E.ON SE Financial Statements pursuant to German GAAP and Combined Group Management Report for the 2020 Financial Year

E.ON SE's Financial Statements, the Combined Group Management Report and the Separate Combined Non-Financial Report for the 2020 fiscal year will be published in the German Federal Gazette ("Bundesanzeiger"). E.ON SE's management report is combined with that of the Group.

Contents

Page references in the Combined Group Management Report refer to the 2020 E.ON Annual Report.

Combined Group Management Report

Corporate Profile

Business Model

E.ON is an investor-owned energy company with approximately 78,000 employees led by Corporate Functions in Essen. The Group has two operating segments: Energy Networks and Customer Solutions. Non-strategic operations are reported under Non-Core Business. In the prior year the Group also had a Renewables segment (see commentary below).

Corporate Functions

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

Energy Networks

This segment consists of E.ON's power and gas distribution networks and related activities. It is subdivided into three regional markets: Germany, Sweden, and East-Central Europe/Turkey (which consists of the Czech Republic, Hungary, Romania, Poland, Croatia, Slovakia, and the stake in Enerjisa Enerji in Turkey, which is accounted for using the equity method). This segment's main tasks include operating its power and gas networks safely and reliably, carrying out all necessary maintenance and repairs, and expanding its power and gas networks, which frequently involves adding customer connections and the connection of renewable energy generation assets.

Customer Solutions

This segment serves as the platform for working with E.ON's customers to actively shape Europe's energy transition. This includes supplying customers in Europe (excluding Turkey) with power, gas, and heat as well as with products and services that enhance their energy efficiency and autonomy and provide other benefits. E.ON's activities are tailored to the individual needs of customers across all categories: residential, small and medium-sized enterprises, large commercial and industrial, sales partners, and public entities. E.ON's main presence in this business is in Germany, the United Kingdom, the Netherlands, Belgium, Sweden, Italy, the Czech Republic, Hungary, Romania, and Poland. Businesses that provide innovative solutions (like E.ON Business Solutions and the eMobility business) are also part of this segment.

Renewables

Substantially all of the operations in this segment were classified as discontinued operations effective June 30, 2018, and deconsolidated effective September 18, 2019. Certain business operations were not transferred to RWE and were reassigned to other segments (see "Special Events in the Reporting Period" below). This refers in particular to e.disnatur operations in Germany and Poland as well as a 20-percent stake in Rampion offshore wind farm in the United Kingdom (on Rampion, see Notes 5 and 37 to the Consolidated Financial Statements). This segment consisted of onshore wind, offshore wind, and solar farms. E.ON planned, built, operated, and managed renewable generation assets.

Non-Core Business

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

Special Events in the Reporting Period

Resolution Adopted for Personnel Changes in the E.ON SE Management Board Effective April 1, 2021

In December 2020, the E.ON SE Supervisory Board resolved to appoint Leonhard Birnbaum as Chairman of the Company's Management Board and CEO effective April 1, 2021. Birnbaum will succeed Johannes Teyssen. Teyssen joined the Group in 1989, has been a member of the Management Board since 2004, and has led E.ON for more than ten years.

As part of the succession plan for the Group's top leadership, the Supervisory Board also announced that Victoria Ossadnik, currently CEO of E.ON Energie Deutschland GmbH, will be appointed to the E.ON SE Management Board effective April 1, 2021. Ossadnik, who joined the E.ON Group in April 2018, previously spent seven years at Microsoft Corporation, where she most recently led its global Enterprise Service Data and Artificial Intelligence organization. In the future, she will be responsible for the E.ON Group's digitization.

Changes in Segment Reporting

The innogy takeover successfully closed in 2019. Effective January 1, 2020, innogy's operations are no longer managed and disclosed as a separate segment but rather integrated into Energy Networks, Customer Solutions, and Corporate Functions/Other. innogy's network businesses were assigned to Energy Networks. Its power and gas sales along with new customer solutions (such as eMobility services) are reported at Customer Solutions. Corporate Functions/Other includes innogy's corporate functions and internal services. After substantially all of the Renewables segment was transferred to RWE, its remaining businesses are reported at Energy Networks in Germany, Customer Solutions in the United Kingdom, and Corporate Functions/Other.

Customer Solutions' Germany unit now includes the heating business formerly disclosed at its Other unit. In addition, three E.ON Business Solutions companies were transferred from Customer Solutions' Other unit to its United Kingdom unit. Where necessary, the prior-year figures were adjusted accordingly.

Merger Squeeze-out of innogy's Remaining Minority Shareholders Concluded

On March 4, 2020, the Extraordinary General Meeting of innogy SE adopted a resolution to transfer the remaining minority shareholders' innogy stock. The merger squeeze-out adopted at the meeting took effect when the transfer resolution and merger were entered into the Commercial Register on June 2, 2020. In early June 2020 cash compensation totaling €2.4 billion was paid to minority shareholders. The resulting reduction in Group equity mainly affected the retained earnings of E.ON SE shareholders.

At the conclusion of the squeeze-out, the €5 billion in acquisition financing E.ON originally arranged, which had been reduced to €1.75 billion in August 2018, was cancelled.

Accounting of innogy Acquisition Finalized

The accounting of the innogy acquisition was finalized in the third quarter of 2020. New insights gained by September 18, 2020, into the amount of acquisition costs and acquired assets, including goodwill and liabilities, led to retrospective adjustments, including resulting changes to the Consolidated Balance Sheets at December 31, 2019. Goodwill increased by €197 million relative to the figure recorded at year-end 2019, mainly because of changes in the valuation of certain assets acquired in the takeover.

Transfer of innogy Bonds to E.ON Concluded

On August 13, 2020, E.ON launched transactions to harmonize the new E.ON Group's funding structure. These transactions involve E.ON offering innogy bondholders the option to change the debtor of roughly €11.5 billion in bonds to E.ON. The offer gave innogy bondholders the option to hold bonds that have the same status as current E.ON bonds. It will also ensure that all debt investors are treated equally. The transaction was completely concluded in November 2020. 99.95 percent of outstanding innogy bonds were successfully transferred.

European Commission's Conditions for innogy Takeover Fulfilled

With regard to the innogy takeover, the European Commission, among other things, imposed conditions requiring the disposal of certain E.ON and innogy businesses in Eastern Europe.

To fulfill one of these conditions, on July 10, 2020, E.ON and MVM Group signed an agreement regarding the sale of innogy Česká republika a.s. and thus innogy SE's entire electricity and gas retail business in the Czech Republic. Pursuant to IFRS 5, E.ON had already reclassified these innogy operations in the Czech Republic as discontinued operations effective September 30, 2019. The transaction was cleared by the European Commission at the end of October and subsequently closed on October 30, 2020.

Another of the European Commission's conditions was the sale of E.ON Energie Deutschland's heating electricity business in Germany. The portfolio of contracts consists of all special contracts with customers supplied with heating electricity and, if such customers also procure household electricity for which there is a separate meter at the same premises, the corresponding household electricity contract. In preparation for the sale, the portfolio of contracts was separated into two newly founded companies, E.ON Heizstrom Nord GmbH ("EHN") and E.ON Heizstrom Süd GmbH ("EHS"). Pursuant to IFRS 5, due to the obligation to sell these operations, E.ON had reclassified the heating electricity business as a disposal group effective September 30, 2019. The sale of EHN and EHS closed on April 28, 2020.

In addition, on September 23, 2020, E.ON sold its subsidiary E.ON Energiakereskedelmi Kft. ("EKER"), which operates its non-regulated retail electricity business for commercial customers in Hungary, to Audax Renovables. Pursuant to IFRS 5, E.ON had already reclassified EKER's business as a disposal group effective September 30, 2019, owing to its obligation to dispose of these operations.

Previously E.ON had withdrawn from the operation of a number of electric-vehicle charging stations located along motorways in Germany. By closing these transactions E.ON completely fulfilled the antitrust conditions in conjunction with the innogy takeover.

Acquisition of Stake in VSE Holding Successfully Completed

In August 2020 E.ON completed the acquisition of 49 percent of the shares in VSE Holding ("VSEH") from RWE. Extensive decision-making powers over VSEH's business operations give E.ON a controlling influence pursuant to IFRS. VSEH is therefore fully consolidated and accounted for using the acquisition method in accordance with IFRS 3 (see Note 5 to the Consolidated Financial Statements). The purchase price to be paid to RWE was not cash-effective in the 2020 financial year. It was offset against an open receivable in conjunction with the acquisition of RWE's innogy stake, which closed on September 18, 2019. The transaction therefore had no material impact on cash flow in the 2020 financial year.

Operations during the Covid-19 Pandemic

E.ON's top priorities during the Covid-19 pandemic are a secure energy supply and the safety of employees and customers. E.ON's power, gas, and heat networks, which secure the energy supply in large parts of Europe, continue to run stably, even under these difficult conditions. E.ON was able to draw on previously prepared pandemic and crisis plans, which it implemented accordingly. This included updating risk assessments, adjusting rules in line with government regulations, and conducting timely communications to promote transparency and awareness regarding the Covid-19 pandemic and E.ON's response measures. This made it possible to maintain all key functions. The most important measures included strict adherence to hygiene and social-distancing rules as well as the isolation of particularly sensitive work areas, such as network control centers. In addition, technicians who do field work on the network have special equipment to minimize the risk of infection.

In addition, E.ON SE Management Board members used various information channels on Connect, E.ON's intranet platform, to share their views on the pandemic and explain its impact on everyday working life as well as on the Company. The purpose was to inform employees swiftly and comprehensively. Connect not only provided information about the measures taken to contain the Covid-19 pandemic. It also created interactive opportunities for employees to ask questions and to discuss them in town hall meetings. Furthermore, helping employees deal with the impact of the pandemic was and remains one of E.ON's priorities. Where possible, the Company therefore made use of all forms of flexible working arrangements (such as home office and variable working hours) in order to accommodate employees' personal circumstances and needs. Covid-19 also made it necessary to adjust meeting formats. Most meetings were held virtually and still are. In addition, managers have paid even more attention than usual to their employees' well-being and, when needed, have pointed them toward company assistance and support services, such as a confidential social counseling service. This was ensured in several ways, including additional communications and individual coordination at the management level.

As many European countries relaxed the restrictions on public life and the economy in the summer of 2020, E.ON too took steps to enable many of its employees to return to their jobs responsibly. The third quarter of 2020 saw a renewed rise in Covid-19 infections across Europe that continued into the fourth quarter and, in many cases, exceeded the peaks that had been recorded during the lockdown in the spring of 2020. This resulted in many cities and regions being classified as high-risk areas, which in such cases led to additional restrictions on daily life. E.ON is continuously analyzing the risk situation resulting from the Covid-19 pandemic and, if necessary, will take additional measures to contain the pandemic's impact.

During the Covid-19 pandemic, E.ON temporarily shortened work schedules, particularly in the United Kingdom, and availed itself of related government support, which for the E.ON Group is, on balance, negligible. Nevertheless, the employment situation at E.ON has remained very stable over the course of the Covid-19 crisis. In this regard, there have been no noteworthy longer-term effects on employment in the E.ON Group.

Other impacts of the Covid-19 pandemic on E.ON's business are described in the Business Report, the Forecast Report, and the Risks and Chances Report.

Corporate Bonds Issued

In 2020 E.ON issued various corporate bonds totaling €5 billion. The high level of investor demand enabled E.ON to secure favorable interest terms across all maturities (month of issuance in parenthesis):

- €750 million bond maturing in December 2023 with a coupon of 0 percent per year (January)
- €1 billion green bond maturing in September 2027 with a coupon of 0.375 percent per year (January)
- €500 million bond maturing in December 2030 with a coupon of 0.75 percent per year (January)
- €750 million bond maturing in October 2025 with a coupon of 1 percent per year (April)
- €1 billion bond maturing in April 2023 with a coupon of 0.375 percent per year (May)
- €500 million bond maturing in February 2028 with a coupon of 0.75 percent per year (May)
- €500 million green bond maturing in August 2031 with a coupon of 0.875 percent per year (May).

Nord Stream Stake Transferred to Contractual Trust Arrangement ("CTA")

E.ON Beteiligungen GmbH held all of the shares of PEG Infrastruktur AG ("PEGI") and thus an indirect, 15.5-percent stake in Nord Stream AG. Nord Stream AG, a project company founded in 2005, owns and operates two offshore gas pipelines, each with a length of 1,224 kilometers, that transport natural gas from Russia to Germany. In a contract dated December 18, 2019, E.ON Beteiligungen GmbH sold all of its PEGI shares and thus its indirect stake in Nord Stream AG to E.ON Pension Trust e.V. ("EPT") with effect and for the account of the trust assets of MEON Pensions GmbH & Co. KG ("MEON"). The shares were transferred at the end of 2019. The purchase price of €1.1 billion was paid at the start of 2020.

Agreement on Strategic Partnership with Kraken Technologies

In March 2020 E.ON reached a contractual agreement on a strategic partnership with Kraken Technologies, a subsidiary of Octopus Energy. The strategic partnership, E.ON$_{\text{Next}}$, uses Kraken Technologies' technology platform and will transform E.ON UK's business with residential and small and medium enterprise customers.

E.ON and Kraken Technologies will further improve the platform in order to offer outstanding customer service founded on the principles of customer orientation, simplicity, transparency, and cost-efficiency. In the first phase, npower's customers are currently being migrated to the new platform; E.ON UK's customers will be migrated in the second phase. By the end of December 2020, nearly 70 percent of npower's residential customer contracts had been transferred to E.ON$_{\text{Next}}$.

Sale of Real Estate Assets

Fully consolidated E.ON Group companies E.ON NA Capital, Inc. and E.ON RE Investments LLC transferred real estate assets in the amount of roughly US$288 million to other entities in 2020; US$265 million was transferred to the trust assets of E.ON Pension Trust e.V., which is not fully consolidated. The payments of the purchase price were made primarily in 2020.

Acquisition of Residual Power Output Rights

In 2020 a total of 19 TWh of residual power output rights were acquired from the company that operates Krümmel nuclear power plant ("NPP") and transferred to Grohnde (3 TWh in October 2020), Isar II (6 TWh in February 2020), and Brokdorf (5 TWh each in February and December 2020), NPPs managed by PreussenElektra. The legal framework ensures the supply of all NPPs operated by E.ON with additional amounts of residual power output (for more information, see pages 61 and 62 of the Risk and Chances Report as well as Notes 29 and 37 to the Consolidated Financial Statements).

Reorganization of E.ON's Business in Hungary

In early October 2019 E.ON acquired EnBW's 27-percent stake in ELMŰ Nyrt. ("ELMŰ") and ÉMÁSZ Nyrt. ("ÉMÁSZ"). Subsequently, E.ON, MVM Magyar Villamos Művek Zrt. ("MVM," a shareholder of ELMŰ and ÉMÁSZ), and Opus Global Nyrt. ("Opus") signed a framework agreement. This agreement enables E.ON to give itself a balanced and optimized portfolio in Hungary that will also make it possible to swiftly integrate innogy's operations there.

The agreement is expected to be fully implemented in 2021 after clearance by the relevant agencies. This will give MVM 100 percent of distribution operator ÉMÁSZ, ÉMÁSZ Hálózati Kft. ("ÉMÁSZ DSO"), and a 25-percent stake in E.ON Hungária Zrt. (including the innogy holding companies, ELMÜ Zrt. and ÉMÁSZ Zrt.). In addition, Opus is to acquire current E.ON subsidiary E.ON Tiszántúli Áramhálózati Zrt. ("E.ON ETI"). Pursuant to IFRS 5, ÉMÁSZ DSO as well as E.ON ETI were reclassified as a disposal group effective December 31, 2020. E.ON ETI assets and liabilities had already been reclassified as a disposal group in 2019.

New Central Commodity Procurement Entity, E.ON Energy Markets, Founded

On October 1, 2020, newly founded E.ON Energy Markets GmbH ("EEM") began operating as the Group's commodity procurement entity. EEM gives affiliated Group companies access to outside trading markets (which have previously been conducted decentrally) and bundles the resulting risks. Alongside innogy Commodities GmbH, EEM provides market access for E.ON's portfolio in Germany. In the future, EEM will handle power and gas procurement for other E.ON companies in Germany and elsewhere.

Management System

E.ON's corporate strategy aims to deliver sustainable growth in shareholder value. E.ON has in place a Group-wide planning and controlling system to assist its in planning and managing the Group as a whole and its individual businesses with an eye to increasing their value. This system ensures that E.ON's financial resources are allocated efficiently. E.ON strives to enhance its sustainability performance efficiently and effectively as well. It embeds these expectations progressively more deeply into its organization—across all organizational entities and all processes—by means of binding Group-wide policies (for more information, see the Separate Combined Non-Financial Report on pages 100 to 115).

Key Performance Indicators

In the 2020 financial year, E.ON's most important key performance indicators ("KPIs") for managing its operating business were adjusted EBIT and cash-effective investments. Other KPIs for managing the E.ON Group are cash-conversion rate, adjusted net income, earnings per share (based on adjusted net income), and debt factor. In the prior year, the Combined Group Management Report's presentation of sales and the KPIs relevant for management control also included the results of discontinued operations in the Renewables segment that were deconsolidated effective September 18, 2019. Pages 34 to 36 of the Combined Group Management Report and Note 35 to the Consolidated Financial Statements contain reconciliations of these indicators to the disclosures in the E.ON SE and Subsidiaries Consolidated Statements of Income, Consolidated Balance Sheets, and Consolidated Statements of Cash Flows.

Adjusted earnings before interest and taxes ("adjusted EBIT") is E.ON's most important KPI for purposes of internal management control and as an indicator of its businesses' long-term earnings power. The E.ON Management Board is convinced that adjusted EBIT is the most suitable KPI for assessing operating performance because it presents a business's operating earnings independently of non-operating factors, interest, and taxes. The adjustments include net book gains, certain restructuring expenses, impairment charges and reversals, the marking to market of derivatives, and other non-operating earnings (see the explanatory information on pages 34 to 36 of the Combined Group Management Report and in Note 35 to the Consolidated Financial Statements).

In addition, the effects of the subsequent valuation of hidden reserves and liabilities that were identified as part of the purchase-price calculation and allocation for the innogy transaction are disclosed separately.

Cash-effective investments are equal to the investment expenditures shown in the E.ON Group's Consolidated Statements of Cash Flows. In the prior year, these included the investments of discontinued operations in the Renewables segment until they were deconsolidated effective September 18, 2019.

Cash-conversion rate is equal to operating cash flow before interest and taxes divided by adjusted EBITDA. It indicates whether E.ON's operating earnings are generating enough liquidity. The expenditures for the dismantling of nuclear power stations that are included in operating cash flow before interest and taxes are not factored into cash-conversion rate. To balance out fluctuations that result primarily from payments around the balance-sheet date, E.ON will manage its cash-conversion rate by means of a target figure over the three years of the medium-term plan.

Adjusted net income is an earnings figure after interest income, income taxes, and non-controlling interests that has likewise been adjusted to exclude non-operating effects (see the explanatory information on page 36 of the Combined Group Management Report).

E.ON manages its capital structure by means of its debt factor (see the section entitled Finance Strategy on page 37). Debt factor is equal to economic net debt divided by adjusted EBITDA and is therefore a dynamic debt metric. Economic net debt includes net financial debt as well as pension and asset-retirement obligations.

Other KPIs

Alongside E.ON's most important financial management KPIs, the Combined Group Management Report includes other financial and non-financial KPIs to present the performance of E.ON's operating business and as part of E.ON's responsibility for all its stakeholders: employees, customers, shareholders, bond investors, and the countries in which the Group operates. Operating cash flow, power and gas passthrough and sales volume, and selected employee information are examples of other KPIs.

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

However, these other KPIs are not the focus of the ongoing management of E.ON's businesses.

Innovation

Innovations are an important element of E.ON's business operations. The transition of today's energy system toward a distributed, digital, and sustainable energy world goes hand in hand with the use of new technologies and the development of new, innovative business models. E.ON's focus is on its core businesses: energy networks, regulated and market-based energy infrastructure, and customer solutions for its commercial and residential customers. Innovations in these businesses make a significant contribution to E.ON's future and competitiveness and the implementation of the energy transition in Europe.

In a distributed energy system, E.ON will be even more of an energy service provider for its business partners and customers. In a world in which every household and every company can be an energy producer, roles established over many years will change. Tomorrow's customers will be partners who may be energy producers and traders as well as energy consumers. At the same time, more and more renewable power will be fed into the grid. These parallel trends—more market participants and more renewables feed-in—pose significant technical and organizational challenges for grid management. Increasingly, managing distributed feed-in requires new technologies like artificial intelligence. In addition, E.ON's innovation activities are focusing increasingly on the Internet of Things ("IoT") and corresponding data processing systems. The purpose is to give E.ON the capability in the future to manage a much more complex energy system that can no longer be controlled by humans alone.

In 2020 Group Innovation adopted a new 360-degree innovation approach. It combines E.ON's own innovation activities and outside collaborations in a single entity. This strengthens E.ON's partnerships with other innovative and global companies, start-ups, universities, other institutions, and thought leaders. The new 360-degree innovation approach has the following core elements:

Forging Strategic Partnership with Startups, Blue Chips, and Technology Companies

Together with innovative partners, E.ON is exploring which technologies, applications, platforms, and services will become relevant in the future and can provide the best and most sustainable solution for customers. Partnering with startups, technology groups, and other innovative companies in the years ahead will enable E.ON to differentiate itself from competitors much more by means of innovation than productivity gains. E.ON already uses cross-industry knowledge sharing as a catalyst for progress and to accelerate the energy transition. In 2020, E.ON business units concluded commercial agreements totaling €12 million with 24 start-ups from E.ON's investment platform to test new technologies and their customer acceptance in its operating business. If test results are successful, these solutions can be deployed at other E.ON business units, enabling E.ON to tap new growth areas for future business. E.ON focuses on areas like sustainability, customer centricity, eMobility, and IoT services for the digitization of its network and sales businesses.

Partnering with Universities and Other Scientific Institutions

Together with the E.ON Energy Research Center at RWTH Aachen University, E.ON is pursuing a wide range of research and development activities to identify technology trends at an early stage and assess their economic potential for the Company's future business. E.ON and the E.ON Energy Research Center launched 12 new joint projects and 14 studies in 2020. The knowledge gained from them can be integrated more quickly into E.ON's ongoing innovation projects at its business units. The annual budget for the partnership with RWTH amounts to approximately €2 million. E.ON is also in contact with other leading scientific institutions and universities in Germany in order to help shape the implementation of the country's energy transition. In addition, E.ON contributes its expertise to statements of the German science academies on policy, technological, and regulatory issues. In this way, E.ON and its partners also support the implementation of the European Green Deal, whose purpose is to make the European Union's economy climate-neutral by 2050.

Expanding and Integrating In-house Innovations into E.ON's Existing Business

E.ON is one of Europe's largest distribution system operators and energy suppliers. It is therefore well placed to play a key role in shaping the energy transition. Sector integration is expanding the energy supply business beyond its traditional boundaries. This is already enabling E.ON to establish new businesses in industry, transport, buildings, and infrastructure. E.ON's innovative solutions are already helping a variety of industries embrace green growth and develop individually tailored solutions for industrial and residential customers. As part of this effort, Group Innovation conducts projects in four main areas: industrial automation and electrification, energy grids and city solutions, connected mobility, and connected lifestyle.

IElectrix is a pilot project for innovative energy concepts in the distributed and digital energy system of the future. It is part of European Horizon 2020, the European Union's largest research and innovation initiative. E.ON is responsible for the technical management of IElectrix, which will run for three and a half years. In IElectrix, E.ON is testing mobile storage systems for distribution grids in Germany and demonstrating their advantages in a real-world setting. E.ON's IElectrix project partners—E.ON Hungária in Hungary, Stadtwerke Güssing in Austria, and Tata Power in India—are conducting real-word demonstrations in their countries. The purpose of all these demonstration projects is to yield test results, by 2022, on the possibilities for making greater use of renewable electricity in the immediate vicinity of its production. After successful piloting of the technologies, all major elements of energy control can be brought together: energy storage, locally generated renewable energy, smart grid control, flexibility services, and new commercial marketing models. IElectrix's objective is to demonstrate that storage systems can give distribution grids greater flexibility, thereby enhancing grid stability and supply security. IElectrix is one of the ways E.ON is making a significant contribution to developing technical solutions for a more environmentally friendly and resilient energy supply in all regions of Europe: for cities and districts as well as remote, rural areas.

The future of mobility is another key innovation area for E.ON. In order for eMobility to become established in the marketplace, E.ON considers improvements in charging infrastructure and the use of new storage options to be key challenges. E.ON's innovation team is testing new technologies to increase the quality of charging processes. The technologies include artificial intelligence, robotics, and new approaches to distributed energy management. One result is OMNe, an innovative digital tool that provides E.ON's business customers with comprehensive advice on enlarging their charging infrastructure for electric vehicles ("EVs"). With the percentage of EVs in fleets growing continually, E.ON's digital advice tool meets the demand for swiftly adding significant charging infrastructure. However, installing EV charging stations changes a facility's power consumption and load profile. Finding the most cost-effective solution requires a comprehensive view that takes into account all variables: the number of vehicles, parking duration, load profile, grid connection, and a company's energy consumption targets. OMNe enables any company to plan the installation or expansion of charging infrastructure in just a few minutes.

Group-wide Transparency on Innovation Activities

In order to continually leverage innovations to generate growth businesses for E.ON, Group Innovation initiates cross-divisional innovation and competence networks, which ensure that new innovative business activities are undertaken throughout the E.ON Group. In 2020 E.ON developed a new reporting system for this purpose, the Innovation Dashboard, which provides comprehensive transparency on all central innovation activities and product developments and displays information on their current status quo and expected monetization. It yields real-time insights for monitoring innovation performance and thus serves as an improved database for decision-making.

Inventions and Patents

Partnerships and research and pilot projects of today become E.ON's innovations of tomorrow. These ideas also lead to a large number of inventions that result in patent applications. To protect intellectual property, E.ON has made patenting an integral part of its innovation strategy.

E.ON's Equity Investment and Partnership Platform

To help shape tomorrow's decarbonized, distributed, and digital energy system, it is important to have access to the latest technologies and business models as well as entrepreneurs and startups in the world's leading innovation hubs. In 2020 E.ON founded Future Energy Ventures, a new equity investment and partnership platform that secures E.ON's access to outside innovation and combines E.ON and innogy's co-investment portfolios. Future Energy Ventures has offices in Palo Alto (USA), Tel Aviv (Israel), and Berlin and Essen (Germany). It invests in digital and digitally enabled technologies and business models that have the potential to fundamentally change and shape the energy system of the future.

Toward a Global Innovation Network

E.ON supports its development of new business models by establishing networks. In 2020 the Company further expanded its international partnerships with leaders from other industries as well as leading universities, institutions, and startups. In October 2020, for the first time more than 5,000 participants from 63 nations took part in E.ON's virtual Energy Innovation Days conference. The conference focused on the challenges facing the energy industry and the use of innovation to shape a sustainable energy world.

Business Report

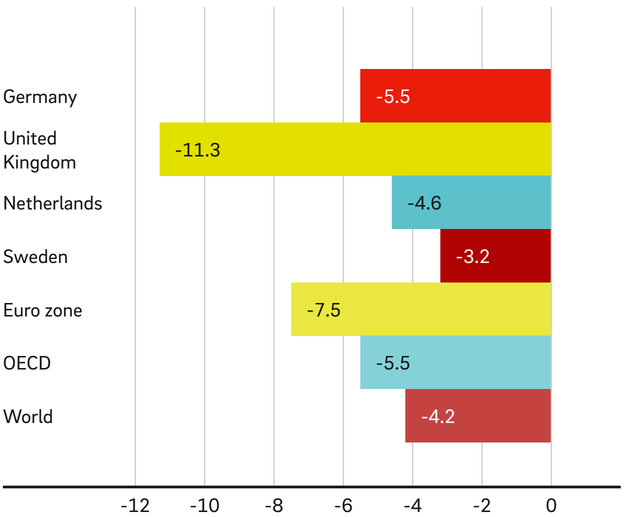
Macroeconomic and Industry Environment

Macroeconomic Environment

After growing moderately in 2019, the global economy slumped significantly in 2020, contrary to the original growth forecasts from 2019. The global Covid-19 pandemic was mainly responsible. The large number of possible scenarios for the pandemic's spread makes it difficult to forecast global economic development in 2021 as well. Amid a global recession, the unemployment rate in OECD countries rose sharply. The closure of national borders intended to slow the spread of Covid-19 restricted freedom of movement, which had an adverse impact on global economic development. Industry, commerce, and trade had to reduce production worldwide in 2020. The degree of reduction depended on the pandemic's spread and the restrictions on employees and consumers, which varied by country and region. As a result, energy consumption declined worldwide. For example, the European Network of Transmission System Operators for Electricity ("ENTSO-E") reported that Germany's total electricity demand fell by 3 percent relative to 2019, Britain's by 6 percent, Spain and France's by 5 percent, and Italy's by fully 8 percent.

GDP Growth in Real Terms in 2020

Annual change in percent



Source: OECD, 2020.

Alongside the pandemic, the Brexit negotiations were a key factor in 2020. The Brexit transition period, which was supposed to provide time to work out exit arrangements, concluded at the end of December 2020. Effective the beginning 2021, the United Kingdom is no longer part of the EU single market. Shortly before this, the European Union and the United Kingdom concluded a trade and cooperation agreement that, among other things, avoids tariffs.

Energy Policy and Regulatory Environment

Global

The United States' withdrawal from the Paris Climate Agreement initiated by the President Donald Trump became official on November 4, 2020. One of the world's largest industrialized nations and carbon emitters was therefore no longer part of the global climate dialogue. However, shortly after the new President, Joseph Biden, took office in January 2021, the United States rejoined the Paris Climate Agreement. Biden had indicated prior to his inauguration his intention of continuing the fight against climate change.

The pandemic necessitated the postponement of the United Nations Framework Convention on Climate Change, 26th Conference of the Parties ("COP 26") in Glasgow, which was originally scheduled for November 2020. COP 26 is now scheduled to begin on November 1, 2021. In addition, EU representatives and Chinese delegates had been planning to hold talks in Glasgow with the aim of bringing the People's Republic of China closer to the Paris Climate Agreement. In September 2020 President Xi Jinping made a surprise announcement that China—one of the world's largest emitters of greenhouse gases ("GHGs")—would strive for carbon neutrality by 2060. This announcement itself is a sign of progress in international climate-protection efforts.

Europe

In March 2020 the European Commission proposed a draft European Climate Law as part of the European Green Deal. The draft initially foresaw a 40-percent reduction in GHG emissions by 2030 and climate neutrality by 2050. Following an evaluation of the GHG reduction target in September, the Commission proposed a higher target of at least 55 percent by 2030. The European Commission is currently developing strategies and proposals as a basis for implementing the measures necessary to reach this target. These include a European structural and investment fund, a hydrogen strategy, and the 2030 climate target plan.

Germany held the EU Council Presidency in the second half of 2020. Work focused on the fight against the Covid-19 pandemic and its impact, the crafting of a multiannual financial framework, future relations with the United Kingdom, climate protection, digitization, and Europe's global role.

In December 2020 the European Parliament and EU Council finally agreed on the €1.82 trillion financial framework for 2021 to 2027 and the €750 billion EU economic stimulus package. The latter's purpose is to help member states' economies recover from the repercussions of the Covid-19 pandemic. The Green Deal, which was unveiled at the end of 2019 and aims to reduce the European Union's net GHG emissions to zero, is the centerpiece of the EU's Covid-19 recovery package. The EU heads of state and government also endorsed the 55-percent reduction target.

Germany
The German government took a number of steps during 2020 to mitigate the economic slump resulting from the Covid-19 pandemic. For example, in March the Bundestag passed legislation that applied to ongoing obligations, such as electricity and gas supply contracts. The legislation allows residential customers and small businesses to suspend payments for electricity and gas for three months if they can demonstrate that they face economic hardship as a result of the Covid-19 pandemic. In early June 2020 the German government adopted a €130 billion economic stimulus package for 2020 and 2021. It reduced the value-added tax in the second half of 2020 and allocates funds to energy, climate protection, and green mobility. Beginning in 2021, €11 billion alone will be used to stabilize the renewables surcharge. The federal rebate for the purchase of an electric vehicle was doubled, and an additional €2.5 billion is earmarked to support the expansion of charging infrastructure. Other aid measures for trade and industry were enacted amid the restrictions on public life imposed in November and December 2020.

The climate action program adopted by the German federal government at the end of 2019, which included the pricing of carbon emissions in the building and transport sectors, was amended in November 2020. The Fuel Emissions Trading Act (German abbreviation: "BEHG") steepened the rate of increase for carbon allowances in particular. The starting price will be €25 per metric ton of carbon dioxide in 2021. This will gradually increase to €55 per metric ton in 2025. Proceeds from the BEHG will be used primarily to reduce the renewables surcharge. Through the use of BEHG proceeds and general budget funds, the renewables surcharge is to be capped at 6.5 cents per kWh in 2021 and 6 cents per kWh in 2022.

In June 2020 the German federal government announced its national hydrogen strategy, which aims to develop a market for hydrogen produced, in particular, from renewable sources. Its purposes are to help Germany achieve its climate targets and to incentivize investment in technologies suitable for export. It provides roughly €7 billion in funding, which will go toward, among other things, installing up to 5 GW of electrolysis capacity by 2030. Another €2 billion is to be made available for international partnerships.

The Coal Exit Act (German abbreviation: "KAusG") adopted in August 2020 provides for the phaseout of coal-fired power generation in Germany by 2038. It includes a coal-replacement bonus, which is intended to promote the conversion of newer power plants in particular to gas (combined heat and power). E.ON plans to shut down its few remaining coal-fired power plants as early as year-end 2030.

The Renewable Energy Sources Act (German abbreviation: "EEG"), which was amended at the end 2020, provides details on the expansion and promotion of renewables. Among other things, it includes growth trajectories for the construction of renewables facilities. The amendment also contains regulations for the continued operation of renewables facilities whose subsidies would have expired on January 1, 2021.

On September 29, 2020, the Federal Constitutional Court issued a ruling: the judges of the First Senate called on lawmakers to make the compensation mechanism for the nuclear phaseout clear and legally robust and at the same time to regulate the handling of prorated residual power output rights. This could affect E.ON's business.

United Kingdom
The United Kingdom exited the European Union effective February 1, 2020. Effective the close of December 31, 2020, it is no longer part of the EU's single market. This will not have a significant impact on E.ON's business in the United Kingdom. The Brexit debate dominated Britain's political agenda, as did the Covid-19 pandemic, which resulted in the U.K. economy contracting by around 11 percent in 2020.

Nevertheless, combating climate change remains a high priority for the British government. In March 2020, for example, it announced subsidies for low-carbon heating systems and for the decarbonization of district heating networks. Up to £3 billion in investments are planned for 2020 and 2021 under green stimulus plans called the Green Homes Grant and the Public Sector Decarbonization Program. In November 2020 the Prime Minister published a Ten-Point Plan for a Green Industrial Revolution, which includes the installation of 600,000 heat pumps per year from 2028 onward and a ban on the sale of new gasoline and diesel cars from 2030 onward. The United Kingdom also adopted an ambitious 68 percent emissions reduction target for 2030. The retail price cap introduced by the U.K. government is expected to be reviewed by Ofgem, the U.K. energy regulator, in the second half of 2021. The final decision on the price cap rests with the government.

Netherlands/Belgium
Numerous government support measures, including tax breaks and loan guarantees for companies, limited the Covid-19 pandemic's impact on the Dutch economy. The Netherlands' main energy policy issue of 2020 was the implementation of the climate agreement (Dutch: "Klimaatakkoord") adopted in 2019. The agreement consists of a set of measures to make the Netherlands more sustainable by 2030 (target: a 49-percent reduction in carbon emissions). It encompasses the expansion of renewables, the phaseout of fossil energy production, and a more sustainable approach to the environment. The measures include building insulation and the use of gases made from renewable sources. The Energy Act and the Heat Act, which are to establish the rules for the country's future energy supply, were still being drafted at the time of this report's preparation and are not expected to be completed before the election of members of the second chamber, which is planned for the second half of March 2021.

Italy
The Italian central government responded to the outbreak of the Covid-19 pandemic by issuing numerous decrees aimed at mitigating financial repercussions (such as from business closures) for companies and households. The measures included a temporary disconnection ban for insolvent electricity customers with low consumption.

The "Milleproroghe" decree of December 30, 2019, which was adopted as Law No. 8 on February 28, 2020, transposed into national law the provisions of the EU Renewable Energy Directive II aimed at promoting the use of renewable energy. The degree also postponed the liberalization of Italy's energy market.

Sweden
The contact restrictions imposed by Sweden at the start of the Covid-19 pandemic were less strict than those of other countries. One result of this was a smaller reduction in energy demand.

The government, which was formed at the start of 2019, created the Swedish Climate Policy Council, consisting of eight ministers and chaired by the prime minister. The council's purpose is to ensure that Sweden becomes the first country to stop using fossil fuels. The Ministry of the Environment and Energy is currently working on an electrification strategy. The Ministry of Infrastructure established an electrification committee for the transport sector, which will be active until the end of 2022. In April 2020 a waste-incineration tax took effect; its purpose is to increase revenues from environmental taxes. In addition, the formation of a parliamentary majority continues with regard to certain aspects of electricity grid regulation.

East-Central Europe
The Covid-19 pandemic considerably weakened the Czech economy. The introduction of a new energy law was announced but is not expected to take effect until January 2023. The governing party's goal remains to support the completion of a nuclear power plant that will secure the country's energy supply over the long term.

Hungary's government and parliament adopted and reaffirmed climate and energy strategies and plans with targets for 2030 and 2050. These include phasing out coal production by 2030 and achieving climate neutrality in 2050. The start of the regulatory period for energy networks, originally scheduled for January 1, 2021, was postponed until March 31, 2021. The government continues to foresee the introduction of smart meters and a plan for the mandatory implementation of energy-saving and energy-efficiency measures.

In view of the Covid-19 countermeasures, Poland postponed the imposition of consumer fees, which were to be part of the establishment of a capacity market, from October 2020 to January 2021. During 2020 Poland's government adopted a number of what it called Covid-19 safeguards, including tax exemptions and the granting of microcredit and loans to businesses. In September the government and miners' unions reached a tentative agreement to close the country's coal mines by 2049.

Croatia is expected to amend legislation relating to energy efficiency and renewable energy in 2021. Important developments in the energy sector relate to the gas market: an LNG terminal became operational on January 1, 2021, and in April 2021 the residential gas market is supposed to be opened to competition.

In March 2020 a new government was formed in Slovenia under Prime Minister Janez Janša after the previous prime minister and government resigned in January 2020. In October the government presented a draft for a new Electricity Supply Act to transpose the EU electricity market directives into national law. This was followed in November by draft legislation to promote renewable energy. Neither draft was enacted by the end of 2020, and the consultations had not been completed at the time of this report's preparation.

Romania's economy too was adversely affected by the Covid-19 pandemic. The government and state agencies responded, for example, by awarding subsidies to small and medium-sized enterprises. In 2020 Romania's parliament passed two amendments to the Energy Law that have implications for the activities of distribution system operators. These include the obligation to connect customers and to speed up the grid-connection process. The gas market was liberalized effective July 1, 2020 (which affects wholesale and retail prices). This was followed by the liberalization of the electricity market effective January 2021. The government unveiled a new energy strategy in November 2020 but had not yet adopted it by the time of this report's preparation.

Business Performance

The 2020 financial year was shaped by the Covid-19 pandemic. Factoring in countermeasures, the impact of the Covid-19 pandemic adversely affected the Group's 2020 earnings by a figure in the low to mid three-digit million euro range. These effects occurred mainly at the U.K. sales business and the network business in Germany. They consist primarily of lower sales and an increase in other operating expenses. Despite these challenges, E.ON's operating business delivered a solid performance.

Sales of €60.9 billion were €19.7 billion above the prior-year figure. The increase resulted largely from the inclusion of the innogy Group for the entire year.

Adjusted EBIT for the E.ON Group of about €3.8 billion was about €0.6 billion above the prior-year level and thus below the forecast range of €3.9 to €4.1 billion. Adjusted net income of €1.6 billion was slightly above the prior-year level and thus likewise below the forecast range of €1.7 to €1.9 billion. Earnings per share, which are based on adjusted net income, amounted to €0.63 in the reporting period (prior year: €0.67). These results are principally attributable to the Covid-19 pandemic's economic repercussions. Adjusted EBIT and adjusted net income are both within the forecast ranges that were adjusted in August 2020.

In addition, E.ON recorded a cash-conversion rate of 91 percent in the 2020 financial year. Cash-conversion rate is equal to operating cash flow before interest and taxes (€5.9 billion) divided by adjusted EBITDA (€6.9 billion), without factoring in payments for the dismantling of nuclear power stations (roughly -€0.4 billion). E.ON continues to expect to achieve an average cash-conversion rate of 95 percent for the 2020 to 2022 financial years.

Cash-effective investments of €4.2 billion were significantly below the prior-year figure of €5.5 billion and the €4.5 billion forecast for 2020 in the E.ON 2019 Annual Report. This deviation from the original forecast is attributable to subsequent purchase-price reductions in conjunction with the innogy acquisition. These payments for E.ON's account reduce cash-effective investments. Including this effect, cash-effective investments were within the forecast range that was adjusted in August 2020.

Cash provided by operating activities of continuing and discontinued operations of €5.3 billion was considerably above the prior-year level (€3 billion). The inclusion of the innogy Group for the entire year was the principal reason.

Acquisitions, Disposals, and Discontinued Operations in 2020

In 2020 E.ON executed the following significant transactions and made the following reclassifications pursuant to IFRS 5. Note 5 to the Consolidated Financial Statements contains detailed information about them:

- Accounting of innogy acquisition concluded
- Acquisition of a 49-percent stake in VSE Holding
- Disposal of innogy's sales business in the Czech Republic
- Disposal of the heating electricity business in Germany
- Disposal of E.ON's non-regulated commercial electricity end-customer business in Hungary
- Disclosure of the 20-percent stake in Rampion offshore wind farm as an asset held for sale
- Disclosure of both E.ON ETI and ÉMÁSZ DSO as a disposal group
- Disposal of real estate assets.

Cash provided by investing activities of continuing operations included cash-effective disposal proceeds totaling €2.8 billion in 2020 (prior year: €0.3 billion).

Earnings Situation

Sales

E.ON's sales in 2020 increased by €19.7 billion year on year to €60.9 billion.

Energy Networks' sales of €18.3 billion surpassed the prior-year figure by €6.2 billion. This is principally attributable to the inclusion of innogy operations, primarily in Germany (+€5.4 billion).

Customer Solutions' sales rose by €16.5 billion to €48.3 billion. This increase likewise resulted mainly from the inclusion of innogy, in particular in Germany (+€9.6 billion), the United Kingdom (+€4.5 billion), and the Netherlands/Belgium (+€2 billion).

Substantially all of the Renewables segment was transferred to RWE in September 2019. Its operations that remain at E.ON are disclosed in other segments (see page 21). Effective 2020 the Renewables segment therefore no longer exists.

Sales at Non-Core Business increased significantly year on year, in particular because PreussenElektra benefitted from higher sales prices. This was partially offset by a decline in sales resulting from the transfer of stakes in power stations to RWE in September 2019.

Sales recorded at Corporate Functions/Other of €2.7 billion were €1.9 billion above the prior-year figure. The increase is mainly attributable to in-house services performed for innogy companies and to E.ON Energy Markets and innogy Commodities GmbH (see page 24), the Company's entities for energy procurement, which are reported at this segment.

Sales[1, 2]

	Fourth quarter			Full year		
€ in millions	2020	2019	+/- %	2020	2019	+/- %
Energy Networks	5,252	4,970	+6	18,284	12,098	+51
Customer Solutions	13,996	14,845	-6	48,342	31,794	+52
Renewables	–	–	–	–	948	–
Non-Core Business	360	308	+17	1,388	1,174	+18
Corporate Functions/Other	1,749	300	+483	2,702	784	+245
Consolidation	-3,727	-2,537	–	-9,772	-5,514	–
E.ON Group	**17,630**	**17,886**	**-1**	**60,944**	**41,284**	**+48**

[1]Includes the discontinued operations in the Renewables segment until September 18, 2019. Sales from continuing operations amounted to €40.8 billion in 2019.
[2]Adjustment of prior-year figures in the context of "failed-own-use"-accounting with no impact on earnings.

Other Line Items from the Consolidated Statements of Income

Own work capitalized of €680 million was 40 percent above the prior-year figure of €487 million. The increase is mainly attributable to the inclusion of innogy for the entire year for the first time. Own work capitalized consisted predominantly of ongoing and completed IT projects as well as network investments.

Other operating income totaled €8,907 million in 2020 (prior year: €5,367 million). Income from currency-translation effects of €1,064 million and income from derivative financial instruments of €5,906 million were considerably above the prior-year figures (€327 million and €3,378 million, respectively). Corresponding amounts resulting from currency-translation effects and derivative financial instruments are recorded under other operating expenses. The sale of equity interests and securities resulted in income of €411 million (prior year: €525 million).

Costs of materials of €47,147 million were substantially above the prior-year level of €31,434 million. Personnel costs rose by €1,765 million, from €4,101 million to €5,866 million. These developments resulted mainly from the inclusion, for the first time, of the innogy Group for the entire year in 2020.

Depreciation charges rose from €2,489 million in 2019 to €4,166 million in 2020. This change mainly reflects the inclusion of innogy for part of 2019 and all of 2020. Planned depreciation charges in 2020 were recorded primarily at Energy Networks in Germany; impairment charges, principally in connection with the restructuring of the network business in Hungary, which is recorded at Energy Networks' East-Central Europe unit.

Other operating expenses increased by 44 percent, from €7,570 million to €10,919 million, chiefly because expenditures relating to derivative financial instruments (including changes in currency rates) rose by €1,488 million to €5,787 million. Expenditures relating to currency-translation effects were also higher, increasing by €216 million to €641 million.

Income from companies accounted for under the equity method of €408 million was slightly below the prior-year figure of €421 million. Higher earnings from innogy subsidiaries resulting from their inclusion, for the first time, for the entire year were more than offset by the absence of equity income from the stake in Nord Stream, which was transferred to the CTA at the end of 2019 (see page 23), and by the low earnings contributions from the shareholdings in Turkey.

Adjusted EBIT

For the purpose of internal management control and as the most important indicator of businesses' long-term earnings power, E.ON uses earnings before interest and taxes that have been adjusted to exclude non-operating effects ("adjusted EBIT"). The prior-year figure includes the operating earnings of the discontinued operations in the Renewables segment prior to their deconsolidation on September 18, 2019.

The core business's adjusted EBIT in 2020 rose significantly —by €509 million—year on year. Energy Networks' adjusted EBIT was €752 million above the prior-year level. The inclusion of innogy's operations in Germany was the principal reason. A lower regulated return in Sweden was the primary countervailing factor. In addition, earnings in Germany declined owing to milder weather and Covid-19 pandemic's repercussions. However, these effects will be largely offset in subsequent years.

Adjusted EBIT at Customer Solutions rose by €104 million year on year. The inclusion of innogy businesses, particularly in Germany and the Netherlands/Belgium, contributed to the increase. Adjusted EBIT also rose primarily because of significant cost savings in the previous E.ON business in the United Kingdom. These items were partially offset primarily by the negative earnings of innogy's U.K. operations and weather-related effects at the previous E.ON sales business in Germany and the United Kingdom. In addition, the repercussions of Covid-19 had an adverse impact on earnings, primarily in Germany and the United Kingdom.

Substantially all of the Renewables segment was transferred to RWE in September 2019. Its operations that remain at E.ON are disclosed in other segments (see page 21). Effective 2020 the Renewables segment therefore no longer exists.

Corporate Functions/Other's adjusted EBIT declined by €47 million year on year to -€350 million, especially because of the inclusion of innogy's corporate functions for the entire reporting period. Another adverse factor was that the prior-year figure included earnings on the stake in Nord Stream AG, which was transferred to the CTA at the end of 2019.

The E.ON Group's adjusted EBIT was €556 million above the prior-year figure. The increase resulted primarily from the aforementioned items in the core business and at Non-Core Business. PreussenElektra's adjusted EBIT was slightly higher, in particular because of higher sales prices, which were partially offset by higher expenditures for residual power output rights and a decline in earnings resulting from the transfer of stakes in power plants to RWE. By contrast, equity earnings from Enerjisa Üretim in Turkey declined significantly.

Adjusted EBIT

€ in millions	Fourth quarter 2020	2019[1]	+/- %	Full year 2020	2019[1]	+/- %
Energy Networks	922	907	+2	3,253	2,501	+30
Customer Solutions	76	290	-74	454	350	+30
Renewables	–	–	–	–	301	–
Corporate Functions/Other	-32	-222	+86	-350	-303	-16
Consolidation	7	-3	–	6	5	–
Adjusted EBIT from core business	**973**	**972**	**–**	**3,363**	**2,854**	**+18**
Non-Core Business	115	40	+188	413	366	+13
E.ON Group adjusted EBIT	**1,088**	**1,012**	**+8**	**3,776**	**3,220**	**+17**

[1]Includes the effects of retrospective changes in connection with the adjustment of the provisional recognition of the innogy acquisition until September 18, 2020; the previous year was adjusted accordingly.

E.ON generates a large portion of its adjusted EBIT in very stable businesses. Regulated, quasi-regulated, and long-term contracted businesses accounted for the overwhelming proportion of E.ON's adjusted EBIT in 2020.

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

E.ON's quasi-regulated and long-term contracted business consists of operations in which earnings have a high degree of predictability because key determinants (price and/or volume) are largely set for the medium to long term. Examples include the operation of industrial customer solutions with long-term supply agreements and the operation of heating networks.

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

Reconciliation to Adjusted Earnings Metrics

Like net income, EBIT (earnings before interest and taxes) is affected by non-operating items, such as the marking to market of derivatives. Adjusted EBIT has been adjusted to exclude non-operating effects. The adjustments include net book gains, certain restructuring expenses, impairment charges and reversals, the marking to market of derivatives, the subsequent valuation of hidden reserves and liabilities identified as part of the purchase-price calculation and allocation for the innogy transaction, and other non-operating earnings.

Derived from adjusted EBIT, adjusted net income is an earnings figure after interest income, income taxes, and non-controlling interests that likewise has been adjusted to exclude non-operating effects. The adjustments include the aforementioned items as well as interest expense/income not affecting net income (in each case after taxes and non-controlling interests). Non-operating interest expense/income also includes effects from the resolution of the difference between the nominal and fair value of innogy bonds.

The disclosures in the Consolidated Statements of Income are reconciled to the adjusted earnings metrics below.

Reconciliation to Adjusted EBIT

E.ON recorded net income attributable to shareholders of E.ON SE of €1 billion and corresponding earnings per share of €0.39. In the prior year E.ON recorded net income of about €1.6 billion and earnings per share of €0.68.

Pursuant to IFRS 5, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income. In the 2020 financial year, this item includes negative effects from the subsequent adjustment of certain components of the purchase price in conjunction with the innogy acquisition and positive earnings from innogy's sales business in the Czech Republic (including deconsolidation results). The prior-year figure primarily includes the earnings from the discontinued operations at Renewables. Alongside the operating earnings of discontinued operations, this figure contains items resulting from the deconsolidation. In this context, items previously recognized in equity were recorded in income. This figure also includes the earnings from the transitional consolidation of Rampion wind farm following the reduction in E.ON's stake to 20 percent.

E.ON's tax expense on continuing operations rose from €43 million to €871 million. The tax rate on net income from continuing operations increased from 6 percent to 40 percent. The main reason for the high tax rate in the period under review was a one-off item related to the revaluation of deferred tax assets in the first half of 2020, which was partially offset by taxes for prior years. Tax-relief effects on non-operating earnings and the release of tax provisions and liabilities for prior years led to a lower tax rate in 2019.

Financial results of -€0.7 billion were significantly below the prior-year level. The inclusion of innogy and the marking to market of securities held for trading purposes, which is disclosed in non-operating earnings, had an adverse effect. This could not be fully offset by a reduction in adverse items relating to the valuation of non-current provisions and income for prior years. Financial results also include a positive effect of €328 million resulting from the resolution of the difference between the nominal and fair value of innogy bonds (see also page 37).

Net book gains were significantly lower than in the prior year. In 2020 they consist primarily of deconsolidation gains in conjunction with the fulfilment of EU conditions relating to the innogy transaction (see pages 21 and 22). The prior-year figure principally reflects the deconsolidation of the Company's stake in PEGI, the parent company of Nord Stream. Income from the sale of securities was lower than in the prior year as well.

Restructuring expenses were significantly lower than in 2019 and, as in the prior year, consisted primarily of expenditures in conjunction with the integration of innogy. The 2020 figure also includes restructuring expenditures for the U.K. retail business.

The marking to market of derivatives in the 2020 financial year resulted in a positive effect of €1,128 million (prior year: -€630 million). Positive items in 2020 resulted primarily from hedging against price fluctuations, in particular at Customer Solutions and at Corporate Functions/Other due to the central energy procurement entities, which are reported at the latter (see page 23).

Reconciliation to Adjusted EBIT

	Fourth quarter		Full year	
€ in millions	2020	2019[1]	2020	2019[1]
Net income/loss	60	-513	1,270	1,792
Attributable to shareholders of E.ON SE	*15*	*-551*	*1,017*	*1,550*
Attributable to non-controlling interests	*45*	*38*	*253*	*242*
Income/Loss from discontinued operations, net	2	696	40	-1,063
Income/Loss from continuing operations	**62**	**183**	**1,310**	**729**
Income taxes	159	-311	871	43
Financial results	206	65	702	587
Income/Loss from continuing operations before financial results and income taxes	**427**	**-63**	**2,883**	**1,359**
Income/Loss from equity investments	-21	-3	18	58
EBIT	**406**	**-66**	**2,901**	**1,417**
Non-operating adjustments	**682**	**1,078**	**875**	**1,503**
Net book gains (-)/losses (+)	*-40*	*-398*	*-258*	*-366*
Restructuring expenses	*266*	*640*	*656*	*819*
Effects from derivative financial instruments	*-798*	*556*	*-1,128*	*630*
Impairments (+)/Reversals (-)	*473*	*260*	*557*	*260*
Carryforward of hidden reserves (+) and liabilities (-) from the innogy transaction	*328*	*162*	*802*	*317*
Other non-operating earnings	*453*	*-142*	*246*	*-157*
Reclassified businesses of Renewables[2] (adjusted EBIT)	–	–	–	300
Adjusted EBIT	**1,088**	**1,012**	**3,776**	**3,220**
Impairments (+)/Reversals (-)	21	65	27	67
Scheduled depreciation and amortization	830	745	3,102	2,006
Reclassified businesses of Renewables[2] (scheduled depreciation and amortization, impairment charges and reversals)	–	–	–	271
Adjusted EBITDA	**1,939**	**1,822**	**6,905**	**5,564**

[1]Includes the effects of retrospective changes in connection with the adjustment of the provisional recognition of the innogy acquisition until September 18, 2020; the previous year was adjusted accordingly.
[2]Deconsolidated effective September 18, 2019.

In the 2020 financial year, E.ON recorded impairment charges principally at Energy Networks in Hungary (owing mainly to the current restructuring of the business there; see page 23), at Customer Solutions in the United Kingdom (mainly for software in conjunction with ongoing restructuring measures), and the Netherlands/Belgium (in particular as part of the planned disposal of the sales business in Belgium). In the prior-year E.ON recorded impairment charges primarily at Customer Solutions in the United Kingdom (in particular because of the decision made at that time to restructure E.ON and innogy's U.K. sales business).

Items resulting from the subsequent valuation of hidden reserves and liabilities as part of the preliminary purchase-price allocation until September 18, 2020, and newly recorded items resulting from the valuation of innogy's financial assets are disclosed separately. The latter were fully balanced out by year-end 2020.

The decline in other operating earnings is partially attributable to valuation effects for repurchase obligations pursuant to IAS 32, non-current provisions, and realized earnings from hedging transactions for certain currency risks.

Reconciliation to Adjusted Net Income

Adjusted net income of €1,638 million was 7 percent above the prior-year figure of €1,526 million. Besides the above-described effects in the reconciliation to adjusted EBIT, this reconciliation includes following items:

Interest income/expenses includes non-operating items. These rose by €0.3 billion year on year. The prior-year figure primarily reflects items from the valuation of non-current provisions. The current-year figure includes, in particular, amounts from the resolution of the difference between the nominal and fair value of innogy bonds as well as income for prior years. This was partially offset by valuation effects on securities held for trading purposes.

The tax rate on continuing operations was 24 percent (prior year: 26 percent).

Non-controlling interests' share of operating earnings rose significantly year on year, principally because of the innogy takeover.

Reconciliation to Adjusted Net Income

	Fourth quarter		Full year	
€ in millions	2020	2019[1]	2020	2019[1]
Income/Loss from continuing operations before financial results and income taxes	**427**	**-63**	**2,883**	**1,359**
Income/Loss from equity investments	-21	-3	18	58
EBIT	**406**	**-66**	**2,901**	**1,417**
Non-operating adjustments	682	1,078	875	1,503
Reclassified businesses of Renewables[2] (adjusted EBIT)	–	–	–	300
Adjusted EBIT	**1,088**	**1,012**	**3,776**	**3,220**
Net interest income/loss	-185	-62	-720	-645
Non-operating interest expense (+)/income (-)	-57	-231	-358	-33
Reclassified businesses of Renewables[2] (operating interest expense)	–	–	–	-123
Operating earnings before taxes	**846**	**719**	**2,698**	**2,419**
Taxes on operating earnings	-190	-199	-653	-580
Operating earnings attributable to non-controlling interests	-107	-171	-407	-317
Reclassified businesses of Renewables[2] (taxes and minority interests on operating earnings)	–	–	–	4
Adjusted net income	**549**	**349**	**1,638**	**1,526**

[1]Includes the effects of retrospective changes in connection with the adjustment of the provisional recognition of the innogy acquisition until September 18, 2020; the previous year was adjusted accordingly.
[2]Deconsolidated as of September 18, 2019.

Financial Situation

Finance Strategy
E.ON's finance strategy focuses on capital structure. At the forefront of this strategy is ensuring that E.ON always has access to capital markets commensurate with its debt level.

With its target capital structure E.ON aims to sustainably secure a strong BBB/Baa rating.

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

The low interest-rate environment continued. In some cases this led to negative real interest rates on asset-retirement obligations. As in prior years, provisions therefore exceeded the actual amount of asset-retirement obligations at year-end 2020 without factoring in discounting and cost-escalation effects. This limits the relevance of economic net debt as a key figure. E.ON wants economic net debt to serve as a useful key figure that aptly depicts E.ON's debt situation. In the case of material provisions affected by negative real interest rates, E.ON has therefore used the aforementioned actual amount of the obligations instead of the balance-sheet figure to calculate economic net debt since year-end 2016.

Pursuant to IFRS valuation standards, innogy's financial liabilities at the time of initial consolidation were recorded at their fair value. This fair value is significantly higher than the original nominal value because interest-rate levels have declined since innogy's bonds were issued. The purchase-price allocation yielded a difference between the nominal value and the fair value, which results in additional liabilities of €2.1 billion at year-end 2020. This amount will be recorded in financial earnings as a reduction in expenditures and spread out over the maturity period of the respective bonds. These balance-sheet and earnings effects do not alter the interest and principal payments. To manage economic net debt, E.ON continues to use the nominal amount of financial liabilities, which deviates from the figure shown in its balance sheets.

E.ON aims to reduce its debt factor to around 5 over the medium term. As anticipated, the debt factor of 5.9 at year-end 2020 was above this medium-term target. E.ON expects to achieve a debt factor of around 5 over the medium term, in particular by earnings increases in its core business and the leveraging of synergies identified in conjunction with the innogy transaction.

Economic Net Debt
Compared with the year-end 2019 figure of €38.9 billion, economic net debt rose by €1.8 billion to €40.7 billion.

The increase in financial liabilities to €30.7 billion relative to year-end 2019 is mainly attributable to E.ON SE's issuance of €5 billion in bonds (see page 23). The issuance proceeds were used in part to finance the squeeze-out of innogy SE's minority shareholders and to repay, on schedule, bonds that had matured (innogy SE: €750 million; E.ON International Finance B.V.: €1.4 billion).

E.ON's net financial position increased by -€1.1 billion relative to year-end 2019 to roughly -€24 billion. E.ON SE's dividend payout, investment expenditures, and cash compensation for innogy SE's minority shareholders as part of the squeeze-out (see page 21) were largely offset by items that included operating cash flow, the sales proceeds from the transfer of the (indirect) stake in Nord Stream AG to the CTA (see page 23), and the sales required under the antitrust clearance, in particular of innogy's sales business in the Czech Republic (see page 21).

Despite an increase in plan assets, provisions for pensions were higher, due mainly to a significant reduction in actuarial interest rates, which led to an increase in defined benefit obligations.

Economic Net Debt

	December 31	
€ in millions	2020	2019[1]
Liquid funds	4,795	3,602
Non-current securities	1,887	2,354
Financial liabilities[2]	-30,720	-28,947
FX hedging adjustment	82	166
Net financial position	**-23,956**	**-22,825**
Provisions for pensions	-8,088	-7,201
Asset-retirement obligations[3]	-8,692	-8,869
Economic net debt	**-40,736**	**-38,895**

[1]Certain adjustments to the preliminary accounting of the innogy acquisition, which was provisional until September 18, 2020, must be presented retroactively to the acquisition date. The prior-year figures were adjusted accordingly.
[2]Bonds issued by innogy are recorded at their nominal value. The figure shown in the Consolidated Balance Sheets is €2.1 billion higher (year-end 2019: €2.5 billion higher).
[3]This figure is not the same as the asset-retirement obligations shown in the Consolidated Balance Sheets (€10,194 million at December 31, 2020; €10,571 million at December 31, 2019). This is because economic net debt is calculated in part based on the actual amount of E.ON's obligations.

Funding Policy and Initiatives

The key objective of E.ON's funding policy is for the Company to have access to a variety of financing sources at all times. E.ON achieves this objective by using different markets and debt instruments to maximize the diversity of its investor base. E.ON issues bonds with tenors that give its debt portfolio a balanced maturity profile. Moreover, large-volume benchmark issues may in some cases be combined with smaller issues, private placements, and/or promissory notes. Furthermore, from 2019 onward E.ON has issued green bonds and has since established them in its financing mix. In the future, E.ON intends to cover more than 50 percent of its annual financing requirements with green bonds.

At the beginning of March 2021, E.ON presented a new green bond framework. In addition to compliance with the ICMA Green Bond Principles, which until now set the standard for green bonds on the capital market, the new E.ON framework is one of the first in Europe to meet the criteria of the EU Taxonomy Regulation on sustainable economic activities. The EU Taxonomy Regulation defines which economic activity is to be classified as ecologically sustainable and thus sets a Europewide standard for sustainable investments. E.ON's green bond framework is geared toward sustainable projects in both Energy Networks and Customer Solutions.

External funding is generally carried out by E.ON SE, and the funds are subsequently on-lent in the Group. In the past, external funding was also carried out by the Company's Dutch finance subsidiary, E.ON International Finance B.V. ("EIF"), under guarantee of E.ON SE, and by innogy SE and innogy Finance B.V. under guarantee of innogy SE. As part of the process of integrating the innogy Group, E.ON harmonized the E.ON Group's funding structure. It offered innogy bondholders the option to change the debtor of their bonds to E.ON by means of consent solicitations or conversion offers. This offer was accepted for 99.95 percent of the bond volume. All bonds transferred now have E.ON SE as debtor or guarantor (with EIF as issuer). In 2020 E.ON paid back in full maturities of €2.2 billion. E.ON issued new debt totaling €5 billion (see page 23).

Financial Liabilities

€ in billions	December 31 2020	2019
Bonds[1]	26.9	24.6
EUR	*18.4*	*15.6*
GBP	*7.2*	*7.6*
USD	*0.8*	*0.9*
JPY	*0.3*	*0.3*
Other currencies	*0.2*	*0.2*
Promissory notes	0.0	0.0
Commercial paper	0.0	0.1
Other liabilities	3.8	4.8
Total	**30.7**	**29.5**

[1]Includes private placements.

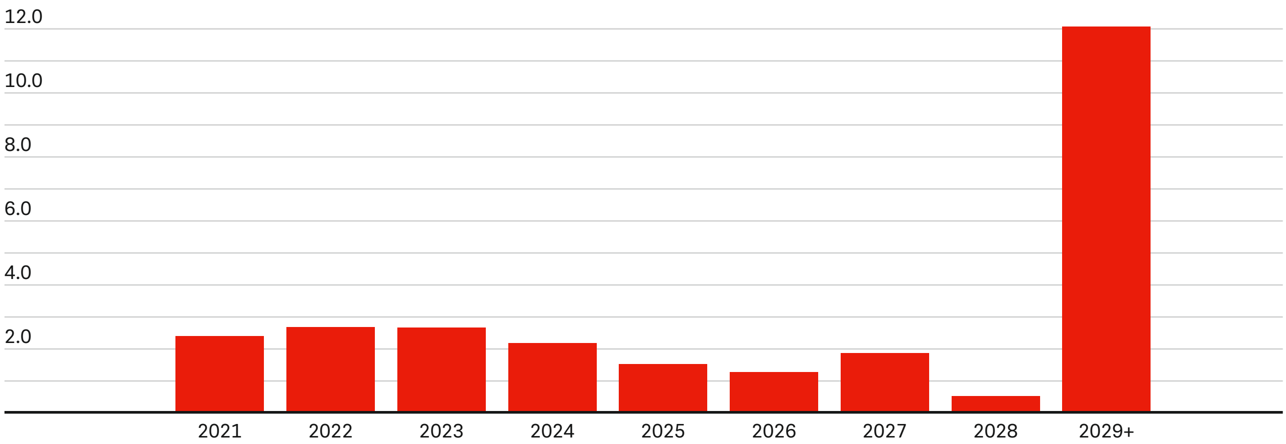
With the exception of a U.S.-dollar-denominated bond issued in 2008, all of E.ON SE and EIF's currently outstanding bonds were issued under a Debt Issuance Program ("DIP"). Similarly, innogy and innogy Finance B.V. bonds were formerly issued under the former innogy Group's DIP. A DIP simplifies a company's ability to issue debt to investors in public and private placements in flexible time frames. E.ON SE's DIP was last updated in March 2020 with a total volume of €35 billion, of which about €16 billion was utilized at year-end 2020. E.ON SE intends to renew the DIP in 2021.

In addition to its DIP, E.ON has a €10 billion Commercial Paper ("CP") program and a US$10 billion CP program, under which it can issue short-term notes. At year-end 2020 E.ON had no CP outstanding (prior year: €50 million).

E.ON also has access to a five-year, €3.5 billion syndicated credit facility, which was concluded on October 24, 2019, and which includes two options to extend the facility, in each case for one year. The first option to extend the facility for another year was exercised in October 2020. The credit margin is linked, among other things, to the development of certain ESG ratings, which gives E.ON financial incentives to pursue a sustainable corporate strategy. The ESG ratings are set by three renowned agencies: ISS ESG, MSCI ESG Research, and Sustainalytics. The facility serves as a reliable, ongoing general liquidity reserve for the E.ON Group and can be drawn on as needed. The credit facility is made available by 21 banks which constitute E.ON's core group of banks.

Maturity Profile of Bonds Issued by E.ON SE, E.ON International Finance B.V., and innogy Finance B.V.

€ in billions — At December 31, 2020



In conjunction with the acquisition of innogy SE, on April 6, 2018, E.ON originally secured a €5 billion acquisition facility, that it partially cancelled down to €1.75 billion in August 2018. At the conclusion of the squeeze-out, the facility was cancelled in June 2020; the facility was undrawn.

Alongside financial liabilities, E.ON has, in the course of its business operations, entered into contingencies and other financial obligations. These include, in particular, guarantees, obligations from legal disputes and damage claims, as well as current and non-current contractual, legal, and other obligations. Notes 27, 28, and 32 to the Consolidated Financial Statements contain more information about E.ON's bonds as well as liabilities, contingencies, and other commitments.

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

E.ON SE Ratings

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

E.ON will continue to take into account the trust of rating agencies, investors, and banks by means of a clear strategy and transparent communications and therefore holds events that include an annual informational meeting for its core group of banks.

Investments

The E.ON Group's cash-effective investments in 2020 were below the prior-year level. Factoring out the reporting-year and prior-year payments in conjunction with the innogy transaction (see commentary under Corporate Functions/Other on page 40), there would have been a significant increase in investments in the core business. The E.ON Group invested about €4.4 billion in property, plant, and equipment and intangible assets (prior year: €3.8 billion). Share investments totaled -€0.2 billion versus €1.7 billion in the prior year.

Investments

€ in millions	2020	2019	+/- %
Energy Networks	3,386	2,384	+42
Customer Solutions	790	1,008	-22
Renewables	–	563	–
Corporate Functions/Other	-278	1,329	–
Consolidation	-2	1	–
Investments in core business	**3,896**	**5,285**	**-26**
Non-Core Business	275	207	+33
E.ON Group investments	**4,171**	**5,492**	**-24**

Energy Networks' investments increased by 42 percent year on year, from €2.4 billion to €3.4 billion. Investments in Germany rose significantly, primarily because of the inclusion of innogy operations. In addition, the increase reflected in particular new connections. Investments in new connections and maintenance were made in Sweden as well. Investments in East-Central Europe/Turkey were also above the prior-year level. The inclusion of innogy's operations in Hungary and Poland as well as VSE Holding was one of the factors.

Customer Solutions invested €0.2 billion less than in the prior year. Investments in Sweden declined significantly year on year owing to the completion of the Högbytorp project. In addition, the prior-year figure included payments to acquire Coromatic, a leading provider of critical building infrastructure in Scandinavia. Investments in the United Kingdom were significantly lower as well, primarily because of postponed investments for smart meters. By contrast, the inclusion of innogy's operations in Germany and Poland resulted in higher investments. In addition, E.ON Business Solutions invested in significantly more distributed-generation projects than in the prior year.

After the transfer of substantially all of the Renewables segment to RWE in September 2019 and its remaining operations to other E.ON segments, effective 2020 the Renewables segment therefore no longer exists.

Subsequent purchase-price reductions in conjunction with the innogy acquisition had a positive impact on investments recorded at Corporate Functions/Other in 2020. Because these payments are for E.ON's account, they reduce investments. The prior-year figure primarily reflects payments in conjunction with the public takeover offer and for the acquisition of additional innogy stock on-market.

Investments at Non-Core Business were €68 million above the prior-year level. The prior-year figure reflects, in particular, payments in conjunction with the innogy transaction recorded at PreussenElektra. By contrast, PreussenElektra's investments to acquire residual power output rights were higher than in the prior year.

Cash Flow

Cash provided by operating activities of continuing and discontinued operations before interest and taxes of €5.9 billion was significantly above the prior-year level (€4.4 billion). Energy Networks recorded an increase of €1.9 billion year on year thanks to positive working capital effects at the previous E.ON network business and the inclusion, for the first time, of innogy's network operations for the entire year.

Customer Solutions' cash flow of €0.4 billion was below the prior-year level, mainly due to the inclusion of innogy's operations in the United Kingdom and to the changes in segment reporting, which, for comparative purposes, were also made to the prior year (see page 21). The absence of Renewables' €0.2 billion contribution relative to the prior year was another factor.

Cash provided by operating activities of continuing and discontinued operations also rose because of lower tax payments (+€0.8 billion), whereas higher interest payments on innogy's debt had a negative impact (-€0.1 billion).

Cash provided by investing activities of continuing and discontinued operations totaled -€1.9 billion versus -€5.8 billion in 2019. Expenditures were recorded in the prior year for the acquisition of innogy stock, whereas in the 2020 financial year cash provided by investing activities benefited from a subsequent purchase-price payment from RWE. In addition, the payment received in the first quarter of 2020 for the indirect stake in Nord Stream AG that was transferred to the CTA in 2019, the sale of innogy's sales business in the Czech Republic, an advance payment in connection with the agreed-on sale of the stake in Rampion, and the sale of substantial parts of the heating electricity business in Germany had a positive impact on cash provided by investing activities.

Cash Flow[1]

€ in millions	2020	2019
Operating cash flow	5,313	2,965
Operating cash flow before interest and taxes[2]	5,948	4,407
Cash provided by (used for) investing activities	-1,864	-5,820
Cash provided by (used for) financing activities	-2,624	792

[1]From continuing and discontinued operations.
[2]Excluding the innogy business in the Czech Republic reclassified in accordance with IFRS 5 and deconsolidated on October 30, 2020.

Cash provided by financing activities of continuing and discontinued operations of -€2.6 billion was €3.4 billion below the prior-year figure of +€0.8 billion, principally because of payments in conjunction with the compensation of innogy SE's remaining minority shareholders and E.ON SE's higher dividend payout relative to the prior year.

Asset Situation

Total assets and liabilities of roughly €95.4 billion were €2.7 billion, or 3 percent, below the figure at year-end 2019. Non-current assets declined by €0.3 billion year on year to €75.5 billion. This is mainly attributable to an increase in assets and preliminary goodwill from the acquisition of VSE Holding. A reduction in financial assets, particularly companies accounted for using the equity method and non-current securities, had a countervailing effect.

Current assets declined by €2.4 billion, or 11 percent, from €22.3 billion to roughly €19.9 billion. This resulted mainly from a decline in other operating assets and the deconsolidation of assets that had been reclassified as assets held for sale pursuant to IFRS 5: innogy's business in the Czech Republic, the heating electricity business in Germany, and a business in Hungary. This was partially offset by an increase in liquid funds.

The equity ratio (including non-controlling interests) at year-end 2020 was 9 percent, which is 5 percentage points lower than at year-end 2019. The reduction in the equity ratio mainly reflects the merger squeeze-out of innogy SE's remaining minority shareholders (see page 21). Equity was also reduced by the dividend payout totaling €1.6 billion, the remeasurement of pension obligations, and other items not affecting net income recorded under other comprehensive income. By contrast, net income for the 2020 financial year served to increase equity.

Non-current debt rose by €2.8 billion, or 5 percent, chiefly because of the development of non-current bonds and an increase in pension obligations.

Current debt of €24.7 billion was 5 percent below the figure at year-end 2019. The reason was the deconsolidation of debt that had previously been reclassified pursuant to IFRS 5 at innogy's business in the Czech Republic, the heating electricity business in Germany, and a business in Hungary. The repayment of financial liabilities was another factor.

Consolidated Assets, Liabilities, and Equity

€ in millions	Dec. 31, 2020	%	Dec. 31, 2019	%
Non-current assets	75,484	79	75,786	77
Current assets	19,901	21	22,294	23
Total assets	**95,385**	**100**	**98,080**	**100**
Equity	9,055	9	13,248	14
Non-current liabilities	61,761	65	58,982	60
Current liabilities	24,569	26	25,850	26
Total equity and liabilities	**95,385**	**100**	**98,080**	**100**

Additional information about E.ON's asset situation is contained in Notes to the Consolidated Financial Statements.

Business Segments

Energy Networks

Power and Gas Passthrough
Power and gas passthrough in Germany in 2020 rose significantly owing to the inclusion of innogy operations. Gas passthrough of the previous E.ON network business was at the prior-year level, whereas its power passthrough declined, in part because of the Covid-19 pandemic.

Power passthrough in Sweden was almost unchanged from the prior year.

Energy Passthrough

	Germany		Sweden		East-Central Europe/ Turkey		Total	
Billion kWh	2020	2019	2020	2019	2020	2019	2020	2019
Fourth quarter								
Power	64.4	62.4	9.5	9.8	17.8	16.5	91.7	88.7
Line loss, station use, etc.	2.0	1.9	0.3	0.3	0.9	1.0	3.2	3.2
Gas	60.6	54.3	–	–	16.1	14.4	76.7	68.7
Full year								
Power	226.9	144.2	34.7	35.5	64.1	46.0	325.7	225.7
Line loss, station use, etc.	7.1	4.8	1.1	1.1	3.9	2.9	12.1	8.8
Gas	170.6	118.5	–	–	46.2	44.5	216.8	163.0

The inclusion of innogy's network business in Hungary and Poland and the acquisition of VSE Holding Slovakia led to a significant structural increase in East-Central Europe/Turkey's power passthrough. Gas passthrough rose slightly owing to the inclusion of the innogy business in Croatia. Power and gas passthrough at the previous E.ON network business was at the prior-year level.

System Length and Network Customers
E.ON's power system in Germany was about 705,000 kilometers long, roughly the same as in 2019. As in the prior year, at year-end it had about 15.1 million connection points for power in its service territory. E.ON's gas system was around 104,000 kilometers long and had 1.8 million connection points, likewise essentially unchanged from 2019.

The length of E.ON's power system in Sweden was roughly 139,000 kilometers (prior year: 138,000 kilometers). The number of customers in the power distribution system was about 1.1 million (prior year: about 1 million).

E.ON operates electricity networks in East-Central Europe/Turkey with a total system length of 322,000 kilometers and supplies about 9.7 million network customers. System length and the number of network customers are thus significantly higher than the prior-year figures of 296,000 kilometers and 9 million. The increase is principally attributable to the acquisition of VSE Holding. Gas networks operated by E.ON are roughly 48,000 kilometers long (prior year: roughly 46,000 kilometers). This increase is primarily attributable to the acquisition of two distribution system operators in Croatia, which are not material for the Group as a whole. The number of gas network customers was unchanged at around 2.6 million.

Sales and Adjusted EBIT

Energy Networks' sales and adjusted EBIT in 2020 were significantly above the prior-year level, in particular due to the inclusion of innogy operations.

Sales and adjusted EBIT in Germany were €14.6 billion and €2.2 billion, respectively. As described above, the year-on-year increase is principally attributable to the inclusion of innogy operations. Sales at the previous E.ON network business were at the prior-year level. A decline in power passthrough was offset by non-recurring regulatory items. By contrast, adjusted EBIT of the previous E.ON network business declined slightly owing in part to mild weather and Covid-19. However, these effects will be largely offset in subsequent years.

In Sweden sales and adjusted EBIT in 2020 were significantly below the prior-year level. Lower network fees in conjunction with the start of the new regulatory period constituted the primary reason for the decline in sales and earnings.

Sales and adjusted EBIT in East-Central Europe/Turkey rose significantly, likewise because of the innogy takeover. The previous E.ON operations' sales and earnings were slightly higher.

Energy Networks

	Germany		Sweden		East-Central Europe/ Turkey		Total	
€ in millions	2020	2019	2020	2019	2020	2019	2020	2019
Fourth quarter								
Sales	4,102	4,031	240	276	910	663	5,252	4,970
Adjusted EBITDA[1]	1,028	958	137	183	296	262	1,461	1,403
Adjusted EBIT[1]	626	592	96	145	200	170	922	907
Full year								
Sales	14,563	9,161	889	1,024	2,832	1,913	18,284	12,098
Adjusted EBITDA[1]	3,628	2,313	529	692	1,042	789	5,199	3,794
Adjusted EBIT[1]	2,182	1,455	371	539	700	507	3,253	2,501

[1]Includes effects of retrospective changes in connection with the adjustment of the provisional recognition of the innogy acquisition until September 18, 2020; the previous year was adjusted accordingly.

Customer Solutions

Power and Gas Sales Volume

This segment's power sales in 2020 increased by 154.9 billion kWh to 369 billion kWh. Its gas sales rose by 124.3 billion kWh to 381.6 billion kWh. The inclusion of innogy operations for the first time for the entire year was the main reason.

Power Sales

	Germany		United Kingdom[1]		Netherlands/ Belgium		Other[2]		Total	
Billion kWh	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fourth quarter										
Residential and SME	7.7	9.6	6.3	6.5	2.3	2.1	8.1	8.2	24.4	26.4
I&C	6.7	9.5	8.1	9.1	1.7	2.1	7.1	8.4	23.6	29.1
Sales partners	20.2	36.3	0.6	0.6	–	–	2.2	0.2	23.0	37.1
Customer groups	**34.6**	**55.4**	**15.0**	**16.2**	**4.0**	**4.2**	**17.4**	**16.8**	**71.0**	**92.6**
Wholesale market	20.3	3.3	3.9	5.0	2.2	4.9	3.5	2.3	29.9	15.5
Total	**54.9**	**58.7**	**18.9**	**21.2**	**6.2**	**9.1**	**20.9**	**19.1**	**100.9**	**108.1**
Full year										
Residential and SME	31.5	21.0	22.4	18.1	7.6	2.4	30.6	25.3	92.1	66.8
I&C	30.9	20.3	31.5	18.9	6.2	2.3	29.4	28.3	98.0	69.8
Sales partners	72.5	40.8	2.2	0.6	–	–	3.8	0.7	78.5	42.1
Customer groups	**134.9**	**82.1**	**56.1**	**37.6**	**13.8**	**4.7**	**63.8**	**54.3**	**268.6**	**178.7**
Wholesale market	61.4	12.7	20.5	8.7	6.5	4.9	12.0	9.1	100.4	35.4
Total	**196.3**	**94.8**	**76.6**	**46.3**	**20.3**	**9.6**	**75.8**	**63.4**	**369.0**	**214.1**

[1]The line item "wholesale market" includes changes made retroactively.
[2]Excludes E.ON Business Solutions.

Gas Sales

	Germany		United Kingdom[1]		Netherlands/ Belgium		Other[2]		Total	
Billion kWh	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fourth quarter										
Residential and SME	14.5	15.1	16.5	18.3	5.4	9.4	10.6	9.2	47.0	52.0
I&C	7.9	8.6	2.7	3.8	7.6	5.2	6.2	6.9	24.4	24.5
Sales partners	14.6	36.3	2.3	2.5	–	–	0.5	0.6	17.4	39.4
Customer groups	**37.0**	**60.0**	**21.5**	**24.6**	**13.0**	**14.6**	**17.3**	**16.7**	**88.8**	**115.9**
Wholesale market	13.6	4.8	11.3	13.2	9.1	24.1	1.0	2.2	35.0	44.3
Total	**50.6**	**64.8**	**32.8**	**37.8**	**22.1**	**38.7**	**18.3**	**18.9**	**123.8**	**160.2**
Full year										
Residential and SME	40.7	27.3	49.1	39.5	21.6	9.7	29.6	27.7	141.0	104.2
I&C	25.2	18.2	10.3	10.1	26.6	5.9	21.2	23.3	83.3	57.5
Sales partners	45.3	37.5	6.8	2.5	–	–	1.4	1.6	53.5	41.6
Customer groups	**111.2**	**83.0**	**66.2**	**52.1**	**48.2**	**15.6**	**52.2**	**52.6**	**277.8**	**203.3**
Wholesale market	44.5	11.7	27.7	13.2	25.8	24.1	5.8	5.0	103.8	54.0
Total	**155.7**	**94.7**	**93.9**	**65.3**	**74.0**	**39.7**	**58.0**	**57.6**	**381.6**	**257.3**

[1]The line item "wholesale market" includes changes made retroactively.
[2]Excludes E.ON Business Solutions.

The sales business in Germany increased its power sales to 196.3 billion kWh relative to 2019 owing primarily to the inclusion of innogy operations. On balance, the previous E.ON sales business in Germany sold more power as well. Power sales to residential and small and medium enterprise ("SME") customers were below the prior-year level due to the sale of the heating electricity business. Power sales to industrial and commercial ("I&C") customers declined year on year, primarily because of changes in the customer portfolio and the repercussions of Covid-19. Power sales to the wholesale market were significantly above the prior-year level, mainly owing to reselling related to Covid-19 and to the optimization of the procurement portfolio. Gas sales of 155.7 billion kWh were 61 billion kWh above the prior-year level, principally because of the inclusion of innogy operations. The previous E.ON business's gas sales to residential and SME customers and to I&C customers decreased owing to weather factors. Gas sales to I&C customers also declined because of changes in the customer portfolio. The optimization of the procurement portfolio led to a significant increase in gas sales to the wholesale market.

Power sales in the United Kingdom increased to 76.6 billion kWh in 2020, owing in particular to the inclusion of innogy operations. The previous E.ON business's sales to residential and SME customers and I&C customers declined, mainly because of the Covid-19 pandemic. Gas sales in the United Kingdom rose significantly as well (+44 percent), primarily because of innogy operations. Covid-19's repercussions led to lower gas sales at the previous E.ON U.K. business. In addition, warmer weather in 2020 had an adverse impact on gas sales to residential and SME customers.

The Netherlands/Belgium unit, which consists exclusively of originally innogy business operations, sold 20.3 billion kWh of power and 74 billion kWh of gas in 2020 (prior year: 9.6 billion kWh and 39.7 billion kWh, respectively).

Power sales at the Other unit rose by 12.4 billion kWh, primarily owing to the inclusion of innogy operations in Hungary and Poland. Power sales in the other previous E.ON regions declined. Power sales to residential and SME customers were below the prior-year level, particularly in Italy. The impact of Covid-19 in the Czech Republic, Hungary, and Italy along with lower customer numbers in Romania were the principal reasons for the decline in power sales to I&C customers. Power sales to I&C customers in Sweden were higher thanks to new sales contracts. Power sales to sales partners increased significantly as well, mainly because of a new customer relationship at the previous E.ON sales business in Hungary. Power sales to the wholesale market rose, primarily because of an increase in reselling in the Czech Republic and Italy. This was partially offset by a decline in wholesale market sales in Sweden.

Other's gas sales were 0.4 billion kWh higher. The inclusion of innogy operations in Hungary and Poland had a positive impact, whereas gas sales in nearly all other previous E.ON regions declined. Gas sales to residential and SME customers were slightly above the prior-year level. Slightly higher customer numbers and cold weather in Romania were the primary reasons. Gas sales to I&C customers decreased, principally because of a decline in customer numbers in Romania, the sale of the LPG business in Sweden in the second quarter of 2019, and deteriorated market conditions in Italy and the Czech Republic due to Covid-19. Gas sales to the wholesale market were at the prior-year level. Higher reselling in Italy was offset by lower sales volume in Sweden.

Customer Numbers

This segment's fully consolidated companies had about 40.7 million customers at year-end 2020, nearly at the prior-year level of 41.1 million. The sale of the heating electricity reduced the number of customers in Germany to 13.9 million (prior year: 14.2 million). Customer numbers in the United Kingdom declined from 10.9 to 10.3 million amid the ongoing restructuring of the sales business. There were losses among power as well as gas customers. By contrast, the customer base grew in the Netherlands/Belgium, mainly through new acquisitions; this unit had 4.6 million customers at year-end 2020 (prior year: roughly 4.3 million). The total number of customers in the other countries where this segment operates rose from 11.8 to 11.9 million, principally because of the successful acquisition of residential and SME customers in Romania.

Customer Solutions

€ in millions	Germany 2020	Germany 2019	United Kingdom 2020	United Kingdom 2019	Netherlands/ Belgium 2020	Netherlands/ Belgium 2019	Other 2020	Other 2019	Total 2020	Total 2019
Fourth quarter										
Sales[1]	6,669	7,033	3,917	4,299	940	933	2,470	2,580	13,996	14,845
Adjusted EBITDA[2]	154	436	-96	-113	51	50	114	96	223	469
Adjusted EBIT[2]	116	377	-127	-162	35	36	52	39	76	290
Full year										
Sales[1]	22,550	12,906	13,993	9,645	2,959	991	8,840	8,252	48,342	31,794
Adjusted EBITDA[2]	546	427	1	32	152	54	307	276	1,006	789
Adjusted EBIT[2]	412	308	-129	-106	80	37	91	111	454	350

[1]Adjustment of prior-year figures in the context of "failed-own-use"-accounting with no impact on earnings.
[2]Includes the effects of retrospective changes in connection with the adjustment of the provisional recognition of the innogy acquisition until September 18, 2020; the previous year was adjusted accordingly.

Sales and Adjusted EBIT
Customer Solutions' sales of €48.3 billion in 2020 were about 52 percent more than in the prior year. Adjusted EBIT rose by €104 million.

The increase in sales in Germany is primarily attributable to the inclusion of innogy operations and to higher sales volume on the wholesale market and the passthrough of cost components at the previous E.ON business. The sale of the heating electricity business in Germany had an adverse impact. Adjusted EBIT was significantly higher due to the inclusion of innogy operations. The decline in the previous E.ON business's adjusted EBIT was mainly caused by Covid-19 and weather factors.

Sales in the United Kingdom were likewise significantly above the prior-year level due to the inclusion of innogy operations. Sales declined at the previous E.ON business, primarily owing to weather factors and lower consumption resulting from Covid-19. Adjusted EBIT was significantly lower than in the prior year. This is attributable to the aforementioned decline in sales at the previous E.ON business and the inclusion of innogy operations. By contrast, cost savings had a positive impact.

Sales and adjusted EBIT in the Netherlands/Belgium were €3 billion and €80 million, respectively (prior year: €1 billion and €37 million, respectively). The year-on-year increase is principally attributable to the inclusion of this unit for the first time for the entire year.

Other's sales rose by €588 million, principally because of the inclusion of innogy operations. By contrast, sales in the previous E.ON regions declined. Lower prices in Italy and Hungary were the primary reasons. Adjusted EBIT decreased by €20 million to €91 million, mainly because of effects resulting from the Covid-19 pandemic in the Czech Republic and Hungary as well as the inclusion of innogy's business with new customer solutions. This was partially offset by items that included the contribution from innogy operations in Poland.

Non-Core Business

Fully Consolidated and Attributable Generating Capacity
As in the prior-year, PreussenElektra's fully consolidated and attributable generating capacity at year-end 2020 totaled 3,828 MW and 3,319 MW, respectively.

PreussenElektra's Power Generation
Power procured (owned generation and purchases) in the 2020 financial year was 2.8 billion kWh below the prior-year level. The year-on-year decline is primarily attributable to the transfer of minority stakes in Gundremmingen and Emsland nuclear power stations to RWE.

Power Generation

Billion kWh	PreussenElektra 2020	PreussenElektra 2019
Fourth quarter		
Owned generation	7.4	7.7
Purchases	0.4	0.2
Jointly owned power plants	–	–
Third parties	*0.4*	*0.2*
Total	**7.8**	**7.9**
Station use, line loss, etc.	–	–
Power sales	**7.8**	**7.9**
Full year		
Owned generation	28.4	30.1
Purchases	1.4	2.5
Jointly owned power plants	–	*0.9*
Third parties	*1.4*	*1.6*
Total	**29.8**	**32.6**
Station use, line loss, etc.	-0.1	-0.1
Power sales	**29.7**	**32.5**

Sales and Adjusted EBIT

Sales at Non-Core Business of €1,388 million were €214 million above the prior-year figure. Adjusted EBIT increased by €47 million to €413 million.

PreussenElektra's sales rose year on year, mainly because of higher sales prices. The absence of sales from Gundremmingen and Emsland was a countervailing factor.

Adjusted EBIT was significantly above the prior-year level. Higher sales prices were the principal factor in the significant increase in PreussenElektra's adjusted EBIT. They were partially offset by the absence of earnings from stakes in nuclear power stations that had been transferred and by higher expenditures for residual power output rights. By contrast, equity earnings on E.ON's stake in Enerjisa Üretim declined significantly. Operating improvements were more than offset by currency-translation effects resulting from the weakening of the Turkish lira and by impairment charges on certain legacy projects.

Non-Core Business

€ in millions	PreussenElektra 2020	PreussenElektra 2019	Generation Turkey 2020	Generation Turkey 2019	Total 2020	Total 2019
Fourth quarter						
Sales	360	308	–	–	360	308
Adjusted EBITDA	253	120	3	4	256	124
Adjusted EBIT	112	36	3	4	115	40
Full year						
Sales	1,388	1,174	–	–	1,388	1,174
Adjusted EBITDA	895	543	30	74	925	617
Adjusted EBIT	383	292	30	74	413	366

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

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

Balance Sheet of E.ON SE (Summary)

	December 31	
€ in millions	2020	2019
Intangible assets	46	–
Property, plant, and equipment	15	10
Financial assets	45,688	45,067
Non-current assets	**45,749**	**45,077**
Receivables from affiliated companies	10,798	5,934
Other receivables and assets	648	1,522
Liquid funds	2,646	1,460
Current assets	**14,092**	**8,916**
Accrued expenses	66	35
Asset surplus after offsetting of benefit obligations	4	3
Total assets	**59,911**	**54,031**
Equity	10,643	9,728
Provisions	1,236	1,061
Bonds	11,621	6,000
Liabilities to affiliated companies	35,683	31,040
Other liabilities	467	6,195
Deferred income	261	7
Total equity and liabilities	**59,911**	**54,031**

As in the prior year, E.ON's earnings, financial, and asset situation in the 2020 financial year was influenced primarily by the agreement reached between E.ON and RWE on March 12, 2018, to transfer business operations and the integration of innogy.

The change in financial assets is mainly attributable to an increase in loans to affiliated companies. The increase in receivables from affiliated companies and liabilities to affiliated companies resulted from the assumption of innogy SE's cash and cash equivalents accounts.

The change in equity mainly reflects the fact that net income was higher in 2020 than in the prior year. The decline in other liabilities resulted from the transfer of innogy SE's renewables business, its gas-storage business, and its stake in Austrian energy utility KELAG Kärntner Elektrizitäts-Aktiengesellschaft to RWE in 2020, which fulfilled the obligation to RWE disclosed in the prior year. Deferred income includes premiums from the transfer of non-current innogy SE bonds to E.ON SE.

The issuance of bonds with a total nominal value of €5,000 million and the €1,186 million increase in liquid funds were the main items affecting the Company's financial situation.

Information on treasury shares can be found in Note 20 to the Consolidated Financial Statements.

Income Statement of E.ON SE (Summary)

€ in millions	2020	2019
Income from equity interests	2,405	1,620
Interest income/loss	24	-127
Other expenditures and income	-624	-763
Taxes	309	59
Net income	**2,114**	**789**
Profit carryforward from the prior year	10	121
Net income transferred to retained earnings	–	300
Net income available for distribution	**2,124**	**1,210**

E.ON SE is the parent company of the E.ON Group. As such, its earnings situation is affected by income from equity interests. The increase in income from equity interests reflects, in particular, profit transfers of €3,384 million from E.ON Beteiligungen GmbH and €267 million from E.ON Finanzanlagen GmbH. The profit transfer from E.ON Beteiligungen GmbH includes the gain of €2,821 million from the merger of innogy SE into E.ON Verwaltungs SE (which now does business as innogy SE). However, this gain was almost entirely offset by impairment charges on equity interests recorded at innogy SE. Income from equity interests was adversely affected primarily by expenditures from loss transfers of €1,282 million. These were mainly attributable to a subsidiary that recorded significant impairment charges on equity interests in affiliated companies.

The improvement in net interest income mainly reflects tax-related interest income. The negative balance of other income and expenses in 2020 resulted from €209 million in expenses for purchased third-party services, €153 million in personnel-related expenses, €131 million in consulting services and €128 million in net expenses from currency hedging. The final settlement of the overall transaction with RWE resulted in a total expense of €97 million at E.ON SE after internal passthrough.

In the year under review, on balance the Company's income taxes yielded tax income of €309 million, which encompasses the year under review as well as prior years. Applying the minimum tax rate resulted in corporate taxes and solidarity surcharges totaling about €2 million in 2020. The Company did not record expenditures for trade taxes. For previous years the Company recorded tax income of €311 million.

At the Annual Shareholders Meeting in 2021, the Management Board will propose that net income available for distribution be used to pay a dividend of €0.47 per ordinary share and the remaining amount of €899 million to be brought forward as retained earnings. Management's proposal for the use of net income available for distribution is based on the number of ordinary shares on March 15, 2021, the date the Financial Statements of E.ON SE were prepared.

The E.ON SE Management Board has decided on a dividend policy that foresees annual growth in the dividend per share of up to 5 percent through the dividend for the 2023 financial year. E.ON will aim for an annual increase in dividend per share after this as well.

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

Other Financial and Non-financial Performance Indicators

ROCE

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

Annual average capital employed represents the interest-bearing capital invested in E.ON's operating business. It is calculated by subtracting non-interest-bearing available capital from non-current and current operating assets. Depreciable non-current assets are included at their book value. Goodwill from acquisitions is included at acquisition cost, as long as this reflects its fair value. In order to better depict intraperiod fluctuations in average capital employed, annual average capital employed is calculated as the arithmetic average of the amounts at the beginning of the year and the end of the year.

Significant changes to E.ON's portfolio during the course of the year were factored into average capital employed. Consequently, the innogy Group's assets and debt relevant for capital employed were included effective the end of September 2019. The components of capital employed attributable to the discontinued operations at Renewables transferred to RWE were included until the end of September 2019 (footnote 4 of the ROCE table below contains more information).

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

ROCE Performance in 2020

ROCE decreased from 8.3 percent in 2019, to 6.2 percent in 2020 owing mainly to the increase in average capital employed. The primary reasons are the inclusion of the innogy Group's assets for the first time for the entire year (including goodwill from the purchase-price allocation) and the innogy Group's debt. innogy operations are fully included in capital employed, whereas the synergies associated with the transaction will only emerge over time. E.ON therefore assumes that ROCE will increase in the future.

The table below shows the E.ON Group's ROCE and its derivation.

ROCE

€ in millions	2020	2019[4]
Property, plant, and equipment, right-of-use assets, intangible assets, and goodwill[1]	61,148	59,950
Shares in affiliated and associated companies and other share investments	6,266	6,963
Non-current assets	**67,414**	**66,913**
Inventories	1,131	1,252
Other non-interest-bearing assets/liabilities, including deferred income and deferred tax assets[2]	-5,818	-2,187
Current assets	**-4,687**	**935**
Non-interest-bearing provisions[3]	-3,408	-3,557
Capital employed in continuing and discontinued operations[4]	**59,319**	**62,421**
Annual average capital employed in continuing and discontinued operations[4]	**60,870**	**38,678**
Adjusted EBIT[5]	**3,776**	**3,220**
ROCE[6]	**6.2%**	**8.3%**

[1]Depreciable non-current assets are included at their book value. Goodwill from acquisitions is included at acquisition cost, as long as this reflects its fair value.
[2]Examples of other non-interest-bearing assets/liabilities include income tax receivables and liabilities.
[3]Non-interest-bearing provisions include current provisions, such as those relating to sales and procurement market obligations. In particular, they do not include provisions for pensions or nuclear-waste management.
[4]As a rule, weighted capital employed is the arithmetical average of capital employed at the beginning and the end of the year. To adequately portray the innogy takeover in September 2019, capital employed in 2019 was weighted on the basis of a number of month-end figures. This calculation reflected the following parameters:
a) Capital employed of continuing operations at December 31, 2018: €29.4 billion (includes the discontinued operations at Renewables).
b) Capital employed of continuing operations at June 30, 2019, projected to September 30, 2019, on the basis of net investments and depreciation charges: €32.4 billion (includes the discontinued operations at Renewables).
c) Capital employed of continuing operations at October 1, 2019: €61.7 billion (includes innogy and excludes the discontinued operations at Renewables).
d) Capital employed of continuing operations at December 31, 2019: €62.4 billion (includes innogy and excludes the businesses transferred to RWE). Due to retroactive changes in innogy's purchase-price allocation, this value was adjusted retrospectively.
75 percent of the average of parameters a) and b) is factored into average capital employed, as is 25 percent of the mean of parameters c) and d).
[5]Adjusted for non-operating effects; for purposes of internal management control, adjusted EBIT includes the adjusted EBIT from the operations at Renewables classified as discontinued operations and deconsolidated in September 2019.
[6]ROCE = adjusted EBIT divided by average capital employed.

Employees

Integration of innogy

Following the legal integration of the innogy Group, a major focus in 2020 was on the transfer of innogy employees to their respective E.ON target companies. These transfers were implemented on schedule at the predefined transition dates and were thus almost completed in 2020.

To implement these transfers, E.ON concluded numerous agreements with trade unions and employee representatives at the collective-bargaining and company level. The negotiations were conducted under challenging conditions owing to the Covid-19 pandemic. However, E.ON's proven social partnership made it possible to hold constructive discussions and to find suitable solutions that address the interests of employees who will be affected by the upcoming change process. The aforementioned cooperation between the Company and employee representatives also made it possible to find socially responsible solutions for the redundancies resulting from the innogy integration. Numerous employees made use of the jointly defined mechanisms for voluntarily departing the Group.

E.ON has a long tradition of maintaining a constructive, mutually trusting partnership with employee representatives. This relationship lays the foundation for a successful social partnership, particularly in a continually changing business environment.

People Strategy
In 2020 E.ON also focused on the development of its new Group People Strategy (“GPS”), which will serve as the compass to guide the Company’s ongoing transformation and promote its lasting success amid a rapidly changing world. The development process reflected, in particular, the innogy integration, which necessitated a review and modification of E.ON and innogy’s previous people strategies. The new GPS sets four people priorities for the entire Group: Future of Work, Diversity and Inclusion, Sustainability, and Leadership. These priorities will guide E.ON’s human resources activities for the next three years. The new GPS will be brought to life by Group-wide and unit-level people activities, especially by means of existing Group-wide initiatives, such as Grow@E.ON, a competency model for the professional and personal development of the Company’s employees and managers. GPS’s implementation is flexible and modular to accommodate the differences between business units.

Diversity
Going forward, diversity will remain a key element of E.ON’s competitiveness. Diversity and a mutually appreciative corporate culture promote creativity and innovation. Diversity is also a core E.ON value. E.ON brings together a diverse team of people who differ by nationality, age, gender, religion, sexual orientation and identity, and/or ethnic origin and social background. E.ON specifically fosters and utilizes diversity and creates an inclusive work environment. This is an important factor in business success: only a company that embraces diversity and knows how to benefit from it will be able to remain an attractive employer.

In addition, a diverse workforce enables E.ON to do an even better job of meeting customers’ specific needs and requirements. As far back as 2006 E.ON issued a Group Policy on Equal Opportunity and Diversity. In late 2016 E.ON along with the SE Works Council of E.ON SE renewed this commitment to diversity. In April 2018 the E.ON Management Board, the German Group Works Council, and the Group representation for severely disabled persons signed the Shared Understanding of Implementing Inclusion at E.ON, creating an important foundation for integrating people with disabilities into the organization.

In 2008 E.ON publicly affirmed its commitment to fairness and respect by signing the German Diversity Charter, which now has about 3,500 signatories. E.ON therefore belongs to a large network of companies committed to diversity, tolerance, fairness, and respect. E.ON assumed innogy’s membership in the German Diversity Charter and has thus been an active member since 2020.

E.ON’s approach to promoting diversity is holistic, encompassing all dimensions of diversity. In 2020 the Company again implemented numerous measures to promote diversity at E.ON. Fostering female managers’ career development remains an important dimension. E.ON set an ambitious target to increase the proportion of women in management positions. Over the long term, E.ON wants the proportion of women in management positions Group-wide to be roughly the same as the proportion of women in its overall workforce. At year-end 2020, 32 percent of E.ON employees were women. E.ON will increase the proportion of women in its talent pool accordingly.

Support mechanisms that address employees’ differing needs have for years been firmly established at the E.ON Group. Examples include mentorship programs for next-generation managers, coaching, training to prevent unconscious bias, support for childcare, and flexible work schedules.

Also, E.ON is continuing innogy’s membership in Initiative Women into Leadership (“IWiL”), a non-profit initiative based in Germany. innogy was one of IWiL’s founding members. The initiative’s purpose is to recruit outstanding personalities from various social spheres—including business, culture, the media, and science—to serve as mentors to support highly qualified and successful women on their way to the top.

More information about E.ON’s compliance with Germany’s Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector can be found in the Corporate Governance Declaration on pages 70 to 79.

Workforce Figures
At year-end 2020 the E.ON Group had 78,126 employees worldwide, almost unchanged (-1 percent) from year-end 2019. E.ON also had 2,494 apprentices and 231 board members and managing directors worldwide.

Employees[1]

Headcount	December 31 2020	2019	+/- %
Energy Networks	40,764	38,814	+5
Customer Solutions	31,463	33,038	-5
Corporate Functions/Other	4,029	5,218	-23
Core business	**76,256**	**77,070**	**-1**
Non-Core Business	1,870	1,878	–
E.ON Group	**78,126**	**78,948**	**-1**

[1]Does not include board members, managing directors, or apprentices.

The increase in Energy Networks' headcount is chiefly attributable to the acquisition of VSEH in Slovakia. The filling of vacancies to expand the business and to meet regulatory requirements (in Germany, predominantly with apprentices who had successfully completed their training), the reintegration of certain IT functions, and other structural effects also contributed to the increase. The transfer of employees to Customer Solutions was a countervailing factor.

The decline in the number of employees at Customer Solutions mainly reflects restructuring projects, principally in the United Kingdom. This was partially offset by acquisitions in the Netherlands and elsewhere as well as the transfer of employees from Corporate Functions/Other and Energy Networks.

The number of employees at Corporate Functions/Other declined significantly owing primarily to structural effects, such as the transfer of employees to other segments, in part because of the separation of innogy SE into subcompanies and their transfer to the operating segments, as well as the restructuring of IT functions. The sale of a company in Poland was another factor.

Geographic Profile
At year-end, 40,328 employees, or 52 percent of all employees, were working outside Germany, almost unchanged from year-end 2019 (51 percent).

Employees by Country[1]

	Headcount		FTE[3]	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Germany	37,798	38,336	36,090	36,510
United Kingdom	12,216	14,368	11,682	13,737
Hungary	7,943	8,129	7,918	8,104
Romania	6,710	6,579	6,559	6,410
Netherlands	3,288	2,888	2,840	2,628
Czech Republic	2,952	2,930	2,937	2,913
Sweden	2,355	2,286	2,331	2,263
Poland	1,816	2,018	1,802	2,003
Other[2]	3,048	1,414	3,009	1,385
Total	**78,126**	**78,948**	**75,168**	**75,953**

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

Gender and Age Profile, Part-time Staff

At the end of 2020, 32 percent of the Company's workforce were women, roughly at the prior-year level (33 percent).

Proportion of Female Employees

Percentages	2020	2019
Energy Networks	22	22
Customer Solutions	44	44
Corporate Functions/Other	49	49
Core business	**33**	**33**
Non-Core Business	14	13
E.ON Group	**32**	**33**

At year-end 2020 the average member of the E.ON Group workforce was about 42 years old and had worked for the Company for 14 years.

Employees by Age

Percentages at year-end	2020	2019
30 and younger	20	20
31 to 50	50	50
51 and older	30	30

A total of 9,530 employees, or 12 percent of the E.ON Group workforce, were on a part-time schedule. Of these, 6,439, or 68 percent, were women.

The turnover rate resulting from voluntary terminations averaged 3.5 percent across the organization, slightly lower than in the prior year (4.6 percent).

Apprenticeships

E.ON continues to place great emphasis on vocational training for young people. The E.ON Group had 2,395 apprentices and work-study students in Germany at year-end 2020. As in the prior year, this represented 6 percent of E.ON's total workforce in Germany.

Apprentices in Germany

	Headcount		Percentage of workforce	
At year-end	2020	2019	2020	2019
Energy Networks	2,098	2,149	7.6	8.0
Customer Solutions	59	61	0.8	0.8
Corporate Functions/Other	199	206	5.4	4.4
Core business	**2,356**	**2,416**	**6.2**	**6.2**
Non-Core Business	39	40	2.0	2.1
E.ON Group	**2,395**	**2,456**	**6.0**	**6.0**

E.ON provides vocational training in 28 careers and also offers training and practically oriented work-study programs in 35 degree areas in order to meet its own needs for skilled workers and to take targeted action to address the consequences of demographic change. In addition, E.ON offers young people the opportunity to receive training to qualify for an apprenticeship.

Forecast Report

Business Environment

Macroeconomic Situation

Despite the availability of vaccines and countries' various vaccination strategies, the Covid-19 pandemic seems unlikely to end in the near future. For the time being, therefore, the current phase of economic weakness can be expected to continue. This applies to the energy industry as well. For example, electricity consumption declined in 2020. Compared with other industries, however, the economic repercussions in the energy sector were marginal.

The pandemic's barely predictable course makes precise economic forecasts almost impossible. In addition, forecasts must be assessed in temporal relation to the pandemic's course. For example, in September 2020 (when infection rates were relatively low) the ifo institute predicted that Germany would achieve GDP growth of 5.1 percent in 2021. In December, amid a renewed lockdown, it revised its growth forecast for 2021 to 4.2 percent.

The German Council of Economic Experts' annual report, published in December 2020, forecasts tepid economic growth of around 0.5 percent in the first months of 2021. For the remainder of the year, it expects Germany's economy to grow by 3.7 percent. Germany's GDP for 2021 would thus be just below the pre-crisis level of 2019 (GDP 2019: €3.44 trillion).

The European Commission's autumn economic forecast published in November 2020 predicted that the EU's GDP will shrink by 7.4 percent in 2020. In February 2021 the Commission forecast euro zone GDP growth of 3.8 percent for both 2021 and 2022. Furthermore, the EU as a whole is expected to grow by 3.7 percent in 2021 and 3.9 percent in 2022. The EU economy is expected to reach its pre-crisis level from 2019 (EU28 GDP: €13.94 trillion) by mid-2022, resulting mainly from increased growth in the second half of 2021 and in 2022. The International Monetary Fund expects global GDP growth of 5.5 percent in 2021.

General Statement of E.ON's Future Development

The integration of innogy successfully completed the E.ON Group's restructuring. Nevertheless, the next few years will reflect the new E.ON's ongoing efforts to build on this foundation to propel Europe's energy transition in the digital age. From April 2021 onward, Leonhard Birnbaum will become E.ON's new CEO and oversee the continuation of its strategy. The smooth transition at the top of the Company sets the stage for a seamless implementation of operating tasks. The focus will be on expanding E.ON's business segments in order to generate additional growth. Europe's economic stimulus packages give E.ON additional support. Around €60 billion of funding is earmarked for climate projects across E.ON's markets. These projects will promote decarbonization and thus the achievement of the EU's climate targets.

Another focus following the innogy takeover will be on continuing to leverage synergies of around €740 million annually from the end of 2022 onward. E.ON will also further articulate its sustainability strategy. Combining all of E.ON's U.K. sales businesses in a new company, $E.ON_{Next}$, will continue in 2021 as well. The new company will have state-of-the-art processes and an agile IT platform. The transfer of energy customers in Germany to a new digital platform will continue throughout 2021. This segment remains committed to its IT and digital agenda. This agenda's special significance was underscored by the appointment of Victoria Ossadnik to the E.ON Management Board effective April 1, 2021. She will be responsible for the Group's digitalization. The focus will be on developing advanced, powerful support systems and continually safeguarding of E.ON's IT systems against cyberattacks. Energy Networks will make significant IT investments in 2021 to meet customers' different demands and to continually make E.ON's networks—the backbone of the energy transition across Europe—more advanced and smarter.

E.ON needs to achieve these objectives and implement these measures in a challenging economic environment. Low interest rates and keen competition for networks and customers are part of E.ON's daily business. Uncertainty remains regarding the future course of the Covid-19 pandemic and its economic impact. Although the energy industry and E.ON have proven resilient, there may be additional financial consequences depending on how the pandemic progresses. For example, the demand for electricity and gas could affect sales volume and prices, while there could be implications from customers and enterprise partners' reduced ability to pay.

Anticipated Earnings Situation

Forecast Earnings Performance

Despite the ongoing pandemic, E.ON expects the Group's 2021 adjusted EBIT to be between €3.8 and €4 billion and its 2021 adjusted net income to be between €1.7 and €1.9 billion, or €0.65 to €0.73 per share (based on 2,607 million shares outstanding). In addition, the plan calls for the E.ON Group to achieve a cash-conversion rate of roughly 100 percent on average for the 2021 to 2023 financial years (without factoring in the expenditures for the decommissioning of nuclear power stations). This metric will benefit significantly over the planning period from the Company's initiative to further optimize working capital.

Forecast by segment:

Adjusted EBIT[1]

€ in billions	2021 (forecast)
Energy Networks	2.9 to 3.1
Customer Solutions	0.8 to 1.0
Corporate Functions/Other	about -0.3
Non-Core Business	0.2 to 0.4
E.ON Group	**3.8 to 4.0**

[1]Adjusted for non-operating effects.

E.ON expects Energy Networks' earnings to be temporarily lower in 2021, mainly because of temporarily higher expenditures at the networks in Germany. Declining earnings in Hungary due to planned business disposals will continue to have an adverse impact. Also, new regulatory periods start in the Czech Republic, Hungary, and Turkey. The low interest-rate environment affects regulatory rates of return, but this will largely be offset by changes in the respective regulatory schemes and good operating results. The business in Slovakia acquired from RWE at year-end 2020 will make a positive, full-year contribution. In addition, the network business will continue to benefit from additional investments in its regulated asset base.

Customer Solutions' earnings will be significantly above the prior-year level. The Company expects a positive performance in all of this segment's markets, especially through the leveraging of synergies. In particular, the ongoing restructuring in the United Kingdom will serve to increase earnings. In addition, E.ON assumes that the earnings decline in 2020 as a result of the Covid-19 pandemic—in particular due to resales and lower sales volumes, especially to industrial customers—will largely disappear in the 2021 financial year. The underlying operating business will perform according to plan as well. The anticipated improvement in customer numbers and margins in the customer solutions business in Germany is particularly noteworthy.

The plan calls for earnings at Corporate Functions/Other to be above the prior-year figure. The implementation of planned synergies will have a positive impact.

Non-Core Business's earnings will be below the prior-year level. Higher costs to procure for residual power output rights and slightly lower sales prices will reduce earnings.

Anticipated Financial Situation

Planned Funding Measures

In addition to planned investments for 2021 and the dividend for 2020, in 2021 E.ON will make payments for bonds that have matured. Over the course of the year, these payments will be funded with available liquid funds and the issuance of debt.

Dividend

The E.ON SE Management Board decided to continue the current dividend policy, which foresees annual growth in the dividend per share of up to 5 percent through the dividend for the 2023 financial year. E.ON will aim for an annual increase in dividend per share after this as well.

Planned Investments

E.ON plans to make cash-effective investments of about €4.9 billion in 2021. E.ON will continue its strategy aimed at delivering sustainable growth. Capital allocation will of course continue to be selective and disciplined.

Cash-Effective Investments: 2021 Plan

	€ in billions	Percentages
Energy Networks	3.3	67
Customer Solutions	1.0	21
Corporate Functions/Other	0.2	4
Non-Core Business	0.4	8
Total	**4.9**	**100**

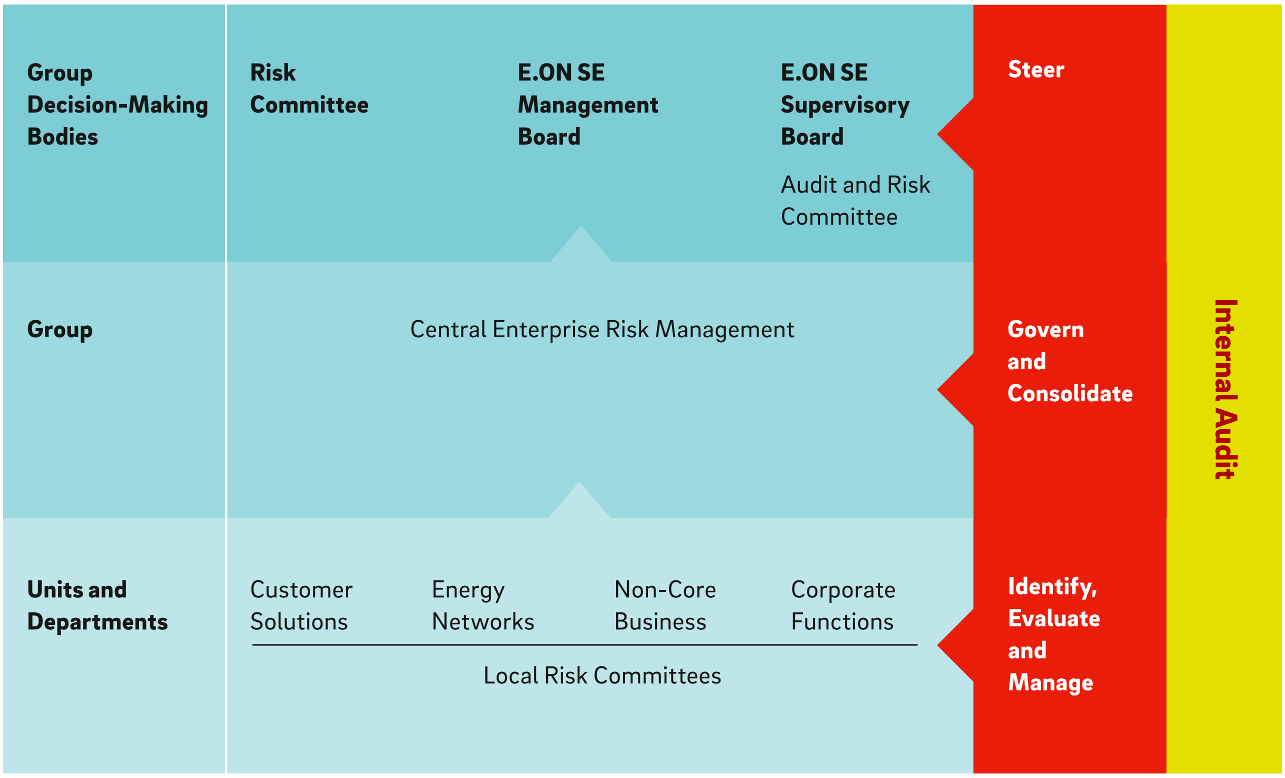
Energy Networks' investments will consist in particular of numerous individual investments to maintain and, above all, to expand networks, switching equipment, and metering and control technology in order to continue to ensure the reliable and uninterrupted transmission and distribution of electricity.

Customer Solutions' investments will mainly go toward the heat business and solutions for industrial and commercial customers in Sweden, Germany, and the United Kingdom. E.ON will also invest in IT, metering and upgrade projects, and integrated energy solutions.

Non-Core Business's investments will include investments to acquire residual power output rights. Those at Corporate Functions/Other will encompass investments in Group-wide IT infrastructure and a planned payment from the innogy acquisition.

Risks and Chances Report

Enterprise Risk Management System in the Narrow Sense



Objective

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

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

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

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

The innogy business operations acquired by E.ON are now fully integrated into E.ON's adequate, effective, and audited comprehensive framework for managing chances and risks.

Scope

E.ON's risk management system in the broader sense has a total of four components:

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

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

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

General Measures to Limit Risks

E.ON takes the following general preventive measures to limit risks.

Managing Legal and Regulatory Risks

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

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

Managing Operational and IT Risks

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

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

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

The following are among the comprehensive measures E.ON takes to address such risks (also in conjunction with operational and IT risks):

- systematic employee training, advanced training, and qualification programs for employees
- further refinement of 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 taken, E.ON has a reasonable level of insurance coverage.

Managing Market Risks

E.ON uses a comprehensive sales-management system and intensive customer management to manage margin risks.

In order to limit exposure to commodity price risks, E.ON conducts systematic risk management. The key elements of the Company's risk management are, in addition to binding Group-wide policies and a Group-wide reporting system, the use of quantitative key figures, the limitation of risks, and the strict separation of functions between departments. Furthermore, E.ON utilizes 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 is monitored on an ongoing basis. E.ON local sales units and the remaining generation operations have set up local risk management under central governance standards to monitor these underlying commodity risks and to minimize them through hedging.

Managing Strategic Risks

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

Managing Finance and Treasury Risks

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

In the context of Group-wide credit risk management E.ON systematically assesses and monitors the creditworthiness of its business partners on the basis of Group-wide minimum standards. E.ON manages credit risk by taking appropriate measures, which include obtaining collateral and setting limits. The E.ON Group's Risk Committee is regularly informed about credit risks. A further component of E.ON's risk management is a conservative investment strategy for financial funds and a broadly diversified portfolio.

Note 31 to the Consolidated Financial Statements contains detailed information about the use of derivative financial instruments and hedging transactions. Note 32 describes the general principles of E.ON's risk management and applicable risk metrics for quantifying risks relating to commodities, credit, liquidity, interest rates, and currency translation.

Enterprise Risk Management ("ERM")

E.ON's ERM, which is the basis for the risks and chances described in the next section, encompasses:

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

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

The ERM applies to all fully consolidated E.ON Group companies and all companies valued at equity whose book value is greater than €50 million. E.ON takes an inventory of its risks and chances at each quarterly balance-sheet date.

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

Risks and Chances

Methodology
E.ON's IT-based system for reporting risks and chances has the following risk categories:

Risk Category

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

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

For quantifiable risks and chances, E.ON then evaluates the likelihood of occurrence and the potential loss or damage. In the commodity business, for example, commodity prices can rise or fall. This type of risk is modeled with a normal distribution. Modeling is supported by a Group-wide IT-based system. Extremely unlikely events—those whose likelihood of occurrence is 5 percent or less—are classified as tail events. Tail events are not included in the simulation described below.

This statistical distribution makes it possible for E.ON's internal risk management system to conduct a Monte Carlo simulation of these risks. This yields an aggregated risk distribution that is quantified as the deviation from the Company's current earnings plan for adjusted EBIT.

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

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

Impact Classes

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

General Risk Situation

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

Risk Category

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

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

The E.ON Group's overall risk situation at the end of 2020 was influenced primarily by the ongoing Covid-19 pandemic. The main Covid-19 risk factors in the sales business are volume and price effects as well as credit losses. In addition, the customer solutions business could encounter delays in planned projects, while residential and business customers' demand for various products is declining amid economic uncertainty.

The network business could also experience a decline in sales volume and credit losses which result in lower earnings. The difference with the network business is that volume-driven declines in sales will largely be recovered in subsequent years. In addition, PreussenElektra's business could be adversely affected by the introduction of a ban or a limitation of work contracts due to Covid-19.

Risks and Chances by Segment

PreussenElektra

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

On December 6, 2016, Germany's Federal Constitutional Court in Karlsruhe ruled that the thirteenth amended version of the Atomic Energy Act ("the Act") is fundamentally constitutional. The Act's only unconstitutional elements are that certain NPP operators will be unable to produce their electricity allotment from 2002 and that it contains no mechanism for compensating operators for investments to extend NPP operating lifetimes. Lawmakers established a compensation mechanism in the sixteenth amended version of the Act. This version did not become law owing to a ruling by the Federal Constitutional Court on September 29, 2020. Lawmakers thus remain obliged to introduce a new mechanism. In addition, NPPs need to acquire residual power output rights in order to operate until their closure dates prescribed by law. In accordance with the agreement published at the beginning of March 2021 between the responsible federal ministries and the four NPP operators, it is also provided in particular that the residual power output rights corresponding to the ownership stake in the joint power plants with Vattenfall are to be transferred free of charge to PreussenElektra and can be used for generation in the Group's own power plants. The effectiveness of this agreement is still subject to legal implementation. The additional quantities required to operate the NPPs until the final date stipulated by the Act have to be purchased. These matters could yield major chances and major risks.

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

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

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

Legal and Regulatory Risks
The political, legal, and regulatory environment in which the E.ON Group does business is a source of risks, such as the continued uncertainty that Brexit poses for the collaboration between certain E.ON business units. This could confront E.ON with direct and indirect consequences that could lead to possible financial disadvantages. New risks—but also opportunities—arise from energy-policy decisions at the European and national level. Foremost among them are the European Commission's Green Deal, which was presented in 2019 and revised and expanded in late 2020, and the German federal government's decision to phase out conventional, hard-coal- and lignite-fired power generation (the Coal Phaseout Law of August 2020). The achievement of these objectives will require legal and regulatory implementation measures that themselves would pose new risks for certain E.ON Group business operations.

In the wake of the economic and financial crisis in many EU member states, interventionist policies and regulations have been adopted in recent years, such as additional taxes and additional reporting requirements (for example, EMIR, MAR, REMIT, MiFID2). The relevant agencies monitor compliance with these regulations closely. This leads to attendant risks for E.ON's operations. The same applies to price moratoriums, regulated price reductions, and changes to support schemes for renewables, which could pose risks to, as well as create opportunities for, E.ON's operations in the respective countries.

There may also be final risks from obligations arising from regulatory requirements following the Uniper split. This risk category also includes major risks arising from possible litigation, fines, and claims, governance and compliance issues, as well as risks and chances related to contracts and permits. Changes to this environment can lead to considerable uncertainty with regard to planning and, under certain circumstances, to impairment charges but can also create chances. This results in a major risk and chance position.

Operational and IT Risks
The operational and strategic management of the E.ON Group relies heavily on complex information technology and complex operation technology ("OT"). This includes risks and chances in conjunction with information security and the security of operating processes in E.ON's business segments.

Cybersecurity and the continuous protection of IT and OT systems against cyberattacks is a focus area of E.ON's risk management. Examples include the analysis of attacks on the systems of the network business (which could affect the operation of E.ON's critical infrastructure), on the sales business (which could result in the loss of customer data), and on internal systems (which E.ON uses to control commercial processes in all its business segments). It is important that the operating units and the Cybersecurity and Enterprise Risk Management divisions jointly and proactively evaluate and manage risks for E.ON.

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

E.ON could also be subject to environmental liabilities associated with its power generation operations that could materially and adversely affect its business. In addition, new or amended environmental laws and regulations may result in cost increases for E.ON.

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

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

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

The demand for electric power and natural gas is seasonal, with E.ON's 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, E.ON's 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 E.ON's energy operations can be negatively affected by periods of unseasonably warm weather during the autumn and winter months. E.ON expects seasonal and weather-related fluctuations in sales and results of operations to continue. Periods of exceptionally cold weather—very low average temperatures or extreme daily lows—in the fall and winter months can have a positive impact owing to higher demand for electricity and natural gas.

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

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

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

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

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

E.ON's international business operations expose it to risks from currency fluctuation. One form of this risk is transaction risk, which arises when payments are made in a currency other than E.ON's functional currency. Another form of risk is translation risk, which arises when currency fluctuations lead to accounting effects when assets/liabilities and income/expenses of E.ON companies outside the euro zone are translated into euros and entered into E.ON's Consolidated Financial Statements. Positive developments in foreign-currency rates can also create chances for E.ON's operating business.

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

Refinancing terms on debt capital markets depend in part on rating agencies' credit ratings. Rating agencies Moody's and S&P have given E.ON a strong investment-grade rating. E.ON has contracts that would trigger additional collateral requirements if certain rating levels were not met. Consequently, significant rating downgrades could lead to additional liquidity requirements. On the other hand, positive business performance or further debt reduction could have a positive impact on E.ON's rating.

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

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

In principle, E.ON could also encounter tax risks and chances.

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

Management Board's Evaluation of the Risk and Chances Situation

The overall risk and chances situation of the E.ON Group's operating business at year-end 2020 improved relative to year-end 2019 owing to legal and regulatory risks and opportunities from a possible agreement on the transfer of residual power output rights. Although the average annual risk for the E.ON Group's adjusted EBIT is classified as major and despite the expansion of its risk and chance position through the innogy transaction, from today's perspective E.ON does not perceive any risk profile that could threaten the existence of E.ON SE, the E.ON Group or individual segments.

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

General Principles

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

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

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

Accounting Process

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

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

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

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

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

The following explanations about E.ON's internal control system ("ICS") and its general IT controls apply equally to the Consolidated Financial Statements and to E.ON SE's Financial Statements. Page 67 contains information about the innogy Group's internal control system, which has not yet been adapted to E.ON's internal control system.

Internal Control System

The management of each unit in the E.ON Group is legally responsible for establishing and maintaining an adequate and effective internal control system ("ICS"). The ICS department at Corporate Audit is responsible for the oversight and coordination of the overall ICS process in order to ensure an effective ICS in the E.ON Group. For this purpose, the ICS department at Corporate Audit provides the ICS framework and the necessary tools. An ICS Business Partner ("ICS BP") is assigned to each unit which is of particular importance to the E.ON Group and therefore in the ICS documentation scope. The ICS BP is responsible for coordinating and monitoring the unit's ICS activities and advises and supports management in implementing an effective internal control system. The unit's management remains responsible for the appropriateness and effectiveness of the implemented ICS. The ICS BP concept ensures a uniform approach as well as consistent and efficient collaboration and fosters continuous improvement through extensive information-sharing in the Group.

E.ON's ICS Framework

E.ON's ICS is based on the globally recognized COSO framework from May 2013 (COSO: The Committee of Sponsoring Organizations of the Treadway Commission).

The ICS Principles, which define the minimum requirements for an effective internal control system, are a key component of E.ON's ICS. They contain overarching principles such as authorization, segregation of duties, and master data management as well as specific requirements for managing potential risks in various areas and processes, such as supplier monitoring, project management, invoice verification, and payments. All fully consolidated companies and majority-owned units are subject to the ICS Principles.

In addition to the ICS Principles, certain units of special importance to the E.ON Group must fulfill several additional ICS requirements for selected processes. These requirements relate to the documentation and assessment of the relevant processes and controls—the ICS model—as well as reporting to Corporate Audit. The ICS model, which incorporates company- and industry-specific aspects, defines potential risks for accounting (financial reporting) at the operating units, serves as a checklist, and provides guidance for the establishment of internal controls as well as their documentation and implementation, and is thus an integral part of the accounting processes.

A functionally managed digital organization and third-party service providers provide IT and digital services for the E.ON Group. IT systems used for accounting are subject to the internal control system framework, which includes IT general controls, such as access controls, segregation of duties, processing controls, measures to prevent the intentional and unintentional falsification of the programs, data, and documents as well as controls related to supplier monitoring. The documentation of the IT general controls is stored in E.ON's documentation system.

Each year, qualitative criteria and quantitative materiality aspects are used to determine which financial-reporting processes and controls must be documented and assessed by which E.ON units.

E.ON units in the ICS documentation scope use a central documentation system (SAP-GRC) for this purpose. The system contains the scope, detailed documentation requirements, the assessment requirements for process owners, and the final Sign-Off process.

Management Self-Assessment and Control Tests

After E.ON units have documented their processes and controls, the individual process owners conduct an annual assessment of the design and the operational effectiveness of the controls embedded in these processes. This is known as a management self-assessment.

In addition, the effectiveness of the internal controls is audited by Internal Audit. These audits are conducted based on a risk-oriented audit plan. Any identified deficiencies are reported to the relevant companies.

Furthermore, the general IT controls, the controls of the Business Service Centers in Regensburg and Cluj, the controls of the Human Resources Service Center in Germany (E.ON Country Hub Germany GmbH), and the controls of the Pension Service Company in Germany (Energie Pensions-Management GmbH) were audited as part of the audit of the Group's Consolidated Financial Statements.

Sign-Off Process

Based on the self-assessment result and internal and external audit findings, the respective management of the unit conducts the final Sign-Off. The final step of the internal evaluation process is the submission of a formal written declaration confirming the ICS's effectiveness (ICS Sign-Off). The Sign-Off process is conducted at all levels of the Group companies before E.ON SE, as the final step, conducts it for the Group as a whole. The Chairman of the E.ON SE Management Board and the Chief Financial Officer perform the final Sign-Off for the E.ON Group.

The purpose of the ICS framework and the annual ICS process is to provide sufficient assurance to prevent error or fraud from resulting in material misrepresentations in the Financial Statements, the Combined Group Management Report, the Half-Year Financial Report, and the Quarterly Statements.

Corporate Audit regularly informs the E.ON SE Supervisory Board's Audit & Risk Committee about the ICS over financial reporting and about any significant deficiencies identified in the E.ON Group's various processes.

innogy's Internal Control System and its Integration into E.ON's ICS Framework

innogy's ICS Framework

A dedicated unit within the Accounting & Reporting division, Corporate Internal Controls ("CIC"), was responsible for designing and monitoring the ICS of the previous innogy Group. CIC was supported in the implementation, design, and monitoring by ICS coordinators and the employees responsible for ICS at the respective units.

In 2020, the testing of the effectiveness of the implemented controls for accounting was performed as part of the annual ICS process, which is part of innogy companies' established ICS. In addition to the ICS Coordinators, ICS testers were appointed and/or responsible for testing the appropriateness and effectiveness of the internal control system of the respective units in the ICS scope. Essentially, ICS testers are employees from Accounting, Internal Audit, and/or are requested from external auditing firms. Once the centrally performed risk assessment was done taking the external audit scope in account, an overview about the controls in scope of the testing is provided to the respective ICS tester. The testing process and assessment of the controls is conducted technically in SAP-GRC.

Unlike for the accounting process, for Finance, HR, procurement, IT, Tax, Retail Billing, and Grid Billing only the ICS quality standards were reviewed by the persons responsible for the ICS as part of the management self-assessment. Likewise, analogous to the above-described EON ICS principles, innogy's ICS quality standards generally reflect the minimum ICS standards.

The results of the management self-assessment are included in the ICS year-end report concerning the effectiveness of the entire E.ON Group's internal control system and are reported to E.ON's Management Board.

Integration of innogy Companies into the E.ON ICS Framework

As part of innogy's integration into the E.ON Group, CIC started to report to E.ON Corporate Audit from July 1, 2020, onward. Effective November 1, 2020, CIC's tasks relating to the design and monitoring of innogy companies' ICS were taken over by E.ON Corporate Audit's ICS department.

For the 2020 financial year, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the former innogy affiliates who directly reported to innogy SE or E.ON SE were, in the context of the 2020 Consolidated Financial Statements, for the first time responsible for formally acknowledging their responsibility as well as the effectiveness of the ICS for their respective units. This formal Sign-Off process was performed in the same way as the E.ON Sign-Off ICS process was performed and included only innogy companies in the ICS scope. However, the innogy ICS framework including the design and monitoring function was still applicable in 2020. Furthermore, a comprehensive ICS integration program was initiated to integrate innogy companies in the ICS documentation scope into E. ON's risk catalog (ICS model). From the beginning of 2021, E.ON's ICS framework is applicable to all innogy companies in the ICS scope without exception.

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

Composition of Share Capital

The share capital totals €2,641,318,800 and consists of 2,641,318,800 registered shares without nominal value. Each share of stock grants the same rights and one vote at a Shareholders Meeting.

Restrictions on Voting Rights or the Transfer of Shares

Shares acquired by an employee under the Company-sponsored employee stock purchase program are subject to a blackout period that begins the day ownership of such shares is transferred to the employee and that ends on December 31 of the next calendar year plus one. As a rule, an employee may not sell such shares until the blackout period has expired. The employee stock purchase program was not offered in 2020.

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

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

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

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

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

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

Management Board's Power to Issue or Buy Back Shares

Pursuant to a resolution of the Shareholders Meeting of May 28, 2020, the Management Board is authorized, until May 27, 2025, to have the Company acquire treasury shares. The shares acquired and other treasury shares that are in possession of or to be attributed to the Company pursuant to Sections 71a et seq. of the AktG must altogether at no point account for more than 10 percent of the Company's share capital.

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

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

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

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

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

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

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

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

By shareholder resolution adopted at the Annual Shareholders Meeting of May 28, 2020, the Management Board was authorized, subject to the Supervisory Board's approval, to increase, until May 27, 2025, the Company's share capital by a total of up to €528 million through one or more issuances of new registered no-par-value shares against contributions in cash and/or in kind (authorized capital pursuant to Sections 202 et seq. of the AktG; "Authorized Capital 2020"). Subject to the Supervisory Board's approval, the Management Board is authorized to exclude shareholders' subscription rights.

At the Annual Shareholders Meeting of May 28, 2020, shareholders approved a conditional increase of the Company's share capital (with the option to exclude shareholders' subscription rights) up to the amount of €264 million ("Conditional Capital 2020"). Note 20 to the Consolidated Financial Statements contains more information about Conditional Capital 2020.

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

The underlying contracts of debt issued since 2007 contain change-of-control clauses that give the creditor the right of cancellation. This applies, inter alia, to bonds issued by E.ON SE and E.ON International Finance B.V. and guaranteed by E.ON SE, promissory notes issued by E.ON SE, and other instruments such as credit contracts. Granting change-of-control rights to creditors is considered good corporate governance and has become standard market practice. More information about financial liabilities is contained in the section of the Combined Group Management Report entitled Financial Situation and in Note 27 to the Consolidated Financial Statements.

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

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

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

A change-of-control event would also result in the early payout of virtual shares under the E.ON Share Matching Plan and the E.ON Performance Plan. The vesting period of the last tranche of the E.ON Share Matching Plan ends in March 2021. Afterward, therefore there can only be early payouts under the E.ON Performance Plan, but no longer under the E.ON Share Matching Plan.

Other Disclosure Relevant to Takeovers

The Company has been notified about the following direct or indirect interests in its share capital that exceed 10 percent of the voting rights:

- notification on December 10, 2020, by RWE Aktiengesellschaft for 15 percent of the voting rights

Stock with special rights granting power of control has not been issued. In the case of stock given by the Company to employees, employees exercise their rights of control directly and in accordance with legal provisions and the provisions of the Articles of Association, just like other shareholders.

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

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

The Board of Management and Supervisory Board declare that the recommendations of the "Government Commission on the German Corporate Governance Code" (version of February 7, 2017) published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette on April 24, 2017, have been fully complied with since the last declaration was issued in December 2019.

The Board of Management and Supervisory Board further declare that the recommendations of the "Government Commission on the German Corporate Governance Code" (version dated December 16, 2019) published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette on March 20, 2020, are complied with in full.

Essen, December 15, 2020

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

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

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

Relevant Information about Management Practices

Corporate Governance

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

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

Transparent Management

Transparent management is a high priority of the Management Board and Supervisory Board. E.ON's 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. E.ON primarily uses the Internet to provide equal access to comprehensive and timely information.

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

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

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

The Company issues ad hoc statements about information that could have a significant impact on the price of E.ON stock.

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

Managers' Transactions

Persons with executive responsibilities, in particular members of E.ON SE's Management Board and Supervisory Board, and persons closely related to them, must disclose certain dealings in E.ON stock or bonds, related derivates, or other related financial instruments pursuant to Article 19 of the EU Market Abuse Regulation in conjunction with Section 26, Paragraph 2, of the German Securities Trading Act. There were no such dealings in the 2020 financial year.

Compliance

The goal of compliance at E.ON is to prevent or at least detect and put a stop to corporate misconduct. It is E.ON's responsibility never to deceive, lie to, or otherwise deliberately harm its customers, business partners, or other stakeholders. Strict compliance with laws and company policies is therefore the foundation of good corporate governance.

E.ON has in place a compliance management system ("CMS") to mitigate the risk of compliance violations. The CMS is based on a number of widely recognized practices, including the promotion of a compliance culture. This encompasses an active commitment to compliance targets, the identification and analysis of compliance risks, and the design of a risk-adequate compliance program and a compliance organization.

E.ON's Supplier Code and its Code of Conduct (both of which are available in the languages of all countries in which the Company operates) focus on the guiding principle, "Doing the right thing." They provide easy-to-understand guidance, in particular human rights, anti-corruption, fair competition, and compliant relationships with business partners. The Code of Conduct also contains an integrity test that employees can use to check whether their assessment of a situation is in compliance with E.ON principles and values. Every employee in the E.ON Group is obliged to act in accordance with the Code of Conduct's rules. The Code is therefore part of E.ON employees' duties under their employment contract. Employees and third parties can report violations of the Code of Conduct—anonymously, if they wish—by means of a whistle-blower hotline. The Code of Conduct and the Supplier Code are published on www.eon.com. They are supplemented by ten Group-wide People Guidelines which explain in greater detail how employees can be sure that they are doing things right.

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

Management Board

The E.ON SE Management Board manages the Company's businesses, with all its members bearing joint responsibility for its decisions. It determines the Group's objectives, corporate policy, organizational setup, and, in consultation with the Supervisory Board, its fundamental strategic direction.

In 2020 the Management Board consisted of five members. It had one Chairman. No Management Board member has more than two supervisory board memberships in listed non-Group companies or on the supervisory bodies of non-Group companies that require a similar commitment. No member of the Management Board has reached the general retirement age. The Management Board has in place policies and procedures for the business it conducts and, in consultation with the Supervisory Board, has assigned areas of responsibility to its members.

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

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

Members of the Management Board are required to promptly report conflicts of interest to the Chairman of the Supervisory Board and the Chairman of the Management Board and to inform the other members of the Management Board. Members of the Management Board may only assume other corporate positions, particularly appointments to the supervisory boards of non-Group companies, with the consent of the Executive Committee of the Supervisory Board. There were no conflicts of interest involving members of the E.ON SE Management Board in the year under review. Dr.-Ing. Leonhard Birnbaum was also a member of the Management Board of the previously publicly listed innogy SE until it was merged into the entity formerly known as E.ON Verwaltungs SE (which now does business as innogy SE) on June 2, 2020. During this time, Dr.-Ing. Birnbaum did not participated in the adoption of resolutions or the other governance matters on the E.ON SE Management Board that posed a potential conflict of interest between E.ON SE and innogy SE.

Any material transactions between the Company and members of the Management Board, their relatives, or entities with which they have close personal ties require the consent of the Executive Committee of the Supervisory Board. No such transactions took place in the reporting period.

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

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

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

Supervisory Board

To ensure that, after the acquisition of the majority of the shares of innogy SE, innogy's employees are represented without delay on the Supervisory Board of E.ON SE as the Group's parent company, the Supervisory Board was enlarged to 20 members for a limited period of time. Effective the conclusion of the 2023 Annual Shareholders Meeting, the size of the Supervisory Board will again be set at 12 members. Pursuant to E.ON SE's Articles of Association, the Supervisory Board 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 Annual Shareholders Meeting decides on the elections by individual vote. Pursuant to the agreement regarding employees' involvement in E.ON SE, the other currently ten members of the Supervisory Board are appointed by the SE Works Council, with the provision that at least three different countries are represented and one member is selected by a trade union that is represented at E.ON SE or one of its subsidiaries in Germany. Persons are not eligible as Supervisory Board members if they:

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

The members of the E.ON SE Supervisory Board fulfill these requirements. Pursuant to the AktG, at least one member of the Supervisory Board must have special knowledge and experience in the application of accounting principles and internal control processes and be familiar with the auditing of financial statements. The Supervisory Board believes that, in particular, Andreas Schmitz meets this requirement. It also believes that its members in their entirety are familiar with the sector in which the Company operates.

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

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

Furthermore, in September 2020 it was stipulated in the Supervisory Board's rules and procedures that the Supervisory Board will hold executive sessions on a regular basis; that is, to meet without the Management Board.

In view of recommendation C.1 of the German Corporate Governance Code, dated December 16, 2019, and Section 289f, Paragraph 2, Item 6, of the German Commercial Code, the Supervisory Board defined specific targets for its composition, including a diversity concept and a competency profile for the entire Supervisory Board, that go beyond the applicable legal requirements. They are as follows:

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

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

- *Given a total number of 20 Supervisory Board members, the shareholder representatives believe that at least six of them should be independent of the Company and the Management Board. Members shall be deemed to be independent if they have no personal or business relationship with the Company or its Management Board, where such relationship may give rise to a material and not merely temporary conflict of interests. In assessing the independence of its members from the Company and its Management Board, the shareholder representatives shall consider in particular whether a Supervisory Board member or a close family member was a member of the Company's Management Board in the two years prior to appointment, currently has (or until the year of appointment had) a significant business relationship with the Company or one of its affiliates, either directly or as a shareholder or corporate officer of a company outside the Group, is a close family member of a Management Board member, or has been a member of the Supervisory Board for more than 12 years.*

- *The Chairman of the Supervisory Board, the Chairman of the Audit and Risk Committee and the Chairman of the Executive Committee shall be independent of the Company and the Management Board.*

- *The Supervisory Board shall not include more than two former members of the Board of Management.*

- *Members of the Supervisory Board must not have seats on the boards of, or act as consultants for, any of the Company's major competitors or have a personal relationship with one of its competitors.*

- *Supervisory Board membership shall be limited to no more than 15 years.*

- *All Supervisory Board members must have sufficient time available to perform their duties on the boards of various companies. Persons who are not members of the management board of a listed company should only be eligible as members of E.ON's Supervisory Board if they do not have seats on a total of more than five supervisory boards of listed non-Group companies or exercise a similar function; being a chairperson of a supervisory board counts twice. Persons who are members of the board of management of a listed company should only be eligible as members of E.ON's Supervisory Board if they do not have seats on a total of more than two supervisory boards of listed non-Group companies, exercise a comparable function, and are not the chairperson of the supervisory board of a listed non-Group company.*

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

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

- *As a rule, members of the Supervisory Board shall not hold office beyond the age of 75; they should not be older than 72 years when they are elected.*

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

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

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

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

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

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

- *At least two members shall be familiar with legal and compliance, HR, IT and sustainability, more specially in the dimensions of environmental protection, social, and governance ("ESG")."*

Current Composition of the Supervisory Board

a) The Supervisory Board believes that all of its members—thus in particular the Chairmen of the Supervisory Board and the Chairpersons of all its committees—are independent. No former Management Board member or a close family member of a Management Board members sits on the Supervisory Board. Furthermore, no Supervisory Board member currently has or had in the year up to his or her appointment, either directly or as a shareholder or in a responsible role in a company outside the Group, a significant business relationship with the Company or one of its affiliates. No Supervisory Board members exercises any executive or advisory functions for major competitors, has a personal relationship with a major competitor, or has been a Supervisory Board member of more than 15 years. The Supervisory Board's assessment considered the fact that Karen de Segundo has been a Supervisory Board member since 2008 and is thus the only member to have been a member for more than 12 years. In view of the changes in the composition of the Management Board and Supervisory Board in recent years, Ms. de Segundo continues to maintain the objective detachment from the Company and its Management Board necessary to perform her monitoring role. Furthermore, she does not and has not at any time in the past had a significant business or personal relationship with the Company, one of its affiliates, or the Management Board, either directly or as a shareholder or in a responsible capacity in a company outside the Group. She is therefore independent within the meaning of the German Corporate Governance Code.

The Supervisory Board believes that in the case of no Supervisory Board member there are specific indications of relevant situations or relationships that could give rise to a conflict of interests. During the year at most three, and since July 2020 only two, management board members of a listed company sit on the Supervisory Board: Klaus Fröhlich, who was a member of the Board of Management of Bayerische Motoren Werke Aktiengesellschaft until June 2020, Rolf Martin Schmitz, Chairman of the Board of Management of RWE Aktiengesellschaft, and Carolina Dybeck Happe, who has been CFO of General Electric Company since March 2020. In addition, these Supervisory Board members had no more than two seats on the supervisory boards of non-Group listed companies or exercised comparable functions. None of the other Supervisory Board members had seats on more than five supervisory boards of non-Group listed companies or exercised comparable functions.

b) In its current composition the Supervisory Board meets the objectives of its diversity concept. The Supervisory Board's composition of women and men complies with the legal requirements for minimum percentages; separate compliance with the statutory gender quota occurred from the 2018 Annual Shareholders Meeting. The age range of the Supervisory Board is currently 45 to 74 years. At least four members have international experience.

c) In their entirety, the members bring a wide range of specific knowledge to committee work and have special expertise in one or more businesses and markets relevant to the Company. In view of continually changing business requirements, the Supervisory Board will continue to identify necessary competencies early to ensure that it has them. The Supervisory Board believes that the requirements of the Supervisory Board's competency profile are met by the current members of the Supervisory Board.

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

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

The Executive Committee consists of six members: the Supervisory Board Chairman, his two Deputies, another member elected at the recommendation of employee representatives, and two more members elected at the recommendation of shareholder representatives. It prepares the meetings of the Supervisory Board and advises the Management Board on matters of general policy relating to the Company's strategic development. In urgent cases (in other words, if waiting for the Supervisory Board's prior approval would materially prejudice the Company), the Executive Committee acts on the full Supervisory Board's behalf. In addition, a key task of the Executive Committee is to prepare the Supervisory Board's personnel decisions and resolutions for setting the respective total compensation of individual Management Board members within the meaning of Section 87, AktG.

Furthermore, it is responsible for the conclusion, alteration, and termination of the service agreements of Management Board members and for presenting the Supervisory Board with a proposal for a resolution on a clear and comprehensible compensation plan for the Management Board and its periodic review. In addition, it prepares the Supervisory Board's decision on the Group's investment, financial, and personnel plan for the next financial year. It also deals with corporate-governance matters and reports to the Supervisory Board, generally once a year, on the status and effectiveness of, and possible ways of improving, the Company's corporate governance and on new requirements and developments in this area.

In addition, the Executive Committee advises the Management Board on all issues of Group financing and investment planning. It decides on behalf of the Supervisory Board on the approval of the acquisition and disposition of companies, equity interests, and parts of companies whose value exceeds €300 million but does not exceed €600 million. Furthermore, the Management Board must present to the Executive Committee investments if, in the case of a fixed-asset investment of more than €300 million, the Management Board is convinced that the approved investment amount will be surpassed by more than 10 percent or if the Management Board perceives that the investment is no longer economic; that is, that it will no longer achieve its cost of capital. Additionally, the Executive Committee decides on behalf of the Supervisory Board on the approval of financing measures whose value exceeds €1 billion but not €2.5 billion if such measures are not covered by the Supervisory Board's resolutions regarding finance plans. If the value of any such transactions or measures exceeds the aforementioned thresholds, the committee prepares the Supervisory Board's decision. Finally, the Executive Committee prepares decisions on transactions with members of the Management Board and Supervisory Board, represents the Company vis-à-vis the Management Board, and is responsible for approving the assignment of task areas to individual Management Board members and for other activities of a Management Board member.

The Audit and Risk Committee consists of six members. The Supervisory Board believes that, in their entirety, the members of the Audit and Risk Committee are familiar with the sector in which the Company operates. According to the AktG, the Audit and Risk Committee must include one Supervisory Board member who has expertise in accounting or auditing. The Supervisory Board believes that in particular Andreas Schmitz fulfills this requirement. Pursuant to the recommendations of the German Corporate Governance Code, dated December 16, 2019, the Chairman of the Audit and Risk Committee should have special knowledge and experience in the application of accounting principles and internal control processes and be familiar with the auditing of financial statements. In addition, this person should be independent; in others words, in particular not a former Management Board member whose service on the Management Board ended less than two years ago and not simultaneously the Supervisory Board Chairman. The Supervisory Board believes that the Chairman of the Audit and Risk Committee, Andreas Schmitz, fulfills these requirements.

In particular, the Audit and Risk Committee deals with the auditing of financial statements, the monitoring of the accounting process, the effectiveness of risk management as well as the independent audit and compliance. The committee's monitoring of risk management encompasses reviewing the effectiveness of the internal control system, the internal risk management system, and the internal audit system. The Audit and Risk Committee deals in particular with the audit of the financial statements, the monitoring of the financial reporting process, the effectiveness of risk management, and the audit of the financial statements and compliance. Part of the risk management review is the review of the effectiveness of the internal control system, the internal risk management system and the internal audit system. The Audit and Risk Committee deals with Internal Audit's activities and the definition of the audit priorities on a regular basis.

The committee also prepares the Supervisory Board's decision on the approval of the Financial Statements of E.ON SE and the Consolidated Financial Statements. It is responsible for the preliminary review of the Financial Statements of E.ON SE, the Management Report, the Consolidated Financial Statements, the Combined Group Management Report and the proposal for profit appropriation as well as—if these are not already part of the (Combined Group) Management Report—the Separate Non-financial Report and the Separate Combined Non-financial Report. It discusses the half-yearly reports and quarterly statements or financial reports with the Management Board prior to their publication. The effectiveness of the internal controls (including for the financial disclosures) at E.ON SE and the Group's units is tested by Internal Audit as part of a risk-oriented audit plan. The audit of the internal controls is also part of the audit of the Consolidated Financial Statements. The Audit and Risk Committee may commission an external review of the contents of the Non-financial Statement or the Separate Non-financial Report or the Combined Non-financial Statement or the Separate Combined Non-financial Report.

In addition, the Audit and Risk Committee prepares the proposal on the selection of the Company's independent auditor for the Annual Shareholders Meeting and makes a substantiated proposal, which in cases where the audit mandate is put out to tender includes at least two candidates. In order to ensure the auditor's independence, prior to making its selection proposal, the Audit and Risk Committee secures a statement from the proposed auditor detailing any facts that could lead to the audit firm being excluded for independence reasons or otherwise conflicted. In addition, the committee deals with issues relating to the issuance of the audit mandate to the independent auditor, the definition of the audit priorities, and the agreement regarding the independent auditor's fees as well as any additional services performed by the independent auditor. The Audit and Risk Committee assesses the quality of the independent audit on a regular basis.

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

- promptly inform the Chairman of the Audit and Risk Committee should any facts arise during the course of the audit that could lead to the audit firm being excluded for independence reasons or otherwise conflicted, unless such facts are resolved

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

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

The Audit and Risk Committee decides on the approval of related-party transactions and deals with the internal procedure for assessing market conformity and the execution of related-party transactions in the ordinary course of business.

The Innovation and Sustainability Committee consists of six members. It advises the Management Board on all innovation issues and growth opportunities. The focus is on opportunities that could deliver significant growth in sales and profit within the foreseeable future. These types of opportunities could range from new business models, markets, products, and services to innovative solutions that tangibly improve the customer experience, employees' daily work, or processes. The Innovation and Sustainability Committee advises the Management Board on E.ON's digital transformation with the aim of making the Company more automated, leaner, and more data-driven. The committee also addresses issues relating to E.ON's HR agenda that help employees adopt a growth and innovation mentality, such as engagement, capabilities, work methods of the future, and cultural change. In addition, the committee advises the Supervisory Board and the Management Board on environmental, social, governance ("ESG"), and sustainability issues.

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

The Audit and Risk Committee and Executive Committee meet at regular intervals and when specific circumstances require it under their rules and procedures. The Nomination Committee and the Innovation and Sustainability Committee meet as needed. The Report of the Supervisory Board (on pages 8 to 10) contains information about the activities of the Supervisory Board and its committees in the year under review.

The Supervisory Board's committees have the following composition:

Executive Committee
Dr. Karl-Ludwig Kley, Chairman
Christoph Schmitz, Deputy Chairman
(since May 28, 2020)
Andreas Scheidt, Deputy Chairman
(until May 28, 2020)
Erich Clementi
Ulrich Grillo
Fred Schulz
Albert Zettl

Audit and Risk Committee
Andreas Schmitz, Chairman
Fred Schulz, Deputy Chairman
Carolina Dybeck Happe (until December 31, 2020)
Ulrich Grillo (since January 1, 2021)
René Pöhls
Elisabeth Wallbaum
Deborah Wilkens

Innovations and Sustainability Committee
Dr. Karen de Segundo, Chairwoman
Stefan May, Deputy Chairman
Clive Broutta (until January 31, 2020)
Klaus Fröhlich
Monika Krebber (since February 5, 2020)
Eugen-Gheorghe Luha
Ewald Woste

Nomination Committee
Dr. Karl-Ludwig Kley, Chairman
Erich Clementi, Deputy Chairman
Dr. Karen de Segundo

Report on the Supervisory Board's Self-evaluation
In the year under review, the Supervisory Board conducted a regularly scheduled self-assessment (efficiency review) of the Supervisory Board's work. An online questionnaire provided the Supervisory Board members with the opportunity to evaluate the efficiency of the Supervisory Board's work and to make suggestions for improving it. The findings were used to design specific measures to improve the Supervisory Board's work, which are being implemented on an ongoing basis. They relate primarily to the Supervisory Board devoting more attention to the assessment and ex post analysis of investment decisions and the analysis of industry-specific technology trends.

Shareholders and Annual Shareholders Meeting

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

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

Due to the Covid-19 pandemic, the 2020 E.ON SE Annual Shareholders Meeting was not held as an in-person event in order to protect the Company's shareholders and employees. Instead, pursuant to the rules of the AktG it was held as a virtual Annual Shareholders Meeting without the physical participation of shareholders or their proxies.

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

The EU Regulation on Statutory Audit introduced an obligation for the statutory auditor and/or firm to be rotated periodically. Such a rotation will be carried out for the 2021 financial year. After the conclusion of the legally mandated multistage review process and on the basis of the Audit and Risk Committee's recommendation, the Supervisory Board recommended to the 2020 Annual Shareholders Meeting to appoint Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, to be independent auditor and Group independent auditor for the 2020 financial year and to audit the Condensed Consolidated Interim Financial Statements and Interim Group Management Reports for the 2020 financial year and to appoint KPMG AG Wirtschaftsprüfungsgesellschaft to be independent auditor and to audit the Condensed Consolidated Interim Financial Statements and Interim Group Management Report for the first quarter of 2021. The Supervisory Board intends to recommend to the 2021 Annual Shareholders Meeting to appoint KPMG AG Wirtschaftsprüfungsgesellschaft to be independent auditor and Group independent auditor and to audit the Condensed Consolidated Interim Financial Statements and Interim Group Management Reports for the 2021 financial year and the first quarter of the 2022 financial year.

At the Annual Shareholders Meeting on May 28, 2020, PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, was selected to be E.ON SE's independent auditor for the 2020 financial year and to audit the Condensed Consolidated Interim Financial Statements and Interim Group Management Reports for the 2020 financial year. The independent auditors with signing authority for the Annual Financial Statements of E.ON SE and the Consolidated Financial Statements are Markus Dittmann (since the 2014 financial year) and Aissata Touré (since the 2015 financial year). In accordance with the recommendation, KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, was selected to audit the Condensed Consolidated Interim Financial Statements for the first quarter of the 2021 financial year.

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

In the year under review, the Management Board consisted of five men. In December 2016 the Supervisory Board set a new target of 20 percent for the proportion of women on the Management Board and a deadline of December 31, 2021, for implementation. This target will be met from April 1, 2021, onward. Due to Dr. Teyssen's departure from the Management Board, the Supervisory Board adopted a resolution to appoint, conditionally, Dr. Victoria Ossadnik as a new Management Board member effective the conclusion of April 1, 2021. From April 2021 onward, the Board of Management will therefore consist of four men and one woman.

In May 2017 the Management Board set a new target of 30 percent for the proportion of women in the first level of management below the Management Board and a target of 35 percent for the second level of management below the Management Board. The deadline for achieving both targets is June 30, 2022. At year-end 2020, the proportion of women in first and second levels of management below the Management Board was 34.6 percent and 26.7 percent, respectively.

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

Diversity Concept and Long-term Succession Plan for the Management Board

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

With regard to the Management Board's composition, the Supervisory Board of E.ON SE has developed a diversity concept that considers the recommendations of the German Corporate Governance Code.

Diversity Concept

The diversity concept consists of the following items:

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

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

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

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

- The appointment period of a member of the Management Board shall end, at the latest, at the end of the month on which the Management Board member reaches the general retirement age.

Achievement of Objectives

With the exception of the target quota regarding the share of women, which is to be achieved by December 31, 2021, the composition of the Management Board already meets the appointment objectives described above. From the appointment of Dr. Victoria Ossadnik effective April 1, 2021, onward, all of the above-described appointment objectives will be met.

Long-term Succession Plan

In consultation with the Executive Committee and the Management Board, the Supervisory Board is in charge of long-term succession planning for the Management Board. Appointment decisions are made on the basis of specific requirement profiles for Management Board members.

In addition to its own experience, the Supervisory Board draws on the expertise of outside consultants to ensure that the Company's succession planning is appropriate and creates value.

The Supervisory Board is informed on a regular basis (once a year) by the Management Board on the progress in talent identification and development as well as succession planning for top executives on the basis of the qualifications required for business success and the continually evolving personnel development processes. It discusses the respective status accordingly.

Compensation Report

This compensation report describes the basic features of the compensation plans for members of the E.ON SE Management Board and Supervisory Board and provides information about the compensation granted and paid in 2020. It applies the provisions of accounting standards for capital-market-oriented companies (the German Commercial Code, German Accounting Standards, and International Financial Reporting Standards) and the recommendations of the German Corporate Governance Code dated December 16, 2019. For the purpose of transparent presentation in the interests of corporate governance, the individualized disclosure of compensation will continue to be based on the model tables of the German Corporate Governance Code dated February 7, 2017. In accordance with the transitional provision of Section 26j, Paragraph 2, of the Introductory Act to the German Stock Corporation Act ("EGAktG"), a compensation report will be prepared for the first time for the 2021 financial year in accordance with the requirements introduced in Section 162 of the German Stock Corporation Act ("AktG") as part of the Act Implementing the Second Shareholders' Rights Directive ("ARUG II").

Basic Features of the Management Board Compensation Plan

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

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

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

In view of the regulatory changes resulting from the Act on the Implementation of the Second Shareholder Rights Directive ("ARUG II") and the new version of the German Corporate Governance Code, which took effect on March 20, 2020, the Supervisory Board reviewed and revised the Management Board's current compensation plan. The Supervisory Board will submit the revised compensation plan to the 2021 Annual Shareholders Meeting for approval. It will be explained in detail in the invitation to the 2021 Annual Shareholders Meeting and is to come into force for all Management Board members effective January 1, 2022.

Dr.-Ing. Birnbaum was appointed Chairman of the innogy SE Management Board effective October 11, 2019. This appointment ended with the entry of the transfer resolution and the merger of innogy SE into E.ON Verwaltungs SE into the Commercial Register on June 2, 2020. During his tenure at innogy SE, Dr.-Ing. Birnbaum also remained, as in the prior year, as Chief Operating Officer—Integration a member of the E.ON SE Management Board and therefore had a dual mandate within the meaning of Section 88, Paragraph 1, Sentence 2 of the German Stock Corporation Act (see pages 92 and 93 for details). The compensation modalities that apply to Dr.-Ing. Birnbaum due to his dual mandate are explained in detail in the section entitled "Total Compensation in 2020" on page 92.

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

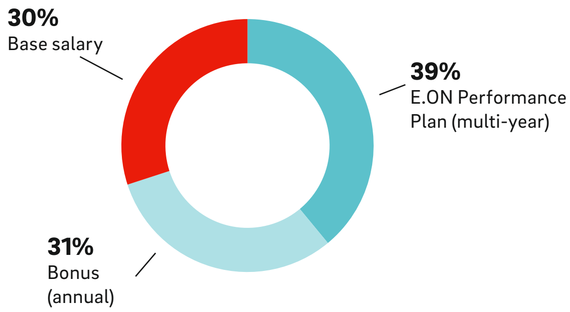
Summary Overview of Compensation Components[1]

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

[1]Deviating compensation modalities apply to Dr.-Ing. Birnbaum for this time period due to his dual mandate, which existed until June 1, 2020. They are described in the section "Total Compensation in 2020."
[2]Only applies to Dr. Johannes Teyssen.

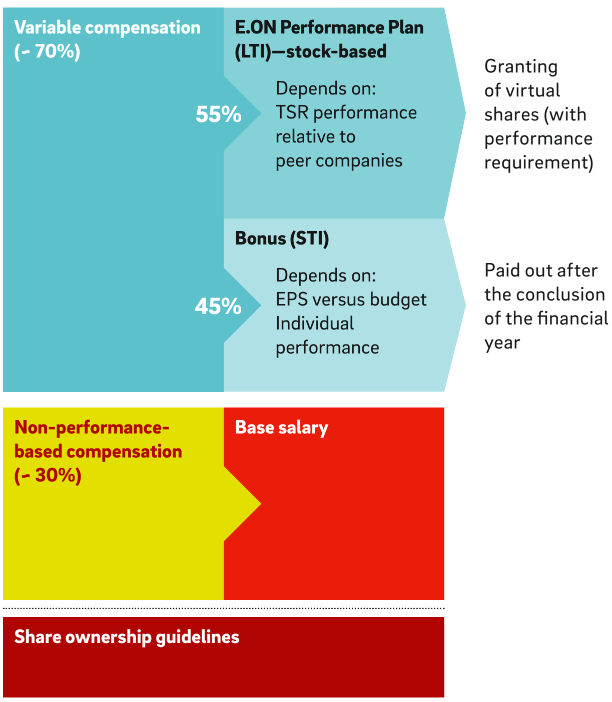
Components and Compensation Structure

The compensation of Management Board members consists of a fixed base salary, an annual bonus, and long-term variable compensation. The components account for the following percentages of target compensation (that is, compensation in the case of 100 percent target attainment):[1]



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

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



Non-Performance-Based Compensation

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

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

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

Performance-Based Compensation

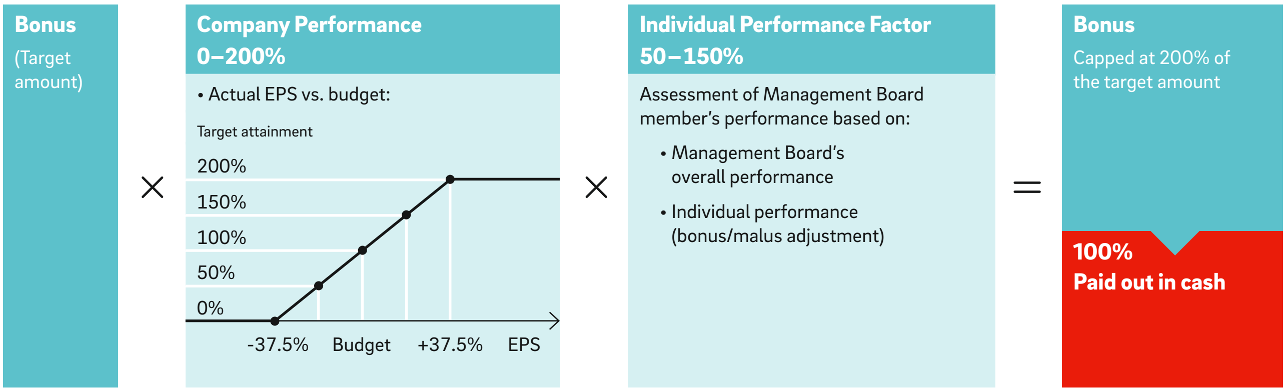
Likewise, no revisions were made to performance-based compensation relative to the previous financial year.

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

Annual Bonus

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

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



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

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

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

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

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

Long-Term Variable Compensation

In the 2020 financial year, long-term variable compensation consisted of tranches from several financial years granted under two different plans. First, tranches of the E.ON Performance Plan—Performance Plan, first tranche (2017–2020), second tranche (2018–2021), third tranche (2019–2022), and fourth tranche (2020–2023)—were granted in 2017, 2018, 2019, and 2020. The vesting period of the first tranche of the E.ON Performance Plan ended at the close of the 2020 financial year. Payment will be made in April 2021. Second, the last tranches of the E.ON Share Matching Plan—Share Matching Plan, fourth tranche (2016–2020) and the LTI components of the bonus from 2016 Share Matching Plan, fifth tranche (2017–2021)—were granted in 2016. The vesting period of the fourth tranche of the E.ON Share Matching Plan ended in March 2020. Payment was made in April 2020.

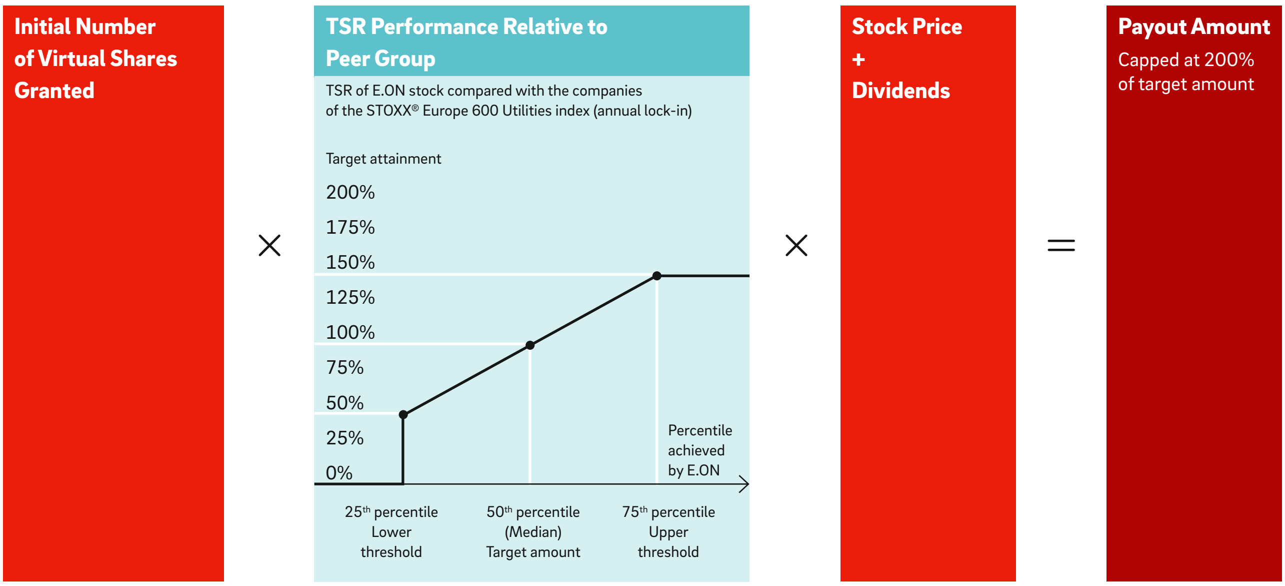
E.ON Performance Plan (Granted from 2017)

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

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

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

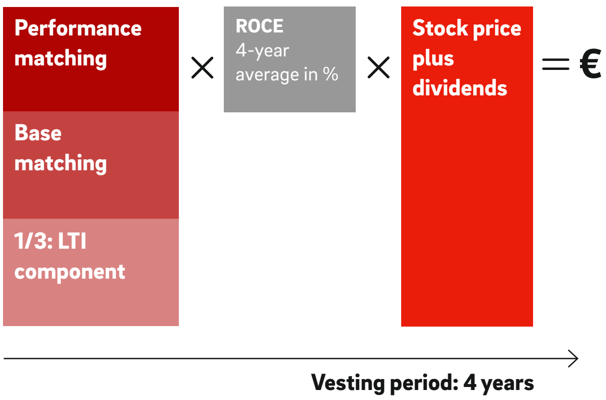
During a tranche's vesting period, E.ON's TSR performance is measured once a year in comparison with the companies in the peer group and set for that year. E.ON SE's TSR performance in a given year determines the final number of one fourth of the virtual shares granted at the beginning of the vesting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



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

E.ON Share Matching Plan (Granted until 2016)

Until the introduction of the new compensation plan on January 1, 2017, Management Board members received stock-based compensation under the E.ON Share Matching Plan. Until the beginning of the 2016 financial year, the Supervisory Board decided, based on the Executive Committee's recommendation, on the allocation of a respective new tranche for the current financial year, including the respective targets and the number of virtual shares granted to individual members of the Management Board. To serve as a long-term incentive for sustainable business performance, each tranche had a vesting period of four years. The tranche started on April 1 of each year.



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

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

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

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

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

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

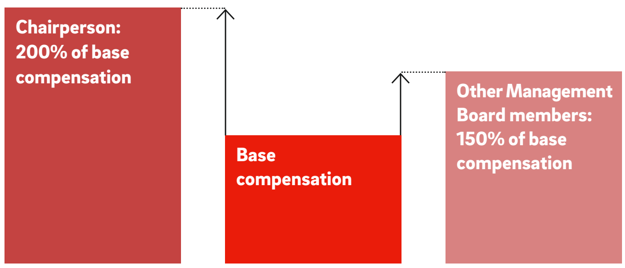
Overall Cap

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

Share Ownership Guidelines

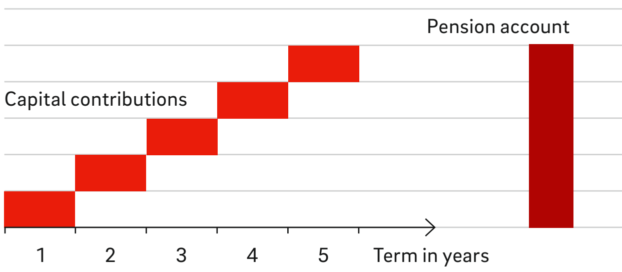
To strengthen E.ON's capital-market focus and shareholder-oriented culture, effective 2017 share ownership guidelines apply to Management Board members. The guidelines obligate Management Board members to invest in E.ON stock equaling 200 percent of base compensation (for the Management Board Chairperson)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

Until the required investment is reached, Management Board members are obligated to invest amounts equivalent to the net payouts from their long-term compensation in actual E.ON stock. At December 31, 2020, the Management Board fulfilled the share ownership guidelines at a rate of 98.22 percent.



Pension Entitlements

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



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

The Company has agreed to a pension plan based on final salary for the Management Board Chairman, Dr. Johannes Teyssen, who was appointed to the Management Board before 2010. Following the end of his service for the Company, Dr. Johannes Teyssen is entitled to receive lifelong monthly pension payments. Dr. Johannes Teyssen's pension entitlements provide for annual pension payments equal to 75 percent of his annual base salary. The full amount of any pension entitlements from earlier employment is offset against these payments. In addition, in the case of a Management Board member's death, the pension plan includes benefits for the widow and each orphan that are equal to 60 percent and 15 percent, respectively, of the deceased's pension entitlement. Together, pension payments to a widow and children may not exceed 100 percent of the deceased Management Board member's pension.

The vesting of Management Board members' pension entitlements (both contribution-based and final-salary-based pension plans) is governed by the provisions of the German Occupational Pensions Improvement Act ("BetrAVG").

The Supervisory Board reviews, on a regular basis, the benefits level of Management Board members and the resulting annual and long-term expense and, if necessary, adjusts the payments.

Settlement Payments for Termination of Management Board Duties

In line with the German Corporate Governance Code's recommendation, the service agreements of Management Board members include a settlement cap. Under the cap, settlement payments in conjunction with a termination of Management Board duties may not exceed the value of two years' total compensation. In addition, no more than the remaining term of the member's service agreement is to be compensated.

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

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

Management Board Compensation in 2020

The Supervisory Board reviewed the Management Board's compensation plan and the components of individual members' compensation. It determined that the Management Board's compensation is appropriate from both a horizontal and vertical perspective and passed a resolution on the performance-based compensation described below. It made its determination of customariness from a horizontal perspective by comparing the compensation with that of companies of a similar size. For this purpose, the companies listed in the DAX were included in the peer group. The Supervisory Board's review of appropriateness also included a vertical comparison of the Management Board's compensation with that of the Company's top management and the rest of its workforce. In the Supervisory Board's view, in the 2020 financial year there was no reason to adjust the Management Board members' target compensation.

The 2020 Bonus

Based on the company performance and the individual performance factor, the annual bonuses of Management Board members for the 2020 financial year totaled €4.4 million (prior year: €6.0 million).

To determine the company performance for the 2020 financial year, actual EPS based on adjusted net income was compared with the target value (budget) set by the Supervisory Board before the start of the financial year. In the 2020 financial year, E.ON's earnings were affected by the following special situation: due in particular to the repercussions of the Covid-19 pandemic in conjunction with an exceptionally mild winter, electricity and gas consumption remained below the budget. This led to lower sales volumes in the sales business as well as lower transport volumes in the network.

In the 2020 financial year, actual transport volumes in E.ON's electricity and gas networks in Germany were significantly below the forecast values. The volume-weighted bandwidths of the deviations between forecast values and actual values across all of the E.ON Group's large distribution system operators in Germany in the past years lies in average between -1.4 percent and +1.4 percent. However, there are no significant deviations in the long-term volume-weighted average. The exceptionally high volume-weighted deviation of -2.7 percent in the 2020 financial year resulted in a €220 million reduction in earnings.

Nevertheless, due to the regulatory mechanisms relevant for E.ON the reductions in revenue caused by forecast shortfalls (higher forecast values than actual values) in the 2020 financial year will be almost fully offset in subsequent years. The approved revenue caps will be earned over time regardless of the transport volumes. Consequently, failure to correct these revenue shortfalls in the 2020 financial year related to the network business would result in the Management Board being unjustifiably placed in a worse position: the revenue shortfalls would lead to a lower level of attainment of the company targets for the 2020 financial year due to the negative deviation from plan, whereas the offsetting additional revenues as described above would not lead to a correspondingly higher level of target attainment in subsequent years due to its budgeting. The Supervisory Board therefore decided to take these special effects from the network business into account when calculating and determining target attainment. With this adjustment, target attainment for company performance is 85 percent. This adjustment is also taken into account when determining target attainment for employees whose company performance is determined on the basis of EPS.

In the new compensation plan submitted to the 2021 Annual Shareholders Meeting for approval, the Supervisory Board has provided that it can take into account corresponding effects that remain in the network business without economic impact for E.ON.

The revenue shortfall in the sales business will not be adjusted and will therefore affect the 2020 bonus without restriction. No correction is planned here in the future either.

In determining the individual performance factor, the Supervisory Board discussed and assessed the Management Board's overall performance as well as the individual performance of Management Board members on the basis of predetermined targets.

Taking into account the company performance and the individual performance factor set by the Supervisory Board for the 2020 financial year, total target attainment for the 2020 bonus is 102 percent.

Individual Performance Factor

2020 targets	Assessment	Target attainment
Individual and collective targets, particularly regarding the following topics: • Integration of innogy SE • Nuclear dismantling • Growth opportunities at the network business • Sustainability strategy	Supervisory Board's assessment: The Supervisory Board's assessment of the efforts and successes in connection with the full integration of innogy SE was particularly positive. The progress in nuclear dismantling at PreussenElektra and the securing of new growth opportunities in the network businesses represent additional extraordinarily positive aspects. The successful development of a comprehensive sustainability strategy was also a positive factor in the assessment of individual performance.	120%

Long-term Variable Compensation Allocated in 2020

The Supervisory Board issued the fourth tranche of the E.ON Performance Plan (2020–2023) for the 2020 financial year and granted Management Board members virtual shares of E.ON stock.

Fourth Tranche of the E.ON Performance Plan (2020–2023)

The present value assigned to the virtual shares of E.ON stock at the time of granting on January 1, 2020—€7.88 per share—is shown in the following tables entitled "Stock-based Compensation" and "Total Compensation of the Management Board."

The value performance of this tranche will be determined by the performance of E.ON stock, per-share dividends, and TSR performance relative to the companies in its peer index, the STOXX® Europe 600 Utilities, for the years 2020 through 2023. The actual payments made to Management Board members in 2024 may deviate, under certain circumstances considerably, from the calculated figures disclosed here.

The long-term variable compensation of Management Board members resulted in the following expenses in 2020:

Stock-based Compensation

€	Value of virtual shares at time of granting 2020	Value of virtual shares at time of granting 2019	Number of virtual shares granted 2020	Number of virtual shares granted 2019	Expense (+)/Income (-)[1] 2020	Expense (+)/Income (-)[1] 2019
Dr. Johannes Teyssen	1,732,500	1,732,500	219,861	259,357	1,925,176	2,277,079
Dr.-Ing. Leonhard Birnbaum[2]	1,133,743	1,083,333	127,962	150,949	1,245,902	1,400,308
Thereof pro rata "LTI innogy" (2020–2021)[3]	*125,410*	–	*0*	–	*125,410*	–
Thereof substitute payment "LTI innogy" (2019–2021)	–	*75,000*	–	*0*	–	*75,000*
Dr. Thomas König	825,000	825,000	104,696	123,503	470,219	288,515
Dr. Marc Spieker	825,000	825,000	104,696	123,503	698,881	529,777
Dr. Karsten Wildberger	825,000	825,000	104,696	123,503	840,207	870,727
Total	**5,341,243**	**5,290,833**	**661,911**	**780,815**	**5,180,385**	**5,366,406**

[1]Expense pursuant to IFRS 2 for performance rights and virtual shares existing in 2019 and 2020, respectively.
[2]Number of shares based on the third and fourth tranches, respectively, of the E.ON Performance Plan in the amount of the target amount of €1,008,333 and an IFRS 2 expense of €1,120,492.
[3]No figure for virtual shares disclosed because no virtual shares were granted. See the explanation regarding Dr.-Ing. Birnbaum on page 92.

Long-term variable compensation granted for the 2020 financial year totaled €5.2 million. Note 12 to the Consolidated Financial Statements contains additional details about stock-based compensation.

Allocated 2020 Long-term Variable Compensation

The fourth tranche of the E.ON Share Matching Plan granted in 2016 ended on March 31, 2020. The payment was made in April 2020.

Fourth Tranche of the E.ON Share Matching Plan (2016–2020)
The fourth tranche of the E.ON Share Matching Plan was calculated on the basis of the attainment of the ROCE target and the development of the stock price during the vesting period.

The performance metric of the fourth tranche of the E.ON Share Matching Plan, Group ROCE, was considerably influenced by the closing of the innogy SE takeover and by innogy's entry into E.ON SE's scope of consolidation. The transaction's effects could not yet be reflected in the Group ROCE target set in 2016 for the fourth tranche of the Share Matching Plan. To ensure that target setting remains consistent and ambitious, the Supervisory Board decided at its due discretion to subsequently adjust the key figure used to determine target attainment. This means that the unchanged ROCE target was measured against ROCE based on E.ON's former corporate structure prior to the transaction; in other words, without innogy SE but with departing businesses like E.ON Climate & Renewables and certain PreussenElektra shareholdings. For departing businesses, the last available forecast figures were used; for the other components, actual figures at the end of the financial year.

Average ROCE determined on this basis during the four-year vesting period was 10.2 percent. The target return for the fourth tranche of the E.ON Share Matching Plan was 9.6 percent, resulting in an overall target attainment of 162 percent for company performance. In view of this target attainment, the average price of E.ON stock in the last 60 days prior to the end of the vesting period of €10.11, and the amount of dividends totaling €1.57 that resulted for E.ON stock during the vesting period, a total of €6.1 million was paid to the members of the Management Board.

Management Board Pensions in 2020

The following table provides an overview of the current pension obligations to Management Board members, the additions to provisions for pensions, and the cash value of pension obligations for the 2020 financial year. The cash value of pension obligations is calculated pursuant to IFRS and the German Commercial Code. An actuarial interest rate according to IFRS of 0.8 percent (prior year: 1.3 percent) was used for discounting; the actuarial interest rate pursuant to the German Commercial Code was 2.30 percent (prior year: 2.71 percent).

Pensions of Management Board Members Pursuant to IFRS

	Current pension entitlement at December 31				Additions to provisions for pensions				Cash value at December 31	
	As a percentage of annual base compensation		In absolute terms (€)		(€)		Thereof interest cost (€)		(€)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Dr. Johannes Teyssen	75	75	930,000	930,000	1,276,716	1,410,074	365,816	525,001	30,808,106	28,139,682
Dr.-Ing. Leonhard Birnbaum[1, 2] (E.ON SE)	–	–	–	–	357,170	245,953	24,571	29,011	2,913,120	1,890,048
Dr.-Ing. Leonhard Birnbaum[3] (innogy SE)	–	–	–	–	–	195,667	–	–	–	195,667
Dr. Thomas König[1]	–	–	–	–	287,461	213,076	35,530	44,685	3,194,925	2,733,075
Dr. Marc Spieker[1]	–	–	–	–	250,553	209,825	16,631	17,223	1,612,838	1,279,272
Dr. Karsten Wildberger[1]	–	–	–	–	314,108	277,975	15,579	14,393	1,558,531	1,198,385

[1]"Contribution Plan E.ON Management Board."
[2]The prior-year figure for Dr.-Ing. Birnbaum refers to his passive employment relationship with E.ON SE on December 31, 2019. For 2020, the entire year is presented (including the final amount) based on his reinstated employment with E.ON SE.
[3]From October 11, 2019, onward, 50 percent of the contribution to Dr.-Ing. Birnbaum's innogy SE pension entitlement was borne by E.ON SE.

Pensions of Management Board Members Pursuant to the German Commercial Code

	Current pension entitlement at December 31				Additions to provisions for pensions				Cash value at December 31	
	As a percentage of annual base compensation		In absolute terms (€)		(€)		Thereof interest cost (€)		(€)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Dr. Johannes Teyssen	75	75	930,000	930,000	2,098,992	564,476	597,806	689,983	24,158,256	22,059,264
Dr.-Ing. Leonhard Birnbaum[1, 2] (E.ON SE)	–	–	–	–	862,044	332,111	42,778	40,010	2,440,578	1,578,534
Dr.-Ing. Leonhard Birnbaum[3] (innogy SE)	–	–	–	–	–	172,476	–	–	–	172,476
Dr. Thomas König[1]	–	–	–	–	397,348	403,263	63,517	62,291	2,741,146	2,343,798
Dr. Marc Spieker[1]	–	–	–	–	239,670	292,176	26,884	22,465	1,231,703	992,033
Dr. Karsten Wildberger[1]	–	–	–	–	286,769	373,061	26,533	19,453	1,265,855	979,086

[1]"Contribution Plan E.ON Management Board."
[2]The prior-year figure for Dr.-Ing. Birnbaum refers to his passive employment relationship with E.ON SE on December 31, 2019. For 2020, the entire year is presented (including the final amount) based on his reinstated employment with E.ON SE.
[3]Voluntary supplemental disclosure. From October 11, 2019, onward, 50 percent of the contribution to Dr.-Ing. Birnbaum's innogy SE pension entitlement was borne by E.ON SE.

Pursuant to IFRS and the German Commercial Code, the cash values of Management Board pensions for which provisions are required increased as of December 31, 2020, relative to year-end 2019. This resulted in part from increases in the number of years of service. Another reason is that the actuarial interest rate for discounting was below the prior-year figure.

Total Compensation in 2020

The total compensation of the members of the Management Board in the 2020 financial year amounted to €14.1 million, about 9.6 percent below the prior-year figure of €15.6 million based on the Management Board's total compensation disclosed in the 2019 Annual Report.

At his own request, Dr. Teyssen's appointment as Chairman of the Management Board as well as his service agreement will be terminated early, by mutual consent, effective at the close of March 31, 2021, instead of the original term until December 31, 2021.

Compensation Modalities of Dr.-Ing. Birnbaum's Dual Mandate

Alongside his appointment as a member of the E.ON Management Board and his duties as Chief Operating Officer—Integration, Dr.-Ing. Birnbaum was also appointed as Chairman of the innogy SE Management Board from October 11, 2019 (dual mandate within the meaning of Section 88, Paragraph 1, Sentence 2 of the German Stock Corporation Act). During this period, Dr.-Ing. Birnbaum received compensation from innogy SE only pursuant to a newly concluded service agreement with the company. The compensation-related clauses of his service agreement with E.ON SE were suspended for the duration of his service as Chairman of the innogy SE Management Board.

Due to the merger of innogy SE into E.ON Verwaltungs SE on June 2, 2020, and the resulting expiration of his position on the innogy SE Management Board, an amical termination of his existing service agreement with innogy SE was agreed effective the close of June 1, 2020 (the day before the entry of the merger into E.ON Verwaltung SE's commercial register). As of June 2, 2020, the previously suspended parts of his service agreement with E.ON SE were reinstated, and Dr.-Ing. Birnbaum again receives his compensation exclusively from his service agreement with E.ON SE.

In the 2020 financial year, Dr.-Ing. Birnbaum's compensation until the end of his service agreement with innogy SE at the close of June 1, 2020, had the following modalities:

Dr.-Ing. Birnbaum continued to receive base compensation of €800,000 for a full financial year.

On a pro rata basis until the end of his service agreement with innogy SE at the close of June 1, 2020, Dr.-Ing. Birnbaum received an innogy SE bonus with a target bonus of €1,025,000 for a full financial year ("bonus innogy"). As a result of the reinstatement of his suspended portions of his service agreement with E.ON SE, Dr.-Ing. Birnbaum was granted, for the 2020 financial year on a pro rata basis, an E.ON SE bonus with a target amount of €825,000 for a full financial year.

In the 2020 financial year, the "bonus innogy" was based on the attainment of collective and individual targets that were set by the innogy SE Supervisory Board before the start of the financial year. Target attainment of the "bonus innogy" is determined by the Supervisory Board at its due discretion on the basis of these targets and can be between 0 percent and 180 percent. To depict the operating business performance of innogy SE, adjusted EBIT and adjusted net income were defined as collective financial performance criteria and, for example, the management of the network and sales business while achieving the economic targets was defined as individual targets for Dr.-Ing. Birnbaum. In addition, the Supervisory Board defined collective targets for ensuring business continuity as well as the successful integration of innogy SE into the E.ON Group.

Dr.-Ing. Birnbaum continues to participate in the E.ON Performance Plan, which is described on page 84. This plan was continued analogously by innogy SE—that is, based on E.ON SE's capital market performance—and granted with a target amount of €1,008,333 per year.

To reflect the increase in his responsibilities and the bigger and special challenges he faced, Dr.-Ing. Birnbaum was also granted, proportionately until the end of his service agreement with innogy SE at the close of June 1, 2020, long-term variable compensation with a target value of €300,000 (for a full financial year), which depends exclusively on innogy SE's performance ("LTI innogy"). The vesting period of the "LTI innogy" is two years. Target attainment is determined by the Supervisory Board at its due discretion on the basis of predefined targets and can be between 0 percent and 200 percent. The basis for the "innogy LTI" granted in the 2020 financial year was the management of innogy SE as an E.ON Group company, taking into account the interests of the other shareholders and, in this regard, in particular the planned integration into E.ON SE.

Dr.-Ing. Birnbaum's appointment as Chairman of the innogy SE Management Board ended on June 2, 2020. For this period, the innogy SE Supervisory Board set a target attainment of 100 percent for the "bonus innogy" and the "LTI innogy." The payments resulting from target attainment are calculated proportionately for the period of his appointment and are made in accordance with the agreed on contractual terms and conditions after the end of the respective regular vesting period. The E.ON Performance Plan granted to Dr.-Ing. Birnbaum in the 2020 financial year has been taken over and continued by E.ON SE.

In addition, Dr.-Ing. Birnbaum continued to participate in the "Contribution Plan E.ON Management Board," a contribution-based pension plan. This plan was suspended at E.ON SE until Dr.-Ing. Birnbaum's service agreement with E.ON SE took effect again and was continued and administered by innogy SE during this period. Dr.-Ing. Birnbaum retained his accrued entitlements from E.ON SE. The pension entitlement vis-à-vis innogy SE accrued by Dr.-Ing. Birnbaum during his service as Chairman of the innogy SE Management Board was transferred to E.ON SE after Dr.-Ing. Birnbaum's departure from the innogy SE Management Board pursuant to an agreement between Dr.-Ing. Birnbaum, innogy SE, and E.ON SE.

For Dr.-Ing. Birnbaum's duties as a member of the E.ON SE Management Board for the duration of the dual mandate, E.ON SE reimbursed innogy SE, for the costs of his duties that are attributable to E.ON SE. Pursuant to the service agreement between innogy SE and Dr.-Ing. Birnbaum, these reimbursed costs consisted of the following compensation components (in each case until the termination of the service agreement at the close of June 1, 2020): 50 percent of base compensation; 100 percent of the payment of the tranche of the E.ON Performance Plan granted on January 1, 2020, forward; 50 percent of the contributions made by innogy SE to the "Contribution Plan E.ON Management Board."

The cost allocation for the 2020 financial year is as follows:

Cost Allocation of Dr.-Ing. Leonhard Birnbaum's Compensation during His Dual Mandate in the 2020 Financial Year

Percentages	E.ON SE	innogy SE
Base compensation	50	50
Benefits	–	100
2020 E.ON bonus	100	–
2020 innogy bonus	–	100
E.ON Performance Plan (2020–2023)	100	–
"LTI innogy" (2020–2021)	–	100
Company pension entitlements	50	50

Total Compensation of the Management Board

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

Total Compensation of the Management Board

	Fixed annual compensation		Bonus		Other compensation		Value of stock-based compensation granted[1]		Total	
€	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Dr. Johannes Teyssen	1,240,000	1,240,000	1,445,850	1,984,500	34,684	40,791	1,732,500	1,732,500	4,453,034	4,997,791
Dr.-Ing. Leonhard Birnbaum[2]	800,000	800,000	918,209	1,137,309	23,101	27,116	1,133,743	1,083,333	2,875,053	3,047,758
Thereof innogy SE	*335,556*	*88,406*	*428,484*	*241,788*	*11,698*	*4,519*	*125,410*[4]	*75,000*[3]	*901,148*	*409,713*
Dr. Thomas König	700,000	700,000	688,500	945,000	46,233	44,264	825,000	825,000	2,259,733	2,514,264
Dr. Marc Spieker	700,000	700,000	688,500	945,000	52,699	48,607	825,000	825,000	2,266,199	2,518,607
Dr. Karsten Wildberger	700,000	700,000	688,500	945,000	51,010	61,983	825,000	825,000	2,264,510	2,531,983
Total	**4,140,000**	**4,140,000**	**4,429,559**	**5,956,809**	**207,727**	**222,761**	**5,341,243**	**5,290,833**	**14,118,529**	**15,610,403**

[1]The present value assigned to the virtual shares of E.ON stock at the time of granting for the fourth tranche of the E.ON Performance Plan was €7.88 per share.
[2]See the explanation regarding Dr.-Ing. Birnbaum on page 92.
[3]Dr.-Ing. Birnbaum received the substitute payment "LTI innogy" with long-term incentive effect (2019–2021) in the amount of €75,000.
[4]In accordance with his service agreement, Dr.-Ing. Birnbaum received "LTI innogy" with long-term incentive effect (2020–2021) in the amount of €300,000 per year. "LTI innogy" is granted on a prorated basis corresponding with the end of the service agreement between Dr.-Ing. Birnbaum and innogy SE on June 1, 2020.

For the purpose of transparent presentation in the interests of corporate governance, the individualized disclosure of compensation will, voluntarily, continue to be based on the model tables of the German Corporate Governance Code of February 7, 2017.

The following table shows the compensation granted and allocated in 2020 in the format recommended by the German Corporate Governance Code:

Table of Compensation Granted and Allocated

	Dr. Johannes Teyssen (Chairman of the Management Board and Chief Executive Officer)					
			Compensation granted		Compensation allocated	
€	2019	2020	2020 (min.)	2020 (max.)[1, 2]	2019	2020
Fixed compensation	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000
Fringe benefits	40,791	34,684	34,684	34,684	40,791	34,684
Total	**1,280,791**	**1,274,684**	**1,274,684**	**1,274,684**	**1,280,791**	**1,274,684**
One-year variable compensation	**1,417,500**	**1,417,500**	**–**	**2,835,000**	**1,984,500**	**1,445,850**
Multi-year variable compensation	**1,732,500**	**1,732,500**	**–**	**3,465,000**	**2,254,138**	**3,295,219**
– Share Matching Plan, third tranche (2015–2019)	–	–	–	–	*2,254,138*	–
– Share Matching Plan, fourth tranche (2016–2020)	–	–	–	–	–	*3,295,219*
– Performance Plan, third tranche (2019–2022)	*1,732,500*	–	–	–	–	–
– Performance Plan, fourth tranche (2020–2023)	–	*1,732,500*	–	*3,465,000*	–	–
Total	**4,430,791**	**4,424,684**	**1,274,684**	**7,574,684**	**5,519,429**	**6,015,753**
Service cost	885,073	910,900	910,900	910,900	885,073	910,900
Total compensation	**5,315,864**	**5,335,584**	**2,185,584**	**8,485,584**	**6,404,502**	**6,926,653**

[1]The maximum amount disclosed under compensation granted represents the sum of the contractual (individual) caps for the various elements of the compensation of Management Board members.
[2]The overall cap on Management Board compensation, which was introduced in the 2013 financial year and is described on page 86, applies as well.

Table of Compensation Granted and Allocated

	Dr.-Ing. Leonhard Birnbaum (Member of the Management Board and Chief Operating Office—Integration)					
			Compensation granted		Compensation allocated	
€	2019	2020	2020 (min.)	2020 (max.)[1, 2]	2019	2020
Fixed compensation	800,000	800,000	800,000	800,000	800,000	800,000
Thereof innogy SE[3]	*88,406*	*335,556*	*335,556*	*335,556*	*88,406*	*335,556*
Fringe benefits	27,116	23,101	23,101	23,101	27,116	23,101
Thereof innogy SE[3]	*4,519*	*11,698*	*11,698*	*11,698*	*4,519*	*11,698*
Total	**827,116**	**823,101**	**823,101**	**823,101**	**827,116**	**823,101**
One-year variable compensation[4]	**869,932**	**908,607**	**–**	**1,731,517**	**1,137,309**	**918,209**
Thereof innogy SE[4, 5]	*230,274*	*428,484*	–	*771,271*	*241,788*	*428,484*
Multi-year variable compensation	**1,083,333**	**1,133,743**	**–**	**2,267,486**	**1,387,150**	**1,917,882**
– Share Matching Plan, third tranche (2015–2019)	–	–	–	–	*1,312,150*	–
– Share Matching Plan, fourth tranche (2016–2020)	–	–	–	–	–	*1,917,882*
– Performance Plan, third tranche (2019–2022)	*1,008,333*	–	–	–	–	–
– Substitute payment "LTI innogy" (2019–2021)[3]	*75,000*	–	–	–	*75,000*	–
– Performance Plan, fourth tranche (2020–2023)[6]	–	*1,008,333*	–	*2,016,666*	–	–
– "LTI innogy" (2020–2021)[3]	–	*125,410*	–	*250,820*	–	–
Total	**2,780,381**	**2,865,451**	**823,101**	**4,822,104**	**3,351,575**	**3,659,192**
Service cost	412,609	332,599	332,599	332,599	412,609	332,599
Thereof innogy SE[3, 7]	*195,667*	–	–	–	*195,667*	–
Total compensation	**3,192,990**	**3,198,050**	**1,155,700**	**5,154,703**	**3,764,184**	**3,991,791**

[1, 2]See the footnotes on page 94.
[3]See the explanation regarding Dr.-Ing. Birnbaum on page 92.
[4]The maximum innogy cap is 180 percent; the maximum E.ON cap is 200 percent.
[5]In 2019: from October 11 to December 31, 2019; in 2020: from January 1 to June 1, 2020.
[6]Granted initially by E.ON SE and transferred, with debt-discharging effect, to E.ON SE effective the end of the employee relationship with innogy SE.
[7]For October 11, 2019, to June 1, 2020, 50 percent of the contribution to Dr.-Ing. Birnbaum's innogy SE pension entitlement were borne by E.ON SE.

Table of Compensation Granted and Allocated

€	Dr. Thomas König (Member of the Management Board and Chief Operating Officer—Networks)					
			Compensation granted		Compensation allocated	
	2019	2020	2020 (min.)	2020 (max.)[1, 2]	2019	2020
Fixed compensation	700,000	700,000	700,000	700,000	700,000	700,000
Fringe benefits	44,264	46,233	46,233	46,233	44,264	46,233
Total	**744,264**	**746,233**	**746,233**	**746,233**	**744,264**	**746,233**
One-year variable compensation	**675,000**	**675,000**	**–**	**1,350,000**	**945,000**	**688,500**
Multi-year variable compensation	**825,000**	**825,000**	**–**	**1,650,000**	**–**	**–**
– *Share Matching Plan, third tranche (2015–2019)*	–	–	–	–	–	–
– *Share Matching Plan, fourth tranche (2016–2020)*	–	–	–	–	–	–
– *Performance Plan, third tranche (2019–2022)*	*825,000*	–	–	–	–	–
– *Performance Plan, fourth tranche (2020–2023)*	–	*825,000*	–	*1,650,000*	–	–
Total	**2,244,264**	**2,246,233**	**746,233**	**3,746,233**	**1,689,264**	**1,434,733**
Service cost	168,391	251,931	251,931	251,931	168,391	251,931
Total compensation	**2,412,655**	**2,498,164**	**998,164**	**3,998,164**	**1,857,655**	**1,686,664**

[1, 2] See the footnotes on page 94.

Table of Compensation Granted and Allocated

€	Dr. Marc Spieker (Member of the Management Board and Chief Financial Officer)					
			Compensation granted		Compensation allocated	
	2019	2020	2020 (min.)	2020 (max.)[1, 2]	2019	2020
Fixed compensation	700,000	700,000	700,000	700,000	700,000	700,000
Fringe benefits	48,607	52,699	52,699	52,699	48,607	52,699
Total	**748,607**	**752,699**	**752,699**	**752,699**	**748,607**	**752,699**
One-year variable compensation	**675,000**	**675,000**	**–**	**1,350,000**	**945,000**	**688,500**
Multi-year variable compensation	**825,000**	**825,000**	**–**	**1,650,000**	**–**	**–**
– *Share Matching Plan, third tranche (2015–2019)*	–	–	–	–	–	–
– *Share Matching Plan, fourth tranche (2016–2020)*	–	–	–	–	–	–
– *Performance Plan, third tranche (2019–2022)*	*825,000*	–	–	–	–	–
– *Performance Plan, fourth tranche (2020–2023)*	–	*825,000*	–	*1,650,000*	–	–
Total	**2,248,607**	**2,252,699**	**752,699**	**3,752,699**	**1,693,607**	**1,441,199**
Service cost	192,602	233,922	233,922	233,922	192,602	233,922
Total compensation	**2,441,209**	**2,486,621**	**986,621**	**3,986,621**	**1,886,209**	**1,675,121**

[1, 2] See the footnotes on page 94.

Table of Compensation Granted and Allocated

€	Dr. Karsten Wildberger (Member of the Management Board and Chief Operating Officer—Commercial)					
			Compensation granted		Compensation allocated	
	2019	2020	2020 (min.)	2020 (max.)[1, 2]	2019	2020
Fixed compensation	700,000	700,000	700,000	700,000	700,000	700,000
Fringe benefits	61,983	51,010	51,010	51,010	61,983	51,010
Total	**761,983**	**751,010**	**751,010**	**751,010**	**761,983**	**751,010**
One-year variable compensation	**675,000**	**675,000**	**–**	**1,350,000**	**945,000**	**688,500**
Multi-year variable compensation	**825,000**	**825,000**	**–**	**1,650,000**	**–**	**896,214**
– Share Matching Plan, third tranche (2015–2019)	–	–	–	–	–	–
– Share Matching Plan, fourth tranche (2016–2020)	–	–	–	–	–	*896,214*
– Performance Plan, third tranche (2019–2022)	*825,000*	–	–	–	–	–
– Performance Plan, fourth tranche (2020–2023)	–	*825,000*	–	*1,650,000*	–	–
Total	**2,261,983**	**2,251,010**	**751,010**	**3,751,010**	**1,706,983**	**2,335,724**
Service cost	263,582	298,529	298,529	298,529	263,582	298,529
Total compensation	**2,525,565**	**2,549,539**	**1,049,539**	**4,049,539**	**1,970,565**	**2,634,253**

[1, 2]See the footnotes on page 94.

As in the prior year, E.ON SE and its subsidiaries granted no loans to, made no advance payments to, nor entered into any contingencies on behalf of the members of the Management Board in the 2020 financial year. Page 250 contains additional information about the members of the Management Board.

Payments Made to Former Members of the Management Board

Total payments made to former Management Board members and to their beneficiaries amounted to €12.8 million (prior year: €10.8 million). Provisions of €166.8 million (prior year: €161.3 million)—pursuant to IFRS—have been provided for pension obligations to former Management Board members and their beneficiaries.

Compensation System for the Supervisory Board

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

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

Supervisory Board Compensation in 2020

The total compensation of the members of the Supervisory Board in the 2020 financial year amounted to €5.3 million (prior year: €4.3 million). The main reason for the increase in total compensation relative to the 2019 financial year is that the Annual Shareholders Meeting passed a resolution on May 14, 2019, to increase, owing to the acquisition of a majority stake in innogy SE, the size of the E.ON SE Supervisory Board by six members to a total of 20 members during the course of the year. Consequently, the newly appointed Supervisory Board members served for a full year for the first time in the 2020 financial year. In addition, the work of the Supervisory Board was, on balance, once again intensified. As in the prior year, no loans or advance payments were granted to Supervisory Board members by the Company.

Supervisory Board Compensation

€	Supervisory Board compensation 2020	Supervisory Board compensation 2019	Compensation for committee duties 2020	Compensation for committee duties 2019	Attendance fees 2020	Attendance fees 2019	Supervisory Board compensation from affiliated companies 2020	Supervisory Board compensation from affiliated companies 2019	Total 2020	Total 2019
Dr. Karl-Ludwig Kley	440,000	440,000	–	–	15,000	12,000	–	–	455,000	452,000
Erich Clementi	320,000	320,000	–	–	17,000	14,000	–	–	337,000	334,000
Andreas Scheidt (until May 28, 2020)	133,333	320,000	–	–	8,000	13,000	–	–	141,333	333,000
Christoph Schmitz (since February 1, 2020; Deputy Chairman since May 28, 2020)	248,333	–	–	–	10,000	–	–	–	258,333	–
Clive Broutta (until January 31, 2020)	11,667	140,000	5,833	70,000	–	8,000	–	–	17,500	218,000
Klaus Fröhlich	140,000	140,000	70,000	70,000	9,000	8,000	–	–	219,000	218,000
Ulrich Grillo (since October 1, 2019)	140,000	35,000	70,000	17,500	14,000	3,000	–	998	224,000	56,498
Carolina Dybeck Happe	140,000	140,000	110,000	110,000	9,000	9,000	–	–	259,000	259,000
Monika Krebber (since September 24, 2019)	140,000	46,667	64,167	–	9,000	2,000	60,250	32,548	273,417	81,215
Eugen-Gheorghe Luha	140,000	140,000	70,000	70,000	9,000	8,000	–	–	219,000	218,000
Szilvia Pinczésné Márton	140,000	140,000	–	–	5,000	6,000	–	–	145,000	146,000
Stefan May (since September 24, 2019)	140,000	46,667	70,000	17,500	7,000	2,000	63,583	29,962	280,583	96,129
Miroslav Pelouch (since May 28, 2020)	93,333	–	–	–	3,000	–	–	–	96,333	–
René Pöhls (since September 24, 2019)	140,000	46,667	110,000	27,500	10,000	3,000	89,927	42,448	349,927	119,615
Andreas Schmitz	140,000	140,000	180,000	180,000	14,000	14,000	–	–	334,000	334,000
Dr. Rolf Martin Schmitz (since October 1, 2019)	140,000	35,000	–	–	5,000	2,000	–	–	145,000	37,000
Fred Schulz	140,000	140,000	110,000	110,000	19,000	16,000	23,993	17,856	292,993	283,856
Dr. Karen de Segundo	140,000	140,000	140,000	140,000	8,000	8,000	–	–	288,000	288,000
Elisabeth Wallbaum	140,000	140,000	110,000	110,000	10,000	9,000	–	–	260,000	259,000
Deborah Wilkens (since October 1, 2019)	140,000	35,000	110,000	27,500	11,000	3,000	–	1,164	261,000	66,664
Ewald Woste	140,000	140,000	70,000	70,000	9,000	8,000	15,000	23,000	234,000	241,000
Albert Zettl	140,000	140,000	70,000	70,000	16,000	13,000	23,800	20,000	249,800	243,000
Total	**3,486,667**	**2,865,001**	**1,360,000**	**1,090,000**	**217,000**	**161,000**	**276,553**	**167,976**	**5,340,220**	**4,283,977**

Other

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

Separate Combined Non-Financial Report

Separate Combined Non-Financial Report

Purpose and Scope

The purpose of this separate Combined Non-Financial Report is to comply with the reporting requirements of the German CSR Directive Implementation Act (Section 315c in conjunction with Sections 289c to 289e of the German Commercial Code). It applies to both the E.ON Group and E.ON SE (hereinafter: "E.ON"). In addition to general information, the report contains information on the five mandatory aspects: the environment, employees, social matter, human rights, and anti-corruption. This information is for the reporting period January 1 to December 31, 2020. The report encompasses all subsidiaries that are fully consolidated in E.ON's Consolidated Financial Statements. Any deviations from this are indicated.

The innogy takeover successfully closed in 2019. Effective January 1, 2020, innogy's operations are no longer managed and disclosed as a separate segment but rather integrated into Energy Networks, Customer Solutions, and Corporate Functions/Other. E.ON's current strategy was subjected to a verification process early in 2020. It was affirmed to be a suitable strategic framework for the energy-policy, social, and technological challenges that currently prevail. Nevertheless, E.ON intends to use the period through year-end 2021—while continuing to integrate innogy—to sharpen the company's focus in line with its current and reaffirmed strategy, analyze exogenous factors, and determine their impact on strategic development. One key area for strategic focus is sustainability.

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

The innogy takeover in 2019 did not result in E.ON's guidelines and policies becoming automatically binding for innogy. innogy units met these requirements in 2020 because similar policies applied to them. After revising E.ON's guidelines in 2020, effective January 1, 2021, the new E.ON has a largely uniform set of policies. With a small number of exceptions, these guidelines and policies apply to all Group companies including the former innogy companies.

The business operations at the Renewables segment that was transferred to RWE are included in E.ON's key performance indicators ("KPIs") until late September 2019. A separate innogy segment, consisting mainly of network and sales businesses, became part of the E.ON Group on 18 September 2019. Consequently, last year's reporting included a number of innogy KPIs after this date, most of which were presented separately from E.ON KPIs. This year, the 2019 KPIs of E.ON and innogy were aggregated in order to foster comparability and transparency. As a rule, KPIs include both entities from 2019 on. Any exceptions due to time frames, availability of data, and internal collating and reporting processes are clearly indicated. 2020 figures, however, refer to the scope of the new E.ON without exception.

Business Model

E.ON's two core businesses, Energy Networks and Customer Solutions, promote the sustainable development of the energy industry. Detailed information about E.ON's business model can be found in the Combined Group Management Report.

General Information

E.ON strives to always do business responsibly and therefore monitors all material impacts of its business operations. E.ON considers not only financial aspects but also environmental, social, and governance ("ESG") issues along its value chain. The systematic consideration of non-financial issues enables E.ON to identify opportunities and risks for its business development early. In addition to investors' expectations, E.ON takes into account the expectations of other key stakeholders like customers and employees.

In 2020 E.ON's materiality assessment consisted of a three-step process to determine which non-financial issues are essential for understanding E.ON's business performance, financial results, and situation and to evaluate the impact of its business operations. The process also identified focus dimensions that form the core of the E.ON Group's new sustainability strategy. In the first step, E.ON evaluated the events and developments that affected the Company in 2020, including the innogy integration and the Covid-19 pandemic. Also, E.ON conducted an in-depth analysis of its ESG performance based on ESG ratings and an examination of competitors' best practices. Second, E.ON conducted 13 interviews with outside experts about a variety of topics, such as climate change, health and safety, and social issues. The E.ON Sustainability Council, on which there were a number of personnel changes in 2020, was involved in the third and final step. The members completed a survey in which they assessed the relevance of each of the United Nations' Sustainable Development Goals ("SDGs") for E.ON and subsequently participated in a workshop to discuss the results of the desk research, the expert interviews, and the survey. The workshop validated the research results and defined a set of focus dimensions on which E.ON's sustainability strategy is based. The materiality analysis identified good corporate governance and the following non-financial issues as material for E.ON.

E.ON's Material Issues Subsumed under the Five Mandatory Aspects

Environmental matters	• Climate protection
Employee matters	• Occupational health and safety • Working conditions and employee development • Diversity and inclusion
Social matters	• Security of supply • Customer loyalty
Human rights	• Human rights and supplier management
Anti-corruption	• Compliance and anti-corruption

E.ON's approach to each issue and its progress in 2020 are explained in the following sections. E.ON takes a comprehensive approach to occupational health and safety (Aspect 2: employee matters) and environmental management, which is explained below. The description of all approaches is guided by the Global Reporting Initiative's Sustainability Reporting Standards ("GRI SRS"), in particular GRI standard 103: Management Approach 2016.

Diversity and inclusion were identified as material issues in 2020 and became part of E.ON's new sustainability strategy. The Employees chapter from page 50 of the Combined Group Management Report contains more information.

Since 2018, E.ON's management of non-financial risks has been aligned with the five mandatory aspects. In 2020 E.ON focused in particular on human rights and environmental and climate matters in order to prepare to comply with possible new regulatory requirements in these areas. The climate risk assessment was organizationally integrated into the Group's Enterprise Risk Management ("ERM") system in October 2020 and will be a standard ERM process from 2021 onward. Based on this, the content of the climate risk assessment will be further developed. E.ON also made significant progress in further integrating non-financial risks into its broader risk management processes. The process and findings of the non-financial risk analysis for 2020 were presented to, and approved by, the E.ON Group Risk Committee on December 8, 2020. The findings indicated that, on balance, as of year-end 2020 E.ON had no reportable non-financial net risk exposure. Information about E.ON's financial risks and chances can be found in the Risk and Chances Report in the Combined Group Management Report for the 2020 financial year.

E.ON's sustainability efforts are guided by internationally recognized standards, which provide orientation and help ensure that E.ON considers all essential aspects of responsible corporate governance. E.ON has been committed to the ten principles of the United Nations Global Compact ("UNGC") since 2005. Its sustainability activities also support the achievement of the United Nations' SDGs. In particular, E.ON helps provide access to affordable, reliable, sustainable, and clean energy, supports cities and communities to become sustainable, and helps protect the earth's climate.

Annual Sustainability Report

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

Sustainability Ratings and Rankings

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

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

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

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

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

In 2020 E.ON developed and adopted a Group-wide standard for HSE risk management. It was approved by the HSE Council and the HSE function in 2020 and defines the minimum requirements for identifying, analyzing, evaluating, addressing, and monitoring HSE risks and opportunities. Its purpose is to ensure shared understanding and to establish an overarching framework for managing HSE risks, including sustainability risks.

HSE incidents are reported via PRISMA (Platform for Reporting on Incident and Sustainability Management and Audits), E.ON's Group-wide online incident management system, in five categories of incidents. They range from 0 (low) to 4 (major). In 2020 the Company took steps for all former innogy units to use PRISMA from 2021 onward. Pursuant to E.ON's HSE Standard on Incident Management, units must use PRISMA to report category 4 incidents to the HSE division at Corporate Functions within 24 hours. E.ON systematically investigates and analyzes incidents depending on their severity and/or potential to result in an actual incident and uses the findings to take preventive action.

HSE has always been a top priority for the E.ON Management Board. In 2020 the Management Board and the HSE Council therefore decided to set personal H&S targets for the top 100 managers and to endorse E.ON's HSE strategy ("Roadmap 2021–23"), which contains underlying targets for its operating units, including H&S. The targets for top managers and units are individual. Their purpose is to further reduce the frequency of serious incidents and fatalities ("SIF"), with the ultimate aim of reaching zero harm in the near future. The changes took effect on January 1, 2021. They make it even more explicit that E.ON's HSE performance is integral to its long-term success.

Aspect 1: Environmental Matters

Climate Protection

Climate change and the environmental damage caused by it are serious and affect nature and humans. The use of fossil fuels is accompanied by greenhouse gas ("GHG") emissions. Low-carbon power generation and the efficient use of energy therefore play key roles in reducing emissions and limiting global warming. The transition to a low-carbon economy will require the concerted efforts of everyone who makes or consumes energy. It poses challenges for E.ON's competitiveness, but also creates opportunities to grow the business. Many countries, communities, and companies have already embraced climate-friendly energy production and energy efficiency to achieve their carbon-reduction targets. E.ON's strategic focus on energy-efficient customer solutions and reliable smart grids is fully in line with these global trends.

GHG emissions can be reduced not only by low-carbon generation technologies but also by energy conservation and recovery. E.ON's energy solutions help its customers use energy more efficiently and recover energy. E.ON offers individually tailored solutions to residential, industrial, commercial, and public-sector customers. Its portfolio includes easy-to-use online energy audits and apps that help residential customers better understand their energy consumption. E.ON designs embedded cogeneration solutions and energy-efficiency plans for commercial customers. It also develops integrated solutions for cities, district developers, and real-estate companies that encompass elements like efficient heating and cooling, low-carbon generation, and smart energy management. In addition, E.ON offers E-Mobility solutions such as electric-vehicle charging systems for homes and businesses as well as public charging infrastructure for cities that help make transport less dependent on fossil fuels and thus less carbon-intensive.

The Chief Operating Officer—Commercial, who is a member of the E.ON Management Board, has overall responsibility for E.ON's customer-oriented businesses, including solutions enabling customers to generate their own climate-friendly energy. The regional units' sales teams implement and market energy and E-Mobility solutions for all classes of customers. Cross-regional teams at Corporate Functions coordinate these activities from a technical, commercial, and strategic perspective. E.ON Business Solutions is responsible for designing technical solutions for commercial customers in Western and Central Europe, the United Kingdom, and Scandinavia.

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

The activities of E.ON's core businesses reflect the key emerging energy trends and help protect the earth's climate. But E.ON also wants to shrink its own carbon footprint. E.ON measures the annual carbon emissions from its distributed power and heat generation and from its business activities that are not directly related to power generation. It discloses these figures in its sustainability reporting. E.ON factors in upstream and downstream emissions as well. It calculates emissions using the globally recognized WRI/WBCSD Greenhouse Gas Protocol Corporate Accounting and Reporting Standard ("GHG Protocol"). The GHG Protocol defines three scopes for GHG accounting and reporting. This improves transparency and provides guidance for different types of climate policies and business goals. The table below includes innogy from 2019 onward in order to foster comparability and transparency in the following years. For this reason, the calculation methods were harmonized in 2020. innogy's GHG emissions for 2019, which were initially determined using company-specific emission factors, were recalculated using the E.ON Group's methods and emission factors and then aggregated with E.ON's figures. This yielded a consistent baseline for E.ON's climate target.

To calculate emissions when primary data are unavailable or of insufficient quality, the GHG Protocol recommends the use of secondary data, such as industry-average data or government statistics. Since spinning off its large-scale fossil-fueled power generation business in 2016 E.ON has procured its power mainly from wholesale markets where the source of generation is often not traceable or information about the source is not reliable. E.ON therefore uses the official national emission factors of the countries in which power sold to end-customers is purchased.

CO_2 Emissions

Total CO_2 equivalents in million metric tons	2020	2019	2018
Scope 1: Direct emissions from E.ON's own business operations[1]	3.56	3.88[2]	4.58
Scope 2: Indirect emissions associated with E.ON's electricity and heat consumption (location-based)[3]	4.49	4.82[2]	2.89
Scope 2: Indirect emissions associated with E.ON's electricity and heat consumption (market-based)[3, 4]	6.09	–	–
Scope 3: Indirect emissions from all other business operations[1, 5]	108.21	120.27[2]	61.31
Total (location-based)	**116.26**	**128.98**[2]	**68.78**
Total (market-based)	**117.85**	**–**	**–**

[1]From 2019 onward, emissions from power and heat generation are divided into emissions from plants owned and operated by E.ON (Scope 1) and emissions from plants leased to, and operated by, customers (Scope 3). This improves E.ON's ability to manage its emissions and makes progress toward its targets more transparent.
[2]Prior-year figures were adjusted owing to changes in methodology and the scope of recalculation, as specified in the text.
[3]Excludes E.ON's consumption of district heating due to the immateriality of the quantity compared with the other Scope 2 categories.
[4]First-time reporting of market-based Scope 2 emissions in 2020.
[5]Scope 3 emissions from purchased power and the combustion of natural gas sold to end-customers are from energy sold to residential and B2B customers only. Energy sold to sales partners and the wholesale market is not included.

E.ON's direct and indirect CO_2e emissions totaled 117.85 million metric tons in 2020, of which 3 percent were direct Scope 1 emissions, 97 percent were indirect Scope 2 and 3 emissions. Scope 1 emissions decreased by 8 percent year on year, indirect emissions by about 10 percent.

The 2019 report disclosed Scope 1 emissions for 2019 of 4.91 million metric tons of CO_2e for E.ON and 0.87 million metric tons for innogy. In 2020 E.ON recalculated innogy's 2019 emissions using E.ON's emission factors, which are based on the internationally recognized factors of the International Energy Agency ("IEA") and the U.K. Department for Environment, Food, and Rural Affairs ("DEFRA").

Scope 2 emissions previously disclosed for 2019 totaled 2.73 million metric tons of CO_2e for E.ON and 3.05 million metric tons for innogy. In 2020 innogy's 2019 power distribution losses and purchased power used in buildings and operations were recalculated using E.ON's emission factors, which are based on the IEA's factors. innogy's market-based power distribution losses in 2019 were not available for the 2019 report. They were calculated for this report using E.ON's calculation method and added to the E.ON figure for 2019.

Scope 3 emissions previously disclosed for 2019 amounted to 59.67 million metric tons of CO_2e for E.ON and 88.13 million metric tons for innogy. In 2020 innogy's 2019 emissions in this category were likewise recalculated using E.ON's emission factors, which here are based on the IEA and DEFRA's factors as well as an E.ON-specific emission factor for the recalculation of purchased goods and services. Also, innogy's figures for purchased power and combustion of natural gas sold to end-customers were checked against E.ON's materiality threshold for reporting boundaries.

In 2020 the E.ON Management Board set new climate targets that, in the future, are to serve as KPIs that are relevant for management purposes. The exact details will be determined in 2021. By reducing its GHG emissions, E.ON intends to become carbon-neutral by 2040. E.ON plans to reduce its Scope 1 and 2 emissions by 75 percent by 2030 and by 100 percent by 2040 (both relative to 2019). E.ON aims to reduce its Scope 3 emissions by 50 percent by 2030 and by 100 percent by 2050 (both relative to 2019). To meet these targets, E.ON has defined measures to reduce emissions in all three scopes of the GHG Protocol. E.ON intends to reduce its direct emissions (Scope 1) by updating and optimizing its gas networks and heat generation business and indirect emissions (Scope 2) by conserving energy itself and by reducing line losses in its power network business. E.ON's Scope 3 emissions, which occur primarily during the generation of the power the Company purchases and resells and during the use of the gas it sells, account for most of E.ON's carbon footprint. E.ON's main objective for them is to increase the proportion of renewable energy it provides to its customers. Information about the progress E.ON makes toward its climate targets is presented first to the Sustainability Council, which met three times in 2020. The Chief Sustainability Officer, who chairs the council, reports the information to the E.ON Management Board on a regular basis.

E.ON is committed to operating sustainably and has in place the necessary governance structure to do so. This includes making steady progress toward its climate targets, effectively managing its climate-related risks, seizing climate-related opportunities that fit with its corporate strategy, and reporting transparently on all these matters. The recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") provide important guidance for E.ON's reporting. Established in 2015, the TCFD aims to develop consistent, comparable, and accurate climate-related financial risk disclosures that companies can use to provide information to investors, lenders, insurers, and other stakeholders. E.ON became an official TCFD supporter in 2019, which marks the start of its TCFD reporting below. Going forward, the Company will continue to expand its TCFD reporting.

- **Governance**
  The importance of climate change for E.ON is reflected in the Company's governance. The Management Board has overall responsibility for E.ON's sustainability strategy, including its climate targets. The Supervisory Board is informed about E.ON's sustainability performance by its Audit and Risk Committee and by the Management Board. Furthermore, it established the Innovation and Sustainability Committee in December 2019.

- **Strategy**
  E.ON's business operations promote sustainability: its current climate agenda includes emission-reduction targets for 2030, 2040, and 2050. The acquisition of innogy's networks and customer business substantially strengthened E.ON's core businesses and therefore enhances its ability to promote sustainability. Since climate change could create risks as well as opportunities for E.ON's business, the Company reviews a range of climate scenarios on an ad hoc basis.

- **Risk Management**
  E.ON plans to continually monitor and assess its sustainability, climate, and other non-financial risks and opportunities and their potential impact in the short, medium, and long term. In 2018 E.ON began to integrate the assessment and management of these risks more systematically into its overall risk management. In 2020 E.ON completed the task of organizationally integrating climate risk assessment into its ERM process, which will now be the standard ERM process from 2021 onward.

- **Metrics and Targets**
  E.ON's current climate metrics consist mainly of the emission figures for its carbon footprint categories (Scope 1, 2, and 3) and the measurement of progress toward its climate targets (see above). For all GHG categories relevant for E.ON, E.ON monitors progress toward these targets on an annual basis and analyzes progress in greater depth every three years as part of a trend analysis; the next in-depth analysis will be at year-end 2022 and use 2019 figures as the baseline.

More detailed information on E.ON's TCFD reporting can be found in the "Climate protection" chapter of the 2020 Sustainability Report and in a supplementary document "On course for net-zero – Supporting paper for E.ON's decarbonization strategy and climate-related disclosures 2020", which is available on E.ON's corporate website. Furthermore, additional information is published in E.ON's CDP climate disclosure. CDP is one of the largest international associations of investors that independently assess the transparency and detail of companies' climate reporting.

Aspect 2: Employee Matters

Occupational Health and Safety

E.ON is making continuous progress towards establishing a caring culture at E.ON. This encompasses ensuring its employees' safety in the workplace, promoting their health, and also supporting their mental well-being. Some employees perform potentially risky tasks, such as working on power distribution networks. Strict safety standards are therefore of particular importance to E.ON. First and foremost, accidents endanger employees' health. But accidents may also damage property, cause work stoppages, and harm E.ON's reputation. In 2020, amid the Covid-19 pandemic, all three aspects—safety, health, and well-being—took on even greater significance. The pandemic posed challenges which E.ON met in keeping with its Caring Culture.

E.ON's approach to H&S is proactive and preventive, and the Company is committed to zero harm. Consequently, the overriding objective is to prevent accidents from ever happening. By signing the Düsseldorf Statement on the Seoul Declaration on Safety and Health at Work and the Luxembourg Declaration on Workplace Health Promotion in 2009, E.ON pledged to promote a culture of prevention.

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

E.ON's units develop their own H&S improvement plans, which set H&S targets for one or more years. Many units set annual targets for combined TRIF. But E.ON's main focus is on targets that help it reach its goal of zero accidents. In addition, in 2018 the E.ON Management Board defined a set of four personal H&S targets for the top 100 executives who report directly to them. The program was continued in 2019 and again in 2020, when innogy's top executives joined it. Its purpose is to further embed E.ON's Caring Culture in its daily operations. In 2020 top executives again participated in H&S upskilling workshops and a Group-wide zero-level measurement to assess E.ON's HSE maturity. These actions are intended to reinforce the top 100 executives' awareness of their personal targets and have already led to an increase in their activities related to their targets.

The number of at-work traffic accidents in 2020 was 70 percent lower than in 2019. The improvement may reflect, among other factors, such as a decrease in at-work traffic due to Covid-19, a positive effect from the employee-awareness training agreed on by the top 100 in 2019.

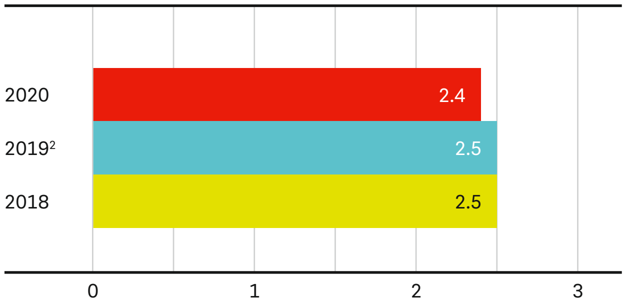
In several countries where E.ON operates, employees who have questions or concerns about their physical or mental health can contact a free, independent, and strictly confidential health advisory service (employee assistance program). In Germany, this service is a central component of the Group Works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

The Covid-19 pandemic was a source of uncertainty for employees. E.ON responded to this situation by providing a wide range of information and support, both centrally and at the unit level. In particular, the HSE and HR departments offered webinars, podcasts, and conversations on concerns and needs. Supervisors received an updated FAQ document on a regular basis to enable them to provide the latest information to their teams.

The findings of the incident investigations and HSE audits completed in 2020 show that E.ON's H&S management systems are largely effective. Most of the deficiencies identified were rectified without delay. However, there remains work to do to ensure that all new or revised policies and processes as well as other insights are fully documented and disseminated. This relates in particular to E.ON's internal H&S rules at its distribution system operators ("DSOs") in Germany and other countries. Isolated safety deficiencies that could put employees, contractors, and members of the public at risk were found at some E.ON units outside Germany. The deficiencies were prioritized and are gradually in the process of being rectified. The audits found that there was a general need to continually reinforce employees and contractors' awareness of their responsibility to look after themselves and each other and to speak up immediately if they perceive a potential safety risk. On balance, there has been a steady improvement in recent years. E.ON views audits—and the findings and recommendations they yield—as opportunities to foster continuous improvement.

Total recordable injury frequency ("TRIF") is E.ON's key performance indicator for safety. It measures the number of recordable work-related injuries and illnesses per million hours of work. E.ON has included contractor employees' in its safety performance since 2011 (combined TRIF). The HSE improvement plans of many of E.ON's units set annual targets for combined TRIF as the Group strives to reach the goal of zero accidents. E.ON's most direct influence is on reducing the number of accidents involving its own employees. E.ON therefore presents below its employee TRIF performance for the past three years.

Employee TRIF[1]



[1]TRIF measures the number of reported fatalities and occupational injuries and illnesses per million hours of work. It includes injuries that occur during work-related travel that result in lost time or no lost time and/or that lead to medical treatment, restricted work, or work at a substitute work station.
[2]Includes innogy from October 1 to December 31, 2019.

Employee TRIF of 2.4 in 2020 was similar to the 2019 figure (2.5). Contractor TRIF decreased from 2.5 in 2019 to 2.3 in 2020. Combined TRIF declined from 2.5 to 2.3, which E.ON views as reaffirmation of the measures being taken to prevent serious accidents. Comparability with the prior year is limited, since innogy was included for only part of 2019.

Regrettably, three contractors and two E.ON employees died in workplace accidents in 2020. After a fatal accident, E.ON immediately initiates an investigation to understand the exact course of events that led to it. In addition, within 24 hours an initial report must be submitted to the E.ON SE Management Board member responsible for the unit where the accident occurred and to the board member responsible for HSE. The aim is to identify the root causes and to take all necessary measures to prevent comparable accidents in the future. E.ON has seen the organization's awareness of occupational safety steadily increase for several years while its accident rates have declined. Nevertheless, serious and even fatal accidents still occur. E.ON cannot and will not accept this. It has therefore further intensified its efforts to prevent accidents. For example, in mid-2020 E.ON subsidiary Westnetz launched a large-scale occupational safety program. The program is supported by one of the world's most recognized consulting firms for safety and operational risk management. The program's task force established several work streams and initiated in-house and outside analyses to shed light both on cultural as well as technical/ process-related issues.

E.ON employees' health rate was 96.3 percent in 2020. It reflects the number of days actually worked in relation to agreed-on work time. The 2020 figure was again high (2019: 96.0 percent).

Working Conditions and Employee Development

The mission of the Human Resources ("HR") function is to enable E.ON to maximize its competitive advantages in the energy market and to support E.ON's vision: "Improving people's lives." This is done by attracting the right people and putting them in the right roles at the right time; by identifying, developing, and retaining talented employees whom E.ON considers to be its future leaders; and by helping all people to realize their potential and be fit for a future that will be increasingly digital. In 2020 the Covid-19 pandemic posed a particular challenge to HR. Page 22 of the Annual Report contains more information.

The Group People Strategy ("GPS") provides the compass to guide the HR-related aspects of E.ON's transformation and long-term success amid a rapidly changing world. In 2020 E.ON developed a new GPS called GPS@E.ON, which was approved by the E.ON Management Board in December. It sets four People Priorities for the entire Group: Future of Work, Diversity & Inclusion, Sustainability, and Leadership. GPS@E.ON sets the direction and provides the compass for group-wide people activities, all of which need to contribute to the people priorities and their key ambitions. It will be brought to life by Group-wide and unit-level people activities, especially by means of existing strategic initiatives. This process will be flexible and modular to reflect the differences between business units.

E.ON's Group-wide competency model, Grow@E.ON, for example, continues to be a core part of the GPS and is a key enabler for professional development. Grow@E.ON is integrated into all HR and people processes. It helps to ensure that E.ON recruits, retains, places in the right roles, and develops the people who will continue to drive the Company's success. E.ON offers a range of career paths. This ensures that E.ON is an attractive employer to people who wish to pursue a specialist or a generalist career. Grow@E.ON was updated in 2020 to reflect E.ON and innogy's integration process, the updated E.ON Story, HSE topics, and the digital transformation. As part of the integration process, all new leaders and employees will be informed about, and trained in line with, Grow@E.ON. More information on the innogy integration process is on page 50 of the Annual Report.

A shared corporate culture is crucial for the success of the new E.ON and the integration process. The new E.ON will inevitably develop its own culture. The clear intention is to actively shape this process instead of simply letting it happen. The shared corporate culture is based on five new corporate values that guide employees' actions as well as their interactions with each other, customers, and business partners. More than 250 employees representing all E.ON and innogy businesses and all countries where they operate were involved in defining the values: putting customers first, better together, delivering on promises, exploring new paths, and behaving mindfully.

In 2018 E.ON decentralized most of its HR activities to bring them closer to the business. One important function of Group HR/Executive HR, which remains a part of Corporate Functions, is the HR management of E.ON's top 100 leaders. This includes executive development, placement, succession planning, and talent pipeline management. Each unit must have in place its own mechanisms to identify and develop talent and to conduct local succession planning. It is management's responsibility to ensure that all new employees receive a company orientation as well as training on essential topics like health and safety. For this purpose, the units may use standardized E.ON eLearning modules. These and other virtual learning tools as well as courses and training programs are offered by the People Development team in Group HR. eLearning is an effective, flexible, and intuitive way of delivering learning to employees.

The Senior Vice President for HR is regularly asked to report to the E.ON Management Board meetings about people matters. The Management Board discusses the current status of the talent pool on a regular basis. Twice a year the Management Board receives an overview of the entire talent pool, including lower levels of management. In addition, E.ON conducts an annual management review and regularly exchanges views on talented employees and their development needs at job-family-specific talent board meetings, which were introduced in 2020.

To ensure E.ON's people have a consistent framework within the Company's decentralized management approach, in 2017 the HR team and the E.ON Management Board developed and approved People Commitments, which establish twelve principles that articulate E.ON's values with respect to its people. These principles are binding for the entire E.ON Group and are endorsed by the Works Council of E.ON SE. Units apply these principles in a way that reflects their particular legal, cultural, and business environment. The People Commitments encompass a number of policies and guidelines. Examples include agreements on remote working and flexible work arrangements, such as home offices, sabbaticals, part-time work, and special holidays.

E.ON has in place a wide range of measures to make working at E.ON attractive and to develop its employees. For example, E.ON's international transfer policy governs the temporary foreign deployment of its employees. The average length of a foreign deployment is two to three years. E.ON also offers vocational training in numerous careers as well as work-study programs. One example is the E.ON training initiative, which helps school-leavers get a start on their careers through internships that prepare them for an apprenticeship as well as school projects and other programs. E.ON Graduate Programs ("EGP") recruit highly qualified university graduates for an 18 to 24-month program during which they receive a broad overview of E.ON's business through three to six deployments in different E.ON units and departments. E.ON offers the EGP in Sweden, the Czech Republic, Hungary, and Romania. Due to the restructuring of the U.K. business, the EGP is on hold in the United Kingdom until 2021. In Germany E.ON offers a job starter and a work-study program.

E.ON has conducted an annual employee survey since 2014 to find out how its employees feel about their job, their supervisor, the work atmosphere in their unit, and other topics. The former innogy employees have participated in the surveys since 2018. These surveys, which the Company calls Pulse Checks, include questions about E.ON's corporate values and current issues, such as, in 2020, the Covid-19 pandemic. Employees' feedback on E.ON's handling of the pandemic was very positive. Employee Net Promoter Score ("eNPS") has been an important aspect of these surveys since 2017. It measures employees' willingness to recommend E.ON as an employer. Since then, eNPS has improved from -4 to +25. The 2020 survey also included a series of questions on what E.ON calls its Caring Culture, including where E.ON could still improve its safety culture as well as its support for employees' health and well-being in general. E.ON analyzes survey feedback carefully to identify areas where the Company may need to do better.

E.ON has a single, Group-wide process for hiring executives. It is designed to improve how E.ON fills executive positions, make hiring more transparent, and ensure equal opportunity. Its main component is a biweekly placement conference at which talent leaders from around the Company discuss vacancies and potential candidates. E.ON's mechanisms ensure that executives are engaged in ongoing professional development, that E.ON has a transparent view of its current talent situation and the needs for the future, and that leaders across the E.ON Group have development opportunities. Since feedback is essential for empowering people to perform at their best, E.ON also provides employees with periodic performance and career-development reviews.

E.ON believes that an attractive compensation package including appealing and up-to-date fringe benefits is essential for rewarding its employees. The compensation plans of nearly all employees contain an element that reflects E.ON's performance. This element is typically based on the same key performance indicators that are also used in the E.ON Management Board's compensation plan.

E.ON wants to retain people (and their expertise) and enable them to grow professionally. One of the objectives is therefore to develop E.ON's employees so that management positions can be filled in-house. Placement conferences have a shared platform to systematically track how many women participated in the application process and who ultimately got the job. The platform also allows E.ON to monitor whether selected candidates are from its development pool and reflect its diversity targets. In addition, the aforementioned talent boards focus not only on talent identification and succession but also, in recent years, on diversity issues, such as increasing the proportion of women and employees from minority groups in the Company's leadership pipeline. E.ON enhanced its commitment to these issues in 2020 by making diversity a priority in its new Group People Strategy. The talent boards will enable E.ON to evaluate the effectiveness of its talent management once enough data have been collected.

Diversity and Inclusion

Pages 51 to 53 of the Annual Report contain information on diversity and inclusion at E.ON.

Aspect 3: Social Matters

Security of Supply

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

Part of E.ON's corporate strategy is to adapt its distribution grids to the emerging distributed energy world. They form a crucial link between electricity producers and consumers. E.ON's distribution grids must function properly and be equipped to meet the challenges of the new energy world for E.ON to continue to ensure a reliable electricity supply in the future. For this purpose, E.ON continually upgrades its existing infrastructure with smart-grid technology. This enables E.ON to better manage energy generation, distribution, and storage.

E.ON's distribution system operators ("DSOs") are responsible for the safe and reliable operation of its distribution networks. Their network control centers oversee network operations. E.ON's

DSOs are also responsible for resolving unforeseen outages in their network territory. In case of widespread outages, E.ON's crisis management system stipulates responsibilities and processes in accordance with the instructions contained in the Incident and Crisis Management Policy. A member of the E.ON Management Board oversees the Energy Networks segment. Under his leadership, three departments at Corporate Functions actively manage Energy Networks' regional units. This includes strategic development, capital allocation, asset management, and so forth.

E.ON has in place investment and maintenance plans to maintain and expand its grids to ensure that all of its network customers are connected and have a reliable energy supply. E.ON's DSOs are responsible for implementing these plans, which encompass one or more years. Their investment budgets are approved centrally. Final approval comes from the E.ON Management Board at the end of the annual medium-term planning and budgeting process. A portion of the investment budgets goes toward making E.ON's grids smarter by equipping them with sensors and command-and-control technology and by augmenting them with a digital layer. The increasing use of smart-grid technologies makes it possible to avoid or delay costly investments in conventional networks by, for example, using this technology to maximize the capacity of existing overhead lines. Investment decisions always focus on efficiency as well as security of supply. E.ON chooses the solutions that make the most technical and economic sense. This is because grid investments affect the grid fees included in the electricity price paid by customers.

E.ON's DSOs record all planned and unplanned outages at their distribution networks. They use these data to calculate the system average interruption duration index ("SAIDI"), which measures the average outage duration per customer per year. E.ON discloses the SAIDI of its fully consolidated DSOs by country. The figure for Germany, for example, is the average of E.ON's DSOs there. E.ON's SAIDI in Germany is calculated according to the method prescribed by the German Federal Network Agency (known by its German acronym, BNetzA). This calculation is based on outages that are also verified by the BNetzA. This figure can therefore be deemed official. All the countries in which E.ON operates grids now have quality regulations. The respective regulatory agency reviews and validates grid operators' outage reports. The SAIDI figures for a particular country therefore reflect the methodology stipulated by its regulatory agency.

By the end of the data-collection period, no regulatory agency had completed the process of validating 2020 outages. Because this report is supposed to contain final, service-quality figures that have been officially audited (by the BNetzA in Germany and the relevant regulatory agencies elsewhere), it publishes figures for the previous year below.

Although the SAIDI is not used for management control purposes, it provides important information on the reliability of E.ON's networks. At regular intervals, the DSOs inform the E.ON Management Board member responsible for network operations about their security of supply. All E.ON DSOs include their SAIDI in their quarterly performance report to the E.ON Management Board.

SAIDI Power[1]

	2020			2019			2018		
Minutes per year	Scheduled	Unscheduled	Total	Scheduled	Unscheduled	Total	Scheduled	Unscheduled	Total
Germany	7	16	22	8	17	25	9	15	24
Sweden	25	121	146	22	100	122	28	70	98
Hungary	117	61	178	128	59	187	126	65	191
Czech Republic	145	47	192	154	50	205	157	78	235
Romania	288	358	646	339	465	804	262	522	783
Slovakia[2]	143	65	208	176	79	255	178	87	266
Poland	9	44	53	11	56	68	9	70	79

[1]Figures are for the respective previous year: 2020 for 2019, 2019 for 2018, and so forth. Prior-year figures were adjusted to reflect a new calculation methodology. Totals may deviate due to rounding.
[2]DSO in which E.ON has a 49-percent stake.

E.ON improved its SAIDI figures for 2020 (based on data from 2019) in all countries except Sweden. In Sweden the customers were on average more affected by power outages than in the prior years owing to a hurricane and severe thunderstorms in the summer. As in previous years, E.ON's grids in Germany were the most reliable.

Customer Loyalty

E.ON's ability to acquire new customers and retain existing ones is crucial for its business success. Global trends like climate protection and digitization are not only altering the energy landscape. They are also creating new customer needs. E.ON wants to help meet these needs and accompany its customers on their sustainability journey. E.ON will only remain successful in the marketplace by adapting its products and services to these journeys and by continually improving its performance.

E.ON puts customers at the center of everything it does. This pledge is a corporate value and is embedded in E.ON's customer experience principles, brand model, and Grow@E.ON, its Group-wide competency framework. E.ON's objective is to continually enhance customer loyalty and to become a customer-led business and the energy-solutions leader in its markets.

E.ON measures customer loyalty by means of Net Promoter Score (NPS), which was introduced in 2009 and became a Group-wide program in 2013. NPS indicates customers' willingness to recommend E.ON and its services. It also helps E.ON identify which issues are currently of particular importance to its customers and thus adapt its activities to current customer needs. There are three types of NPS. Strategic NPS or top-down NPS compares E.ON's performance with competitors' and is based on the feedback of customers regardless of whether they have had an interaction with E.ON. Journey NPS measures the loyalty of customers who have completed a journey with E.ON, such as transferring their energy service to their new residence when they move. Touchpoint or bottom-up NPS is based on the feedback of customers who have had a specific interaction with E.ON, like talking to a call center agent. NPS is used by the units in all E.ON's markets and since September 2020 by the Netherlands and Poland as part of the innogy integration. Improvement targets from 2021 onward will be set for the new markets, but these market are not included in E.ON's 2020 NPS figures. A methodology adopted in 2017 enables E.ON to measure strategic NPS consistently across all its markets. This, in turn, makes it possible for E.ON to identify and resolve cross-market customer issues and also to target areas where it could provide useful innovations for its customers. The methodology's automated reporting eliminates the errors of manual data entry, thereby improving data quality and auditability.

E.ON defines Group-wide targets for strategic NPS and journey NPS annually and uses both at the segment and unit level for management purposes. Strategic NPS is highly significant for management purposes because of the information collected about competitors. Beginning in September 2020, the E.ON Management Board receives a monthly report on NPS performance. In addition, the Chief Operating Officer—Commercial and the regional units' CEOs discuss NPS and customer issues at market reviews, which are conducted on a regular basis. The variable compensation of senior managers has two components: a company factor and a factor reflecting a manager's individual performance. Since 2020, strategic NPS and journey NPS account for 20 percent of the company factor. In 2020 NPS target achievement was again not factored into the E.ON Management Board's compensation; however, E.ON began the process of working out how to do so appropriately. Beyond the NPS program, each unit has a set of game-changing initiatives in place to systematically improve its customer experience. They are sponsored by the respective unit's CEO and board, whose members are personally responsible for improving their unit's NPS. The initiatives, which are defined annually, may span multiple years depending on the level of transformation required. E.ON introduced these initiatives in 2017 and initially called them CEO-led signature actions.

The Chief Operating Office—Commercial ("COO-C") at Corporate Functions coordinates the Company's brand and marketing strategy with the aim of further developing and strengthening the E.ON brand. COO-C supports the energy sales and solutions businesses for all customer categories, in all markets. The members of E.ON's Customer Experience teams serve as ambassadors for customer loyalty in their respective unit. They take the lead on related projects and activities in their sales territory and share information about successful programs and service improvements on a monthly basis. E.ON has Customer Experience teams in Germany, the United Kingdom, Italy, Romania, Sweden, the Czech Republic, and Hungary. Businesses in the Netherlands and Poland joined the organization over the course of 2020.

In 2020 E.ON also established a Global Customer Leadership team consisting of senior customer experience leaders from across the business as well as representatives of the Customer and Market Insights team. Its purpose is to strengthen the customer's voice and propel customer centricity in all E.ON markets. The team, which had its first meeting in September 2020, meets every two months to review performance, identify areas for cross-regional collaboration, and define a common customer narrative for the whole business.

The coronavirus pandemic made 2020 a very challenging year. The regional units responded swiftly. The uninterrupted supply of energy was ensured at all times. In addition, E.ON arranged for debt management processes to be adapted to the changed requirements. E.ON also launched new digital services to improve customer access and assistance, despite the closing of customer centers necessitated by government lockdown policies. A video chat, for instance, enabled customers to accomplish tasks without have to go to a company shop.

The Customer Immersion program enables senior managers and employees to interact directly with residential and business customers. Its purpose is to bring the customer's voice into the organization and enhance employees' customer orientation.

Our average strategic NPS for residential customers increaed steadily over the course of 2020 and was at its highest level in October and December. It was above the competitor average throughout the year.

Due to the challenges of collecting feedback from small and medium-sized enterprises ("SME") customers during the first pandemic-related lockdown, the Management Board decided to exclude SME NPS from the overall company factor for 2020. It's planned to be included in 2021.

Aspect 4: Human Rights

Human Rights and Supplier Management

E.ON is committed to respecting human rights in all its business processes. Failure to respect people's fundamental rights and needs has serious consequences for those affected and may damage the Company's reputation. Compliance with social standards also plays an important role in the business relationships with enterprise partners. In addition, there are increasing regulatory requirements for corporate transparency and control. For example, the U.K. Modern Slavery Act obliges E.ON to report on the steps it takes to prevent international human trafficking. E.ON's CEO Johannes Teyssen is also its Chief Sustainability Officer and Chief Human Rights Officer.

To prevent human rights violations, E.ON adheres to external standards and defines its own principles and policies. The E.ON Code of Conduct (see "Aspect 5: Anti-corruption"), a revised version of which took effect in 2018, obliges all employees to contribute to a non-discriminatory and safe working environment and to respect human rights. E.ON's Human Rights Policy Statement acknowledges the International Bill of Human Rights and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization ("ILO") and its fundamental conventions and makes reference to E.ON's own policies, such as the Supplier Code of Conduct. The standards E.ON is guided by include the Universal Declaration of Human Rights of the United Nations, the principles of the UN Global Compact ("UNGC"), and the European Convention for the Protection of Human Rights. In 2020 the Company incorporated a section on human rights into a new online training module on compliance, human rights, and cyber and data security. This module is mandatory for all employees and conducted annually. At year-end, 87.3 percent had completed this training.

The standards for human rights and ethical business practices E.ON requires its suppliers to meet are defined in the Supplier Code of Conduct, which was updated in 2020 and adopted by the former innogy's units. The updated version contains a more detailed description of corporate social responsibility ("CSR") requirements and information about how to contact E.ON's whistle-blower hotline. The supplier prequalification process consists of self-registration, formal agreement to adhere to E.ON's Supplier Code of Conduct, and a compliance check. Non-fuel suppliers that are not subject to supplier onboarding must agree to the Company's General Terms and Conditions for Purchase Contracts, which are legally binding. These oblige non-fuel suppliers, among other things, to comply with the Supplier Code of Conduct and to endorse the UNGC's principles. In addition, the Supply Chain Function Policy and Supply Chain Handbook define Group-wide principles, processes, and responsibilities for non-fuel procurement, excluding the exceptional cases covered under the exception list (such as commodity, financial and real estate transactions, insurance, taxes).

Onboarding assessments help E.ON do business exclusively with suppliers committed to its standards. At the end of 2018 E.ON put in place a revised and fully digital supplier onboarding solution that is integrated into the Company's enterprise resource planning system. In 2019 E.ON focused on monitoring existing and new suppliers to ensure that they comply with its minimum requirements. In October 2020 units of the former innogy adopted this supplier onboarding process. Every non-fuel supplier whose individual transaction volume exceeds €25,000 or whose health, safety, and environment risk is medium or high must complete an online onboarding process. In some cases, E.ON may take additional steps during the supplier onboarding process, such as conducting a supplier audit to assess, among other issues, whether the supplier complies with E.ON's standards for human rights. As of year-end 2020, 99.3 percent of the E.ON Group's purchase order and contract call-offs had completed the onboarding process (former E.ON units). In addition, E.ON periodically conducts supplier performance reviews ("SPR") of its key non-fuel suppliers using five key performance indicators ("KPIs"): quality, commercial, delivery, processes and innovation, and CSR; the latter includes the protection of human rights. The respective results are discussed with each supplier during a performance review meeting. The outcome of the meeting may trigger specific actions for the supplier to improve its performance in one or more of the KPIs if it wants to continue doing business with E.ON. At the end of 2019 E.ON and innogy drew on their respective best practices to harmonize the SPR process. The harmonized process has been in place since January 1, 2020. Since then, innogy's key suppliers were assessed for their ESG performance as well, an aspect that had not been part of the former innogy's SPR. In 2020 E.ON increased the proportion of new suppliers that participated in their first SPR. The total number of reviews increased by 88 percent. Furthermore, E.ON again scrutinized its non-fuel suppliers to identify those with a large carbon footprint and explored ways to encourage their decarbonization. In 2021 E.ON plans to conduct a more in-depth analysis of non-fuel suppliers' climate performance and to recommend amelioration measures.

The Company is committed to procuring fuels responsibly and sustainably. Suppliers of solid biomass must, like non-fuel suppliers, contractually agree to comply with the E.ON Supplier Code of Conduct. In addition, the E.ON Biomass Purchasing Amendment defines the Company's policies and procedures, which include risk assessments, supplier audits, and provisions for joint ventures. The amendment is part of all contracts with biomass suppliers. They must pledge to respect human rights, safeguard the general living conditions of persons affected by biomass production, and protect biodiversity and the environment.

Similar to the procuring of solid biomass, E.ON's Supplier Code of Conduct is integrated into contracts for procuring uranium and nuclear fuel assemblies and supplemented by the Nuclear Fuel Purchasing Amendment and the E.ON Nuclear Fuel Policy which define further standards. E.ON purchases uranium exclusively from established suppliers with proven experience. Additionally, further performance evaluations of fuel-suppliers are conducted which can include reviews or on-site audits.

E.ON's goal is to prevent human rights abuses, environmental damage, and corporate malfeasance by identifying associated risks along its value chain from a holistic point of view. Periodic risk assessments enable E.ON to identify violations or suspected violations. Suppliers with identified violations or suspected violations are listed in a new KPI ("Suppliers under investigation/observation") that was added to Supply Chain's quarterly reporting in 2020. In such cases, the Supply Chain Compliance Officer and the respective Supply Chain Director are notified, and a process is set in motion to ensure that the situation is rectified without delay. If it is not, E.ON terminates its business dealings with the supplier. In 2020 no business dealings were terminated because no compliance violations were detected.

E.ON's employees can report potential violations of human rights through internal reporting channels or a Group-wide external whistle-blower hotline. In December 2019 E.ON extended the hotline service and published the hotline number online. Not only E.ON employees, but also business partners, their employees and other third parties can contact this hotline confidentially. The hotline can process calls in the languages of all countries in which E.ON operates. Group Compliance forwards the information to the relevant department or unit. Depending on the nature and severity of the potential violation, Group Compliance may report it immediately to the E.ON Management Board, notify law enforcement, initiate its own investigation, or take other appropriate action. In 2020 no violation of human rights was reported through these channels.

Begun in 2017, the German National Action Plan on Business and Human Rights ("NAP") serves as a forum for companies, trade associations, policymakers, non-governmental organizations, and academia to promote respect for human rights along the value chain. The NAP defines guiding principles for embedding human rights due diligence ("HRDD") into corporate strategy and business processes and encourages companies to conduct voluntary HRDD. In April 2020 E.ON again participated in voluntary NAP monitoring, which was organized by the German government. E.ON first participated in 2019, when it conducted a rigorous benchmarking and a human rights risk assessment encompassing 80 percent of its current and anticipated expenditures and in all purchasing categories. In 2020 Supply Chain designed a systematic process for rolling out a risk matrix developed in 2019. The purpose of the matrix, which breaks down risks by country and purchasing category, is to mitigate any potential risk of human rights violations. In 2021 the Company plans to review the matrix with regard to the new E.ON's suppliers (including the former innogy's suppliers, which were not included in 2020) and to update it on a regular basis. All of the above-mentioned activities are embedded into the Group Supply Chain function's overall Supplier Relationship Management ("SRM") system.

Aspect 5: Anti-Corruption

Compliance and Anti-Corruption

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

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

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

E.ON's Code of Conduct focuses on the guiding principle, "Doing the right thing." It is supplemented by several People Guidelines that lay down specific rules ("Doing things right").

As a compulsory reference, the Code helps employees make the right decisions in various professional situations and remain true to the Company's values. In the preface, the E.ON Management Board calls on all employees to act in a correct manner in order to protect themselves and the Company. The introduction explains why a Code of Conduct is needed. The main body of the Code contains comprehensible guidance on all issues that are of particular concern to E.ON. These include human rights, anti-corruption, fair competition, and compliant relationships with business partners. The Code also contains an integrity check. By answering just a few questions, employees can find out whether their assessments are in compliance with E.ON principles and values. The Code clearly states E.ON's prohibition against company donations to political parties, political candidates, managers of political offices, and representatives of public agencies.

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

To determine in which functions the risk for some compliance violations is particularly high, E.ON conducts compliance risk assessments on a regular basis. Based on their findings, preventive measures are taken.

If employees suspect misconduct or a violation of laws or company policies, they are instructed to report it immediately. If they wish, they may do so anonymously through internal reporting channels or a Group-wide external whistle-blower hotline, which E.ON operates with a law firm in all E.ON languages. Not only E.ON employees, but also business partners, their employees and other third parties can contact the hotline confidentially. Group Compliance forwards the information to the relevant department or unit.

E.ONs wants to ensure compliance standards in its supply chain as well. All non-fuel suppliers and all suppliers of uranium and solid biomass must therefore sign the Supplier Code of Conduct, which contains binding standards for ethical business practices. It was updated in 2020 and adopted by the former innogy units. In addition, E.ON conducts compliance checks to determine whether potential suppliers act in accordance with the company's values and principles. Also, E.ON subjects potential suppliers to a prequalification, which involves checking their identity and integrity to ensure that they meet E.ON's compliance standards. It includes searching media reports for references to a supplier in connection with compliance issues such as corruption and checking official sanction and terrorism lists. In some cases, potential suppliers must also complete a questionnaire, which E.ON evaluates carefully. Prequalification is mandatory for all new suppliers.

The effectiveness of E.ON's CMS is the main indicator of the Company's compliance performance for purposes of management control. All compliance measures, policies, processes, controls, and so forth are assessed and guided by this criterion. The CMS's effectiveness is also monitored by the E.ON Management Board, the Supervisory Board's Audit and Risk Committee, and Group Audit. The latter, an independent entity, is E.ON's third line of defense for monitoring the CMS. The criteria E.ON uses for monitoring effectiveness include assessing whether and how prescribed measures are implemented across E.ON. The Management Board and the Audit and Risk Committee are convinced that the CMS was again effective in 2020. Their assessment was based in part on audits as well as surveys and interviews of employees and stakeholders.

Financial Statements of E.ON SE

Balance Sheet of E.ON SE

€ in millions	Note	2020	2020	2019	December 31, 2019
Intangible assets	(1)		45.8		0.0
Property, plant and equipment	(1)		14.8		10.0
Financial assets					
Shares in affiliated companies	(2)		43,597.3		43,879.7
Other financial assets	(3)		2,091.3		1,187.0
Fixed assets	(4)		**45,749.2**		**45,076.7**
Receivables and other assets					
Receivables from affiliated companies	(5)		10,797.7		5,934.2
Other assets	(6)		647.8		1,521.1
Securities			–		0.0
Liquid funds	(7)		2,646.6		1,460.3
Current assets			**14,092.1**		**8,915.6**
Accrued expenses	(8)		**65.7**		**35.2**
Asset surplus after offsetting of benefit obligations	(9)		**4.0**		**2.6**
Total assets			**59,911.0**		**54,030.1**
Capital stock	(10)	2,641.3		2,641.3	
Accounting value of treasury shares		-33.9		-33.9	
Issued capital			2,607.4		2,607.4
Additional paid-in capital	(11)		3,657.1		3,657.1
Retained earnings	(12)		2,254.4		2,254.4
Net income available for distribution	(13)		2,123.9		1,209.5
Stockholders' equity	(14)		**10,642.8**		**9,728.4**
Provisions for pensions		405.3		375.5	
Right of recourse ("Freistellungsanspruch")		-326.0		-317.9	
	(15)		79.3		57.6
Provisions for taxes	(16)		391.5		313.0
Other provisions	(17)		765.7		689.9
Provisions			**1,236.5**		**1,060.5**
Bonds			11,621.1		6,000.0
Bank loans			218.2		221.6
Liabilities to affiliated companies			35,682.7		31,039.6
Miscellaneous liabilities			248.5		5,973.0
Liabilities	(18)		**47,770.5**		**43,234.2**
Deferred income	(19)		**261.2**		**7.0**
Total stockholders' equity and liabilities			**59,911.0**		**54,030.1**

Income Statement of E.ON SE

€ in millions	Note	January 1 to December 31, 2020	2019
Investment result	(20)	2,404.6	1,620.0
Interest income (net)	(21)	24.0	-127.4
Revenues	(22)	34.5	26.4
Other operating income	(23)	3,674.7	2,311.1
Cost of materials	(24)	-14.5	-8.1
Personnel expenses	(25)	-150.6	-137.7
Depreciation of property, plant and equipment		-3.4	-0.7
Other operating expenses	(26)	-4,164.0	-2,943.0
Income taxes	(27)	308.7	58.6
After-tax results		**2,114.0**	**799.2**
Other taxes		-0.2	-10.9
Net income		**2,113.8**	**788.3**
Profit carryforward from the prior year	(13)	10.1	121.2
Release from retained earnings	(12)	0.0	300.0
Net income available for distribution	(13)	**2,123.9**	**1,209.5**

Notes to the Financial Statements of E.ON SE

Basis of Presentation

E.ON SE, Essen, is registered at Essen District Court under number HRB 28196.

The annual financial statements have been prepared in accordance with the provisions of the German Commercial Code ("HGB") and the Directive on the status of the European Company (SE) in conjunction with the German Stock Corporation Act ("AktG"), and the German Energy Industry Act ("EnWG").

E.ON SE is a large corporation as defined in Section 267 (3) HGB.

The changes in E.ON SE's balance sheet as of December 31, 2020, continue to be primarily due to the acquisition of innogy SE, Essen, which was completed in 2019. The transfer to RWE AG, which had been outstanding until this time, was completed in the course of the 2020 financial year and far-reaching measures were taken to integrate innogy SE into the E.ON Group. As of December 31, 2020, the overall transaction still resulted in a liability to RWE AG, which is reported under other liabilities (see Note 18). Additional effects of the transaction are explained in Notes 6, 23 and 26.

As of November 1, 2020, innogy SE's "Headquarters" unit with approximately 500 employees was acquired by E.ON SE. The acquisition mainly related to pension obligations including the associated guarantee fund assets (see Note 15). The difference between the net assets acquired and the purchase price paid resulted in goodwill acquired for a consideration of €46.4 million (see Note 1).

Individual balance sheet and income statement items have been combined in order to improve the clarity of the presentation, in accordance with Section 265 (7) no. 2 HGB. These items are stated and explained separately in the Notes. The income statement is prepared using the nature-of-expense method. The structure of the income statement has been changed to improve the clarity of the presentation in accordance with Section 265 (6) HGB. In order to highlight the character of E.ON SE as a holding company, derogations from the classification scheme pursuant to Section 275 (2) HGB have been made in that the combined items of income from equity investments and interest income have been placed ahead of the remaining items.

The annual financial statements are prepared in euro (€) and amounts are stated in millions of euro. Rounded-off amounts of less than €0.1 million will be stated at €0.0 million and zero values at €– million.

Accounting and Disclosure Policies

Intangible assets acquired against payment recognized within non-current assets and property, plant and equipment and goodwill are recognized at acquisition or production cost, less scheduled depreciation. Unless otherwise specified, the useful lives applied correspond to the average useful lives. For property, plant and equipment that existed before January 1, 2010, and was depreciated using the declining-balance method, the retention option pursuant to Article 67 (4), sentence 1, of the Introductory Act to the German Commercial Code (EGHGB), was exercised and the declining-balance method continues to be applied. Additions to property, plant and equipment from the 2010 fiscal year forward are depreciated over their average useful lives using exclusively the straight-line method. Movable fixed assets are depreciated pro rata temporis.

Average useful life assumptions are as follows:

Useful Lives of Property, Plant and Equipment

Intangible assets	2 to 3 years
Buildings	7 to 33 years
Technical equipment and machinery	10 to 20 years
Other equipment, fixtures and office equipment	3 to 20 years

Depreciable assets with costs of up to €250 are expensed in full in the year of acquisition. A collective item is formed for asset additions if the acquisition costs for the individual asset amount to more than €250 and up to €1,000. One fifth of the respective collective item is written down and recognized in income in the year it is created and in each of the subsequent four fiscal years.

Shares in affiliated companies, equity interests and non-current securities are generally recognized at cost or at their fair value, if lower. Acquisitions and mergers are recognized at book values or fair values. Interest-bearing loans are carried at their nominal values; long-term interest-free and low-interest loans and receivables are carried at present value.

If the carrying amount of property, plant and equipment measured in accordance with these principles exceeds their fair value at the balance sheet date, impairments are recognized if the impairment is expected to be permanent. If the reason for the impairment no longer applies, the impairment is reversed.

Receivables and other assets are stated at their nominal values less appropriate valuation allowances (fair value). All identifiable individual risks are taken into account. Current securities are recognized at cost or at the lower of their market price or redemption value.

Occupational retirement benefit obligations toward employees and semiretirement pension credits and long-term working-time accounts are covered by corresponding funds invested in fund units and fixed-term deposits or liquid funds. There are also claims from reinsured pension obligations against Allianz Lebensversicherungs-AG, Berlin. The fund units are administered in trust for E.ON SE by E.ON Pension Trust e.V., Essen, and Willis Tower Watson Treuhand GmbH, Reutlingen, and the fixed-term deposits covering the semiretirement pension credits by Energie-Sicherungstreuhand e.V., Hanover, as well as CommerzTrust e.V., Frankfurt a. M.

Guarantee fund assets are measured at fair value. Guarantee fund assets are divided into assets listed on an active market (approximately 63 percent) and assets not listed on an active market (approximately 37 percent). The fair value of guarantee fund assets that are listed on an active market was derived by the designated administration companies from market prices. For assets not listed on an active market, the values were derived using generally accepted valuation methods, such as the discounted cash flow method for property valuations, and industry-specific assumptions as of the balance sheet date. The respective administration company or the experts commissioned by it determine the valuation assumptions, such as interest rates.

The invested assets are designated exclusively for the fulfillment of pension obligations and are shielded from all other creditors. They are offset against the respective underlying obligations pursuant to Section 246 (2) HGB. The associated expense and income from interest effects and from the assets to be offset is treated in a similar manner. The resulting accumulated benefit obligation is recognized under provisions. Any surplus in the fair value of the guarantee fund assets over the benefit obligations is recognized as “Asset surplus after offsetting of benefit obligations” in a separate line on the balance sheet.

Payments of €29.5 million were made into the CTA in the reporting year.

Liquid funds are measured at fair value. Cash, current bank accounts and contingencies denominated in foreign currencies are translated at the exchange rates applicable on the balance sheet date. Pursuant to Section 256a HGB, assets and liabilities denominated in foreign currency and having a residual term of one year or less are translated at the mid-market spot rate applicable on the balance sheet date. Other foreign-currency items are measured at the rate applicable on the date of the business transaction, except that the rate on the balance sheet date is used if it produces a lower valuation (assets) or a higher valuation (liabilities). If hedged items are aggregated with hedges to form closed positions, the hedged rate is used for the valuation.

Amounts paid during the fiscal year for expenses incurred after the balance sheet date are recognized on the assets side as prepaid expenses. The option to capitalize loan discounts was exercised. Liabilities are amortized over their terms according to schedule.

Derivative financial instruments are used to hedge against interest and currency risks arising from booked, open and planned underlying transactions. Booked and open underlying transactions are aggregated with their associated hedges in portfolios that are separated by currency and interest hedging instrument for each currency (macro-hedges). Transactions contained in a portfolio are valued separately at the balance sheet date. The following valuation methods and assumptions are used to determine market values:

- Foreign exchange forwards and swaps are valued at the forward rate on the balance sheet date.
- Depending on their structure, currency options are measured using either the Black-Scholes model or binomial models.
- Instruments used to hedge interest risks are measured by discounting future cash flows using market interest rates over the remaining terms of the instruments. Interest rate swap amounts are recognized in the income statement on the date of payment or accrual on the balance sheet date.

The valuation of the portfolio is derived from the difference between market values and costs. According to accounting principles under the German Commercial Code, the negative valuation of a portfolio requires the establishment of a provision for anticipated losses from open transactions, while a positive valuation result is disregarded. In addition, hedging transactions may be allocated directly to booked and open underlying transactions and aggregated with them into hedges (micro-hedges). E.ON SE accounts for these hedges using the net hedge presentation method.

E.ON SE has established risk management guidelines for the use of derivative financial instruments. Credit risks arising from the use of derivative financial instruments are systematically monitored and controlled throughout the E.ON Group.

Pensions and similar obligations are measured using the internationally recognized projected unit credit method. In this method, the amount of the pension obligations is derived from the benefit entitlement earned as of the balance sheet date, taking into account future wage and salary growth rates/career trends and pension increase rates. Because of the application of Section 253 (2) HGB, pension obligations and obligations similar to pensions that are valued as pension components are discounted using the mid-market interest rate for the past ten years as published by the Deutsche Bundesbank, with an assumed residual term of 15 years.

The 2018 G versions of the Klaus Heubeck biometric tables ("Richttafeln") are used as a basis for the actuarial calculations to determine the provisions. The final age used for measurement purposes is the earliest possible age limits under the statutory retirement pension system in Germany, taking into account the provisions of the Retirement Pension Age Limit Adjustment Act ("RV-Altersgrenzenanpassungsgesetz") of April 20, 2007. For employees who have concluded early-retirement or semiretirement arrangements, the contractually agreed final age is taken into account. Furthermore, fluctuation probabilities customary in the industry are also applied.

Actuarial Assumptions

	2020	2019
Wage and salary growth rates/career trends	2.35% p. a.	2.35% p. a.
Salary/Career trend partial retirement obligations and potential partial retirement obligations	2.10% p. a.	2.10% p. a.
Pension increase rate	1.60% p. a.	1.60% p. a.
Discount rate for pensions and similar obligations	2.30% p. a.	2.71% p. a.
Discount rate for early-retirement obligations and potential early-retirement obligations	0.64% p. a.	0.88% p. a.

With effect from December 31, 2006, MEON Pensions GmbH & Co. KG (MEON) entered into an agreement for the assumption of a collateral promise towards active employees and their beneficiaries, together with the assumption of benefit obligations towards the company (co-assumption of liability). MEON has indemnified the Company internally against liability for the benefit obligations specified in the agreement. In return for this right of recourse, the Company transferred assets of equivalent value to MEON. The indemnity claim is measured in the same manner as the underlying benefit obligation.

The indemnity claim is openly netted against the pension provisions.

Provisions for taxes and other provisions take into account all identifiable and uncertain obligations. These provisions are recognized at settlement amounts that are determined through reasonable commercial estimates. Future increases in prices and costs are also included in other provisions if sufficient objective indications are available concerning such increases. Provisions with a residual term of more than one year are discounted at the average market interest rate for the past seven years that corresponds to their residual term. Provisions with a term of more than 50 years are discounted at an interest rate derived from the Ultimate Forward Rates (UFR) concept of the European Insurance and Occupational Pensions Authority (EIOPA). In view of the sharp decline in average interest rates over the past several years, this measurement method leads to a more accurate presentation of the net assets and results of operations of E.ON SE.

Liabilities are recognized at their settlement amount on the balance sheet date. Pension obligations are recognized at present value using a mid-market interest rate for the past seven fiscal years that is appropriate for the term. The values of liabilities from financial guarantee contracts correspond to the loan amounts as measured on the balance sheet date.

Income before the balance sheet date for income for a specific period after that date is recognized as deferred income.

Pursuant to Section 274 (1) HGB, deferred taxes are determined for temporary differences between valuations of assets, liabilities and accruals for financial accounting under HGB and for tax accounting purposes. E.ON SE takes into account not only the differences from its own balance sheet items, but also those carried by subsidiaries that are part of its tax group. In this respect, deferred taxes may be recognized for temporary differences of the tax group companies in the annual financial statements of E.ON SE only for as long as the tax group is expected to continue to exist.

In addition to these temporary differences, tax loss carryforwards and interest expense carryforwards are also taken into account. Deferred taxes are determined based on the combined income tax rate, currently 31 percent. The combined income tax rate includes corporate income tax, trade tax and the solidarity surcharge. For partnership interests, however, deferred taxes arising from temporary differences are calculated using a different combined income tax rate that includes only the corporate income tax and solidarity surcharge; this rate is currently 16 percent.

Deferred taxes are netted for presentation on the balance sheet (Section 274 (1), sentence 3 HGB). If the net result is a tax credit (asset overhang), the recognition option pursuant to Section 274 (1), sentence 2 HGB is not exercised. A net tax liability is presented on the balance sheet as a deferred tax liability. In the income statement, any change in the deferred taxes reported on the balance sheet is presented under "Income taxes" on a separate line. The net result for 2020 is a deferred tax asset, which is not included on the balance sheet.

Notes on the Balance Sheet

(1) Intangible Assets and Property, Plant and Equipment

The increase in intangible assets and property, plant and equipment in the amount of €50.6 million is mainly due to the acquisition of the Headquarters unit of innogy SE and the goodwill recognized in this connection.

Goodwill acquired for consideration is amortized over its expected useful life of two years. The expected useful life takes into account the expectation regarding the achievement of expected synergies from the integration of the innogy organization into the existing E.ON organization.

Scheduled depreciation of intangible assets and property, plant and equipment totaled €3.4 million in the fiscal year.

(2) Shares in Affiliated Companies

Changes to shares in affiliated companies totaled €282.4 million in the reporting year and primarily relate to E.ON Italia S.p.A. in the amount of €273.0 million. Due to a repayment of share capital by E.ON Italia S.p.A. in the amount of €350 million, the amount of €77.0 million exceeding the carrying amount of the investment at the time of the payment was initially recognized as a write-up. Thereafter, the carrying amount of the investment was reduced by €350.0 million in the amount of the capital repayment made.

The income and losses from equity investments are described in detail in Note 20.

Any gains and losses on disposals are presented in Note 23 and Note 26.

A list of the shareholdings of E.ON SE as of December 31, 2020, is included as part of these Notes on pages 124 et seq. Section 286 (3), no. 1 HGB has been applied in that only those holdings that are individually or collectively material to the overall assessment of assets, financial condition and earnings are listed.

(3) Other Financial Assets

Other financial assets break down as follows:

Other Financial Assets

€ in millions	2020	2019
Loans to affiliated companies	2,081.2	1,177.6
Investments	10.0	9.3
Other loans	0.1	0.1
Total	**2,091.3**	**1,187.0**

The increase in loans to affiliated companies mainly relates to loans to innogy SE and Westnetz GmbH.

(4) Fixed Assets

The classification and development of the items summarized on the balance sheet are shown in the following table:

Development of Fixed Assets of E.ON SE

	Acquisition and production costs			
€ in millions	January 1, 2020	Additions	Disposals	December 31, 2020
Concessions acquired for consideration, commercial proprietary rights and similar rights	0.2	2.1	–	2.3
Goodwill	–	46.4	–	46.4
Intangible assets	**0.2**	**48.5**	**–**	**48.7**
Real estate, leasehold rights and buildings, including buildings on land owned by third parties	7.0	–	0.1	6.9
Technical equipment and machinery	–	4.1	–	4.1
Other plant, fixtures, furniture and office equipment	14.3	1.0	0.5	14.8
Prepayments and assets under construction	0.6	0.5	–	1.1
Property, plant and equipment	**21.9**	**5.6**	**0.6**	**26.9**
Shares in affiliated companies	46,840.9	9.3	368.7	46,481.5
Long-term loans to affiliated companies	1,177.6	916.1	12.5	2,081.2
Investments	9.3	0.7	–	10.0
Other long-term loans	0.1	0.1	0.1	0.1
Financial assets	**48,027.9**	**926.2**	**381.3**	**48,572.8**
Fixed assets	**48,050.0**	**980.3**	**381.9**	**48,648.4**

(5) Receivables from Affiliated Companies

Receivables from affiliated companies primarily relate to receivables from intragroup financing of €7,352.8 million (2019: €5,901.1 million). This item includes liabilities from profit and loss pooling agreements totaling €0.1 million. The item trade receivables totals €20.5 million (2019: €10.8 million) and other receivables totals €3,424.4 million (2019: €22.3 million).

As in the previous year, all of the receivables have a residual term of up to one year.

(6) Other Receivables

Other receivables relates exclusively to other assets and, as in the previous year, all have a remaining term of up to one year.

The tax receivables in the amount of €380.1 million included in this item relate to tax refund and interest claims. Corporate income tax and solidarity surcharge totaling €216.9 million is attributable to 2020.

The decrease in other assets is mainly due to the settlement of a claim in connection with the acquisition of an investment in the amount of around €700.0 million, which was subject to a condition precedent in the previous year.

(7) Liquid Funds

Liquid funds of €2,646.6 million reported as of the balance sheet date consist mainly of cash at banks. Liquid funds in the amount of €976.0 million are restricted.

(8) Accrued Expenses

This item includes discounts of €63.0 million (2019: €31.9 million) on bonds issued and loans granted by affiliated companies. The increase is mainly due to newly issued bonds.

				Write-downs		Book values
January 1, 2020	Additions	Disposals	Reversals	December 31, 2020	December 31, 2020	December 31, 2019
0.2	0.1	–	–	0.3	2.0	0.0
–	2.6	–	–	2.6	43.8	–
0.2	**2.7**	**–**	**–**	**2.9**	**45.8**	**0.0**
1.1	–	–	–	1.1	5.8	5.9
–	0.1	–	–	0.1	4.0	–
10.8	0.6	0.5	–	10.9	3.9	3.5
–	–	–	–	–	1.1	0.6
11.9	**0.7**	**0.5**	**–**	**12.1**	**14.8**	**10.0**
2,961.2	–	–	77.0	2,884.2	43,597.3	43,879.7
–	–	–	–	–	2,081.2	1,177.6
–	–	–	–	–	10.0	9.3
0.0	–	–	–	–	0.1	0.1
2,961.2	**–**	**–**	**77.0**	**2,884.2**	**45,688.6**	**45,066.7**
2,973.3	**3.4**	**0.5**	**77.0**	**2,899.2**	**45,749.2**	**45,076.7**

(9) Asset Surplus after Offsetting of Benefit Obligations

The offsetting of the guarantee fund assets against the corresponding pension obligations has produced a surplus, which breaks down as follows:

Asset Surplus after Offsetting of Benefit Obligations

	December 31,	
€ in millions	2020	2019
Benefit obligations[1] *Settlement amount*	*0.6*	*0.5*
Fair value of guarantee fund assets *Fund units*	*4.6*	*3.1*
Net value	**4.0**	**2.6**

[1]Benefit obligations secured by the Past Service Trust Agreement.

The acquisition costs of the guarantee fund assets from the Past Service Trust Agreement amounted to €4.1 million as of December 31, 2020 (2019: €2.9 million).

(10) Capital Stock

The capital stock is subdivided into 2,641,318,800 registered shares with no par value (no-par-value shares) and amounts to €2,641,318,800 (2019: €2,641,318,800). The capital stock of the Company was provided by way of conversion of E.ON AG into a European Company (SE) and through a capital increase carried out on March 20, 2017, partially using the Authorized Capital 2012, which expired on May 2, 2017, and through a capital increase entered in the commercial register of the Company on September 19, 2019, making extensive use of the Authorized Capital 2017.

By shareholder resolution adopted at the Annual Shareholders Meeting of May 28, 2020, the Management Board was authorized, subject to the Supervisory Board's approval, to increase the Company's capital stock by May 27, 2025, by a total of up to €528.0 million through one or more issuances of new registered no-par-value shares against contributions in cash and/or in kind (authorized capital pursuant to Sections 202 et seq. AktG, Authorized Capital 2020). The authorization of the Management Board contained in Article 3 (5) of the Articles of Association to increase the share capital by up to €19,780,200.00 in the period up to May 9, 2022, with the approval of the Supervisory Board (Authorized Capital 2017), was revoked. Subject to the Supervisory Board's approval, the Management Board is authorized to exclude shareholders' subscription rights.

Pursuant to a resolution by the Annual Shareholders Meeting of May 28, 2020, the Management Board is authorized to purchase own shares until May 27, 2025. The shares purchased, combined with other treasury shares in the possession of the Company, or attributable to the Company pursuant to Sections 71 a et seq. AktG, may at no time exceed 10 percent of its capital stock. The Management Board was authorized at the aforementioned Annual Shareholders Meeting to cancel any shares thus acquired without requiring a separate shareholder resolution for the cancellation or its implementation. The authorization granted by the Annual Shareholders Meeting of May 10, 2017, under agenda item 10, to acquire and use treasury shares was revoked.

The Company has further been authorized by the Annual Shareholders Meeting of May 28, 2020, to buy shares using derivatives (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 credit institution or an entity operating pursuant to Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or (7) KWG or on the market. No shares were acquired in 2020 using this purchase model.

To improve clarity, the following discussion of the development of the Company's treasury shares is presented using whole euro amounts.

The total number of outstanding shares as of December 31, 2020, was 2,607,369,233 (December 31, 2019: 2,607,369,233). As of December 31, 2020, E.ON SE held a total of 33,949,567 treasury shares (December 31, 2019: 33,949,567), equivalent to 1.29 percent or €33,949,567 of the capital stock. Of the 33,949,567 E.ON treasury shares existing as of December 31, 2020, 7,572,944 shares originated from the share buyback program implemented in 2001 and 2002, and 24,339,280 shares came from the buyback program implemented in 2007. An additional 5,434 shares were acquired in 2010, while 30,446 shares stem from the intragroup purchase of EBY Port 1 GmbH in 2003. 2,001,463 shares stem from the intragroup purchase of E.ON Sechzehnte Verwaltungs GmbH in 2016.

No scrip dividend or employee stock purchase program was offered in the 2020 fiscal year.

At the Annual Shareholders Meeting of May 28, 2020, shareholders approved a conditional capital increase (with the option to exclude shareholders' subscription rights) in the amount of up to €264.0 million (Conditional Capital 2020). The Conditional Capital 2017 in the amount of €175.0 million resolved by the Annual General Meeting on May 10, 2017, under what was then agenda item 9, was revoked upon registration of the resolution on June 17, 2020.

The conditional capital increase will be used to grant registered no-par-value shares to the holders of convertible bonds or bonds with warrants, profit participation rights or income bonds (or combinations of these instruments), in each case with option rights, conversion rights, option obligations and/or conversion obligations, which are issued by the Company or a group company of the Company as defined by Section 18 of the German Stock Corporation Act, under the authorization approved by the Annual Shareholders Meeting on May 28, 2020, under agenda item 8, through May 27, 2025. The new shares will be issued at the conversion or option price to be determined in accordance with the aforementioned authorization resolution.

The conditional capital increase will be implemented only to the extent required to fulfill the obligations arising on the exercise by holders of option or conversion rights, and those arising from compliance with the mandatory conversion of bonds with conversion or option rights, profit participation rights or profit participating bonds that have been issued or guaranteed by E.ON SE or a Group company of E.ON SE as defined by Section 18 AktG under the authorization approved by the Annual Shareholders Meeting of May 28, 2020, under agenda item 8, and to the extent that no cash settlement has been granted in lieu of conversion or exercise the option, fulfill their obligation to convert or exercise the option, or the Company exercises its right to grant shares in the Company in whole or in part in lieu of payment of the cash amount due.

The Conditional Capital 2020 has not been used.

Information on Stockholders of E.ON SE

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

Information on Stockholders of E.ON SE

Reporting entity	Date of notice	Threshold	Achieved, over or under threshold	Gained voting rights on	Allocation	Voting rights Percentages	Voting rights Absolute
DWS Investment GmbH, Frankfurt am Main, Germany	Jan. 15, 2021	3%	Over	Jan. 12, 2021	indirect	3.02	79,741,442[1]
BlackRock Inc., Wilmington, USA	Jan. 8, 2021[2]	5%	Under	Jan. 5, 2021	indirect	4.92	130,004,535[3]
RWE Aktiengesellschaft, Essen, Germany[4]	Dec. 10, 2020	15%	Achieved	Dec. 8, 2020	indirect	15.00	396,197,820
The Capital Group Companies Inc., Los Angeles, USA[5]	Mar. 11, 2021	5%	Under	Mar. 8, 2021	indirect	4.82	127,283,218
Canada Pension Plan Investment Board, Toronto, Canada	Jun. 9, 2020	5%	Over	Jun. 5, 2020	direct/indirect	5.02	132,657,936[6]
Capital Income Builder, Wilmington, USA	Apr. 3, 2020	5%	Under	Apr. 1, 2020	direct	4.90	129,538,084

[1]Includes voting rights pursuant to Secs. 33, 34 and instruments pursuant to Sec. 38 (1) No. 2 WpHG.
[2]Voluntary Group notification with threshold impact only at subsidiary level; under 5% threshold per notification of January 7, 2021, with threshold impact on January 4, 2021.
[3]Includes voting rights pursuant to Secs. 33, 34 and instruments pursuant to Sec. 38 (1) No. 1 and 2 WpHG.
[4]Name of shareholder holding 3.0 percent or more of the voting rights as indicated in the voting rights notification received: GBV Zweiunddreißigste Gesellschaft für Beteiligungsverwaltung mbH.
[5]Name of shareholder holding 3.0 percent or more of the voting rights as indicated in the voting rights notification received: Capital Income Builder.
[6]Includes voting rights pursuant to Secs. 33, 34 and instruments pursuant to Sec. 38 (1) No. 2 WpHG.

(11) Additional Paid-in Capital

The additional paid-in capital remains unchanged at €3,657.1 million.

(12) Retained Earnings

Retained earnings are unchanged from the prior year at €2,254.4 million and are made up of legal reserves of €45.3 million and other retained earnings of €2,209.1 million.

In order to fulfill retirement benefit obligations, funds have been invested as restricted, bankruptcy-remote assets in fund units administered in trust by E.ON Pension Trust e. V., Essen, or by Willis Towers Watson Treuhand GmbH, Reutlingen. There are also claims from reinsured pension obligations against Allianz Lebensversicherungs-AG, Berlin. In accordance with Section 253 (1) HGB, they are measured at fair value. At the balance sheet date, this amounted to €463.8 million and, taking into account deferred tax liabilities of €1.4 million, exceeded the acquisition cost of €434.0 million by €28.4 million. Of this difference, €29.2 million is due to increases in value and €0.8 million to impairments. Taking into account deferred tax assets, also in the amount of €1.4 million, which are based on uncertain earnings and which are taken into account by netting against deferred tax liabilities, this results in a dividend-restricted amount of €30.6 million.

The amount of the difference between the recognition of provisions for pension obligations based on the corresponding average market interest rate for the past ten fiscal years (2.30 percent p.a.) and the recognition of these provisions based on the corresponding average market interest rate for the past seven fiscal years (1.60 percent p.a.) amounted to €114.9 million as of December 31, 2020, for E.ON SE.

The dividend-restricted amounts totaling €145.5 million mentioned above are fully covered by a sufficient amount of available reserves.

Accordingly, there is no restriction preventing payment in 2021 of the proposed dividend distribution, which is projected to be in the amount of €1,225.5 million.

(13) Net Income Available for Distribution

Net income available for distribution includes profit carried forward of €10.1 million from the 2019 fiscal year.

(14) Stockholders' Equity

The following table summarizes the changes in stockholders' equity:

Stockholders' Equity

€ in millions	Issued capital	Additional paid-in capital	Retained earnings	Net income available for distribution	2020 Total	2019 Total
January 1	2,607.4	3,657.1	2,254.4	1,209.5	9,728.4	9,431.7
Dividend of E.ON SE for the previous year	–	–	–	-1,199.4	-1,199.4	-931.8
Capital increase	–	–	–	–	–	440.2
Net income	–	–	–	2,113.8	2,113.8	788.3
As of December 31	**2,607.4**	**3,657.1**	**2,254.4**	**2,123.9**	**10,642.8**	**9,728.4**

(15) Provisions for Pensions

The pension obligations cover the benefit obligations towards former employees and employees still working. They are generally funded by the employer and, through deferral of compensation, in part by the employees.

The reported pension obligations, as well as the provisions for electricity allowances, are offset on the balance sheet against the right of recourse against MEON, in the amount of €326.0 million.

Pension Reserves[1]

€ in millions	December 31, 2020	December 31, 2019
Settlement amount[1]	864.5	678.2
Fair value of guarantee fund assets		
Reinsurance	*7.7*	–
Fund units	*451.5*	*302.7*
Total	**405.3**	**375.5**

[1]Pension obligations not hedged by the Past Service trust agreement.

Acquisition costs of the guarantee fund assets total €429.9 million in the reporting year (2019: €269.8 million). Guarantee fund assets are measured at fair value.

The increase in the settlement amount and the fair value of the guarantee fund assets is mainly due to the acquisition of the Headquarters unit of innogy SE. In this connection, pension obligations of €133.2 million and corresponding plan assets of €115.3 million were transferred as of November 1, 2020. In addition, the reduction in the discount rate led to an increase in the pension obligation.

Please see Note 12 for more information on the difference in accordance with Section 253 (6), sentence 3 HGB.

(16) Provisions for Taxes

Tax provisions relate to taxes for previous years.

(17) Other Provisions

Other provisions break down as follows:

Other Provisions

€ in millions	December 31, 2020	December 31, 2019
Environmental remediation obligations	301.2	264.7
Other personnel reserves	151.8	134.0
Tax-related interest	144.0	131.2
Various other reserves	168.7	160.0
Total	**765.7**	**689.9**

The provision for environmental improvement and remediation obligations relates to possible remediation measures arising from the operation of abandoned mines of predecessor companies. The increase in the provision is mainly due to interest rate effects.

(18) Liabilities

The following table provides a breakdown of liabilities:

Liabilities

€ in millions	December 31, 2020 Total	December 31, 2020 With a remaining term of ≤ 1 year	1 to 5 years	> 5 years	December 31, 2019 Total	December 31, 2019 With a remaining term of ≤ 1 year	> 1 year
Bonds	11,621.1	750.0	5,000.0	5,871.1	6,000.0	–	6,000.0
Banks	218.2	218.2	–	–	221.6	221.6	–
Accounts payable	11.3	11.3	–	–	28.7	28.7	–
Affiliated companies	35,682.7	30,944.8	910.0	3,827.9	31,039.6	26,202.3	4,837.3
Other liabilities	237.2	237.2	–	–	5,944.3	5,944.3	–
of which from taxes	*63.2*	*63.2*	–	–	*97.2*	*97.2*	–
Total	**47,770.5**	**32,161.5**	**5,910.0**	**9,699.0**	**43,234.2**	**32,396.9**	**10,837.3**

A total of seven new bonds with a nominal value of €5,000.0 million were issued in the 2020 fiscal year. In addition, two further bonds from innogy with a nominal value of €621.1 million were transferred at market value. Overall, the remaining terms of the bonds recognized here range from 1 to 19 years.

Liabilities to affiliated companies relate to intragroup financing (€34,066.1 million; prior year: €30,518.6 million), trade payables (€89.2 million; prior year: €72.3 million) and other liabilities (€1,527.4 million; prior year: €448.7 million). Liabilities from intragroup financing contains receivables from profit transfer amounting to €32.3 million (2019: €1,189.3 million), other liabilities includes liabilities from loss transfers amounting to €1,282.0 million (2019: €216.9 million).

Income from profit transfers and expenses from loss transfers are explained in Note 20.

Liabilities to affiliated companies mainly relate to liabilities to E.ON Energie AG (€9,427.7 million; prior year: €7,547.2 million), to E.ON International Finance B.V. (€3,569.7 million; prior year: €3,355.0 million), to innogy Beteiligungsholding GmbH (€2,773.5 million; prior year: € – million) and to innogy International Participations N.V. (€2,513.3 million; prior year: € – million).

Trade payables and other liabilities were combined in the balance sheet under other liabilities.

In the previous year, other liabilities included the obligations arising from the framework agreement concluded between RWE AG and E.ON SE relating to the transfer of innogy's renewable energy and gas storage business and innogy's stake in Austrian energy utility KELAG, including the contractually agreed purchase price adjustments of €5.8 billion. At the end of the fiscal year, a residual liability from the final purchase price adjustment is still reported here.

Contingencies and Other Financial Obligations

Contingent liabilities consist of the following:

Contingencies

€ in millions	December 31, 2020	2019
Contingent liabilities arising from abstract guarantees	25,333.8	17,005.7
Toward affiliated companies	*2,946.0*	*4,697.2*
Contingent liabilities arising from guarantees bound to a principal obligation (*Bürgschaften*)	202.7	112.1
Toward affiliated companies	–	–
Total	**25,536.5**	**17,117.8**

Of the contingent liabilities arising from abstract guarantees, an amount of €15,349.3 million relates to repayment guarantees made to holders of bonds issued by E.ON International Finance B.V. During the 2020 fiscal year, the repayment guarantees increased by €9,299.35 million, mainly due to the acquisition of

17 innogy Finance B.V. bonds by E.ON International Finance B.V. (issuer), under which E.ON SE simultaneously replaced innogy SE as guarantor. Furthermore, E.ON SE has provided guarantees in connection with the disposal of activities of the E.ON Group. Of these, €1,252.9 million relates to guarantees where a contractual restriction for specific guaranteed events such as indemnification for environmental damage, costs for remediation of damages or obligations arising from litigation applies. The abstract guarantees of the Company also include the liquidity assistance guarantee toward MEON in the amount of €2,946.0 million arising from the implementation of the CTA. In addition, there are liabilities as of December 31, 2020, from guarantees bound to a principal obligation under German law; these essentially consist of contractual obligations.

E.ON SE has entered into these contingencies in order to support Group companies in their operations, to secure the fulfillment of pension obligations toward active and former employees and to enable disposals of activities.

E.ON SE normally only enters into contingencies in connection with its own operations or the operations of affiliated companies, and then only after intensively evaluating the risks. E.ON SE currently continues to provide collateral in the amount of €744.9 million for the parts of the Renewables business transferred to RWE, which are still to be repaid or assumed by RWE Group companies in the short term. In the course of 2020, guarantees in the amount of €2,266.4 million were repaid as part of this swap process with RWE.

Up to the time the annual financial statements are prepared, the knowledge gained from the assessment of the risks is included in the assessment of the contingencies and their underlying obligations. E.ON SE assumes that the companies that originally assume them are able to meet all of their obligations. Accordingly, the risk of E.ON SE assuming responsibility is classified as unlikely for all of the contingencies described.

Other financial obligations amounted to €162.4 million as of December 31, 2020. Of this amount, €105.1 million relates to obligations toward affiliated companies.

Derivative Financial Instruments

In the context of its international activities, E.ON SE is exposed to currency, interest and equity price risks. This risk is managed using a systematic risk management system. E.ON SE plays a central role as regards the management of currencies and interest rates, using internal transactions within the Group to bundle risk positions and hedge them in the external market. By taking these actions, E.ON SE largely eliminates risk positions.

Derivative Financial Instruments

	December 31, 2020		December 31, 2019	
€ in millions Instrument	Nominal volume	Fair value (market value)	Nominal volume	Fair value (market value)
Forward transactions with banks	15,106.1	22.7	20,725.8	-26.5
Forward transactions with affiliated companies	13,792.8	37.2	12,480.1	48.8
Interest rate swaps with banks	4,395.4	-1,559.3	4,303.7	-1,229.5
Interest rate swaps with affiliated companies	925.4	58.5	933.7	72.2
Cross-currency and interest rate/cross-currency swaps with banks	4,974.9	-76.5	4,370.7	55.5
Cross-currency and interest rate/cross-currency swaps with affiliated companies	2,339.0	-942.6	1,949.5	-913.6
Total	**41,533.6**	**-2,460.0**	**44,763.5**	**-1,993.1**

Foreign Exchange Risk

Interest rate/cross-currency swaps with a total nominal value of €2,349.8 million were entered into to hedge Group loans in foreign currencies that were granted by E.ON International Finance B.V. For each of its micro-hedges, E.ON protects itself against the risk of variable cash flows arising from changes in exchange rates. As of December 31, 2020, Group loans with a maximum term of 20 years were recognized in corresponding valuation units.

In the 2020 fiscal year, innogy SE transferred a bond with a nominal volume of JPY 20,000.0 million to E.ON SE via an exchange offer. This is a dual currency bond with nominal payment in YEN and coupon payments in USD and a remaining term of 20 years until 2040. Interest rate currency swaps were concluded to hedge the currency risk arising from the interest payments and the repayment of the nominal amount and were recognized in a micro-hedge. The nominal bond is hedged in the amount of €158.8 million.

The net currency position (before hedging) resulting primarily from E.ON SE's short-term underlying financial and operating transactions is combined with the respective offsetting currency hedging transactions to form a macro-hedge valuation unit for each currency. The maximum term of the transactions is 19 years. The total nominal volume of all currency-specific portfolios was €39,803.0 million as of December 31, 2020 (of which €33,925.7 million related to open transactions, €778.6 million to assets, and €6,655.9 million to liabilities). The foreign-currency portfolio of E.ON SE is nearly 100 percent hedged. As of the reporting date, the cumulative surplus on losses in currency hedging transactions was recognized in the form of a €0.4 million provision (2019: €4.5 million).

Interest Risk

In the context of cash flow hedging, the net interest position (before hedging) resulting from E.ON SE's underlying financial and operating transactions is aggregated with the offsetting interest rate hedging transactions into macro-hedges. The maximum term of the transactions is 3 years. Underlying and hedging transactions are valued for this purpose based on the underlying discounted cash flows. The total nominal volume was €1,420.8 million as of December 31, 2020 (all of which related to open transactions). The interest rate from existing risk positions and future financing was hedged by means of interest rate swaps within the framework of micro-hedges. The total nominal volume of derivative financial instruments included in the valuation units both as hedged items and hedging transactions amounts to €3,800.0 million. The corresponding expected borrowings relate, after the borrowings carried out in 2017, to the years after 2021, for terms of a maximum of 27 years, and are considered highly probable from a financial planning perspective. The interest rate hedges had a valuation deficit in the form of provisions for contingent losses in the amount of €14.3 million as of the reporting date.

The underlying transactions combined into the valuation units represent highly homogeneous risks. It is therefore to be expected that the opposing changes in value of the underlying transactions and their hedges will in future virtually offset, and that the hedges will thus be highly effective.

For micro-hedge valuation units, effectiveness is assessed using the critical-terms-match method, since the main parameters for the instruments used are identical. The amount of existing ineffectiveness is computed by cumulative application of the dollar-offset method. The existing risk management framework is used to constantly monitor the macro-hedge valuation units, confining them within corresponding limits.

The total volume of risk hedged in these valuation units is €4,327.6 million. Of this total, €2,651.8 million is attributable to foreign exchange risk and €1,675.8 million to interest risk.

(19) Deferred Income

Deferred income mainly includes the fair value difference of the bonds transferred from innogy SE during the fiscal year. The deferred income of €259.9 million recognized in this connection will be reversed on a pro rata basis over the remaining terms of 17 and 19 years.

Notes on the Income Statement

(20) Investment Result

The table below provides details of income from equity investments:

Investment Result

€ in millions	2020	2019
Income from companies in which equity investments are held	4.3	671.4
From affiliated companies	*4.3*	*671.4*
Income from profit transfer	3,682.4	1,189.3
Expense from loss transfer	-1,282.1	-240.7
Total	**2,404.6**	**1,620.0**

The main contributors to the positive investment result were income from the transfer of profits from E.ON Beteiligungen GmbH in the amount of €3,383.7 million and from E.ON Finanzanlagen GmbH in the amount of €266.6 million. The profit transfer from E.ON Beteiligungen GmbH includes the gain on merger in the amount of €2,821.1 million from the merger of innogy SE into E.ON Verwaltungs SE (now operating as innogy SE), which, however, was already almost completely offset at the level of innogy SE by recognized impairment charges on share investments. In addition, the profit transfer from E.ON Beteiligungen GmbH includes income in the amount of €2,654.6 million from an intragroup structural measure, which is exceptionally large.

Expense from loss transfers recognized in 2020 primarily relates to E.ON Energie AG in the amount of €1,281.6 million. The profit and loss pooling for E.ON Energie AG primarily results from the likely permanent impairment of investments in affiliated companies. The loss transfer is exceptionally large.

(21) Interest Income (Net)

Net interest income breaks down as follows:

Interest Income (Net)

€ in millions	2020	2019
Income from other securities and long-term loans included in financial assets	63.1	71.0
From affiliated companies	*63.1*	*71.0*
Other interest and similar income	309.0	151.9
From affiliated companies	*59.5*	*50.8*
Interest and similar expenses	-348.1	-350.3
Paid to affiliated companies	*-134.3*	*-205.2*
Accretion of discounted provisions	*-99.1*	*-76.2*
Total	**24.0**	**-127.4**

Other interest and similar income includes negative interest income in the amount of €9.3 million (2019: €8.5 million) and interest income relating to previous periods amounting to €254.5 million (2019: €96.7 million). The higher interest income is mainly due to tax-related interest income.

The expense from the accretion of provisions consists mainly of the accretion of the provision for environmental remediation obligations of €41.7 million (2019: €30.4 million) and the net expense of €56.2 million (2019: €45.4 million) arising from the unwinding of discounts (including effects of changes in interest rates) on provisions for pensions in the amount of €67.6 million (2019: €71.3 million) and net income resulting from the corresponding guarantee fund assets in the amount of €11.4 million (2019: €25.9 million).

(22) Revenues

Sales mainly comprise income from the passthrough of personnel expenses and income from intragroup rental and service agreements. The increase in revenues is primarily attributable to the transfer of service contracts of the Headquarters unit of innogy SE.

(23) Other Operating Income

Other operating income breaks down as shown in the following table:

Other Operating Income

€ in millions	2020	2019
Exchange-rate differences	3,028.0	1,865.0
Cross-currency interest-rate swaps and currency options	362.5	354.1
Reversal of provisions	49.6	11.9
Miscellaneous	234.6	80.1
Total	**3,674.7**	**2,311.1**

Of the income from exchange rate differences reported, €1,550.0 million (2019: €876.9 million) originated from relationships with affiliated companies and €1,477.0 million (2019: €988.1 million) from external relationships.

Income from the reversal of provisions represents income unrelated to the accounting period and mainly relates to the adjustment of the calculation of restructuring obligations in the amount of €30.4 million.

Other operating income also includes €53.7 million in income from the final settlement with RWE and the transferring E.ON companies relating to the renewables business transferred to RWE in the previous year. Miscellaneous other operating income includes the reversal of impairment losses on the investment in E.ON Italia S.p.A. in the amount of €77.0 million (see Note 2). Both income items represent income unrelated to the accounting period.

(24) Cost of Materials

The cost of materials of €14.5 million (2019: €8.1 million) relates exclusively to expenses for purchased services and is directly related to the income recorded under revenues.

(25) Personnel Expenses

The following table shows the structure of personnel expenses:

Personnel Expenses

€ in millions	2020	2019
Wages and salaries	123.6	124.1
Social security contributions, pension costs and other employee benefits	27.0	13.6
Of which for pensions	*15.7*	*3.1*
Total	**150.6**	**137.7**

Wage and salary expenses essentially correspond to the total for the previous year.

The increase in pension expenses is mainly due to the acquisition of the Headquarters unit of innogy SE.

(26) Other Operating Expenses

Other operating expenses break down as follows:

Other Operating Expenses

€ in millions	2020	2019
Exchange rate differences	3,110.1	1,754.0
Cross-currency/Interest rate swaps and currency option premiums	408.4	394.3
Professional fees	130.8	160.2
Services and third-party services	208.9	155.5
Miscellaneous expenses	305.8	479.0
Total	**4,164.0**	**2,943.0**

Of the expenses from exchange rate differences reported, €1,424.4 million (2019: €1,139.9 million) originated from relationships with affiliated companies and €1,685.6 million (2019: €606.4 million) from external relationships.

Other expenses include expenses of approximately €203.6 million in connection with the transaction with RWE. This item includes expenses in the amount of €151.4 million resulting from the difference between the calculation of the compensation agreements between innogy's subsidiaries and the final purchase price determination with RWE. They are exceptionally important for the fiscal year.

(27) Income Taxes

Income taxes resulted in total tax income of €308.7 million during the reporting year, which relates to both the current year and previous years. Corporation tax plus a solidarity surcharge of €2.4 million is attributable to the year 2020. No expenses were incurred for trade tax. Tax income for previous years amounted to €311.1 million.

Deferred taxes are not included in tax expenses. Overall, as of December 31, 2020, E.ON SE expects future tax relief from temporary accounting differences—both its own and those of the companies in its consolidated tax group—as well as from tax loss carryforwards and interest expense carryforwards. The calculation of this amount took place on the basis of a combined income tax rate of 31 percent (E.ON SE and its consolidated tax group companies) and 16 percent (partnership interests; the tax rate only takes into account corporate income tax and the solidarity surcharge).

Deferred tax liabilities primarily result from valuation differences in property, plant and equipment as well as from receivables and other assets. Because the pension obligations before offsetting with guarantee fund assets result in a higher obligation in financial statements as opposed to their valuation for tax purposes, the result of this difference is a deferred tax asset. Additional deferred tax assets result primarily from provisions that cannot be recognized for tax purposes, including those for anticipated losses and in the nuclear power segment, liabilities, and from tax loss carryforwards. Overall, there is a surplus of deferred tax assets over deferred tax liabilities. The option under Section 274 (1), sentence 2, HGB was not exercised for this surplus, and therefore no deferred tax assets were recognized.

Other Disclosures

Employees

The average number of persons employed in the 2020 fiscal year by E.ON SE was 865 (2019: 792). This average does not include the five members of the Management Board. The employees are divided into Corporate Headquarters (682 employees), E.ON SE Customer Solutions (122 employees), E.ON Deutschland (56 employees) and E.ON Beteiligungen GmbH Heat (5 employees).

The increase in headcount compared with the previous year is attributable to the transfer of around 500 employees from innogy SE effective November 1, 2020.

Fees and Services of the Independent Auditor

The following table shows the structure of the auditor's fees:

Auditor Fees

€ in millions	2020	2019
Audit services	32	37
Germany	*23*	*28*
Other attestation services	7	4
Germany	*6*	*4*
Tax consulting services	1	0
Germany	*1*	*0*
Other services	2	1
Germany	*2*	*1*
Total	**42**	**42**
Germany	*32*	*33*

The auditor's fees relate to the audit of the Consolidated Financial Statements and the legally mandated financial statements of E.ON SE and its affiliates, which also include fees for auditing reviews of the IFRS interim financial statements and other tests directly required by the audit. This figure from the previous year also includes additional auditing services for interim reports in relation to the innogy transaction.

The fees for other attestation services include all attestation services that are not auditing services and are not used in connection with the audit. In 2020, these costs include legally required attestation services (e.g., resulting from the Renewable Energy Act and the KWKG) and other voluntary attestation services (e.g., in connection with new IT systems, data migration and special auditing services in the course of the transfer of the Renewables business from E.ON to RWE).

The fees for tax consulting services mainly relate to services in the area of tax compliance.

Fees for other services consist primarily of services in connection with the transfer of E.ON's Renewables business to RWE and technical support in connection with the implementation of transactions and new requirements in the areas of IT and accounting.

In the previous year, the fees indicated take into consideration the innogy subsidiaries from the acquisition date and the companies transferred to RWE until the date of deconsolidation.

Statement of Compliance Pursuant to Section 161 of the German Stock Corporation Act

On December 15, 2020, the Management Board and Supervisory Board of E.ON SE issued a statement of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and published it on the Internet at www.eon.com to make it permanently accessible to the Company's stockholders.

Disclosures on Certain Business Transactions Pursuant to Section 6b (2) EnWG

In the 2020 fiscal year, E.ON SE did business with affiliated and associated companies. Contracts with such entities resulted in expenses totaling €238.7 million and income totaling €104.6 million. They primarily relate to IT services (expenses: €112.2 million), property (expenses: €15.9 million; income: €4.6 million), provision of external personnel (expenses: €12.2 million) and other consulting and service agreements (expenses: €98.4 million; income €100.0 million).

Corporate financing activities resulted in expenses of €1,604.1 million, income of €1,754.4 million, interest expense of €133.9 million and interest income of €122.6 million.

Subsequent Events

Corporate Bonds Issued

At the beginning of January 2021, E.ON issued one corporate bond with a volume of €600.0 million.

Nuclear Power/Residual Quantities of Electricity

At the beginning of March 2021, the responsible German Federal Ministries announced that the German federal government had reached an agreement with the four nuclear power plant operators EnBW, E.ON/PreussenElektra GmbH, RWE and Vattenfall on key points concerning the payment of financial compensation due to the accelerated nuclear phase-out after 2011 and the settlement of all related legal disputes. In particular, the key points also provide that E.ON/PreussenElektra GmbH can dispose of the quantities of electricity from the jointly-owned Krümmel and Brunsbüttel nuclear power plants that arithmetically correspond to its share without payment, i.e., it can use them for generation in its own power plants. This understanding will only become effective once it has been transposed into law.

Disclosures on the Boards

Board Compensation

Supervisory Board

The total compensation for 2020 of the members of the Supervisory Board amounts to €5.1 million (2019: €4.1 million).

The compensation system for the Supervisory Board is described in the Compensation Report.

As in 2019, there were no loans to members of the Supervisory Board in the 2020 fiscal year.

The members of the Supervisory Board, along with additional directorships held, are listed on pages 120 et seq.

Management Board

Total compensation of the Management Board amounts to €13.2 million (2019: €15.2 million, based on the total compensation of the Management Board reported in the 2019 annual report), which in addition to base salary, bonuses and other compensation elements, also includes a share-based component. The total compensation of the individual members of the Management Board breaks down as follows:

Compensation of the Management Board

	Fixed annual compensation		Bonus		Other compensation		Value of share-based payment[1]		Total	
€	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Dr. Johannes Teyssen	1,240,000	1,240,000	1,445,850	1,984,500	34,684	40,791	1,732,500	1,732,500	4,453,034	4,997,791
Dr.-Ing. Leonhard Birnbaum[2]	464,444	711,594	489,725	895,521	11,403	22,597	1,008,333	1,008,333	1,973,905	2,638,045
Dr. Thomas König	700,000	700,000	688,500	945,000	46,233	44,264	825,000	825,000	2,259,733	2,514,264
Dr. Marc Spieker	700,000	700,000	688,500	945,000	52,699	48,607	825,000	825,000	2,266,199	2,518,607
Dr. Karsten Wildberger	700,000	700,000	688,500	945,000	51,010	61,983	825,000	825,000	2,264,510	2,531,983
Total	**3,804,444**	**4,051,594**	**4,001,075**	**5,715,021**	**196,029**	**218,242**	**5,215,833**	**5,215,833**	**13,217,381**	**15,200,690**

[1] The fair value for the share-based compensation from the fourth tranche of the E.ON Performance Plan totaled €7.88 per virtual E.ON share.
[2] See explanation concerning Dr.-Ing. Birnbaum on page 76.

The members of the Management Board of E.ON SE were granted fourth-tranche virtual shares under the E.ON Performance Plan in 2020 (2019: third tranche of the E.ON Performance Plan) as follows: Dr. Teyssen received 219,861 shares valued at €1,732,500 (2019: €1,732,500/259,357 shares); Dr.-Ing. Birnbaum received 127,962 shares valued at €1,008,333 (2019: €1,008,333/150,949 shares); Dr. König received 104,696 shares valued at €825,000 (2019: €825,000/123,503 shares); Dr. Spieker received 104,696 shares valued at €825,000 (2019: €825,000/123,503 shares); and Dr. Wildberger received 104,696 shares valued at €825,000 shares (2019: €825,000/123,503 shares).

Further information on the compensation of active members of the Management Board, and on the compensation system for the Board, can be found in the Compensation Report.

As in 2019, there were no loans to members of the Management Board in the 2020 fiscal year.

The total compensation paid to former members of the Management Board and to their beneficiaries amounted to €12.8 million (2019: €10.8 million).

A provision of €142.4 million (2019: €139.4 million) is recognized for pension obligations toward former members of the Management Board and their beneficiaries. The right of recourse under the collateral promise agreement with MEON is offset against this provision on the face of the balance sheet.

The members of the Management Board, along with additional directorships held, are listed on page 122.

Boards

Supervisory Board (and Information on Other Directorships)

Dr. Karl-Ludwig Kley
Chairman of the Supervisory Board, E.ON SE
→ Bayerische Motoren Werke AG[1]
→ Deutsche Lufthansa AG[1] (Chairman)

Erich Clementi
Deputy Chairman of the Supervisory Board, E.ON SE
→ Deutsche Lufthansa AG[1] (since May 5, 2020)

Andreas Scheidt (until May 28, 2020)
Deputy Chairman of the Supervisory Board, E.ON SE
Unified Service Sector Union, ver.di

Christoph Schmitz (since February 1, 2020)
Deputy Chairman of the Supervisory Board, E.ON SE;
Member of the National Executive Board, Unified Service Sector Union, ver.di;
Director of the Federal Divisions for Financial Services, Utilities and Waste Management, Media, Arts and Industry, Telecommunications and IT
→ innogy SE[2] (since June 2, 2020, formerly E.ON Verwaltungs SE, until December 31, 2020)
→ AXA Konzern AG
→ Ruhrfestspiele Recklinghausen GmbH

Clive Broutta (until January 31, 2020)
Full-time Representative of the General, Municipal, Boilermakers, and Allied Trade Union (GMB)

Klaus Fröhlich
Former member of the Board of Management,
Bayerische Motoren Werke AG

Ulrich Grillo
Chairman of the Board of Management, Grillo-Werke AG
→ Rheinmetall AG[1] (Chairman)
→ Grillo Zinkoxid GmbH[2]
→ Zinacor S.A.[2]

Carolina Dybeck Happe
Senior Vice President and Chief Financial Officer, General Electric Company (GE)

Monika Krebber
Deputy Chairperson of the General Works Council, innogy SE (until December 31, 2020)
→ innogy SE[2] (until June 2, 2020, merger into E.ON Verwaltungs SE)
→ innogy SE[2] (since June 2, 2020, formerly E.ON Verwaltungs SE, until December 31, 2020)

Eugen-Gheorghe Luha
Chairman of Gaz România (Romanian Federation of Gas Unions);
Chairman of Romanian employee representatives;
Member of the SE Works Council, E.ON SE

Stefan May
Deputy Chairman of the E.ON Group Works Council;
Chairman of the Joint Works Council, Westenergie AG/Westnetz GmbH (since October 1, 2020, formerly Joint Works Council, Westnetz GmbH);
Chairman of the Works Council of the Münster Region of Westnetz GmbH
→ innogy SE[2] (until June 2, 2020, merger into E.ON Verwaltungs SE)
→ innogy SE[2] (since June 2, 2020, formerly E.ON Verwaltungs SE, until December 31, 2020)
→ Westenergie AG[2] (since October 1, 2020, formerly innogy Westenergie GmbH)
→ innogy Westenergie GmbH[2] (until September 30, 2020)
→ E.ON Pensionsfonds AG[2] (since May 1, 2020)

Szilvia Pinczésné Márton
Chairperson of the Works Council, E.ON Dél-dunántúli Áramhálózati Zrt.;
Member of the SE Works Council, E.ON SE

Miroslav Pelouch (since May 28, 2020)
Deputy Chairman of the European Works Council of E.ON SE;
Chairman of the Association of Grass-Roots Organisations of the ECHO Energy Sector Trade Union Federation in E.ON's companies in the Czech Republic;
Member of the Executive Committee of the ECHO Trade Union Federation
→ E.ON Energie a.s.[2]
→ EG.D a.s.[2] (since January 1, 2021, formerly E.ON Distribuce a.s.)

Unless otherwise indicated, information is as of December 31, 2020, or as of the date on which membership in the E.ON SE Supervisory Board ended.
→ Directorships/memberships in other statutory supervisory boards.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.
[1]Listed company.
[2]E.ON Group directorships/memberships.

René Pöhls
Deputy Chairman of the SE Works Council, E.ON SE;
Chairman of the SE Works Council, innogy SE (until June 2, 2020);
Deputy Chairman of the Group Works Council, E.ON SE ;
Chairman of the Group Works Council, envia Mitteldeutsche Energie AG;
Chairman of the Joint General Works Council and the Joint Works Council Halle/Kabelsketal, envia Mitteldeutsche Energie AG, MITGAS Mitteldeutsche Gasversorgung GmbH, Mitteldeutsche Netzgesellschaft Strom mbH, and Mitteldeutsche Netzgesellschaft Gas mbH
→ innogy SE[2] (until June 2, 2020, merger into E.ON Verwaltungs SE)
→ envia Mitteldeutsche Energie AG[2]

Andreas Schmitz
Attorney
→ HSBC Trinkaus & Burkhardt AG[1] (until December 31, 2020), (Chairman until November 27, 2020)
→ Scheidt & Bachmann GmbH (Chairman)
→ Commerzbank AG (since January 1, 2021)

Dr. Rolf Martin Schmitz
CEO, RWE AG
→ RWE Generation SE[2] (Chairman)
→ RWE Power AG[2] (Chairman)
→ RWE Renewables GmbH[2] (since October 15, 2020)
→ RWE Supply & Trading GmbH[2]
→ Amprion GmbH (until April 30, 2020)
→ TÜV Rheinland AG
→ Jaeger Grund GmbH & Co. KG (Jaeger Gruppe, Chairman)
→ Kärntner Energieholding Beteiligungs GmbH
→ KELAG-Kärntner Elektrizitäts-AG

Fred Schulz
Chairman of the SE Works Council, E.ON SE;
Deputy Chairman of the E.ON Group Works Council;
Chairman of the Combined Works Council, E.DIS AG;
Chairman of the Works Council, E.DIS Netz GmbH-East Region
→ E.DIS AG[2]
→ Szczecińska Energetyka Cieplna Sp. z o.o.[2]

Dr. Karen de Segundo
Attorney

Elisabeth Wallbaum
Expert, SE Works Council E.ON SE and E.ON Group Works Council

Deborah Wilkens
Management consultant

Ewald Woste
Management consultant
→ Bayernwerk AG[2]
→ GASAG AG
→ GreenCom Networks AG
→ Deutsche Energie-Agentur GmbH (dena)
→ Energie Steiermark AG

Albert Zettl
Deputy Chairman of the SE Works Council, E.ON SE;
Chairman of the E.ON Group Works Council;
Chairman of the Division Works Council, Bayernwerk AG;
Chairman of the Eastern Bavaria Works Council, Bayernwerk Netz GmbH
→ Bayernwerk AG[2]
→ E.ON Pensionsfonds AG[2] (since May 1, 2020)
→ Versorgungskasse Energie VVaG i. L.

Supervisory Board Committees

Executive Committee
Dr. Karl-Ludwig Kley, Chairman
Christoph Schmitz, Deputy Chairman (since May 28, 2020)
Andreas Scheidt, Deputy Chairman (until May 28, 2020)
Erich Clementi
Ulrich Grillo
Fred Schulz
Albert Zettl

Audit and Risk Committee
Andreas Schmitz, Chairman
Fred Schulz, Deputy Chairman
Caroline Dybeck Happe (until December 31, 2020)
Ulrich Grillo (since January 1, 2021)
René Pöhls
Elisabeth Wallbaum
Deborah Wilkens

Innovation and Sustainability Committee
Dr. Karen de Segundo, Chairperson
Stefan May, Deputy Chairman
Clive Broutta (until January 31, 2020)
Klaus Fröhlich
Monika Krebber (since February 5, 2020)
Eugen-Gheorghe Luha
Ewald Woste

Nomination Committee
Dr. Karl-Ludwig Kley, Chairman
Erich Clementi, Deputy Chairman
Dr. Karen de Segundo

Unless otherwise indicated, information is as of December 31, 2020, or as of the date on which membership in the E.ON SE Supervisory Board ended.
→ Directorships/memberships in other statutory supervisory boards.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.
[1]Listed company.
[2]E.ON Group directorships/memberships.

Management Board (and Information on Other Directorships)

Dr. Johannes Teyssen
Born in 1959 in Hildesheim, Germany
Chairman of the Management Board since 2010
Member of the Management Board since 2004
Strategy & Innovation, Human Resources, Communications & Political Affairs, Legal, Compliance & Corporate Security, Corporate Culture, Corporate Audit, Sustainability, Health/Safety, and Environment
→ innogy SE[2] (Chairman, until June 2, 2020, merger into E.ON Verwaltungs SE)
→ BP plc.[1] (since January 1, 2021)
→ Nord Stream AG

Dr.-Ing. Leonhard Birnbaum
Born in 1967 in Ludwigshafen, Germany
Member of the Management Board of E.ON SE since 2013
innogy integration project, Nuclear Coordination, Inhouse Consulting
Member of the Management Board, innogy SE (Chairman, until June 2, 2020, merger into E.ON Verwaltungs SE)
→ innogy SE[2] (Chairman, since June 2, 2020, formerly E.ON Verwaltungs SE)
→ E.ON Italia S.p.A.[2] (until June 26, 2020)
→ Georgsmarienhütte Holding GmbH

Dr. Thomas König
Born in 1965 in Finnentrop, Germany
Member of the Management Board since 2018
Energy Networks (including Turkey), Supply Chain
→ Avacon AG[2] (Chairman)
→ Bayernwerk AG[2] (Chairman)
→ E.DIS AG[2] (Chairman, until April 29, 2020)
→ envia Mitteldeutsche Energie AG[2] (since May 7, 2020)
→ HanseWerk AG[2] (Chairman, until April 30, 2020)
→ Westenergie AG[2] (since October 1, 2020, formerly innogy Westenergie GmbH)
→ innogy Westenergie GmbH[2] (from February 13, 2020, until September 30, 2020)
→ E.ON Česká republika s.r.o.[2] (Chairman)
→ EG.D a.s.[2] (Chairman, formerly E.ON Distribuce a.s.)
→ E.ON Hungária Zrt.[2] (Chairman)
→ E.ON Sverige AB[2] (Chairman until March 10, 2020)
→ Rheinenergie AG (since October 1, 2020)
→ Stadtwerke Essen AG (since June 25, 2020)
→ Essener Wirtschaftsförderungsgesellschaft mbH (since June 2, 2020)

Dr. Marc Spieker
Born in 1975 in Essen, Germany
Member of the Management Board since 2017
Finance, Investor Relations, Mergers & Acquisitions, Accounting, Controlling, Risk Management, Tax, S4 Transformation
→ E.ON Verwaltungs SE[2] (Chairman, until June 1, 2020)
→ innogy SE[2] (until June 2, 2020, merger into E.ON Verwaltungs SE)
→ Süwag Energie AG[2] (since June 22, 2020)
→ Westenergie AG[2] (since October 1, 2020, formerly innogy Westenergie GmbH)
→ innogy Westenergie GmbH[2] (from February 13, 2020, until September 30, 2020)
→ Nord Stream AG

Dr. Karsten Wildberger
Born in 1969 in Gießen, Germany
Member of the Management Board since 2016
Retail and Customer Solutions, Market Excellence, Energy Management, Marketing, Digital Transformation & IT
→ E.ON Digital Technology GmbH[2] (Chairman)
→ E.ON Energie A.S.[2] (Chairman)
→ E.ON Italia S.p.A.[2] (since June 26, 2020)
→ E.ON Sverige AB[2]
→ Essent N.V.[2] (Chairman, since September 3, 2020)

Unless otherwise indicated, information is as of December 31, 2020, or as of the date on which membership in the E.ON SE Management Board ended.
→ Directorships/memberships in other statutory supervisory boards.
→ Directorships/memberships in comparable domestic and foreign supervisory bodies of commercial enterprises.
[1]Listed company.
[2]E.ON Group directorships/memberships.

Dividend Proposal

The Management Board proposes to the Annual Shareholders Meeting that the €2,123,906,462.50 in net income available for distribution for the 2020 fiscal year be used as follows:

€	
Net income for the year	2,113,754,278.18
Profit carried forward from the prior year	10,152,184.32
Net income available for distribution	**2,123,906,462.50**
Distribution of a dividend of €0.47 per share with dividend rights	1,225,463,539.51
Carryforward to new account	**898,442,922.99**

The dividend proposal takes into account the dividend-paying shares at the time the annual financial statements were prepared on March 15, 2021.

Other Information

Disclosures Pursuant to Section 285 No. 11, 11a and 11b HGB of Companies in Which Equity Investments Are Held (as of December 31, 2020)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
Abfallwirtschaft Rendsburg-Eckernförde GmbH[6]	DE, Borgstedt	49.0	13.4	2.6
Abfallwirtschaft Südholstein GmbH - AWSH -[6]	DE, Elmenhorst	49.0	10.1	3.0
Alsdorf Netz GmbH[1, 13]	DE, Alsdorf	100.0	19.6	0.0
Alt Han Company Limited[6]	GB, London	21.0	-11.5	-11.1
Artelis S.A.[1]	LU, Luxembourg	90.0	38.2	2.3
Autogrid Systems, Inc[7]	US, Palo Alto	15.5	10.4	-14.9
AV Packaging GmbH[1]	DE, Munich	0.0	16.8	-0.3
Avacon AG[1]	DE, Helmstedt	61.5	1,290.7	113.2
Avacon Beteiligungen GmbH[1, 12]	DE, Helmstedt	100.0	61.0	–
Avacon Connect GmbH[1, 12]	DE, Laatzen	100.0	40.5	–
Avacon Hochdrucknetz GmbH[1, 12]	DE, Helmstedt	100.0	14.5	–
Avacon Natur GmbH[1, 12]	DE, Sarstedt	100.0	30.6	–
Avacon Netz GmbH[1, 12]	DE, Helmstedt	100.0	1,037.6	–
AVU Aktiengesellschaft für Versorgungs-Unternehmen[4]	DE, Gevelsberg	50.0	89.2	7.7
Bayerische Bergbahnen-Beteiligungs-Gesellschaft mbH[1]	DE, Gundremmingen	100.0	27.7	0.5
Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH[1]	DE, Gundremmingen	62.2	60.5	6.1
Bayernwerk AG[1, 12]	DE, Regensburg	100.0	1,637.7	–
Bayernwerk Natur GmbH[1]	DE, Unterschleißheim	100.0	85.7	4.4
Bayernwerk Netz GmbH[1, 12]	DE, Regensburg	100.0	1,182.6	–
Bayernwerk Portfolio Verwaltungs GmbH[1]	DE, Regensburg	100.0	10.9	-1.7
BEW Bergische Energie- und Wasser-Gesellschaft mit beschränkter Haftung[7]	DE, Wipperfürth	19.5	34.0	5.3
BEW Netze GmbH[6]	DE, Wipperfürth	61.0	11.6	0.5
Bidgely Inc.[7]	US, Mountain View	16.6	12.9	-8.8
BMV Energie GmbH & Co. KG[6]	DE, Fürstenwalde/Spree	25.6	17.4	0.7
Broadband TelCom Power, Inc.[1]	US, Santa Ana	100.0	57.8	8.2
BTB-Blockheizkraftwerks, Träger- und Betreibergesellschaft mbH Berlin[1, 12]	DE, Berlin	100.0	2.2	–
Budapesti Dísz- és Közvilágítási Korlátolt Felelősségű Társaság[4]	HU, Budapest	50.0	29.4	1.2
Budapesti Elektromos Művek Zrt.[1]	HU, Budapest	100.0	548.6	8.2
Cegecom S.A.[1]	LU, Luxembourg	100.0	9.9	0.9
Celle-Uelzen Netz GmbH[1, 12]	DE, Celle	97.5	92.5	–
Coromatic A/S[1]	DK, Roskilde	100.0	13.5	2.9
Coromatic Group AB[1]	SE, Bromma	100.0	17.0	-2.4
Coromatic Group ApS[1]	DK, Odense	100.0	12.7	1.8
Coromatic Holding AB[1]	SE, Bromma	100.0	74.3	-5.0
DD Turkey Holdings S.à r.l.[1]	LU, Luxembourg	100.0	1,341.0	27.0
Delgaz Grid S.A.[1]	RO, Târgu Mureş	56.5	663.7	-8.7
Dorsten Netz GmbH & Co. KG[6]	DE, Dorsten	49.0	14.4	1.5
Dortmunder Energie- und Wasserversorgung Gesellschaft mit beschränkter Haftung[5]	DE, Dortmund	39.9	188.8	16.7
Dutchdelta Finance S.à r.l.[1]	LU, Luxembourg	100.0	1,293.9	0.0
E WIE EINFACH GmbH[1, 12]	DE, Cologne	100.0	0.1	–

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Disclosures Pursuant to Section 285 No. 11, 11a and 11b HGB of Companies in Which Equity Investments Are Held (as of December 31, 2020)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
E.DIS AG[1]	DE, Fürstenwalde/Spree	67.0	1,333.7	100.2
E.DIS Netz GmbH[1, 12]	DE, Fürstenwalde/Spree	100.0	817.0	–
e.discom Telekommunikation GmbH[1]	DE, Rostock	100.0	27.0	–
e.disnatur Erneuerbare Energien GmbH[1, 12]	DE, Potsdam	100.0	3.2	–
e.distherm Wärmedienstleistungen GmbH[1]	DE, Potsdam	100.0	33.3	1.5
e.kundenservice Netz GmbH[1]	DE, Hamburg	100.0	35.4	-1.1
E.ON 11. Verwaltungs GmbH[2, 12]	DE, Essen	100.0	0.0	–
E.ON Asset Management GmbH & Co. EEA KG[1, 11, 14]	DE, Grünwald	100.0	371.1	2.2
E.ON Beteiligungen GmbH[1, 11, 12, 14]	DE, Essen	100.0	20,390.0	–
E.ON Bioerdgas GmbH[1, 12]	DE, Essen	100.0	0.0	–
E.ON Business Services Regensburg GmbH[1, 11, 12]	DE, Regensburg	100.0	4.0	-0.4
E.ON Business Solutions GmbH[1, 12]	DE, Essen	100.0	0.0	–
E.ON Business Solutions S.r.l.[1]	IT, Milan	100.0	35.2	-1.1
E.ON Česká republika, s.r.o.[1]	CZ, České Budějovice	100.0	238.8	6.4
E.ON Connecting Energies Limited[1]	GB, Coventry	100.0	-39.9	-12.4
E.ON Control Solutions Limited[1]	GB, Coventry	100.0	12.7	-1.1
E.ON Country Hub Germany GmbH[1, 11, 12]	DE, Berlin	100.0	2.0	–
E.ON Dél-dunántúli Áramhálózati Zrt.[1]	HU, Pécs	100.0	88.0	14.0
E.ON Dél-dunántúli Gázhálózati Zrt.[1]	HU, Pécs	100.0	11.9	0.3
E.ON Digital Technology GmbH[1, 12]	DE, Hanover	100.0	557.2	–
E.ON Distribuce, a.s. (since 2021 EG.D, a.s.)[1]	CZ, České Budějovice	100.0	2,024.1	125.3
E.ON Drive Infrastructure GmbH[1, 11, 12]	DE, Essen	100.0	0.0	–
E.ON edis Contracting GmbH[2, 12]	DE, Fürstenwalde/Spree	100.0	5.2	–
E.ON edis energia Sp. z o.o.[1]	PL, Warsaw	100.0	119.8	8.4
E.ON Energia S.p.A.[1]	IT, Milan	100.0	246.3	-16.8
E.ON Energie 25. Beteiligungs-GmbH[2, 12]	DE, Munich	100.0	0.0	–
E.ON Energie 38. Beteiligungs-GmbH[1, 11, 12]	DE, Munich	100.0	740.7	–
E.ON Energie AG[1, 11, 12]	DE, Düsseldorf	100.0	3,258.0	–
E.ON Energie Deutschland GmbH[1, 12]	DE, Munich	100.0	595.1	–
E.ON Energie Deutschland Holding GmbH[1, 12]	DE, Munich	99.9	376.8	–
E.ON Energie Dialog GmbH[2, 12]	DE, Potsdam	100.0	2.5	–
E.ON Energie România S.A.[1]	RO, Târgu Mureş	68.2	127.2	6.2
E.ON Energie, a.s.[1]	CZ, České Budějovice	100.0	263.3	51.3
E.ON Energilösningar AB[1]	SE, Malmö	100.0	100.7	21.1
E.ON Energy Markets GmbH[1, 12]	DE, Essen	100.0	5.0	–
E.ON Energy Projects GmbH[1, 12]	DE, Munich	100.0	21.6	–
E.ON Energy Solutions Limited[1]	GB, Coventry	100.0	1,090.7	-83.2
E.ON Észak-dunántúli Áramhálózati Zrt.[1]	HU, Győr	100.0	152.4	24.3
E.ON Finanzanlagen GmbH[1, 11, 12]	DE, Düsseldorf	100.0	5,017.2	–
E.ON Finanzholding SE & Co. KG[1, 11, 14]	DE, Essen	100.0	30.1	7.8
E.ON Fünfundzwanzigste Verwaltungs GmbH[1, 11, 12]	DE, Düsseldorf	100.0	6,935.2	–
E.ON Gas Mobil GmbH[2, 12]	DE, Essen	100.0	0.0	–
E.ON Gastronomie GmbH[1, 11, 12]	DE, Essen	100.0	0.3	–
E.ON Gazdasági Szolgáltató Kft.[1]	HU, Győr	100.0	10.7	8.1

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Name	Location	Stake %	Equity € in millions	Earnings € in millions
E.ON Group Innovation GmbH[2, 12]	DE, Essen	100.0	0.1	–
E.ON Gruga Geschäftsführungsgesellschaft mbH[1, 11, 12]	DE, Düsseldorf	100.0	92.1	–
E.ON Gruga Objektgesellschaft mbH & Co. KG[1, 11]	DE, Essen	100.0	183.4	2.0
E.ON Hungária Energetikai Zártkörűen Működő Részvénytársaság[1]	HU, Budapest	100.0	848.5	75.2
E.ON Iberia Holding GmbH[1, 11, 12]	DE, Düsseldorf	100.0	0.0	–
E.ON impulse GmbH[1, 11, 12]	DE, Essen	100.0	0.1	–
E.ON Inhouse Consulting GmbH[2, 12]	DE, Essen	100.0	1.0	–
E.ON Innovation Co-Investments Inc.[1, 15]	US, Wilmington	100.0	40.1	-2.9
E.ON Insurance Services GmbH[2, 12]	DE, Essen	100.0	0.0	–
E.ON INTERNATIONAL FINANCE B.V.[1]	NL, Amsterdam	100.0	553.6	-1.7
E.ON Italia S.p.A.[1]	IT, Milan	100.0	640.4	95.5
E.ON Közép-dunántúli Gázhálózati Zrt.[1]	HU, Nagykanizsa	99.9	38.5	2.3
E.ON Metering GmbH[2, 12]	DE, Munich	100.0	10.0	–
E.ON NA Capital Inc.[1, 15]	US, Wilmington	100.0	2,225.6	-8.8
E.ON Next Energy Limited[1]	GB, Coventry	100.0	51.4	-9.6
E.ON Nord Sverige AB[2]	SE, Malmö	100.0	190.8	0.9
E.ON Nordic AB[1]	SE, Malmö	100.0	6,354.0	2,497.4
E.ON North America Finance, LLC[1, 15]	US, Wilmington	100.0	2,185.8	53.2
E.ON Nutzenergie GmbH[2, 12]	DE, Essen	100.0	0.0	–
E.ON Pensionsfonds Holding GmbH[2, 12]	DE, Essen	100.0	0.0	–
E.ON Power Plants Belgium BVBA[1]	BE, Mechelen	100.0	21.3	1.8
E.ON Produzione S.p.A.[1]	IT, Milan	100.0	119.1	-0.1
E.ON RAG-Beteiligungsgesellschaft mbH[1, 11]	DE, Düsseldorf	100.0	2.0	-0.0
E.ON RE Investments LLC[1, 15]	US, Wilmington	100.0	94.0	7.0
E.ON Real Estate GmbH[1, 12]	DE, Essen	100.0	0.0	–
E.ON România S.R.L.[1]	RO, Târgu Mureş	100.0	495.8	18.7
E.ON Ruhrgas GPA GmbH[1, 11, 12]	DE, Essen	100.0	219.9	–
E.ON Ruhrgas Portfolio GmbH[1, 11, 12]	DE, Essen	100.0	1,827.6	–
E.ON Sechzehnte Verwaltungs GmbH[1, 11, 12]	DE, Düsseldorf	100.0	90.7	–
E.ON Service GmbH[2, 12]	DE, Essen	100.0	3.4	–
E.ON Slovensko, a.s.[1]	SK, Bratislava	100.0	404.6	24.1
E.ON Solutions GmbH[1, 11, 12]	DE, Essen	100.0	0.1	–
E.ON Stiftung gGmbH[2]	DE, Essen	100.0	45.6	-3.0
E.ON Sverige AB[1]	SE, Malmö	100.0	4,287.8	382.0
E.ON Tiszántúli Áramhálózati Zrt.[1]	HU, Debrecen	100.0	101.0	15.2
E.ON UK Energy Markets Limited[1]	GB, Coventry	100.0	21.2	1.1
E.ON UK Heat Limited[1]	GB, Coventry	100.0	23.4	-0.1
E.ON UK Holding Company Limited[1]	GB, Coventry	100.0	1,901.7	-149.2
E.ON UK Infrastructure Services Limited[1]	GB, Coventry	100.0	18.3	5.9
E.ON UK plc[1]	GB, Coventry	100.0	5,658.2	2,366.2
E.ON UK Steven's Croft Limited[1]	GB, Coventry	100.0	13.3	12.9
E.ON US Corporation[1, 15]	US, Wilmington	100.0	2,492.0	-1,504.8
E.ON US Holding GmbH[1, 11, 12]	DE, Düsseldorf	100.0	1,168.9	–
E.ON Värme Sverige AB[1]	SE, Malmö	100.0	293.4	3.2

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Name	Location	Stake %	Equity € in millions	Earnings € in millions
EBERnetz GmbH & Co. KG[6]	DE, Ebersberg	49.0	14.6	2.3
EBY Port 1 GmbH[1, 11, 12]	DE, Munich	100.0	92.5	–
EBY Port 3 GmbH[1]	DE, Regensburg	100.0	142.1	0.6
Economy Power Limited[1]	GB, Coventry	100.0	28.5	–
eins energie in sachsen GmbH & Co. KG[7]	DE, Chemnitz	9.2	467.5	73.0
ElbEnergie GmbH[1, 12]	DE, Seevetal	100.0	8.1	–
ELE Verteilnetz GmbH[1, 12]	DE, Gelsenkirchen	100.0	1.2	–
Elektrizitätswerk Schwandorf GmbH[2]	DE, Schwandorf	100.0	22.8	0.1
ELMŰ DSO Holding Korlátolt Felelősségű Társaság[1, 13]	HU, Budapest	100.0	637.2	28.6
ELMŰ Hálózati Elosztó Kft.[1]	HU, Budapest	100.0	654.5	28.6
ÉMÁSZ Hálózati Kft.[1]	HU, Miskolc	100.0	239.8	7.9
Emscher Lippe Energie GmbH[1, 8]	DE, Gelsenkirchen	49.9	51.1	21.7
Energetyka Cieplna Opolszczyzny S.A.[5]	PL, Opole	46.7	67.6	6.5
Energie und Wasser Potsdam GmbH[5]	DE, Potsdam	35.0	117.8	–
Energie Vorpommern GmbH[6]	DE, Trassenheide	49.0	15.6	2.0
Energienetze Berlin GmbH[1, 12]	DE, Berlin	100.0	0.0	–
EnergieRegion Taunus - Goldener Grund - GmbH & Co. KG[6]	DE, Bad Camberg	49.0	21.3	1.2
EnergieRevolte GmbH[2, 12]	DE, Düren	100.0	0.1	–
Energieversorgung Alzenau GmbH (EVA)[6]	DE, Alzenau	69.5	12.5	1.3
Energieversorgung Guben GmbH[5]	DE, Guben	45.0	17.6	0.9
Energieversorgung Limburg Gesellschaft mit beschränkter Haftung[7]	DE, Limburg an der Lahn	10.0	28.5	3.8
Energieversorgung Oberhausen Aktiengesellschaft[5, 10]	DE, Oberhausen	10.0	35.3	11.1
Energieversorgung Sehnde GmbH[6]	DE, Sehnde	30.0	10.0	0.8
Energiewacht Groep B.V. - Gruppe - (preconsolidated)[1]	NL, Meppel		15.8	3.4
Energiewacht Facilities B.V.[1]	NL, Zwolle	100.0		
Energiewacht Groep B.V.[1]	NL, Meppel	100.0		
GasWacht Friesland Facilities B.V.[1]	NL, Leeuwarden	100.0		
Energiewacht N.V. - Gruppe - (preconsolidated)[1]	NL, Veendam		28.2	4.5
EGD-Energiewacht Facilities B.V.[1]	NL, Assen	100.0		
Energiewacht N.V.[1]	NL, Veendam	100.0		
Huisman Warmtetechniek B.V.[1]	NL, Stadskanaal	100.0		
Solar Noord B.V.[1]	NL, Stadskanaal	100.0		
energis GmbH[1]	DE, Saarbrücken	71.9	137.3	23.3
energis-Netzgesellschaft mbH[1, 12]	DE, Saarbrücken	100.0	151.5	–
Enerjisa Enerji A.Ş.[4]	TR, Istanbul	40.0	750.0	128.3
Enerjisa Üretim Santralleri A.Ş.[4]	TR, Istanbul	50.0	665.8	145.5
Enervolution GmbH[2, 12]	DE, Bochum	100.0	0.0	–
ENNI Energie & Umwelt Niederrhein GmbH[5]	DE, Moers	20.0	52.8	19.5
envia Mitteldeutsche Energie AG[1]	DE, Chemnitz	58.6	1,977.1	342.7
envia TEL GmbH[1]	DE, Markkleeberg	100.0	29.6	4.2
envia THERM GmbH[1, 12]	DE, Bitterfeld-Wolfen	100.0	67.3	–
enviaM Beteiligungsgesellschaft Chemnitz GmbH[1, 12]	DE, Chemnitz	100.0	56.4	–
enviaM Beteiligungsgesellschaft mbH[1]	DE, Essen	100.0	175.6	31.6
eprimo GmbH[1, 12]	DE, Neu-Isenburg	100.0	4.6	–

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EPS Polska Holding Sp. z o.o.[1]	PL, Warsaw	100.0	23.9	1.9
e-regio GmbH & Co. KG[5]	DE, Euskirchen	40.5	105.9	19.4
Ergon Overseas Holdings[1]	GB, Coventry	100.0	979.1	–
ESK GmbH[2, 12]	DE, Dortmund	100.0	0.1	–
ESN Sicherheit und Zertifizierung GmbH[2, 12]	DE, Schwentinental	100.0	0.5	–
Essent Belgium N.V. - Gruppe - (preconsolidated)[1]	BE, Kontich		72.0	-9.8
Aralt BV[1]	BE, Hasselt	100.0		
Essent Belgium N.V.[1]	BE, Kontich	100.0		
innogy Energy Belgium BVBA[1]	BE, Hove	100.0		
Essent Energie Verkoop Nederland B.V.[1]	NL, 's-Hertogenbosch	100.0	110.8	1.6
Essent IT B.V.[1]	NL, Arnhem	100.0	-11.4	-5.0
Essent N.V.[1]	NL, 's-Hertogenbosch	100.0	5,155.4	630.3
Essent Nederland B.V.[1]	NL, Arnhem	100.0	1,029.7	-2.0
Essent Retail Energie B.V.[1]	NL, 's-Hertogenbosch	100.0	339.3	105.6
Essent Sales Portfolio Management B.V.[1]	NL, 's-Hertogenbosch	100.0	-28.1	-487.5
Észak-magyarországi Áramszolgáltató Zrt.[1]	HU, Miskolc	100.0	243.6	3.0
EVIP GmbH[1, 12]	DE, Bitterfeld-Wolfen	100.0	11.3	–
e-werk Sachsenwald GmbH[7]	DE, Reinbek	16.0	30.1	4.3
EWR Aktiengesellschaft[5, 10]	DE, Worms	1.3	97.0	26.2
EWR Dienstleistungen GmbH & Co. KG[5]	DE, Worms	25.0	174.5	26.2
EWR GmbH[5]	DE, Remscheid	20.0	83.8	13.1
EWV Energie- und Wasser-Versorgung GmbH[1]	DE, Stolberg/Rhld.	53.7	57.2	18.4
EZV Energie- und Service GmbH & Co. KG Untermain[6]	DE, Wörth am Main	28.9	11.8	2.2
Fernwärmeversorgung Saarlouis- Steinrausch Investitionsgesellschaft mbH[2, 12]	DE, Saarlouis	100.0	7.6	–
FEV Europe GmbH[1, 11, 12]	DE, Essen	100.0	90.7	–
FEV Future Energy Ventures Israel Ltd[1]	IL, Tel Aviv	100.0	11.4	-1.4
FEV US LLC[1]	US, Palo Alto	100.0	56.2	1.1
Freiberger Stromversorgung GmbH (FSG)[6]	DE, Freiberg	30.0	12.6	1.4
FSO GmbH & Co. KG[4, 14]	DE, Oberhausen	50.0	32.8	11.2
Future Energy Ventures Management GmbH[1, 11, 12]	DE, Essen	100.0	190.0	–
Gas- und Wasserwerke Bous - Schwalbach GmbH[5]	DE, Bous	49.0	14.8	2.5
GASAG AG[5]	DE, Berlin	36.9	569.0	84.3
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG[5]	DE, Straelen	20.0	76.9	28.5
Gasversorgung im Landkreis Gifhorn GmbH[1]	DE, Gifhorn	95.0	20.5	3.0
Gasversorgung Unterfranken Gesellschaft mit beschränkter Haftung[5]	DE, Würzburg	49.0	48.4	8.4
Geas Energiewacht B.V.[1]	NL, Enschede	100.0	13.0	1.4
Gelsenberg GmbH & Co. KG[1, 11, 14]	DE, Düsseldorf	100.0	153.8	-6.0
Gelsenwasser Beteiligungs-GmbH[2, 12]	DE, Munich	100.0	0.0	–
Gemeindewerke Wedemark GmbH[6]	DE, Wedemark	49.0	12.6	0.5
Gemeinschaftskernkraftwerk Grohnde GmbH & Co. oHG[1, 14]	DE, Emmerthal	100.0	153.4	21.1
Gemeinschaftskraftwerk Weser GmbH & Co. oHG.[1, 14]	DE, Emmerthal	66.7	163.8	0.7
Gemserv Limited[7]	GB, London	13.7	14.3	–
Gesellschaft für Energie und Klimaschutz Schleswig-Holstein GmbH[6]	DE, Kiel	33.3	15.2	-1.7

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Disclosures Pursuant to Section 285 No. 11, 11a and 11b HGB of Companies in Which Equity Investments Are Held (as of December 31, 2020)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
Gichtgaskraftwerk Dillingen GmbH & Co. KG[6]	DE, Dillingen	25.2	35.0	5.9
GISA GmbH[6]	DE, Halle (Saale)	23.9	13.8	2.8
GNS Gesellschaft für Nuklear-Service mbH[6]	DE, Essen	48.0	48.2	22.2
GREEN GECCO Beteiligungsgesellschaft mbH & Co. KG[6]	DE, Troisdorf	20.7	39.9	1.6
GSH Green Steam Hürth GmbH[1, 12]	DE, Munich	100.0	0.0	–
GWG Grevenbroich GmbH[1]	DE, Grevenbroich	60.0	23.7	2.0
HanseGas GmbH[1, 12]	DE, Quickborn	100.0	66.1	–
HanseWerk AG[1]	DE, Quickborn	66.5	587.0	61.6
HanseWerk Natur GmbH[1, 12]	DE, Hamburg	100.0	59.0	–
Harzwasserwerke GmbH[5]	DE, Hildesheim	20.8	98.3	9.4
Herzo Werke GmbH[7]	DE, Herzogenaurach	19.9	20.3	–
HGC Hamburg Gas Consult GmbH[2, 12]	DE, Hamburg	100.0	0.5	–
Holsteiner Wasser GmbH[6]	DE, Neumünster	50.0	10.0	2.0
Hubject GmbH[7]	DE, Berlin	11.1	16.1	-2.4
Induboden GmbH[2]	DE, Düsseldorf	100.0	13.8	0.1
Induboden GmbH & Co. Grundstücksgesellschaft oHG[2, 14]	DE, Essen	100.0	12.0	1.1
Industriekraftwerk Greifswald GmbH[6]	DE, Kassel	49.0	17.8	1.6
infra fürth gmbh[7]	DE, Fürth	19.9	77.1	–
InfraServ - Bayernwerk Gendorf GmbH[6]	DE, Burgkirchen a.d.Alz	50.0	22.2	3.6
innogy Benelux Holding B.V.[1]	NL, 's-Hertogenbosch	100.0	-113.3	446.5
innogy Beteiligungsholding GmbH[1, 11, 12]	DE, Essen	100.0	3,895.0	–
Innogy Business Services UK Limited[1]	GB, Swindon	100.0	-23.4	-25.0
innogy Commodity Markets GmbH[1, 12]	DE, Essen	100.0	0.0	–
innogy Consulting & Ventures Holdings LLC[2]	US, Boston	100.0	11.4	-0.0
innogy Consulting GmbH[2]	DE, Essen	100.0	-16.5	-20.8
innogy Direkt GmbH[1, 12]	DE, Dortmund	100.0	5.0	–
innogy e-mobility US LLC[1]	US, Delaware	100.0	88.6	–
innogy Finance B.V.[1]	NL, 's-Hertogenbosch	100.0	10.6	3.2
innogy Fünfzehnte Vermögensverwaltungs GmbH[2, 12, 13]	DE, Essen	100.0	0.0	–
innogy International Participations N.V.[1]	NL, 's-Hertogenbosch	100.0	7,714.5	250.4
innogy Polska S.A.[1]	PL, Warsaw	100.0	371.3	53.8
innogy SE[1, 12]	DE, Essen	100.0	400.1	–
innogy Stoen Operator Sp. z o.o.[1]	PL, Warsaw	100.0	657.2	39.3
innogy Vierzehnte Vermögensverwaltungs GmbH[2, 12]	DE, Essen	100.0	0.0	–
innogy Zweite Vermögensverwaltungs GmbH[1, 11, 12]	DE, Essen	100.0	1,720.6	–
innogy Zwölfte Vermögensverwaltungs GmbH[2, 12, 13]	DE, Essen	100.0	0.0	–
Intertrust Technologies Corporation[7]	US, Sunnyvale	9.9	75.3	-17.9
KAWAG AG & Co. KG[6, 14]	DE, Pleidelsheim	49.0	15.4	0.7
Kemkens B.V.[5]	NL, Oss	49.0	39.7	7.7
Kernkraftwerk Brokdorf GmbH & Co. oHG[1]	DE, Hamburg	80.0	153.4	30.8
Kernkraftwerk Brunsbüttel GmbH & Co. oHG[5]	DE, Hamburg	33.3	32.4	14.1
Kernkraftwerk Krümmel GmbH & Co. oHG[3, 14]	DE, Hamburg	50.0	102.2	25.2
Kernkraftwerk Stade GmbH & Co. oHG[1, 14]	DE, Hamburg	66.7	30.7	5.9
Kernkraftwerke Isar Verwaltungs GmbH[1, 12]	DE, Essenbach	100.0	1.0	–

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Name	Location	Stake %	Equity € in millions	Earnings € in millions
KEW Kommunale Energie- und Wasserversorgung Aktiengesellschaft[5]	DE, Neunkirchen	28.6	73.9	10.7
KGW - Kraftwerk Grenzach-Wyhlen GmbH[1, 12]	DE, Munich	100.0	9.2	–
KommEnergie GmbH[6]	DE, Eichenau	55.0	10.0	1.8
Konsortium Energieversorgung Opel beschränkt haftende oHG[4, 9, 14]	DE, Karlstein	66.7	21.6	5.1
Kraftwerk Burghausen GmbH[1, 12]	DE, Munich	100.0	4.8	–
Kraftwerk Hattorf GmbH[1, 12]	DE, Munich	100.0	0.0	–
Kraftwerk Marl GmbH[1, 12]	DE, Munich	100.0	0.1	–
Kraftwerk Plattling GmbH[1, 12]	DE, Munich	100.0	0.3	–
LandE GmbH[1]	DE, Wolfsburg	69.6	189.4	19.7
Lechwerke AG[1]	DE, Augsburg	89.9	542.4	139.9
Leitungspartner GmbH[1, 12]	DE, Düren	100.0	0.1	–
LEW Anlagenverwaltung Gesellschaft mit beschränkter Haftung[1]	DE, Gundremmingen	100.0	295.7	13.5
LEW Beteiligungsgesellschaft mbH[1]	DE, Gundremmingen	100.0	462.7	11.5
LEW Netzservice GmbH[1, 12]	DE, Augsburg	100.0	0.1	–
LEW Service & Consulting GmbH[1, 12]	DE, Augsburg	100.0	1.3	–
LEW Verteilnetz GmbH[1, 12]	DE, Augsburg	100.0	600.6	–
LEW Wasserkraft GmbH[1, 12]	DE, Augsburg	100.0	24.7	–
Livisi GmbH[1]	DE, Essen	100.0	16.8	-12.7
LSW Holding GmbH & Co. KG[5, 9]	DE, Wolfsburg	57.0	41.7	12.9
MAINGAU Energie GmbH[5]	DE, Obertshausen	46.6	57.9	22.1
medl GmbH[5]	DE, Mülheim an der Ruhr	39.0	21.8	12.0
Melle Netze GmbH & Co. KG[6, 16]	DE, Melle	50.0	15.4	-0.0
MEON Pensions GmbH & Co. KG[1, 11, 14]	DE, Grünwald	100.0	1,980.8	-68.7
MITGAS Mitteldeutsche Gasversorgung GmbH[1]	DE, Halle (Saale)	75.4	102.6	10.6
Mitteldeutsche Netzgesellschaft Gas HD mbH[2, 12]	DE, Halle (Saale)	100.0	0.0	–
Mitteldeutsche Netzgesellschaft Gas mbH[1, 12]	DE, Halle (Saale)	100.0	0.0	–
Mitteldeutsche Netzgesellschaft Strom mbH[1, 12]	DE, Halle (Saale)	100.0	294.8	–
MNG Stromnetze GmbH & Co. KG[6]	DE, Lüdinghausen	25.1	20.0	2.4
Nebelhornbahn-Aktiengesellschaft[6]	DE, Oberstdorf	20.1	16.0	0.4
Neckar - Aktiengesellschaft[7]	DE, Stuttgart	12.5	10.2	–
Netzgesellschaft Hildesheimer Land GmbH & Co. KG[6]	DE, Giesen	49.0	16.5	1.3
Netzgesellschaft Osnabrücker Land GmbH & Co. KG[4, 16]	DE, Bohmte	50.0	52.4	-0.0
Netzgesellschaft Schwerin mbH (NGS)[6]	DE, Schwerin	40.0	17.1	1.6
Netzgesellschaft Südwestfalen mbH & Co. KG[6]	DE, Netphen	49.0	12.4	1.9
Neumünster Netz Beteiligungs-GmbH[1, 12]	DE, Neumünster	50.1	25.6	–
NEW AG[1, 8]	DE, Mönchengladbach	40.0	175.9	–
NEW Netz GmbH[1, 12]	DE, Geilenkirchen	100.0	143.8	–
NEW Niederrhein Energie und Wasser GmbH[1, 12]	DE, Mönchengladbach	100.0	15.9	–
NEW NiederrheinWasser GmbH[1, 12]	DE, Viersen	100.0	46.6	–
NEW Tönisvorst GmbH[1, 12]	DE, Tönisvorst	98.7	19.3	–
NEW Viersen GmbH[1, 12]	DE, Viersen	100.0	13.3	–
NIS Norddeutsche Informations-Systeme Gesellschaft mbH[2, 12]	DE, Schwentinental	100.0	2.2	–
Nord Stream AG[18]	CH, Zug	15.5	3,001.6	424.4
NordNetz GmbH[2, 12]	DE, Quickborn	100.0	0.2	–

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Name	Location	Stake %	Equity € in millions	Earnings € in millions
Npower Gas Limited[1]	GB, Swindon	100.0	-35.3	179.7
Npower Group Limited[1]	GB, Swindon	100.0	-184.5	-902.3
Npower Limited[1]	GB, Swindon	100.0	283.3	98.0
Npower Northern Limited[1]	GB, Swindon	100.0	-909.7	720.0
Npower Yorkshire Limited[1]	GB, Swindon	100.0	-26.0	870.1
OIE Aktiengesellschaft[1, 12]	DE, Idar-Oberstein	100.0	58.1	–
OOO E.ON Connecting Energies[6]	RU, Moscow	50.0	25.3	3.1
PEG Infrastruktur AG[17]	CH, Zug	100.0	700.2	101.3
PFALZWERKE AKTIENGESELLSCHAFT[5]	DE, Ludwigshafen am Rhein	26.7	264.4	13.7
Plus Shipping Services Limited[1]	GB, Swindon	100.0	28.0	0.0
Portfolio EDL GmbH[1, 11, 12]	DE, Helmstedt	100.0	0.1	–
Powergen Holdings B.V.[1]	NL, Rotterdam	100.0	1,036.2	0.4
Powerhouse B.V.[1]	NL, Almere	100.0	57.8	-1.2
PreussenElektra GmbH[1, 12]	DE, Hanover	100.0	245.2	–
Projecta 14 GmbH[5]	DE, Saarbrücken	50.0	37.8	1.6
Propan Rheingas GmbH & Co Kommanditgesellschaft[6]	DE, Brühl	29.6	20.4	9.3
PS Energy UK Limited[1]	GB, Swindon	100.0	-23.5	-12.0
PSI Software AG[7]	DE, Berlin	17.8	85.8	5.0
Purena GmbH[1]	DE, Wolfenbüttel	94.1	49.5	5.7
Recargo Inc.[1]	US, El Segundo	100.0	34.2	–
Recklinghausen Netzgesellschaft mbH & Co. KG[5]	DE, Recklinghausen	49.9	17.9	1.0
Regionetz GmbH[1, 8]	DE, Aachen	49.2	269.2	–
RegioNetzMünchen GmbH & Co. KG[6]	DE, Garching	50.0	11.4	1.6
rEVUlution GmbH[2, 12]	DE, Essen	100.0	4.1	–
REWAG REGENSBURGER ENERGIE- UND WASSERVERSORGUNG AG & CO KG[5]	DE, Regensburg	35.5	110.7	23.6
RheinEnergie AG[5]	DE, Cologne	20.0	906.9	148.1
Rheinland Westfalen Energiepartner GmbH[2, 12]	DE, Essen	100.0	5.4	–
Rhein-Main-Donau GmbH[5]	DE, Landshut	22.5	110.1	–
Rhein-Sieg Netz GmbH[1, 12]	DE, Siegburg	100.0	20.8	–
rhenag Rheinische Energie Aktiengesellschaft[1]	DE, Cologne	66.7	142.6	28.4
RHENAGBAU Gesellschaft mit beschränkter Haftung[2, 12]	DE, Cologne	100.0	4.1	–
RL Besitzgesellschaft mbH[1]	DE, Monheim am Rhein	100.0	115.0	14.6
RL Beteiligungsverwaltung beschr. haft. OHG[1, 14]	DE, Monheim am Rhein	100.0	356.7	28.1
RURENERGIE GmbH[6]	DE, Düren	30.1	14.5	0.2
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH[1]	DE, Mülheim an der Ruhr	79.8	76.5	5.0
Safekont GmbH[2, 12]	DE, Munich	100.0	0.0	–
Safetec Entsorgungs- und Sicherheitstechnik GmbH[2, 12]	DE, Heidelberg	100.0	2.2	–
Schleswig-Holstein Netz AG[1, 12]	DE, Quickborn	75.5	523.3	–
Schleswig-Holstein Netz Verwaltungs-GmbH[1, 12]	DE, Quickborn	100.0	0.0	–
SEC Energia Sp. z o.o.[2]	PL, Szczecin	100.0	14.8	1.1
SERVICE plus GmbH[2, 12]	DE, Neumünster	100.0	32.2	–
Siegener Versorgungsbetriebe GmbH[6]	DE, Siegen	24.9	26.6	5.0
Skive GreenLab Biogas ApS[6]	DK, Frederiksberg	50.0	11.4	-0.6

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Sønderjysk Biogas Bevtoft A/S[6]	DK, Vojens	50.0	18.5	0.0
SSW - Stadtwerke St. Wendel GmbH & Co KG.[5]	DE, St. Wendel	49.5	20.2	1.9
Städtische Betriebswerke Luckenwalde GmbH[6]	DE, Luckenwalde	29.0	14.9	2.3
Städtische Werke Magdeburg GmbH & Co. KG[5]	DE, Magdeburg	26.7	231.1	59.8
Stadtnetze Neustadt a. Rbge. GmbH & Co. KG[6]	DE, Neustadt a. Rbge.	24.9	16.2	1.5
Stadtwerk Haßfurt GmbH[7]	DE, Haßfurt	17.9	10.5	–
Stadtwerke Ahaus GmbH[6]	DE, Ahaus	36.0	11.3	3.4
Stadtwerke Aschersleben GmbH[6]	DE, Aschersleben	35.0	17.7	2.7
Stadtwerke Aue - Bad Schlema GmbH[6]	DE, Aue-Bad Schlema	24.5	13.8	1.9
Stadtwerke Bamberg Energie- und Wasserversorgungs GmbH[7]	DE, Bamberg	10.0	30.1	–
Stadtwerke Bayreuth Energie und Wasser GmbH[5]	DE, Bayreuth	24.9	29.6	–
Stadtwerke Bernburg GmbH[5]	DE, Bernburg (Saale)	45.0	32.8	–
Stadtwerke Bitterfeld-Wolfen GmbH[6]	DE, Bitterfeld-Wolfen	40.0	20.4	–
Stadtwerke Blankenburg GmbH[6]	DE, Blankenburg	30.0	11.1	1.0
Stadtwerke Delitzsch GmbH[7]	DE, Delitzsch	18.3	16.4	3.4
Stadtwerke Detmold GmbH[7]	DE, Detmold	12.5	31.5	–
Stadtwerke Duisburg Aktiengesellschaft[5]	DE, Duisburg	20.0	203.4	36.1
Stadtwerke Dülmen Dienstleistungs- und Beteiligungs-GmbH & Co. KG[4, 14]	DE, Dülmen	50.0	27.0	4.2
Stadtwerke Düren GmbH[1, 8]	DE, Düren	49.9	27.5	4.2
Stadtwerke Emmerich GmbH[6]	DE, Emmerich am Rhein	24.9	12.1	273.5
Stadtwerke Essen Aktiengesellschaft[5]	DE, Essen	29.0	134.8	33.8
Stadtwerke Frankfurt (Oder) GmbH[5]	DE, Frankfurt (Oder)	39.0	34.8	0.4
Stadtwerke Garbsen GmbH[6]	DE, Garbsen	24.9	28.1	2.1
Stadtwerke Geesthacht GmbH[6]	DE, Geesthacht	24.9	22.1	–
Stadtwerke Geldern GmbH[6]	DE, Geldern	49.0	13.4	2.9
Stadtwerke GmbH Bad Kreuznach[5]	DE, Bad Kreuznach	24.5	39.9	4.8
Stadtwerke Haan GmbH[6]	DE, Haan	25.1	20.5	0.7
Stadtwerke Hof Energie+Wasser GmbH[7]	DE, Hof	19.9	22.1	–
Stadtwerke Husum GmbH[6]	DE, Husum	49.9	15.8	0.9
Stadtwerke Kamp-Lintfort GmbH[5]	DE, Kamp-Lintfort	49.0	14.3	3.1
Stadtwerke Lingen GmbH[4]	DE, Lingen (Ems)	40.0	14.0	4.0
Stadtwerke Ludwigsfelde GmbH[6]	DE, Ludwigsfelde	29.0	12.8	2.0
Stadtwerke Meerane GmbH[6]	DE, Meerane	24.5	15.3	2.3
Stadtwerke Meerbusch GmbH[7]	DE, Meerbusch	7.4	25.3	5.8
Stadtwerke Merseburg GmbH[5]	DE, Merseburg	40.0	26.1	–
Stadtwerke Merzig Gesellschaft mit beschränkter Haftung[5]	DE, Merzig	49.9	15.9	2.5
Stadtwerke Neuss Energie und Wasser GmbH[7]	DE, Neuss	17.5	88.3	2.2
Stadtwerke Nordfriesland GmbH[6]	DE, Niebüll	49.9	13.2	0.7
Stadtwerke Ostmünsterland GmbH & Co. KG[7]	DE, Telgte	9.5	39.8	6.8
Stadtwerke Porta Westfalica Gesellschaft mit beschränkter Haftung[7]	DE, Porta Westfalica	12.5	17.8	0.6
Stadtwerke Ratingen GmbH[5]	DE, Ratingen	24.8	65.3	3.2
Stadtwerke Reichenbach/Vogtland GmbH[6]	DE, Reichenbach im Vogtland	24.5	14.0	1.3
Stadtwerke Saarlouis GmbH[5]	DE, Saarlouis	49.0	40.0	4.6
Stadtwerke Schwarzenberg GmbH[6]	DE, Schwarzenberg/Erzgeb.	27.5	14.9	1.3

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Stadtwerke Schwedt GmbH[6]	DE, Schwedt/Oder	37.8	24.2	0.3
Stadtwerke Steinfurt, Gesellschaft mit beschränkter Haftung[6]	DE, Steinfurt	33.0	1.8	0.8
Stadtwerke Straubing Strom und Gas GmbH[7]	DE, Straubing	19.9	15.8	–
Stadtwerke Sulzbach/Saar GmbH[7]	DE, Sulzbach	15.0	11.4	1.8
Stadtwerke Unna GmbH[6]	DE, Unna	24.0	16.6	3.6
Stadtwerke Velbert GmbH[5]	DE, Velbert	30.4	82.0	1.3
Stadtwerke Vilshofen GmbH[6]	DE, Vilshofen	41.0	11.0	1.8
Stadtwerke Völklingen Netz GmbH[7]	DE, Völklingen	17.6	16.4	2.0
Stadtwerke Weißenfels Gesellschaft mit beschränkter Haftung[6]	DE, Weißenfels	24.5	25.1	3.8
Stadtwerke Wertheim GmbH[7]	DE, Wertheim	10.0	20.5	–
Stadtwerke Willich Gesellschaft mit beschränkter Haftung[7]	DE, Willich	7.4	14.3	5.9
Stadtwerke Wismar GmbH[5]	DE, Wismar	49.0	41.3	4.0
Stadtwerke Wolfenbüttel GmbH[6]	DE, Wolfenbüttel	26.0	16.4	–
Stadtwerke Wolmirstedt GmbH[6]	DE, Wolmirstedt	49.4	13.9	0.8
Stadtwerke Zeitz Gesellschaft mit beschränkter Haftung[6]	DE, Zeitz	24.8	21.1	2.8
STEAG Windpark Ullersdorf GmbH & Co. KG[6]	DE, Jamlitz	20.8	19.0	1.3
StWB Stadtwerke Brandenburg an der Havel GmbH & Co. KG[5]	DE, Brandenburg an der Havel	36.8	71.1	12.4
Südwestdeutsche Nuklear-Entsorgungs-Gesellschaft mbH (SNE)[7]	DE, Stuttgart	13.5	10.3	2.8
Süwag Energie AG[1]	DE, Frankfurt am Main	77.6	669.4	72.6
Süwag Grüne Energien und Wasser AG & Co. KG[1, 12, 14]	DE, Frankfurt am Main	100.0	6.4	–
Süwag Vertrieb AG & Co. KG[1, 12, 14]	DE, Frankfurt am Main	100.0	0.7	–
SVO Holding GmbH[1]	DE, Celle	50.1	60.3	19.5
SVO Vertrieb GmbH[1, 12]	DE, Celle	100.0	1.3	–
SVS-Versorgungsbetriebe GmbH[4]	DE, Stadtlohn	30.0	28.2	2.9
SWN Stadtwerke Neustadt GmbH[6]	DE, Neustadt bei Coburg	25.1	14.3	2.1
SWS Energie GmbH[5]	DE, Stralsund	49.0	15.4	–
SWT Stadtwerke Trier Versorgungs-GmbH[7]	DE, Trier	18.7	55.7	10.5
SWTE Netz GmbH & Co. KG[5]	DE, Ibbenbüren	33.0	32.1	4.8
Syna GmbH[1, 12]	DE, Frankfurt am Main	100.0	8.1	–
Szczecińska Energetyka Cieplna Sp. z o.o.[1]	PL, Szczecin	66.5	45.5	5.8
Szombathelyi Távhőszolgáltató Kft.[6]	HU, Szombathely	25.0	10.3	0.1
Täby Fjärrvärme AB[7]	SE, Upplands Väsby	9.9	20.0	–
Technische Werke Naumburg GmbH[6]	DE, Naumburg (Saale)	47.0	11.9	0.3
Trocknungsanlage Zolling GmbH & Co. KG[6]	DE, Zolling	33.3	16.8	-0.2
Überlandwerk Leinetal GmbH[6]	DE, Gronau	48.0	14.7	2.3
Ultra-Fast Charging Venture Scandinavia ApS[6]	DK, Copenhagen	50.0	13.7	-1.0
URANIT GmbH[4]	DE, Jülich	50.0	72.1	98.1
Vandebron B.V. - Gruppe - (preconsolidated)[1]	NL, Amsterdam		-43.5	-4.2
Vandebron B.V.[1]	NL, Amsterdam	100.0		
Vandebron Energie B.V.[1]	NL, Amsterdam	100.0		
Vandebron Services B.V.[1]	NL, Amsterdam	100.0		
Versorgungskasse Energie (VVaG) i. L.[6]	DE, Hanover	69.6	51.7	–
Verteilnetz Plauen GmbH[1, 12]	DE, Plauen	100.0	0.0	–
Vinli Inc.[7]	US, Dallas	6.7	-15.0	-6.1

[1]Consolidated affiliated company. · [2]Non-consolidated affiliated company for reasons of immateriality (valued at cost). · [3]Joint operations pursuant to IFRS 11. · [4]Joint ventures pursuant to IFRS 11. [5]Associated company (valued using the equity method). · [6]Associated company (valued at cost for reasons of immateriality). · [7]Investments pursuant to Section 285 No. 11b HGB. · [8]Control by virtue of company contract. · [9]No control by virtue of company contract. · [10]Significant influence via indirect investments. · [11]This company exercised its exemption option under Section 264, Paragraph 3 of the German Commercial Code or under Section 264b. · [12]Profit and loss pooling agreement (earnings after pooling). · [13]Short fiscal year. · [14]E.ON SE or a subsidiary of E.ON SE is an unlimited-liability partner. [15]IFRS figures. · [16]Founded in 2020. · [17]Affiliated company which is held by E.ON Pension Trust e.V. on behalf of MEON Pensions GmbH & Co. KG. · [18]Other equity investment which is held by E.ON Pension Trust e. V. on behalf of MEON Pensions GmbH & Co. KG.

Disclosures Pursuant to Section 285 No. 11, 11a and 11b HGB of Companies in Which Equity Investments Are Held (as of December 31, 2020)

Name	Location	Stake %	Equity € in millions	Earnings € in millions
Visioncash[1]	GB, Coventry	100.0	303.4	–
VKB-GmbH[1]	DE, Neunkirchen	50.0	42.8	3.5
Volta Limburg B.V. - Gruppe - (preconsolidated)[1]	NL, Schinnen		28.3	6.6
Fraku Installaties B.V.[1]	NL, Venlo	100.0		
Fraku Service B.V.[1]	NL, Venlo	100.0		
Volta Limburg B.V.[1]	NL, Schinnen	100.0		
Volta Participaties 1 BV[1]	NL, Schinnen	100.0		
Volta Service B.V.[1]	NL, Schinnen	100.0		
Willems Koeltechniek B.V.[1]	NL, Beek	100.0		
VSE Aktiengesellschaft[1]	DE, Saarbrücken	51.4	210.1	15.0
VSE NET GmbH[1]	DE, Saarbrücken	100.0	14.8	2.7
VSE Verteilnetz GmbH[1, 12]	DE, Saarbrücken	100.0	53.0	–
VWS Verbundwerke Südwestsachsen GmbH[1]	DE, Lichtenstein/Sa.	97.9	24.7	2.1
Východoslovenská distribucná, a.s.[1]	SK, Košice	100.0	339.1	53.2
Východoslovenská energetika a.s.[1]	SK, Košice	100.0	81.7	8.7
Východoslovenská energetika Holding a.s.[1]	SK, Košice	49.0	594.5	45.3
Wasserverbund Niederrhein Gesellschaft mit beschränkter Haftung[6]	DE, Moers	38.5	13.5	1.1
Wendelsteinbahn Verteilnetz GmbH[2, 12]	DE, Brannenburg am Inn	100.0	0.0	–
Westenergie AG[1, 12]	DE, Essen	100.0	1,911.1	–
Westenergie Aqua GmbH[1, 11, 12]	DE, Mülheim an der Ruhr	100.0	233.1	–
Westenergie Breitband GmbH[1, 11, 12]	DE, Essen	100.0	0.0	–
Westenergie Metering GmbH[1, 12]	DE, Mülheim an der Ruhr	100.0	0.0	–
Westenergie Rheinhessen Beteiligungs GmbH[1, 11, 12, 13]	DE, Essen	100.0	57.9	–
Westerwald-Netz GmbH[1, 12]	DE, Betzdorf-Alsdorf	100.0	9.9	–
Westly Fund II[7]	US, Menlo Park	15.0	53.8	-9.1
Westnetz GmbH[1, 12, 13]	DE, Dortmund	100.0	1,438.0	–
Westnetz Immobilien GmbH & Co. KG[1]	DE, Essen	100.0	38.7	0.3
Westnetz Kommunikationsleitungen GmbH & Co. KG[1, 13]	DE, Essen	100.0	48.7	3.9
WEVG Salzgitter GmbH & Co. KG[1, 14]	DE, Salzgitter	50.2	28.0	6.0
Windenergiepark Heidenrod GmbH[6]	DE, Heidenrod	45.0	13.8	2.0
WTTP B.V.[1]	NL, Arnhem	100.0	12.9	0.3
WVW Wasser- und Energieversorgung Kreis St. Wendel Gesellschaft mit beschränkter Haftung[6]	DE, St. Wendel	28.1	25.2	1.9
Zagrebacke otpadne vode d.o.o.[4]	HR, Zagreb	48.5	240.6	22.3
Západoslovenská energetika a.s. (ZSE)[4, 15]	SK, Bratislava	49.0	355.4	74.4
Zwickauer Energieversorgung GmbH[5]	DE, Zwickau	27.0	44.4	–

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Declaration of the Board of Management

To the best of our knowledge, we declare that, in accordance with applicable financial reporting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Management Report of the Company, which is combined with the Group Management Report, provides a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Essen, Germany, March 15, 2021

The Management Board

Teyssen

Birnbaum

König

Spieker

Wildberger

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

Independent Auditor's Report

To E.ON SE, Essen

Report on the Audit of the Annual Financial Statements and of the Management Report

Audit Opinions

We have audited the annual financial statements of E.ON SE, Essen, which comprise the balance sheet as at December 31, 2020, and the income statement for the financial year from January 1 to December 31, 2020, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of E.ON SE, which is combined with the group management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2020 and of its financial performance for the financial year from January 1 to December 31, 2020 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

1. Subsequent accounting treatment relating to the acquisition of innogy SE in financial year 2019
2. Recoverability of shares in affiliated companies and net investment income

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

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

1 Subsequent accounting treatment relating to the acquisition of innogy SE in financial year 2019

① On March 12, 2018, E.ON and RWE entered into agreements governing the acquisition of RWE's 76.8% interest in innogy SE, Essen, and the framework for the subsequent legal transfer of innogy's renewables and gas storage business and its equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft, Klagenfurt, Austria, to RWE. Following approval of the transaction by the European Commission and the competent antitrust authorities, E.ON SE acquired a majority stake in innogy SE on September 18, 2019, which it subsequently contributed to its wholly owned indirect subsidiary E.ON Verwaltungs SE in financial year 2019 via a chain of contributions. Pursuant to the merger agreement dated January 22, 2020, innogy SE was merged with E.ON Verwaltungs SE (which has been operating as innogy SE since June 2020) with retrospective effect as of January 1, 2020. The merger was entered into the commercial register of the acquiring legal entity on June 2, 2020. The merger gain of EUR 2.8 billion accruing at the level of the acquirer was transferred to E.ON SE as part of the contractual transfer of profits from the subsidiaries involved.

The transfer of innogy SE's renewables and gas storage businesses and its equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft to RWE, as agreed in the agreements with RWE, took place on June 30, 2020. This discharged the obligation to RWE reported in the "Other liabilities" balance sheet item in E.ON SE's 2019 annual financial statements. With respect to these transfers, compensation agreements between E.ON SE and the subsidiaries holding the assets subject to disposal were entered into in financial year 2020. Taking into account a provision recognized in the previous year, the difference between the settlement of the compensation agreements and the final purchase price agreed with RWE, resulted in an expense of EUR 151 million for E.ON SE.

Taking into consideration the final purchase price, the internal compensation agreements entered into between E.ON SE and certain affiliated companies of the E.ON Group during the year 2018 to compensate for the interests in the former E.ON renewables business to be transferred to RWE, resulted in a gain of EUR 54 million.

After internal cost allocations, the final settlement of the entire transaction with RWE thus resulted in an overall expense of EUR 97 million for E.ON SE.

Due to the highly complex nature of the transaction as a whole and the overall material effect of the amounts involved on the assets, liabilities, and financial performance of E.ON SE, the subsequent accounting treatment relating to the acquisition of innogy SE in financial year 2019 was of particular significance in the context of our audit.

② As part of our audit, we reconciled the contractually determined adjustment of the agreed purchase prices with the contractual bases, the subsequent clarifications between E.ON and RWE, and the payments made. On that basis, we assessed the final amounts of the internal compensation agreements against the settlements reached between E.ON SE and the subsidiaries in financial year 2020, and reconciled these with the respective payment records. In this context, we also examined the net gain/loss on the internal compensation agreements recognized in the income statement, taking into consideration the contractual bases. We evaluated the collection of the gain from the merger by means of profit transfer arrangements and assessed it on the basis of the underlying profit and loss transfer agreement and the audited annual financial statements of the respective subsidiary. Overall, we were able to satisfy ourselves that the subsequent accounting treatment relating to the acquisition of innogy SE in financial year 2019 was appropriately presented in the financial statements and that the estimates and assumptions made by the executive directors are substantiated and adequately documented.

③ The Company's disclosures relating to the subsequent accounting treatment of the innogy SE acquisition are contained in notes 18, 23 and 26 to the financial statements.

❷ Recoverability of shares in affiliated companies and net investment income

Recoverability of shares in affiliated companies

① As of December 31, 2020, shares in affiliated companies amounting to EUR 43.6 billion (72.8 % of total assets) are reported under E.ON SE’s long-term financial assets. As of the balance sheet date, E.ON SE performed an impairment test on the recoverability of the material shares in affiliated companies. The shares in affiliated companies of E.ON SE were not subject to impairment in financial year 2020.

The fair value of the shares in affiliated companies is measured on the basis of the market price or purchase price indications based on values determined by external experts, provided these are available. Otherwise, the discounted cash flow method is used to determine a total enterprise value, which is adjusted by the net finance position so that the equity value can be calculated for the purposes of comparing that against the carrying amount of the respective long-term equity investment. Expectations relating to future market developments and assumptions about the development of macroeconomic and regulatory factors are also taken into account.

The result of these measurements depends to a large extent on the executive directors’ estimates of future cash flows, the discount rate applied and the growth rate. In addition, assumptions about the long-term development of the budgeted contributions to earnings and the relevant regulatory factors, as well as the expected impact of the ongoing COVID-19 pandemic on the business operations of the affiliated companies, are of particular importance. Due to the complexity of the measurement, the considerable uncertainties associated with the underlying assumptions and the importance for the assets, liabilities and financial performance of E.ON SE as a financial holding company, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the recoverability of the carrying amounts of material long-term equity investments. We assessed in particular whether the respective measurement model used to determine the total enterprise value meets the conceptual requirements of the relevant measurement standards and whether the calculations in the model were correctly performed. We also assessed whether the respective total enterprise value was correctly calculated and whether the net finance position was correctly derived from the financial accounting records.

The critical assessment of the key assumptions underlying the measurements was the focal point of our audit. We evaluated the appropriateness of the future cash flows used for the measurement of the shares by reconciling this data against general and sector-specific market expectations and by comparing it with the current budgets in the Group investment, finance and HR plan for financial year 2021 prepared by the executive directors and approved by the supervisory board on December 15, 2020 as well as the planning for financial years 2022 and 2023 prepared by the executive directors and acknowledged by the supervisory board. Among other things, we assessed how the long-term growth rates used for perpetual annuities were derived from the market expectations, and reconciled this with the cost of capital applied. We also assessed the parameters used to determine the discount rate applied, and evaluated the measurement model. In addition, we compared the assumptions about the long-term development of the forecast contributions to earnings and the relevant regulatory influencing factors against sector-specific expectations. In this context, we also assessed the executive directors’ estimate as to the impact of the COVID-19 pandemic on the business of the affiliated companies and evaluated how this was taken into consideration in calculating the future cash flows. Finally, we assessed whether the value calculated in this way was properly compared against the carrying amount of the corresponding long-term equity investment in order to determine any impairment losses or reversals of impairment losses.

Taking into consideration the information available, according to our findings the measurement parameters and assumptions used by the executive directors to measure shares in affiliated companies are appropriate overall.

③ The Company's disclosures relating to shares in affiliated companies are contained in note 2 to the financial statements.

Net investment income

① Net investment income of EUR 2.4 billion is reported in the income statement of E.ON SE for financial year 2020. This was attributable primarily to profit transfer from a subsidiary amounting to EUR 3.4 billion. That was partly offset by the absorption of losses amounting to EUR 1.3 billion, which were attributable mainly to a subsidiary that had recognized significant write-downs on shares in affiliated companies. The profit transfer of E.ON Beteiligungen includes the merger gain of EUR 2.8 billion from the merger of innogy SE into E.ON Verwaltungs SE (now operating under innogy SE), which, however, was already almost entirely offset at the level of innogy SE by recognized impairments on investments.

From our point of view, this matter was of particular significance in the context of our audit due to the material importance of the amount involved for the Company's financial performance.

② As part of our audit, we assessed the correct calculation and recognition of the net investment income. Among other things, we assessed the proper collection of the profit transfers and the underlying profit transfer agreements with the affiliated companies. We verified the recognized amounts on the basis of the annual financial statements, for which unqualified independent auditors' reports had been issued, for the material affiliated companies. We were able to satisfy ourselves that the net investment income had been appropriately recognized in the annual financial statements based on the available information.

③ The Company's disclosures relating to the material net investment income are contained in note 20 to the annual financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB.

The other information comprises further the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

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

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

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

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

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

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern.

In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

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

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

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

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

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

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

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

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

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

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

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

Other Legal and Regulatory Requirements

Report on the Audit of Compliance with the Accounting Obligations pursuant to § 6b Abs. 3 EnWG

Audit Opinion

We have audited whether the Company has complied with its obligations pursuant to § 6b Abs. 3 Sätze [sentences] 1 to 5 EnWG [Energiewirtschaftsgesetz: German Energy Industry Act] to maintain separate accounts for the financial year from January 1 to December 31, 2020.

In our opinion, the obligations pursuant to § 6b Abs. 3 Sätze 1 to 5 EnWG to maintain separate accounts have been complied with in all material respects.

Basis for the Audit Opinion

We conducted our audit of the compliance with the obligations to maintain separate accounts in accordance with § 6b Abs. 5 EnWG in compliance with IDW Auditing Standard: Audit pursuant to § 6b Energiewirtschaftsgesetz [German Energy Industry Act] (IDW PS 610 n.F.). Our responsibilities under those requirements and principles are further described in section "Auditor's Responsibilities for the Audit of the Compliance with the Accounting Obligations pursuant to § 6b Abs. 3 EnWG". We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We as an audit firm apply the requirements of the IDW Standard on Quality Control: Requirements to quality control for audit firms (IDW QS 1). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG.

Responsibilities of the Executive Directors and the Supervisory Board for the Compliance with the Accounting Obligations pursuant to § 6b Abs. 3 EnWG
The executive directors are responsible for the compliance with the obligations pursuant to § 6b Abs. 3 Sätze 1 to 5 EnWG to maintain separate accounts.

In addition, the executive directors are responsible for such internal control as they have determined necessary to comply with the obligations to maintain separate accounts.

The supervisory board is responsible for overseeing the Company's compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG.

Auditor's Responsibilities for the Audit of the Compliance with the Accounting Obligations pursuant to § 6b Abs. 3 EnWG
Our objective is to obtain reasonable assurance about whether the executive directors have complied, in all material respects, with their obligations pursuant to § 6b Abs. 3 Sätze 1 to 5 EnWG to maintain separate accounts.

In addition, our objective is to include a report in the auditor's report which contains our audit opinion on the compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG.

The audit of the compliance with the obligations pursuant to § 6b Abs. 3 Sätze 1 to 5 EnWG to maintain separate accounts comprises an assessment of whether the allocation of the accounts to the activities pursuant to § 6b Abs. 3 Sätze 1 to 4 EnWG has been made appropriately and comprehensibly and whether the principle of consistency has been observed.

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Annual Financial Statements and the Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion
We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached electronic file EON_SE_JA_zLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above.

Basis for the Reasonable Assurance Conclusion
We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents
The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the annual general meeting on May 28, 2020. We were engaged by the supervisory board on June 5, 2020. We have been the auditor of the E.ON SE, Essen, without interruption since the company first met the requirements as a public-interest entity within the meaning of § 319a Abs. 1 Satz 1 HGB in the financial year 1965.

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

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

Düsseldorf, March 16, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

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The German version of E.ON SE's Financial Statements and Combined Group Management Report is legally binding.

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