851 |
| **Loss from continuing operations before income taxes and non-controlling interests** | **-670** | **83** |
| Income tax benefit | -149 | -36 |
| **Loss from discontinued operations** | **-819** | **47** |

### Disposal Groups and Assets Held for Sale in 2010

#### E.ON Rete

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

#### Stadtwerke Duisburg/Stadtwerke Karlsruhe

Following the disposal of the Thüga group in 2009, the shareholdings in Stadtwerke Duisburg Aktiengesellschaft (20 percent), Duisburg, Germany, and in Stadtwerke Karlsruhe GmbH (10 percent), Karlsruhe, Germany, both accounted for in the Pan-European Gas market unit, were classified as assets held for sale as of December 31, 2010. The sale of the interest in Stadtwerke Karlsruhe GmbH to fellow shareholder KVVH – Karlsruher Versorgungs-, Verkehrs- und Hafen GmbH, Karlsruhe, Germany, was agreed during the fourth quarter of 2010. The transaction closed in the beginning of 2011. The intention is to close the sale of the stake in Stadtwerke Duisburg AG by the first half of 2011 as well.

#### HSE

Following the disposal of the Thüga group, a concrete stage in negotiations on the disposal of the 40-percent shareholding in HEAG Südhessische Energie AG, Darmstadt, Germany, accounted for in the Pan-European Gas market unit, was reached in the third quarter of 2010. Accordingly, the ownership interest was reclassified as an asset held for sale at the end of August 2010. The carrying amount of the ownership interest is approximately €0.3 billion. The transaction is expected to close in the first half of 2011.

#### Europgas

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

### BKW

Also in the context of portfolio streamlining, E.ON made the decision to dispose of its approximately 21-percent shareholding in BKW FMB Energie AG ("BKW"), Bern, Switzerland. The first stage of the transaction, in which BKW itself and Groupe E SA, Fribourg, Switzerland, paid a purchase price of approximately €0.3 billion for a roughly 14-percent stake, was completed in July 2010. The carrying amount of all the shares, accounted for in the Central Europe market unit using the equity method, was approximately €0.6 billion as of June 30, 2010; foreign exchange translation differences recognized in equity amounted to approximately €0.1 billion. The transaction closed in July 2010. A material net book gain was not realized. The remaining approximately 7 percent of the shares, on which BKW has a purchase option until September 2011, continue to be reported as an asset held for sale and are measured at fair value. The carrying amount as of December 31, 2010, is approximately €0.2 billion.

### Interest in OAO Gazprom

Portfolio optimization has further led to the disposal in the fourth quarter of most of E.ON's interest in OAO Gazprom ("Gazprom"), Moscow, Russian Federation, sold to Russia's state-owned Vnesheconombank ("VEB"), Moscow, Russian Federation. The proceeds from this transaction totaled approximately €2.6 billion, resulting in a book gain of approximately €2.0 billion. The remaining stake, held in the Pan-European Gas market unit, is classified as held for sale. This remainder will be disposed of during 2011. The carrying amount of the Gazprom stake still held by E.ON is approximately €0.9 billion. The changes in value recognized in OCI as of December 31, 2010, amount to approximately €0.6 billion.

### Agreement with the European Commission

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

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

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

## Acquisitions in 2009

### Yuzhno-Russkoye

In October 2008, E.ON and Gazprom reached an understanding on E.ON acquiring an interest in the Yuzhno-Russkoye gas field in Siberia. The consideration for the stake in the gas field consisted of the Gazprom shares indirectly held by E.ON, valued at €2.3 billion (representing 2.93 percent of the equity of Gazprom), along with a small cash component. The interest in the gas field was purchased by acquiring 25 percent minus three of the shares of OAO Severneftegazprom, Krasnoselkup, Russian Federation, which holds the development license. This interest is accounted for as an associated company, using the equity method, and carried at a prorated acquisition cost of €0.2 billion. There were no significant effects based on the purchase price allocation for this acquisition. The gas attributable to E.ON's interest is marketed through the project company ZAO Gazprom YRGM Development, Salekhard, Russian Federation, whose earnings are attributable to E.ON in the form of preferred stock. Given that the significant risks and rewards of ownership have been transferred, this company had to be consolidated in full within the E.ON Group since October 2009.

The following data refer to ZAO Gazprom YRGM Development:

| Major Balance Sheet Line Items—ZAO Gazprom YRGM Development<br>€ in millions | Carrying amounts before initial recognition | Purchase price allocation | Carrying amounts at initial recognition |
|---|---|---|---|
| Intangible assets | – | 2,564 | 2,564 |
| Other assets | 1 | 4 | 5 |
| **Total assets** | **1** | **2,568** | **2,569** |
| Non-current liabilities | – | 513 | 513 |
| **Total liabilities** | **0** | **513** | **513** |
| **Net assets** | **1** | **2,055** | **2,056** |
| *Attributable to shareholders of E.ON AG* | *–* | *2,055* | *–* |
| *Attributable to non-controlling interests* | *1* | *–* | *1* |
| **Acquisition cost** | | **2,193** | |
| **Remaining goodwill** | | **138** | **138** |

Significant assets in the purchase price allocation include favorable gas supply contracts, which account for the majority of the difference. Non-current liabilities consist exclusively of deferred taxes. The remaining difference at the project company, recognized as goodwill, is €138 million. The purchase price allocation was finalized as of September 30, 2010; no further adjustments were required.

## Langerlo-Vilvoorde NV

In the course of implementing E.ON's commitment to the European Commission to dispose of a variety of generating capacity in Germany, an agreement was made with Electrabel SA/NV ("Electrabel"), Brussels, Belgium, on the economic exchange of a variety of power plant units and electricity supplies in Germany and Belgium.

In this context, E.ON acquired all of the shares of a power plant unit in Belgium, Langerlo-Vilvoorde NV, Vilvoorde, Belgium. The unit operates coal- and gas-fired power plants at the Langerlo and Vilvoorde locations. The acquisition of this unit closed at the beginning of November 2009 in exchange for the power plant units delivered to Electrabel. A small cash component had already been paid by E.ON in 2009.

Carrying amounts before initial consolidation are generally determined on the basis of IFRS. Reconciliation adjustments to the accounting policies applied in the E.ON Group were presented together with the adjustments from the purchase price allocation.

The purchase price allocation was finalized with only minimal adjustments in November 2010.

| Major Balance Sheet Line Items—Langerlo-Vilvoorde NV<br>€ in millions | Carrying amounts before initial recognition | Purchase price allocation | Carrying amounts at initial recognition |
|---|---|---|---|
| Intangible assets | – | 12 | 12 |
| Property, plant and equipment | 512 | -122 | 390 |
| Other assets | 17 | 69 | 86 |
| **Total assets** | **529** | **-41** | **488** |
| Non-current liabilities | 16 | 2 | 18 |
| Current liabilities | 25 | 41 | 66 |
| **Total liabilities** | **41** | **43** | **84** |
| **Net assets** | **488** | **-84** | **404** |
| **Goodwill** | | **66** | **66** |

### Disposal Groups and Assets Held for Sale in 2009

#### Endesa Europa/Viesgo

As part of the acquisition of the Endesa Europa/Viesgo activities, an agreement was reached with A2A S.p.A. ("A2A"), Milan, Italy, the non-controlling shareholder of E.ON Produzione S.p.A. ("E.ON Produzione"), Sassari, Italy, to acquire the non-controlling interest primarily in return for company-owned generating capacity of the Italy market unit valued at approximately €1.4 billion. The disposal group was reported in the New Markets segment. The agreed transaction closed in July 2009. Accordingly, the assets and liabilities in question were sold in the third quarter of 2009.

#### Interest in OAO Gazprom

In October 2008, E.ON and Gazprom reached an understanding on E.ON acquiring an interest in the Yuzhno-Russkoye gas field in Siberia. As consideration for this ownership stake, Gazprom received the Gazprom shares indirectly held by E.ON, representing approximately one-half of the approximately 6 percent of the equity of Gazprom held by E.ON. The shares were reported as assets held for sale since October 2008. The relevant contracts were closed in October 2009. Upon disposal of the interest, fair-value adjustments accumulated in other comprehensive income were realized in income, which resulted in a book gain of €1.8 billion.

#### Thüga

In 2009, E.ON conducted negotiations on a sale of the Thüga group, which was held in the Pan-European Gas market unit, to a consortium of municipal acquirers (Integra/Kom9). The negotiations did not include the interests in HSE, in GASAG Berliner Gaswerke Aktiengesellschaft, Berlin, Germany, in Stadtwerke Duisburg Aktiengesellschaft, Duisburg, Germany, and in Stadtwerke Karlsruhe GmbH, Karlsruhe, Germany. Given the progress of the negotiations, the Thüga group has been reported as a disposal group since the third quarter of 2009. As of September 30, 2009, the major balance sheet items of the disposal group consisted of financial assets (approximately €2.0 billion) and non-current intangible assets (approximately €0.9 billion) and of provisions and liabilities (approximately €0.6 billion). Binding contracts on a purchase price of approximately €2.9 billion were signed with the acquirer consortium in October 2009. The transaction was completed in December 2009 and resulted in a gain on disposal of approximately €0.3 billion.

#### VKE Asset Restructuring

In 2009, an amount of €1.7 billion in employer contributions was paid into the existing Contractual Trust Arrangement (CTA) by certain German entities for the external financing of the existing defined benefit obligations. Collateral was transferred to Pensionsabwicklungstrust e.V. (the trustee) through the exclusive and complete use of an institutional fund that until then had been a consolidated entity of the mutual insurance fund Versorgungskasse Energie ("VKE"). The fair-value adjustments recognized in other comprehensive income were reclassified to income in the amount of €0.1 billion.

## (5) Revenues

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

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

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

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

## (6) Own Work Capitalized

Own work capitalized amounted to €588 million in 2010 (2009: €532 million) and resulted primarily from engineering services in networks and in connection with new construction projects.

## (7) Other Operating Income and Expenses

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

**Other Operating Income**

| € in millions | 2010 | 2009 |
|---|---|---|
| Income from exchange rate differences | 5,177 | 10,849 |
| Gain on derivative financial instruments | 6,046 | 7,458 |
| Gain on disposal of investments | 3,424 | 5,156 |
| Gain on disposal of property, plant and equipment | 54 | 151 |
| Miscellaneous | 1,260 | 1,328 |
| **Total** | **15,961** | **24,942** |

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

Gains and losses on derivative financial instruments relate to gains from fair value measurement and to realized gains from derivatives under IAS 39, with the exception of income effects from interest rate derivatives.

Income from exchange rate differences consisted primarily of realized gains from currency derivatives in the amount of €3,420 million (2009: €9,113 million) and of effects from foreign currency translation on the balance sheet date in the amount of €1,480 million (2009: €1,241 million).

The gains on the disposal of investments and securities consisted primarily of the €1,953 million gain on the disposal of the Gazprom shares (see also Note 4). Gains were also realized on the sale of securities in the amount of €257 million (2009: €314 million). In 2009, gains on the disposal of investments also included the gain on the disposal of generating capacity in the context of the commitment made to the European Commission, which amounted to €2,359 million.

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

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

**Other Operating Expenses**

| € in millions | 2010 | 2009 |
|---|---|---|
| Loss from exchange rate differences | 4,936 | 11,095 |
| Loss on derivative financial instruments | 3,559 | 5,701 |
| Taxes other than income taxes | 326 | 233 |
| Loss on disposal of investments | 75 | 122 |
| Miscellaneous | 4,701 | 5,333 |
| **Total** | **13,597** | **22,484** |

Losses from exchange rate differences consisted primarily of realized losses from currency derivatives in the amount of €3,198 million (2009: €9,344 million) and of effects from foreign currency translation on the balance sheet date in the amount of €1,413 million (2009: €1,207 million).

Miscellaneous other operating expenses include concession payments in the amount of €473 million (2009: €492 million), expenses for external consulting, audit and non-audit services in the amount of €292 million (2009: €314 million), advertising and marketing expenses in the amount of €284 million (2009: €234 million), as well as write-downs of trade receivables in the amount of €380 million (2009: €378 million). Additionally reported in this item are services rendered by third parties, IT expenditures and insurance premiums.

Other operating expenses from exploration activities totaled €37 million (2009: €41 million).

## (8) Cost of Materials

The principal components of expenses for raw materials and supplies and for purchased goods are the purchase of gas and electricity and of fuels for electricity generation, as well as the nuclear segment. Network usage charges are also included in this line item. Expenses for purchased services consist primarily of maintenance costs.

**Cost of Materials**

| € in millions | 2010 | 2009 |
|---|---|---|
| Expenses for raw materials and supplies and for purchased goods | 70,165 | 58,335 |
| Expenses for purchased services | 3,410 | 2,688 |
| **Total** | **73,575** | **61,023** |

## (9) Financial Results

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

**Financial Results**

| € in millions | 2010 | 2009 |
|---|---|---|
| Income from companies in which equity investments are held | 167 | 165 |
| Impairment charges on other financial assets | -48 | -353 |
| **Income/Loss (-) from equity investments** | **119** | **-188** |
| Income from securities, interest and similar income | 653 | 600 |
| *Available for sale* | *208* | *277* |
| *Loans and receivables* | *171* | *189* |
| *Held for trading* | *78* | *44* |
| *Other interest income* | *196* | *90* |
| Interest and similar expenses | -2,956 | -2,873 |
| *Amortized cost* | *-1,535* | *-1,698* |
| *Held for trading* | *-32* | *-31* |
| *Other interest expenses* | *-1,389* | *-1,144* |
| **Net interest income** | **-2,303** | **-2,273** |
| **Financial results** | **-2,184** | **-2,461** |

The measurement categories are described in detail in Note 2.

The change in financial results in 2010 as compared with the previous year was due primarily to a reduction in impairments recognized on the securities held in the context of the Company's asset management activities (see Note 31). This is attributable in particular to the continued stabilization of the financial markets.

Other interest income consists mostly of income from lease receivables (finance leases) and income resulting from taxes for previous years. Other interest expense includes the accretion of provisions for asset retirement obligations in the amount of €722 million (2009: €748 million). Also contained in this item is the interest cost from provisions for pensions—net of the expected return on plan assets—in the amount of €167 million (2009: €214 million). The early repayment of loans in 2010 has led to prepayment penalties totaling €65 million (2009: €0 million). The early buyback of bonds resulted in a one-time expense of approximately €1 million (2009: €13 million). This amount represents the difference between the amount paid to repurchase the bonds at market prices and their carrying amounts.

In accordance with IAS 32, the accretion of liabilities in connection with put options resulted in an expense of €47 million (2009: €67 million).

Interest expense was reduced by capitalized interest on debt totaling €316 million (2009: €280 million).

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

## (10) Income Taxes

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

**Income Taxes**

| € in millions | 2010 | 2009 |
|---|---|---|
| Domestic income taxes | 987 | 1,484 |
| Foreign income taxes | 684 | 492 |
| Other income taxes | 10 | 33 |
| **Current taxes** | **1,681** | **2,009** |
| Domestic | 581 | 120 |
| Foreign | -316 | 729 |
| **Deferred taxes** | **265** | **849** |
| **Total income taxes** | **1,946** | **2,858** |

The decrease in tax expense by €912 million compared with 2009 primarily reflects the changes in the earnings environment. The effective tax rate decreased from 25 percent in 2009 to 22 percent in 2010; this decrease was due in particular to a rise in tax-free income generated from the disposal of shareholdings at year-end.

German legislation providing for fiscal measures to accompany the introduction of the European Company and amending other fiscal provisions ("SE-Steuergesetz" or "SEStEG"), which came into effect on December 13, 2006, altered the regulations on corporate tax credits arising from the corporate imputation system ("Anrechnungsverfahren"), which had existed until 2001. The change de-links the corporate tax credit from distributions of dividends. Instead, after December 31, 2006, an unconditional claim for payment of the credit in ten equal annual installments from 2008 through 2017 has been established. The resulting receivable is included in income tax assets and amounted to €958 million in 2010 (2009: €980 million).

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

As of December 31, 2010, €12 million (2009: €31 million) in deferred tax liabilities were recognized for the differences between net assets and the tax bases of subsidiaries and associated companies (the so-called "outside basis differences"). Deferred tax liabilities were not recognized for subsidiaries and associated companies to the extent that the Company can control the reversal effect and that it is therefore probable that temporary differences will not be reversed in the foreseeable future. Accordingly, deferred tax liabilities were not recognized for temporary differences of €1,833 million (2009: €1,933 million) at subsidiaries and associated companies, as E.ON is able to control the timing of their reversal and the temporary difference will not reverse in the foreseeable future.

Changes in tax rates in the United Kingdom, Hungary and a number of other countries resulted in tax income of €54 million in total. In 2009, changes in foreign tax rates produced a total deferred tax expense of €28 million.

The differences between the 2010 base income tax rate of 30 percent (2009: 30 percent) applicable in Germany and the effective tax rate are reconciled as follows:

**Reconciliation to Effective Income Taxes/Tax Rate**

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | € in millions | % | € in millions | % |
| Expected corporate income tax | 2,719 | 30.0 | 3,450 | 30.0 |
| Credit for dividend distributions | -96 | -1.0 | -47 | -0.4 |
| Foreign tax rate differentials | -148 | -1.6 | -72 | -0.6 |
| Changes in tax rate/tax law | -54 | -0.6 | 28 | 0.2 |
| Tax effects on tax-free income | -743 | -8.2 | 38 | 0.3 |
| Tax effects on equity accounting | -196 | -2.2 | -282 | -2.4 |
| Other[1] | 464 | 5.1 | -257 | -2.2 |
| **Effective income taxes/tax rate** | **1,946** | **21.5** | **2,858** | **24.9** |

[1]In 2010, including €358 million due to goodwill impairment

Income taxes relating to discontinued operations are reported in the income statement under "Income/Loss from discontinued operations, net." They relate to the U.S. Midwest market unit and amounted to €149 million in 2010 (2009: €36 million). See Note 4 for additional discussion.

Deferred tax assets and liabilities as of December 31, 2010, and December 31, 2009, break down as shown in the following table:

**Deferred Tax Assets and Liabilities**

| € in millions | December 31 2010 | December 31 2009 |
|---|---|---|
| Intangible assets | 256 | 407 |
| Property, plant and equipment | 817 | 716 |
| Financial assets | 225 | 244 |
| Inventories | 23 | 22 |
| Receivables | 944 | 994 |
| Provisions | 5,410 | 4,934 |
| Liabilities | 3,932 | 3,443 |
| Net operating loss carryforwards | 807 | 1,065 |
| Tax credits | 23 | 126 |
| Other | 280 | 428 |
| **Subtotal** | **12,717** | **12,379** |
| Changes in value | -98 | -171 |
| **Deferred tax assets** | **12,619** | **12,208** |
| Intangible assets | 1,908 | 2,340 |
| Property, plant and equipment | 6,553 | 6,788 |
| Financial assets | 204 | 211 |
| Inventories | 123 | 161 |
| Receivables | 4,943 | 4,060 |
| Provisions | 1,382 | 826 |
| Liabilities | 733 | 647 |
| Other | 1,449 | 1,613 |
| **Deferred tax liabilities** | **17,295** | **16,646** |
| **Net deferred tax assets/liabilities (-)** | **-4,676** | **-4,438** |

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

**Net Deferred Tax Assets and Liabilities**

| | December 31, 2010 | | December 31, 2009 | | January 1, 2009 | |
|---|---|---|---|---|---|---|
| € in millions | Current | Non-current | Current | Non-current | Current | Non-current |
| Deferred tax assets | 83 | 2,496 | 237 | 3,025 | 122 | 2,323 |
| Changes in value | -1 | -97 | -1 | -170 | -57 | -122 |
| **Net deferred tax assets** | **82** | **2,399** | **236** | **2,855** | **65** | **2,201** |
| Deferred tax liabilities | -671 | -6,486 | -411 | -7,118 | -1,162 | -5,137 |
| **Net deferred tax assets/liabilities (-)** | **-589** | **-4,087** | **-175** | **-4,263** | **-1,097** | **-2,936** |

Of the deferred taxes reported, a total of €54 million was charged directly to equity in 2010 (2009: €335 million). A further €64 million in current taxes (2009: €106 million) was also charged directly to equity.

Income taxes recognized in other comprehensive income for the years 2010 and 2009 break down as follows:

**Income Taxes on Components of Other Comprehensive Income**

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| € in millions | Before income taxes | Income taxes | After income taxes | Before income taxes | Income taxes | After income taxes |
| Cash flow hedges | -1 | 10 | 9 | 207 | -84 | 123 |
| Available-for-sale securities | -1,658 | 70 | -1,588 | 772 | 74 | 846 |
| Currency translation adjustments | 469 | 12 | 481 | 129 | 339 | 468 |
| Changes in actuarial gains/losses of defined benefit pension plans and similar obligations | -722 | 230 | -492 | -1,500 | 434 | -1,066 |
| Companies accounted for under the equity method | -15 | 2 | -13 | 23 | – | 23 |
| **Total** | **-1,927** | **324** | **-1,603** | **-369** | **763** | **394** |

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

The preliminary purchase price allocation for the acquisition of the Belgian power plant unit had resulted in deferred tax assets of €49 million and in deferred tax liabilities of €15 million as of December 31, 2009.

The purchase price allocation performed in connection with the acquisition of the interest in the Yuzhno-Russkoye gas field had resulted in deferred tax assets of €3 million and in deferred tax liabilities of €503 million as of December 31, 2009.

The purchase price allocation finalized in 2009 for the acquisition in 2008 of Endesa Europa/Viesgo reduced deferred tax assets by €94 million, from €254 million to €160 million, and deferred tax liabilities by €115 million, from €572 million to €457 million.

Additional acquisitions in 2009 resulted in the recognition as of December 31, 2009, of a total of €3 million in deferred tax assets and €20 million in deferred tax liabilities.

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

**Tax Loss Carryforwards**

| | December 31 | |
|---|---|---|
| € in millions | 2010 | 2009 |
| Domestic tax loss carryforwards | 706 | 907 |
| Foreign tax loss carryforwards | 4,121 | 4,968 |
| **Total** | **4,827** | **5,875** |

Since January 1, 2004, domestic tax loss carryforwards can only be offset against a maximum of 60 percent of taxable income, subject to a full offset against the first €1 million. This minimum corporate taxation also applies to trade tax loss carryforwards. Of the foreign tax loss carryforwards, a significant portion relates to previous years. No deferred taxes have been recognized on a total of €2,133 million in tax loss carryforwards that do not expire (2009: €2,066 million).

No deferred taxes have been recognized on a total of €17 million in as yet unused tax credits. All tax credits expire after 2015.

## (11) Personnel-Related Information

### Personnel Costs

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

| Personnel Costs<br>€ in millions | 2010 | 2009 |
|---|---|---|
| Wages and salaries | 4,153 | 4,147 |
| Social security contributions | 668 | 644 |
| Pension costs and other employee benefits | 460 | 367 |
| *Pension costs* | *453* | *361* |
| **Total** | **5,281** | **5,158** |

In 2010, E.ON purchased a total of 980,897 shares (0.05 percent of the capital stock of E.ON AG) in the market under the employee stock purchase program (2009: 925,282 shares or 0.05 percent of the capital stock of E.ON AG) at an average purchase price of €22.70 per share (2009: €20.18 per share, from treasury shares). These shares were sold to employees at preferential prices between €9.94 and €17.95 (2009: between €6.66 and €19.41). The costs arising from the granting of these preferential prices were charged to personnel costs as "Wages and salaries."

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

Since the 2003 fiscal year, employees in the U.K. have the opportunity to purchase E.ON shares through an employee stock purchase program and to acquire additional bonus shares. The cost of issuing these bonus shares is also recorded under personnel costs as part of "Wages and salaries."

### Share-Based Payment

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

| Stock Appreciation Rights of E.ON AG | 7th tranche | 6th tranche |
|---|---|---|
| Date of issuance | Jan. 3, 2005 | Jan. 2, 2004 |
| Term | 7 years | 7 years |
| Blackout period | 2 years | 2 years |
| Price at issuance[1] | €20.37 | €14.93 |
| Level of the STOXX Europe 600 Utilities (Price) | 268.66 | 211.58 |
| Number of participants in year of issuance | 357 | 357 |
| Number of SAR issued | 2.9 m | 2.7 m |
| Exercise hurdle (minimum percentage by which exercise price exceeds the price at issuance) | 10% | 10% |
| Exercise hurdle (minimum exercise price)[1] | €22.41 | €16.42 |
| Number of subscription rights[1] | 3 | 3 |
| Maximum gain on exercise of three subscription rights | €65.35 | €49.05 |

[1]After stock split of August 4, 2008.

The following discussion includes a report on the E.ON AG Stock Appreciation Rights plan, which ended in 2005, and on the E.ON Share Performance Plan, introduced in 2006.

## Stock Appreciation Rights of E.ON AG

From 1999 up to and including 2005, E.ON annually granted virtual stock options ("Stock Appreciation Rights" or "SAR") through the E.ON AG Stock Appreciation Rights program. The remaining outstanding sixth-tranche SAR were exercised in full until maturity on December 8, 2010. SAR from the seventh tranche may still be exercised within preset exercise windows after the end of the program, in accordance with the SAR terms and conditions, provided that the exercise thresholds are crossed.

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

In accordance with IFRS 2 measurement criteria, the SAR were measured by reference to the fair value of the rights as of December 31, 2009.

A recognized option pricing model is used for measuring the value of these options. This option pricing model simulates a large number of different possible developments of the E.ON share price and its benchmark, the STOXX Europe 600 Utilities (Price) index (Monte Carlo simulation).

A certain exercise behavior is assumed when determining fair value. Individual exercise rates are defined for each of the tranches, depending on the price performance of the E.ON share. Historical volatility and correlations of the E.ON share price that reflect remaining maturities are used in the calculations. The risk-free interest rate used for reference is the zero swap rate for the corresponding remaining maturity. The dividend yields of the E.ON share are also included in the pricing model. The E.ON share dividend yield is calculated for each tranche and maturity based on the Bloomberg consensus estimates. The annual average of the Xetra closing prices for E.ON AG shares was €24.42 in 2010. The Xetra closing price for E.ON AG shares at year-end was €22.94. The STOXX Europe 600 Utilities (Price) index closed at 312.65 points.

The following overview contains additional parameters used for measurement:

**SAR Program of E.ON AG—Measurement Parameters of the Option Pricing Model**

| | 7th tranche |
|---|---|
| Intrinsic value as of December 31, 2010[1] | €7.70 |
| Fair value as of December 31, 2010[1] | €9.93 |
| Swap rate | 1.10% |
| Volatility of E.ON share | 31.61% |
| Dividend yield of E.ON share | 6.73% |

[1]For three subscription rights.

In 2010, 10,000 SAR of tranche six were exercised on an ordinary basis. The total gain on exercise in the SAR program was €0.2 million (2009: €5.1 million).

The SAR of tranche seven were exercisable on December 31, 2010.

The provision for the SAR program was €0.2 million as of the balance sheet date (2009: €1.0 million). The decline in the value of the rights and the corresponding reduction of the provision resulted in income of €0.6 million in the 2010 fiscal year (2009: €0.6 million income). The number of SAR, provisions for and expenses arising from the E.ON SAR program have changed as shown in the following table:

**Changes in the E.ON AG SAR Program**

| | 7th tranche | 6th tranche |
|---|---|---|
| SAR outstanding as of December 31, 2008 | 26,000 | 10,000 |
| SAR granted in 2009 | – | – |
| SAR exercised in 2009 | – | – |
| SAR expired in 2009 | 2,000 | – |
| **SAR outstanding as of December 31, 2009** | **24,000** | **10,000** |
| SAR granted in 2010 | – | – |
| SAR exercised in 2010 | – | 10,000 |
| SAR expired in 2010 | – | – |
| **SAR outstanding as of December 31, 2010** | **24,000** | **0** |
| Gains on exercise in 2010 | – | €0.2 m |
| Provision as of December 31, 2010 | €0.2 m | – |
| Income in 2010 | €0.4 m | €0.2 m |

## E.ON Share Performance Plan

In 2010, virtual shares ("Performance Rights") were granted under the fifth tranche of the E.ON Share Performance Plan. This new tranche is the first to have a term of four years.

**E.ON Share Performance Rights**

| | 5th tranche | 4th tranche | 3rd tranche[1] |
|---|---|---|---|
| Date of issuance | Jan. 1, 2010 | Jan. 1, 2009 | Jan. 1, 2008 |
| Term | 4 years | 3 years | 3 years |
| Target value at issuance | €27.25 | €27.93 | €136.26 |
| Number of participants in year of issuance | 558 | 581 | 555 |
| Number of Performance Rights issued | 1,367,386 | 1,425,414 | 294,623 |
| Maximum amount paid | €81.75 | €83.79 | €408.78 |

[1]Issued before 2008 stock split.

At the end of its term, each Performance Right is entitled to a cash payout linked to the final E.ON share price established at that time, as well as to the performance during the term of the E.ON share price relative to its benchmark, the STOXX Europe 600 Utilities (Net Return) index. The amount paid out is equal to the target value at issuance if the E.ON share price is maintained at the end of the term and the performance of the E.ON share price matches that of the benchmark. The maximum amount to be paid out to each participant per Performance Right is limited to three times the target value originally set.

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

The calculation of the amount to be paid out takes place at the same time for all plan participants with effect on the last day of the term of the tranche. If the performance of the E.ON share matches that of the index, the amount paid out is not adjusted; the final share price is paid out. However, if the E.ON share outperforms the index, the amount paid out is increased proportionally. If, on the other hand, the E.ON share underperforms the index, disproportionate deductions are made. In the case of underperformance by 20 percent or more, no payment at all takes place.

The plan contains adjustment mechanisms to eliminate the effect of events such as interim corporate actions. After the stock split in 2008, an adjustment factor was generated for the third tranche to ensure neutrality of value with an unchanged number of Performance Rights. That is why it was not necessary to adjust for the stock split the target values at issuance or the maximum amounts paid out.

The fair value is determined for the Performance Rights in accordance with IFRS 2 using a recognized option pricing model. This model involves the simulation of a large number of different possible development tracks for the E.ON share price (taking into account the effects of reinvested dividends and capital adjustment factors) and the benchmark index (Monte Carlo simulation). The benchmark index stood at 628.76 points on December 31, 2010. Since payments to all plan participants take place on a specified date, no assumptions concerning exercise behavior are made in this plan structure, and such assumptions are therefore not considered in this option pricing model. Dividend payments and corporate actions are taken into account through corresponding factors that are analogous to those employed by the index provider.

**E.ON Share Performance Plan—Measurement Parameters of the Option Pricing Model**

| | 5th tranche | 4th tranche | 3rd tranche[1] |
|---|---|---|---|
| Intrinsic value as of December 31, 2010 | €5.88 | €7.77 | €31.52 |
| Fair value as of December 31, 2010 | €10.56 | €9.26 | €31.52 |
| Swap rate | 1.90% | 1.11% | – |
| Dividend yield of E.ON share | 6.53% | 6.73% | – |
| Volatility of E.ON share | 38.10% | 20.11% | – |
| Volatility of the STOXX Europe 600 Utilities (Net Return) | 27.79% | 16.84% | – |
| Correlation between the E.ON share price and the STOXX Europe 600 Utilities (Net Return) | 0.91 | 0.86 | – |

[1]Matured on December 31, 2010 and issued before 2008 stock split.

1,367,386 fifth-tranche Performance Rights were granted in 2010. The third tranche matured on December 31, 2010. The payout for the 248,676 third-tranche Performance Rights settled at the end of the term on an ordinary basis was set at €31.52 per Performance Right. As of the balance sheet date, a liability of €7.8 million, the total amount of the payouts, was recognized. The payout and elimination of the liability will take place in the first quarter of 2011. In addition, the cash amount from 251,911 Performance Rights of tranches three through five was paid out during 2010 on an extraordinary basis in accordance with the terms and conditions of the plan. Total extraordinary payouts amounted to €6.8 million (2009: €0.6 million). 12,640 third-, fourth and fifth-tranche Performance Rights expired in the 2010 fiscal year. Due to changes in the scope of consolidation, 79,716 Performance Rights of tranches three through five have been removed from the total. The provision for the plan at year-end amounted to €10.7 million (2009: €24.3 million). The provision is prorated for the respective elapsed period of the term. The expense for the E.ON Share Performance Plan amounted to €0.9 million in the 2010 fiscal year (2009: €29.3 million).

| Changes in the E.ON Share Performance Plan | 5th tranche | 4th tranche | 3rd tranche |
|---|---|---|---|
| **Performance Rights outstanding as of December 31, 2008** | **–** | **–** | **291,244** |
| Performance Rights granted in 2009 | – | 1,425,414 | – |
| Settled Performance Rights in 2009 | – | – | 446 |
| Performance Rights expired in 2009 | – | 6,921 | 1,670 |
| Changes in scope of consolidation 2009 | – | 19,604 | 5,038 |
| **Performance Rights outstanding as of December 31, 2009** | **–** | **1,398,889** | **284,090** |
| Performance Rights granted in 2010 | 1,367,386 | – | – |
| Settled Performance Rights in 2010 | 59,374 | 165,581 | 275,632 |
| Performance Rights expired in 2010 | 5,626 | 6,862 | 152 |
| Changes in scope of consolidation 2010 | 27,643 | 43,767 | 8,306 |
| **Performance Rights outstanding as of December 31, 2010** | **1,274,743** | **1,182,679** | **–** |
| Cash amount paid out in 2010 | €1.2 m | €3.7 m | €9.7 m |
| Provision as of December 31, 2010 | €3.4 m | €7.3 m | – |
| (-) Expense/(+) Income in 2010 | -€4.6 m | -€0.5 m | €4.2 m |

The fourth and fifth tranches were not yet payable on an ordinary basis on the balance sheet date.

### Employees

During 2010, the Company employed an average of 85,509 persons (2009: 87,884), not including 2,261 apprentices (2009: 2,608). The employees of the U.S. Midwest market unit are no longer reported in the table (see Note 4).

The breakdown by segment is shown below:

| Employees | 2010 | 2009 |
|---|---|---|
| Central Europe | 48,829 | 49,369 |
| Pan-European Gas | 3,175 | 3,693 |
| U.K. | 15,241 | 16,443 |
| Nordic | 5,458 | 5,747 |
| Energy Trading | 1,079 | 1,021 |
| New Markets | 8,378 | 8,483 |
| Corporate Center | 3,349 | 3,128 |
| **Total** | **85,509** | **87,884** |

## (12) Other Information

### German Corporate Governance Code

On December 13, 2010, the Board of Management and the Supervisory Board of E.ON AG made a declaration of compliance pursuant to Section 161 of the German Stock Corporation Act ("AktG"). The declaration has been made permanently and publicly accessible to stockholders on the Company's Web site (www.eon.com).

### Fees and Services of the Independent Auditor

During 2010 and 2009, the following fees for services provided by the independent auditor of the Consolidated Financial Statements, PricewaterhouseCoopers ("PwC"), Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, (domestic) and by companies in the international PwC network were recorded as expenses:

| Independent Auditor Fees<br>€ in millions | 2010 | 2009 |
|---|---|---|
| Financial statement audits | 30 | 30 |
| *Domestic* | *20* | *19* |
| Other attestation services | 25 | 29 |
| *Domestic* | *18* | *22* |
| Tax advisory services | 1 | 2 |
| *Domestic* | – | *1* |
| Other services | 3 | 3 |
| *Domestic* | *3* | *3* |
| **Total** | **59** | **64** |
| *Domestic* | *41* | *45* |

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

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

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

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

### List of Shareholdings

The list of shareholdings pursuant to Section 313 (2) HGB is an integral part of these Notes to the Financial Statements and is presented on pages 147 through 161.

## (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 | 2010 | 2009 |
| Income/Loss (-) from continuing operations | 7,117 | 8,642 |
| less: Non-controlling interests | -428 | -245 |
| **Income/Loss (-) from continuing operations (attributable to shareholders of E.ON AG)** | **6,689** | **8,397** |
| Income/Loss (-) from discontinued operations, net | -836 | 27 |
| less: Non-controlling interests | – | -4 |
| **Net income attributable to shareholders of E.ON AG** | **5,853** | **8,420** |
| in € | | |
| **Earnings per share (attributable to shareholders of E.ON AG)** | | |
| from continuing operations | 3.51 | 4.41 |
| from discontinued operations | -0.44 | 0.01 |
| **from net income** | **3.07** | **4.42** |
| Weighted-average number of shares outstanding (in millions) | 1,905 | 1,905 |

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

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

Goodwill, Intangible Assets and Property, Plant and Equipment

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

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

## Goodwill, Intangible Assets and Property, Plant and Equipment

| € in millions | Acquisition and production costs January 1, 2009 | Exchange rate differences | Changes in scope of consolida-tion | Additions | Disposals | Transfers | December 31, 2009 |
|---|---|---|---|---|---|---|---|
| **Goodwill** | **20,768** | **91** | **-364** | **14** | **-75** | **-125** | **20,309** |
| Marketing-related intangible assets | 48 | – | – | – | – | – | 48 |
| Customer-related intangible assets | 2,297 | 57 | 39 | 2 | -7 | 4 | 2,392 |
| Contract-based intangible assets | 4,782 | 1 | 2,710 | 105 | -39 | -333 | 7,226 |
| Technology-based intangible assets | 693 | 2 | 4 | 77 | -52 | 80 | 804 |
| Internally generated intangible assets | 201 | 13 | -5 | 19 | – | 1 | 229 |
| **Intangible assets subject to amortization** | **8,021** | **73** | **2,748** | **203** | **-98** | **-248** | **10,699** |
| Intangible assets not subject to amortization | 2,456 | 80 | -192 | 1,750 | -2,480 | 19 | 1,633 |
| Advance payments on intangible assets | 33 | – | – | 51 | -10 | -22 | 52 |
| **Intangible assets** | **10,510** | **153** | **2,556** | **2,004** | **-2,588** | **-251** | **12,384** |
| Real estate and leasehold rights | 3,033 | 77 | -24 | 46 | -39 | -44 | 3,049 |
| Buildings | 8,257 | 5 | 32 | 125 | -106 | -44 | 8,269 |
| Technical equipment, plant and machinery | 90,062 | 874 | -496 | 1,601 | -887 | 4,032 | 95,186 |
| Other equipment, fixtures, furniture and office equipment | 2,770 | 55 | -81 | 206 | -255 | -335 | 2,360 |
| Advance payments and construction in progress | 9,972 | 204 | 71 | 6,460 | -39 | -4,969 | 11,699 |
| **Property, plant and equipment** | **114,094** | **1,215** | **-498** | **8,438** | **-1,326** | **-1,360** | **120,563** |

| Accumulated depreciation | | | | | | | | | Net carrying amounts |
|---|---|---|---|---|---|---|---|---|---|
| January 1, 2009 | Exchange rate differences | Changes in scope of consolida-tion | Additions | Disposals | Transfers | Impairment | Reversals | December 31, 2009 | December 31, 2009 |
| **-3,457** | **49** | **0** | **0** | **0** | **0** | **0** | **0** | **-3,408** | **16,901** |
| -47 | – | – | – | – | – | – | – | -47 | 1 |
| -1,130 | -43 | 6 | -150 | 4 | 2 | -120 | – | -1,431 | 961 |
| -1,365 | -16 | 7 | -188 | 11 | 160 | -20 | 8 | -1,403 | 5,823 |
| -529 | -4 | – | -91 | 50 | 4 | -12 | – | -582 | 222 |
| -141 | -10 | 6 | -23 | – | – | -6 | – | -174 | 55 |
| **-3,212** | **-73** | **19** | **-452** | **65** | **166** | **-158** | **8** | **-3,637** | **7,062** |
| -239 | -4 | – | – | 181 | – | -32 | 12 | -82 | 1,551 |
| 0 | – | – | – | – | – | – | – | 0 | 52 |
| **-3,451** | **-77** | **19** | **-452** | **246** | **166** | **-190** | **20** | **-3,719** | **8,665** |
| -267 | -2 | 11 | -28 | 7 | – | -3 | 1 | -281 | 2,768 |
| -4,148 | -36 | -61 | -230 | 3 | 140 | -10 | 5 | -4,337 | 3,932 |
| -51,659 | -493 | 427 | -2,764 | 603 | 16 | -71 | 32 | -53,909 | 41,277 |
| -1,938 | -51 | 61 | -187 | 248 | 265 | – | – | -1,602 | 758 |
| -78 | -7 | – | -2 | 1 | – | -21 | – | -107 | 11,592 |
| **-58,090** | **-589** | **438** | **-3,211** | **862** | **421** | **-105** | **38** | **-60,236** | **60,327** |

## a) Goodwill and Other Intangible Assets

### Goodwill

During the 2010 and 2009 fiscal years, the carrying amount of goodwill changed as follows in each of E.ON's segments:

**Changes in Goodwill by Segment**

| € in millions | Central Europe | Pan-European Gas | U.K. | Nordic | U.S. Midwest | Energy Trading | New Markets | Corporate Center/ Consolidation | E.ON Group |
|---|---|---|---|---|---|---|---|---|---|
| Net carrying amount as of January 1, 2009 | 2,214 | 4,172 | 3,152 | 229 | 1,497 | 212 | 5,835 | – | 17,311 |
| Changes resulting from acquisitions and disposals[1] | 273 | -373 | -63 | – | – | – | -262 | – | -425 |
| Impairment charges | – | – | – | – | – | – | – | – | 0 |
| Other changes[2] | -24 | -34 | 215 | -1 | -51 | 15 | -105 | – | 15 |
| **Net carrying amount as of December 31, 2009** | **2,463** | **3,765** | **3,304** | **228** | **1,446** | **227** | **5,468** | **0** | **16,901** |
| Changes resulting from acquisitions and disposals[1] | 47 | -38 | – | – | -1,446 | – | – | – | -1,437 |
| Impairment charges | – | – | – | – | – | – | -1,067 | – | -1,067 |
| Other changes[2] | 55 | -53 | 100 | 24 | – | 8 | 57 | – | 191 |
| **Net carrying amount as of December 31, 2010** | **2,565** | **3,674** | **3,404** | **252** | **0** | **235** | **4,458** | **0** | **14,588** |

[1]The changes resulting from acquisitions and divestments also include effects from the reallocation of goodwill in the course of the creation of the Energy Trading, Climate & Renewables and Italy market units and from the final allocation in Q2/2009 of the goodwill from the acquisition of the Endesa Europa/Viesgo activities.
[2]Other changes include restructuring, transfers, exchange rate differences as well as reclassifications to assets held for sale.

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.

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

Valuation is based on the medium-term corporate planning authorized by the Board of Management. The calculations for impairment-testing purposes are generally based on a detailed planning period of five years. In certain justified exceptional cases a longer detailed planning period of ten years is used as the calculation basis, especially when that is required under a regulatory framework or specific regulatory provisions. The cash flow assumptions extending beyond the detailed planning period are determined using unit-specific growth rates that are based on historical analysis and prospective forecasting. The growth rates used in 2010 ranged between 1.5 and 3.5 percent (2009: 1.2 and 3.8 percent). The nominal growth rates are derived from long-term inflation rates, adjusted for unit-specific forecasts of changes by the respective business units (e.g., regulatory framework, reinvestment cycles or growth prospects). The interest rates used for discounting cash flows are calculated using market data for each cash-generating unit, and as of December 31, 2010, ranged between 5.4 and 11.9 percent after taxes (2009: 5.8 and 12.4 percent).

The principal assumptions underlying the determination by management of recoverable amount are the respective forecasts for commodity market prices, future electricity and gas prices in the wholesale and retail markets, E.ON's investment activity, changes in the regulatory framework, as well as for rates of growth and capital cost. The recoverable amount primarily used to test a business for impairment is the fair value less costs to sell; at the Russia market unit, however, the recoverable amount is based on the value in use.

Since the last comprehensive valuation performed at the end of 2009 in connection with the goodwill impairment tests, the market environment for our power utilities in Italy and Spain has deteriorated markedly due to the negative impact of the financial and economic crisis, which has endured for longer than expected. Developments in electricity and commodity prices in the stated markets have led to in part significant reductions in margins and in utilization of capacity at our power plants. Market-specific factors have had a significant additional impact on the expected financial position.

In Italy, aside from the impact of the economic crisis and the unexpectedly slow progress of the economic recovery, infrastructure projects in Sardinia and excess capacity in general have driven down margins and capacity utilization, thereby also depressing earnings. Price developments in Spain have led to a collapse in gas power plant margins in particular. Furthermore, in addition to the economic crisis, high generation output of renewable energy in Spain has led to additional price and margin pressure. All of these factors taken together have caused E.ON's expectations for earnings in these markets to deteriorate in the medium to long term. This gave rise to the recognition in the third quarter of 2010 of goodwill impairment under IAS 36 primarily in the operations acquired from Enel/Acciona and Endesa in the two countries in question.

A total of €1.1 billion in impairment charges had to be recognized in the context of the 2010 goodwill impairment tests, because the fair values less costs to sell at the Italy Non-regulated (€957 million impairment) and Spain Non-regulated (€110 million impairment) cash-generating units were no longer sufficient to cover their corresponding carrying amounts. Impairment charges were additionally recognized on other non-current assets in the amount of approximately €1.5 billion. These charges relate primarily to the Italy market unit, in the amount of €689 million, of which €430 million was charged to intangible assets and €255 million to property, plant and equipment. In Spain and France (Central Europe market unit), impairment was charged to property, plant and equipment in the amount of €338 million and €391 million, respectively. A total of €82 million in impairment charges, relating primarily to intangible assets, was recognized on the Spanish activities of the Climate & Renewables market unit.

## Intangible Assets

In 2010, the Company recorded an amortization expense of €489 million (2009: €452 million). Impairment charges on intangible assets, including those already mentioned at the affected market units, amounted to €618 million in 2010 (2009: €190 million).

Reversals of impairments on intangible assets totaled €22 million in 2010 (2009: €20 million).

Intangible assets include emission rights from different trading systems with a carrying amount of €512 million (2009: €481 million).

€61 million in research and development costs as defined by IAS 38 were expensed in 2010 (2009: €62 million).

Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the five succeeding fiscal years is as follows:

| Estimated Aggregated Amortization Expense | |
|---|---|
| € in millions | |
| 2011 | 418 |
| 2012 | 386 |
| 2013 | 322 |
| 2014 | 289 |
| 2015 | 279 |
| **Total** | **1,694** |

As acquisitions and disposals occur in the future, actual amounts may vary.

As of December 31, 2010, intangible assets from exploration activity had carrying amounts of €535 million (2009: €448 million). Impairment charges of €21 million (2009: €26 million) were recognized on these intangible assets.

## b) Property, Plant and Equipment

Borrowing costs in the amount of €316 million were capitalized in 2010 (2009: €338 million) as part of the historical cost of property, plant and equipment.

In 2010, the Company recorded depreciation of property, plant and equipment in the amount of €3,278 million (2009: €3,211 million). Impairment charges, including those relating to the issues in Italy, Spain and France already mentioned, were recognized on property, plant and equipment in the amount of €1,012 million (2009: €105 million). A total of €46 million in reversals of impairments on property, plant and equipment was recognized in 2010 (2009: €38 million).

In 2010, there were restrictions on disposals involving primarily land and buildings, as well as technical equipment and machinery, in the amount of €719 million (2009: €5,188 million).

Certain power plants, gas storage facilities and supply networks are utilized under finance leases and capitalized in the E.ON Consolidated Financial Statements because the economic ownership of the assets leased is attributable to E.ON.

The property, plant and equipment thus capitalized had the following carrying amounts as of December 31, 2010:

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

| | December 31 | |
|---|---|---|
| € in millions | 2010 | 2009 |
| Land | 5 | – |
| Buildings | 45 | 25 |
| Technical equipment, plant and machinery | 530 | 308 |
| Other equipment, fixtures, furniture and office equipment | 6 | – |
| **Net carrying amount of capitalized lease assets** | **586** | **333** |

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 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Due within 1 year | 48 | 63 | 27 | 19 | 21 | 44 |
| Due in 1 to 5 years | 183 | 147 | 102 | 64 | 81 | 83 |
| Due in more than 5 years | 655 | 281 | 309 | 163 | 346 | 118 |
| **Total** | **886** | **491** | **438** | **246** | **448** | **245** |

The present value of the minimum lease obligations is reported primarily under liabilities from leases.

Regarding future obligations under operating leases where economic ownership is not transferred to E.ON as the lessee, see Note 27.

E.ON also functions in the capacity of lessor. The lease installments from operating leases are due as shown in the table at right:

**E.ON as Lessor—Operating Leases**

| € in millions | 2010 | 2009 |
|---|---|---|
| Nominal value of outstanding lease installments | | |
| Due within 1 year | 93 | 54 |
| Due in 1 to 5 years | 231 | 100 |
| Due in more than 5 years | 412 | 170 |
| **Total** | **736** | **324** |

See Note 17 for information on receivables from finance leases.

## (15) Companies Accounted for under the Equity Method and Other Financial Assets

The following table shows the structure of the companies accounted for under the equity method and the other financial assets as of the dates indicated:

**Companies Accounted for under the Equity Method and Other Financial Assets**

| € in millions | December 31 2010 | 2009 |
|---|---|---|
| Companies accounted for under the equity method | 6,343 | 7,342 |
| Equity investments | 2,201 | 5,461 |
| Non-current securities | 3,903 | 3,670 |
| **Total** | **12,447** | **16,473** |

Companies accounted for under the equity method consist solely of associates and joint ventures. The balance sheet and earnings data of the ten joint ventures are not material on aggregate.

Due to changes in contractual relationships, the interest in Nord Stream AG, Zug, Switzerland, previously treated as a joint venture in accordance with IAS 31, has been accounted for as an associated company since the third quarter of 2010. The revaluation of this former equity investment made necessary by the reclassification resulted in a non-cash gain of €103 million.

The amount shown for non-current securities relates primarily to fixed-income securities.

In 2010, impairment charges on companies accounted for under the equity method amounted to €145 million (2009: €62 million) and impairments on other financial assets amounted to €55 million (2009: €269 million). The carrying amount of other financial assets with impairment losses was €250 million as of the end of the fiscal year (2009: €336 million).

The decrease in equity investments is due primarily to the respective disposal and reclassification of the OAO Gazprom shares (see Note 4).

€393 million (2009: €327 million) in non-current securities is restricted for the fulfillment of legal insurance obligations of VKE (see Note 31).

## Shares in Companies Accounted for under the Equity Method

The financial information below summarizes the most important income statement and balance sheet data for the companies that are accounted for under the equity method.

**Earnings Data for Companies Accounted for under the Equity Method**

| € in millions | 2010 | 2009 |
|---|---|---|
| Sales | 21,737 | 36,037 |
| Net income/loss | 2,674 | 2,761 |

Investment income generated from companies accounted for under the equity method amounted to €783 million in 2010 (2009: €919 million).

**Balance Sheet Data for Companies Accounted for under the Equity Method**

| € in millions | December 31 2010 | 2009 |
|---|---|---|
| Non-current assets | 23,764 | 23,142 |
| Current assets | 9,408 | 12,080 |
| Provisions | 5,990 | 6,642 |
| Liabilities | 14,275 | 14,520 |
| **Equity** | **12,907** | **14,060** |

The carrying amounts of companies accounted for under the equity method whose shares are marketable totaled €313 million in 2010 (2009: €833 million). The fair value of E.ON's share in these companies was €277 million (2009: €870 million).

Additions of investments in companies accounted for under the equity method resulted in a total goodwill of €17 million in 2010 (2009: €12 million).

Investments in associated companies totaling €509 million (2009: €90 million) were restricted because they were pledged as collateral for financing as of the balance sheet date.

## (16) Inventories

The following table provides a breakdown of inventories as of the dates indicated:

**Inventories**

| € in millions | December 31 2010 | 2009 |
|---|---|---|
| Raw materials and supplies | 2,163 | 2,258 |
| Goods purchased for resale | 1,614 | 2,110 |
| Work in progress and finished products | 287 | 150 |
| **Total** | **4,064** | **4,518** |

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

Write-downs totaled €18 million in 2010 (2009: €42 million). Reversals of write-downs amounted to €7 million in 2010 (2009: €1 million). The carrying amount of inventories recognized at net realizable value was €15 million (2009: €12 million).

No inventories have been pledged as collateral.

## (17) Receivables and Other Assets

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

**Receivables and Other Assets**

| € in millions | December 31, 2010 Current | December 31, 2010 Non-current | December 31, 2009 Current | December 31, 2009 Non-current |
|---|---|---|---|---|
| Receivables from finance leases | 62 | 896 | 42 | 580 |
| Other financial receivables and financial assets | 1,612 | 2,461 | 1,687 | 2,072 |
| **Financial receivables and other financial assets** | **1,674** | **3,357** | **1,729** | **2,652** |
| Trade receivables | 15,819 | – | 11,577 | – |
| Receivables from derivative financial instruments | 7,567 | 3,068 | 7,556 | 2,365 |
| Other operating assets | 4,106 | 954 | 3,874 | 1,023 |
| **Trade receivables and other operating assets** | **27,492** | **4,022** | **23,007** | **3,388** |
| **Total** | **29,166** | **7,379** | **24,736** | **6,040** |

As of December 31, 2010, other financial assets include receivables from owners of non-controlling interests in jointly owned power plants of €104 million (2009: €631 million) and margin account deposits for futures trading of €572 million (2009: €127 million). In addition, based on the provisions of IFRIC 5, other financial assets include a claim for a refund from the Swedish Nuclear Waste Fund in the amount of €1,498 million (2009: €1,266 million) in connection with the decommissioning of nuclear power plants and nuclear waste disposal. Since this asset is designated for a particular purpose, E.ON's access to it is restricted.

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

**Aging Schedule of Trade Receivables**

| € in millions | 2010 | 2009 |
|---|---|---|
| Total trade receivables | 15,819 | 11,577 |
| Not impaired and not yet due | 13,838 | 9,530 |
| Not impaired and up to 60 days past-due | 1,217 | 1,119 |
| Not impaired and 61 to 90 days past-due | 108 | 121 |
| Not impaired and 91 to 180 days past-due | 199 | 309 |
| Not impaired and 181 to 360 days past-due | 118 | 158 |
| Not impaired and over 360 days past-due | 63 | 48 |
| Net value of impaired receivables | 276 | 292 |

The individual impaired receivables are due from a large number of retail customers from whom it is unlikely that full repayment will ever be received. Receivables are monitored by the various market units.

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

**Valuation Allowances for Trade Receivables**

| € in millions | 2010 | 2009 |
|---|---|---|
| Balance as of January 1 | -747 | -730 |
| Change in scope of consolidation | 6 | 1 |
| Write-downs | -380 | -382 |
| Reversals of write-downs | 58 | 55 |
| Disposals | 219 | 198 |
| Other[1] | 4 | 111 |
| **Balance as of December 31** | **-840** | **-747** |

[1]"Other" includes currency translation adjustments.

Receivables from finance leases are primarily the result of certain electricity delivery contracts that must be treated as leases according to IFRIC 4. The nominal and present values of the outstanding lease payments have the following due dates:

**E.ON as Lessor—Finance Leases**

| € in millions | Gross investment in finance lease arrangements 2010 | Gross investment in finance lease arrangements 2009 | Unrealized interest income 2010 | Unrealized interest income 2009 | Present value of minimum lease payments 2010 | Present value of minimum lease payments 2009 |
|---|---|---|---|---|---|---|
| Due within 1 year | 138 | 92 | 76 | 50 | 62 | 42 |
| Due in 1 to 5 years | 565 | 352 | 251 | 148 | 314 | 204 |
| Due in more than 5 years | 947 | 785 | 365 | 409 | 582 | 376 |
| **Total** | **1,650** | **1,229** | **692** | **607** | **958** | **622** |

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

## (18) Liquid Funds

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

**Liquid Funds**

| € in millions | December 31 2010 | December 31 2009 |
|---|---|---|
| Securities and fixed-term deposits | 1,697 | 1,722 |
| *Current securities with an original maturity greater than 3 months* | *1,397* | *1,311* |
| *Fixed-term deposits with an original maturity greater than 3 months* | *300* | *411* |
| Restricted cash and cash equivalents | 433 | 184 |
| Cash and cash equivalents | 6,143 | 4,210 |
| **Total** | **8,273** | **6,116** |

In 2010, there is no restricted cash (2009: €6 million) with a maturity greater than three months.

Current securities with an original maturity greater than three months include €89 million (2009: €78 million) in securities held by VKE that are restricted for the fulfillment of legal insurance obligations (see Note 31).

Cash and cash equivalents include €3,295 million (2009: €2,869 million) in checks, cash on hand and balances in Bundesbank accounts and at other financial institutions with an original maturity of less than three months, to the extent that they are not restricted.

## (19) Capital Stock

The capital stock is subdivided into 2,001,000,000 registered ordinary shares with no par value ("no-par-value shares") and amounts to €2,001,000,000 (2009: €2,001,000,000).

Pursuant to a resolution by the Annual Shareholders Meeting of May 6, 2010, the Company is authorized to purchase own shares until May 5, 2015. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71a et seq. AktG, may at no time exceed 10 percent of its capital stock. The Board of Management was authorized at the aforementioned Annual Shareholders Meeting to cancel any shares thus acquired without requiring a separate shareholder resolution for the cancellation or its implementation. The total number of outstanding shares as of December 31, 2010, was 1,905,408,843 (December 31, 2009: 1,905,456,817). As of December 31, 2010, E.ON AG and one of its subsidiaries held a total of 95,591,157 treasury shares (December 31, 2009: 95,543,183) having a consolidated book value of €3,531 million (equivalent to 4.78 percent or €95,591,157 of the capital stock). 980,897 shares were purchased on the market for the employee stock purchase program and distributed to employees in 2010 (2009: 925,282 treasury shares used). See also Note 11 for information on the distribution of shares under the employee stock purchase program. An additional 1,129 treasury shares (2009: 1,169 shares) were also distributed to employees.

The Company has further been authorized by the Annual Shareholders Meeting to buy shares using put or call options, or a combination of both. When derivatives in the form of put or call options, or a combination of both, are used to acquire shares, the option transactions must be conducted at market terms with a financial institution or on the market. No shares were acquired in 2010 using this purchase model.

### Authorized Capital

By shareholder resolution adopted at the Annual Shareholders Meeting of May 6, 2009, the Board of Management was authorized, subject to the Supervisory Board's approval, to increase the Company's capital stock by up to €460 million ("Authorized Capital pursuant to Sections 202 et seq. AktG") through one or more issuances of new registered ordinary shares in return for contributions in cash and/or in kind (with the option to restrict shareholders' subscription rights). This capital increase is authorized until May 5, 2014. Subject to the Supervisory Board's approval, the Board of Management is authorized to exclude shareholders' subscription rights. 1,030,000 shares (corresponding to 0.05 percent or a computed share of €1,030,000 of the capital stock) were acquired in November 2010 at a purchase price of €23.4 million for distribution to employees.

### Conditional Capital

At the Annual Shareholders Meeting of May 6, 2010, shareholders approved a conditional increase of the capital stock (with the option to exclude shareholders' subscription rights) in the amount of €175 million, which is authorized until May 5, 2015. The conditional capital increase will be implemented only to the extent required to fulfill the obligations arising on the exercise by holders of conversion and option rights, and those arising from compliance with the mandatory conversion of bonds with conversion or option rights, participation rights and income bonds that have been issued or guaranteed by E.ON AG or by an E.ON AG group company as defined by Section 18 AktG, and to the extent that no cash settlement has been granted in lieu of conversion and no E.ON AG treasury shares or shares of another listed company have been used to service the rights. The conditional capital has not been used.

When the above conditional capital took effect, the Conditional Capital I and II approved at the Annual Shareholders Meeting of May 6, 2009, was cancelled.

### Voting Rights

The following notices pursuant to Section 21 (1) of the German Securities Trading Act ("WpHG") concerning changes in voting rights have been received:

**Information on Stockholders of E.ON AG**

| Stockholder | Date of notice | Threshold exceeded | Gained voting rights on | Allocation | Voting rights | |
|---|---|---|---|---|---|---|
| | | | | | Percentage | Votes |
| Government of Norway[1] | Jan. 9, 2009 | 5% | Dec. 31, 2008 | direct/indirect | 5.91 | 118,276,492 |
| BlackRock Inc., New York, U.S.[2] | June 8, 2010 | 5% | June 4, 2010 | direct/indirect | 4.87 | 97,352,995 |

[1]4.17 percent (83,455,839 votes) are attributable to the government of Norway pursuant to Section 22 (1), sentence 1, no. 1, WpHG; 1.74 percent (34,720,645 votes) pursuant to Section 22 (1), sentence 1, nos. 1 and 2, WpHG; and 0.005 percent (100,008 votes) pursuant to Section 22 (1), sentence 1, nos. 1, 2 (in conjunction with sentence 2) and 6 (in conjunction with sentence 2), WpHG.
[2]4.87 percent (97,352,995 votes) are attributable to this company pursuant to Section 22 (1), sentence 1, no. 6, WpHG.

## (20) Additional Paid-in Capital

As of December 31, 2010, additional paid-in capital stands unchanged at €13,747 million (2009: €13,747 million).

## (21) Retained Earnings

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

**Retained Earnings**

| | December 31 | |
|---|---|---|
| € in millions | 2010 | 2009 |
| Legal reserves | 45 | 45 |
| Other retained earnings | 28,981 | 26,564 |
| **Total** | **29,026** | **26,609** |

Under German securities law, E.ON AG shareholders may receive distributions from the retained earnings, and generally also from the net income of E.ON AG, as respectively reported in accordance with the German Commercial Code.

As of December 31, 2010, German-GAAP retained earnings totaled €3,017 million (2009: €1,810 million). Of this amount, legal reserves of €45 million (2009: €45 million) were restricted pursuant to Section 150 (3) and (4) AktG. The reserves for treasury shares (€214 million) reported for 2009 were restricted in the context of the first-time application of the Accounting Law Modernization Act ("BilMoG") and reclassified as other retained earnings as of January 1, 2010. Accordingly, retained earnings in the amount of €2,972 million (2009: €1,551 million) are available in principle for dividend payments.

A proposal to distribute a cash dividend for 2010 of €1.50 per share will be submitted to the Annual Shareholders Meeting. A cash dividend of €1.50 per share was paid for 2009. Based on E.ON AG's 2010 year-end closing share price, the dividend yield is 6.5 percent. Based on a €1.50 dividend, the total profit distribution is €2,858 million.

## (22) Changes in Other Comprehensive Income

A majority of the stake in Gazprom was sold in the fourth quarter of 2010. Approximately €2 billion was reclassified in connection with this disposal and recognized in income. Ownership interests classified as held for sale are reported as other comprehensive income in the amount of €653 million (2009: €22 million).

The table below illustrates the share of OCI attributable to companies accounted for under the equity method.

**Share of OCI Attributable to Companies Accounted for under the Equity Method**

| € in millions | 2010 | 2009 |
|---|---|---|
| Balance as of December 31 (before taxes) | 408 | 423 |
| Taxes | – | -2 |
| **Balance as of December 31 (after taxes)** | **408** | **421** |

## (23) Non-Controlling Interests

**Non-Controlling Interests**

| | December 31 | |
|---|---|---|
| € in millions | 2010 | 2009 |
| Central Europe | 2,783 | 2,557 |
| Pan-European Gas | 50 | 51 |
| U.K. | 65 | 62 |
| Nordic | 106 | 68 |
| U.S. Midwest | – | 27 |
| Energy Trading | – | – |
| New Markets | 929 | 767 |
| Corporate Center/Consolidation | -1 | 75 |
| **Total** | **3,932** | **3,607** |

Non-controlling interests as of the dates indicated are attributable to the segments as shown in the table at left.

The increase in non-controlling interests in 2010 resulted from factors including higher earnings contributions and first-time consolidation effects, among others.

## (24) Provisions for Pensions and Similar Obligations

The retirement benefit obligations toward the employees of the E.ON Group, which amounted to €16.5 billion, were covered by plan assets having a fair value of €13.3 billion as of December 31, 2010. This corresponds to a funded status of 80 percent.

In addition to the reported plan assets, Versorgungskasse Energie ("VKE") administers another pension fund holding assets of €0.6 billion (2009: €0.5 billion) that do not constitute plan assets under IAS 19 but which nevertheless are almost exclusively intended for the coverage of employee retirement benefits in the Central Europe market unit (see Note 31).

In recent years, the funded status, measured as the difference between the defined benefit obligation and the fair value of plan assets, has changed as follows:

Five-Year History of the Funded Status

| € in millions | December 31 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Defined benefit obligation | 16,514 | 16,087 | 14,096 | 15,936 | 17,306 |
| Fair value of plan assets | -13,263 | -13,205 | -11,034 | -13,056 | -13,342 |
| **Funded status** | **3,251** | **2,882** | **3,062** | **2,880** | **3,964** |

### Description of the Benefit Obligations

In addition to their entitlements under government retirement systems and the income from private retirement planning, most E.ON Group employees are also covered by occupational retirement plans.

Both defined benefit plans and defined contribution plans are in place at E.ON. The majority of the benefit obligations reported consists of obligations of E.ON Group companies in which the retirement pension is calculated either on the salaries earned during the most recent years of service (final-pay arrangements) or on a scale of fixed amounts.

In order to avoid exposure to future risks from occupational retirement plans, newly designed pension plans were introduced at the major German and foreign E.ON Group companies between 1998 and 2010. Virtually all new hires at the German market units, as well as at the U.K. and Spain market units, are now covered by benefit plans whose future risks can be calculated and controlled. In addition, the final-pay arrangements for existing employees at the Group's German companies were largely converted into a newly designed benefit plan beginning in 2004.

The provisions for pensions and similar obligations also include minor provisions for obligations from the assumption of costs for post-employment health care benefits, which are granted primarily in the United States and in Spain.

In pure defined contribution plans, the Company discharges its obligations toward employees when it pays agreed contribution amounts into funds managed by external insurers or similar institutions.

## Changes in the Benefit Obligations

The following table shows the changes in the present value of the defined benefit obligation for the periods indicated:

**Changes in the Defined Benefit Obligation**

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| € in millions | Total | Domestic | Foreign | Total | Domestic | Foreign |
| Defined benefit obligation as of January 1 | 16,087 | 8,285 | 7,802 | 14,096 | 8,047 | 6,049 |
| Employer service cost | 241 | 147 | 94 | 211 | 136 | 75 |
| Interest cost | 840 | 446 | 394 | 842 | 450 | 392 |
| Changes in scope of consolidation | -913 | 1 | -914 | -28 | -66 | 38 |
| Past service cost | 32 | 16 | 16 | 7 | -2 | 9 |
| Actuarial gains (-)/losses | 800 | 567 | 233 | 1,543 | 249 | 1,294 |
| Exchange rate differences | 205 | – | 205 | 309 | – | 309 |
| Employee contributions | 4 | – | 4 | 15 | – | 15 |
| Pensions paid | -838 | -474 | -364 | -874 | -470 | -404 |
| Curtailments | – | – | – | -2 | – | -2 |
| Other | 56 | 70 | -14 | -32 | -59 | 27 |
| **Defined benefit obligation as of December 31** | **16,514** | **9,058** | **7,456** | **16,087** | **8,285** | **7,802** |

Foreign benefit obligations relate almost entirely to the benefit plans at the market units U.K. (2010: €6,848 million; 2009: €6,321 million) and Spain (2010: €407 million; 2009: €373 million) and, in 2009, the U.S. Midwest market unit (€916 million) as well. The portion of the entire benefit obligation allocated to post-employment health care benefits amounted to €15 million (2009: €166 million, including the U.S. Midwest market unit).

The reduction in foreign benefit obligations is due primarily to the disposal in 2010 of the U.S. Midwest market unit; the disposal is shown in the table under "Changes in scope of consolidation."

Actuarial losses in 2010 are attributable in large part to the decrease in the discount rates in Germany and at the U.K. market unit.

The "Other" line in 2010 reflects primarily the reclassification of defined benefit obligations from the "Liabilities associated with assets held for sale" line on the balance sheet.

The actuarial assumptions made to determine the values of the defined benefit obligations at the German and U.K. subsidiaries as of the respective balance sheet date, and to derive the expected return on plan assets for the subsequent fiscal year, are as follows for each region:

**Actuarial Assumptions**

| | December 31, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| Percentages | Germany | U.K. | Germany | U.K. |
| Discount rate | 5.00 | 5.40 | 5.50 | 5.70 |
| Salary increase rate | 2.75 | 4.00 | 2.75 | 4.00 |
| Pension increase rate[1] | 2.00 | 3.30 | 2.00 | 3.30 |
| Expected rate of return on plan assets | 4.70 | 5.80 | 4.70 | 6.10 |

[1]The pension increase rate for Germany applies to eligible individuals not subject to a one-percent pension increase rate.

On December 31, 2008, the expected rates of return on plan assets on which computations for the 2009 reporting year would be based were set at 5.10 percent for Germany and at 5.40 percent for the United Kingdom.

In addition, there are pension funds in Germany for which an expected rate of return on plan assets of 4.50 percent (2009: 4.50 percent; 2008: 4.50 percent) was determined for the respective subsequent fiscal year.

Other company-specific actuarial assumptions, including employee fluctuation, have also been included in the computations.

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.

The discount rate assumptions used by E.ON reflect the region-specific rates available at the end of the respective fiscal year for high-quality fixed-rate corporate bonds with a duration corresponding to the average period to maturity of the pension benefit obligations.

At the E.ON Group, a uniform increase or decrease of 0.5 percentage points in the discount rates would change the defined benefit obligation by -€1,073 million and +€1,219 million, respectively, as of December 31, 2010.

## Description of Plan Assets

Defined benefit pension plans in the Group's companies, be they within or outside of Germany, are mostly financed through the accumulation of plan assets in specially created pension vehicles that legally are distinct from the Company.

Under the Contractual Trust Arrangement (CTA) established for the German subsidiaries, plan assets totaling €6,415 million (2009: €6,481 million) were administered by a trust, E.ON Pension Trust e.V., on a fiduciary basis. A restructuring of investments out of the VKE fund into the CTA increased domestic plan assets by €1.7 billion in 2009. The remainder of the domestic plan assets in the amount of €283 million (2009: €298 million) is held primarily by pension funds in the Central Europe market unit.

The foreign plan assets, which totaled €6,565 million as of December 31, 2010 (2009: €6,426 million), are dedicated primarily to the funding of the pension plans at the U.K. and Spain market units. The plan assets of the U.K. market unit are managed mostly by independent pension trusts and, as of December 31, 2010, amounted to €6,186 million (2009: €5,575 million). The pension assets of the Spain market unit, totaling €312 million (2009: €282 million), consist almost entirely of qualifying insurance policies, which constitute plan assets under IAS 19. Because the U.S. Midwest market unit was sold after December 31, 2009, its plan assets are no longer included in the foreign plan assets as of December 31, 2010.

The changes in the fair value of the plan assets covering the benefit obligation for defined benefit pension plans are shown in the following table:

**Changes in Plan Assets**

| € in millions | 2010 Total | 2010 Domestic | 2010 Foreign | 2009 Total | 2009 Domestic | 2009 Foreign |
|---|---|---|---|---|---|---|
| Fair value of plan assets as of January 1 | 13,205 | 6,779 | 6,426 | 11,034 | 5,147 | 5,887 |
| Expected return on plan assets | 673 | 313 | 360 | 614 | 270 | 344 |
| Employer contributions | 294 | 100 | 194 | 1,913 | 1,707 | 206 |
| Employee contributions | 4 | – | 4 | 15 | – | 15 |
| Changes in scope of consolidation | -507 | – | -507 | 22 | – | 22 |
| Actuarial gains/losses (-) | 221 | -40 | 261 | 43 | 67 | -24 |
| Exchange rate differences | 179 | – | 179 | 357 | – | 357 |
| Pensions paid | -807 | -454 | -353 | -762 | -367 | -395 |
| Settlements | – | – | – | -1 | – | -1 |
| Other | 1 | – | 1 | -30 | -45 | 15 |
| **Fair value of plan assets as of December 31** | **13,263** | **6,698** | **6,565** | **13,205** | **6,779** | **6,426** |

The €0.6 billion (2009: €0.5 billion) in non-current securities and liquid funds administered by VKE are not included in the determination of the funded status as of December 31, 2010, since they do not constitute plan assets under IAS 19. However, these assets, which are primarily dedicated to the coverage of the Central Europe market unit's benefit obligations, do additionally have to be taken into consideration for a comprehensive evaluation of the funded status of the E.ON Group's benefit obligations.

The principal investment objective for the pension plan assets is to provide full coverage of benefit obligations at all times for the payments due under the corresponding pension plans. Plan assets include virtually no owner-occupied real estate or equity or debt instruments issued by E.ON Group companies.

To implement the investment objective, the E.ON Group generally pursues a liability-driven investment (LDI) approach that takes into account the structure of the benefit obligations. This long-term LDI strategy seeks to manage the funded status, with the result that any changes in the defined benefit obligation, especially those caused by fluctuating inflation and interest rates are, to a certain degree, covered by simultaneous corresponding changes in the fair value of plan assets. The LDI strategy may also involve the use of derivatives (e.g., interest rate swaps and inflation swaps). In order to improve the funded status of the E.ON Group as a whole, a portion of the plan assets will also be invested in a diversified portfolio of asset classes that are expected to provide for long-term returns in excess of those of fixed-income investments.

The determination of the target portfolio structure for the individual plan assets is based on regular asset-liability studies. In these studies, the target portfolio structure is reviewed under consideration of existing investment principles, the current level of financing of existing benefit obligations, the condition of the capital markets and the structure of the benefit obligations developments, and is adjusted as necessary. The expected long-term returns for the individual plan assets are derived from the portfolio structure targeted and from the expected long-term returns for the individual asset classes in the asset-liability studies.

Plan assets were invested in the asset classes shown in the following table as of the dates indicated:

**Classification of Plan Assets**

| Percentages | December 31, 2010 Total | December 31, 2010 Domestic | December 31, 2010 Foreign | December 31, 2009 Total | December 31, 2009 Domestic | December 31, 2009 Foreign |
|---|---|---|---|---|---|---|
| Equity securities | 16 | 13 | 18 | 17 | 13 | 21 |
| Debt securities | 66 | 70 | 62 | 64 | 66 | 62 |
| Real estate | 9 | 11 | 7 | 8 | 11 | 5 |
| Other | 9 | 6 | 13 | 11 | 10 | 12 |

## Provisions for Pensions and Similar Obligations

The E.ON Group's recognized net obligation is derived from the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for unrecognized past service cost, and is determined as shown in the following table:

**Derivation of the Provisions for Pensions and Similar Obligations**

| € in millions | December 31 2010 | 2009 |
|---|---|---|
| Defined benefit obligation—fully or partially funded by plan assets | 16,080 | 15,715 |
| Fair value of plan assets | -13,263 | -13,205 |
| Defined benefit obligation—unfunded plans | 434 | 372 |
| **Funded status** | **3,251** | **2,882** |
| Unrecognized past service cost | -11 | -10 |
| **Net amount recognized** | **3,240** | **2,872** |
| *Operating receivables* | *-10* | *-12* |
| *Provisions for pensions and similar obligations* | *3,250* | *2,884* |

Taking into account periodic additions and pension payments, as well as the net actuarial losses attributable primarily to the decrease in the discount rates affecting E.ON's German subsidiaries and those at the U.K. market unit, there is an increase in the recognized net obligation as of December 31, 2010. It is partially offset by the elimination of the provisions for pensions at the U.S. Midwest market unit resulting from its disposal.

## Contributions and Pension Payments

In 2010, E.ON made employer contributions to plan assets totaling €294 million (2009: €1,913 million) to fund existing defined benefit obligations. Employer contributions to plan assets in 2009 were primarily attributable to a reallocation of funds from VKE into the domestic CTA.

For 2011, it is expected that overall employer contributions to plan assets will amount to a total of €750 million and primarily involve the funding of new and existing benefit obligations, with an amount of €175 million attributable to foreign companies.

Pension payments to cover defined benefit obligations totaled €838 million in 2010 (2009: €874 million). Prospective pension payments existing as of December 31, 2010, for the next ten years are shown in the following table:

**Prospective Pension Payments**

| € in millions | Total | Domestic | Foreign |
|---|---|---|---|
| 2011 | 851 | 494 | 357 |
| 2012 | 854 | 496 | 358 |
| 2013 | 874 | 506 | 368 |
| 2014 | 891 | 514 | 377 |
| 2015 | 910 | 522 | 388 |
| 2016–2020 | 4,875 | 2,844 | 2,031 |
| **Total** | **9,255** | **5,376** | **3,879** |

### Pension Cost

The net periodic cost for defined benefit pension plans included in the provisions for pensions and similar obligations as well as in operating receivables (which no longer includes the net periodic cost of the defined benefit pension plans at the U.S. Midwest market unit (see also Note 4)) is shown in the table below:

**Net Periodic Pension Cost**

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| € in millions | Total | Domestic | Foreign | Total | Domestic | Foreign |
| Employer service cost | 241 | 147 | 94 | 192 | 136 | 56 |
| Interest cost | 840 | 446 | 394 | 788 | 450 | 338 |
| Expected return on plan assets | -673 | -313 | -360 | -578 | -270 | -308 |
| Effects of curtailments or effects of settlements | – | – | – | -2 | – | -2 |
| Recognized past service cost | 29 | 16 | 13 | 6 | -2 | 8 |
| **Total** | **437** | **296** | **141** | **406** | **314** | **92** |

Actuarial gains and losses are accrued and recognized in full. They are reported outside of the income statement as part of equity in the Statements of Recognized Income and Expenses.

The actual return on plan assets was a gain of €894 million in 2010 (2009: €657 million gain including the U.S. Midwest market unit).

In addition to the total net periodic pension cost, an amount of €74 million in fixed contributions to external insurers or similar institutions was paid in 2010 (2009: €68 million) for pure defined contribution pension plans. Contributions paid by the U.S. Midwest market unit are no longer included (see also Note 4).

The total net periodic pension cost shown includes an amount of €0.9 million in 2010 (2009: €0.9 million) for health care benefits. A one-percentage-point increase or decrease in the assumed health care cost trend rate would affect the interest and service components and result in a change in net periodic pension cost of +€0.2 million or -€0.1 million (2009: +€0.2 million or -€0.1 million), respectively. The corresponding accumulated post-employment benefit obligation would change by +€2.3 million or -€1.9 million (2009: +€6.9 million or -€6.0 million including the U.S. Midwest market unit), respectively.

The changes in actuarial gains and losses from defined benefit obligations and corresponding plan assets recognized in equity are shown in the following table:

**Accumulated Actuarial Gains and Losses Recognized in Equity**

| € in millions | 2010 | 2009 |
|---|---|---|
| Accumulated actuarial gains (+) and losses (-) recognized in equity as of January 1 | 138 | 1,638 |
| Recognition in equity of current-year actuarial gains (+) and losses (-) | -722 | -1,500 |
| **Accumulated actuarial gains (+) and losses (-) recognized in equity as of December 31** | **-584** | **138** |

In the years 2006 through 2010, the following experience adjustments were made to the present value of all defined benefit obligations and to the fair value of plan assets:

**Experience Adjustments**

| | December 31 | | | | |
|---|---|---|---|---|---|
| Percentages | 2010 | 2009 | 2008 | 2007 | 2006 |
| Experience adjustments to the amount of the benefit obligation | -0.16 | 0.26 | 1.61 | 1.22 | 0.73 |
| Experience adjustments to the value of plan assets | 1.66 | 0.23 | -9.01 | -0.50 | -0.22 |

The experience adjustments reflect the effects on the benefit obligations and plan assets at the E.ON Group, which result from differences between the actual changes in these amounts from the assumptions made with respect to these changes at the beginning of the fiscal year. In the measurement of the benefit obligations, these include in particular the development of salary increases, increases in pensions, employee fluctuation and biometric data such as death and disability.

## (25) Miscellaneous Provisions

The following table lists the miscellaneous provisions as of the dates indicated:

**Miscellaneous Provisions**

| | December 31, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| € in millions | Current | Non-current | Current | Non-current |
| Non-contractual nuclear waste management obligations | 99 | 8,855 | 206 | 8,901 |
| Contractual nuclear waste management obligations | 365 | 4,959 | 217 | 4,160 |
| Personnel obligations | 633 | 780 | 650 | 711 |
| Other asset retirement obligations | 315 | 1,374 | 319 | 1,246 |
| Supplier-related obligations | 504 | 409 | 361 | 388 |
| Customer-related obligations | 656 | 327 | 551 | 136 |
| Environmental remediation and similar obligations | 76 | 797 | 68 | 523 |
| Other | 2,302 | 2,880 | 2,343 | 2,743 |
| **Total** | **4,950** | **20,381** | **4,715** | **18,808** |

The changes in the miscellaneous provisions are shown in the table below:

**Changes in Miscellaneous Provisions**

| € in millions | Jan. 1, 2010 | Exchange rate differences | Changes in scope of consolidation | Accretion | Additions | Utilization | Reclassifications | Reversals | Changes in estimates | Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Non-contractual nuclear waste management obligations | 9,107 | 130 | – | 431 | 26 | -37 | -484 | – | -219 | 8,954 |
| Contractual nuclear waste management obligations | 4,377 | 99 | – | 242 | 79 | -293 | 484 | – | 336 | 5,324 |
| Personnel obligations | 1,361 | 2 | -35 | 2 | 844 | -733 | 18 | -46 | – | 1,413 |
| Other asset retirement obligations | 1,565 | 10 | -83 | 49 | 99 | -24 | -3 | -8 | 84 | 1,689 |
| Supplier-related obligations | 749 | 2 | – | 16 | 588 | -161 | – | -281 | – | 913 |
| Customer-related obligations | 687 | 5 | 1 | 18 | 367 | -252 | 234 | -77 | – | 983 |
| Environmental remediation and similar obligations | 591 | 4 | 1 | 12 | 128 | -41 | 209 | -31 | – | 873 |
| Other | 5,086 | 23 | -81 | 25 | 2,162 | -1,257 | -256 | -520 | – | 5,182 |
| **Total** | **23,523** | **275** | **-197** | **795** | **4,293** | **-2,798** | **202** | **-963** | **201** | **25,331** |

The accretion expense resulting from the changes in provisions is shown in the financial results (see Note 9).

The interest rates applied for the nuclear power segment, calculated on a country-specific basis, were 5.2 percent as of December 31, 2010, (2009: 5.2 percent) in Germany and 3.0 percent (2009: 3.0 percent) in Sweden. For the other provision items, the interest rates used ranged from 0.7 percent to 4.4 percent, depending on maturity (2009: 1.2 percent to 4.3 percent).

### Provisions for Non-Contractual Nuclear Waste Management Obligations

Of the total of €9.0 billion in provisions based on German and Swedish nuclear power legislation, €7.9 billion is attributable to the operations in Germany and €1.1 billion is attributable to the Swedish operations. The provisions comprise all those nuclear obligations relating to the disposal of spent nuclear fuel rods and low-level nuclear waste and to the retirement and decommissioning of nuclear power plant components that are determined on the basis of external studies and cost estimates.

The provisions are classified primarily as non-current provisions and measured at their settlement amounts, discounted to the balance sheet date.

The asset retirement obligations recognized for non-contractual nuclear obligations include the anticipated costs of run-out operation of the facility, dismantling costs, and the cost of removal and disposal of the nuclear components of the nuclear power plant.

Additionally included in the disposal of spent nuclear fuel rods are costs for transports to the final storage facility and the cost of proper conditioning prior to final storage, including the necessary containers.

The decommissioning costs and the cost of disposal of spent nuclear fuel rods and low-level nuclear waste also respectively include the actual final storage costs. Final storage costs consist mainly of investment and operating costs for the planned final storage facilities Gorleben and Konrad based on Germany's ordinance on advance payments for the establishment of facilities for the safe custody and final storage of radioactive wastes in the country ("Endlagervorausleistungsverordnung") and on data from the German Federal Office for Radiation Protection ("Bundesamt für Strahlenschutz"). Advance payments remitted to the Bundesamt für Strahlenschutz in the amount of €839 million (2009: €803 million) have been deducted from the provisions. These payments are made each year based on the amount spent by the Bundesamt für Strahlenschutz on the construction of the final storage facilities Gorleben and Konrad.

The cost estimates used to determine the provision amounts are all based on studies performed by external specialists and are updated annually. The amendments to the German Nuclear Energy Act of December 13, 2010, were taken into account in the measurement of the provisions in Germany.

Changes in estimates and reclassifications to provisions for contractual waste management obligations reduced provisions in 2010 by €219 million and €484 million, respectively, at the Central Europe market unit. There were no changes in estimates affecting provisions at the Nordic market unit in 2010.

The following table lists the provisions by technical specification as of the dates indicated:

Provisions for Non-Contractual Nuclear Waste Management Obligations

| | December 31, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| € in millions | Germany | Sweden | Germany | Sweden |
| Decommissioning | 6,055 | 347 | 6,444 | 230 |
| Disposal of nuclear fuel rods and operational waste | 2,674 | 717 | 2,562 | 674 |
| Advance payments | 839 | – | 803 | – |
| **Total** | **7,890** | **1,064** | **8,203** | **904** |

### Provisions for Contractual Nuclear Waste Management Obligations

Of the total of €5.3 billion in provisions based on German and Swedish nuclear power legislation, €4.3 billion is attributable to the operations in Germany and €1.0 billion is attributable to the Swedish operations. The provisions comprise all those contractual nuclear obligations relating to the disposal of spent nuclear fuel rods and low-level nuclear waste and to the retirement and decommissioning of nuclear power plant components that are measured at amounts firmly specified in legally binding civil agreements.

The provisions are classified primarily as non-current provisions and measured at their settlement amounts, discounted to the balance sheet date.

Advance payments made to other waste management companies in the amount of €21 million (2009: €32 million) have been deducted from the provisions attributed to Germany. The advance payments relate to the delivery of interim storage containers.

Concerning the disposal of spent nuclear fuel rods, the obligations recognized in the provisions comprise the contractual costs of finalizing reprocessing and the associated return of waste with subsequent interim storage at Gorleben and Ahaus, as well as costs incurred for interim on-site storage, including the necessary interim storage containers, arising from the "direct permanent storage" path. The provisions also include the contractual costs of decommissioning and the conditioning of low-level radioactive waste.

Changes in estimates reduced provisions in 2010 by €23 million, and reclassifications to provisions for non-contractual waste management obligations increased provisions by €484 million, at the Central Europe market unit. The Nordic market unit recorded an increase of €359 million as a result of changes in estimates.

The following table lists the provisions by technical specification as of the dates indicated:

Provisions for Contractual Nuclear Waste Management Obligations

| | December 31, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| € in millions | Germany | Sweden | Germany | Sweden |
| Decommissioning | 2,365 | 317 | 2,023 | 136 |
| Disposal of nuclear fuel rods and operational waste | 1,997 | 666 | 1,841 | 409 |
| Advance payments | 21 | – | 32 | – |
| **Total** | **4,341** | **983** | **3,832** | **545** |

## Personnel Obligations

Provisions for personnel costs primarily cover provisions for early retirement benefits, performance-based compensation components, in-kind obligations and other deferred personnel costs.

## Provisions for Other Asset Retirement Obligations

The provisions for other asset retirement obligations consist of obligations for conventional and renewable-energy power plants, including the conventional plant components in the nuclear power segment, that are based on legally binding civil agreements and public regulations. Also reported here are provisions for environmental improvements at opencast mining and gas storage facilities and the dismantling of installed infrastructure.

## Supplier-Related Obligations

Provisions for supplier-related obligations consist of provisions for potential losses on open purchase contracts, among others.

## Customer-Related Obligations

Provisions for customer-related obligations consist primarily of potential losses on open sales contracts and of provisions for rebates.

## Environmental Remediation and Similar Obligations

Provisions for environmental remediation refer primarily to redevelopment and water protection measures and to the rehabilitation of contaminated sites. Also included here are provisions for other environmental improvement measures and for land reclamation obligations at mining sites.

## Other

The other miscellaneous provisions consist primarily of provisions from the electricity and gas business. Further included here are provisions for potential obligations arising from tax-related interest expenses and from taxes other than income taxes, as well as for a variety of potential settlement obligations.

## (26) Liabilities

The following table provides a breakdown of liabilities as of the dates indicated:

| Liabilities | December 31, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| € in millions | Current | Non-current | Total | Current | Non-current | Total |
| **Financial liabilities** | **3,611** | **28,880** | **32,491** | **7,120** | **30,657** | **37,777** |
| Trade payables | 5,016 | – | 5,016 | 4,635 | – | 4,635 |
| Capital expenditure grants | 486 | 253 | 739 | 83 | 262 | 345 |
| Construction grants from energy consumers | 337 | 2,603 | 2,940 | 322 | 2,895 | 3,217 |
| Liabilities from derivatives | 7,214 | 1,647 | 8,861 | 7,307 | 2,885 | 10,192 |
| Advance payments | 469 | 417 | 886 | 497 | 239 | 736 |
| Other operating liabilities | 12,835 | 1,586 | 14,421 | 10,255 | 1,492 | 11,747 |
| **Trade payables and other operating liabilities** | **26,357** | **6,506** | **32,863** | **23,099** | **7,773** | **30,872** |
| **Total** | **29,968** | **35,386** | **65,354** | **30,219** | **38,430** | **68,649** |

### Financial Liabilities

The following is a description of the E.ON Group's significant credit arrangements and debt issuance programs. Included under "Bonds" are the bonds currently outstanding, including those issued under the Debt Issuance Program. None of the debt outstanding was in default at any time during the 2010 fiscal year.

#### Corporate Center

#### Covenants

The financing activities of E.ON AG and E.ON International Finance B.V. ("EIF"), Rotterdam, The Netherlands, involve the use of covenants consisting primarily of change-of-control clauses, negative pledges, pari-passu clauses and cross-default clauses, each referring to a restricted set of significant circumstances. Financial covenants, i.e., covenants linked to financial ratios, are not employed.

#### €35 Billion Debt Issuance Program

E.ON AG and EIF have in place a Debt Issuance Program enabling the issuance from time to time of debt instruments through public and private placements to investors. The total amount available under the program is €35 billion. The program expired as planned after one year in December 2010 and, in the absence of short- to medium-term funding requirements, was not immediately updated. An extension of the program is envisioned during 2011.

At year-end 2010, the following EIF bonds were outstanding:

**Major Bond Issues of E.ON International Finance B.V.[1]**

| Volume issued in the respective currency | Initial term | Repayment | Coupon |
|---|---|---|---|
| CHF 500 million | 2 years | Feb 2011 | 2.000% |
| SEK 1,100 million | 2 years | May 2011 | 3 mth STIB+95 |
| EUR 750 million | 3 years | Sep 2011 | 5.000% |
| EUR 750 million | 2.5 years | Nov 2011 | 2.500% |
| GBP 500 million | 10 years | May 2012 | 6.375% |
| USD 300 million | 3 years | June 2012 | 3.125% |
| CHF 250 million[2] | 4 years | Sep 2012 | 3.250% |
| EUR 1,750 million | 5 years | Oct 2012 | 5.125% |
| CHF 250 million | 4 years | Dec 2012 | 3.875% |
| EUR 750 million | 4 years | Mar 2013 | 4.125% |
| EUR 1,500 million | 5 years | May 2013 | 5.125% |
| CHF 300 million | 5 years | May 2013 | 3.625% |
| GBP 350 million | 5 years | Jan 2014 | 5.125% |
| EUR 1,750 million | 5 years | Jan 2014 | 4.875% |
| CHF 525 million[3] | 5 years | Feb 2014 | 3.375% |
| EUR 1,000 million | 6 years | June 2014 | 5.250% |
| CHF 225 million | 7 years | Dec 2014 | 3.250% |
| EUR 1,250 million | 7 years | Sep 2015 | 5.250% |
| EUR 1,500 million | 7 years | Jan 2016 | 5.500% |
| EUR 900 million | 15 years | May 2017 | 6.375% |
| EUR 2,375 million[4] | 10 years | Oct 2017 | 5.500% |
| USD 2,000 million[5] | 10 years | Apr 2018 | 5.800% |
| GBP 850 million[6] | 12 years | Oct 2019 | 6.000% |
| EUR 1,400 million[7] | 12 years | May 2020 | 5.750% |
| GBP 975 million[8] | 30 years | June 2032 | 6.375% |
| GBP 900 million | 30 years | Oct 2037 | 5.875% |
| USD 1,000 million[5] | 30 years | Apr 2038 | 6.650% |
| GBP 700 million | 30 years | Jan 2039 | 6.750% |

[1]Listing: All bonds are listed in Luxembourg with the exception of the CHF-denominated bonds, which are listed on the SWX Swiss Exchange, and the two Rule 144A/Regulation S USD bonds, which are unlisted.
[2]The volume of this issue was raised from originally CHF 200 million to CHF 250 million.
[3]The volume of this issue was raised from originally CHF 400 million to CHF 525 million.
[4]The volume of this issue was raised in two steps from originally EUR 1,750 million to EUR 2,375 million.
[5]Rule 144A/Regulation S bond.
[6]The volume of this issue was raised from originally GBP 600 million to GBP 850 million.
[7]The volume of this issue was raised from originally EUR 1,000 million to EUR 1,400 million.
[8]The volume of this issue was raised from originally GBP 850 million to GBP 975 million.

Additionally outstanding as of December 31, 2010, were private placements with a total volume of approximately €1.7 billion, as well as promissory notes with a total volume of approximately €1.4 billion.

### €10 Billion and $10 Billion Commercial Paper Programs

The euro commercial paper program in the amount of €10 billion allows E.ON AG and EIF (under the unconditional guarantee of E.ON AG) to issue from time to time commercial paper with maturities of up to two years less one day to investors. The U.S. commercial paper program in the amount of $10 billion allows E.ON AG and E.ON N.A. Funding LLC, a wholly owned U.S. subsidiary (under the unconditional guarantee of E.ON AG) to issue from time to time commercial paper with maturities of up to 366 days and extendible notes with original maturities of up to 397 days (and a subsequent extension option for the investor) to investors. As of December 31, 2010, no commercial paper (2009: €1,520 million) was outstanding under either of these two programs.

### €6 Billion Syndicated Revolving Credit Facility

Effective November 25, 2010, E.ON has arranged a new syndicated credit facility of €6 billion over a term of five years. The facility has not been drawn on; rather, it serves as the Group's long-term liquidity reserve, one purpose of which is to function as a backup facility for the commercial paper programs. The new syndicated credit facility replaces the previously existing facility, whose two tranches had maturity dates in November 2010 and December 2011, respectively.

As of December 31, 2010, the bonds issued by E.ON AG and EIF had the maturities shown in the table below. The values shown are based on internal liquidity-management data and take into account economic hedges:

**Bonds Issued by E.ON AG and E.ON International Finance B.V.**

| € in millions | Total | Due in 2010 | Due in 2011 | Due in 2012 | Due in 2013 | Due in 2014 | Due between 2015 and 2021 | Due after 2021 |
|---|---|---|---|---|---|---|---|---|
| December 31, 2010 | 26,750 | – | 2,113 | 3,067 | 2,833 | 3,954 | 10,211 | 4,572 |
| December 31, 2009 | 28,007 | 1,807 | 2,234 | 2,970 | 2,745 | 3,811 | 10,055 | 4,385 |

### Financial Liabilities by Segment

The following table breaks down the financial liabilities by segment:

**Financial Liabilities by Segment as of December 31**

| € in millions | Central Europe | | Pan-European Gas | | U.K. | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Bonds | – | – | – | – | 571 | 9 |
| Commercial paper | – | – | – | – | – | – |
| Bank loans/Liabilities to banks | 507 | 848 | – | 2 | 26 | 52 |
| Liabilities from finance leases | 81 | 151 | 339 | 62 | – | – |
| Other financial liabilities | 628 | 698 | 117 | 66 | 12 | 13 |
| **Financial liabilities** | **1,216** | **1,697** | **456** | **130** | **609** | **74** |

Among other things, financial liabilities to financial institutions include collateral received, measured at a fair value of €313 million (2009: €312 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 €1,410 million (2009: €1,410 million). Additionally included in this line item are margin deposits received in connection with forward transactions on futures exchanges in the amount of €21 million (2009: €155 million), as well as collateral received in connection with goods and services in the amount of €7 million (2009: €43 million). E.ON can use this collateral without restriction.

## Trade Payables and Other Operating Liabilities

Trade payables totaled €5,016 million as of December 31, 2010 (2009: €4,635 million).

Capital expenditure grants of €739 million (2009: €345 million) were paid primarily by customers for capital expenditures made on their behalf, while E.ON retains ownership of the assets. The grants are non-refundable and are recognized in other operating income over the period of the depreciable lives of the related assets.

| | Nordic | | Energy Trading | | New Markets | | Corporate Center/ Consolidation | | E.ON Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | 279 | 536 | – | – | – | – | 26,650 | 28,418 | 27,500 | 28,963 |
| | – | – | – | – | – | – | – | 1,520 | – | 1,520 |
| | 100 | 100 | – | – | 45 | 465 | 363 | 818 | 1,041 | 2,285 |
| | 28 | 27 | – | – | – | – | – | 5 | 448 | 245 |
| | 679 | 561 | 4 | 155 | 296 | 311 | 1,766 | 2,960 | 3,502 | 4,764 |
| | **1,086** | **1,224** | **4** | **155** | **341** | **776** | **28,779** | **33,721** | **32,491** | **37,777** |

Construction grants of €2,940 million (2009: €3,217 million) were paid by customers for the cost of new gas and electricity connections in accordance with the generally binding terms governing such new connections. These grants are customary in the industry, generally non-refundable and recognized as revenue according to the useful lives of the related assets.

Other operating liabilities consist primarily of accruals in the amount of €9,080 million (2009: €5,846 million) and interest payable in the amount of €1,045 million (2009: €1,090 million). Also included in other operating liabilities are the counterparty obligations to acquire additional shares in already consolidated subsidiaries and non-controlling interests in fully consolidated partnerships totaling €829 million (2009: €653 million), which are carried forward.

Exploration activities accounted for €17 million (2009: €6 million) of the trade payables and other operating liabilities reported.

## (27) Contingencies and Other Financial Obligations

As part of its business activities, E.ON is subject to contingencies and other financial obligations involving a variety of underlying matters. These primarily include guarantees, obligations from litigation and claims (as discussed in more detail in Note 28), short- and long-term contractual, legal and other obligations and commitments.

### Contingencies

The contingent liabilities of the E.ON Group arising from existing contingencies amounted to €252 million as of December 31, 2010 (2009: €307 million). E.ON currently does not have reimbursement rights relating to the contingent liabilities disclosed.

E.ON has issued direct and indirect guarantees to third parties, which require E.ON to make contingent payments based on the occurrence of certain events or changes in an underlying instrument that is related to an asset, a liability or an equity instrument of the guaranteed party, on behalf of both related parties and external entities. These consist primarily of financial guarantees and warranties.

In addition, E.ON has also entered into indemnification agreements. Along with other guarantees, these indemnification agreements are incorporated in agreements entered into by Group companies concerning the disposal of shareholdings and, above all, cover the customary representations and warranties, as well as environmental damage and tax contingencies. In some cases the buyer of such shareholdings is required to either share costs or cover certain specific costs before E.ON itself is required to make any payments. Some obligations are covered in the first instance by provisions of the disposed companies. Guarantees issued by companies that were later sold by E.ON AG (or VEBA AG and VIAG AG before their merger) are usually included in the respective final sales contracts in the form of indemnities.

Moreover, E.ON has commitments under which it assumes joint and several liability arising from its interests in civil-law companies ("GbR"), non-corporate commercial partnerships and consortia in which it participates.

The guarantees of E.ON also include items related to the operation of nuclear power plants. With the entry into force of the German Nuclear Energy Act ("Atomgesetz" or "AtG"), as amended, and of the ordinance regulating the provision for coverage under the Atomgesetz ("Atomrechtliche Deckungsvorsorge-Verordnung" or "AtDeckV") of April 27, 2002, as amended, German nuclear power plant operators are required to provide nuclear accident liability coverage of up to €2.5 billion per incident.

The coverage requirement is satisfied in part by a standardized insurance facility in the amount of €255.6 million. The institution Nuklear Haftpflicht Gesellschaft bürgerlichen Rechts ("Nuklear Haftpflicht GbR") now only covers costs between €0.5 million and €15 million for claims related to officially ordered evacuation measures. Group companies have agreed to place their subsidiaries operating nuclear power plants in a position to maintain a level of liquidity that will enable them at all times to meet their obligations as members of the Nuklear Haftpflicht GbR, in proportion to their shareholdings in nuclear power plants.

To provide liability coverage for the additional €2,244.4 million per incident required by the above-mentioned amendments, E.ON Energie 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. 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, 2010, remained unchanged from 2009 at 42.0 percent plus an additional 5.0 percent charge for the administrative costs of processing damage claims.

In accordance with Swedish law, the companies of the Nordic market unit have issued guarantees to governmental authorities. The guarantees were issued to cover possible additional costs related to the disposal of high-level radioactive waste and to the decommissioning of nuclear power plants. These costs could arise if actual costs exceed accumulated funds. In addition, the Nordic market unit is also responsible for any costs related to the disposal of low-level radioactive waste.

In Sweden, owners of nuclear facilities are liable for damages resulting from accidents occurring in those nuclear facilities and for accidents involving any radioactive substances connected to the operation of those facilities. The liability per incident as of December 31, 2010, was limited to SEK 3,143 million, or €351 million (2009: SEK 3,392 million, or €331 million).

This amount must be insured according to the Law Concerning Nuclear Liability. The Nordic market unit has purchased the necessary insurance for its nuclear power plants. On July 1, 2010, the Swedish Parliament issued a new law ("Lag [2010:950] om ansvar och ersättning vid radiologiska olyckor"). The law requires the operator of a nuclear power plant in operation to have liability insurance or other financial security in an amount equivalent to €1.2 billion per facility. As of December 31, 2010, the conditions enabling this law to take effect were not yet in place.

Other than at the Central Europe and Nordic market units, there are no further nuclear power plants in operation. Accordingly, there are no additional contingencies comparable to those mentioned above.

## Other Financial Obligations

In addition to provisions and liabilities carried on the balance sheet and to the reported contingent liabilities, there also are other mostly long-term financial obligations arising mainly from contracts entered into with third parties and related parties, or on the basis of legal requirements.

As of December 31, 2010, purchase commitments for investments in intangible assets and in property, plant and equipment amounted to €7.4 billion (2009: €10.5 billion). Of these commitments, €2.9 billion are due within one year. This total mainly includes obligations for as yet outstanding investments in connection with new power plant construction projects, modernizations of existing power plants and exploration and gas infrastructure projects, particularly at the Central Europe, Pan-European Gas, U.K, Russia and Climate & Renewables market units. As of December 31, 2010, the obligations for new power plant construction reported under purchase commitments totaled €2.6 billion. They include obligations for the construction of wind power plants.

Additional financial obligations arose from rental and tenancy agreements and from operating leases. The corresponding minimum lease payments are due as broken down in the table below:

**E.ON as Lessee—Operating Leases**

| | Minimum lease payments | |
|---|---|---|
| € in millions | 2010 | 2009 |
| Due within 1 year | 243 | 220 |
| Due in 1 to 5 years | 579 | 511 |
| Due in more than 5 years | 940 | 497 |
| **Total** | **1,762** | **1,228** |

The expenses reported in the income statement for such contracts amounted to €263 million (2009: €230 million). Furthermore, a lease-leaseback arrangement for power plants has resulted in cash flows, which are financed by restricted, offsetting investments totaling approximately €0.4 billion (2009: €0.4 billion) that are congruent in terms of amounts, maturities and currencies. The arrangement expires in 2030.

Additional long-term contractual obligations in place at the E.ON Group as of December 31, 2010, relate primarily to the purchase of fossil fuels such as natural gas, lignite and hard coal. Financial obligations under these purchase contracts amounted to approximately €325 billion on December 31, 2010 (€20.7 billion due within one year).

Gas is usually procured on the basis of long-term purchase contracts with large international producers of natural gas. Such contracts are generally of a "take-or-pay" nature. The prices paid for natural gas are normally tied to the prices of competing energy sources, as dictated by market conditions. The conditions of these long-term contracts are reviewed at certain specific intervals (usually every three years) as part of contract negotiations and may thus change accordingly. In the absence of an agreement on a pricing review, a neutral board of arbitration makes a final binding decision. Financial obligations arising from these contracts are calculated based on the same principles that govern internal budgeting. Furthermore, the take-or-pay conditions in the individual contracts are also considered in the calculations.

As of December 31, 2010, €17.2 billion in contractual obligations (€5.2 billion due within one year) are in place for the purchase of electricity; these relate in part to purchases from jointly operated power plants in the Central Europe market unit. The purchase price of electricity from jointly operated power plants is generally based on the supplier's production cost plus a profit margin that is generally calculated on the basis of an agreed return on capital.

Other purchase commitments as of December 31, 2010, amounted to approximately €3.0 billion (€0.4 billion due within one year). In addition to purchase commitments for heat and alternative fuels, there are long-term contractual obligations for the purchase of nuclear fuel elements in place at the Central Europe and Nordic market units and, at the Central Europe market unit in particular, for the procurement of services in the area of reprocessing and interim storage of spent nuclear fuel elements delivered through June 30, 2005.

Payment obligations have also arisen from the eleventh amendment of the Atomgesetz, which took effect on December 14, 2010, and provides for the allocation of additional output for nuclear power plants. The law as amended has had the effect of prolonging the lives of these nuclear installations. Against this backdrop, the operators of nuclear power plants have made an undertaking to contribute to a fund that will be used to finance measures to implement the German federal government's energy concept. The underlying agreement with the Federal Republic of Germany was signed on January 10, 2011. It provides that nuclear power plant operators shall, beginning in 2017, make an as-yet unindexed contribution of currently €9.00/MWh for all additional electric output resulting from the extended plant lives. From 2011 through 2016, German nuclear power plant operators shall pay lump-sum advances on the contributions in an amount of €1.4 billion in total over the full period, to be offset in equal annual installments against the amounts to be contributed for the years 2017 through 2022. The advances payable by E.ON will not exceed €0.6 billion.

Further financial obligations in place as of December 31, 2010, totaled approximately €5.0 billion (€1.4 billion due within one year). Among others, they include financial obligations from services to be procured, obligations concerning the acquisition of shares and the acquisition of real estate funds held as financial assets, as well as corporate actions.

## (28) Litigation and Claims

A number of different court actions (including product liability claims and allegations of price fixing), governmental investigations and proceedings, and other claims are currently pending or may be instituted or asserted in the future against companies of the E.ON Group. This in particular includes legal actions and proceedings concerning alleged price-fixing agreements and anticompetitive practices. In addition, there are lawsuits pending against E.ON AG and U.S. subsidiaries in connection with the disposal of VEBA Electronics in 2000.

The entire sector is involved in a multitude of court proceedings throughout Germany in the matter of price-adjustment clauses in the retail electricity and gas supply business with high-volume customers. These proceedings include actions for the restitution of amounts collected through price increases imposed using price-adjustment clauses determined to be invalid. The legal issues involved have not yet been definitively addressed at the highest judicial level. Companies of the E.ON Group are also involved in legal proceedings in this area. The courts have shown a noticeable sector-wide tendency to rule against the utilities. This is illustrated by a judgment of the Federal Court of Justice ("Bundesgerichtshof") against EWE AG in July 2010 concerning the validity of gas price adjustments and the legal status of unconditional remittances. The potential effect of this ruling on the companies of the E.ON Group cannot be evaluated definitively at this time. It remains to be seen how case law will develop in other respects.

On July 8, 2009, the European Commission imposed a fine of €553 million on E.ON Ruhrgas for joint liability in alleged market-sharing activities with GdF Suez. E.ON Ruhrgas and E.ON filed an appeal against the Commission's decision with the European Court of First Instance in September 2009. The appeal does not have suspensory effect, and the fine was thus paid when due in October 2009. Further proceedings in this matter cannot be ruled out.

Following its sector inquiry into the European energy markets in 2005, the European Commission initiated proceedings alleging anticompetitive practices against a number of European upstream gas businesses, among them E.ON Ruhrgas. In 2009, the Commission stated its belief that E.ON Ruhrgas had used long-term bookings of virtually all of the gas import capacity in the network of Open Grid Europe GmbH ("Open Grid Europe"), Essen, Germany, (formerly E.ON Gastransport GmbH) to shut out competitors in the gas trading market. Because court proceedings would have entailed substantial business and procedural risks, negotiations were held with the Commission at the end of 2009. The result was an agreement whereby E.ON Ruhrgas returns a portion of its long-term gas import capacity bookings to Open Grid Europe and undertakes to comply with specific booking quotas. The Commission accepted this offer on May 4, 2010, declared binding the commitments made, and discontinued the proceeding.

Because litigation and claims are subject to numerous uncertainties, their outcome cannot be ascertained; however, in the opinion of management, any potential obligations arising from these matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

## (29) Supplemental Disclosures of Cash Flow Information

| Supplemental Disclosure of Cash Flow Information | | |
|---|---|---|
| € in millions | 2010 | 2009 |
| **Non-cash investing and financing activities** | | |
| Exchanges in corporate transactions | 172 | 3,251 |
| Funding of external fund assets for pension obligations through transfer of fixed-term deposits and securities | - | 1,705 |

The total consideration received by E.ON in 2010 for the disposal of consolidated equity interests and activities generated cash inflows of €6,225 million (2009: €5,507 million). Cash and cash equivalents divested in connection with the disposals amounted to €461 million (2009: €664 million). The sale of these activities led to reductions of €9,397 million (2009: €4,797 million) in assets and €3,401 million (2009: €1,246 million) in provisions and liabilities.

Corporate transactions in 2009 involved the non-cash exchange of generating capacity as part of the implementation of the commitment made by E.ON to the European Commission, as well as the Yuzhno-Russkoye transaction, which included non-cash components totaling €2,303 million. No significant cash acquisitions of consolidated equity investments and activities took place in 2010.

Cash provided by operating activities of the E.ON Group was 24 percent higher in 2010 than in 2009. The increase is primarily due to improvements in operating activities, the absence of the fine paid to the European Commission in 2009, and tax refunds collected in 2010. In 2009, on the other hand, payments of tax arrears had a negative effect on operating cash flow. In 2010, opposing negative effects arose from the utilization of gas storage at the Pan-European Gas market unit.

Spending on intangible assets, on property, plant and equipment and on equity investments was approximately 4 percent below the previous year's level. The amount of cash received from the disposal of equity investments was substantially higher than in 2009. The sale of the U.S. Midwest market unit and of the Gazprom stake, as well as the disposals of generating capacity and of the ultrahigh-voltage transmission system in Germany, contributed positively to cash provided by investing activities. This was offset by the negative effect of higher commitments of funds to fixed-term deposits, securities and restricted cash. Cash flows from investing activities of discontinued operations comprise the capital spending of the U.S. Midwest market unit. The 2009 value additionally included a compensation payment made in connection with the disposal of WKE. The increased net repayment of borrowings is reflected in the cash flows from financing activities.

Exploration activity resulted in operating cash flow of -€70 million (2009: -€74 million) and in cash flow from investing activities of -€114 million (2009: -€87 million).

## (30) Derivative Financial Instruments and Hedging Transactions

### Strategy and Objectives

The Company's policy generally permits the use of derivatives if they are associated with underlying assets or liabilities, planned transactions, or legally binding rights or obligations. Proprietary trading activities are concentrated on the Energy Trading market unit and are conducted within the confines of the risk management guidelines described below.

Hedge accounting in accordance with IAS 39 is employed primarily for interest rate derivatives used to hedge long-term debts, as well as for currency derivatives used to hedge net investments in foreign operations, long-term receivables and debts denominated in foreign currency, as well as planned capital investments. In commodities, potentially volatile future cash flows resulting primarily from planned purchases and sales of electricity within and outside of the Group, as well as from anticipated fuel purchases and purchases and sales of gas, are hedged.

### Fair Value Hedges

Fair value hedges are used to protect against the risk from changes in market values. In 2009, the Company used fair value hedge accounting specifically in the exchange of fixed-rate commitments in long-term receivables and liabilities denominated in euro and British pounds for variable rates. The hedging instruments used for such exchanges were interest rate swaps. Gains and losses on these hedges are generally reported in that line item of the income statement which also includes the respective hedged items. Interest rate fair value hedges are reported under "Interest and similar expenses." Adjustments to the carrying amounts of hedged items produced a loss in 2009 of €5 million, which was offset by realized gains of €17 million for the year in the designated hedging instruments. These fair value hedges expired in 2009. In 2010, an equity interest was hedged against fluctuating market prices using forward transactions. The unrealized loss on the forwards used to hedge the value of this equity interest amounted to €115 million as of December 31, 2010. This corresponds to the negative fair value of the forwards. The gain on the hedged shares as regards market price fluctuations amounted to €107 million as of December 31, 2010.

### Cash Flow Hedges

Cash flow hedges are used to protect against the risk arising from variable cash flows. Interest rate 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.

As of December 31, 2010, the hedged transactions in place included foreign currency cash flow hedges with maturities of up to 28 years (2009: up to 29 years) and up to six years (2009: up to eleven years) for interest cash flow hedges. Commodity cash flow hedges have maturities of up to three years (2009: up to three years).

The amount of ineffectiveness for cash flow hedges recorded for the year ended December 31, 2010, produced a loss of €6 million (2009: €2 million gain).

Pursuant to the information available as of the balance sheet date, the following effects will accompany the reclassifications from accumulated other comprehensive income to the income statement in subsequent periods:

**Timing of Reclassifications from OCI[1] to the Income Statement—2010**

| € in millions | Carrying amount | 2011 | 2012 | 2013-2015 | >2015 |
|---|---|---|---|---|---|
| OCI—Currency cash flow hedges | -133 | -8 | -8 | -20 | -97 |
| OCI—Interest cash flow hedges | 40 | 2 | -1 | -17 | 56 |
| OCI—Commodity cash flow hedges | -12 | -5 | -7 | – | – |

[1]OCI = Other comprehensive income. Figures are pre-tax.

**Timing of Reclassifications from OCI[1] to the Income Statement—2009**

| € in millions | Carrying amount | 2010 | 2011 | 2012-2014 | >2014 |
|---|---|---|---|---|---|
| OCI—Currency cash flow hedges | -61 | -38 | -18 | -34 | 29 |
| OCI—Interest cash flow hedges | 14 | 1 | – | – | 13 |
| OCI—Commodity cash flow hedges | -62 | -83 | 15 | 6 | – |

[1]OCI = Other comprehensive income. Figures are pre-tax.

Gains and losses from reclassification are generally reported in that line item of the income statement which also includes the respective hedged transaction. Gains and losses from the ineffective portions of cash flow hedges are classified as other operating income or other operating expenses. Interest cash flow hedges are reported under "Interest and similar expenses." The fair values of the derivatives used in cash flow hedges totaled €242 million (2009: €4 million).

A loss of €204 million (2009: €45 million gain) was posted to other comprehensive income in 2010. In the same period, a gain of €203 million (2009: €162 million gain) was reclassified from OCI to the income statement.

### Net Investment Hedges

The Company uses foreign currency loans, foreign currency forwards and foreign currency swaps to protect the value of its net investments in its foreign operations denominated in foreign currency. For the year ended December 31, 2010, the Company recorded an amount of €558 million (2009: €1,374 million) in accumulated other comprehensive income due to changes in fair value of derivatives and to currency translation results of non-derivative hedging instruments. No ineffectiveness resulted from net investment hedges in 2010 (2009: €1 million loss).

## Valuation of Derivative Instruments

The fair value of derivative instruments is sensitive to movements in underlying market rates and other relevant variables. The Company assesses and monitors the fair value of derivative instruments on a periodic basis. Fair values for each derivative financial instrument are determined as being equal to the price at which one party would assume the rights and duties of another party, and calculated using common market valuation methods with reference to available market data as of the balance sheet date.

The following is a summary of the methods and assumptions for the valuation of utilized derivative financial instruments in the Consolidated Financial Statements.

- Currency, electricity, gas, oil and coal forward contracts, swaps, and emissions-related derivatives are valued separately at their forward rates and prices as of the balance sheet date. Whenever possible, forward rates and prices are based on market quotations, with any applicable forward premiums and discounts taken into consideration.

- Market prices for interest-rate, electricity and gas options are valued using standard option pricing models commonly used in the market. The fair values of caps, floors and collars are determined on the basis of quoted market prices or on calculations based on option pricing models.

- The fair values of existing instruments to hedge interest risk are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for interest rate, cross-currency and cross-currency interest rate swaps for each individual transaction as of the balance sheet date. Interest income is recognized in income at the date of payment or accrual.

- Equity forwards are valued on the basis of the stock prices of the underlying equities, taking into consideration any timing components.

- Exchange-traded energy futures and option contracts are valued individually at daily settlement prices determined on the futures markets that are published by their respective clearing houses. Paid initial margins are disclosed under other assets. Variation margins received or paid during the term of such contracts are stated under other liabilities or other assets, respectively.

- Certain long-term energy contracts are valued with the aid of valuation models that use internal data if market prices are not available. A hypothetical ten-percent increase or decrease in these internal valuation parameters as of the balance sheet date would lead to a theoretical decrease in market values of €156 million or an increase of €164 million, respectively.

At the beginning of 2010, a gain of €56 million from the initial measurement of derivatives was deferred. After the realization of €56 million in deferred gains, the remainder is a deferred gain of €112 million at year-end, which will be recognized in income during subsequent periods as the contracts are settled.

The following two tables include both derivatives that qualify for IAS 39 hedge accounting treatment and those for which it is not used.

## Total Volume of Foreign Currency, Interest Rate and Equity-Based Derivatives

| € in millions | December 31, 2010 Nominal value | December 31, 2010 Fair value | December 31, 2009 Nominal value | December 31, 2009 Fair value |
|---|---|---|---|---|
| FX forward transactions | 31,116.2 | -87.4 | 16,949.2 | -42.2 |
| **Subtotal** | **31,116.2** | **-87.4** | **16,949.2** | **-42.2** |
| Cross-currency swaps | 17,924.1 | 274.4 | 18,407.0 | 119.0 |
| Cross-currency interest rate swaps | 211.4 | 75.8 | 510.4 | -32.4 |
| **Subtotal** | **18,135.5** | **350.2** | **18,917.4** | **86.6** |
| Interest rate swaps | | | | |
| Fixed-rate payer | 2,468.0 | -128.9 | 1,595.4 | -129.7 |
| Fixed-rate receiver | 1,115.8 | 110.8 | 1,282.7 | 61.6 |
| Interest rate future | 133.8 | 1.4 | 188.8 | 1.7 |
| Interest rate options | 2,000.0 | 71.3 | 127.7 | – |
| **Subtotal** | **5,717.6** | **54.6** | **3,194.6** | **-66.4** |
| Other derivatives | 1,083.0 | -180.0 | 79.5 | 6.4 |
| **Subtotal** | **1,083.0** | **-180.0** | **79.5** | **6.4** |
| **Total** | **56,052.3** | **137.4** | **39,140.7** | **-15.6** |

## Total Volume of Electricity, Gas, Coal, Oil and Emissions-Related Derivatives

| € in millions | December 31, 2010 Nominal value | December 31, 2010 Fair value | December 31, 2009 Nominal value | December 31, 2009 Fair value |
|---|---|---|---|---|
| Electricity forwards | 65,052.8 | 763.6 | 49,623.4 | -584.4 |
| Exchange-traded electricity forwards | 11,411.0 | -681.9 | 10,755.0 | 13.7 |
| Electricity swaps | 5,853.4 | -52.9 | 2,980.4 | 29.9 |
| Exchange-traded electricity options | 44.7 | 18.9 | 145.5 | -6.2 |
| Coal forwards and swaps | 8,316.2 | 300.7 | 7,975.9 | -28.2 |
| Exchange-traded coal forwards | 8,830.7 | 36.0 | 2,691.3 | 3.7 |
| Oil derivatives | 13,700.9 | 175.2 | 5,852.6 | -33.5 |
| Exchange-traded oil derivatives | 40.8 | 35.7 | 5,437.0 | 56.9 |
| Gas forwards | 28,070.8 | 938.5 | 23,914.3 | 255.5 |
| Gas swaps | 5,074.0 | 11.4 | 6,271.0 | 16.3 |
| Gas options | 864.1 | 31.4 | – | – |
| Exchange-traded gas forwards | 1,585.2 | 51.0 | 1,100.9 | 1.4 |
| Emissions-related derivatives | 424.4 | -0.4 | 2,757.6 | 3.7 |
| Exchange-traded emissions-related derivatives | 4,811.9 | 2.4 | 21.0 | 1.1 |
| Other derivatives | 68.8 | 7.4 | 60.8 | 14.7 |
| Other exchange-traded derivatives | 46.6 | -0.4 | – | – |
| **Total** | **154,196.3** | **1,636.6** | **119,586.7** | **-255.4** |

## (31) Additional Disclosures on Financial Instruments

The carrying amounts of the financial instruments, their grouping into IAS 39 measurement categories, their fair values and their measurement sources by class are presented in the following table, with amendments to IAS 39 taken into account:

**Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2010**

| € in millions | Carrying amounts | Total carrying amounts within the scope of IFRS 7 | IAS 39 measurement category[1] | Fair value | Determined using market prices | Derived from active market prices |
|---|---|---|---|---|---|---|
| Equity investments | 2,201 | 2,201 | AfS | 2,201 | 182 | 239 |
| Financial receivables and other financial assets | 5,031 | 5,008 | | 5,262 | – | – |
| *Receivables from finance leases* | *958* | *958* | *n/a* | *962* | – | – |
| *Other financial receivables and financial assets* | *4,073* | *4,050* | *LaR* | *4,300* | – | – |
| Trade receivables and other operating assets | 31,514 | 28,451 | | 28,451 | 602 | 9,127 |
| *Trade receivables* | *15,819* | *15,819* | *LaR* | *15,819* | – | – |
| *Derivatives with no hedging relationships* | *9,524* | *9,524* | *HfT* | *9,524* | *602* | *8,016* |
| *Derivatives with hedging relationships* | *1,111* | *1,111* | *n/a* | *1,111* | – | *1,111* |
| *Other operating assets* | *5,060* | *1,997* | *LaR* | *1,997* | – | – |
| Securities and fixed-term deposits | 5,600 | 5,600 | AfS | 5,600 | 4,967 | 633 |
| Cash and cash equivalents | 6,143 | 6,143 | AfS | 6,143 | 6,108 | 35 |
| Restricted cash | 433 | 433 | AfS | 433 | 392 | 41 |
| Assets held for sale | 2,043 | 1,582 | AfS | 1,582 | 895 | 687 |
| **Total assets** | **52,965** | **49,418** | | **49,672** | **13,146** | **10,762** |
| Financial liabilities | 32,491 | 32,456 | | 35,827 | – | - |
| *Bonds* | *27,500* | *27,500* | *AmC* | *30,768* | – | – |
| *Commercial paper* | – | – | *AmC* | – | – | – |
| *Bank loans/Liabilities to banks* | *1,041* | *1,041* | *AmC* | *1,041* | – | – |
| *Liabilities from finance leases* | *448* | *448* | *n/a* | *530* | – | – |
| *Other financial liabilities* | *3,502* | *3,467* | *AmC* | *3,488* | – | – |
| Trade payables and other operating liabilities | 32,863 | 25,904 | | 25,904 | 1,117 | 7,381 |
| *Trade payables* | *5,016* | *5,016* | *AmC* | *5,016* | – | – |
| *Derivatives with no hedging relationships* | *8,075* | *8,075* | *HfT* | *8,075* | *1,117* | *6,595* |
| *Derivatives with hedging relationships* | *786* | *786* | *n/a* | *786* | – | *786* |
| *Put option liabilities under IAS 32* | *829* | *829* | *AmC* | *829* | – | – |
| *Other operating liabilities* | *18,157* | *11,198* | *AmC* | *11,198* | – | – |
| **Total liabilities** | **65,354** | **58,360** | | **61,731** | **1,117** | **7,381** |

[1]AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The categories are described in detail in Note 2. The values of financial instruments measured at fair value (AfS, HfT, n/a) using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) can be derived from the difference between the fair values of the two disclosed fair value hierarchies and the total fair value of the listed categories.

The carrying amounts of cash and cash equivalents and of trade receivables are considered reasonable estimates of their fair values because of their short maturity.

Where the value of a financial instrument can be derived from an active market without the need for an adjustment, that value is used as the fair value. This applies in particular to equities held and bonds issued.

**Carrying Amounts, Fair Values and Measurement Categories by Class within the Scope of IFRS 7 as of December 31, 2009**

| € in millions | Carrying amounts | Total carrying amounts within the scope of IFRS 7 | IAS 39 measurement category[1] | Fair value | Determined using market prices | Derived from active market prices |
|---|---|---|---|---|---|---|
| Equity investments | 5,461 | 5,461 | AfS | 5,461 | 3,815 | 493 |
| Financial receivables and other financial assets | 4,381 | 4,373 | | 4,609 | – | – |
| *Receivables from finance leases* | *622* | *622* | *n/a* | *627* | – | – |
| *Other financial receivables and financial assets* | *3,759* | *3,751* | *LaR* | *3,982* | – | – |
| Trade receivables and other operating assets | 26,395 | 23,059 | | 23,059 | 2,013 | 7,754 |
| *Trade receivables* | *11,577* | *11,577* | *LaR* | *11,577* | – | – |
| *Derivatives with no hedging relationships* | *8,952* | *8,952* | *HfT* | *8,952* | *2,013* | *6,785* |
| *Derivatives with hedging relationships* | *969* | *969* | *n/a* | *969* | – | *969* |
| *Other operating assets* | *4,897* | *1,561* | *LaR* | *1,561* | – | – |
| Securities and fixed-term deposits | 5,392 | 5,392 | AfS | 5,392 | 4,384 | 1,008 |
| Cash and cash equivalents | 4,210 | 4,210 | AfS | 4,210 | 4,183 | 27 |
| Restricted cash | 184 | 184 | AfS | 184 | 137 | 47 |
| Assets held for sale | 2,273 | 81 | AfS | 81 | – | 81 |
| **Total assets** | **48,296** | **42,760** | | **42,996** | **14,532** | **9,410** |
| Financial liabilities | 37,777 | 37,566 | | 41,518 | – | – |
| *Bonds* | *28,963* | *28,963* | *AmC* | *32,799* | – | – |
| *Commercial paper* | *1,520* | *1,520* | *AmC* | *1,520* | – | – |
| *Bank loans/Liabilities to banks* | *2,285* | *2,285* | *AmC* | *2,285* | – | – |
| *Liabilities from finance leases* | *245* | *245* | *n/a* | *356* | – | – |
| *Other financial liabilities* | *4,764* | *4,553* | *AmC* | *4,558* | – | – |
| Trade payables and other operating liabilities | 30,872 | 24,163 | | 24,163 | 2,210 | 6,948 |
| *Trade payables* | *4,635* | *4,635* | *AmC* | *4,635* | – | – |
| *Derivatives with no hedging relationships* | *9,505* | *9,505* | *HfT* | *9,505* | *2,210* | *6,261* |
| *Derivatives with hedging relationships* | *687* | *687* | *n/a* | *687* | – | *687* |
| *Put option liabilities under IAS 32* | *653* | *653* | *AmC* | *653* | – | – |
| *Other operating liabilities* | *15,392* | *8,683* | *AmC* | *8,683* | – | – |
| **Total liabilities** | **68,649** | **61,729** | | **65,681** | **2,210** | **6,948** |

[1] AfS: Available for sale; LaR: Loans and receivables; HfT: Held for trading; AmC: Amortized cost. The categories are described in detail in Note 2. The values of financial instruments measured at fair value (AfS, HfT, n/a) using valuation techniques with unobservable inputs (Level 3 of the fair value hierarchy) can be derived from the difference between the fair values of the two disclosed fair value hierarchies and the total fair value of the listed categories.

The fair value of shareholdings in unlisted companies and of debt instruments that are not actively traded, such as loans received, loans granted and financial liabilities, is determined by discounting future cash flows. Any necessary discounting takes place using current market interest rates over the remaining terms of the financial instruments. Fair value measurement was not applied in the case of shareholdings with a carrying amount of €26 million (2009: €310 million) as cash flows could not be determined reliably for them. Fair values could not be derived on the basis of comparable transactions. The shareholdings are not material by comparison with the overall position of the Group.

The carrying amount of commercial paper, borrowings under revolving short-term credit facilities and trade payables is used as the fair value due to the short maturities of these items.

The determination of the fair value of derivative financial instruments is discussed in Note 30. The fair values determined using valuation techniques for financial instruments carried at fair value are reconciled as shown in the following table:

**Fair Value Hierarchy Level 3 Reconciliation (Values Determined Using Valuation Techniques)**

| € in millions | Jan. 1, 2010 | Purchases (including additions) | Sales (including disposals) | Settle-ments | Gains/ Losses in income state-ment | Transfers into Level 3 | Transfers out of Level 3 | Gains/ Losses in OCI | Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|---|
| Equity investments | 1,153 | 11 | -171 | -7 | 5 | 139 | – | 650 | 1,780 |
| Derivative financial instruments | -880 | 315 | – | -6 | 1,176 | 23 | – | -85 | 543 |
| **Total** | **273** | **326** | **-171** | **-13** | **1,181** | **162** | **0** | **565** | **2,323** |

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, 2010**

| € in millions | Cash outflows 2011 | Cash outflows 2012 | Cash outflows 2013–2015 | Cash outflows from 2016 |
|---|---|---|---|---|
| Bonds | 3,722 | 4,540 | 10,983 | 21,662 |
| Commercial paper | – | – | – | – |
| Bank loans/Liabilities to banks | 537 | 59 | 242 | 287 |
| Liabilities from finance leases | 48 | 48 | 135 | 655 |
| Other financial liabilities | 1,040 | 132 | 1,386 | 1,409 |
| Financial guarantees | 1,219 | – | – | – |
| **Cash outflows for financial liabilities** | **6,566** | **4,779** | **12,746** | **24,013** |
| Trade payables | 5,071 | – | – | – |
| Derivatives (with/without hedging relationships) | 15,024 | 5,473 | 1,362 | 390 |
| Put option liabilities under IAS 32 | 332 | 18 | 77 | 402 |
| Other operating liabilities | 11,029 | 198 | 4 | 26 |
| **Cash outflows for trade payables and other operating liabilities** | **31,456** | **5,689** | **1,443** | **818** |
| **Cash outflows for liabilities within the scope of IFRS 7** | **38,022** | **10,468** | **14,189** | **24,831** |

Financial guarantees with a total nominal volume of €1,219 million (2009: 905 million) were issued to companies outside of the Group. This amount is the maximum amount that E.ON would have to pay in the event of claims on the guarantees; a book value of €59 million has been recognized.

**Cash Flow Analysis as of December 31, 2009**

| € in millions | Cash outflows 2010 | Cash outflows 2011 | Cash outflows 2012–2014 | Cash outflows from 2015 |
|---|---|---|---|---|
| Bonds | 4,211 | 3,574 | 12,807 | 21,312 |
| Commercial paper | 1,538 | – | – | – |
| Bank loans/Liabilities to banks | 1,019 | 209 | 198 | 1,099 |
| Liabilities from finance leases | 63 | 39 | 108 | 281 |
| Other financial liabilities | 2,301 | 75 | 656 | 2,120 |
| Financial guarantees | 905 | – | – | – |
| **Cash outflows for financial liabilities** | **10,037** | **3,897** | **13,769** | **24,812** |
| Trade payables | 4,635 | – | – | – |
| Derivatives (with/without hedging relationships) | 19,496 | 6,515 | 2,009 | 124 |
| Put option liabilities under IAS 32 | 200 | 10 | 93 | 349 |
| Other operating liabilities | 8,995 | 30 | 66 | 168 |
| **Cash outflows for trade payables and other operating liabilities** | **33,326** | **6,555** | **2,168** | **641** |
| **Cash outflows for liabilities within the scope of IFRS 7** | **43,363** | **10,452** | **15,937** | **25,453** |

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 2010.

In gross-settled derivatives (usually currency derivatives and commodity derivatives), outflows are accompanied by related inflows of funds or commodities.

The net gains and losses from financial instruments by IAS 39 category are shown in the following table:

**Net Gains and Losses by Category[1]**

| € in millions | 2010 | 2009 |
|---|---|---|
| Loans and receivables | -141 | -141 |
| Available for sale | 2,724 | 2,195 |
| Held for trading | 2,635 | 1,754 |
| Amortized cost | -1,536 | -1,678 |
| **Total** | **3,682** | **2,130** |

[1]The categories are described in detail in Notes 2 and 9.

In addition to interest income and expenses from financial receivables, the net gains and losses in the loans and receivables category consist primarily of valuation allowances on trade receivables. Gains and losses on the disposal of available-for-sale securities and equity investments are reported under other operating income and other operating expenses, respectively.

The net gains and losses in the amortized cost category are due primarily to interest on financial liabilities, adjusted for capitalized construction-period interest.

The net gains and losses in the held-for-trading category encompass both the changes in fair value of the derivative financial instruments and the gains and losses on realization. The fair value measurement of commodity derivatives is the most important factor in the net result for this category.

## Risk Management

### Principles

The prescribed processes, responsibilities and actions concerning financial and risk management are described in detail in internal risk management guidelines applicable throughout the Group. The market units have developed additional guidelines of their own within the confines of the Group's overall guidelines. To ensure efficient risk management at the E.ON Group, the Trading (Front Office), Financial Controlling (Middle Office) and Financial Settlement (Back Office) departments are organized as strictly separate units. Risk controlling and reporting in the areas of interest rates, currencies, credit and liquidity management is performed by the Financial Controlling department, while risk controlling and reporting in the area of commodities is performed at Group level by a separate department.

E.ON uses a Group-wide treasury, risk management and reporting system. This system is a standard information technology solution that is fully integrated and is continuously updated. The system is designed to provide for the analysis and monitoring of the E.ON Group's exposure to liquidity, foreign exchange and interest risks. The market units employ established systems for commodities. Credit risks are monitored and controlled on a Group-wide basis by Financial Controlling, with the support of a standard software package.

Separate Risk Committees are responsible for the maintenance and further development of the strategy set by the Board of Management of E.ON AG with regard to commodity, treasury and credit risk management policies.

#### 1. Liquidity Management

The primary objectives of liquidity management at E.ON consist of ensuring ability to pay at all times, the timely satisfaction of contractual payment obligations and the optimization of costs within the E.ON Group.

Cash pooling and external financing are largely centralized at E.ON AG and certain financing companies. The funds are transferred internally to the other Group companies as needed.

E.ON AG plans the Group's financing requirements on the basis of short- and medium-term liquidity planning. The financing of the Group is controlled and implemented on a forward-looking basis in accordance with planned liquidity requirements. Relevant planning factors taken into consideration include operating cash flow, capital expenditures, and the maturity of bonds and commercial paper.

#### 2. Price Risks

In the normal course of business, the E.ON Group is exposed to foreign exchange, interest and commodity price risks, and also to price risks in asset management. These risks create volatility in earnings, equity, debt and cash flows from period to period. E.ON has developed a variety of strategies to limit or eliminate these risks, including the use of derivative financial instruments.

#### 3. Credit Risks

E.ON is exposed to credit risk in its operating activities and through the use of financial instruments. Credit risk results from non-delivery or partial delivery by a counterparty of the agreed consideration for services rendered, from total or partial failure to make payments owing on existing accounts receivable, and from replacement risks in open transactions. Uniform credit risk management procedures are in place throughout the Group to identify, measure and control credit risks.

The following discussion of the Company's risk management activities and the estimated amounts generated from profit-at-risk ("PaR"), value-at-risk ("VaR") and sensitivity analyses are "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected due to actual, unforeseeable developments in the global financial markets. The methods used by the Company to analyze risks should not be considered forecasts of future events or losses, as the Company also faces risks that are either non-financial or non-quantifiable. Such risks principally include country risk, operational risk and legal risk, which are not represented in the following analyses.

## Foreign Exchange Risk Management

E.ON AG is responsible for controlling the currency risks to which the E.ON Group is exposed.

Because it holds interests in businesses outside of the euro area, currency translation risks arise within the E.ON Group. Fluctuations in exchange rates produce accounting effects attributable to the translation of the balance sheet and income statement items of the foreign consolidated Group companies included in the Consolidated Financial Statements. One method used to hedge translation risks is through borrowing in the corresponding local currency, which in particular also includes shareholder loans in foreign currency. In addition, derivative financial instruments are employed as needed. The hedges qualify for hedge accounting under IFRS as hedges of net investments in foreign operations. The Group's translation risks are reviewed at regular intervals and the level of hedging is adjusted whenever necessary. The respective debt factor and the enterprise value denominated in the foreign currency are the principal criteria governing the level of hedging.

The E.ON Group is also exposed to operating and financial transaction risks arising from transactions in foreign currency. Operating transaction risks for the Group companies arise primarily from physical and financial trading in commodities, from intragroup relationships and from capital spending in foreign currency. The subsidiaries are responsible for controlling their operating currency risks. E.ON AG coordinates hedging throughout the Group and makes use of external derivatives as needed.

Financial transaction risks result from payments originating from financial receivables and payables. They are generated both by external financing in a variety of foreign currencies, and by shareholder loans from within the Group denominated in foreign currency. Financial transaction risks are generally fully hedged.

The one-day value-at-risk (99 percent confidence) from the translation of deposits and borrowings denominated in foreign currency, plus foreign-exchange derivatives, was €149 million as of December 31, 2010 (2009: €176 million) and resulted primarily from the positions in British pounds, Swedish kronor and U.S. dollars.

## Interest Risk Management

E.ON is exposed to profit risks arising from financial liabilities with floating interest rates, maturities and short-term borrowings, as well as interest rate derivatives that are based on floating interest rates. Positions based on fixed interest rates, on the other hand, are subject to changes in fair value resulting from the volatility of market rates. E.ON seeks a specific mix of fixed- and floating-rate debt over time. The long-term orientation of the business model in principle means fulfilling a high proportion of financing requirements at fixed rates, especially within the planning period. This also involves the use of interest rate swaps. With interest rate derivatives included, the share of financial liabilities with fixed interest rates was 93 percent as of December 31, 2010 (2009: 88 percent). Under otherwise unchanged circumstances, the volume of financial liabilities with fixed interest rates, which amounted to €23.7 billion at year-end 2010, would decline to €20.3 billion in 2011 and to €18.4 billion in 2012. The effective interest rate duration of the financial liabilities, including interest rate derivatives, was 7.1 years as of December 31, 2010 (2009: 6.9 years).

As of December 31, 2010, the E.ON Group held interest rate derivatives with a nominal value of €5,718 million (2009: €3,195 million).

A sensitivity analysis was performed on the Group's short-term floating-rate borrowings, including hedges of both foreign exchange risk and interest risk. This measure is used for internal risk controlling and reflects the economic position of the E.ON Group. A one-percentage-point upward or downward change in interest rates (across all currencies) would cause interest charges to respectively increase or decrease by €30 million in the subsequent fiscal year (2009: €40 million increase or decrease).

## Commodity Price Risk Management

E.ON is exposed to substantial risks resulting from fluctuations in the prices of commodities, both on the supply and demand side. This risk is measured based on potential negative deviation from the target adjusted EBIT.

The maximum permissible risk is determined centrally by the Board of Management in its medium-term planning and translated into a decentralized limit structure in coordination with the market units. Before fixing any limits, the investment plans and all other known obligations and quantifiable risks have been taken into account. Risk controlling and reporting, including portfolio optimization, is steered centrally for the Group by Group Management.

E.ON conducts commodity transactions primarily within the system portfolio, which includes core operations, existing sales and procurement contracts and any commodity derivatives used for hedging purposes or for power plant optimization. The risk in the system portfolio thus arises from the open position between planned procurement and generation and planned sales volumes. The risk of these open positions is measured using the profit-at-risk number, which quantifies the risk by taking into account the size of the open position and the prices, the volatility and the liquidity of the underlying commodities. PaR is defined as the maximum potential negative change in the value of the portfolio at a probability of 95 percent in the event that the open position is closed as quickly as possible.

The principal derivative instruments used by E.ON to cover commodity price risk exposures are electricity, gas, coal and oil swaps and forwards, as well as emissions-related derivatives. Commodity derivatives are used by the market units for the purposes of price risk management, system optimization, equalization of burdens, and even for the improvement of margins. Proprietary trading is permitted only within very tightly defined limits. The risk measure used for the proprietary trading portfolio is a five-day value-at-risk with a 95-percent confidence interval.

The trading limits for proprietary trading as well as for all other trading activities are established and monitored by bodies that are independent from trading operations. A three-year planning horizon, with defined limits, is applied for the system portfolio. Limits used on hedging and proprietary trading activities include five-day value-at-risk and profit-at-risk numbers, as well as stop-loss limits. Additional key elements of the risk management system are a set of Group-wide commodity risk guidelines, the clear division of duties between scheduling, trading, settlement and controlling, as well as a risk reporting system independent from trading operations. Commodity positions and associated risks throughout the Group are reported to the members of the Risk Committee on a monthly basis.

As of December 31, 2010, the E.ON Group has entered into electricity, gas, coal, oil and emissions-related derivatives with a nominal value of €154,196 million (2009: €119,587 million).

The VaR for the proprietary trading portfolio amounted to €20 million as of December 31, 2010 (2009: €11.5 million). The PaR for the financial and physical commodity positions held in the system portfolio over a three-year planning horizon was €2,454 million as of December 31, 2010 (2009: €2,845 million).

The calculation of the PaR reflects the economic position of the E.ON Group over a planning horizon of three years, and in addition to the financial instruments included in the scope of IFRS 7, also encompasses the remaining commodity positions. This economic position is also used for internal risk controlling.

## Credit Risk Management

In order to minimize credit risk arising from operating activities and from the use of financial instruments, the Company enters into transactions only with counterparties that satisfy the Company's internally established minimum requirements. Maximum credit risk limits are set on the basis of internal and, where available, external credit ratings. The setting and monitoring of credit limits is subject to certain minimum requirements, which are based on Group-wide credit risk management guidelines. Long-term operating contracts and asset management transactions are not comprehensively included in this process. They are monitored separately at the level of the responsible market units.

In principle, each Group company is responsible for managing credit risk in its operating activities. Depending on the nature of the operating activities and the credit limit, additional credit risk monitoring and controls are performed both by the market unit and by the Corporate Center. 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. The levels and backgrounds of financial assets received as collateral are described in more detail in Notes 18 and 26.

Derivative transactions are generally executed on the basis of standard agreements that allow for the netting of all open transactions with individual counterparties. For currency and interest rate derivatives in the banking sector, this netting option is reflected in the accounting treatment. To further reduce credit risk, bilateral margining agreements are entered into with selected counterparties. Although the greater part of the transactions was completed on the basis of contracts that do allow netting, the following table does not show netting of positive and negative fair values of open transactions.

The credit risk is thus presented more conservatively in the following table than it actually is. It represents the sum of the positive fair values. Since derivatives in particular are subject to substantial market fluctuations, short-term concentrations of credit risk may occur as a result. In summary, as of December 31, 2010, the Company's derivative financial instruments had the credit ratings and maturities shown in the table.

### Rating of Counterparties

| Standard & Poor's and/or Moody's | December 31, 2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | Up to 1 year | | 1 to 5 years | | More than 5 years | |
| € in millions | Nominal value | Counter-party risk | Nominal value | Counter-party risk | Nominal value | Counter-party risk | Nominal value | Counter-party risk |
| AAA/Aaa through AA-/Aa3 | 40,518.4 | 2,268.8 | 25,940.9 | 1,178.4 | 11,042.5 | 840.2 | 3,535.0 | 250.2 |
| A+/A1 through A-/A3 | 71,180.5 | 4,009.4 | 46,095.3 | 1,844.1 | 18,576.8 | 1,260.9 | 6,508.4 | 904.4 |
| BBB+/Baa1 through BBB-/Baa3 | 20,467.4 | 1,311.7 | 15,484.3 | 870.1 | 3,887.3 | 279.4 | 1,095.8 | 162.2 |
| BB+/Ba1 through BB-/Ba3 | 22,870.4 | 1,558.6 | 15,733.3 | 1,096.2 | 6,302.8 | 343.5 | 834.3 | 118.9 |
| Other[1] | 28,485.7 | 1,794.8 | 13,166.6 | 898.3 | 7,876.8 | 538.0 | 7,442.3 | 358.5 |
| **Total** | **183,522.4** | **10,943.3** | **116,420.4** | **5,887.1** | **47,686.2** | **3,262.0** | **19,415.8** | **1,794.2** |

[1]"Other" consists primarily of parties to contracts with respect to which E.ON has received collateral from counterparties with ratings of the above categories.

### Rating of Counterparties

| Standard & Poor's and/or Moody's | December 31, 2009 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | Up to 1 year | | 1 to 5 years | | More than 5 years | |
| € in millions | Nominal value | Counter-party risk | Nominal value | Counter-party risk | Nominal value | Counter-party risk | Nominal value | Counter-party risk |
| AAA/Aaa through AA-/Aa3 | 26,884.3 | 2,482.4 | 14,527.5 | 1,675.1 | 9,914.6 | 674.1 | 2,442.2 | 133.2 |
| A+/A1 through A-/A3 | 69,631.6 | 6,029.4 | 41,217.8 | 3,128.4 | 21,382.6 | 1,784.1 | 7,031.2 | 1,116.9 |
| BBB+/Baa1 through BBB-/Baa3 | 8,300.6 | 369.6 | 6,602.7 | 258.6 | 1,597.9 | 111.0 | 100.0 | – |
| BB+/Ba1 through BB-/Ba3 | 1,983.4 | 84.9 | 402.6 | 13.5 | 651.2 | 71.4 | 929.6 | – |
| Other[1] | 31,922.3 | 1,849.4 | 14,474.3 | 1,229.5 | 10,238.1 | 503.0 | 7,209.9 | 116.9 |
| **Total** | **138,722.2** | **10,815.7** | **77,224.9** | **6,305.1** | **43,784.4** | **3,143.6** | **17,712.9** | **1,367.0** |

[1]"Other" consists primarily of parties to contracts with respect to which E.ON has received collateral from counterparties with ratings of the above categories.

Collateral received has not been taken into account in the above ratings. Exchange-traded forward and option contracts as well as exchange-traded emissions-related derivatives having an aggregate nominal value of €26,726 million as of December 31, 2010, (2009: €20,005 million) bear no credit risk.

For the remaining financial instruments, the maximum risk of default is equal to their carrying amounts.

Virtually all of the investments in debt instruments are classified as investment-grade.

At E.ON, liquid funds are normally invested at banks with good credit ratings or in top-rated money market funds. Group companies that for legal reasons are not included in the cash pool invest small sums at leading local banks. Standardized credit assessment and limit-setting is complemented by daily monitoring of CDS levels at the banks.

### Asset Management

For the purpose of financing long-term payment obligations, including those relating to asset retirement obligations (see Note 25), financial investments totaling €4.7 billion (2009: €4.8 billion) were held by companies of the Central Europe market unit as of December 31, 2010.

These financial assets are invested on the basis of an accumulation strategy (total-return approach), with investments broadly diversified across the money market, bond, real estate and equity asset classes. Asset allocation studies are performed at regular intervals to determine the target portfolio structure. The majority of the assets is held in investment funds managed by external fund managers. Corporate Asset Management at E.ON AG, which is part of the Company's Finance Department, is responsible for continuous monitoring of overall risks and those concerning individual fund managers. Risk management is based on a risk budget whose usage is monitored regularly. The three-month VaR with a 98-percent confidence interval for these financial assets totaled €107 million (2009: €103 million).

In addition, the mutual insurance fund Versorgungskasse Energie VVaG ("VKE") manages financial assets dedicated almost exclusively to the coverage of employee retirement benefits at the Central Europe market unit; these assets totaled €0.6 billion at year-end 2010 (2009: €0.5 billion). In 2009, €2.1 billion was taken out of VKE, with most of this amount (€1.7 billion) transferred into the Contractual Trust Arrangement. The remaining assets at VKE do not constitute plan assets under IAS 19 (see Note 24) and are shown as non-current and current assets on the balance sheet. The majority of the diversified portfolio, consisting of money market instruments, bonds, real estate and equities, is held in investment funds managed by external fund managers. VKE is subject to the provisions of the Insurance Supervision Act ("Versicherungsaufsichtsgesetz" or "VAG") and its operations are supervised by the German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" or "BaFin"). Financial investments and continuous risk management are conducted within the regulatory confines set by BaFin. The three-month VaR with a 98-percent confidence interval for these financial assets was €18.4 million (2009: €19.3 million).

## (32) Transactions with Related Parties

E.ON exchanges goods and services with a large number of companies as part of its continuing operations. Some of these companies are related parties, the most significant of which are associated companies accounted for under the equity method. Additionally reported as related parties are joint ventures, as well as equity interests carried at fair value and unconsolidated subsidiaries, which are of lesser importance as regards the extent of the transactions described in the following discussion. Transactions with related parties are summarized as follows:

**Related-Party Transactions**

| € in millions | 2010 | 2009 |
|---|---|---|
| Income | 2,793 | 5,312 |
| Expenses | 2,270 | 3,060 |
| Receivables | 1,812 | 1,641 |
| Liabilities | 715 | 2,950 |

The expenses in 2009 include €100 million attributable to the U.S. Midwest disposal group (see Note 4).

Income from transactions with related companies is generated mainly through the delivery of gas and electricity to distributors and municipal entities, especially municipal utilities. The relationships with these entities do not generally differ from those that exist with municipal entities in which E.ON does not have an interest.

Expenses from transactions with related companies are generated mainly through the procurement of gas, coal and electricity.

Receivables from related companies consist mainly of trade receivables.

Liabilities of E.ON payable to related companies include €132 million (2009: €369 million) in trade payables to operators of jointly-owned nuclear power plants. These payables bear interest at 1.0 percent per annum (2009: 1.0 percent) and have no fixed maturity. E.ON procures electricity from these power plants both under a cost-transfer agreement and under a cost-plus-fee agreement. The settlement of such liabilities occurs mainly through clearing accounts. In 2009, E.ON reported financial liabilities of €1,232 million (2010: €0 million) resulting from fixed-term deposits undertaken by the jointly-owned nuclear power plants at E.ON.

Under IAS 24, compensation paid to key management personnel (i.e., the members of the Board of Management of E.ON AG) must be disclosed. The total expense for 2010 amounted to €12.3 million (2009: €12.3 million) in short-term benefits and €12.3 million (2009: €0.0 million) in termination benefits, as well as €2.0 million (2009: €1.6 million) in post-employment benefits.

The service cost of post-employment benefits is equal to the service cost of the provisions for pensions.

The expense determined in accordance with IFRS 2 for the tranches of the E.ON SAR Program and the E.ON Share Performance Plan in existence in 2010 was €1.7 million (2009: €3.4 million expense).

Detailed, individualized information on compensation can be found in the Compensation Report on pages 168 through 175.

## (33) Segment Information

The segment information of the E.ON Group is presented in line with the Company's internal organizational and reporting structure.

- The Central Europe market unit focuses on E.ON's electricity business and the downstream gas business in central Europe.
- Pan-European Gas is responsible for the upstream and midstream gas business. This market unit additionally holds interests predominantly in energy businesses in Europe outside of Germany.
- The U.K. market unit encompasses the energy business in the United Kingdom.
- The Nordic market unit is concentrated on the energy business in Northern Europe.
- Energy Trading combines E.ON's European trading activities for electricity, gas, coal, oil and $CO_2$ allowances.
- All of the remaining operating segments have been combined in accordance with IFRS 8, and are reported as the "New Markets" segment. New Markets contains the activities of the Climate & Renewables, Italy, and Russia market units, as well as the Spain market unit.

Corporate Center/Consolidation contains E.ON AG itself, the interests held directly by E.ON AG, as well as the consolidation effects that take place at Group level.

Under IFRS, segments or material business units that have been sold or are held for sale must be reported as discontinued operations. For the 2010 and 2009 fiscal years, this concerns the U.S. Midwest market unit. The corresponding earnings and cash flow figures as of December 31, 2010, as well as those for the preceding periods, have been adjusted for all components of the discontinued operations (see explanations in Note 4).

Adjusted EBIT is the key measure at E.ON for purposes of internal management control and as an indicator of a business's long-term earnings power. Adjusted EBIT is derived from income/loss before interest and taxes and adjusted to exclude certain special items. The adjustments include adjusted net interest income, net book gains, cost-management and restructuring expenses, as well as other non-operating income and expenses.

Adjusted net interest income is calculated by taking the net interest income shown in the income statement and adjusting it using economic criteria and excluding certain special items, i.e., the portions of interest expense that are non-operating. Net book gains are equal to the sum of book gains and losses from disposals, which are included in other operating income and other operating expenses. Cost-management and restructuring expenses are non-recurring in nature. Other non-operating earnings encompass other non-operating income and expenses that are unique or rare in nature. Depending on the case, such income and expenses may affect different line items in the income statement. For example, effects from the marking to market of derivatives are included in other operating income and expenses, while impairment charges on property, plant and equipment are included in depreciation, amortization and impairments.

Due to the adjustments, the key figures by segment may differ from the corresponding IFRS figures reported in the Consolidated Financial Statements.

The following table shows the reconciliation of adjusted EBIT to net income as reported in the IFRS Consolidated Financial Statements:

**Net Income**

| € in millions | 2010 | 2009 |
|---|---|---|
| Adjusted EBIT | 9,454 | 9,291 |
| Adjusted interest income (net) | -2,257 | -2,201 |
| Net book gains/losses | 2,873 | 4,815 |
| Restructuring/Cost-management expenses | -621 | -443 |
| Other non-operating earnings | -386 | 38 |
| **Income/Loss (-) from continuing operations before taxes** | **9,063** | **11,500** |
| Income taxes | -1,946 | -2,858 |
| **Income/Loss (-) from continuing operations** | **7,117** | **8,642** |
| Income/Loss (-) from discontinued operations, net | -836 | 27 |
| **Net income** | **6,281** | **8,669** |
| *Attributable to shareholders of E.ON AG* | *5,853* | *8,420* |
| *Attributable to non-controlling interests* | *428* | *249* |

Net book gains in 2010 decreased by €1.9 billion from the previous year's level. This was attributable to the disposal of generating capacity as part of the commitment to the European Commission. The resulting book gains were substantially higher in 2009 than in 2010. The 2010 figure reflects the positive effects of the book gain on the sale of Gazprom shares and of the disposal of the ultrahigh-voltage transmission system (transpower).

Cost-management and restructuring expenses increased by approximately €178 million in 2010. As in 2009, the expenses related primarily to structural measures at German regional utilities and to costs incurred in connection with the continued implementation of the corporate organizational structure adopted in 2008. In addition, higher costs were incurred in 2010 in the context of our PerformtoWin project than in 2009.

**Financial Information by Business Segment**

| | Central Europe | | Pan-European Gas | | U.K. | |
|---|---|---|---|---|---|---|
| € in millions | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| External sales | 34,584 | 33,456 | 15,017 | 15,360 | 8,627 | 8,247 |
| Intersegment sales | 8,067 | 7,963 | 5,879 | 5,280 | 1,920 | 1,850 |
| **Sales** | **42,651** | **41,419** | **20,896** | **20,640** | **10,547** | **10,097** |
| Adjusted EBITDA | 6,462 | 6,466 | 2,031 | 2,275 | 1,342 | 1,080 |
| Depreciation and amortization | -1,651 | -1,573 | -533 | -465 | -454 | -427 |
| Impairment charges (-)/Reversals (+)[1] | -68 | -61 | -27 | -56 | 2 | -4 |
| **Adjusted EBIT** | **4,743** | **4,832** | **1,471** | **1,754** | **890** | **649** |
| *Earnings from companies accounted for under the equity method[1]* | *274* | *292* | *477* | *713* | *-20* | *1* |
| Operating cash flow | 6,050 | 5,180 | 1,255 | 645 | 1,386 | 1,562 |
| Investments | 3,192 | 3,256 | 1,244 | 1,610 | 1,029 | 897 |
| *Intangible assets and property, plant and equipment* | *3,103* | *3,039* | *1,102* | *1,117* | *1,006* | *864* |
| *Equity investments[2]* | *89* | *217* | *142* | *493* | *23* | *33* |

[1]Impairments recognized in adjusted EBIT differ from the relevant amounts reported in accordance with IFRS due to impairments on companies accounted for under the equity method and impairments on other financial assets, and also due to impairments recognized in non-operating earnings. Under IFRS, impairments on companies accounted for under the equity method and impairments on other financial assets are included in income/loss (-) from companies accounted for under the equity method and financial results, respectively.
[2]In addition to those accounted for under the equity method, acquisitions of equity investments also include acquisitions of fully consolidated companies and investments in equity holdings that need not be consolidated.

Other non-operating earnings were characterized primarily by impairment charges of about €1.1 billion on goodwill and about €1.5 billion on other non-current assets at operations in Italy, Spain and France acquired from Enel/Acciona and Endesa (see also Note 14). This was offset by the marking to market of derivatives used to protect the operating businesses from fluctuations in prices, which as of December 31, 2010, produced a positive effect in the range of €2.7 billion, compared with approximately €1.1 billion as of the 2009 balance sheet date. The 2009 figure additionally reflected the negative impact of the €553 million fine for alleged market sharing between E.ON Ruhrgas and GdF Suez.

An additional adjustment to the internal profit analysis relates to interest income, which is adjusted on an economic basis. Adjusted net interest income is calculated by taking the net interest income shown in the income statement and adjusting it using economic criteria and excluding certain special (i.e., non-operating) items.

**Adjusted Net Interest Income**

| € in millions | 2010 | 2009 |
|---|---|---|
| Interest and similar expenses (net) as shown in the Consolidated Statements of Income | -2,303 | -2,273 |
| Non-operating interest expense (+)/ income (-) | 46 | 72 |
| **Adjusted interest income (net)** | **-2,257** | **-2,201** |

At -€2,257 million, adjusted net interest income did not depart substantially from its 2009 level of -€2,201 million. The reduced amount of interest resulting from the lower level of net debt during 2010 was offset by, among other things, the one-time recognition of the negative interest effect resulting from advance payments into the renewable energy support fund.

Transactions within the E.ON Group are generally effected at market prices.

| Nordic | | Energy Trading | | New Markets | | Corporate Center/ Consolidation | | E.ON Group | |
|---|---|---|---|---|---|---|---|---|---|
| 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| 3,196 | 2,491 | 25,225 | 14,457 | 6,163 | 5,889 | 51 | 74 | 92,863 | 79,974 |
| 1,290 | 857 | 22,723 | 26,794 | 708 | 1,860 | -40,587 | -44,604 | – | – |
| **4,486** | **3,348** | **47,948** | **41,251** | **6,871** | **7,749** | **-40,536** | **-44,530** | **92,863** | **79,974** |
| 975 | 865 | 1,205 | 961 | 1,586 | 1,544 | -255 | -216 | 13,346 | 12,975 |
| -386 | -309 | -4 | -10 | -651 | -660 | -73 | -62 | -3,752 | -3,506 |
| -9 | -7 | -5 | -2 | -27 | -22 | -6 | -26 | -140 | -178 |
| **580** | **549** | **1,196** | **949** | **908** | **862** | **-334** | **-304** | **9,454** | **9,291** |
| *8* | *-7* | – | – | *68* | *10* | *1* | *-7* | *808* | *1,002* |
| 867 | 523 | 1,456 | 1,122 | 932 | 1,010 | -1,332 | -1,452 | 10,614 | 8,590 |
| 730 | 1,104 | 16 | 53 | 1,975 | 1,881 | 100 | -146 | 8,286 | 8,655 |
| *726* | *810* | *15* | *41* | *1,835* | *1,788* | *117* | *172* | *7,904* | *7,831* |
| *4* | *294* | *1* | *12* | *140* | *93* | *-17* | *-318* | *382* | *824* |

## Additional Entity-Level Disclosures

External sales by product break down as follows:

**Segment Information by Product**

| € in millions | 2010 | 2009 |
|---|---|---|
| Electricity | 55,167 | 47,022 |
| Gas | 31,731 | 28,073 |
| Other | 5,965 | 4,879 |
| **Total** | **92,863** | **79,974** |

The "Other" item consists in particular of revenues generated from services and from other trading activities.

The following table breaks down external sales (by location of customers and by location of seller), as well as property, plant and equipment, by geographic area:

**Geographic Segment Information**

| | Germany | | Europe (euro area excluding Germany) | | Europe (other) | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| € in millions | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| External sales by location of customer | 49,824 | 42,670 | 13,457 | 12,032 | 29,188 | 25,178 | 394 | 94 | 92,863 | 79,974 |
| External sales by location of seller | 62,966 | 51,477 | 7,925 | 8,648 | 21,782 | 19,760 | 190 | 89 | 92,863 | 79,974 |
| Property, plant and equipment | 20,562 | 19,454 | 9,214 | 9,742 | 28,484 | 23,905 | 2,610 | 7,226 | 60,870 | 60,327 |

Just under one-half of the sales under "Europe (other)" are attributable to the United Kingdom. E.ON's customer structure did not result in any major concentration in any given geographical region or business area. Due to the large number of customers the Company serves and the variety of its business activities, there are no individual customers whose business volume is material compared with the Company's total business volume.

Gas is procured primarily from Russia, Norway, Germany, the Netherlands and Denmark.

## (34) Compensation of Supervisory Board and Board of Management

### Supervisory Board

Provided that E.ON's shareholders approve the proposed dividend at the Annual Shareholders Meeting on May 5, 2011, total remuneration to members of the Supervisory Board will be €4.9 million (2009: €4.9 million).

There were no loans to members of the Supervisory Board in 2010.

The Supervisory Board's compensation structure and the amounts for each member of the Supervisory Board are presented on pages 168 and 169 in the Compensation Report, which is part of the Combined Group Management Report.

Additional information about the members of the Supervisory Board is provided on pages 180 and 181.

### Board of Management

Total remuneration to members of the Board of Management in 2010 amounted to €15.4 million (2009: €16.1 million). This consisted of base salary, bonuses, other compensation elements and share-based payments.

Total payments to former members of the Board of Management and their beneficiaries amounted to €25.4 million (2009: €9.9 million). Provisions of €136.6 million (2009: €109.1 million) have been established for the pension obligations to former members of the Board of Management and their beneficiaries.

There were no loans to members of the Board of Management in 2010.

The Board of Management's compensation structure and the amounts for each member of the Board of Management are presented on pages 170 through 175 in the Compensation Report, which is part of the Combined Group Management Report.

Additional information about the members of the Board of Management is provided on page 187.

## (35) Other Significant Issues

### Bond Buybacks in 2011

To reduce its debt, E.ON made a two-step offer to bondholders on January 24, 2011, to repurchase several bond issues. A total nominal value of €1.81 billion in bonds was bought back under the offer.

### Disposals in 2011

In line with the Company's strategy to divest €15 billion in assets through the end of 2013, E.ON will sell its U.K. power distribution business to PPL. The purchase price for the equity and for the assumption of certain liabilities is approximately £4.2 billion (equivalent to approximately €4.9 billion). A pension obligation of about £0.2 billion is included in the liabilities. The transaction is expected to close in early April 2011. E.ON will record a book gain of approximately €0.2 billion through this transaction.

To the best of our knowledge, we declare that, in accordance with applicable financial reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report, which is combined with the management report of E.ON AG, provides a fair review of the development and performance of the business and the position of the E.ON Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Düsseldorf, February 28, 2011

The Board of Management

Teyssen

Kildahl

Maubach

Reutersberg

Schenck

Stachelhaus

## (36) List of Shareholdings Pursuant to Section 313 (2) HGB

### Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| **Central Europe market unit** | |
| "Veszprém-Kogeneráció" Energiatermelö Zrt., HU, Györ[2] | 80.0 |
| Abfallwirtschaft Südholstein GmbH (AWSH), DE, Elmenhorst[5] | 49.0 |
| Abfallwirtschaftsgesellschaft Dithmarschen mbH, DE, Heide[5] | 49.0 |
| Abfallwirtschaftsgesellschaft Höxter mbH, DE, Höxter[5] | 49.0 |
| Abfallwirtschaftsgesellschaft Rendsburg-Eckernförde mbH, DE, Borgstedt[5] | 49.0 |
| Abfallwirtschaftsgesellschaft Schleswig-Flensburg mbH, DE, Schleswig[5] | 49.0 |
| Abwasser und Service Satrup GmbH (ASG), DE, Satrup[5] | 49.0 |
| Abwasserbeseitigung Nortorf-Land GmbH, DE, Nortorf[5] | 49.0 |
| Abwasserentsorgung Albersdorf GmbH, DE, Albersdorf[5] | 49.0 |
| Abwasserentsorgung Amt Achterwehr GmbH, DE, Achterwehr[5] | 49.0 |
| Abwasserentsorgung Bargteheide GmbH, DE, Bargteheide[5] | 29.0 |
| Abwasserentsorgung Berkenthin GmbH, DE, Berkenthin[5] | 44.0 |
| Abwasserentsorgung Bleckede GmbH, DE, Bleckede[5] | 49.0 |
| Abwasserentsorgung Brunsbüttel GmbH (ABG), DE, Brunsbüttel[5] | 49.0 |
| Abwasserentsorgung Burg GmbH, DE, Burg[5] | 44.0 |
| Abwasserentsorgung Friedrichskoog GmbH, DE, Friedrichskoog[5] | 49.0 |
| Abwasserentsorgung Kappeln GmbH, DE, Kappeln[5] | 49.0 |
| Abwasserentsorgung Kropp GmbH, DE, Kropp[5] | 49.0 |
| Abwasserentsorgung Marne-Land GmbH, DE, Diekhusen-Fahrstedt[5] | 49.0 |
| Abwasserentsorgung Schladen GmbH, DE, Schladen[5] | 49.0 |
| Abwasserentsorgung Schöppenstedt GmbH, DE, Schöppenstedt[5] | 49.0 |
| Abwasserentsorgung St. Michaelisdonn, Averlak, Dingen, Eddelak GmbH, DE, St. Michaelisdonn[5] | 25.1 |
| Abwasserentsorgung Tellingstedt GmbH, DE, Tellingstedt[5] | 35.0 |
| Abwasserentsorgung Uetersen GmbH, DE, Uetersen[5] | 49.0 |
| Abwassergesellschaft Bardowick mbH & Co. KG, DE, Bardowick[5] | 49.0 |
| Abwassergesellschaft Bardowick Verwaltungs-GmbH, DE, Bardowick[5] | 49.0 |
| Abwassergesellschaft Ilmenau mbH, DE, Melbeck[5] | 49.0 |
| Abwasserwirtschaft Fichtelberg GmbH, DE, Fichtelberg[5] | 25.0 |
| Abwasserwirtschaft Kunstadt GmbH, DE, Burgkunstadt[5] | 30.0 |
| ANCO Sp. z o.o., PL, Jarocin[2] | 100.0 |
| Arena One GmbH, DE, Munich[1, 8] | 100.0 |
| AVA Velsen GmbH, DE, Saarbrücken[5] | 49.0 |
| AWP GmbH, DE, Paderborn[2] | 100.0 |
| B.V. NEA, NL, Dodewaard[2] | 25.0 |
| Badlantic Betriebsgesellschaft mbH, DE, Ahrensburg[5] | 49.0 |
| BauMineral GmbH, DE, Herten[1, 8] | 100.0 |
| Bayernwerk AG, DE, Munich[2] | 100.0 |
| Berliner Erdgasspeicher Besitz- u. Verwaltungsgesellschaft bR, DE, Berlin[4] | 49.9 |
| Beteiligungsgesellschaft der Energieversorgungsunternehmen an der Kerntechnische Hilfsdienst GmbH GbR, DE, Karlsruhe[5] | 44.0 |
| BEW Bayreuther Energie- und Wasserversorgungs-GmbH, DE, Bayreuth[4] | 24.9 |
| BHL Biomasse Heizanlage Lichtenfels GmbH, DE, Lichtenfels[5] | 25.1 |
| BHO Biomasse Heizanlage Obernsees GmbH, DE, Hollfeld[5] | 40.7 |
| BHP Biomasse Heizwerk Pegnitz GmbH, DE, Pegnitz[5] | 46.5 |
| Bietergemeinschaft Tönsmeier MVA BI-HF, DE, Porta Westfalica[5] | 50.0 |
| Bioenergie Bad Füssing GmbH & Co. KG, DE, Bad Füssing[5] | 25.0 |
| Bioenergie Bad Füssing Verwaltungs-GmbH, DE, Bad Füssing[5] | 25.0 |
| Biogas Ducherow GmbH, DE, Ducherow[2] | 80.0 |
| Biogas Roggenhagen GmbH, DE, Potsdam[2] | 60.0 |
| Biogas Steyerberg GmbH, DE, Steyerberg[2] | 100.0 |
| Bioheizwerk Rötz GmbH, DE, Rötz[5] | 25.0 |
| BioMass Nederland b.v., NL, Maasvlakte[1] | 100.0 |
| Biomasseheizkraftwerk Emden GmbH, DE, Emden[2] | 70.0 |
| Biomasseheizkraftwerk Landesbergen GmbH, DE, Landesbergen[5] | 50.0 |
| Bioplyn Cetín, s.r.o., SK, Bratislava[2] | 71.5 |
| Bioplyn Hont, s.r.o., SK, Bratislava[2] | 89.1 |
| Bioplyn Horovce, s.r.o., SK, Bratislava[2] | 95.5 |
| Bioplyn Ladzany, s.r.o., SK, Bratislava[2] | 98.3 |
| BIOPLYN Trebon spol. s r.o., CZ, Třeboň[5] | 24.7 |
| Bio-Wärme Gräfelfing GmbH, DE, Gräfelfing[5] | 40.0 |
| Biowärme Surheim GmbH, DE, Regensburg[2] | 100.0 |
| BKW Biokraftwerke Fürstenwalde GmbH, DE, Fürstenwalde/Spree[5] | 48.8 |
| Blomberger Versorgungsbetriebe GmbH/E.ON Westfalen Weser AG-GbR, DE, Blomberg[5] | 50.0 |
| BTB Bayreuther Thermalbad GmbH, DE, Bayreuth[5] | 33.3 |
| Bützower Wärme GmbH, DE, Bützow[5] | 20.0 |
| Carbiogas b.v., NL, Nuenen[5] | 33.3 |
| CEC Energieconsulting GmbH, DE, Kirchlengern[2] | 62.5 |
| Croplin d.o.o., HR, Zagreb[5] | 50.0 |
| Csornai Kogenerációs Erömü Kft., HU, Györ[5] | 50.0 |
| Dampfversorgung Ostsee-Molkerei GmbH, DE, Wismar[5] | 50.0 |
| Debreceni Kombinált Ciklusú Erőmű Kft., HU, Debrecen[1] | 100.0 |
| Dekonta Gebäude- und Industriedienste GmbH, DE, Munich[2] | 100.0 |

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264 (3) HGB or under Section 264b HGB. [9]Profit-and-loss-pooling agreement (earnings after pooling).

## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, DE, Gorleben[5] | 42.5 |
| Donaukraftwerk Jochenstein AG, DE, Passau[4] | 50.0 |
| Donau-Wasserkraft Aktiengesellschaft, DE, Munich[1] | 100.0 |
| Dunaújvárosi Szennyviztisztító Szolgáltató Kft., HU, Dunaújváros[5] | 49.0 |
| E - Bio Kyjov s.r.o., CZ, Otrokovice[5] | 24.5 |
| E WIE EINFACH Strom & Gas GmbH, DE, Cologne[1, 8] | 100.0 |
| e.dialog GmbH, DE, Potsdam[2] | 100.0 |
| e.discom Telekommunikation GmbH, DE, Rostock[2] | 100.0 |
| e.distherm Wärmedienstleistungen GmbH, DE, Potsdam[1] | 100.0 |
| e.inkasso GmbH, DE, Potsdam[2] | 100.0 |
| E.ON Anlagenservice GmbH, DE, Gelsenkirchen[1, 8] | 100.0 |
| E.ON Asset Management GmbH & Co. EEA KG, DE, Grünwald[1, 8] | 100.0 |
| E.ON Avacon AG, DE, Helmstedt[1] | 67.8 |
| E.ON Avacon Vertrieb GmbH, DE, Helmstedt[1] | 100.0 |
| E.ON Avacon Wärme GmbH, DE, Sarstedt[1] | 100.0 |
| E.ON Bayern AG, DE, Regensburg[1, 8] | 100.0 |
| E.ON Bayern Vertrieb GmbH, DE, Regensburg[1, 8] | 100.0 |
| E.ON Bayern Verwaltungs AG, DE, Munich[2] | 100.0 |
| E.ON Bayern Wärme 1. Beteiligungs-GmbH, DE, Regensburg[2] | 100.0 |
| E.ON Bayern Wärme GmbH, DE, Munich[1] | 100.0 |
| E.ON Belgium n.v., BE, Brussels[1] | 100.0 |
| E.ON Benelux CCS Project B.V., NL, Rotterdam[2] | 100.0 |
| E.ON Benelux Holding b.v., NL, Rotterdam[1] | 100.0 |
| E.ON Benelux Levering b.v., NL, Eindhoven[1] | 100.0 |
| E.ON Benelux n.v., NL, Rotterdam[1] | 100.0 |
| E.ON Best Service GmbH, DE, Hamburg[1] | 100.0 |
| E.ON Bulgaria EAD, BG, Sofia[1] | 100.0 |
| E.ON Bulgaria Grid AD, BG, Varna[1] | 59.0 |
| E.ON Bulgaria Sales AD, BG, Varna[1] | 59.0 |
| E.ON Bulgaria Trading EOOD, BG, Varna[2] | 100.0 |
| E.ON Česká republika, s.r.o., CZ, České Budějovice[1] | 100.0 |
| E.ON Czech Holding AG, DE, Munich[1, 8] | 100.0 |
| E.ON Czech Holding Verwaltungs-GmbH, DE, Munich[1, 8] | 100.0 |
| E.ON Dél-dunántúli Áramhálózati Zrt., HU, Pécs[1] | 100.0 |
| E.ON Dél-dunántúli Gázhálózati Zrt., HU, Pécs[1] | 100.0 |
| E.ON Distribuce, a.s., CZ, České Budějovice[1] | 100.0 |
| E.ON edis AG, DE, Fürstenwalde/Spree[1] | 71.5 |
| E.ON edis Contracting GmbH, DE, Fürstenwalde/Spree[2] | 100.0 |
| E.ON edis energia Sp. z o.o., PL, Warsaw[1] | 100.0 |
| E.ON edis Vertrieb GmbH, DE, Fürstenwalde/Spree[1] | 100.0 |
| E.ON Elektrárne s.r.o., SK, Tracovice[1] | 100.0 |
| E.ON Energiaszolgáltató Kft., HU, Budapest[1] | 100.0 |
| E.ON Energiatermelő Kft., HU, Debrecen[1] | 100.0 |
| E.ON Energie 25. Beteiligungsgesellschaft mbH München, DE, Munich[1, 8] | 100.0 |
| E.ON Energie 27. Beteiligungsgesellschaft mbH München, DE, Munich[2] | 100.0 |
| E.ON Energie 31. Beteiligungsgesellschaft mbH München, DE, Munich[2] | 100.0 |
| E.ON Energie 33. Beteiligungsgesellschaft mbH München, DE, Munich[2] | 100.0 |
| E.ON Energie 37. Beteiligungs-GmbH, DE, Munich[2] | 100.0 |
| E.ON Energie 38. Beteiligungs-GmbH, DE, Munich[2] | 100.0 |
| E.ON Energie 39. Beteiligungs-GmbH, DE, Munich[2] | 100.0 |
| E.ON Energie AG, DE, Munich[1, 8] | 100.0 |
| E.ON Energie Human Resources International GmbH, DE, Munich[1, 8] | 100.0 |
| E.ON Energie Real Estate investment GmbH, DE, Munich[2] | 100.0 |
| E.ON Energie România S.A., RO, Târgu Mureş [1] | 51.0 |
| E.ON Energie S.A.S., FR, Paris[1] | 100.0 |
| E.ON Energie, a.s., CZ, České Budějovice[1] | 100.0 |
| E.ON Energy from Waste AG, DE, Helmstedt[1, 8] | 100.0 |
| E.ON Energy from Waste Delfzijl B.V., NL, Farmsum[1] | 100.0 |
| E.ON Energy from Waste Göppingen GmbH, DE, Göppingen[1, 8] | 100.0 |
| E.ON Energy from Waste Großräschen GmbH, DE, Großräschen[1, 8] | 100.0 |
| E.ON Energy from Waste Hannover GmbH, DE, Hanover[1] | 85.0 |
| E.ON Energy from Waste Helmstedt GmbH, DE, Helmstedt[1, 8] | 100.0 |
| E.ON Energy from Waste Heringen GmbH, DE, Heringen[1, 8] | 100.0 |
| E.ON Energy from Waste Leudelange S.à.r.l., LU, Leudelange[1] | 100.0 |
| E.ON Energy from Waste Polska Sp. z o.o., PL, Warsaw[2] | 100.0 |
| E.ON Energy from Waste Premnitz GmbH, DE, Premnitz[1, 8] | 100.0 |
| E.ON Energy from Waste Saarbrücken GmbH, DE, Saarbrücken[1, 8] | 100.0 |
| E.ON Energy from Waste Stapelfeld GmbH, DE, Stapelfeld[1] | 100.0 |
| E.ON Energy From Waste UK Limited, GB, Coventry[2] | 100.0 |
| E.ON Energy Projects GmbH, DE, Munich[1, 8] | 100.0 |
| E.ON Energy Sales GmbH, DE, Essen[1, 8] | 100.0 |
| E.ON Engineering Corporation, US, Groveport, Ohio[2] | 100.0 |
| E.ON Erömüvek Termelö és Üzemeltetö Kft., HU, Budapest[1] | 100.0 |
| E.ON Észak-dunántúli Áramhálózati Zrt., HU, Györ[1] | 100.0 |
| E.ON EÜT Erőműüzemeltető és Szolgáltató Kft., HU, Debrecen[2] | 100.0 |
| E.ON Facility Management GmbH, DE, Munich[1, 8] | 100.0 |
| E.ON Fernwärme GmbH, DE, Gelsenkirchen[1, 8] | 100.0 |
| E.ON France Management S.A.S., FR, Paris[2] | 100.0 |
| E.ON France S.A.S., FR, Paris[1] | 100.0 |
| E.ON Gaz Distributie S.A., RO, Târgu Mureş[1] | 51.0 |
| E.ON Gazdasági Szolgáltató Kft., HU, Györ[1] | 100.0 |
| E.ON Generation Belgium N.V., BE, Vilvoorde[1] | 100.0 |
| E.ON Hálózati Szolgáltató Kft., HU, Pécs[1] | 100.0 |
| E.ON Hanse AG, DE, Quickborn[1] | 73.8 |
| E.ON Hanse Vertrieb GmbH, DE, Hamburg[1] | 100.0 |

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## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| E.ON Hanse Wärme GmbH, DE, Hamburg[1] | 100.0 |
| E.ON Holding S.A.S., FR, Paris[2] | 100.0 |
| E.ON Hungária Zrt., HU, Budapest[1] | 100.0 |
| E.ON Inhouse Consulting GmbH, DE, Munich[2] | 100.0 |
| E.ON Invest GmbH, DE, Grünwald[2] | 100.0 |
| E.ON Kernkraft GmbH, DE, Hanover[1, 8] | 100.0 |
| E.ON Közép-dunántúli Gázhálózati Zrt., HU, Nagykanizsa[1] | 99.8 |
| E.ON Kraftwerke 6. Beteiligungs-GmbH, DE, Hanover[2] | 100.0 |
| E.ON Kraftwerke GmbH, DE, Hanover[1, 8] | 100.0 |
| E.ON Metering GmbH, DE, Munich[2] | 100.0 |
| E.ON Mitte AG, DE, Kassel[1] | 73.3 |
| E.ON Mitte Natur GmbH, DE, Dillenburg[1] | 100.0 |
| E.ON Mitte Vertrieb GmbH, DE, Kassel[1] | 100.0 |
| E.ON Mitte Wärme GmbH, DE, Kassel[1] | 100.0 |
| E.ON Moldova Distributie S.A., RO, Iasi[1] | 51.0 |
| E.ON Netz GmbH, DE, Bayreuth[1, 8] | 100.0 |
| E.ON New Build & Technology B.V., NL, Rotterdam[2] | 100.0 |
| E.ON New Build & Technology GmbH, DE, Gelsenkirchen[1, 8] | 100.0 |
| E.ON New Build & Technology Limited, GB, Coventry[1] | 100.0 |
| E.ON New Built & Technology BVBA, BE, Vilvoorde[2] | 100.0 |
| E.ON Power Plants Belgium BVBA, BE, Antwerp[2] | 100.0 |
| E.ON Regenerabile România S.R.L, RO, Iasi[2] | 100.0 |
| E.ON România S.R.L., RO, Târgu Mureş[1] | 90.2 |
| E.ON Service Plus GmbH, DE, Landshut[1] | 100.0 |
| E.ON Servicii S.R.L., RO, Târgu Mureş[1] | 100.0 |
| E.ON Servisní, s.r.o., CZ, České Budějovice[1] | 83.7 |
| E.ON Slovensko, a.s., SK, Bratislava[1] | 100.0 |
| E.ON Thüringer Energie AG, DE, Erfurt[1] | 53.0 |
| E.ON Tiszántúli Áramhálózati Zrt., HU, Debrecen[1] | 100.0 |
| E.ON Trend s.r.o., CZ, České Budějovice[1] | 100.0 |
| E.ON Ügyfélszolgálati Kft., HU, Budapest[1] | 100.0 |
| E.ON Vertrieb Deutschland GmbH, DE, Munich[1] | 100.0 |
| E.ON Wasserkraft 3. Beteiligungs GmbH i.L., DE, Landshut[2] | 100.0 |
| E.ON Wasserkraft GmbH, DE, Landshut[1, 8] | 100.0 |
| E.ON Westfalen Weser 2. Vermögensverwaltungs-GmbH, DE, Herford[2] | 100.0 |
| E.ON Westfalen Weser AG, DE, Paderborn[1] | 62.8 |
| E.ON Westfalen Weser Energie-Service GmbH, DE, Kirchlengern[1] | 100.0 |
| E.ON Westfalen Weser Vertrieb GmbH, DE, Paderborn[1] | 100.0 |
| EBS Kraftwerk GmbH, DE, Hürth[5] | 50.0 |
| EBY Gewerbeobjekt GmbH, DE, Regensburg[2] | 100.0 |
| EBY Immobilien GmbH & Co. KG, DE, Regensburg[2] | 100.0 |
| EBY Port 3 GmbH, DE, Regensburg[1] | 100.0 |
| EBY Port 5 GmbH, DE, Regensburg[2] | 100.0 |
| EC Skarżysko-Kamienna Sp. z o.o., PL, Skarżysko-Kamienna[2] | 63.9 |
| ECEBE sp. z o.o., PL, Augustów[2] | 100.0 |
| E-Eko Malenovice s.r.o., CZ, Otrokovice[5] | 24.5 |

| Name, location | Stake (%) |
|---|---|
| EFG Erdgas Forchheim GmbH, DE, Forchheim[5] | 24.9 |
| EFM GmbH & Co. Beta KG, DE, Karlsfeld[1, 8] | 100.0 |
| EFR Europäische Funk-Rundsteuerung GmbH, DE, Munich[5] | 39.9 |
| EFR-CEE Szolgáltató Kft., HU, Budapest[5] | 37.0 |
| EGF EnergieGesellschaft Frankenberg mbH, DE, Frankenberg/Eder[2] | 40.0 |
| EH-SZER Energetikai és Távközlési Hálózatépítő és Szerelő Kft., HU, Győr[1] | 100.0 |
| Eisenacher Versorgungs-Betriebe GmbH (EVB), DE, Eisenach[4] | 25.1 |
| EKS-Service Kft., HU, Budapest[5] | 50.0 |
| Elektrizitätswerk Schwandorf GmbH, DE, Schwandorf[2] | 100.0 |
| Elektrocieplownia BIALYSTOK, S.A., PL, Bialystok[1] | 69.6 |
| Elmregia GmbH, DE, Schöningen[5] | 49.0 |
| Elsö Magyar Szelerömü Kft, HU, Kulcs[2] | 74.7 |
| ENACO Energieanlagen- und Kommunikationstechnik GmbH, DE, Maisach[5] | 26.0 |
| ENAG/Maingas Energieanlagen GmbH, DE, Eisenach[5] | 50.0 |
| Energetika Malenovice, a.s., CZ, Zlin-Malenovice[2] | 65.6 |
| ENERGETIKA SERVIS s.r.o., CZ, České Budějovice[2] | 80.0 |
| Energetyka Cieplna Opolszczyzny S.A., PL, Opole[5] | 45.7 |
| Energie- und Medienversorgung Schwarza GmbH (EMS), DE, Rudolstadt/Schwarza[1] | 100.0 |
| Energie und Wasser Potsdam GmbH, DE, Potsdam[4] | 35.0 |
| Energie und Wasser Wahlstedt/Bad Segeberg GmbH & Co. KG (ews), DE, Bad Segeberg[5] | 50.1 |
| Energie-Agentur Weyhe GmbH, DE, Weyhe[5] | 50.0 |
| Energieerzeugungswerke Geesthacht GmbH, DE, Geesthacht[5] | 33.4 |
| Energienetze Bayern GmbH, DE, Regensburg[1] | 100.0 |
| Energienetze Schaafheim GmbH, DE, Regensburg[2] | 100.0 |
| Energieversorgung Alzenau GmbH (EVA), DE, Alzenau[5] | 50.0 |
| Energieversorgung Apolda GmbH, DE, Apolda[4] | 49.0 |
| Energieversorgung Buching-Trauchgau (EBT) Gesellschaft mit beschränkter Haftung, DE, Halblech[5] | 50.0 |
| Energieversorgung Greiz GmbH, DE, Greiz[4] | 49.0 |
| Energieversorgung Inselsberg GmbH, DE, Waltershausen[5] | 20.0 |
| Energieversorgung Nordhausen GmbH, DE, Nordhausen[4] | 40.0 |
| Energieversorgung Putzbrunn GmbH & Co. KG, DE, Putzbrunn[2] | 100.0 |
| Energieversorgung Putzbrunn Verwaltungs GmbH, DE, Putzbrunn[2] | 100.0 |
| Energieversorgung Rudolstadt GmbH, DE, Rudolstadt[5] | 23.9 |
| Energieversorgung Sehnde GmbH, DE, Sehnde[5] | 30.0 |
| Energie-Wende-Garching GmbH & Co. KG, DE, Garching[5] | 33.3 |
| Energie-Wende-Garching Verwaltungs-GmbH, DE, Garching[5] | 33.3 |
| Energiewerke Isernhagen GmbH, DE, Isernhagen[4] | 49.0 |
| Energiewerke Zeulenroda GmbH, DE, Zeulenroda-Triebes[5] | 49.0 |
| Energos Deutschland GmbH, DE, Helmstedt[2] | 100.0 |

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## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| Enertec Hameln GmbH, DE, Hameln[1] | 100.0 |
| ENSECO GmbH, DE, Unterschleißheim[5] | 49.0 |
| Entsorgungsgemeinschaft Oberhavel GbR, DE, Helmstedt[2] | 74.9 |
| Entsorgungszentrum Salzgitter GmbH, DE, Salzgitter[5] | 50.0 |
| EPS Co-Gen Sp. z o.o., PL, Warsaw[2] | 100.0 |
| EPS Polska Holding Sp. z o.o., PL, Warsaw[2] | 100.0 |
| EPS Polska Sp. z o.o., PL, Warsaw[2] | 100.0 |
| ESN EnergieSystemeNord GmbH, DE, Schwentinental[5] | 47.5 |
| European Nuclear Energy Leadership Academy GmbH, DE, Garching[5] | 26.3 |
| EVG Energieversorgung Gemünden GmbH, DE, Gemünden am Main[5] | 49.0 |
| EVU Services GmbH, DE, Neumünster[5] | 25.0 |
| EVV Elektrizitätsversorgungsgesellschaft Velten mbH, DE, Velten[5] | 35.0 |
| EW Eichsfeldgas GmbH, DE, Worbis[2] | 49.0 |
| ew wärme GmbH, DE, Bad Heiligenstadt[5] | 49.0 |
| ews Verwaltungsgesellschaft mbH, DE, Bad Segeberg[5] | 50.2 |
| EZH-SEON b.v., NL, Rotterdam[1] | 100.0 |
| EZH-Systems, Inc., US, Delaware[2] | 100.0 |
| EZV Energie- und Service GmbH & Co. KG Untermain, DE, Wörth am Main[5] | 28.9 |
| EZV Energie- und Service Verwaltungsgesellschaft mbH, DE, Wörth am Main[5] | 28.8 |
| Fernwärmeversorgung Freising Gesellschaft mit beschränkter Haftung (FFG), DE, Freising[5] | 50.0 |
| Fernwärmeversorgung Herne GmbH, DE, Herne[5] | 50.0 |
| Fitas Verwaltung GmbH & Co. Dritte Vermietungs-KG, DE, Pullach i. Isartal[2] | 90.0 |
| FITAS Verwaltung GmbH & Co. REGIUM-Objekte KG, DE, Pullach i. Isartal[2] | 90.0 |
| Freizeitbad Reinbek Betriebsgesellschaft mbH, DE, Reinbek[5] | 49.0 |
| GAL Beteiligungs GmbH, DE, Porta Westfalica[5] | 50.0 |
| Gasversorgung Bad Rodach GmbH, DE, Bad Rodach[5] | 50.0 |
| Gasversorgung Biedenkopf GmbH, DE, Biedenkopf[5] | 49.0 |
| Gasversorgung Ebermannstadt GmbH, DE, Ebermannstadt[5] | 50.0 |
| Gasversorgung Greifswald GmbH, DE, Greifswald[5] | 49.0 |
| Gasversorgung Grevesmühlen GmbH, DE, Grevesmühlen[5] | 49.0 |
| Gasversorgung im Landkreis Gifhorn GmbH (GLG), DE, Wolfsburg-Fallersleben[1] | 95.0 |
| Gasversorgung Unterfranken Gesellschaft mit beschränkter Haftung, DE, Würzburg[4] | 64.0 |
| Gasversorgung Vorpommern GmbH, DE, Trassenheide[5] | 49.0 |
| Gasversorgung Wismar Land GmbH, DE, Lübow[5] | 49.0 |
| Gasversorgung Wismar Land Vertrieb GmbH, DE, Lübow[5] | 49.0 |
| Gasversorgung Wunsiedel GmbH, DE, Wunsiedel[5] | 50.0 |
| Gaswerk Bad Sooden-Allendorf GmbH, DE, Bad Sooden-Allendorf[5] | 49.0 |
| Gelsenwasser Beteiligungs-GmbH, DE, Munich[1,8] | 100.0 |
| Gemeindewerke Leck GmbH, DE, Leck[5] | 49.9 |
| Gemeindewerke Uetze GmbH, DE, Uetze[5] | 49.0 |
| Gemeindewerke Wedemark GmbH, DE, Wedemark[5] | 49.0 |
| Gemeindewerke Wietze GmbH, DE, Wietze[5] | 49.0 |
| Gemeinschaftskernkraftwerk Grohnde GmbH & Co. oHG, DE, Emmerthal[1] | 100.0 |
| Gemeinschaftskernkraftwerk Grohnde Management GmbH, DE, Emmerthal[2] | 83.2 |
| Gemeinschaftskernkraftwerk Isar 2 GmbH, DE, Essenbach[2] | 75.0 |
| Gemeinschaftskraftwerk Irsching GmbH, DE, Vohburg[1] | 50.2 |
| Gemeinschaftskraftwerk Kiel Gesellschaft mit beschränkter Haftung, DE, Kiel[3] | 50.0 |
| Gemeinschaftskraftwerk Staudinger GmbH & Co. KG, DE, Großkrotzenburg[1] | 100.0 |
| Gemeinschaftskraftwerk Staudinger Verwaltungs-GmbH, DE, Großkrotzenburg[2] | 100.0 |
| Gemeinschaftskraftwerk Veltheim Gesellschaft mit beschränkter Haftung, DE, Porta Westfalica[1] | 66.7 |
| Gemeinschaftskraftwerk Weser GmbH & Co. oHG, DE, Emmerthal[1] | 66.7 |
| Geothermie-Wärmegesellschaft Braunau-Simbach m.b.H., AT, Braunau am Inn[5] | 20.0 |
| GfS Gesellschaft für Simulatorschulung mbH, DE, Essen[5] | 41.7 |
| GHD E.ON Bayern AG & Co. KG, DE, Dingolfing[2] | 75.0 |
| GLG Netz GmbH, DE, Gifhorn[1] | 100.0 |
| GNR Gesellschaft zur energetischen Nutzung nachwachsender Rohstoffe mbH, DE, Brakel[5] | 33.3 |
| GNS Gesellschaft für Nuklear-Service mbH, DE, Essen[4] | 48.0 |
| GOLLIPP Bioerdgas GmbH & Co KG, DE, Nuremberg[5] | 50.0 |
| GOLLIPP Bioerdgas Verwaltungs GmbH, DE, Nuremberg[5] | 50.0 |
| Gondoskodás-Egymásért Alapítvány, HU, Debrecen[2] | 100.0 |
| GRE Gesellschaft zur rationellen Energienutzung Horn-Bad Meinberg mbH, DE, Horn-Bad Meinberg[5] | 50.0 |
| Grenzkraftwerke Gesellschaft mit beschränkter Haftung, DE, Simbach am Inn[5] | 50.0 |
| GreyLogix GmbH, DE, Flensburg[5] | 74.2 |
| Hamburg Netz GmbH, DE, Hamburg[1] | 100.0 |
| Hamelner Stadtwerke UG (haftungsbeschränkt), DE, Hameln[2] | 100.0 |
| Harzwasserwerke GmbH, DE, Hildesheim[4] | 20.8 |
| Havelstrom Zehdenick GmbH, DE, Zehdenick[5] | 49.0 |
| Heizwerk Holzverwertungsgenossenschaft Stiftland eG & Co. oHG, DE, Neualbenreuth[5] | 50.0 |
| HEUREKA-Gamma AG, CH, Baden-Dättwil[2] | 100.0 |
| HGC Hamburg Gas Consult GmbH, DE, Hamburg[2] | 100.0 |
| Hibernia Gamma Beteiligungsgesellschaft mbH, DE, Frankfurt/Main[4] | 39.4 |
| HMB Heizkraftwerk Meggle Betreibergesellschaft mbH, DE, Wasserburg[5] | 50.0 |
| Hochtemperatur-Kernkraftwerk GmbH (HKG), Gemeinsames europäisches Unternehmen, DE, Hamm[5] | 26.0 |

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| Name, location | Stake (%) |
|---|---|
| HOCHTIEF Energy Management Harburg GmbH, DE, Hamburg[5] | 35.0 |
| Holsteiner Wasser GmbH, DE, Neumünster[5] | 50.0 |
| HSE AVG Beteiligungs-GmbH, DE, Darmstadt[5] | 50.0 |
| HSN Magdeburg GmbH, DE, Magdeburg[1] | 74.9 |
| Informační služby—energetika, a.s., CZ, Prague[2] | 100.0 |
| InfraServ-Bayernwerk Gendorf GmbH, DE, Burgkirchen/Alz[5] | 50.0 |
| Infrastrukturgesellschaft der Stadt Nienburg mbH, DE, Nienburg/Weser[5] | 49.9 |
| INTERARGEM GbR, DE, Bielefeld[2] | 66.7 |
| Interargem GmbH, DE, Bielefeld[1] | 61.2 |
| Isam-Immobilien-GmbH, DE, Munich[2] | 100.0 |
| Jihoceská plynárenská, a.s., CZ, České Budějovice[2] | 100.0 |
| Jihomoravská plynárenská, a.s., CZ, Brno[4] | 43.7 |
| Kernkraftwerk Brokdorf GmbH & Co. oHG, DE, Hamburg[1] | 80.0 |
| Kernkraftwerk Brunsbüttel GmbH & Co. oHG, DE, Hamburg[4] | 33.3 |
| Kernkraftwerk Gundremmingen GmbH, DE, Gundremmingen[4] | 25.0 |
| Kernkraftwerk Krümmel GmbH & Co. oHG, DE, Hamburg[4] | 50.0 |
| Kernkraftwerk Stade GmbH & Co. oHG, DE, Hamburg[1] | 66.7 |
| Kernkraftwerke Isar Verwaltungs GmbH, DE, Essenbach[1,8] | 100.0 |
| KGW—Kraftwerk Grenzach-Wyhlen GmbH, DE, Munich[1] | 69.8 |
| Komáromi Kogenerációs Erömü Kft., HU, Györ[2] | 100.0 |
| KommEnergie GmbH, DE, Eichenau[5] | 67.0 |
| Kommunale Energieversorgung GmbH Eisenhüttenstadt, DE, Eisenhüttenstadt[5] | 49.0 |
| Kommunale Klimaschutzgesellschaft Landkreis Celle gemeinnützige GmbH, DE, Celle[5] | 25.0 |
| Kommunale Klimaschutzgesellschaft Landkreis Uelzen gemeinnützige GmbH, DE, Celle[5] | 25.0 |
| Kraftverkehrsgesellschaft Paderborn mbH -KVP-, DE, Paderborn[2] | 100.0 |
| Kraftwerk Buer Betriebsgesellschaft mbH, DE, Gelsenkirchen[5] | 50.0 |
| Kraftwerk Buer GbR, DE, Gelsenkirchen[5] | 50.0 |
| Kraftwerk Burghausen GmbH, DE, Munich[1,8] | 100.0 |
| Kraftwerk Hattorf GmbH, DE, Munich[2] | 100.0 |
| Kraftwerk Obernburg GmbH, DE, Erlenbach am Main[3] | 50.0 |
| Kraftwerk Plattling GmbH, DE, Munich[1,8] | 100.0 |
| Kraftwerk Schkopau Betriebsgesellschaft mbH, DE, Schkopau[1] | 55.6 |
| Kraftwerk Schkopau GbR, DE, Schkopau[1] | 58.1 |
| Kraftwerk Schwedt GmbH & Co. KG, DE, Schwedt[1] | 99.0 |
| Kraftwerk Schwedt Verwaltungsgesellschaft mbH, DE, Schwedt[2] | 100.0 |
| Kraftwerks-Simulator-Gesellschaft mbH, DE, Essen[5] | 41.7 |
| Kreiswerke Main-Kinzig GmbH, DE, Gelnhausen[5] | 24.5 |
| Kurgan Grundstücks-Verwaltungsgesellschaft mbH & Co. OHG, DE, Grünwald[1] | 90.0 |
| LandE GmbH, DE, Wolfsburg-Fallersleben[1] | 69.6 |
| Landgas Göhren GmbH, DE, Göhren[5] | 40.6 |
| Landwehr Wassertechnik GmbH, DE, Schöppenstedt[2] | 100.0 |
| Lillo Energy N.V., BE, Antwerp[5] | 50.0 |
| Łobeska Energetyka Cieplna Sp. z o.o., PL, Łobez[2] | 100.0 |
| LSW LandE-Stadtwerke Wolfsburg GmbH & Co. KG, DE, Wolfsburg[4] | 57.0 |
| LSW LandE-Stadtwerke Wolfsburg Verwaltungs-GmbH, DE, Wolfsburg[5] | 57.0 |
| LUMEN DISTRIBUČNÍ SOUSTAVY, s.r.o., CZ, České Budějovice[5] | 34.0 |
| LUMEN SYNERGY s.r.o., CZ, České Budějovice[5] | 34.0 |
| Luna Lüneburg GmbH, DE, Lüneburg[5] | 49.0 |
| Maasvlakte CCS Project B.V., NL, Rotterdam[5] | 50.0 |
| Maasvlakte I b.v., NL, Rotterdam[2] | 100.0 |
| Maasvlakte II b.v., NL, Rotterdam[2] | 100.0 |
| Mainkraftwerk Schweinfurt Gesellschaft mit beschränkter Haftung, DE, Munich[2] | 75.0 |
| MEON Capital Verwaltungs GmbH (i.L.), DE, Grünwald[2] | 100.0 |
| MEON Pensions GmbH & Co. KG, DE, Grünwald[1,8] | 100.0 |
| Měření dodávek plynu, a.s., CZ, Prague[2] | 100.0 |
| MESKAL Grundstücksverwaltungs AG & Co. KG, DE, Grünwald[2] | 94.8 |
| Metegra GmbH, DE, Laatzen[5] | 50.0 |
| MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. Gamma oHG, DE, Grünwald[7] | 90.0 |
| Mittlere Donau Kraftwerke Aktiengesellschaft, DE, Munich[2] | 60.0 |
| Müllheizkraftwerk Rothensee GmbH, DE, Magdeburg[7] | 51.0 |
| MVA Bielefeld-Herford GmbH, DE, Bielefeld[1] | 100.0 |
| Nahwärme Bad Oeynhausen-Löhne GmbH, DE, Bad Oeynhausen[2] | 65.4 |
| Nahwärmeversorgung Kirchlengern GmbH, DE, Kirchlengern[5] | 50.0 |
| Naturgas Emmerthal GmbH & Co. KG, DE, Emmerthal[2] | 84.6 |
| NET—Norddeutsche Energie Technik GmbH, DE, Hamburg[2] | 100.0 |
| Netz Veltheim GmbH, DE, Porta Westfalica[1] | 66.7 |
| Netzgesellschaft Gehrden mbH, DE, Gehrden[5] | 49.0 |
| Netzgesellschaft Hemmingen mbH, DE, Hemmingen[5] | 49.0 |
| Netzgesellschaft Schwerin mbH (NGS), DE, Schwerin[5] | 40.0 |
| Netzservice Mecklenburg-Vorpommern (NMV) GmbH, DE, Schwerin[2] | 100.0 |
| Neumünster Netz Beteiligungs-GmbH, DE, Neumünster[1] | 50.1 |
| Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH, DE, Helmstedt[2] | 51.0 |
| NORD-direkt GmbH, DE, Neumünster[2] | 100.0 |
| Nürnberger Straße 57 Grundstücks-Verwaltungs GmbH, DE, Würzburg[2] | 100.0 |
| Nyíregyházi Kombinált Ciklusú Erőmű Kft., HU, Nyíregyháza[1] | 100.0 |
| oaza-Krupka, a.s., CZ, Liberec VI[5] | 49.0 |
| Obere Donau Kraftwerke Aktiengesellschaft, DE, Munich[2] | 60.0 |
| Oebisfelder Wasser und Abwasser GmbH, DE, Oebisfelde[5] | 49.0 |

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## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| One World Hospitality (Proprietary) ltd., ZA, Randburg[5] | 50.0 |
| Österreichisch-Bayerische Kraftwerke Aktiengesellschaft, DE, Simbach am Inn[3] | 50.0 |
| PADES Personalservice GmbH, DE, Munich[2] | 100.0 |
| Peißenberger Kraftwerksgesellschaft mit beschränkter Haftung, DE, Peißenberg[2] | 100.0 |
| Peißenberger Wärmegesellschaft mbH, DE, Peißenberg[5] | 50.0 |
| PLEcon Pipeline Engineering Consulting GmbH, DE, Berlin[2] | 85.0 |
| Pragoplyn, a.s., CZ, Prague[1] | 100.0 |
| Pražská plynárenská Distribuce, a.s., člen koncernu Pražskáplynárenská, a.s., CZ, Prague[1] | 100.0 |
| Pražská plynárenská Holding a.s., CZ, Prague[4] | 49.0 |
| Pražská plynárenská Servis distribuce, a.s., člen koncernu Pražská plynárenská, a.s., CZ, Prague[2] | 100.0 |
| Pražská plynárenská Správa majetku, s.r.o., člen koncernu Pražská plynárenská, a.s., CZ, Prague[2] | 100.0 |
| Pražská plynárenská, a.s., CZ, Prague[1] | 49.3 |
| Promec Sp. z o.o., PL, Skarżysko-Kamienna[2] | 100.0 |
| Prometheus, energetické služby, s.r.o., CZ, Prague[2] | 100.0 |
| Przedsiębiorstwo Energetyki Cieplnej w Barlinku Sp. z o.o., PL, Barlinek[2] | 51.5 |
| Purena GmbH, DE, Wolfenbüttel[1] | 94.5 |
| Q-Energie b.v., NL, Eindhoven[2] | 53.3 |
| Qenergy Sp. z o.o., PL, Warsaw[5] | 40.0 |
| Rauschbergbahn Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2] | 77.4 |
| RDE Regionale Dienstleistungen Energie GmbH & Co. KG, DE, Würzburg[2] | 61.8 |
| RDE Verwaltungs-GmbH, DE, Würzburg[2] | 100.0 |
| ReCon Projektentwicklungs- und Beteiligungsgesellschaft mbH, DE, Munich[2] | 100.0 |
| REGAS GmbH & Co KG, DE, Regensburg[5] | 50.0 |
| REGAS Verwaltungs-GmbH, DE, Regensburg[5] | 50.0 |
| REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG, DE, Regensburg[5] | 35.5 |
| RegioCom GmbH, DE, Barleben[5] | 50.0 |
| regiolicht Niedersachsen GmbH, DE, Helmstedt[2] | 100.0 |
| Regnitzstromverwertung Aktiengesellschaft, DE, Erlangen[5] | 33.3 |
| REWAG REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG & CO KG, DE, Regensburg[4] | 35.5 |
| Rhein-Main-Donau Aktiengesellschaft, DE, Munich[1] | 77.5 |
| R-KOM Regensburger Telekommunikationsgesellschaft mbH & Co. KG, DE, Regensburg[5] | 20.0 |
| R-KOM Regensburger Telekommunikationsverwaltungs-gesellschaft mbH, DE, Regensburg[5] | 20.0 |
| RMD Consult Constructii Hidro & Energie S.R.L, RO, Bucharest[2] | 80.0 |
| RMD Wasserstraßen GmbH, DE, Munich[2] | 100.0 |
| RMD-Consult GmbH Wasserbau und Energie, DE, Munich[2] | 100.0 |
| RuhrEnergie GmbH, EVR, DE, Gelsenkirchen[1, 8] | 100.0 |
| S.C. Salgaz S.A., RO, Salonta[2] | 60.1 |

| Name, location | Stake (%) |
|---|---|
| Safetec Entsorgungs- und Sicherheitstechnik GmbH, DE, Heidelberg[2] | 100.0 |
| Salzgitter Gas GmbH, DE, Salzgitter[5] | 25.1 |
| Schlackeverwertung Breisgau GmbH, DE, Eschbach[2] | 51.0 |
| SCHLESWAG Abwasser GmbH, DE, Neumünster[5] | 100.0 |
| Schleswig-Holstein Netz AG, DE, Quickborn[1] | 98.4 |
| Schleswig-Holstein Netz GmbH, DE, Rendsburg[2] | 100.0 |
| Schleswig-Holstein Netz Verwaltungs-GmbH, DE, Quickborn[1] | 100.0 |
| SEC Energia 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 |
| SKO ENERGO FIN, s.r.o., CZ, Mlada Boleslav[4] | 42.5 |
| SKO ENERGO, s.r.o., CZ, Mlada Boleslav[5] | 21.0 |
| Société des Eaux de l'Est S.A., FR, Saint Avold (Creutzwald)[4] | 25.0 |
| Société Nationale d'Électricité et de Thermique, S.A. (SNET), FR, Rueil-Malmaison[1] | 100.0 |
| Solar Energy s.r.o., CZ, Znojmo[5] | 25.0 |
| SOTECTRAT Tratamento de Residuos Sólidos, Portugal, Unipessoal Lda, PT, Funchal[2] | 100.0 |
| Städtische Betriebswerke Luckenwalde GmbH, DE, Luckenwalde[5] | 29.0 |
| Städtische Werke Magdeburg GmbH, DE, Magdeburg[4] | 26.7 |
| Stadtwerk Haßfurt GmbH, DE, Haßfurt[5] | 24.9 |
| Stadtwerke Arnstadt GmbH, DE, Arnstadt[5] | 44.0 |
| Stadtwerke Bad Bramstedt GmbH, DE, Bad Bramstedt[5] | 36.0 |
| Stadtwerke Bad Langensalza GmbH, DE, Bad Langensalza[5] | 40.0 |
| Stadtwerke Barth GmbH, DE, Barth[5] | 49.0 |
| Stadtwerke Bebra GmbH, DE, Bebra[5] | 20.0 |
| Stadtwerke Bergen GmbH, DE, Bergen[5] | 49.0 |
| Stadtwerke Blankenburg GmbH, DE, Blankenburg[5] | 30.0 |
| Stadtwerke Bogen GmbH, DE, Bogen[5] | 41.0 |
| Stadtwerke Brandenburg an der Havel GmbH, DE, Brandenburg an der Havel[4] | 36.8 |
| Stadtwerke Bredstedt GmbH, DE, Bredstedt[5] | 49.9 |
| Stadtwerke Burgdorf GmbH, DE, Burgdorf[5] | 49.0 |
| Stadtwerke Ebermannstadt Versorgungsbetriebe GmbH, DE, Ebermannstadt[5] | 25.0 |
| Stadtwerke Eggenfelden GmbH, DE, Eggenfelden[5] | 49.0 |
| Stadtwerke Eisenberg GmbH, DE, Eisenberg[5] | 49.0 |
| Stadtwerke Frankfurt (Oder) GmbH, DE, Frankfurt/Oder[4] | 39.0 |
| Stadtwerke Garbsen GmbH, DE, Garbsen[4] | 24.9 |
| Stadtwerke Geesthacht GmbH, DE, Geesthacht[5] | 24.9 |
| Stadtwerke Gelnhausen GmbH, DE, Gelnhausen[1] | 100.0 |
| Stadtwerke Gotha GmbH, DE, Gotha[4] | 48.0 |
| Stadtwerke Göttingen AG, DE, Göttingen[2] | 48.9 |
| Stadtwerke Husum GmbH, DE, Husum[5] | 49.9 |
| Stadtwerke Lage GmbH, DE, Lage[5] | 45.0 |
| Stadtwerke Leinefelde GmbH, DE, Leinefelde-Worbis[5] | 49.0 |
| Stadtwerke Lichtenau GmbH, DE, Lichtenau[5] | 25.0 |

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## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| Stadtwerke Lübz GmbH, DE, Lübz[5] | 25.0 |
| Stadtwerke Ludwigsfelde GmbH, DE, Ludwigsfelde[5] | 29.0 |
| Stadtwerke Mühlhausen GmbH, DE, Mühlhausen[5] | 23.9 |
| Stadtwerke Neunburg vorm Wald Strom GmbH, DE, Neunburg vorm Wald[5] | 24.9 |
| Stadtwerke Neustadt a. Rbge. GmbH & Co. KG, DE, Neustadt a. Rbge.[4] | 24.9 |
| Stadtwerke Neustadt a. Rbge. Verwaltungs-GmbH, DE, Neustadt a. Rbge.[5] | 24.9 |
| Stadtwerke Neustadt an der Orla GmbH, DE, Neustadt an der Orla[5] | 20.0 |
| Stadtwerke Niebüll GmbH, DE, Niebüll[5] | 49.9 |
| Stadtwerke Parchim GmbH, DE, Parchim[5] | 25.2 |
| Stadtwerke Premnitz GmbH, DE, Premnitz[5] | 35.0 |
| Stadtwerke Pritzwalk GmbH, DE, Pritzwalk[5] | 49.0 |
| Stadtwerke Ribnitz-Damgarten GmbH, DE, Ribnitz-Damgarten[5] | 39.0 |
| Stadtwerke Schwedt GmbH, DE, Schwedt/Oder[4] | 37.8 |
| Stadtwerke Sondershausen GmbH, DE, Sondershausen[5] | 23.9 |
| Stadtwerke Stadtroda GmbH, DE, Stadtroda[5] | 24.9 |
| Stadtwerke Suhl/Zella-Mehlis GmbH, DE, Suhl[4] | 44.4 |
| Stadtwerke Tornesch GmbH, DE, Tornesch[5] | 49.0 |
| Stadtwerke Vilshofen GmbH, DE, Vilshofen[5] | 41.0 |
| Stadtwerke Weilburg GmbH, DE, Weilburg an der Lahn[5] | 20.0 |
| Stadtwerke Weimar Stadtversorgungs-GmbH, DE, Weimar[4] | 49.0 |
| Stadtwerke Wismar GmbH, DE, Wismar[4] | 49.0 |
| Stadtwerke Wittenberge GmbH, DE, Wittenberge[5] | 22.7 |
| Stadtwerke Wolfenbüttel GmbH, DE, Wolfenbüttel[4] | 26.0 |
| Stadtwerke Wolmirstedt GmbH, DE, Wolmirstedt[5] | 49.4 |
| Strom Germering GmbH, DE, Germering[2] | 90.0 |
| Stromnetzgesellschaft Bad Salzdetfurth mbH, DE, Bad Salzdetfurth[5] | 49.0 |
| Stromversorgung Ahrensburg GmbH, DE, Ahrensburg[2] | 100.0 |
| Stromversorgung Angermünde GmbH, DE, Angermünde[5] | 49.0 |
| Stromversorgung Ruhpolding Gesellschaft mit beschränkter Haftung, DE, Ruhpolding[2] | 100.0 |
| Stromversorgung Zerbst GmbH & Co. KG, DE, Zerbst[5] | 30.0 |
| Stromversorgung Zerbst Verwaltungs-GmbH, DE, Zerbst[5] | 30.0 |
| strotög GmbH Strom für Töging, DE, Töging am Inn[5] | 50.0 |
| SüdWasser GmbH, DE, Erlangen[2] | 100.0 |
| SULPUR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Erfurt KG i.L., DE, Schönefeld[2] | 83.3 |
| Surschiste, S.A., FR, Mazingarbe[2] | 100.0 |
| SVH Stromversorgung Haar GmbH, DE, Haar[5] | 50.0 |
| SVI-Stromversorgung Ismaning GmbH, DE, Ismaning[5] | 49.0 |
| SVO Energie GmbH, DE, Celle[1] | 98.2 |
| SVO Holding GmbH, DE, Celle[1] | 64.0 |
| SVO Vertrieb GmbH, DE, Celle[1] | 100.0 |
| SWE Energie GmbH, DE, Erfurt[4] | 29.0 |
| SWE Netz GmbH, DE, Erfurt[4] | 29.0 |

| Name, location | Stake (%) |
|---|---|
| SWE Technische Service GmbH, DE, Erfurt[5] | 25.1 |
| SWN Stadtwerke Neustadt GmbH, DE, Neustadt bei Coburg[4] | 25.1 |
| SWS Energie GmbH, DE, Stralsund[4] | 49.0 |
| Szczecinska Energetyka Cieplna Sp. z o.o., PL, Szczecin[1] | 66.4 |
| Szombathelyi Erömü Zrt., HU, Szombathely[2] | 55.0 |
| Szombathelyi Távhöszolgáltató Kft., HU, Szombathely[5] | 25.0 |
| Tapolcai Kogenerációs Erőmű Kft., HU, Györ[2] | 100.0 |
| Technische Werke Delitzsch GmbH, DE, Delitzsch[4] | 25.1 |
| TEN Thüringer Energienetze GmbH, DE, Erfurt[1] | 100.0 |
| Teplárna Kyjov, a.s., CZ, Kyjov[2] | 99.3 |
| Teplárna Otrokovice a.s., CZ, Otrokovice[1] | 66.0 |
| Teplárna Tábor, a.s., CZ, Tábor[1] | 51.5 |
| Terrakomp GmbH, DE, Helmstedt[2] | 100.0 |
| THB Thüringer Breitband GmbH, DE, Weimar[2] | 100.0 |
| Thüringer Energie Netzservice Geschäftsführungs-gesellschaft mbH, DE, Erfurt[2] | 100.0 |
| Thüringer Energie Netzservice GmbH & Co. KG, DE, Erfurt[2] | 100.0 |
| Thüringer Netkom GmbH, DE, Weimar[2] | 100.0 |
| TREA Breisgau Betriebsgesellschaft mbH, DE, Eschbach[2] | 74.9 |
| TREA Breisgau Energieverwertung GmbH, DE, Eschbach[5] | 30.0 |
| Überlandwerk Leinetal GmbH, DE, Gronau[4] | 48.0 |
| ÜE Überlandwerk Erding GmbH & Co. KG, DE, Erding[5] | 21.1 |
| ÜE Überlandwerk Erding Verwaltungsgesellschaft mbH, DE, Erding[5] | 21.0 |
| Umwelt- und Wärmeenergiegesellschaft Strasburg GmbH, DE, Strasburg[2] | 100.0 |
| Untere Iller AG, DE, Landshut[2] | 60.0 |
| Uranit GmbH, DE, Jülich[3] | 50.0 |
| UTEG Gesellschaft für Umwelttechnik und Entsorgung mbH, DE, Herford[2] | 100.0 |
| Utilities Center Maasvlakte Leftbank b.v., NL, Rotterdam[1] | 100.0 |
| UTM Umwelttechnik Mittelfranken GmbH i.L., DE, Nuremberg[5] | 30.0 |
| Verkehrs-Servicegesellschaft Paderborn/Höxter mbH, DE, Paderborn[5] | 37.0 |
| Versorgungsbetrieb Waldbüttelbrunn GmbH, DE, Waldbüttelbrunn[5] | 49.0 |
| Versorgungsbetriebe Helgoland GmbH, DE, Helgoland[2] | 90.0 |
| Versorgungskasse Energie (VVaG), DE, Hanover[1] | 99.6 |
| Versuchsatomkraftwerk Kahl GmbH, DE, Karlstein[5] | 20.0 |
| VEW-VKR Fernwärmeleitung Shamrock-Bochum GbR, DE, Gelsenkirchen-Buer[2] | 55.1 |
| Volkswagen AG Preussen Elektra AG Offene Handels-gesellschaft, DE, Wolfsburg[3] | 95.0 |
| Wärme- und Wasserversorgung Friedensstadt GmbH, DE, Trebbin OT Blankensee[5] | 50.0 |
| Wärmeversorgung Schenefeld GmbH, DE, Schenefeld[5] | 40.0 |
| Wärmeversorgung Sollstedt GmbH, DE, Sollstedt[5] | 49.0 |
| Wärmeversorgungsgesellschaft Königs Wusterhausen mbH, DE, Königs Wusterhausen[2] | 50.1 |

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| Name, location | Stake (%) |
|---|---|
| Warmtebedrijf Exploitatie N.V., NL, Rotterdam[5] | 50.0 |
| Wasser GmbH Salzhemmendorf, DE, Salzhemmendorf[5] | 49.0 |
| Wasser- und Abwassergesellschaft Vienenburg mbH, DE, Vienenburg[5] | 49.0 |
| Wasserkraftnutzung im Landkreis Gifhorn GmbH, DE, Müden/Aller[5] | 50.0 |
| Wasserversorgung Sarstedt GmbH, DE, Sarstedt[5] | 49.0 |
| Wasserwerk Gifhorn Beteiligungs-GmbH, DE, Gifhorn[5] | 49.8 |
| Wasserwerk Gifhorn GmbH & Co KG, DE, Gifhorn[5] | 49.8 |
| Wasserwerks-Betriebsgemeinschaft Klein Heidorn GbR, DE, Neustadt a. Rbge.[5] | 50.0 |
| Wasserwirtschafts- und Betriebsgesellschaft Grafenwöhr GmbH, DE, Grafenwöhr[5] | 49.0 |
| WAZV-Abwasserentsorgung GmbH, DE, Nentershausen[5] | 49.0 |
| WBG GmbH, DE, Helmstedt[1] | 98.0 |
| Weißmainkraftwerk Röhrenhof Aktiengesellschaft, DE, Berneck[2] | 93.5 |
| WEVG Salzgitter GmbH & Co. KG, DE, Salzgitter[1] | 50.2 |
| WEVG Verwaltungs GmbH, DE, Salzgitter[2] | 50.2 |
| WGS Wärmegesellschaft mbH Saalfeld, DE, Saalfeld[5] | 24.0 |
| WINDENERGIEPARK WESTKÜSTE GmbH, DE, Kaiser-Wilhelm-Koog[2] | 80.0 |
| WPG Westfälische Propan-GmbH, DE, Detmold[5] | 22.2 |
| WVM Wärmeversorgung Maßbach GmbH, DE, Maßbach[5] | 22.2 |
| Západoslovenská energetika a.s. (ZSE), SK, Bratislava[4] | 49.0 |
| **Pan-European Gas market unit** | |
| 3G Holdings Limited, GB, London[5] | 25.0 |
| A/s Latvijās Gāze, LV, Riga[4] | 47.2 |
| AB Lietūvos Dūjos, LT, Vilnius[4] | 38.9 |
| Adria LNG d.o.o. za izradu studija, HR, Zagreb[5] | 39.2 |
| AS EESTI GAAS, EE, Tallinn[5] | 33.7 |
| BBL Company V.O.F., NL, Groningen[4] | 20.0 |
| caplog-x GmbH, DE, Leipzig[5] | 25.0 |
| COLONIA-CLUJ-NAPOCA-ENERGIE S.R.L. (CCNE), RO, Cluj-Napoca[5] | 33.3 |
| DEUDAN-Deutsch/Dänische Erdgastransportgesellschaft mbH & Co. Kommanditgesellschaft, DE, Handewitt[5] | 25.0 |
| DEUDAN-HOLDING-GmbH, DE, Hanover[5] | 49.0 |
| Deutsche Flüssigerdgas Terminal oHG, DE, Essen[2] | 90.0 |
| DFTG—Deutsche Flüssigerdgas Terminal Gesellschaft mit beschränkter Haftung, DE, Wilhelmshaven[2] | 90.0 |
| E.ON Austria Ges.m.b.H., AT, Vienna[1] | 75.1 |
| E.ON Bioerdgas GmbH, DE, Essen[1] | 100.0 |
| E.ON Direkt GmbH, DE, Essen[1, 8] | 100.0 |
| E.ON Földgáz Holding GmbH, DE, Essen[2] | 100.0 |
| E.ON Földgáz Storage ZRt., HU, Budapest[1] | 100.0 |
| E.ON Földgáz Trade ZRt., HU, Budapest[1] | 100.0 |
| E.ON Gas Grid GmbH, DE, Essen[1, 8] | 100.0 |
| E.ON Gas Mobil GmbH, DE, Essen[2] | 100.0 |
| E.ON Gas Storage GmbH, DE, Essen[1, 8] | 100.0 |
| E.ON Gas Storage UK Limited, GB, Coventry[1] | 100.0 |

| Name, location | Stake (%) |
|---|---|
| E.ON Ruhrgas AG, DE, Essen[1, 8] | 100.0 |
| E.ON Ruhrgas Austria AG, AT, Vienna[1] | 100.0 |
| E.ON Ruhrgas BBL B.V., NL, Voorburg[1] | 100.0 |
| E.ON Ruhrgas Dogalgaz A.S., TR, Ankara[2] | 100.0 |
| E.ON Ruhrgas Dutch Holding B.V., NL, Den Haag[2] | 100.0 |
| E.ON Ruhrgas E & P Ägypten GmbH, DE, Essen[1] | 100.0 |
| E.ON Ruhrgas E & P Algerien GmbH, DE, Essen[1] | 100.0 |
| E.ON Ruhrgas E & P GmbH, DE, Essen[1] | 100.0 |
| E.ON Ruhrgas GGH GmbH, DE, Essen[2] | 100.0 |
| E.ON Ruhrgas GPA GmbH, DE, Essen[1, 8] | 100.0 |
| E.ON Ruhrgas GPD GmbH, DE, Essen[1, 8] | 100.0 |
| E.ON Ruhrgas International GmbH, DE, Essen[1, 8] | 100.0 |
| E.ON Ruhrgas Nigeria Limited, NG, Lagos[2] | 100.0 |
| E.ON Ruhrgas Nord Stream Anbindungsleitungs-gesellschaft mbH, DE, Essen[2] | 100.0 |
| E.ON Ruhrgas Norge AS, NO, Stavanger[1] | 100.0 |
| E.ON Ruhrgas Personalagentur GmbH, DE, Essen[2] | 100.0 |
| E.ON Ruhrgas Polska Sp. z o.o., PL, Warsaw[2] | 100.0 |
| E.ON Ruhrgas UK Caister Limited in liquidition, GB, London[1] | 100.0 |
| E.ON Ruhrgas UK E&P Limited, GB, London[1] | 100.0 |
| E.ON Ruhrgas UK Energy Trading Limited, GB, London[1] | 100.0 |
| E.ON Ruhrgas UK EU Limited, GB, London[1] | 100.0 |
| E.ON Ruhrgas UK North Sea Limited, GB, Aberdeen[1] | 100.0 |
| E.ON Service GmbH, DE, Essen[2, 8] | 100.0 |
| E.ON Servicii Romania S.r.l., RO, Iasi[2] | 100.0 |
| Ekopur d.o.o., SI, Ljubljana[2] | 100.0 |
| Erdgasversorgungsgesellschaft Thüringen-Sachsen mbH (EVG), DE, Erfurt[3] | 50.0 |
| Etzel Gas-Lager GmbH & Co. KG, DE, Friedeburg-Etzel[7] | 74.8 |
| Etzel Gas-Lager Management GmbH, DE, Friedeburg-Etzel[5] | 74.8 |
| Ferngas Nordbayern GmbH, DE, Nuremberg[1] | 70.0 |
| Frankengas GmbH, DE, Nuremberg[4] | 30.9 |
| Freya Pipeline GmbH & Co. KG, DE, Bonn[4] | 60.0 |
| Gasag Berliner Gaswerke Aktiengesellschaft, DE, Berlin[4] | 36.9 |
| GasLine Telekommunikationsnetz-Geschäftsführungsge-sellschaft deutscher Gasversorgungsunternehmen mbH, DE, Straelen[5] | 40.0 |
| GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, DE, Straelen[4] | 40.0 |
| Gasum Oy, FI, Espoo[4] | 20.0 |
| Gas-Union GmbH, DE, Frankfurt/Main[4] | 25.9 |
| Gasversorgung Frankenwald GmbH (GFW), DE, Helmbrechts[5] | 50.0 |
| GGG Gesellschaft für Grundstücks- und Gebäudenutzung mbH, DE, Essen[2] | 100.0 |
| HEAG Südhessische Energie AG (HSE), DE, Darmstadt[4] | 40.0 |
| Hermann Seippel-Unterstützungseinrichtung GmbH, DE, Essen[2] | 100.0 |
| Holford Gas Storage Limited, GB, Edinburgh[1] | 100.0 |

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264 (3) HGB or under Section 264b HGB. [9]Profit-and-loss-pooling agreement (earnings after pooling).

## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| HUGE Kft., HU, Budapest[2] | 100.0 |
| Inwestycyjna Spólka Energetyczna-IRB Sp. z o.o., PL, Warsaw[5] | 50.0 |
| KGN Kommunalgas Nordbayern GmbH, DE, Bamberg[1,8] | 100.0 |
| Livorno Holding S.r.l., IT, Rome[5] | 50.0 |
| LIWACOM Informationstechnik GmbH, DE, Essen[5] | 33.3 |
| MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG, DE, Essen[3] | 51.0 |
| MEGAL Verwaltungs-GmbH, DE, Essen[2] | 51.0 |
| METHA-Methanhandel GmbH, DE, Essen[1,8] | 100.0 |
| Mittelrheinische Erdgastransportleitungsgesellschaft mbH, DE, Haan[1,8] | 100.0 |
| Nafta a.s., SK, Gbely[4] | 40.5 |
| NetConnect Germany GmbH & Co. KG, DE, Ratingen[5] | 59.9 |
| NetConnect Germany Management GmbH, DE, Ratingen[5] | 59.9 |
| NETRA GmbH Norddeutsche Erdgas Transversale, DE, Schneiderkrug[5] | 33.3 |
| NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG, DE, Schneiderkrug[4] | 40.6 |
| Nord Stream AG, CH, Zug[4] | 15.5 |
| Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG, DE, Haan[3] | 50.0 |
| Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH, DE, Haan[5] | 50.0 |
| OAO Severneftegazprom, RU, Krasnoselkup[4] | 25.0 |
| OLT Offshore LNG Toscana S.p.A., IT, Rome[4] | 46.8 |
| OOO E.ON Ruhrgas E&P Russia, RU, Moscow[2] | 100.0 |
| Open Grid Europe GmbH, DE, Essen[1,8] | 100.0 |
| Open Grid Service GmbH, DE, Essen[2] | 100.0 |
| Panrusgáz Zrt., HU, Budapest[5] | 50.0 |
| PEG Infrastruktur AG, CH, Zug[1] | 100.0 |
| PLEdoc Gesellschaft für Dokumentationserstellung und -pflege mbH, DE, Essen[2] | 100.0 |
| Powerforum Zrt., HU, Budapest[5] | 50.0 |
| RAG-Beteiligungs-Aktiengesellschaft, AT, Maria Enzersdorf[4] | 30.0 |
| RGE Holding GmbH, DE, Essen[1,8] | 100.0 |
| Rytu Skirstomieje Tinklai AB, LT, Vilnius[4] | 20.3 |
| S.C. Congaz S.A., RO, Constanța[5] | 28.6 |
| Sea Power & Fuel S.r.l., IT, Genoa[5] | 50.0 |
| Slovak Gas Holding B.V., NL, Zoetermeer[3] | 50.0 |
| store-x Storage Capacity Exchange GmbH, DE, Leipzig[5] | 38.0 |
| Tauerngasleitung Ges.m.b.H., AT, Wals-Siezenheim[5] | 46.2 |
| Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, DE, Essen[4] | 51.0 |
| Trans Europa Naturgas Pipeline Verwaltungs-GmbH, DE, Essen[5] | 50.0 |
| UPP d.o.o. u likvidaciji, HR, Zagreb[2] | 100.0 |
| ZAO Gazprom YRGM Development, RU, Salekhard[7] | 25.0 |
| **U.K. market unit** | |
| Aquila Power Investments Limited, GB, Coventry[1] | 100.0 |
| Aquila Sterling Limited, GB, Coventry[1] | 100.0 |

| Name, location | Stake (%) |
|---|---|
| Avon Energy Partners Holdings, GB, Coventry[1] | 100.0 |
| Caremount Limited, IE, Dublin[1] | 100.0 |
| Cell Site Connection Services Limited, GB, Coventry[1] | 100.0 |
| Central Networks Contracting Limited, GB, Coventry[2] | 100.0 |
| Central Networks East plc, GB, Coventry[1] | 100.0 |
| Central Networks Limited, GB, Coventry[1] | 100.0 |
| Central Networks Services Limited, GB, Coventry[1] | 100.0 |
| Central Networks West plc, GB, Coventry[1] | 100.0 |
| CHN Contractors Limited, GB, Coventry[1] | 100.0 |
| CHN Electrical Services Limited, GB, Coventry[1] | 100.0 |
| CHN Group Ltd, GB, Coventry[1] | 100.0 |
| CHN Special Projects Limited, GB, Coventry[1] | 100.0 |
| Citigen (London) Limited, GB, Coventry[1] | 100.0 |
| Corby Power Limited, GB, Corby[7] | 50.0 |
| Cottam Development Centre Limited, GB, Coventry[1] | 100.0 |
| CPL Operations Limited, GB, Corby[1] | 100.0 |
| CT Services Holdings Limited, GB, Coventry[1] | 100.0 |
| Delcomm Limited, GB, Coventry[1] | 100.0 |
| Diamond Power Generation Limited, GB, Coventry[1] | 100.0 |
| Dutchdelta Finance S.à.r.l., LU, Luxembourg[1] | 100.0 |
| E.ON Energy Gas (Eastern) Limited, GB, Coventry[1] | 100.0 |
| E.ON Energy Gas (Northwest) Limited, GB, Coventry[2] | 100.0 |
| E.ON Energy Limited, GB, Coventry[1] | 100.0 |
| E.ON Energy UK Limited, GB, Coventry[2] | 100.0 |
| E.ON Limited, GB, Coventry[1] | 100.0 |
| E.ON Retail Limited, GB, Coventry[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 Services Limited, GB, Coventry[1] | 100.0 |
| E.ON UK Energy Solutions Limited, GB, Coventry[1] | 100.0 |
| E.ON UK Finance Limited (in member's voluntary liquidation), GB, Coventry[2] | 100.0 |
| E.ON UK Gas Limited, GB, Coventry[1] | 100.0 |
| E.ON UK Holding Company Limited, GB, Coventry[1] | 100.0 |
| E.ON UK Industrial Shipping Limited, GB, Coventry[2] | 100.0 |
| E.ON UK Ironbridge Limited, GB, Coventry[2] | 100.0 |
| E.ON UK Pension Trustees Limited, GB, Coventry[2] | 100.0 |
| E.ON UK plc, GB, Coventry[1] | 100.0 |
| E.ON UK Power Technology Limited, GB, Coventry[1] | 100.0 |
| E.ON UK Property Services Limited, GB, Coventry[1] | 100.0 |
| E.ON UK PS Limited, GB, Coventry[1] | 100.0 |
| E.ON UK Retail Limited, GB, Coventry[2] | 100.0 |
| E.ON UK Secretaries Limited, GB, Coventry[2] | 100.0 |
| E.ON UK Technical Services Limited, GB, Edinburgh[1] | 100.0 |
| E.ON UK Trading Limited (in member's voluntary liquidation), GB, Coventry[2] | 100.0 |
| E.ON UK Trustees Limited, GB, Coventry[1] | 100.0 |

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264 (3) HGB or under Section 264b HGB. [9]Profit-and-loss-pooling agreement (earnings after pooling).

## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| East Midlands Electricity Distribution Holdings, GB, Coventry[1] | 100.0 |
| East Midlands Electricity Distribution Limited, GB, Coventry[2] | 100.0 |
| East Midlands Electricity Generation (Corby) Limited, GB, Coventry[1] | 100.0 |
| East Midlands Electricity Limited, GB, Coventry[1] | 100.0 |
| East Midlands Electricity Share Scheme Trustees Limited, GB, Coventry[2] | 100.0 |
| Economy Power Limited, GB, Coventry[1] | 100.0 |
| Electricity Pensions Administration Limited, GB, Coventry[1] | 100.0 |
| EME Distribution No. 2 Limited, GB, Coventry[1] | 100.0 |
| Empower Training Services Limited (member's liquidation), GB, Coventry[2] | 100.0 |
| Energy Collection Services Limited, GB, Coventry[1] | 100.0 |
| Enfield Energy Centre Limited, GB, Coventry[1] | 100.0 |
| Enfield Energy Services (Europe) Limited, GB, Coventry[1] | 100.0 |
| Enfield Operations (UK) Limited, GB, Coventry[1] | 100.0 |
| Enizade Limited, GB, Coventry[1] | 100.0 |
| Ergon Energy Limited, GB, Coventry[1] | 100.0 |
| Ergon Finance Limited (member's liquidation), GB, Coventry[2] | 100.0 |
| Ergon Financial Management Ltd, MT, St. Julians[1] | 100.0 |
| Ergon Holding Company Limited, GB, Coventry[1] | 100.0 |
| Ergon Holdings Ltd, MT, St. Julians[1] | 100.0 |
| Ergon Insurance Ltd, MT, St. Julians[1] | 100.0 |
| Ergon Nominees Limited, GB, Coventry[1] | 100.0 |
| Ergon Overseas Holdings Limited, GB, Coventry[1] | 100.0 |
| Ergon Power Limited, GB, Coventry[2] | 100.0 |
| Ergon Properties Limited (members' liquidation), GB, Coventry[2] | 100.0 |
| Ganaz Limited, IE, Dublin[1] | 100.0 |
| Gen Net.Com Limited, GB, Coventry[2] | 100.0 |
| Hams Hall Management Company Limited, GB, Coventry[4] | 46.6 |
| Horizon Nuclear Power Limited, GB, Gloucester[3] | 50.0 |
| Horizon Nuclear Power Oldbury Limited, GB, Gloucester[2] | 100.0 |
| Horizon Nuclear Power Services Limited, GB, Gloucester[2] | 100.0 |
| Horizon Nuclear Power Wylfa Limited, GB, Gloucester[2] | 100.0 |
| Industry Development Services Limited, GB, Coventry[1] | 100.0 |
| Infrastructure Alliance Limited, MT, St. Helier[1] | 100.0 |
| Kinetica Limited, GB, Coventry[2] | 100.0 |
| Lighting for Staffordshire Holdings Limited, GB, Coventry[1] | 60.0 |
| Lighting for Staffordshire Limited, GB, Coventry[1] | 100.0 |
| Meter Services Limited, GB, Coventry[2] | 100.0 |
| Metering Services Limited, GB, Coventry[2] | 100.0 |
| Midlands Electricity Connections Limited, GB, Coventry[2] | 100.0 |
| Midlands Electricity Electrical Contracting Limited, GB, Coventry[2] | 100.0 |
| Midlands Electricity Engineering Services Limited, GB, Coventry[2] | 100.0 |
| Midlands Electricity Group plc, GB, Coventry[1] | 100.0 |
| Midlands Electricity Limited, GB, Coventry[2] | 100.0 |
| Midlands Electricity Metering Limited, GB, Coventry[2] | 100.0 |
| Midlands Gas Limited, GB, Coventry[1] | 100.0 |
| Midlands Generation (Overseas) Limited, GB, Coventry[1] | 100.0 |
| Midlands Metering Services Limited, GB, Coventry[2] | 100.0 |
| Midlands Power (UK) Limited, GB, Coventry[1] | 100.0 |
| Midlands Power International Limited, GB, Coventry[1] | 100.0 |
| Midlands Sales Limited, GB, Coventry[2] | 100.0 |
| Mucklow Hill (Two) Limited, GB, Coventry[2] | 100.0 |
| Power Technology Limited, GB, Coventry[2] | 100.0 |
| Powergas Limited, GB, Coventry[2] | 100.0 |
| Powergen (East Midlands) Investments, GB, Coventry[1] | 100.0 |
| Powergen (East Midlands) Loan Notes, GB, Coventry[1] | 100.0 |
| Powergen Australia Investments Limited, GB, Coventry[1] | 100.0 |
| Powergen CHP Limited, GB, Coventry[2] | 100.0 |
| Powergen CoGeneration Limited, GB, Coventry[2] | 100.0 |
| Powergen Energy Solutions Limited, GB, Coventry[2] | 100.0 |
| Powergen Finance Limited, GB, Coventry[1] | 100.0 |
| Powergen Gas Limited, GB, Coventry[2] | 100.0 |
| Powergen Group Holdings Limited, GB, Coventry[1] | 100.0 |
| Powergen Group Investments, GB, Coventry[1] | 100.0 |
| Powergen Holdings B.V., NL, Amsterdam[1] | 100.0 |
| Powergen Holdings Sarl, LU, Louxemburg[1] | 100.0 |
| Powergen International Limited, GB, Coventry[1] | 100.0 |
| Powergen Investments Limited (member's liquidation), GB, Coventry[2] | 100.0 |
| Powergen Ireland Limited, GB, Coventry[1] | 100.0 |
| Powergen Limited, GB, Coventry[1] | 100.0 |
| Powergen LS SE, GB, Coventry[1] | 100.0 |
| Powergen Luxembourg Holdings Sarl, LU, Louxemburg[1] | 100.0 |
| Powergen Overseas Holdings Limited (in member's liquidation), GB, Coventry[2] | 100.0 |
| Powergen Power No. 1 Limited, GB, Coventry[1] | 100.0 |
| Powergen Power No. 2 Limited, GB, Coventry[1] | 100.0 |
| Powergen Power No. 3 Limited, GB, Coventry[1] | 100.0 |
| Powergen Renewables Developments Limited, GB, Coventry[2] | 100.0 |
| Powergen Renewables Limited, GB, Coventry[2] | 100.0 |
| Powergen Retail Gas Limited, GB, Coventry[2] | 100.0 |
| Powergen Retail Limited, GB, Coventry[1] | 100.0 |
| Powergen Retail Supply Limited, GB, Coventry[1] | 100.0 |
| Powergen Serang Limited, GB, Coventry[2] | 100.0 |
| Powergen Share Trustees Limited (member's liquidation), GB, Coventry[1] | 100.0 |
| Powergen UK Holding Company Limited, GB, Coventry[1] | 100.0 |
| Powergen UK Investments, GB, Coventry[1] | 100.0 |
| Powergen UK Limited, GB, Coventry[1] | 100.0 |
| Powergen UK Securities, GB, Coventry[1] | 100.0 |
| Powergen US Funding, LLC, US, Wilmington[1] | 100.0 |

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264 (3) HGB or under Section 264b HGB. [9]Profit-and-loss-pooling agreement (earnings after pooling).

## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| Powergen US Holdings Limited, GB, Coventry[1] | 100.0 |
| Powergen US Investments, GB, Coventry[1] | 100.0 |
| Powergen US Securities Limited, GB, Coventry[1] | 100.0 |
| Powergen Warm Front Limited (member's voluntary liquidation), GB, Coventry[2] | 100.0 |
| Powergen Weather Limited, GB, Coventry[2] | 100.0 |
| PT Power Jawa Barat, ID, Jakarta[4] | 40.0 |
| Raab Karcher Electronic Systems plc, GB, Coventry[1] | 100.0 |
| Sisyphus Quebec Limited, GB, Coventry[1] | 100.0 |
| Statco Six Limited, GB, London[1] | 100.0 |
| The Power Generation Company Limited, GB, Coventry[2] | 100.0 |
| Thor Cogeneration Limited, GB, Coventry[1] | 100.0 |
| Thor Holdings Limited, GB, Coventry[1] | 100.0 |
| TXU Europe (AH Online) Limited, GB, Coventry[1] | 100.0 |
| TXU Europe (AHG) Limited, GB, Coventry[1] | 100.0 |
| TXU Europe (AHGD) Limited, GB, Coventry[1] | 100.0 |
| TXU Europe (AHST) Limited, GB, Coventry[1] | 100.0 |
| TXU Europe Group Trustee Limited, GB, Coventry[1] | 100.0 |
| TXU Warm Front Limited, GB, Coventry[2] | 100.0 |
| Utility Debt Services Limited, GB, Coventry[2] | 100.0 |
| Visioncash, GB, Coventry[1] | 100.0 |
| Western Gas Limited, GB, Coventry[1] | 100.0 |
| **Nordic market unit** | |
| AB Svafo, SE, Stockholm[5] | 22.0 |
| Bergeforsens Kraftaktiebolag, SE, Bispgården[4] | 40.0 |
| Bio Flow AB OY, FI, Helsingfors[5] | 49.0 |
| Björn Kraft Oy, FI, Kotka[1] | 100.0 |
| Blåsjön Kraft AB, SE, Arbrå[4] | 50.0 |
| Brännälven Kraft AB, SE, Arbrå[4] | 19.1 |
| E.ON Biofor Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Biogas Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Danmark A/S, DK, Herlev[1] | 100.0 |
| E.ON Elnät Stockholm AB, SE, Malmö[1] | 100.0 |
| E.ON Elnät Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON ES Kraftmontasje AS, NO, Vestnes[1] | 100.0 |
| E.ON ES Norge AS, NO, Vestnes[1] | 100.0 |
| E.ON ES Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON ES Trafik & Belysning AB, SE, Malmö[1] | 100.0 |
| E.ON Fastigheter Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Försäkring Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Försäljning Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Gas Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Gashandel Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Gasification Development AB, SE, Malmö[1] | 100.0 |
| E.ON JobCenter Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Kainuu Oy, FI, Kajaani[1] | 50.6 |
| E.ON Kärnkraft Finland AB, FI, Kajaani[1] | 100.0 |
| E.ON Kärnkraft Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Kundsupport Sverige AB, SE, Malmö[1] | 100.0 |

| Name, location | Stake (%) |
|---|---|
| E.ON Mälarkraft Värme AB, SE, Håbo[1] | 99.8 |
| E.ON Nord Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Produktion Danmark A/S, DK, Herlev[1] | 100.0 |
| E.ON Smart Living AB, SE, Malmö[2] | 100.0 |
| E.ON Suomi Oy, FI, Helsinki[1] | 100.0 |
| E.ON Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Trading Nordic AB, SE, Malmö[1] | 100.0 |
| E.ON Varme Danmark ApS, DK, Herlev[1] | 100.0 |
| E.ON Värme Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON Värme Timrå AB, SE, Sundsvall[1] | 90.9 |
| E.ON Värmekraft Sverige AB, SE, Karlshamn[1] | 100.0 |
| E.ON Vattenkraft Sverige AB, SE, Sundsvall[1] | 100.0 |
| EC Serwis sp. z o.o., PL, Slupsk[1] | 100.0 |
| Elverket Vallentuna AB, SE, Vallentuna[4] | 42.9 |
| Empec Ustka Sp. z o.o., PL, Ustka[4] | 48.5 |
| ES ElektroSandberg AB, SE, Malmö[1] | 100.0 |
| Falkenbergs Biogas AB, SE, Malmö[2] | 65.0 |
| Fennovoima Oy, FI, Helsingfors[4] | 34.0 |
| HEMAB Elförsäljning AB, SE, Malmö[1] | 100.0 |
| Hjälmarkraft AB, SE, Sundsvall[1] | 100.0 |
| Kalmar Energi Försäljning AB, SE, Kalmar[4] | 40.0 |
| Kalmar Energi Holding AB, SE, Kalmar[4] | 50.0 |
| Karlshamn Kraft AB, SE, Karlshamn[1] | 70.0 |
| Kärnkraftsäkerhet & Utbildning AB, SE, Nyköping[5] | 25.0 |
| Klåvbens AB, SE, Olofström[5] | 50.0 |
| Kolbäckens Kraft KB, SE, Sundsvall[1] | 100.0 |
| MEC Koszalin Sp. z o.o, PL, Koszalin[4] | 30.8 |
| Nordkraft Serviceaktiebolag, SE, Malmö[1] | 100.0 |
| OKG AB, SE, Oskarshamn[1] | 54.5 |
| Oskarshamns Energi AB, SE, Oskarshamn[4] | 50.0 |
| Östersjöfrakt AB, SE, Örebro[1] | 80.0 |
| Östrand Energi AB, SE, Sundsvall[1] | 100.0 |
| Ostrowski Zaklad Ceoplowinczy S.A., PL, Ostrow Wielkopolski[4] | 48.6 |
| Perstorps Fjärrvärme AB, SE, Perstorp[4] | 50.0 |
| Ringhals AB, SE, Varberg[4] | 29.6 |
| Rosengård Invest AB, SE, Malmö[5] | 25.0 |
| Sakab AB, SE, Kumla[1] | 100.0 |
| Sakab Sellbergs AB, SE, Örebro[1] | 100.0 |
| Söderåsens Bioenergi AB, SE, Billesholm[2] | 51.0 |
| Sollefteåforsens AB, SE, Sundsvall[4] | 50.0 |
| SQC Kvalificeringscentrum AB, SE, Stockholm[5] | 33.3 |
| Stensjön Kraft AB, SE, Stockholm[4] | 50.0 |
| Svensk Kärnbränslehantering AB, SE, Stockholm[5] | 34.0 |
| Svenskt Gastekniskt Center AB, SE, Malmö[5] | 50.0 |
| Sydkraft EC Slupsk Sp. z o.o., PL, Slupsk[1] | 98.9 |
| Sydkraft Polen AB, SE, Malmö[1] | 100.0 |
| Sydkraft Term Sp. z o.o, PL, Poznań[1] | 100.0 |
| Sydkraft Zlotow Sp. z o.o, PL, Zlotow[1] | 85.0 |

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264 (3) HGB or under Section 264b HGB. [9]Profit-and-loss-pooling agreement (earnings after pooling).

**Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)**

| Name, location | Stake (%) |
|---|---|
| Treasury, SE, Malmö[1] | 100.0 |
| **Italy market unit** | |
| AMGA—Azienda Multiservizi S.p.A., IT, Udine[4] | 20.2 |
| CART Partecipazioni S.r.l., IT, Orio al Serio (BG)[2] | 100.0 |
| Centro Energia Ferrara S.p.A, IT, Rome[4] | 58.4 |
| Centro Energia Teverola S.p.A, IT, Rome[4] | 58.4 |
| E.ON Energia S.p.A., IT, Verona[1] | 100.0 |
| E.ON Europa Power and Fuel S.r.l in liquidazione, IT, Terni[1] | 100.0 |
| E.ON Italia Power & Fuel S.r.l., IT, Terni[1] | 100.0 |
| E.ON Italia S.p.A., IT, Milan[1] | 100.0 |
| E.ON Produzione Centrale Livorno Ferraris S.p.A., IT, Milan[1] | 75.0 |
| E.ON Produzione S.p.A., IT, Sassari[1] | 100.0 |
| E.ON Rete S.r.l., IT, Mantova[1] | 100.0 |
| E.ON Servizi S.r.l., IT, Verona[2] | 100.0 |
| Energest S.r.l., IT, Mira (VE)[2] | 100.0 |
| Ergon Energia S.r.l. in liquidazione, IT, Brescia[4] | 50.0 |
| Ergosud S.p.A, IT, Rome[4] | 50.0 |
| G.E.I.—Gestione Energetica Impianti S.p.A., IT, Crema[4] | 48.9 |
| Generale Servizi S.r.l., IT, Gandino (BG)[2] | 100.0 |
| Rota Gas S.r.l., IT, Mercato San Severino (SA)[5] | 49.0 |
| SO.MET. ENERGIA S.r.l., IT, Costigliole d'Asti (AT)[1] | 60.0 |
| Sunshine 1 S.r.l., IT, Milan[2] | 100.0 |
| Terminal Alpi Adriatico S.r.l., IT, Rome[1] | 100.0 |
| UNIVERSAL SUN S.R.L., IT, Milan[5] | 50.0 |
| **Spain market unit** | |
| Distribuidora de Gas Cuyana S.A., AR, Mendoza[2] | 14.4 |
| Distribuidora de Gas del Centro S.A., AR, Córdoba[1] | 45.9 |
| E.ON Barras Eléctricas Galaico-Asturianas, S.A., ES, Lugo[1] | 54.9 |
| E.ON Barras Generación, S.A., ES, Lugo[1] | 55.0 |
| E.ON Comercializadora de Último Recurso S.L., ES, Santander[1] | 100.0 |
| E.ON Distribución, S.L., ES, Santander[1] | 100.0 |
| E.ON Energía, S.L., ES, Santander[1] | 100.0 |
| E.ON España, S.L., ES, Santander[1] | 100.0 |
| E.ON Europa, S.L., ES, Madrid[1] | 100.0 |
| E.ON Generación, S.L., ES, Santander[1] | 100.0 |
| E.ON Red S.L., ES, Santander[1] | 100.0 |
| E.ON Servicios, S.L., ES, Santander[1] | 100.0 |
| Inversora de Gas Cuyana S.A., AR, Mendoza[2] | 24.0 |
| Inversora de Gas del Centro S.A., AR, Córdoba[1] | 75.0 |
| E.ON Argentina S.A., AR, Buenos Aires[1] | 100.0 |
| **Climate & Renewables market unit** | |
| 2PRCE Énergies sarl, FR, La Camp du Castellet[2] | 70.0 |
| Aer les Éoliennes de la Bruyère S.A.R.L, FR, Nanterre[1] | 100.0 |
| Aerodis, S.A., FR, Rueil-Malmaison[1] | 100.0 |
| Amrumbank-West GmbH, DE, Müden/Aller[1] | 100.0 |
| Aplicaciones Industriales de Energías Limpias, S.L., ES, Zaragoza[5] | 15.0 |
| AWE-Arkona-Windpark Entwicklungs-GmbH, DE, Stralsund[2] | 98.0 |
| Beteiligungsgesellschaft e.disnatur mbH, DE, Potsdam[2] | 100.0 |
| Bioenergie Merzig GmbH, DE, Merzig[2] | 51.0 |
| Bioerdgas Hallertau GmbH, DE, Wolnzach[2] | 64.9 |
| Bioerdgas Schwandorf GmbH, DE, Schwandorf[2] | 100.0 |
| CCE Énergies sarl, FR, La Camp du Castellet[2] | 100.0 |
| Centrale Solare di Fiumesanto S.r.l., IT, Sassari[2] | 100.0 |
| Centrale Solare di Santa Domenica S.r.l., IT, Scandale[2] | 100.0 |
| Champion WF Holdco, LLC, US, Wilmington[1] | 100.0 |
| Champion Wind Farm, LLC, US, Wilmington[1] | 100.0 |
| COMPAÑIA EÓLICA ARAGONESA, S.A., ES, Zaragoza[4] | 50.0 |
| Compañía Productora de Energía para Consumo Interno, S.L., ES, Zaragoza[1] | 85.0 |
| Cordova Wind Farm, LLC, US, Wilmington[2] | 100.0 |
| Desarrollos Eólicos del Valle del Ebro, S.A., ES, Zaragoza[2] | 85.0 |
| DOTI Deutsche-Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG, DE, Oldenburg[4] | 26.0 |
| DOTI Management GmbH, DE, Oldenburg[5] | 26.0 |
| e.disnatur Erneuerbare Energien GmbH, DE, Potsdam[1] | 100.0 |
| E.ON Carbon Sourcing GmbH, DE, Düsseldorf[1,8] | 100.0 |
| E.ON Casting Renovables, S.L., ES, Teruel[2] | 50.0 |
| E.ON Climate & Renewables Canada Ltd., CA, Saint John[2] | 100.0 |
| E.ON Climate & Renewables Carbon Sourcing Limited, GB, Coventry[2] | 100.0 |
| E.ON Climate & Renewables Carbon Sourcing Pte Ltd, SG, Singapore[2] | 100.0 |
| E.ON Climate & Renewables Central Europe GmbH, DE, Munich[1,8] | 100.0 |
| E.ON Climate & Renewables France Solar S.A.S., FR, La Ciotat[2] | 100.0 |
| E.ON Climate & Renewables GmbH, DE, Düsseldorf[1,8] | 100.0 |
| E.ON Climate & Renewables Italia S.r.l., IT, Milan[1] | 100.0 |
| E.ON Climate & Renewables Italia Solar S.r.l., IT, Milan[2] | 100.0 |
| E.ON Climate & Renewables North America, LLC, US, Wilmington[1] | 100.0 |
| E.ON Climate & Renewables UK Blyth Limited, GB, Coventry[1] | 100.0 |
| E.ON Climate & Renewables UK Developments Limited, GB, Coventry[1] | 100.0 |
| E.ON Climate & Renewables UK Humber Wind Limited, GB, Coventry[1] | 100.0 |
| E.ON Climate & Renewables UK Limited, GB, Coventry[1] | 100.0 |
| E.ON Climate & Renewables UK London Array Limited, GB, Coventry[1] | 100.0 |
| E.ON Climate & Renewables UK Offshore Wind Limited, GB, Coventry[1] | 100.0 |
| E.ON Climate & Renewables UK Operations Limited, GB, Coventry[1] | 100.0 |
| E.ON Climate & Renewables UK Rampion Offshore Wind Limited, GB, Coventry[1] | 100.0 |

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264 (3) HGB or under Section 264b HGB. [9]Profit-and-loss-pooling agreement (earnings after pooling).

## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| 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 Energie Odnawialne Sp. z o.o., PL, Szczecin[1] | 100.0 |
| E.ON Énergies Renouvelables S.A.S., FR, Paris[2] | 100.0 |
| E.ON Iberia Services, S.L., ES, Málaga[1] | 100.0 |
| E.ON Masdar Integrated Carbon LLC, AE, Abu Dhabi[5] | 50.0 |
| E.ON Pastor Renovables, S.L., ES, A Coruña[2] | 80.0 |
| E.ON Renovables, S.L., ES, Madrid[1] | 100.0 |
| E.ON Renováveis Portugal, SGPS S.A., PT, Lisbon[1] | 100.0 |
| E.ON Vind Sverige AB, SE, Malmö[1] | 100.0 |
| EBG 1. Beteiligungsgesellschaft mbH, DE, Essen[2] | 100.0 |
| EC&R Asset Management, LLC, US, Wilmington[1] | 100.0 |
| EC&R Canada Ltd., CA, Saint John[2] | 100.0 |
| EC&R Development, LLC, US, Wilmington[1] | 100.0 |
| EC&R Energy Marketing, LLC, US, Wilmington[1] | 100.0 |
| EC&R Investco Mgmt II, LLC, US, Wilmington[2] | 100.0 |
| EC&R Investco Mgmt, LLC, US, Wilmington[1] | 100.0 |
| EC&R NA Solar PV, LLC, US, Wilmington[2] | 100.0 |
| EC&R O&M, LLC, US, Wilmington[1] | 100.0 |
| EC&R Panther Creek WF I&II Holdco, LLC, US, Wilmington[1] | 100.0 |
| EC&R Panther Creek WF III Holdco, LLC, US, Wilmington[1] | 100.0 |
| EC&R Panther Creek Wind Farm I&II, LLC, US, Wilmington[1] | 100.0 |
| EC&R Panther Creek Wind Farm III, LLC, US, Wilmington[1] | 100.0 |
| EC&R Papalote Creek I, LLC, US, Wilmington[1] | 100.0 |
| EC&R Papalote Creek II, LLC, US, Wilmington[1] | 100.0 |
| EC&R QSE, LLC, US, Wilmington[1] | 100.0 |
| EC&R Services, LLC, US, Wilmington[1] | 100.0 |
| EC&R Sherman, LLC, US, Wilmington[2] | 100.0 |
| Elecdey ASCOY, S.A., ES, Murcia[5] | 19.5 |
| Elecdey CARCELÉN, S.A., ES, Albacete[4] | 23.0 |
| Energi E2, Energías Renovables Aragonesas, S.L.U, ES, Madrid[1] | 85.0 |
| Energías Eólicas Casa Requena, S.L., ES, Albacete[1] | 100.0 |
| Energías Renovables de Euskadi, S.L., ES, Bilbao[5] | 30.0 |
| Energías Renovables La Foresta, S.L., ES, Badajoz[2] | 78.0 |
| Enrega, S.L., ES, La Coruña[2] | 75.0 |
| Eólica de la Sierra del Almuerzo, S.A., ES, Soria[1] | 100.0 |
| Eólica de Levante, S.L., ES, Alicante[5] | 25.0 |
| Eólica de São Julião, Lda, PT, Lisbon[4] | 45.0 |
| EÓLICA MARÍTIMA Y PORTUARIA, SOCIEDAD LIMITADA, ES, Oviedo[2] | 70.0 |
| Eólicas de Vozmediano, S.L., ES, Soria[5] | 50.0 |
| Eoliser Serviços de Gestao para parques eólicos, Lda, PT, Lisbon[1] | 100.0 |
| EOS PAX IIA, S.L., ES, Santiago de Compostela[4] | 48.5 |
| EWC Windpark Cuxhaven GmbH, DE, Munich[5] | 50.0 |
| Farma Wiatrowa Barzowice Sp.z o.o., PL, Warsaw[2] | 100.0 |
| Farma Wiatrowa Lebcz Sp. z o.o., PL, Warsaw[1] | 100.0 |
| Flatlands Wind Farm, LLC, US, Wilmington[2] | 100.0 |
| Forest Creek Investco, Inc., US, Wilmington[1] | 100.0 |
| Forest Creek WF Holdco, LLC, US, Wilmington[1] | 100.0 |
| Forest Creek Wind Farm, LLC, US, Wilmington[1] | 100.0 |
| GCE Énergies sarl, FR, La Camp du Castellet[2] | 100.0 |
| Geólica Magallón, S.L, ES, Zaragoza[4] | 36.2 |
| Guyane Conhilac Énergies sarl, FR, Cayenne[2] | 100.0 |
| Helioenergy Electricidad Dos, S.A, ES, Sevilla[4] | 50.0 |
| Helioenergy Electricidad Uno, S.A., ES, Sevilla[4] | 50.0 |
| Inadale WF Holdco, LLC, US, Wilmington[1] | 100.0 |
| Inadale Wind Farm, LLC, US, Wilmington[1] | 100.0 |
| London Array Limited, GB, Coventry[5] | 30.0 |
| Luminar S.r.l., IT, Milan[2] | 100.0 |
| MADINERGIE sarl, FR, Le Lamentin[2] | 100.0 |
| Magic Valley Wind Farm I, LLC, US, Wilmington[2] | 100.0 |
| MCE Énergies sarl, FR, La Camp du Castellet[2] | 100.0 |
| Mer. Wind S.r.l., IT, Rome[1] | 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 |
| Nek Eólica, S.L., ES, Cádiz[1] | 100.0 |
| Netzanschluss Mürow Oberdorf GbR, DE, Bremerhaven[5] | 34.8 |
| Nordzucker Bioerdgas GmbH & Co. KG, DE, Braunschweig[2] | 50.0 |
| Nordzucker Bioerdgas Verwaltung-GmbH, DE, Braunschweig[2] | 50.0 |
| Northeolic Montebuño, S.L., ES, Madrid[2] | 100.0 |
| Northeolic Sierra de Ablaniego, S.L., ES, Madrid[1] | 100.0 |
| Northeolic Sierra de Tineo, S.L., ES, Madrid[1] | 100.0 |
| Northeolic, S.A, ES, Madrid[1] | 100.0 |
| Offshore Trassenplanungs GmbH, DE, Hanover[2] | 50.0 |
| Offshore-Windpark Beta Baltic GmbH, DE, Munich[2] | 100.0 |
| Offshore-Windpark Delta Nordsee GmbH, DE, Munich[2] | 100.0 |
| Parco Eolico di Florinas S.r.l., IT, Milan[1] | 100.0 |
| Parq Eolic De Les Basses, S.L., ES, Barcelona[5] | 50.0 |
| Parque Eólico Barlavento, S.A., PT, Lisbon[1] | 90.0 |
| Parque Eólico de Valcaire, S.L., ES, Granada[5] | 45.0 |
| Parque Eólico Santa Quiteria, S.L., ES, Zaragoza[5] | 41.7 |
| Parque Eólico Sierra de Penadecabras S.L., ES, Madrid[2] | 80.0 |
| PELCCE Énergies sarl, FR, La Ciotat[2] | 100.0 |
| Pioneer Trail Wind Farm, LLC, US, Wilmington[2] | 100.0 |
| Promociones y Servicios Hidráulicos, S.A., ES, Madrid[1] | 100.0 |
| Pyron WF Holdco, LLC, US, Wilmington[1] | 100.0 |
| Pyron Wind Farm, LLC, US, Wilmington[1] | 100.0 |
| Roscoe WF Holdco, LLC, US, Wilmington[1] | 100.0 |

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264 (3) HGB or under Section 264b HGB. [9]Profit-and-loss-pooling agreement (earnings after pooling).

## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| Roscoe Wind Farm, LLC, US, Wilmington[1] | 100.0 |
| San Juan de Bargas Eólica, S.L., ES, Zaragoza[4] | 47.0 |
| Sand Bluff WF Holdco, LLC, US, Wilmington[1] | 100.0 |
| Sand Bluff Wind Farm, LLC, US, Wilmington[1] | 100.0 |
| Scarweather Sands Limited, GB, Coventry[5] | 50.0 |
| SCS Centrale Éolienne de Cernon, FR, Rueil-Malmaison[5] | 49.0 |
| SEE—Sul Energía Eólica, Lda, PT, Lisbon[1] | 100.0 |
| Settlers Trail Wind Farm, LLC, US, Wilmington[1] | 100.0 |
| Sinergia Andaluza, S.L., ES, Granada[5] | 25.0 |
| SINERGIA ARAGONESA, S.L., ES, Zaragoza[5] | 20.0 |
| Sociedad Eólica Salmantina, S.L, ES, Salamanca[1] | 90.0 |
| Stony Creek WF Holdco, LLC, US, Wilmington[1] | 100.0 |
| Stony Creek Wind Farm, LLC, US, Wilmington[1] | 100.0 |
| SV Civitella S.r.l., IT, Milan[2] | 100.0 |
| SV VII S.r.l., IT, Milan[2] | 100.0 |
| TPG Wind Limited, GB, Coventry[4] | 50.0 |
| Tractaments de Juneda, S.A., ES, Lérida[4] | 26.4 |
| Umspannwerk Miltzow-Mannhagen GbR, DE, Horst[5] | 36.8 |
| Unión de Generadores de Energía, S.A., ES, Zaragoza[4] | 50.0 |
| Valoritzacions Agroramaderes Les Garrigues, S.L., ES, Lérida[4] | 36.8 |
| Venado Wind Farm, LLC, US, Wilmington[2] | 100.0 |
| WEA Schönerlinde GbR mbH Kiepsch & Bosse & Beteiligungsges. e.disnatur mbH, DE, Berlin[2] | 70.0 |
| Windpark Anhalt-Süd (Köthen) OHG, DE, Potsdam[2] | 83.3 |
| Windpark Mutzschen OHG, DE, Potsdam[2] | 77.8 |
| Windpark Naundorf OHG, DE, Potsdam[2] | 66.7 |
| Windpark Trebitz GmbH, DE, Munich[2] | 100.0 |
| Windy Hills Limited, GB, Country Tyrone[1] | 100.0 |
| Yorkshire Windpower Limited, GB, Coventry[4] | 50.0 |
| **Russia market unit** | |
| E.ON Russia Beteiligungs GmbH, DE, Düsseldorf[2] | 100.0 |
| E.ON Russia Holding GmbH, DE, Düsseldorf[1] | 100.0 |
| E.ON STS Energy Holding Ges.m.b.H., AT, Vienna[2] | 50.0 |
| OAO OGK-4, RU, Surgut[1] | 78.3 |
| OAO Shaturskaya Upravlyayuschaya Kompaniya, RU, Shatura[2] | 51.0 |
| OOO E.ON Russia, RU, Moscow[2] | 100.0 |
| OOO E.ON Russia Power, RU, Moscow[1] | 100.0 |
| OOO Teplosbyt, RU, Shatura[2] | 100.0 |
| **Energy Trading market unit** | |
| E.ON Energihandel Nordic AB, SE, Malmö[1] | 100.0 |
| E.ON Energy Trading Bulgarien EOOD, BG, Sofia[2] | 100.0 |
| E.ON Energy Trading NL Staff Company 2 B.V., NL, Voorburg[1] | 100.0 |
| E.ON Energy Trading NL Staff Company B.V., NL, Rotterdam[1] | 100.0 |
| E.ON Energy Trading S.p.A., IT, Milan[1] | 100.0 |
| E.ON Energy Trading SE, DE, Düsseldorf[1, 8] | 100.0 |
| E.ON Energy Trading Srbija d.o.o., RS, Belgrade[1] | 100.0 |
| E.ON Energy Trading UK Staff Company Limited, GB, Coventry[1] | 100.0 |
| E.ON Polska Sp. z o.o., PL, Warsaw[1] | 100.0 |
| E.ON Portfolio Solution GmbH, DE, Düsseldorf[1] | 100.0 |
| **Corporate Center** | |
| AV Packaging GmbH, DE, Munich[7] | 0.0 |
| Aviga GmbH, DE, Norderfriedrichskoog[1] | 100.0 |
| E.ON Achtzehnte Verwaltungs GmbH, DE, Düsseldorf[2] | 100.0 |
| E.ON Beteiligungsverwaltungs GmbH, DE, Düsseldorf[1] | 100.0 |
| E.ON Dreiundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2] | 100.0 |
| E.ON Energy Trading Holding GmbH, DE, Düsseldorf[1] | 100.0 |
| E.ON Finanzanlagen GmbH, DE, Düsseldorf[1] | 100.0 |
| E.ON First Future Energy Holding B.V., NL, Rotterdam[1] | 100.0 |
| E.ON Generation GmbH, DE, Hanover[1, 8] | 100.0 |
| E.ON Gruga Geschäftsführungsgesellschaft mbH, DE, Düsseldorf[2] | 100.0 |
| E.ON Gruga Objektgesellschaft mbH & Co. KG, DE, Düsseldorf[1] | 100.0 |
| E.ON Iberia Holding GmbH, DE, Düsseldorf[1] | 100.0 |
| E.ON INTERNATIONAL FINANCE B.V., NL, Rotterdam[1] | 100.0 |
| E.ON IT Bulgaria EOOD, BG, Sofia[2] | 100.0 |
| E.ON IT Czech Republic s.r.o., CZ, České Budějovice[2] | 100.0 |
| E.ON IT GmbH, DE, Hanover[1, 8] | 100.0 |
| E.ON IT Hungary Kft., HU, Budapest[2] | 100.0 |
| E.ON IT Italia S.r.l., IT, Milan[2] | 100.0 |
| E.ON IT Netherlands B.V., NL, Rotterdam[2] | 100.0 |
| E.ON IT România S.R.L, RO, Iasi[2] | 100.0 |
| E.ON IT Slovakia s.r.o., SK, Bratislava[2] | 51.0 |
| E.ON IT Sverige AB, SE, Malmö[1] | 100.0 |
| E.ON IT UK Limited, GB, Coventry[1] | 100.0 |
| E.ON N.A. Funding, LLC, US, Wilmington[2] | 100.0 |
| E.ON Neunzehnte Verwaltungs GmbH, DE, Düsseldorf[2] | 100.0 |
| E.ON Nordic AB, SE, Malmö[1] | 100.0 |
| E.ON Nordic Holding GmbH, DE, Düsseldorf[1] | 100.0 |
| E.ON North America Holding, LLC, US, Delaware[1] | 100.0 |
| E.ON North America, Inc., US, Wilmington[1] | 100.0 |
| E.ON RAG Beteiligungsgesellschaft mbH, DE, Düsseldorf[1] | 100.0 |
| E.ON Risk Consulting GmbH, DE, Düsseldorf[1] | 100.0 |
| E.ON Ruhrgas Holding GmbH, DE, Düsseldorf[1] | 100.0 |
| E.ON Sechzehnte Verwaltungs GmbH, DE, Düsseldorf[1] | 100.0 |
| E.ON Siebzehnte Verwaltungs GmbH, DE, Düsseldorf[2] | 100.0 |
| E.ON US Holding GmbH, DE, Düsseldorf[1] | 100.0 |
| E.ON US Investments Corp., US, Louisville[1] | 100.0 |
| E.ON Vierundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2] | 100.0 |
| E.ON Zwanzigste Verwaltungs GmbH, DE, Düsseldorf[2] | 100.0 |
| E.ON Zweiundzwanzigste Verwaltungs GmbH, DE, Düsseldorf[2] | 100.0 |

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264 (3) HGB or under Section 264b HGB. [9]Profit-and-loss-pooling agreement (earnings after pooling).

## Disclosures Pursuant to Section 313 (2) HGB of Companies in Which Equity Investments Are Held (as of December 31, 2010)

| Name, location | Stake (%) |
|---|---|
| ERKA Vermögensverwaltungsgesellschaft mbH, DE, Düsseldorf[2] | 100.0 |
| Fidelia Communications, Inc., US, Delaware[2] | 100.0 |
| FIDELIA Corporation, US, Wilmington[1] | 100.0 |
| FIDELIA Holding, LLC, US, Wilmington[1] | 100.0 |
| FITAS Verwaltung GmbH & Co. Vermietungs-KG, DE, Pöcking[2] | 99.9 |
| Gelsenberg GmbH & Co. KG, DE, Düsseldorf[1] | 100.0 |
| Gelsenberg Verwaltungs GmbH, DE, Düsseldorf[2] | 100.0 |
| Gem. Ges. zur Förderung des E.ON-Instituts für Energieforschung mbH, DE, Gorleben[5] | 50.0 |
| Hamburger Hof Versicherungs-Aktiengesellschaft, DE, Düsseldorf[2] | 100.0 |
| HIBERNIA Industriewerte GmbH & Co. oHG, DE, Düsseldorf[2] | 100.0 |
| Induboden GmbH, DE, Düsseldorf[2] | 100.0 |
| Induboden GmbH & Co. Grundstücksgesellschaft OHG, DE, Düsseldorf[1] | 100.0 |
| Induboden GmbH & Co. Industriewerte OHG, DE, Düsseldorf[1] | 100.0 |
| MEON Verwaltungs GmbH, DE, Grünwald[2] | 100.0 |
| Montan GmbH Assekuranz-Makler, DE, Düsseldorf[4] | 44.3 |
| OOO E.ON IS, RU, Moscow[2] | 100.0 |
| VEBA Electronics Beteiligungs GmbH, DE, Norderfriedrichskoog[1] | 100.0 |
| VEBA Electronics GmbH, DE, Norderfriedrichskoog[1] | 100.0 |
| VEBA Electronics, LLC, US, Wilmington[1] | 100.0 |
| VEBA Electronics US Holding GmbH, DE, Norderfriedrichskoog[1] | 100.0 |
| VEBA Investments Limited, GB, Coventry[1] | 100.0 |
| VEBA OIL SUPPLY AND TRADING, LLC, US, Red Bank[1] | 100.0 |
| VEBACOM Holdings, LLC, US, Wilmington[2] | 100.0 |
| VIAG Connect Ges. für Telekommunikation Ges.m.b.H., AT, Vienna[2] | 100.0 |
| VR Telecommunication Beteiligungs-Verwaltungs GmbH, DE, Düsseldorf[2] | 100.0 |
| VR Telecommunication Beteiligungs-Verwaltungs GmbH & Co. KG, DE, Düsseldorf[2] | 100.0 |
| VR Telecommunications Holding GmbH i.L., DE, Düsseldorf[2] | 100.0 |

| Name | Location | Stake % | Equity € in millions | Earnings € in millions |
|---|---|---|---|---|
| **Other companies in which share investments are held** | | | | |
| Baumgarten-Oberkappel-Gasleitungsgesellschaft m.b.H.[6] | AT, Vienna | 15.0 | 29.3 | 23.2 |
| Centro Elettronico Sperimentale Italiano S.p.A.[6] | IT, Milan | 3.9 | 48.1 | -8.0 |
| Enovos International S.A.[6] | LU, Esch-sur-Alzette | 10.8 | 609.6 | 140.5 |
| European Energy Exchange AG[6] | DE, Leipzig | 3.5 | 93.4 | 7.2 |
| Forsmarks Kraftgrupp AB[6] | SE, Östhammar | 8.5 | 32.3 | 0.1 |
| Gasnor AS[6] | NO, Avaldsnes | 14.0 | 33.6 | 5.1 |
| GSB—Sonderabfall-Entsorgung Bayern GmbH[6] | DE, Baar-Ebenhausen | 1.6 | 27.1 | 11.1 |
| Holdigaz SA[6] | CH, Vevey | 2.2 | 48.2 | 7.7 |
| Interconnector (UK) Limited[6] | GB, London | 15.1 | 31.6 | 60.1 |
| OAO Gazprom[6] | RU, Moscow | 0.8 | 130.8 | 18.0 |
| Powernext, S.A.[6] | FR, Paris | 4.9 | 14.2 | 0.2 |
| Stadtwerke Duisburg AG[6, 9] | DE, Duisburg | 20.0 | 154.4 | 40.7 |
| Stadtwerke Karlsruhe GmbH[6, 9] | DE, Karlsruhe | 10.0 | 165.7 | 24.9 |
| Stadtwerke Wertheim GmbH[6] | DE, Wertheim | 10.0 | 20.5 | 3.1 |
| Trans Adriatic Pipeline AG[6] | CH, Baar | 15.0 | 15.4 | 12.0 |
| Transitgas AG[6] | CH, Zurich | 3.0 | 72.7 | 2.1 |

[1]Consolidated affiliated company. [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). [3]Joint venture pursuant to IAS 31 (valued using the equity method). [4]Associated company (valued using the equity method). [5]Associated company (valued at cost for reasons of immateriality). [6]Other companies in which share investments are held. [7]Included as consolidated associated company pursuant to SIC-12. [8]This company exercised its exemption option under Section 264 (3) HGB or under Section 264b HGB. [9]Profit-and-loss-pooling agreement (earnings after pooling).

## Corporate Governance Declaration (Part of the Combined Group Management Report)

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

The Board of Management and the Supervisory Board hereby declare that E.ON AG fully complies with the recommendations contained in the German Corporate Governance Code ("the Code"), dated May 26, 2010, prepared by the Government Commission appointed by the German Minister of Justice and published in the official section of the electronic version of the *Bundesanzeiger*.

Furthermore, the Board of Management and the Supervisory Board declare that, since its previous declaration, E.ON AG has been in compliance with the recommendations contained in the previous version of the Code dated June 18, 2009.

Düsseldorf, December 13, 2010

For the Supervisory Board of E.ON AG
Ulrich Hartmann
(Chairman of the Supervisory Board of E.ON AG)

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

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

### Relevant Information about Management Practices

#### Corporate Governance

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

In 2010, the Board of Management and Supervisory Board paid close attention to E.ON's compliance with the Code's recommendations and suggestions. They determined that E.ON complies with all of the Code's recommendations and nearly all of its suggestions.

#### Transparent Management

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

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

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

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

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

Pursuant to Section 10 of the German Securities Prospectus Law, E.ON is required to publish an annual document that contains all its ad-hoc and financial releases of the previous 12 months.

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

### Directors' Dealings

Persons with executive responsibilities, in particular members of E.ON AG's Board of Management and Supervisory Board, and persons closely related to them, must disclose their dealings in E.ON stock or in related financial instruments pursuant to Section 15a of the German Securities Trading Act. Such dealings that took place in 2010 have been disclosed on the Internet at www.eon.com. As of December 31, 2010, there was no ownership interest subject to disclosure pursuant to Item 6.6 of the Code.

### Integrity

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

## Description of the Functioning of the Board of Management and Supervisory Board and of the Composition and Functioning of their Committees

### Board of Management

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

The Board of Management consists of six members and has one Chairperson. Board of Management members may not be older than 65.

The Board of Management has in place policies and procedures for the business it conducts and, in consultation with the Supervisory Board, has assigned task areas to its members.

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

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

Members of the Board of Management are also required to promptly report conflicts of interest to the Executive Committee of the Supervisory Board and to inform the other members of the Board of Management. Members of the Board of Management may only assume other corporate positions, particularly appointments to the supervisory boards of non-Group companies, with the consent of the Executive Committee of the Supervisory Board. There were no conflicts of interest involving members of the Board of Management in 2010. Any material transactions between the Company and members of the Board of Management, their relatives, or entities with which they have close personal ties require the consent of the Executive Committee of the Supervisory Board. No such transactions took place in 2010.

We have established a Disclosure Committee to support the Board of Management and to be responsible for correct and timely financial disclosures. Its members come from various departments of E.ON AG and are, owing to their functions, particularly suited for the committee's tasks.

## Supervisory Board

The Supervisory Board has 20 members and, in accordance with the German Codetermination Act, is composed of an equal number of shareholder and employee representatives. The shareholder representatives are elected by the shareholders at the Annual Shareholders Meeting; the Supervisory Board nominates candidates for this purpose. The other ten members of the Supervisory Board are elected by employee delegates and must include seven employees and three trade-union representatives. Persons are not eligible as Supervisory Board members:

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

At least one independent member of the Supervisory Board must have expertise in preparing or auditing financial statements.

The Supervisory Board oversees the Company's management and advises the Board of Management. The Board of Management requires the Supervisory Board's prior approval for significant transactions or measures, such as the Group's investment, finance, and personnel plans; the acquisition or sale of companies, equity interests, or parts of companies whose value exceeds 1 percent of stockholders' equity as shown in the most recent Consolidated Balance Sheets; financing measures that exceed the same value and have not been approved by it as part of the Company's finance plan; and the conclusion, amendment, or termination of affiliation agreements. The Supervisory Board examines the Financial Statements of E.ON AG, the Management Report, and the proposal for appropriating income available for distribution and, on the basis of the Audit and Risk Committee's preliminary review, the Consolidated Financial Statements and the Combined Group Management Report. The Supervisory Board provides to the Annual Shareholders Meeting a written report on the results of this examination.

The Supervisory Board has established policies and procedures for itself. It holds four regular meetings in each financial year. In the event of a tie vote on the Supervisory Board, another vote is held; if there is still a tie, the Chairperson casts the tie-breaking vote.

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

"The Supervisory Board's composition should ensure that, on balance, its members have the necessary expertise, skills, and professional experience to discharge their duties properly. Each Supervisory Board member should have or acquire the minimum expertise and skills needed to be able to understand

and assess on his or her own all the business transactions that may occur. The Supervisory Board should include a sufficient number of independent candidates; members are deemed independent if they do not have any business relationship with the Company or its Board of Management that constitutes a conflict of interest. The Supervisory Board should not include more than two former members of the Board of Management, and members of the Supervisory Board must not sit on the boards of, or act as consultants for, any of the Company's major competitors.

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

As a general rule, Supervisory Board members should not be older than 70.

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

In addition, the Supervisory Board as a whole should have particular expertise in the energy sector and the E.ON Group's business operations. Such expertise includes knowledge about the key markets in which the E.ON Group operates. Furthermore, the internal and external stakeholder groups (shareholders/investors, employees/unions, society/government) should be represented in the Supervisory Board.

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

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

In addition, the Supervisory Board aims to continually increase the number of women in the Supervisory Board. Currently, one shareholder representative and one employee representative are women. The Supervisory Board aims to double this number at the latest at its next regular election, which takes place in 2013. It aims for 30 percent of Supervisory Board members to be women as of the regular election after that; this reflects the percentage of women employees in the E.ON Group."

The targets for the Supervisory Board's composition will be taken into consideration for the first time with the recommendations for election of three shareholder representative Supervisory Board members at the 2011 Annual Shareholders Meeting. Next year, the Supervisory Board will report in detail about where it stands in achieving the targets it has set.

In addition, under the Supervisory Board's policies and procedures, Supervisory Board members are required to disclose to the Supervisory Board any conflicts of interest, particularly if a conflict arises from their advising, or holding a corporate office with, one of E.ON's customers, suppliers, creditors, or other business partners. The Supervisory Board is required to report any conflicts of interest to the Annual Shareholders Meeting and to describe how the conflicts have been dealt with. Any material conflict of interest of a non-temporary nature should result in the termination of a member's appointment to the Supervisory Board. There were no conflicts of interest involving members of the Supervisory Board in 2010. Any consulting or other service agreements between the Company and a Supervisory Board member require the Supervisory Board's consent. No such agreements existed in 2010.

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

The Mediation Committee required by Section 27, Paragraph 3, of the Codetermination Act consists of two shareholder-representative members and two employee-representative members. This committee is responsible for recommending to the Supervisory Board potential candidates for the Board of Management if the first vote does not yield the necessary two-thirds majority of votes of Supervisory Board members. It therefore only meets when necessary.

The Executive Committee consists of the four members of the above-named committee. It prepares the meetings of the Supervisory Board and advises the Board of Management on matters of general policy relating to the Company's strategic development. In urgent cases (in other words, if waiting for the Supervisory Board's prior approval would materially prejudice the Company), the Executive Committee acts on the full Supervisory Board's behalf. In addition, a key Executive Committee task is to prepare the Supervisory Board's personnel decisions and resolutions for setting the total compensation of individual Board of Management members within the meaning of Section 87 of the German Stock Corporation Act. Furthermore, it is responsible for the conclusion, alteration, and termination of the service agreements of Board of Management members and for presenting the Supervisory Board with a proposal for a resolution on the Board of Management's compensation plan including key elements of Board of Management service agreements. It also deals with corporate-governance matters and reports to the Supervisory Board at least once a year on the status and effectiveness of, and possible ways of improving, the Company's corporate governance.

The Audit and Risk Committee consists of four members who have special knowledge in the field of accounting and/or business administration. In line with the Code's mandates, the Chairperson has extensive knowledge and experience in applying accounting principles and/or in international business control processes. The Audit and Risk Committee mainly addresses issues relating to the Company's accounting, compliance, and risk management as well as the necessary independence of the independent auditor, the defining of auditing priorities, and the agreement regarding the independent auditor's fees. The Audit and Risk Committee also prepares the Supervisory Board's decision on the approval of the Financial Statements of E.ON AG and the Consolidated Financial Statements. It also examines the Company's quarterly Interim Reports and discusses the audit review of the Interim Reports with the independent auditor. The effectiveness of the internal control mechanisms for the accounting process used at E.ON AG and the market unit lead companies is tested on a regular basis by our Internal Audit division. In addition, the Audit and Risk Committee prepares the proposal on the selection of the Company's independent auditor for the Annual Shareholders Meeting. In order to ensure the auditor's independence, the Audit and Risk Committee secures a statement from the proposed auditors detailing any facts that could lead to the audit firm being excluded for independence reasons or otherwise conflicted.

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

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

The Finance and Investment Committee consists of six members. It advises the Board of Management on all issues of corporate finance and investment planning. It decides on behalf of the Supervisory Board on the approval of the acquisition and disposition of companies, equity interests, and parts of companies, as well as on finance measures whose value exceeds 1 percent of the equity listed in the Company's most recent Consolidated Balance Sheet. If the value of any such transactions or activities exceeds 2.5 percent of the equity listed in the most recent Consolidated Balance Sheet, the Finance and Investment Committee prepares the Supervisory Board's decision on such matters.

The Nomination Committee consists of three shareholder-representative members. Its Chairperson is the Chairperson of the Supervisory Board. Its task is to recommend to the Supervisory Board suitable candidates for election to the Supervisory Board by the Annual Shareholders Meeting.

All committees meet at regular intervals and when specific circumstances require it under their policies and procedures. The Report of the Supervisory Board (on pages 176 to 179) contains information about the activities of the Supervisory Board and its committees in the financial year under review. Pages 180 and 181 show the composition of the Supervisory Board and its committees.

## Shareholders and Annual Shareholders Meeting

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

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

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

## Compensation Report (Part of the Combined Group Management Report)

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

### Compensation Plan for Members of the Supervisory Board

The compensation of Supervisory Board members is determined by the Annual Shareholders Meeting and governed by E.ON AG's Articles of Association. In accordance with German law and the Code's recommendations, the compensation plan takes into consideration Supervisory Board members' responsibilities and scope of duties as well as the Company's financial situation and business performance. In accordance with the Code, Supervisory Board members receive fixed annual compensation as well as two variable, performance-based compensation components. The short-term component is linked to dividends. The long-term component is linked to the three-year average of the E.ON Group's consolidated net income.

Fixed compensation: in addition to being reimbursed for their expenses including the value-added tax due on their compensation, Supervisory Board members receive fixed compensation of €55,000 for each financial year.

Short-term variable compensation: in addition, Supervisory Board members receive variable compensation of €345 for each 1 euro cent of per-share dividend paid out to shareholders in excess of 3 1/3 euro cents per no-par-value share for the relevant financial year.

Long-term variable compensation: furthermore, Supervisory Board members also receive variable compensation of €210 for each 1 euro cent of the three-year average of the E.ON Group's consolidated net income per share (attributable to shareholders of E.ON) in excess of 76 2/3 euro cents.

Individuals who were members of the Supervisory Board or any of its committees for less than an entire financial year receive pro-rata compensation for each full or partial month of membership. Fixed compensation is payable after the end of the financial year. Variable compensation components are payable after the Annual Shareholders Meeting, which votes to formally approve the acts of the members of the Supervisory Board in the previous financial year.

The Chairman of the Supervisory Board receives a total of three times the above-mentioned compensation; the Deputy Chairman and every chairman of a Supervisory Board committee receive a total of twice the above-mentioned amount; and each committee member receives a total of one-and-a-half times the above-mentioned compensation.

Supervisory Board members are paid an attendance fee of €1,000 per day for meetings of the Supervisory Board or its committees. Finally, the Company has taken out D&O insurance for the benefit of Supervisory Board members to cover the statutory liability related to their Supervisory Board duties. This insurance formerly included a deductible equal to 50 percent of a Supervisory Board member's annual fixed compensation in the case of a damage claim being granted. In accordance with the Code's recommendations, effective June 16, 2010, the deductible was increased to 10 percent of a damage claim but with a maximum cumulative annual cap of 150 percent of a member's annual fixed compensation.

Fixed annual compensation of €55,000 is intended to reflect the independence necessary for the Supervisory Board to fulfill its supervisory function. In addition, there are a number of duties that Supervisory Board members must perform irrespective of the Company's financial performance. For this reason, there should be minimum guaranteed compensation even when the Company faces difficult times, since in such times the Supervisory Board's work is often particularly demanding.

### Changes to the Supervisory Board's Compensation Plan Starting in 2011

At the Annual Shareholders Meeting on May 5, 2011, the Board of Management will propose that the Supervisory Board's compensation plan be changed. Assuming that the Annual Shareholders Meeting approves the proposal, starting in the 2011 financial year Supervisory Board members would receive fixed compensation only, thereby further enhancing the Supervisory Board's independence. The details of the proposed compensation plan are as follows:

In addition to being reimbursed for their expenses including the value-added tax due on their compensation, Supervisory Board members receive fixed compensation of €140,000 for each financial year. The Chairman of the Audit and Risk Committee receives an additional €180,000; 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 of the Supervisory Board receives fixed compensation of €440,000; the Deputy Chairman, €320,000. The Chairman and the Deputy Chairman of the Supervisory Board receive no additional compensation for their committee duties.

## Compensation of the Members of the Supervisory Board

Assuming that the Annual Shareholders Meeting on May 5, 2011, approves the proposed dividend, the total compensation of the members of the Supervisory Board will amount to €4.9 million (2009: €4.9 million).

No loans were outstanding or granted to Supervisory Board members in the 2010 financial year. The members of the Supervisory Board are listed on pages 180 and 181.

**Supervisory Board Compensation 2010**

| € in millions | Fixed compensation | Short-term variable compensation | Long-term variable compensation | Supervisory Board compensation from affiliated companies[1] | Total |
|---|---|---|---|---|---|
| Ulrich Hartmann | 165,000 | 151,800 | 123,480 | – | 440,280 |
| Erhard Ott | 100,833 | 92,767 | 75,460 | 36,250 | 305,310 |
| Werner Bartoschek | 82,500 | 75,900 | 61,740 | 78,000 | 298,140 |
| Sven Bergelin | 55,000 | 50,600 | 41,160 | 63,288 | 210,048 |
| Gabriele Gratz | 82,500 | 75,900 | 61,740 | 103,000 | 323,140 |
| Jens P. Heyerdahl d.y. (until June 30, 2010) | 27,500 | 25,300 | 20,580 | – | 73,380 |
| Wolf-Rüdiger Hinrichsen | 77,333 | 67,467 | 54,880 | – | 195,680 |
| Ulrich Hocker | 55,000 | 50,600 | 41,160 | – | 146,760 |
| Prof. Dr. Ulrich Lehner | 82,500 | 75,900 | 61,740 | – | 220,140 |
| Bård Mikkelsen (since July 19, 2010) | 27,500 | 25,300 | 20,580 | – | 73,380 |
| Hans Prüfer | 82,500 | 75,900 | 61,740 | – | 220,140 |
| Klaus Dieter Raschke | 82,500 | 75,900 | 61,740 | 45,470 | 265,610 |
| Dr. Walter Reitler | 55,000 | 50,600 | 41,160 | 36,500 | 183,260 |
| Hubertus Schmoldt | 77,917 | 71,683 | 58,310 | – | 207,910 |
| Dr. Henning Schulte-Noelle | 82,500 | 75,900 | 61,740 | – | 220,140 |
| Dr. Karen de Segundo | 55,000 | 50,600 | 41,160 | – | 146,760 |
| Dr. Theo Siegert | 110,000 | 101,200 | 82,320 | – | 293,520 |
| Prof. Dr. Wilhelm Simson | 55,000 | 50,600 | 41,160 | – | 146,760 |
| Dr. Georg Frhr. von Waldenfels | 55,000 | 50,600 | 41,160 | – | 146,760 |
| Werner Wenning | 82,500 | 75,900 | 61,740 | – | 220,140 |
| Hans Wollitzer | 82,500 | 75,900 | 61,740 | 57,250 | 277,390 |
| **Subtotal** | **1,572,083** | **1,446,317** | **1,176,490** | **419,758** | **4,614,648** |
| Attendance fees and meeting-related reimbursements | | | | | 242,866 |
| **Total** | | | | | **4,857,514** |

[1]Compensation paid in 2010.

### Compensation Plan for Members of the Board of Management

In accordance with the principles of the version of the Code dated June 18, 2009, which incorporates VorstAG's provisions and in some cases defines them in greater detail, the Supervisory Board must approve the Executive Committee's proposal for the Board of Management's compensation plan and reviews the plan regularly.

At its meeting on December 14, 2009, the Supervisory Board passed a resolution approving the compensation plan described below.

## Components of the Compensation Plan

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

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

- Base salary 30% to 35%
- Annual target bonus (with 100% target attainment) 40% to 45%
- Long-term compensation (value at issuance) 20% to 30%

## Annual Bonus

The annual bonus mechanism for the year under review was established by a resolution of the Supervisory Board dated December 14, 2009, and took effect on January 1, 2010.

Section 87 of the VorstAG version of the AktG requires that a management board's compensation package must be geared towards a sustainable business performance. To implement this requirement, the Supervisory Board and Board of Management members agreed in 2009 that the Board of Management's annual bonus mechanism would adopt a multi-year performance metric effective 2010. This modification affected the company performance portion of the annual bonus. Only in the case of Dr. Bernotat was no contract change made because his service on the Board of Management terminated at the close of April 30, 2010.

The amount of the bonus is determined by the degree to which certain performance targets are attained. The target-setting system consists of 70 percent company performance targets and 30 percent individual performance targets. Board of Management members who fully attain their performance target receive the target bonus agreed to in their contracts. The maximum bonus that can be attained is 200 percent of the target bonus. The minimum bonus paid is equal to 30 percent of the target bonus.

The company performance targets reflect, in equal shares, the return on capital employed ("ROCE") and operating performance (as measured by adjusted EBIT).

Half of the company-performance portion of the annual bonus (thus 35 percent of the total annual bonus) is a single-year performance metric; namely, the Company's results for the previous financial year. This portion of the annual bonus will be calculated and paid out based on the attainment of company performance targets for the previous financial year.

The other half of the company-performance portion of the annual bonus (also 35 percent of the total annual bonus) is a three-year performance metric; namely, the average of the percentages of target attainment of the company-performance portion for the previous financial year and the two subsequent years. This portion of the annual bonus will be calculated and paid out based on the attainment of company performance targets for the previous financial year. However, this portion of the bonus is preliminary and is subject to partial repayment if company performance targets are not attained in the subsequent years. This portion of the annual bonus is definitively set at the end of the two-year period following the baseline year. If the three-year average of the achievement of company performance targets is higher than the preliminary calculation for the one-year period, then Board of Management members receive an additional bonus payment (bonus). If it is lower, they are required to pay back the resulting difference or have it deducted from their next bonus (malus or negative bonus).

The target for the ROCE portion of the annual bonus is equal to the prior-year weighted-average cost of capital ("WACC") plus a premium, stipulated by the Supervisory Board, to increase leverage. The premium is currently two percentage points. If E.ON's actual ROCE is equal to the ROCE target, this constitutes 100-percent attainment. If it is three percentage points or more lower, this constitutes zero-percent attainment. If it is three percentage points or more higher, this constitutes 200-percent attainment. Linear interpolation is used to translate intermediate ROCE figures into percentages.

The target for the adjusted EBIT portion of the annual bonus is the above-described target ROCE multiplied by the prior-year capital employed. If E.ON's actual adjusted EBIT is equal to the adjusted EBIT target, this constitutes 100-percent attainment. If it is twice as high, this constitutes 200-percent achievement. If it is zero, this constitutes zero-percent attainment. Linear interpolation is used to translate intermediate adjusted EBIT figures into percentages.

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

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

In contradistinction to the above-described mechanism, Dr. Bernotat's prorated annual bonus was based on the annual bonus mechanism that was in effect for all Board of Management members through the end of 2009. Under this mechanism, the company-performance portion of the annual bonus was calculated and paid in full on the basis of target attainment for the prior financial year. The individual portion of the annual bonus was calculated according to targets agreed on in writing and/or key task areas.

## Changes to the Annual Bonus Mechanism Effective 2011

In conjunction with E.ON's new strategy, the Supervisory Board passed a resolution changing the annual bonus effective January 1, 2011. The first step in calculating the total annual bonus is to determine to what degree the operating-earnings target has been attained. The second step is for the Supervisory Board, at its discretion, to determine the degree to which the individual-performance portion of the annual bonus has been attained. The third step is for both target-attainment portions to be weighted (70 percent operating-earnings target, 30 percent for the individual-performance target) and added together. Finally, this subtotal is multiplied by a value-added factor that is based on the actual return on average capital employed ("ROACE").

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

The metric used for the value-added target will be ROACE relative to WACC. The ROACE target is the prior-year weighted WACC plus a premium, stipulated by the Supervisory Board, to increase leverage. The premium is currently 2 percentage points. If E.ON's actual ROACE is equal to the ROACE target, this constitutes 100-percent attainment. If it is 2 percentage points or more lower, this constitutes 50-percent attainment. If it is 2 percentage points or more higher, this constitutes 150-percent attainment. Linear interpolation is used to translate intermediate ROACE figures into percentages.

Thirty-five percent of the total annual bonus is based on target achievement for the prior financial year (a single-year performance metric); a further 35 percent is based on a three-year average.

## Long-Term Variable Compensation

The long-term variable compensation component that Board of Management members receive is stock-based compensation under the E.ON Share Performance Plan. The Supervisory Board decides each year on the allocation of performance rights.

To ensure that this compensation is sustainable within the meaning of VorstAG, beginning in 2010, all performance rights allocated under the plan have a vesting period of four years, not three years as previously.

The value of the performance rights allocated under the plan is based on the performance of E.ON's stock price, both in absolute terms and relative to the STOXX Europe 600 Utilities (Net Return). This compensation is designed to reward Board of Management members for their contributions to increasing the Company's shareholder value and to promote E.ON's long-term business performance. This variable pay component, which combines incentives for long-term growth with a risk component, effectively aligns management's and shareholders' interests.

As with the annual bonus mechanism, the Supervisory Board passed a resolution changing the E.ON Share Performance Plan. The value of performance rights allocated after January 1, 2011, will be based in part on the performance of E.ON's stock price and in part on ROACE relative to WACC plus, per tranche, a premium stipulated by the Supervisory Board.

Note 11 to the Consolidated Financial Statements contains a detailed description of stock-based compensation.

## Contractual Non-cash Compensation

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

## Settlement Cap for Premature Termination of Board of Management Duties

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

Dr. Bernotat did not need to have a settlement cap because he retired as planned effective at the close of April 30, 2010; there was therefore no possibility of a settlement for premature contract termination.

## Change-in-Control Clauses

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

The change-in-control agreements stipulate that a change in control exists in three cases: a third party acquires at least 30 percent of the Company's voting rights, thus triggering the automatic requirement to make an offer for the Company pursuant to Germany's Stock Corporation Takeover Law; the Company, as a dependent entity, concludes a corporate agreement; the Company is merged with another company. A Board of Management member is entitled to severance and settlement pay if, within 12 months of the change in control, his or her service agreement is terminated by mutual consent, expires, or is terminated by the Board member (in the latter case, however, only if his or her position on the Board is materially affected by the change in control).

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

## Pension Entitlements

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

The following commentary applies to the pension entitlements of Dr. Teyssen, Prof. Dr. Maubach, Dr. Schenck, Dr. Reutersberg, and the Board of Management members who ended their service in the 2010 financial year (Dr. Bernotat, Mr. Dänzer-Vanotti, and Mr. Feldmann):

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

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

In the third case, annual pension payments also range between 50 percent and 75 percent of the last annual base salary and begin when the member reaches the age of 60. Members who depart the Board of Management in this way receive a reduced pension as a bridge payment from the date of their departure until they reach the age of 60 if they had, at the time of their departure, been in a Top Management position in the E.ON Group for more than five years and if the termination or non-extension of their service agreement is not due to their misconduct or rejection of an offer of extension that is at least on a par with their existing service agreement. The amount of the bridge payment is also initially between 50 percent and 75 percent of the last annual base salary based on the length of service on the Board of Management. This amount is then reduced by the ratio between the actual and potential length of service in a Top Management position in the E.ON Group until the standard retirement age. In contrast to this, the service agreements the Company concluded before the 2006 financial year do not include reductions to the bridge payment.

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

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

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

The following table provides an overview of the current pension obligations to Board of Management members. The table also includes the additions to provisions for pensions for each member. These additions to provisions for pensions are not paid compensation but valuations calculated in accordance with IFRS. In addition, the cash value of pension obligations is shown in the following table. The cash value is equal to the defined benefit obligation based on a 5-percent interest rate.

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

**Pensions of the Board of Management Members**

| | Current pension entitlement at December 31, 2010 | | Additions to provisions for pensions in 2010 | | Cash value at Dec. 31, 2010 |
|---|---|---|---|---|---|
| | As a percentage of annual base salary | (€) | (€) | Thereof interest cost (€) | (€) |
| Dr. Wulf H. Bernotat (until April 30, 2010)[1] | – | – | 536,953 | 536,953 | 13,581,803 |
| Dr. Johannes Teyssen | 70 | 784,000 | 758,605 | 397,322 | 8,590,587 |
| Christoph Dänzer-Vanotti (until May 12, 2010) | 50 | 375,000 | 472,738 | 173,020 | 5,171,717 |
| Lutz Feldmann (until May 12, 2010) | 60 | 450,000 | 263,869 | 195,644 | 2,854,189 |
| Jørgen Kildahl (since May 13, 2010)[2] | – | – | 209,495 | – | 209,495 |
| Prof. Dr. Klaus-Dieter Maubach (since May 13, 2010) | 50 | 350,000 | 280,475 | 88,180 | 3,004,887 |
| Dr. Bernhard Reutersberg (since August 11, 2010) | 60 | 420,000 | 379,517 | 56,323 | 6,810,972 |
| Dr. Marcus Schenck | 50 | 375,000 | 439,221 | 62,014 | 1,763,103 |
| Regine Stachelhaus (since June 24, 2010)[2] | – | – | 218,524 | – | 218,524 |

[1]Entered retirement on May 1, 2010.
[2]Contribution Plan E.ON Management Board.

## Compensation of the Members of the Board of Management

There was no general adjustment of Board of Management compensation in 2010. Effective Dr. Teyssen's appointment as Chairman of the Board of Management on May 1, 2010, the Supervisory Board passed a resolution to adjust his compensation.

At its meeting on March 8, 2011, the Supervisory Board determined that the Board of Management's compensation is appropriate. In accordance with VorstAG's provisions, the Supervisory Board made this determination in particular by means of horizontal and vertical comparisons. On the one hand, the Board of Management's compensation was subject to a market comparison with compensation at companies of similar size and in similar industries. On the other, it was compared with compensation at all other levels of hierarchy in the E.ON Group.

The total compensation of the members of the Board of Management in the 2010 financial year amounted to €15.4 million (2009: €16.1 million). Individual members of the Board of Management were paid the following total compensation:

**Compensation of the Board of Management 2010**

| € | Fixed annual compensation | Bonus | Other compensation | Fair value of 5th tranche of performance rights | Total | Number of 5th tranche performance rights granted |
|---|---|---|---|---|---|---|
| Dr. Wulf H. Bernotat (until April 30, 2010) | 413,333 | 600,000 | 7,450 | 306,170 | 1,326,953 | 16,514 |
| Dr. Johannes Teyssen | 1,080,000 | 2,337,000 | 27,966 | 793,772 | 4,238,738 | 42,814 |
| Christoph Dänzer-Vanotti (until May 12, 2010) | 274,194 | 402,150 | 6,300 | 435,449 | 1,118,093 | 23,487 |
| Lutz Feldmann (until May 12, 2010) | 274,194 | 402,150 | 11,558 | 435,449 | 1,123,351 | 23,487 |
| Jørgen Kildahl (since May 13, 2010) | 444,444 | 686,000 | 48,006 | 272,149 | 1,450,599 | 14,679 |
| Prof. Dr. Klaus-Dieter Maubach (since May 13, 2010) | 421,213 | 786,000 | 60,379 | 34,021 | 1,301,613 | 1,835 |
| Dr. Bernhard Reutersberg (since August 11, 2010) | 273,106 | 421,000 | 9,847 | 34,021 | 737,974 | 1,835 |
| Dr. Marcus Schenck | 750,000 | 1,530,000 | 26,351 | 544,297 | 2,850,648 | 29,358 |
| Regine Stachelhaus (since June 24, 2010) | 363,258 | 563,000 | 31,964 | 272,149 | 1,230,371 | 14,679 |
| **Total** | **4,293,742** | **7,727,300** | **229,821** | **3,127,477** | **15,378,340** | **168,688** |

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

The performance rights granted in 2010 as the fifth tranche of the E.ON Share Performance Plan were quoted at their fair value of €18.54 per right on the date of their issuance and were included in Board of Management members' total compensation. This fair value is determined by means of a recognized option-pricing model (a Monte Carlo simulation based on a two-dimensional Black-Scholes model).

For purposes of internal communications between the Board of Management and the Supervisory Board, the target value is used instead of the fair value. The target value is equal to the cash payout amount of each performance right if at the end of the vesting period E.ON stock maintains its price and its performance equals the performance of the benchmark index. In 2010, the target value of the rights issued was €1,166,667 for the Chairman of the Board of Management, €0.8 million for Dr. Schenck, €0.64 million for Mr. Dänzer-Vanotti and Mr. Feldmann, €0.45 million for Dr. Bernotat, and €0.4 million for all other Board of Management members.

The German Commercial Code (Section 314, Paragraph 1, Item 6a, Sentence 8) requires supplemental disclosure, by year, of the Company's expenses for all tranches granted in 2010 and in previous years and for tranches existing in 2010. The following expenses in accordance with IFRS 2 were recorded for performance rights existing in the 2010 financial year (figures are approximate): Dr. Bernotat €1.5 million, Mr. Feldmann €0.1 million, Mr. Dänzer-Vanotti €0.1 million, Mr. Kildahl €39,000, Mrs. Stachelhaus €39,000, Prof. Dr. Maubach €5,000, and Dr. Reutersberg €5,000; income of €0.1 million was recorded for Dr. Teyssen and the same figure for Dr. Schenck.

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

Dr. Bernotat ended his service on the Board of Management and retired at the close of April 30, 2010. Following his departure he received other compensation of about €86,000.

Mr. Dänzer-Vanotti and Mr. Feldmann ended their service on the Board of Management by mutual consent at the close of May 12, 2010. Severance agreements were concluded with both; these agreements take into consideration the Code's settlement-cap guidelines.

Mr. Dänzer-Vanotti's service agreement was terminated effective September 30, 2010. His prorated annual bonus for 2010 was based on 100-percent target attainment. During the period from date his service on the Board of Management ended to the date his service agreement was terminated, Mr. Dänzer-Vanotti received €713,065 in compensation under his service agreement. In compensation for his claims for the remainder of his service agreement (which ran through November 30, 2014), a settlement payment of €5.19 million was agreed on with Mr. Dänzer-Vanotti. From October 1, 2012, to April 30, 2015, he is entitled to a reduced pension payment of €200,212 per year on the basis of his service agreement.

Mr. Feldmann's service agreement was terminated effective June 30, 2010. His prorated annual bonus for 2010 was based on 100-percent target attainment. During the period from date his service on the Board of Management ended to the date his service agreement was terminated, Mr. Feldmann received €252,685 in compensation under his service agreement. In compensation for his claims for the remainder of his service agreement (which ran through November 30, 2014), a settlement payment of €5.29 million was agreed on with Mr. Feldmann. From December 1, 2014, to March 31, 2017, he is entitled to a reduced pension payment of €226,380 per year on the basis of his service agreement.

No loans were outstanding or granted to members of the Board of Management in 2010 financial year.

Page 187 contains additional information about the members of the Board of Management.

## Payments Made to Former Members of the Board of Management

Total payments made to former Board of Management members and to their beneficiaries amounted to €25.4 million in 2010 (2009: €9.9 million).

Provisions of €136.6 million (2009: €109.1 million) have been provided for pension obligations to former Board of Management members and their beneficiaries.

## Report of the Supervisory Board

In the 2010 financial year, the Supervisory Board carefully performed all its duties and obligations under law, the Articles of Association, and its own policies and procedures. It thoroughly examined and discussed the Company's situation.

We advised the Board of Management regularly about the Company's management and continually monitored the Board of Management's activities. We were closely involved in all business transactions of key importance to the Company and discussed these transactions thoroughly based on the Board of Management's reports. At the Supervisory Board's four regular meetings and four extraordinary meetings and at one informational event about renewable energy, we addressed in depth all issues relevant to the Company. In addition, at two Supervisory Board meetings we and the Board of Management thoroughly discussed possible market developments, fundamental issues, and the E.ON Group's future strategic position. The Board of Management regularly provided us with timely and comprehensive information in both written and oral form. We discussed the written and oral reports thoroughly at our meetings. The Supervisory Board agreed to the resolutions proposed by the Board of Management after thoroughly examining and discussing them.

Furthermore, there was a regular exchange of information between the Chairman of the Supervisory Board and the Chairman of Board of Management. In this way, the Supervisory Board was continually informed about the current operating performance of the major Group companies, significant business transactions, and the development of key financial figures.

### Strategic Realignment and New Organizational Setup

The Board of Management reported in detail about the E.ON Group's strategic realignment, which we discussed thoroughly. The Supervisory Board supports the new course under which E.ON will focus on competitive markets in Europe and enhance its efforts to leverage synergies across businesses and business areas in converging energy markets. There is also a new strategic focus on achieving significant, targeted business growth in fast-growing regions outside Europe. E.ON's aim is to become a global provider of specialized energy solutions.

In the context of the new strategy, the Board of Management provided us with comprehensive information about Steering & Leadership. This Group-wide project explored new ways for E.ON to meet the needs of its power and gas customers, and the expectations of its stakeholders, more efficiently and effectively. The E.ON Group's new organizational setup is the result of this thorough analysis. Effective January 2011, E.ON's business, formerly segmented into market units, is segmented into global and regional units. In addition, a global unit called New Build & Technology was created, and support functions (such as IT, procurement, and so forth) were combined.

In addition, the Board of Management reported in detail about various divestment projects. In particular, these included the sale of U.S. Midwest, successfully concluded in November 2010, and the sale of E.ON's remaining equity stake in Russia's Gazprom following E.ON's acquisition of a stake in Yuzhno Russkoye, a natural gas field in Siberia, in 2009. The Board of Management also informed us in detail about the respective status of the sale process for former Thüga shareholdings. Furthermore, the Board of Management kept us informed about the current status of PerformtoWin, an efficiency-enhancement program.

### Energy Policy and Regulatory Environment and Proceedings

The Board of Management informed us in detail about the current market situation as well as the increasing trend towards government intervention and the resulting challenges and the effects on our markets and the E.ON Group. Key topics were the German government's energy plan, the introduction of a nuclear-fuel tax, and the operating-life extensions of nuclear power stations in Germany. We also received information about the EU's plan to auction all carbon allowances starting in 2013. In addition, we thoroughly discussed the legal disputes relating to the construction of a coal-fired generating unit in Datteln.

In addition, the Board of Management reported about the fulfillment of E.ON's commitment to the European Commission to divest generating capacity and its ultrahigh-voltage transmission system. Furthermore, the Board of Management provided information about the European Commission's decision to declare binding the commitments made in conjunction with the proceedings against E.ON Ruhrgas and Open Grid Europe (formerly E.ON Gastransport) regarding network usage. The Board of Management also informed us regularly and in detail about ongoing antitrust proceedings in the electricity and gas sectors.

## Financial Situation and Medium-Term Plan

We discussed in detail the financial situation of the major Group companies in relation to developments in European and global energy markets, about which the Board of Management continually informed us.

We also discussed thoroughly the E.ON Group's medium-term plan for the period 2011–2013, including the investment program, its financing, and Group-wide human resources. This year's medium-term plan showed that there are sufficient specific indicators that the Company's business situation is challenging. In this context, the Board of Management explained the analyses regarding the enhancement of the Group's performance as well as structural measures. Furthermore, the Board of Management informed us about the scope of E.ON's use of derivative financial instruments and how certain changes to the regulation of these instruments will affect E.ON's business.

Other topics of our discussions include the effects of the global financial and economic crisis on E.ON's financial situation and the various necessary measures to maintain the Group's ability to act in the near term. The Board of Management informed us continually and in detail about market developments. For example, commodity prices are significantly lower than in recent years, and the gas business is undergoing profound changes. In addition, the Board of Management informed us regularly about E.ON's rating situation.

## Corporate Governance

In the 2010 financial year, we again had intensive discussions about the further development of E.ON's corporate governance policies. In this context, we assured ourselves that the Board of Management's compensation is appropriate and customary pursuant to the Act on the Appropriateness of Management Board Compensation ("VorstAG"). In view of the new recommendations in the German Corporate Governance Code ("the Code"), we thoroughly discussed and then formulated targets for the Supervisory Board's composition. These targets are published in the Corporate Governance Declaration on pages 164 to 165 of this report. Furthermore, we discussed the efficiency of the Supervisory Board's work. We also dealt in detail with the Supervisory Board's report to the Annual Shareholders Meeting and the Corporate Governance Report. In addition, we assured ourselves that in the 2010 financial year E.ON AG complied with the corporate governance principles contained in the Declaration of Compliance it had issued on December 14, 2009. Together with the Board of Management, we issued a declaration that E.ON had complied with all of the recommendations of the most recent version of the Code. E.ON's Declaration of Compliance with the Code pursuant to Section 161 of the German Stock Corporation Act is published on the Internet at www.eon.com and as part of the Corporate Governance Declaration on page 162 of this report.

## Committee Meetings

The Supervisory Board's Executive Committee met six times. In particular, it prepared the meetings of the E.ON AG Supervisory Board and Annual Shareholders Meeting. Among other things, the Executive Committee recommended the appointment of the new members of the Board of Management in May and August 2010 and issued a resolution on the new task assignments on the Board of Management. It also prepared in detail the Supervisory Board's discussion of VorstAG and the Board of Management's compensation plan.

The Finance and Investment Committee held six meetings and, in the case of the committee's resolution on the disposal of E.ON's stake in Swiss energy company BKW, communicated in writing. The Board of Management's comprehensive reports and the committee's thorough discussions focused on the sale of the U.S. Midwest market unit and of E.ON's Gazprom stake. E.ON's finance and debt situation, the refinancing of the syndicated credit facility, and the medium-term plan for the period 2011–2013 were also discussed. At its meetings, the committee also prepared Supervisory Board resolutions on transactions requiring the Supervisory Board's approval and/or made such resolutions itself in accordance with the Supervisory Board's policies and procedures.

At its six meetings, the Audit and Risk Committee devoted particular attention to the Financial Statements of E.ON AG (prepared in accordance with the German Commercial Code), the Consolidated Financial Statements and Interim Reports (prepared in accordance with International Financial Reporting Standards, or "IFRS"), and issues relating to accounting, the risk management system, E.ON's risk situation, and its dealings with its independent auditors. Key topics of discussion relating to the financial statements included the Board of Management's proposal for appropriating income available for distribution, the independent audit's costs and main focus areas, and the results of the impairment tests for goodwill. Other matters discussed by the committee included the testing of the internal control system and risk control system. The committee also thoroughly discussed the risk committee's report, the auditing and consulting services performed by the independent auditors, the work done by internal audit including the audit plan and focus areas for 2011, the compliance report and E.ON's compliance system, and other issues related to auditing. The Board of Management also reported on ongoing proceedings and on legal and regulatory risks for the E.ON Group's business. In addition, the committee dealt intensively with the possible effects of the antitrust proceeding in conjunction with the MEGAL pipeline and prepared the Supervisory Board's discussion of this issue.

## Examination and Approval of the Financial Statements of E.ON AG, Approval of the Consolidated Financial Statements, Proposal for Appropriating Income Available for Distribution

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Düsseldorf, the independent auditors chosen by the Annual Shareholders Meeting and appointed by the Supervisory Board, audited and submitted an unqualified opinion on the Financial Statements of E.ON AG and the Combined Group Management Report for the year ended December 31, 2010. The same applies to the Consolidated Financial Statements prepared in accordance with IFRS. The Consolidated Financial Statements prepared in accordance with IFRS exempt E.ON AG from the requirement to publish Consolidated Financial Statements in accordance with the German Commercial Code. Furthermore, the auditors examined E.ON AG's risk detection system. This examination revealed that the system is fulfilling its tasks. After being subject to a preliminary review by the Audit and Risk Committee, the Financial Statements, the Combined Group Management Report and the Independent Auditor's Report were given to all the members of the Supervisory Board. The Audit and Risk Committee and the Supervisory Board, at its meeting to approve the Financial Statements, also reviewed these documents in detail, with the independent auditors present on both occasions.

At our meeting on March 8, 2011, we examined—with knowledge of, and reference to, the Independent Auditor's Report and the results of the preliminary review by the Audit and Risk Committee—the Financial Statements of E.ON AG, the Consolidated Financial Statements, the Combined Group Management Report, and the Board of Management's proposal regarding the appropriation of net income available for distribution. We found no reasons for objections regarding these documents. We approved the Independent Auditor's Report.

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

We examined the Board of Management's proposal for appropriating income available for distribution, which includes a cash dividend of €1.50 per ordinary share, also taking into consideration the Company's liquidity and its finance and investment plans. The proposal is in the Company's interest with due consideration for the shareholders' interests. We therefore agree with the Board of Management's proposal for appropriating income available for distribution.

## Personnel Changes on the Supervisory Board

Hubertus Schmoldt ended his service as Deputy Chairman of the Supervisory Board effective the conclusion of the Annual Shareholders Meeting on May 6, 2010. He remains a member of the Supervisory Board. We would like to thank Mr. Schmoldt for his constructive work as Deputy Chairman of the Supervisory Board. At its meeting on March 9, 2010, the Supervisory Board elected Erhard Ott to serve as Deputy Chairman from the conclusion of the 2010 Annual Shareholders Meeting to the end of the Supervisory Board's remaining term. Prior to this meeting, Mr. Ott had let it be known that if he was elected Deputy Chairman of the Supervisory Board he would end his membership on the Finance and Investment Committee effective the conclusion of the 2010 Annual Shareholders Meeting. The Supervisory Board therefore subsequently elected Wolf-Rüdiger Hinrichsen to serve as a member of the Finance and Investment Committee from the conclusion of the 2010 Annual Shareholders Meeting to the end of the Supervisory Board's remaining term. Because Mr. Ott had been deputy chairman of this committee, it was necessary to elect a new deputy chairman for the period from the conclusion of the 2010 Annual Shareholders Meeting. The members of the Finance and Investment Committee elected Hans Wollitzer to serve as deputy chairman of the committee effective the conclusion of the 2010 Annual Shareholders Meeting.

Effective June 30, 2010, Jens P. Heyerdahl ended his service on the Supervisory Board. E.ON benefited from his wise counsel and business acumen. We would like to take this opportunity to again thank him for his dedicated service. Pursuant to a decision by the Düsseldorf Commercial Court dated July 19, 2010, Bård Mikkelsen was appointed as a member of the Supervisory Board to serve the remainder of the departing member's term.

At the Supervisory Board's meeting on December 13, 2010, Ulrich Hartmann and Professor Dr. Wilhelm Simson announced that they would end their service on the Supervisory Board at the conclusion of the next Annual Shareholders Meeting, on May 5, 2011. This will result in a change in the Chairmanship of the Supervisory Board and on various committees. After their departure from the E.ON Board of Management, Mr. Hartmann and Dr. Simson have been members of the Supervisory Board since 2003, Mr. Hartmann as Chairman of the Supervisory Board and of the Executive, Nomination, and Finance and Investment Committees and as a member of the Audit and Risk Committee.

## Personnel Changes on the Board of Management

At its meeting on August 10, 2009, the Supervisory Board had already appointed Dr. Johannes Teyssen as Chairman of the Board of Management effective May 1, 2010. Dr. Teyssen succeeded Dr. Wulf H. Bernotat, whose appointment ended on April 30, 2010. We would like to take this opportunity to again thank Dr. Bernotat for his outstanding service to the E.ON Group. He played a decisive role in leading E.ON's transformation into a focused energy company and dedicated himself fully to E.ON's successful strategic development and internationalization.

At its meeting on May 12, 2010, the Supervisory Board agreed to a restructuring of the Board of Management's setup and composition and appointed three new members to the Board of Management. The aim of the changes was to enable the Board of Management to manage and oversee E.ON's operating businesses even more closely and to enhance the Group's innovative strength in view of its rapidly changing technological and business environment.

Power and gas production, global trading, and energy optimization are managed centrally from a new Board of Management position to which the Supervisory Board appointed Jørgen Kildahl.

Regine Stachelhaus, the Chief Human Resources Officer, has responsibility for all functions that support E.ON's core business, in particular Human Resources, IT, and procurement. She is also responsible for legal affairs and compliance.

A new Board of Management position for technology was created. Professor Dr. Klaus-Dieter Maubach was appointed to this position. Professor Dr. Maubach oversees all of E.ON's research and technology activities and the New Build & Technology global unit, which manages and implements all of the Group's major investment projects around the world.

In addition to his previous duties, Dr. Marcus Schenck, the Chief Financial Officer, was given responsibility for controlling, Group-wide M&A activities, and E.ON International Energy. Responsibility for IT was transferred to Mrs. Stachelhaus.

At its meeting on August 10, 2010, the Supervisory Board appointed Dr. Bernhard Reutersberg as a member of the Board of Management effective August 11, 2010. In his new function, Dr. Reutersberg is responsible for E.ON's national subsidiaries. He therefore oversees E.ON's distribution and sales businesses, including government and regulatory affairs. He also coordinates E.ON's energy operations in the Russian market.

Lutz Feldmann und Christoph Dänzer-Vanotti ended their service on the E.ON Board of Management on May 12, 2010. We would like to thank them for their personal dedication to the E.ON Group's successful development.

The Supervisory Board wishes to thank the Board of Management, the Works Councils, and all the employees of the E.ON Group for their dedication and hard work in the 2010 financial year.

Düsseldorf, March 8, 2011
The Supervisory Board

Ulrich Hartmann
Chairman

## Supervisory Board (and Information on Other Directorships Held by Supervisory Board Members)

### Honorary Chairman

**Prof. Dr. Günter Vogelsang**
Düsseldorf

### Supervisory Board

**Ulrich Hartmann**
Chairman of the Supervisory Board, E.ON AG
- Deutsche Lufthansa AG (until April 29, 2010)
- Henkel AG & Co. KGaA (until April 19, 2010)

**Erhard Ott**
Deputy Chairman of the Supervisory Board, E.ON AG
- E.ON Energie AG (until December 31, 2010)
- Bremer Lagerhaus-Gesellschaft AG

**Werner Bartoschek**
Chairman of the Group Works Council, E.ON Ruhrgas AG
- E.ON Ruhrgas AG

**Sven Bergelin**
Director of the National Energy Industry Group, Unified Service Sector Union, ver.di
- E.ON Avacon AG (until April 2010)
- E.ON Energie AG
- E.ON Kernkraft GmbH

**Gabriele Gratz**
Chairwoman of the Works Council, E.ON Ruhrgas AG
- E.ON Ruhrgas AG

**Jens P. Heyerdahl d.y.**
(until June 30, 2010)
Attorney
- Berner Gruppen AS
- Hamang Papirfabrik AS

**Wolf-Rüdiger Hinrichsen**
Chairman of the Works Council, E.ON AG

**Ulrich Hocker**
General Manager, German Investor Protection Association
- Deutsche Telekom AG
- Feri Finance AG
- Gildemeister AG
- Gartmore SICAV
- Phoenix Mecano AG (Chairman of the Board of Directors)

**Prof. Dr. Ulrich Lehner**
Member of the Shareholders' Committee, Henkel AG & Co. KGaA
- Deutsche Telekom AG (Chairman)
- Henkel Management AG
- HSBC Trinkaus & Burkhardt AG
- Porsche Automobil Holding SE
- ThyssenKrupp AG
- Dr. Oetker KG (Advisory Board)
- Henkel AG & Co. KGaA (Shareholders' Committee)
- Novartis AG (Administrative Council)

**Bård Mikkelsen**
(since July 19, 2010)
Businessman, former President and CEO of Statkraft AS
- Ganger Rolf ASA/Bonheur ASA (Shareholders' Committee)
- Bore Tech AB (Chairman)
- Cermaq ASA (Chairman)
- Clean Energy Invest AS (Chairman)
- Saferoad AS
- Store Norske Spitsbergen Kulkompani AS (Chairman)
- Powel AS (Chairman)

**Hans Prüfer**
Chairman of the Group Works Council, E.ON AG

**Klaus Dieter Raschke**
Chairman of the Group Works Council, E.ON Energie AG
- E.ON Energie AG
- E.ON Kernkraft GmbH

**Dr. Walter Reitler**
Senior Vice President of HSE and Corporate Responsibility, E.ON Energie AG
- E.ON Energie AG

**Hubertus Schmoldt**
Economist
- Bayer AG
- BP Europa SE
- DOW Olefinverbund GmbH
- RAG Aktiengesellschaft

Unless otherwise indicated, information as of December 31, 2010, or as of the date on which membership in the E.ON Supervisory Board ended.
- Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
- Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

### Dr. Henning Schulte-Noelle
Chairman of the Supervisory Board, Allianz SE
- Allianz SE (Chairman)
- ThyssenKrupp AG (until January 21, 2011)

### Dr. Karen de Segundo
Attorney
- British American Tobacco plc
- Ensus Ltd.
- Koninklijke Ahold N.V.
- Lonmin plc
- Pöyry Oyj

### Dr. Theo Siegert
Managing Partner, de Haen-Carstanjen & Söhne
- Deutsche Bank AG
- ERGO AG (until May 12, 2010)
- Merck KGaA
- DKSH Holding Ltd.
- E. Merck OHG
- Henkel AG & Co. KGaA

### Prof. Dr. Wilhelm Simson
Chemist
- Frankfurter Allgemeine Zeitung GmbH (until June 7, 2010)
- Hochtief AG
- Freudenberg & Co. KG

### Dr. Georg Frhr. von Waldenfels
Attorney
- Georgsmarienhütte Holding GmbH
- Rothenbaum Sport GmbH (Chairman)

### Werner Wenning
Former Chairman of the Board of Management, Bayer AG
- Deutsche Bank AG
- HDI V.a.G.
- Talanx AG
- Henkel AG & Co. KGaA (Shareholders' Committee)

### Hans Wollitzer
Chairman of the Company Works Council, E.ON Energie AG
- E.ON Energie AG
- E.ON Bayern AG

## Supervisory Board Committees

### Mediation Committee
Ulrich Hartmann, Chairman
Erhard Ott, Deputy Chairman
Hans Prüfer
Dr. Henning Schulte-Noelle

### Executive Committee
Ulrich Hartmann, Chairman
Erhard Ott, Deputy Chairman
Hans Prüfer
Dr. Henning Schulte-Noelle

### Audit and Risk Committee
Dr. Theo Siegert, Chairman
Klaus Dieter Raschke, Deputy Chairman
Werner Bartoschek
Ulrich Hartmann

### Finance and Investment Committee
Ulrich Hartmann, Chairman
Hans Wollitzer, Deputy Chairman
Gabriele Gratz
Wolf-Rüdiger Hinrichsen
Prof. Dr. Ulrich Lehner
Werner Wenning

### Nomination Committee
Ulrich Hartmann, Chairman
Prof. Dr. Ulrich Lehner
Dr. Henning Schulte-Noelle

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- Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2 of the German Stock Corporation Act.
- Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

**Disclosures Pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4, of the German Commercial Code**
**(Part of the Combined Group Management Report)**

## Composition of Share Capital

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

## Restrictions on Voting Rights or the Transfer of Shares

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

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

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

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

The Supervisory Board appoints members to the Board of Management for a term not exceeding five years; a member may be appointed for another term of office or a member's term of office may be extended for an additional term not exceeding five years. If more than one person is appointed as a member of the Board of Management, the Supervisory Board may appoint one of the members as Chairperson of the Board of Management. If a Board of Management member is absent, in the event of an urgent matter, the court makes the necessary appointment upon petition by a concerned party. The Supervisory Board may revoke the appointment of a member of the Board of Management and the Chairperson of the Board of Management for serious cause (for further details, see Sections 84 and 85 of the AktG and Sections 31 and 33 of the German Codetermination Act).

Pursuant to Section 179 of the AktG, an amendment to the Articles of Association requires a resolution of the Shareholders Meeting. Resolutions of the Shareholders Meeting require a simple majority and, in cases where a majority of the share capital is required, a simple majority of the share capital represented, unless the law or the Articles of Association explicitly prescribe otherwise.

The Supervisory Board is authorized to decide by resolution on amendments to the Articles of Association that affect only their wording (Section 24 of the Articles of Association). Furthermore, the Supervisory Board is authorized to revise the wording of Section 3 of the Articles of Association upon utilization of authorized or conditional capital.

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

Pursuant to a resolution of the Shareholders Meeting of May 6, 2010, the Board of Management is authorized, until May 5, 2015, to acquire own shares. The shares acquired and other own shares that are in possession of or to be attributed to the Company pursuant to Sections 71a et seq. of the AktG must altogether at no point account for more than 10 percent of the Company's share capital.

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

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

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

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

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

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

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

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

Pursuant to Section 3, Paragraph 5 of the Articles of Association, the Board of Management is authorized, subject to the Supervisory Board's consent, to increase the Company's share capital until May 5, 2014 by up to €460,000,000 by issuing new registered shares with no-par value against contribution in cash and/or in kind once or several times (Authorized Capital pursuant to Sections 202 et seq. of the AktG). In such issuances, the Board of Management is authorized, subject to the Supervisory Board's consent, to exclude shareholders' subscription right in the case of an issue of shares against cash contributions in an amount of up to 10 percent of the Company's share capital. The shares applied to the 10-percent limit will be those issued, under the exclusion of subscription right, by means of the measures described in the resolution of the Shareholders Meeting. The Board of Management is authorized, subject to the Supervisory Board's consent, to exclude the shareholders' subscription right in the case of an issue of shares against contributions in kind, but only to such an extent that the aggregate amount of the shares issued under this authorization (Section 3, Paragraph 5 of the Articles of Association) against contribution in kind with an exclusion of the shareholders' subscription right does not exceed 20 percent of the Company's share capital. In addition, the total amount of shares issued against contributions in cash or in kind with an exclusion of the subscription right may no exceed 20 percent of the Company's share capital.

Furthermore, the Shareholders Meeting of May 6, 2010, gave the Board of Management the authorization to issue bonds with conversion or option rights and with conversion obligations, profit participation rights, or participating bonds (or a combination or these instruments). Under these authorizations, the Board of Management may, with the Supervisory Board's consent, issue, once or several times, until May 5, 2015, registered option bonds, convertible bonds, profit participation rights, or participating bonds (or a combination of these instruments) with a total face value of up to €5 billion and grant option rights to the holders of option bonds and/or conversion rights to the holders of convertible bonds for registered Company shares with a proportionate amount of the Company's share capital totaling up to €175,000,000 pursuant to the details of the terms and conditions of the option and/or conversion bonds. This ensures that the total face value of up to €5 billion could only be utilized once through the utilization of the authorization. In line with the authorization, the Company's share capital is conditionally increased by up to €175,000,000 and again by up to €175,000,000 pursuant to Section 3, Paragraphs 3 and 4, of the Articles of Association. Here, too, the Board of Management is authorized, subject to the Supervisory Board's consent, to fully exclude the shareholders' subscription right on bonds (with option or conversion rights or conversion obligation) issued against contributions in cash.

## Significant Agreements to Which the Company is a Party that Take Effect on a Change of Control of the Company following a Takeover Bid

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

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

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

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

# Disclosures Pursuant to Section 289, Paragraph 5, of the German Commercial Code on the Internal Control System for the Accounting Process (Part of the Combined Group Management Report)

## General Principles

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

We prepare the E.ON AG Financial Statements in accordance with the German Commercial Code (in the version of the Accounting Law Modernization Act, known by its German acronym, "Bilmog," which took effect on May 29, 2009) and the German Stock Corporation Act.

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

## Accounting Process

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

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

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

E.ON AG's Financial Statements are also prepared by using SAP software. The accounting and preparation processes are divided into discrete functional steps. Automated or manual controls are integrated into each process. Defined procedures ensure that all transactions and the preparation of E.ON AG's Financial Statements are recorded, processed, assigned on an accrual basis, and documented in a complete, timely, accurate manner. Relevant data from E.ON AG's Financial Statements are, if necessary, adjusted to conform with IFRS and then transferred to the consolidation software system using SAP-supported transfer technology.

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

## Internal Control and Risk Management System

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

### COSO Model

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

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

### Central Documentation System

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

### Scope

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

### Assessment

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

### Tests Performed by Internal Audit

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

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

### Sign-Off Process

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

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

### General IT Controls

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

## Explanatory Report of the Board of Management on the Disclosures Pursuant to Section 289, Paragraph 4, and Section 315, Paragraph 4, as well as Section 289, Paragraph 5, of the German Commercial Code

The Board of Management has read and discussed the disclosures pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code contained in the Combined Group Management Report for the year ended December 31, 2009, and issues the following declaration regarding these disclosures:

The disclosures pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code contained in the Company's Combined Group Management Report are correct and conform with the Board of Management's knowledge. The Board of Management therefore confines itself to the following statements:

Beyond the disclosures contained in the Combined Group Management Report (and legal restrictions such as the exclusion of voting rights pursuant to Section 136 of the German Stock Corporation Act), the Board of Management is not aware of any restrictions regarding voting rights or the transfer of shares. The Company is not aware of shareholdings in the Company's share capital exceeding ten out of one hundred voting rights, so that information on such shareholdings is not necessary. There is no need to describe shares with special control rights (since no such shares have been issued) or special restrictions on the control rights of employees shareholdings (since employees who hold shares in the Company's share capital exercise their control rights directly, just like other shareholders).

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

The Board of Management also read and discussed the disclosures in the Combined Group Management Report pursuant to Section 289, Paragraph 5, of the German Commercial Code. The disclosures contained in the Combined Group Management Report on the key features of our internal control and risk management system for accounting processes are complete and comprehensive.

Internal controls are an integral part of our accounting processes. Guidelines define uniform financial-reporting documentation requirements and procedures for the entire E.ON Group. We believe that compliance with these rules provides sufficient certainty to prevent error or fraud from resulting in material misrepresentations in the Consolidated Financial Statements, the Combined Group Management Report, and the Interim Reports.

Düsseldorf, February 2011

E.ON AG
Board of Management

| | | |
|---|---|---|
| Dr. Teyssen | Kildahl | Prof. Dr. Maubach |
| Dr. Reutersberg | Dr. Schenck | Stachelhaus |

## Board of Management (and Information on Other Directorships Held by Board of Management Members)

### Dr. Wulf H. Bernotat
Born 1948 in Göttingen
Member of the Board of Management since 2003 (until April 30, 2010)
- E.ON Energie AG[1] (Chairman) (until April 30, 2010)
- E.ON Ruhrgas AG[1] (Chairman) (until July 5, 2010)
- Allianz SE
- Bertelsmann AG
- Metro AG
- Deutsche Telekom AG
- E.ON Nordic AB[2] (Chairman) (until January 4, 2010)
- E.ON Sverige AB[2] (Chairman) (until June 24, 2010)
- E.ON US Investments Corp.[2] (Chairman) (until April 30, 2010)

### Dr. Johannes Teyssen
Born 1959 in Hildesheim
Member of the Board of Management since 2004
Group Executive Human Resources, Corporate Strategy & Development, Investor Relations, Group Audit, Political Affairs & Corporate Communications
Chairman and Chief Executive Officer since May 1, 2010, Düsseldorf
- E.ON Energie AG[1]
- E.ON Energy Trading SE[1] (Chairman) (until June 30, 2010)
- E.ON Ruhrgas AG[1]
- Deutsche Bank AG
- Salzgitter AG
- E.ON US Investments Corp.[2] (Chairman)
- E.ON Nordic AB[2] (until June 24, 2010)
- E.ON Sverige AB[2] (until September 1, 2010)
- E.ON Italia S.p.A.[2] (until August 11, 2010)

### Christoph Dänzer-Vanotti
Born 1955 in Freiburg
Member of the Board of Management since 2006 (until May 12, 2010)
- E.ON Energie AG[1]
- E.ON Energy Trading SE[1] (until June 30, 2010)
- Deutsche Bahn AG
- E.ON Nordic AB[2] (until June 30, 2010)
- E.ON Sverige AB[2] (until June 30, 2010)

### Lutz Feldmann
Born 1957 in Bonn
Member of the Board of Management since 2006 (until May 12, 2010)
- E.ON Iberia Energía SL[2] (until May 31, 2010)
- E.ON Italia S.p.A.[2] (until May 31, 2010)
- OAO OGK-4[2]
- Thyssen'sche Handelsgesellschaft mbH[2]

### Jørgen Kildahl
Born 1963 in Bærum, Norway,
Member of the Board of Management since 2010
Conventional and renewables power generation, gas business, global trading, and energy optimization across all regions and products, Düsseldorf (since May 13, 2010)
- E.ON Ruhrgas AG[1] (Chairman)
- E.ON Energy Trading SE[1] (Chairman)
- E.ON Generation GmbH[2] (Chairman)
- E.ON Sverige AB[2]

### Prof. Dr. Klaus-Dieter Maubach
Born 1962 in Schwelm
Member of the Board of Management since 2010
Research and development activities and issues, E.ON New Build & Technology, management of all major investments, Düsseldorf (since May 13, 2010)
- E.ON Ruhrgas AG[1]
- E.ON Energy Trading SE[1]
- E.ON New Build & Technology GmbH[1] (Chairman)
- E.ON France S.A.S.[2] (Chairman)
- E.ON Czech Holding AG[2]
- E.ON Sverige AB[2]
- Bayern LB

### Dr. Bernhard Reutersberg
Born 1954 in Düsseldorf
Member of the Board of Management since 2010
Management of regional units, management of distribution and retail businesses and government and regulatory affairs, coordination of energy operations in Russia, Düsseldorf (since August 11, 2010)
- E.ON Energie AG[1] (Chairman)
- E.ON España S.L.[2]
- E.ON Italia S.p.A.[2]
- E.ON Sverige AB[2] (Chairman)
- E.ON Benelux N.V.[2] (Chairman)
- Nord Stream AG

### Dr. Marcus Schenck
Born 1965 in Memmingen
Member of the Board of Management since 2006
Finance, Accounting, Controlling, Tax, M&A, E.ON International Energy Düsseldorf
- E.ON Energy Trading SE[1]
- E.ON Ruhrgas AG[1]
- E.ON IT GmbH[1]
- Commerzbank AG
- SMS Group GmbH
- HSBC Trinkaus & Burkhardt AG (Member of the Administrative Board)

### Regine Stachelhaus
Born 1955 in Böblingen
Member of the Board of Management since 2010
All functions that support the core business, in particular Human Resources, IT, Procurement, Legal Affairs & Compliance, Labor Director, Düsseldorf (since June 24, 2010)
- E.ON Energie AG[1]
- E.ON Ruhrgas AG[1]
- E.ON IT GmbH[1] (Chairwoman)

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- Directorships/supervisory board memberships within the meaning of Section 100, Paragraph 2, of the German Stock Corporation Act.
- Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.

[1]Exempted E.ON Group directorship. [2]Other E.ON Group directorship.

| Summary of Financial Highlights[1] | | | | | |
|---|---|---|---|---|---|
| € in millions | 2006 | 2007 | 2008 | 2009 | 2010 |
| **Sales and earnings** | | | | | |
| Sales | 62,161 | 66,912 | 84,873 | 79,974 | 92,863 |
| Adjusted EBITDA | 11,129 | 11,907 | 12,836 | 12,975 | 13,346 |
| Adjusted EBIT | 7,930 | 8,820 | 9,483 | 9,291 | 9,454 |
| Net income | 6,082 | 7,724 | 1,621 | 8,669 | 6,281 |
| Net income attributable to shareholders of E.ON AG | 5,586 | 7,204 | 1,283 | 8,420 | 5,853 |
| **Value measures** | | | | | |
| ROCE (%) | 14.8 | 15.6 | 13.6 | 12.2 | 11.9 |
| Pretax cost of capital (%) | 9.0 | 9.1 | 9.1 | 9.1 | 8.3 |
| Value added | 3,103 | 3,678 | 3,128 | 2,362 | 2,864 |
| **Asset structure** | | | | | |
| Non-current assets | 96,488 | 105,804 | 108,622 | 113,046 | 106,657 |
| Current assets | 31,087 | 31,490 | 48,107 | 39,568 | 46,224 |
| Total assets | 127,575 | 137,294 | 156,729 | 152,614 | 152,881 |
| **Capital structure** | | | | | |
| Equity | 51,245 | 55,130 | 38,451 | 43,986 | 45,585 |
| *Capital stock* | *1,799* | *1,734* | *2,001* | *2,001* | *2,001* |
| *Minority interests* | *2,533* | *5,756* | *3,960* | *3,607* | *3,932* |
| Non-current liabilities | 46,947 | 52,402 | 66,323 | 70,775 | 69,580 |
| *Provisions* | *22,100* | *20,963* | *22,757* | *21,692* | *23,631* |
| *Financial liabilities* | *10,029* | *15,915* | *25,036* | *30,657* | *28,880* |
| *Other liabilities and other* | *14,818* | *15,524* | *18,530* | *18,426* | *17,069* |
| Current liabilities | 29,383 | 29,762 | 51,955 | 37,853 | 37,716 |
| *Provisions* | *3,994* | *3,992* | *4,260* | *4,715* | *4,950* |
| *Financial liabilities* | *3,443* | *5,549* | *16,022* | *7,120* | *3,611* |
| *Other liabilities and other* | *21,946* | *20,221* | *31,673* | *26,018* | *31,527* |
| Total equity and liabilities | 127,575 | 137,294 | 156,824 | 152,614 | 152,881 |
| **Cash flow and investments** | | | | | |
| Cash provided by operating activities of continuing operations | 6,720 | 8,434 | 6,397 | 8,590 | 10,614 |
| Cash-effective investments | 4,639 | 10,616 | 17,756 | 8,655 | 8,286 |
| **Financial ratios** | | | | | |
| Equity ratio (%) | 40 | 40 | 25 | 29 | 30 |
| Long-term capital as a percentage of non-current assets | 102 | 102 | 96 | 102 | 108 |
| Economic net debt (at year-end) | -18,180 | -23,432 | -44,946 | -44,665 | -37,701 |
| Debt factor[2] | 1.6 | 1.9 | 3.4 | 3.4 | 2.8 |
| Cash provided by operating activities of continuing operations as a percentage of sales | 11.2 | 12.7 | 7.8 | 11.1 | 11.4 |
| **Stock[3]** | | | | | |
| Earnings per share attributable to shareholders of E.ON AG (€) | 2.82 | 3.69 | 0.69 | 4.42 | 3.07 |
| Equity[4] per share (€) | 24.62 | 26.06 | 18.11 | 21.19 | 21.86 |
| Twelve-month high per share (€) | 34.80 | 48.69 | 50.93 | 30.47 | 29.36 |
| Twelve-month low per share (€) | 27.37 | 32.02 | 23.50 | 18.19 | 21.13 |
| Year-end closing price per share[5] (€) | 34.28 | 48.53 | 28.44 | 29.23 | 22.94 |
| Dividend per share[6] (€) | 1.12 | 1.37 | 1.50 | 1.50 | 1.50 |
| Dividend payout | 2,210 | 2,560 | 2,857 | 2,858 | 2,858 |
| Market capitalization[5, 7] (€ in billions) | 67.6 | 92.0 | 54.2 | 55.7 | 43.7 |
| **E.ON AG long-term ratings** | | | | | |
| Moody's | Aa3 | A2 | A2 | A2 | A2 |
| Standard & Poor's | AA- | A | A | A | A |
| **Employees** | | | | | |
| Employees at year-end | 77,722 | 84,838 | 90,428 | 85,108 | 85,105 |

[1]Adjusted for discontinued operations. [2]Ratio between economic net debt and adjusted EBITDA. [3]All figures subsequent to, or adjusted for, the stock split. [4]Attributable to shareholders of E.ON AG. [5]On December 30. [6]For the respective financial year; the 2010 figure is management's proposed dividend. [7]Based on shares outstanding.

## Glossary of Financial Terms

### Actuarial gains and losses
The actuarial calculation of provisions for pensions is based on projections of a number of variables, such as projected future salaries and pensions. An actuarial gain or loss is recorded when the actual numbers turn out to be different from the projections.

### Adjusted EBIT
Adjusted earnings before interest and taxes. Through year-end 2010, adjusted EBIT was E.ON's key earnings figure for purposes of internal management control and as an indicator of our businesses' long-term earnings power. It is derived from income/loss from continuing operations before interest income and income taxes and is adjusted to exclude certain extraordinary items, mainly other income and expenses of a non-recurring or rare nature (see Other non-operating earnings).

### Adjusted EBITDA
Adjusted earnings before interest, taxes, depreciation, and amortization.

### Adjusted net income
An earnings figure after interest income, income taxes, and minority interests that has been adjusted to exclude certain extraordinary effects. The adjustments include effects from the marking to market of derivatives, book gains and book losses on disposals, restructuring expenses, and other non-operating income and expenses of a non-recurring or rare nature (after taxes and minority interests). Adjusted net income also excludes income/loss from discontinued operations, net.

### ADR
Abbreviation for American depositary receipt. These are depositary certificates issued by U.S. banks and traded on U.S. stock exchanges in place of a foreign stock. ADRs make it easier for foreign companies to gain access to U.S. investors.

### Beta factor
Indicator of a stock's relative risk. A beta coefficient of more than one indicates that a stock has a higher risk than the overall market; a beta coefficient of less than one indicates that it has a lower risk.

### Bond
Debt instrument that gives the holder the right to repayment of the bond's face value plus an interest payment. Bonds are issued by public entities, credit institutions, and companies and are sold through banks. They are a form of medium- and long-term debt financing.

### Capital employed
Represents the interest-bearing capital tied up in the E.ON Group. It is equal to a segment's operating assets less the amount of non-interest-bearing available capital. Other shareholdings are included at their acquisition cost, not their fair value.

### Capital stock
The aggregate face value of all shares of stock issued by a company; entered as a liability in the company's balance sheet.

### Cash flow statement
Calculation and presentation of the cash a company has generated or consumed during a reporting period as a result of its operating, investing, and financing activities.

### Cash provided by operating activities
Cash provided by, or used for, operating activities of continuing operations.

### Commercial paper ("CP")
Unsecured, short-term debt instruments issued by commercial firms and financial institutions. CPs are usually quoted on a discounted basis, with repayment at par value.

### Consolidation
Accounting approach in which a parent company and its affiliates are presented as if they formed a single legal entity. All intracompany income and expenses, intracompany accounts payable and receivable, and other intracompany transactions are offset against each other. Share investments in affiliates are offset against their capital stock, as are all intracompany credits and debts, since such rights and obligations do not exist within a single legal entity. The adding together and consolidation of the remaining items in the annual financial statements yields the consolidated balance sheets and the consolidated statements of income.

## Contractual trust arrangement (”CTA”)
Model for financing pension obligations under which company assets are converted to assets of a pension plan administered by an independent trust that is legally separate from the company.

## Cost of capital
Weighted average of the costs of debt and equity financing (weighted average cost of capital: ”WACC”). The cost of equity is the return expected by an investor in a given stock. The cost of debt is based on the cost of corporate debt and bonds. The interest on corporate debt is tax deductible (referred to as the tax shield on corporate debt).

## Credit default swap (”CDS”)
A credit derivative used to hedge the default risk on loans, bonds, and other debt instruments.

## Debt factor
Ratio between economic net debt and adjusted EBITDA. Serves as a metric for managing E.ON’s capital structure.

## Debt issuance program
Contractual framework and standard documentation for the issuance of bonds.

## Discontinued operations
Businesses or parts of a business that are planned for divestment or have already been divested. They are subject to special disclosure rules.

## Economic net debt
Key figure that supplements net financial position with pension obligations and asset retirement obligations (less prepayments to the Swedish nuclear fund). The calculation of economic net debt includes the fair value (net) of currency derivatives used for financing transactions (but excluding transactions relating to our operating business and asset management) in order to also reflect the foreign-currency effects of financial transactions which, for accounting reasons, would not be included in the components of net financial position.

## Equity method
Method for valuing shareholdings in associated companies whose assets and liabilities are not fully consolidated. The proportional share of the company’s annual net income (or loss) is reflected in the shareholding’s book value. This change is usually shown in the owning company’s income statement.

## Fair value
The price at which assets, debts, and derivatives pass from a willing seller to a willing buyer, each having access to all the relevant facts and acting freely.

## Financial derivative
Contractual agreement based on an underlying value (reference interest rate, securities prices, commodity prices) and a nominal amount (foreign currency amount, a certain number of stock shares).

## Goodwill
The value of a subsidiary as disclosed in the parent company’s consolidated financial statements resulting from the consolidation of capital (after the elimination of hidden reserves and liabilities). It is calculated by offsetting the carrying amount of the parent company’s investment in the subsidiary against the parent company’s portion of the subsidiary’s equity.

## Impairment test
Periodic comparison of an asset’s book value with its fair value. A company must record an impairment charge if it determines that an asset’s fair value has fallen below its book value. Goodwill, for example, is tested for impairment on at least an annual basis.

## International Financial Reporting Standards (”IFRS”)
Under regulations passed by the European Parliament and European Council, capital-market-oriented companies in the EU must apply IFRS for fiscal years that begin on or after January 1, 2005, and by January 1, 2007, at the latest.

## Investments
Cash-effective capital investments.

## Net financial position
Difference between a company’s total financial assets (cash and securities) and total financial liabilities (debts to financial institutions, third parties, and associated companies).

## Option
The right, not the obligation, to buy or sell an underlying asset (such as a security or currency) at a specific date at a predetermined price from or to a counterparty or seller. Buy options are referred to as calls, sell options as puts.

## Other non-operating earnings
Income and expenses that are unusual or infrequent, such as book gains or book losses from significant disposals as well as restructuring expenses (see Adjusted EBIT).

## Prepayments and accrued income
Line item used to account for aperiodic expenses and income. Prepayments, which are recorded on the liability side of the balance sheet, occur when payment is made before the balance-sheet date, but the expense is after the balance-sheet date. Accrued income, which is recorded on the liabilities side of the balance sheet, occurs when payment is received before the balance-sheet date, but the income is recorded after the balance-sheet date.

## Purchase price allocation
In a business combination accounted for as a purchase, the values at which the acquired company's assets and liabilities are recorded in the acquiring company's balance sheet.

## Rating
Standardized performance categories for an issuer's short- and long-term debt instruments based on the probability of interest payment and full repayment. Ratings provide investors and creditors with the transparency they need to compare the default risk of various financial investments.

## Return on equity
The return earned on an equity investment (in this case, E.ON stock), calculated after corporate taxes but before an investor's individual income taxes.

## ROCE
Acronym for return on capital employed. A key indicator for monitoring the performance of E.ON's market units, ROCE is the ratio between adjusted EBIT and capital employed. Capital employed represents the interest-bearing capital tied up in the E.ON Group.

## Stock appreciation rights ("SAR")
Virtual stock options in which compensation is in cash instead of in stock. At E.ON, the exercise gain equals the difference between the price of E.ON stock on the exercise date and at the time the SAR were issued.

## Syndicated line of credit
Credit facility extended by two or more banks that is good for a stated period of time.

## Tax shield
Deductions that reduce an enterprise's tax burden. For example, the interest on corporate debt is tax deductible. An enterprise takes this into consideration when choosing between equity and debt financing (see Cost of capital).

## Value added
Key measure of E.ON's financial performance based on residual wealth calculated by deducting the cost of capital (debt and equity) from operating profit. It is equivalent to the return spread (ROCE minus the cost of capital) multiplied by capital employed, which represents the interest-bearing capital tied up in the E.ON Group.

## Value at risk ("VaR")
Risk measure that indicates the potential loss that a portfolio of investments will not exceed with a certain degree of probability (for example, 99 percent) over a certain period of time (for example, one day). Due to the correlation of individual transactions, the risk faced by a portfolio is lower than the sum of the risks of the individual investments it contains.

## Working capital
The difference between a company's current assets and current liabilities.

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## Financial Calendar

| | |
|---|---|
| May 5, 2011 | 2011 Annual Shareholders Meeting |
| May 6, 2011 | Dividend Payout |
| May 11, 2011 | Interim Report: January - March 2011 |
| August 10, 2011 | Interim Report: January - June 2011 |
| November 9, 2011 | Interim Report: January - September 2011 |
| March 14, 2012 | Release of the 2011 Annual Report |
| May 3, 2012 | 2012 Annual Shareholders Meeting |
| May 4, 2012 | Dividend Payout |
| May 9, 2012 | Interim Report: January - March 2012 |
| August 13, 2012 | Interim Report: January - June 2012 |
| November 13, 2012 | Interim Report: January - September 2012 |