Corporate Profile

Business Model

E.ON is an investor-owned energy company with approximately 72,000 employees led by Corporate Functions in Essen. The Group's core business is divided into two operating segments: Energy Networks and Customer Solutions. Non-strategic operations are reported under Non-Core Business; corporate functions and equity interests managed directly by E.ON SE are reported under Corporate Functions/Other.

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 and offering 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, Croatia, Romania, Poland, and Slovakia. In addition, the Combined Group Management Report discloses Energy Infrastructure Solutions' activities in this segment for the first time. Energy Infrastructure Solutions engages in activities aimed at decarbonizing E.ON's commercial and industrial customers, such as sustainable city solutions and district heating.

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

Changes in Segment Reporting

Operations in Croatia and at VSEH in Slovakia consist of network as well as sales businesses. All of these operations were previously reported at Energy Networks' East-Central Europe/Turkey unit. E.ON's segment reporting was adjusted effective January 1, 2021. Power and gas sales operations as well as the new customer solutions business in Croatia and at VSEH are now reported at Customer Solutions' Other unit. Their network businesses continue to be reported at Energy Networks' East-Central Europe/Turkey unit.

Energy Price Movements

High gas and electricity prices had a significant impact on the energy sector in 2021. The main cause was a tight supply of natural gas accompanied by rising global gas demand as the economy recovered. In addition, wholesale prices for gas and electricity rose in response to higher coal and carbon prices. The fourth quarter in particular saw substantial price increases on wholesale markets with varying impacts on consumers. E.ON is active on wholesale markets and was also affected by price increases in different ways during the reporting period. The Business Report contains more information on these matters beginning on page 53.

Corporate Bond Issued

In mid-January 2021 E.ON issued a €600 million corporate bond maturing in December 2028 with a coupon of 0.1 percent.

Supplementary Agreements to enviaM's Consortium Agreement

Through subsidiaries, E.ON SE has a roughly 59-percent stake in enviaM AG. The other main shareholders are two municipal companies whose aggregate stake totals around 37 percent. From 2002 onward, a consortium agreement gave these municipal shareholders a put option that could be exercised in whole or in part. Pursuant to IAS 32, E.ON SE recorded this put option as a liability in its Consolidated Financial Statements. In March 2021, a supplementary agreement to the consortium agreement was concluded that stipulates the put option's cancellation. The standstill obligation had

been recorded as a liability in the amount of €1.8 billion. Effective March 31, 2021, it no longer existed. Accordingly, equity increased by €1.8 billion. Of this amount, €0.7 billion is attributable to shareholders of E.ON SE.

E.ON Presents Green Bond Framework Aligned with the EU Taxonomy and Issues First Bond under It

On March 1, 2021, E.ON became Europe's first corporate issuer to present a Green Bond Framework that is in full compliance with the EU Taxonomy's criteria for sustainable economic activities and with the draft Delegated Acts. In December E.ON published an updated Green Bond Framework that reflects the final version of the Delegated Acts. In late March E.ON successfully marketed a €750 million green bond under the new framework. It matures in October 2032 and has a coupon of 0.6 percent.

Disposal of Stake in Rampion Renewables Ltd

In 2019 E.ON UK plc sold roughly 60 percent of its stake in Rampion Renewables Ltd, which has a roughly 50-percent stake in U.K. wind farm operator Rampion Offshore Wind Ltd, to RWE Renewables UK Ltd, an RWE Group company. On December 29, 2020, an agreement was signed with RWE AG and RWE Renewables UK Ltd under which E.ON UK plc would transfer its remaining 40-percent stake to RWE Renewables UK Ltd. In view of this agreement, E.ON has disclosed its stake in Rampion Renewables Ltd as an asset held for sale since December 31, 2020. The stake was transferred on April 1, 2021. The parties agreed not to disclose the purchase price, which was received at year-end 2020.

E.ON Supports United Nations' "Decade for Ecosystem Restoration"

E.ON is the world's first energy company to support the United Nations Environment Programme ("UNEP") in restoring ecosystems in the interest of climate protection and biodiversity. E.ON, Europe's largest operator of electricity distribution networks, will create valuable biotopes under 13,000 kilometers of high-voltage lines in forested areas. E.ON is a partner in UNEP, which commemorated World Environment Day on June 5 by proclaiming this decade to be the "Decade for Ecosystem Restoration."

E.ON has many years of experience in the ecological management of power-line corridors and already manages 8,000 hectares of such corridors in an environmentally friendly way. The Group now intends to draw on this experience across Europe. E.ON is convinced that healthy and stable ecosystems play an important role in the fight against climate change. This is why E.ON is investing a double-digit million sum in the preservation of ecosystems and intends to adopt ecological corridor management for overhead power lines in forested areas Group-wide by 2026.

Disposal of the Sales Business in Belgium

Dutch energy supplier Essent NV and Belgian energy company Luminus signed an agreement in February 2021 to sell Essent's sales business in Belgium. Essent, a wholly owned E.ON Group subsidiary, at the time supplied more than 500,000 electricity and gas customers in Belgium. The sales business in Belgium was part of Customer Solutions' Netherlands/Belgium business unit and was deconsolidated in the second quarter of 2021 after the transaction closed.

Consortium Agreement with RheinEnergie

On June 29, 2021, the E.ON Group's fully consolidated subsidiary Westenergie concluded a new consortium agreement with RheinEnergie AG. It is planned that Westenergie and RheinEnergie will combine their equity interests in certain municipal utilities in rhenag Rheinische Energie Aktiengesellschaft ("rhenag"), which is also a fully consolidated E.ON Group subsidiary. rhenag will continue to be fully consolidated by Westenergie. The implementation of the steps envisaged in the consortium agreement is in principle subject to the approval of various authorities. The closing of this transaction is expected in mid-2022.

E.ON Sends Assistance from across Germany to Flood Areas

Severe storms in western Germany in July 2021 led to considerable damage, including to electricity and gas networks. After heavy flooding, E.ON employees therefore gave assistance in the area and worked tirelessly to restore energy service. Within a few days, the number of people without power in the service territory of E.ON subsidiary Westnetz was reduced from 200,000 to a few thousand.

Patrick Lammers Joined E.ON SE Management Board in August 2021

At its May meeting, the E.ON SE Supervisory Board appointed Patrick Lammers as successor to Karsten Wildberger, who left the Company in late July at his own request.

Nuclear Power/Residual Power Output Rights

In 2021, 13 TWh of residual power output rights were acquired from the company that operates Krümmel nuclear power plant ("NPP") and transferred to Grohnde, Isar II, and Brokdorf NPP, which are operated by PreussenElektra GmbH. This will ensure that these NPPs can operate until the end of their legally mandated operating lives.

The agreement on the implementation of the accelerated nuclear phaseout after 2011 between the German federal government and the country's NPP operators was enacted into law and carried out by means of the transfer of residual power output rights, the federal government's payment of compensation, and Vattenfall's repayment of preliminary purchase prices to PreussenElektra.

Orano of France and the German federal government reached an agreement to simplify the return of French reprocessed waste. The agreed-on payments were made in the fourth quarter. It is foreseen that the reduced number of containers will be returned by 2024.

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 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 has 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, one of E.ON's priorities is to help employees deal with the pandemic's impact. Where possible, the Company has 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 personal counseling. Vaccination is the principal way to protect oneself and others from infection with the coronavirus. E.ON therefore offered vaccinations at many of its offices and facilities. Employees and their families could receive a first and second vaccination in the summer of 2021 and booster vaccinations in the winter of 2021–2022. E.ON is comprehensively fulfilling its social responsibility by offering a wide range of flexible work arrangements, hygiene plans, and vaccinations, thus making an important contribution toward combating the pandemic and safeguarding employees.

E.ON's business and operating environment continues to be affected by the Covid-19 pandemic. The implications and impacts will depend on the emergence of new virus variants, the progress of vaccinations, and the effectiveness of vaccines. E.ON continuously analyses the risk situation resulting from the Covid-19 pandemic and, if necessary, will take additional measures to contain the pandemic's impact.

There were no significant Covid-19-related implications for the employment situation in the E.ON Group at any time in 2021.

E.ON Propels Digitalization and Develops New Solutions for a Digital, Sustainable Energy World

Since September 2021, E.ON has deepened its collaboration with Microsoft and Wipro Limited to promote cloud transformation. The aim of the collaboration is to make IT processes more flexible, to increase operating efficiency, and to accelerate the development of new solutions and services for customers and employees.

In September E.ON also entered into a cooperative arrangement with IBM Quantum in order to propel the transformation of the energy industry with quantum computing.

In addition, in September E.ON acquired a majority stake in Aachen-based start-up gridX, the energy industry's leading provider of smart-grid intelligence. The company develops digital platform solutions that connect, control, and optimize distributed energy resources, such as electric cars.

In December E.ON acquired a majority stake in software company envelio GmbH. envelio is a specialist in digital grid management and has developed an intelligent grid platform. This solution enables grid operators to create a digital twin of their energy grid in order to use real-time grid data to optimize grid planning and operations as well as decision-making.

E.ON to Invest €27 Billion in the Energy Transition through 2026

E.ON presented its growth strategy through 2026 at its Capital Markets Day in November. The strategy foresees continual increases in operating earnings as well as dividends. E.ON for the first time also extended its forecast timeframe from three to five years.

E.ON intends to increase EBITDA in its core business (that is, excluding PreussenElektra's soon-to-be-discontinued nuclear energy operations) by about 4 percent annually to around €7.8 billion in 2026. E.ON will lay the foundation for this ambitious growth by investing a total of roughly €27 billion through 2026, of which about €22 billion will go toward expanding its energy networks, which are the backbone of the energy transition, and €5 billion toward growing its customer solutions business. In addition, E.ON intends to increase its dividend by up to 5 percent annually through the 2026 financial year and its earnings per share by 8 to 10 percent annually. E.ON will propose a dividend of 49 cents per share for the 2021 financial year.

E.ON intends to carry out the entire growth program while maintaining its strong rating and a debt factor between 4.8 and 5.2. For this purpose, E.ON will further optimize its portfolio, through which it expects to generate proceeds of roughly €2 to €4 billion in the next five years. Portfolio optimization may consist of the divestment of businesses that do not fit with the tripartite strategy of growth, sustainability, and digitalization as well as selected partnerships.

2021 Employee Stock Program Launched

E.ON has conducted several employee stock purchase programs in the past. E.ON continued this successful approach to employee involvement and retention by launching the Employee Stock Program ("ESP") in 2021 financial year. All employees eligible to participate in the ESP are offered the opportunity once a year to purchase discounted blocks of E.ON stock. Employees received a grant of €360 for each block of stock purchased under the ESP and, if they met certain eligibility requirements, an additional one-time grant of up to €360 for the stock they purchased on September 30, 2021.

The ESP's purpose is to promote employee stock ownership and employee retention. Consequently, stock acquired under the ESP is subject to a blackout period (which ends on December 31, 2023) during which it cannot be sold. E.ON believes that stock ownership motivates employees to assume more responsibility and identify more closely with the company they work for.

Westnetz GmbH Sells Shares in Stromnetzgesellschaft Essen

In December Westnetz GmbH contractually agreed to sell 50 percent of its limited partnership interest in the newly established Stromnetzgesellschaft Essen GmbH & Co. KG to Essener Versorgungs- und Verkehrsgesellschaft mbH effective January 1, 2022. Technical assets, such as the low-voltage network of the city of Essen and transformer stations, will also be transferred to this company. After the transaction closes, these assets will be leased back to E.ON, which will continue to be responsible for operating the network. IFRS 5's criteria for these assets to be disclosed as held for sale were met for the first time in the third quarter of 2021.

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 was fully implemented effective December 16, 2021, after clearance by the relevant agencies. After the sales by E.ON, MVM holds 100 percent of distribution operator ÉMÁSZ, ÉMÁSZ Hálózati Kft. ("ÉMÁSZ DSO"), and a 25-percent stake in E.ON Hungária Zrt. (including the acquired innogy holding companies, ELMŰ Zrt. and ÉMÁSZ Zrt.). In addition, Opus acquired E.ON Tiszántúli Áramhálózati Zrt. ("E.ON ETI"). ÉMÁSZ DSO as well as E.ON ETI were, pursuant to IFRS, reclassified as a disposal group as of December 31, 2020; both were part of the Energy Networks' operations in Hungary. ÉMÁSZ DSO as well as E.ON ETI were deconsolidated in the third quarter of 2021 following the transaction's closure effective August 31, 2021.

To further optimize E.ON's portfolio in Hungary, E.ON Hungária Zrt. signed an agreement with MVM on February 23, 2022, to sell 100 percent of its stake in E.ON Áramszolgáltató Kft. ("EÁS"). EÁS holds a regional universal service provider ("USP") license under which it supplies electricity to customers in certain regions of Hungary. As of December 31, 2021, the transaction was expected to successfully close within the next twelve months. Pursuant to IFRS 5, EÁS's USP business, which is part of Customer Solutions' Other unit, was therefore reclassified as a disposal group effective December 31, 2021.

Sale of innogy eMobility Solutions GmbH

E.ON sold 100 percent of the shares in innogy eMobility Solutions GmbH ("ieMS") to Compleo Charging Solutions AG effective December 31, 2021. ieMS and its subsidiaries are active in eMobility, particulary charging stations, in Europe. Until the date of the sale, the company was reported in the Customer Solutions segment.

Planned Reorganization of the ZSE and VSEH Units in Slovakia

E.ON is in negotiations with the Slovak state on a further combination of the businesses of Západoslovenská energetika a.s. ("ZSE") and Východoslovenská energetika Holding a.s. ("VSEH"). E.ON has a 49-percent stake in each of the two companies, and the Slovakian state has a 51-percent stake. VSEH, in which E.ON has control, is fully consolidated and is part of Energy Networks' East-Central Europe/Turkey unit and Customer Solutions' Other unit. The transaction is expected to successfully close within the next 12 months. The implementation of the planned transaction would in the future result in the VSEH Group's business operations, which previously

had been fully consolidated, being accounted for in the Consolidated Financial Statements using the equity method. Pursuant to IFRS 5, the VSEH Group was therefore reclassified as a disposal group effective December 31, 2021.

Management Control System

E.ON aims to further drive the sustainable path of the Company and the European energy transition in the digital age. Following our guiding principle "Connecting Everyone To Good Energy," we are writing the next chapter of our company history. In doing so, the long-term and sustainable increase in shareholder value remains the focus of our strategy, which is geared toward growth, sustainability, and digitalization.

A uniform Group-wide planning and controlling system is used for the value-based management of our Group as a whole and its individual businesses. This system forms the basis for a uniform mindset Group-wide, while at the same time allowing targeted steering impulses for individual business units.

In the past financial year, we further developed our management system in conjunction with the further development of our strategy. The revised management system has been in use since the beginning of 2022. In addition to refining our most significant financial performance indicators, we explicitly included non-financial key performance indicators in our management system. These financial and non-financial performance indicators are the compass for our decision-making processes and enable a holistic view of our performance.

Key Performance Indicators in 2021

In the 2021 financial year, the most significant key performance indicators for the value-oriented management of our operations were adjusted EBIT, adjusted net income, and earnings per share based on net income ("EPS"), as well as investments and cash-conversion rate. Furthermore, debt factor was a significant key performance indicator in the past financial year.

Adjusted EBIT is an earnings figure before interest income and income taxes that has been adjusted to exclude non-operating effects. The adjustments include net book gains, certain restructuring expenses, impairment charges and reversals, the mark-to-market valuation of derivatives, and other non-operating earnings (see the explanatory information beginning on page 66 of the Combined Group Management Report and in Note 35 to the Consolidated Financial Statements). 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 67 of the Combined Group Management Report). It is the main factor determining earnings per share ("EPS").

Investments are equal to the investments expenditures shown in the E.ON Group's Consolidated Statements of Cash Flows. Cash-conversion rate is equal to operating cash flow before interest and taxes divided by adjusted EBITDA. The expenditures for the dismantling of nuclear power stations included in operating cash flow before interest and taxes are not factored into the cash-conversion rate.

Debt factor is equal to economic net debt divided by adjusted EBITDA. Economic net debt includes net financial debt as well as pension and asset-retirement obligations.

In addition to these key performance indicators, the Combined Group Management Report for the 2021 financial year includes other financial and non-financial performance indicators that were not in the focus of the ongoing management of our businesses in the past financial year.

E.ON's Management System as of 2022

In the past financial year, we further developed our management system and geared it strictly to our sustainable growth strategy. As of the 2022 financial year, adjusted EBITDA, investments, and earnings per share based on adjusted net income ("EPS") will be used as the most significant indicators for managing our aspired growth. The use of additional key financial and non-financial performance indicators is intended to ensure that our growth is in line with the various interests of our stakeholders. In particular, we focus on our customers, employees, shareholders, and bondholders—always in line with our environmental, social, and governmental responsibility as a leading international energy company.

Many of these performance indicators have already been used in the past to manage our businesses. However, by using adjusted EBITDA instead of, as previously, adjusted EBIT, will enable more precise management of our targeted growth while at the same time focusing on the cash-effectiveness of our earnings. By including significant non-financial performance indicators in our management system, in particular sustainability indicators are now explicitly anchored in the ongoing management of our businesses.

The following chart summarizes the key performance indicators used for management purposes.

E.ON's Management System as of 2022

Most significant performance indicators
- Adjusted EBITDA
- Cash-effective investments
- Adjusted earnings per share based on adjusted Net Income ("EPS")

Significant performance indicators
- Total shareholder return ("TSR")
- Dividend per share ("DPS")
- Cash-conversion rate
- Return on capital employed ("ROCE")
- Debt factor
- Carbon emissions
- Proportion of women in management positions
- Frequency of serious incidents and fatalities ("SIF")
- Net Promoter Score ("NPS")
- ESG ratings

Other performance indicators

In addition to the management system, the compensation system for the Management Board is also designed to support the implementation of our strategy and thus the long-term success of E.ON through sustainable, long-term, and value-oriented management of the Group. For this reason, the compensation of the members of the Management Board has also been linked to the development of selected key performance indicators. The new Management Board compensation system has been in place since January 2022. For more information, please refer to the Compensation Report starting on page 105.

Most Significant Key Performance Indicators

With our focus on long-term, sustainable, and value-oriented growth, the most significant performance indicators are the main metrics for internal management and the assessment of our business development and thus also the cornerstones of our forecast.

Adjusted EBITDA is an earnings figure before interest income and income taxes that has been adjusted to exclude non-operating effects. The adjustments include net book gains, certain restructuring expenses, the mark-to-market valuation of derivatives, and other non-operating earnings. Therefore, adjusted EBITDA is the indicator of sustainable earnings capacity and the appropriate key figure for the performance of our businesses.

Investments are still equal to the investments expenditures shown in the E.ON Group's Consolidated Statements of Cash Flows. Investments are the engine for the future growth and digitalization of our businesses as well as decarbonization. As a reflection of our strategy, they therefore continue to be a key indicator for managing our activities.

Adjusted earnings per share ("EPS") is equal to adjusted net income divided by the weighted average number of shares outstanding. In addition to operating earnings, depreciation and amortization, interest income, income taxes, and non-controlling interests are also included. This allows a holistic assessment of the earnings situation from the perspective of the shareholders of E.ON SE.

Significant Key Performance Indicators

In order to adequately take into account the interests of our stakeholders in addition to our focus on growth, our management system also includes other significant key performance indicators. As a customer-oriented company, the ability to acquire new customers and retain existing ones is crucial to our success. Net Promoter Score ("NPS") measures customers' willingness to recommend E.ON to a friend or colleague. The attractiveness of our company for investors is reflected in total shareholder return ("TSR") and dividend per share ("DPS"), which is part of TSR.

We have made sustainability the key to our corporate strategy. In everything we do, we keep in mind the consequences of our actions. The progression of our carbon footprint, the frequency of serious incidents and fatalities ("SIF"), and the proportion of female managers are thus part of our management system. In addition, our ESG ratings are incorporated into our management system. This provides a comprehensive assessment of our actions with respect to environmental, social, and governance aspects.

Solid financing of our business activities is of great importance to realize our aspired long-term and sustainable growth in line with the fulfillment of our financial ambitions. For this reason, cash-conversion rate, which is an indicator of E.ON' ability to transform operating earnings into cash inflows, and debt factor, which is a proxy for our capital structure and ratings, continue to be significant key figures in our management system. In addition, ROCE has been included in the management system as a key performance indicator to assess the efficiency of capital employed.

Other Key Performance Indicators
Alongside the performance indicators described above, other financial and non-financial indicators are also important for the success of our business and our corporate responsibility. Operating cash flow, power and gas passthrough, sales volume, as well as selected employee-related information are examples of other key performance indicators.

Strategy and Innovation

Strategy and Objectives

2021: E.ON Launches Offensive for Growth, Sustainability, and Digitalization
The year 2021 was a year of fundamental redirection for E.ON. Following the successful integration of innogy, in April 2021 Leonhard Birnbaum succeeded Johannes Teyssen as CEO. Two other new Management Board members were appointed as well: Victoria Ossadnik (for Digitalization) and Patrick Lammers (for Customer Solutions). The new management team designed an updated strategy to prepare the entire E.ON Group for the decade ahead. In 2021 E.ON moved forward on the sustainable course that it had set early on and, as part of the updated strategy, defined new growth ambitions. Its main focus was to propel socially responsible sustainability and Europe's energy transition in the digital age. Both—the energy transition and sustainability—are among the key drivers of future growth in E.ON's core businesses: energy networks and customer solutions. Networks form the backbone of the energy transition and make a significant contribution to its success. Sustainable products and services for cities, municipalities, industry, and households enable E.ON to support its customers on their journey to climate neutrality.

The transition toward a new, climate-neutral, and distributed energy world is accelerating and will also spur a decade of growth for the entire energy sector. Being an energy company with about 51 million customers in Europe (including customers in Turkey and at ZSE in Slovakia) will enable E.ON to benefit from this transition and simultaneously to play a key role in shaping Europe's decarbonization. A few months ago, E.ON aligned its strategy with three priorities—sustainability, digitalization and growth—and set a new course with a clear vision for the Company's future. In the years ahead, E.ON will become the sustainable platform for Europe's green energy transition. It will also use digitalization to master the increasing complexity of the entire energy system.

Sustainability
Sustainability is the centerpiece of E.ON's strategy and the touchstone for all its future actions. One of E.ON's objectives is to propel Europe's green energy transition and to help it decarbonize all the way to climate neutrality. E.ON considers sustainability an opportunity; most of E.ON's business is already sustainable. And E.ON is equally sustainable as an organization. Consequently, our strategy sets ambitious sustainability targets. E.ON aims for its Scope 1 and Scope 2 emissions—the direct emissions that it can influence—to be climate-neutral by 2040. Our network operations in Germany and Sweden will be climate-neutral even earlier, by 2030. Ecological power line corridor management and the protection of biodiversity along high-voltage corridors has a high priority. In addition, E.ON provides its customers with energy solutions and services that support their decarbonization journey and also offers them opportunities to switch from fossil fuels to green energy. E.ON will also build infrastructure for supplying green gases and hydrogen. This will help decarbonize sectors that cannot be electrified and propel the transition toward new, carbon-neutral fuels and solutions.

More detailed information about sustainability at E.ON is available in the Separate Combined Non-Financial Report starting on page 138.

Digitalization
The transition toward a distributed, volatile, and networked energy world will be accompanied by increasing complexity that can only be managed through comprehensive digitalization. Digitalization is thus an important lever in E.ON's growth strategy and the basis for generating additional value in its core business over the long term. E.ON's objective is to become a fully digital energy company and to fundamentally transform its products, processes, and services into data-driven and highly networked solutions. Our digital transformation is proceeding along four strategic pathways: optimizing internal operations, engaging customers and partners, transforming and developing new business areas, and enhancing employees' digital skills. The centerpiece of our digital transformation is a common

technology platform ("CTP") for the entire Group. The CTP will serve as the basis for standardizing and harmonizing all applications in the E.ON Group necessary for the energy transition. It will enable us to develop new digital energy solutions while maintaining the highest security standards.

E.ON is simultaneously developing a digital ecosystem called e.Hub. The e.Hub ecosystem is home to a portfolio of energy solutions, products, and services that can be connected and managed multidirectionally. Examples of e.Hub digital solutions include cloud-based sales platforms, eMobility charging management, and the management of grid-connection services. E.ON will deploy these digital solutions and services in its own operations and also offer a select range to its customers. e.Hub is being developed as an open-source ecosystem in which third parties can also scale up and market their own software solutions. Every solution developed for e.Hub is also part of the CTP and is being developed from the outset for use by end-customers and enterprise partners.

Energy Networks' top priorities include smartification, standardization, and the development of new digital solutions—all with the highest cybersecurity standards. Digitalization helps E.ON operate its networks even more efficiently and optimally manage the growing proportion of renewables feed-in. The development of digital solutions like smart eMobility charging solutions as well as smart meters and other new services on both sides of the standard residential meter are also part of E.ON's growth strategy.

Growth

E.ON has two core businesses: operating power and gas networks and offering a broad range of customer solutions. The two businesses complement each other amid the transformation of global energy systems. They are also clear growth businesses that benefit from the sustainable transformation of various customers and sectors. This transformation—whose aspects include the increasing number of renewables facilities and climate-friendly consumer applications like electric cars, heat pumps, and decentralized storage devices—expands E.ON's business opportunities as well.

Growth is necessary for business success. This success can only be achieved, however, through sustainable growth that accords with the EU's climate targets. That is why E.ON will make considerable growth investments across the green, distributed energy world. E.ON's growth strategy thus fits seamlessly with Europe's decarbonization ambitions. Electricity distribution networks will have to be transformed to handle ongoing renewables expansion and the increasing challenges this poses for network operations. Added to this are necessary network expansion, digitalization, and modifications to satisfy evolving customer behavior. Altogether, this transformation is estimated to require substantial investments of €425 billion EU-wide between 2020 and 2030. In addition, the aggregate energy demand of E.ON's customer groups will more than double between 2020 and 2050. E.ON's strategy is for these reasons a growth strategy, driven by the need for a sustainable transformation of the economy. E.ON is aiming for earnings growth in infrastructure and customer solutions, supported by continual efficiency improvements. Efficiency is essential for successful, sustainable growth. Our efforts in this area focus primarily on achieving operational excellence. E.ON is also aware that its growth strategy can only be achieved if it is accompanied by changes within the organization. Comprehensive measures to promote cultural change, diversity, and education are therefore integral to our strategy.

Earnings Growth in the Energy Networks Segment

The transition to a new, sustainable, and connected energy world will require considerable investments in physical and digital assets. This applies above all to energy networks, which are the backbone of a successful energy transition, because they interconnect all sectors and ensure a secure supply to customers in a complex energy system. Ongoing renewables expansion in particular will require grids to grow at a similar pace. Europe is expected to add more than 70 GW of renewables capacity by 2030, almost doubling its existing capacity. New network connections and connected load will increase sharply amid the energy transition owing to changes in customer behavior. Examples include the rising electricity demand from industry, eMobility, and heat pumps. Investments in network hardening and modernization are necessary to maintain supply security and to be able to meet rising energy demand. Here, digitalization will be the key to optimizing existing networks in order to efficiently manage the scope of necessary network expansion. The

energy transition alone therefore represents an unprecedented growth opportunity for E.ON: for example, already around 20 percent of Europe's renewables facilities are connected to E.ON's power networks, which is a disproportionate density considering the total area of E.ON's network territory. Consequently, this growth will be accompanied by the suitable and sensible digitalization of the network business, because this business represents both the core and key driver of E.ON's growth strategy and the potential to generate additional profits amid the energy transition. The use of smart-grid technology like smart meters and smart transformer stations, the integration of external data, the standardization of construction and operating processes, and the use of a central data platform all offer considerable potential. E.ON will acquire the capability to monitor and control its distribution networks across all voltage levels in order to optimize their operation. Sensors and smart metering and control technology will enable real-time control of distributed generation and consumption.

E.ON's existing gas networks will continue to play an important role in the transformation of the energy system. In addition, E.ON will actively enter the hydrogen business and, where possible, make its existing gas networks hydrogen-ready. These investments will help pave the way toward climate-neutral gas networks.

E.ON's proven capabilities along with the above-average efficiency of its network operations will enable it to lead the necessary transformation of the energy system. Eight of E.ON's nine distribution system operators ("DSOs") in Germany have an efficiency rating of 100 percent, with three of them earning a super efficiency bonus. All E.ON DSOs surpass the industry average.

This is among the reasons why E.ON is one of Europe's leading DSOs. E.ON has a regulated asset base ("RAB") of €35 billion, and its regulated business generates a large share of its EBITDA. E.ON's strategic objective is therefore to remain Europe's leading energy and infrastructure partner. To achieve this objective, E.ON will increase its annual network investments significantly between 2022 and 2026. The Forecast Report contains details about planned investments starting on page 81.

Earnings Growth in Customer Solutions Segment

E.ON's Customer Solutions segment focuses on energy sales, the customer solutions business, and distributed Energy Infrastructure Solutions ("EIS").

Power and gas retail sales is a scalable business model with low capital requirements and focuses on private households and small and medium-sized enterprises. E.ON's clear objective for this business is to retain its roughly 51 million customers across Europe (including customers in Turkey and at ZSE in Slovakia) in the long term by offering them sustainable energy solutions and thus reducing their environmental footprint. To achieve this objective at competitive costs, E.ON systematically pursues digitalization—which promotes optimal operating efficiency and superior customer satisfaction and loyalty (customer relationship management)—as well as cross-selling opportunities. E.ON's solutions business focuses primarily on the Future Energy Home ("FEH"), a portfolio of distributed energy systems for households. They include self-generation of green solar power, energy storage, heat, and eMobility solutions, which enable this business to actively seize the aforementioned cross-selling opportunities. The installation of suitable eMobility infrastructure is therefore a key strategic priority. The eMobility market is undergoing a transformation and is characterized by robust growth: at least 15 million electric vehicles are expected to be registered in Germany by 2030. Charging infrastructure, by contrast, is expanding at a much slower pace. E.ON therefore believes the near term is the time for rapid growth activities, because all attractive locations for charging infrastructure will presumably have been allocated in the years ahead. E.ON's objective is to enlarge its current market position and become one of Europe's leading operators of charging infrastructure by 2030.

The activities of Energy Infrastructure Solutions ("EIS") encompass innovative energy solutions that help cities, municipalities, and industrial customers achieve their climate targets cost-effectively. E.ON aims for its EIS business unit to achieve additional growth and become the preferred transformation partner for sustainable, innovative energy solutions. EIS's leading market position across Europe enables it to build on a strong customer base and also leverage its regional presence as a foundation for additional investment-driven growth. Its core business consists of a portfolio of solutions for embedded power, heat, and cooling plants as well as solutions for energy efficiency, decarbonization, and other energy services. E.ON sees green hydrogen in particular as a key strategic growth opportunity in this space over the medium term and will establish a hydrogen business unit to meet industrial customers' increasing demand for green gases in the future. E.ON assumes that by 2040 the demand for hydrogen will extend across the industrial, mobility, heat, and electricity sectors and that hydrogen will thus play an essential role in the climate-neutral energy system of the future.

In the short term, E.ON will partner with its customers to move forward with hydrogen projects that are already under way in geographically dense industrial regions—like the Ruhr region—and, in the medium term, scale up the business unit internationally. Our international footprint in Germany, the Netherlands, the United Kingdom, and Sweden gives us an optimal platform for future hydrogen clusters in the North Sea region.

We believe that E.ON's entire Customer Solutions portfolio is thus superbly positioned to propel the energy transition and satisfy the increasing demand for sustainable solutions. All of this segment's business units will benefit from the rapidly growing demand for green power and gas across all sectors (households, transportation, buildings, and industry).

Finance Strategy

The section of the Combined Group Management Report entitled "Financial Situation" contains explanatory information about E.ON's finance strategy.

People Strategy

The section of the Combined Group Management Report entitled "Employees" contains explanatory information about the main components of E.ON's people strategy as well as statements about diversity at E.ON.

Innovation

Innovations Propel the Energy Transition

Sustainability guides everything E.ON does, including the development of innovations. Tomorrow's decarbonized, digital, and distributed energy system will be founded on innovative technologies and new digital business models. E.ON has chosen to adopt a 360-degree approach to innovation to achieve its objectives en route to a sustainable energy world. This approach focuses on developing innovations in-house as well as collaborating with partners worldwide. E.ON has R&D, corporate, and startup partnerships with a wide range of universities, institutions and companies, startups and thought leaders. Its innovation approach is based on the belief that "research generates knowledge," "knowledge fuels innovation," and "innovation propels growth." This is explained in more detail below.

Research Generates Knowledge, Knowledge Fuels Innovation

E.ON's partnerships with numerous universities and scientific institutions in Germany and around the world yield research findings that generate more knowledge about the functionality of new technologies for the sustainable energy system. E.ON uses this knowledge to develop innovative solutions for its energy infrastructure and customer solutions.

Among the aforementioned collaborations, the Company's flagship partnership is with the E.ON Energy Research Center ("ERC") at RWTH Aachen University. In 2021 the partnership was extended for another five years, during which E.ON will particularly support research projects in energy and sustainability research, energy system analysis and optimization, smart grids, energy storage, energy efficiency, electrification, and digitalization. Over this period, E.ON will provide at least €10 million to fund joint research projects as well as up to €0.5 million annually for non-profit projects. Since its foundation in 2006, the ERC has set standards for interdisciplinary and networked energy research. The results of many E.ON research projects are made available to the general public as well.

In 2021 E.ON entered into another partnership by joining the Foresight Academy, a cross-sector initiative to promote research into the future. The academy brings together leading multinational companies like Audi, Adidas, SAP, Deutsche Telekom, and Swiss Re to collaborate in exploring future customer requirements, social developments, technologies, and other topics from a variety of perspectives.

Long-term Partnerships Increase the Pace of Innovation

E.ON views the energy transition as an engine for innovation and works with in-house and external partners to carry out its innovation projects from both a technological and commercial standpoint. These partnerships are a key factor in E.ON's successful deployment of innovations. They encompass strategic investments in globally leading startups through Future Energy Ventures ("FEV"), our venture capital investment platform; collaboration with these startups; and alliances with top global energy companies, large companies in other industries, and technology corporations.

Strategic Investments in Startups Ensure Access to New Technologies
E.ON works with leading startups worldwide through FEV. The aim is to promote the continuous development of additional new business models. Founded in 2020, FEV is recognized as one of the largest and strongest corporate venture capitalist funds focused on the energy transition. Climate50, for example, ranked it the world's second most influential fund of this type. FEV invests in companies with the potential to accelerate the transformation of the energy value chain toward zero carbon and provide solutions for E.ON in energy infrastructure and customer solutions. FEV's portfolio currently contains more than 50 startups.

The portfolio's acquisitions in 2021 included a majority stake in Aachen-based startup gridX, whose solutions will be integrated into E.ON's network and customer-solutions operations. FEV's successful development also included completing the financing rounds of several startups (including ev.energy, Bidgely ,and Buildots) as well as successful exits (including Holobuilder and Waycare). These divestments unlocked value and will enable the startups to maximize their potential with new strategic partners.

Advancing the Energy Transition with International Partners
Free Electrons is the world's leading energy accelerator program. By facilitating collaboration between the most successful international startups and leading utilities, Free Electrons aims to provide innovative solutions for a decarbonized, digital, and distributed energy system. Through this network, E.ON works closely with utilities from North America, Europe, the Middle East, and Asia-Pacific. Together, these utilities represented over 82 million customers from more than 40 countries in 2021. Participation in the network enables E.ON to gain access to startups and their technological solutions for propelling the energy transition and also to benefit from extensive experience sharing with other energy utilities from around the world. The program focuses on pilot projects with startups as well as the deployment and scale-up of solutions that can be implemented significantly faster and more efficiently together. E.ON successfully implemented two projects from this program in 2021. It also collaborated with Irish energy supplier ESB.

Initiating and Embedding Startup Partnerships in the E.ON Group
E.ON also made successful use in-house of the ecosystem of leading international startups that is has established in recent years. Access to industry-leading innovations and new technologies enables E.ON to quickly integrate market-ready solutions into the operations of its network and customer solutions businesses. In 2021 more than 25 new projects with startups were initiated across the E.ON Group, both in Germany and elsewhere.

Innovations Generate Growth in E.ON's Operating Business
The diverse structures that E.ON has established in recent years to accelerate innovation are generating continuous growth in the E.ON Group. The central Innovation department handed over 12 projects to E.ON's operating business in 2021. These projects are expected to deliver more than €185 million in sales over the next five years. The innovation teams focused on developing innovations for industry, eMobility, communities, energy networks, and customer solutions.

Digitalization and Energy Efficiency in the Industrial Sector
The digital transformation of the industrial sector experienced more growth in 2021. E.ON is developing specific carbon-reduction solutions for its industrial and commercial ("I&C") customers. These solutions support the increasing tempo of digitalization at manufacturing companies and deliver on E.ON's ambition to accelerate Europe's decarbonization.

For example, E.ON's I&C business has been very successful for several years in offering companies operating large CHP plants a product that enables them to monitor their production facilities and to use predictive maintenance to maintain them cost-effectively. In 2021 E.ON's I&C business and central innovation team developed Inno Plant Pulse, a new product variant that monitors energy-intensive production processes that use compressed air, cooling, and process water, thereby enabling customers to save more energy. These are some of the specific ways E.ON helps its I&C customers meet their carbon reduction targets.

New Technologies Accelerate Growth in the eMobility Business
In 2021 Germany's eMobility market continued its robust growth. More than 1 million electric cars are now on Germany's roads (as of December 2021). A large and growing majority of Germans are open to purchasing one. The resulting increase in energy demand requires expansion and more efficient management of charging infrastructure, areas in which E.ON has a leading position in its European markets and aims to achieve significant growth.

New technologies are an important innovation driver in eMobility as well. Dynamic load management ("DLM 2.0"), for example, can make expanding EV charging infrastructure much faster and easier. With DLM 2.0, the electricity available for a building's charging points is variable. It is dynamically distributed between charging points and factored into load management. For example, if consumption in the building drops, more EVs are charged simultaneously or at a higher charging rate. This optimizes individual charging processes and makes full use of a building's available electricity capacity, almost in real time. E.ON partnered with Aachen-based startup gridX to launch a pilot project at its Essen headquarters. The project enables dynamic EV charging at 60 charging points. Compared with a conventional charging setup, around eight times as many EVs can be charged during office hours without increasing the number of charging points. A DLM 2.0 system ensures that there is always sufficient electricity available for charging, while also avoiding load peaks in the network and thus additional operating costs.

Using Mobile Storage Systems to Integrate More Renewables into the Distribution Network

Progress in network digitalization and innovative options for storing renewable and distributed energy will determine the success of the energy transition's implementation. Being one of Europe's leading distribution system operators and energy suppliers gives E.ON the ambition to continue propelling the transformation to a carbon-neutral energy system from a leading position. E.ON's activities to develop sustainable neighborhoods and new products and services for energy communities give it access to new customer groups.

In 2021 E.ON continued its ongoing innovation activities under the IElectrix project, which is part of the European Union's largest research and innovation program. E.ON and its IElectrix partners have been developing mobile and flexibly deployable battery energy storage systems ("BESS") since 2020. The purpose is to integrate new green power facilities, especially large solar farms, into the existing grid at short notice and at low cost, thus achieving rapid progress in the energy transition across Europe. The costs of BESS can be up to 80 percent lower than the costs of conventional grid expansion. In 2021 two more mobile BESS were connected to E.ON's distribution grid in Friedland in eastern Germany and Dúzs in Hungary.

New Customer Solutions Help Consumers Reduce Their Carbon Emissions

E.ON's end-customers are also increasingly focusing on their carbon emissions; rising electricity and gas prices in the fall and winter of 2021 have given this issue greater urgency. To meet this need, E.ON is developing innovative solutions that give residential customers transparency about their individual carbon footprint. This enables them to better manage their energy consumption with the aim of reducing it. E.ON is also breaking new ground in this area by creating new customer experiences that provide its customers with integrated energy management solutions for heat pumps, solar panels, insulation, and EV charging in their climate-neutral homes. Continuing this trend, in the spring of 2021 E.ON launched Next Drive, an innovative tariff and app package, in the United Kingdom. The solution was developed in partnership with British startup ev.energy and E.ON business units in several countries. Next Drive is an exclusive E.ON energy product with which residential customers can automatically charge their EV at home at the lowest electricity price.

Patents on New Ideas and Technologies Safeguard Future Innovations

E.ON ensures progress toward its goals of sustainability, digitalization, and growth in part by patenting inventions and managing its intellectual property rights. E.ON's central patent system protects intellectual property, especially inventions of digital solutions for technical applications. Patented and patent-pending inventions can give E.ON a competitive edge over other market participants and thus enable it to benefit from the economic advantages of protected innovations. Inventions in network infrastructure, hydrogen technologies, and technologies for the decommissioning of nuclear power plants accounted for a large share of activities in 2021.

Establishing a Global Innovation Community

The road toward a sustainable and digital energy world is laid in part through collaboration in international innovation ecosystems. In recent years, E.ON has built a platform for global collaboration with partners on every continent. Amid the pandemic, E.ON created a virtual forum for its innovation network where almost 5,000 members currently meet at virtual events to discuss and exchange ideas. In October 2021 E.ON hosted its second Energy Innovation Days, a virtual energy and innovation conference that was one of the largest of its kind in 2021. At total of 15,000 people from 110 countries attended 33 sessions in which they listened to and engaged with more than 80 international leaders, visionaries, and startup founders. The conference focused on electrification, digitalization, and connectivity en route to a sustainable and zero-carbon world.

Employees

People Strategy

In 2020 E.ON developed a new Group People Strategy ("GPS") to support E.ON's growth strategy and to bring E.ON's values to life. The GPS serves as the compass to guide the Company's ongoing transformation and promote its lasting success amid a continually changing world. It ensures that E.ON can achieve its targets and that its employees work in an environment that enables them to deliver outstanding performances.

The GPS@E.ON pursues three Group-wide objectives. First, it formulates a vision for everyone at E.ON, regardless of their role, team, function, or business unit. It also identifies four high-impact people priorities that foster employees' engagement, development, and performance. It therefore serves as a compass for existing and future people initiatives and for prioritization and decision-making.

The four people priorities are central to GPS. They were developed on the basis of extensive research and in consultation with HR managers across the Group. They are:

- Future of Work: we foster the adaptation of a new mindset and capabilities, making E.ON fit for the future of work.
- Diversity & Inclusion: we are inclusive and we champion difference, boosting our talent pipelines, individual growth, and team performance.
- Sustainability: we focus on well-being, purpose and employability to achieve our potential and maintain our performance on a sustainable basis.
- Leadership: we encourage leaders to challenge and adapt their behaviours, acting as role models towards all employees.

The GPS@E.ON defines three key ambitions for each of the four people priorities. These describe in detail what we want to achieve for each priority. The people priorities thus provide a framework with clear objectives that promotes intraorganizational collaboration on key issues and thus efficient use of resources and ensure a common, integrated approach.

These four priorities serve as a compass for HR work for the entire Group and are brought to life through Group-wide and cross-divisional HR activities, particularly through existing Group-wide frameworks like the competency model Grow@E.ON. However, the GPS's implementation approach is also flexible and modular to accommodate differences between business units.

In 2021 E.ON created four task forces to further implement the GPS. Each addresses one of the aforementioned people priorities. These cross-functional and diverse working groups initiated and propelled corresponding projects. In line with the modular implementation of the GPS@E.ON, the approaches developed in the task forces were subsequently handed over to the business units for further specification or will be continued in 2022 due to a project's scope.

Integration of innogy

Following the transfer of innogy employees to their respective E.ON target companies, the focus in 2021 was on standardizing the working conditions in the E.ON companies to which the innogy employees were transferred. The standardization was also coordinated with the local works councils according to a predefined timetable so that all employees can work under the same working conditions in 2022.

To standardize working conditions, E.ON concluded numerous agreements with trade unions, the Group Works Council, and local works councils at the collective bargaining, Group, and plant level. The negotiations were again 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 good solutions that address the interests of the employees

affected. The aforementioned cooperation between the Company and employee representatives also made it possible for this standardization process to be essentially of equivalent value for employees and cost-neutral for Group companies.

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.

Employer Attractiveness

Being an attractive employer means hiring and retaining the right people for our company. Our growth strategy offers meaningful and sustainable employment across all our business units. Our employees will be the key to our success in the future as well. Their personalities, capabilities, and experience make E.ON future-proof and unique.

We provide our employees with the best-possible support to propel the energy transition: strengthening their capabilities for the future of work, embedding diversity and inclusion in our DNA, and forging a lasting partnership between our company and its employees.

A modern work environment, individual development opportunities, and a value-oriented corporate culture help ensure that all employees at E.ON can achieve their potential. We offer our employees a comprehensive range of learning opportunities that are geared to their needs and provide them with optimal support in their development. Our hybrid and flexible working model enables our employees to work from home or in the office. A wide range of offerings for health and well-being support our employees outside work as well.

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, physical and mental capabilities, sexual orientation and identity, and/or ethnic origin and social background. E.ON fosters and utilizes this 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 its 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 more than 4,000 signatories. E.ON therefore belongs to a large network of companies committed to diversity, tolerance, fairness, and respect. In addition, E.ON has been an active member of the German Diversity Charter since 2020.

E.ON's approach to promoting diversity is holistic, encompassing all dimensions of diversity. In 2021 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. By 2031, E.ON wants to bring the proportion of women in management positions Group-wide to the same level as the proportion of women in its overall workforce. At year-end 2021, 32 percent of E.ON employees were women. E.ON will increase the proportion of women in its talent pool accordingly.

In addition, E.ON is a member of Initiative Women into Leadership ("IWiL"), a non-profit association to promote the continual development of female leaders in Germany. 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. Having fulfilled IWiL's criteria, E.ON has also been a Top Promoter of Female Fast-Track Leaders since 2021.

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 beginning on page 96.

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 arrangements.

Diversity Award

In 2021 the CEO Award for Diversity and Inclusion was conferred for the third time. The awards pay tribute to individuals and activities across E.ON that are making a real difference in the areas of diversity and inclusion. Employees were nominated in two categories: diversity champion and diversity initiatives. They were judged by a panel including CEO Leonhard Birnbaum as well as the Senior Vice President for Group HR/Executive HR, the Head of Talent Management, Leadership Development and Diversity as well as members of the SE Works Council. A colleague in the United Kingdom won the champion award for establishing a Wellbeing Warrior network and time-to-talk sessions at which colleagues and leaders share personal stories on topics like isolation, disabilities, and LGBT+. Diversity@EKN (e.kundenservice Netz GmbH) won the initiative award for their dedication to give diversity greater visibility and priority. Some finalists and past winners are named below.

Sponsoring Networks

In addition, the E.ON Management Board adopted several measures to further promote diversity and inclusion. One of them is for board members to personally sponsor a diversity network and for E.ON to provide financial support. The networks that are sponsored for the current year are:

Three dimensions/adaptABILITY, an initiative for disability and mental health
(sponsor: CEO Leonhard Birnbaum)

LGBT+ & Friends, a diversity initiative that was the second-placed 2021 CEO Diversity Award
(sponsor: CFO Marc Spieker)

Women@E.ON, which won the 2020 CEO Diversity Award in employee network category
(sponsor: COO – Networks Thomas König)

Diversity@EKN, which won the 2021 CEO Diversity Award for the best initiative
(sponsor: COO – Digital Victoria Ossadnik)

Diversity@Westenergie Metering, which won the Initiative Diversity Award in 2020
(sponsor: COO – Commercial Patrick Lammers)

Diversity Measures

In March 2021 the E.ON Management Board adopted measures to be implemented in the near term to promote diversity and equal opportunity at E.ON in Germany. It recommended that the measures be implemented, to the degree feasible, at E.ON units in other countries as well. One example is the promotion of co-leadership, in which two part-time managers share a leadership position, giving them greater flexibility in balancing their professional and private lives. Another flexible option is a part-time leadership position, in which a manager works at least 80 percent, with full time as an option. In addition, recruitment policies for management positions will be adjusted so that at least one candidate on the shortlist is from the underrepresented gender. Other measures include mandatory diversity training for all managers (similar training modules for all employees are also being planned) and workshops on using inclusive language in job advertisements.

Workforce Figures

At year-end 2021 the E.ON Group had 69,733 employees in its core workforce. Part-time positions were taken into account on a pro rata basis. On balance, E.ON's workforce declined last year by 5,133 employees, or 7 percent.

These workforce figures do not include apprentices. At year-end 2021, 2,308 young people were learning a profession at E.ON in Germany (prior year: 2,395).

Core Workforce[1]

FTE[1]	Dec. 31, 2021	Dec. 31, 2020	+/- %
Energy Networks	38,032	39,066	-3
Customer Solutions	26,067	29,858	-13
Corporate Functions/Other	3,885	4,124	-6
Adjusted core business	**67,984**	**73,048**	**-7**
Non-Core Business	1,749	1,818	-4
E.ON Group	**69,733**	**74,866**	**-7**

[1]Core workforce does not include apprentices, working students, or interns. This figure reports full-time equivalents ("FTE"), not persons. Rounding differences are possible.

The decline in Energy Networks' headcount is mainly attributable to the disposal of network operators in Hungary. The filling of vacancies to meet regulatory and legal requirements, particularly in Germany and Romania, had a countervailing effect. In addition, digitalization and demographic programs caused the workforce to expand, as did the establishment of business areas.

The decrease in the Customer Solutions' core workforce mainly reflects restructuring projects, primarily in the United Kingdom and Germany, as well as the sale of operations in Hungary, Belgium, and the Netherlands.

The reduction in the number of employees at Corporate Functions/Other resulted predominantly from voluntary terminations in conjunction with the innogy integration.

Geographic Structure

At year-end, 34,559 FTE, or 50 percent of all employees, were working outside Germany, slightly lower than at year-end 2020 (52 percent).

Core Workforce by Country[1]

	Headcount		FTE[2]	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Germany	36,530	37,089	35,174	35,716
United Kingdom	9,786	12,223	9,356	11,689
Romania	6,999	6,731	6,826	6,575
Hungary	5,607	7,965	5,590	7,940
Czech Republic	3,018	2,958	2,999	2,943
Netherlands	3,016	3,290	2,645	2,844
Sweden	2,422	2,357	2,390	2,333
Poland	1,859	1,824	1,848	1,810
Slovakia	1,594	1,590	1,589	1,587
Other	1,338	1,461	1,316	1,429
E.ON Group	**72,169**	**77,488**	**69,733**	**74,866**

[1]Core workforce does not include apprentices, working students, or interns. Rounding differences are possible.
[2]Full-time equivalent.

Gender, Age Structure, and Part-time Employment

At year-end 2021, 32 percent of E.ON's workforce were women, the same as a year earlier.

Proportion of Female Employees

Percentages	Dec. 31, 2021	Dec. 31, 2020
Energy Networks	23	22
Customer Solutions	44	44
Corporate Functions/Other	49	49
Adjusted core business	**32**	**33**
Non-Core Business	14	14
E.ON Group	**32**	**32**

At year-end 2021 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	Dec. 31, 2021	Dec. 31, 2020
30 and younger	20	20
31 to 50	49	50
51 and older	31	30

A total of 8,814 employees, or 12 percent of the E.ON Group workforce, were on a part-time schedule at year-end 2021. 5,849 of these, or 66 percent, were women.

The turnover rate resulting from voluntary terminations averaged 4.5 percent across the organization, which was higher than in the prior year (3.5 percent).

Apprentices in Germany

E.ON continues to place great emphasis on vocational training for young people. The E.ON Group had 2,308 apprentices in Germany at year-end 2021. This represented 5.8 percent of E.ON's total workforce in Germany, slightly less than a year earlier (6 percent).

E.ON provides vocational training in about 20 careers and also offers training and practically oriented dual work-study programs in up to 25 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.

Apprentices in Germany

	Headcount		Percentage of workforce	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Energy Networks	2,064	2,098	7.4	7.6
Customer Solutions	65	59	1.0	0.8
Corporate Functions/Other	138	199	4.1	5.4
Adjusted core business	**2,267**	**2,356**	**6.0**	**6.2**
Non-Core Business	41	39	2.2	2.0
E.ON Group	**2,308**	**2,395**	**5.8**	**6.0**

Business Report

Macroeconomic and Industry Environment

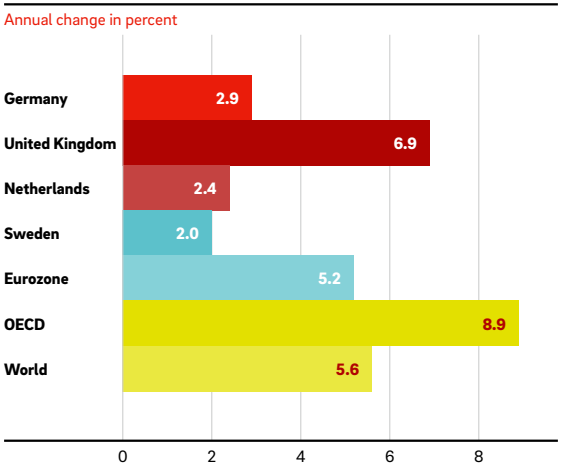
Macroeconomic Environment

The global economy trended upward in 2021. The recovery's pace and scope depended on the success in combating the Covid-19 pandemic. Vaccination rates increased in advanced economies as the year moved forward, leading to a faster economic recovery, whereas access to vaccines remained limited in other regions, including many emerging economies. This had an impact on economic development as well.

Rising demand enabled industry in particular to recover from the dramatic, pandemic-related slump of early 2020. The situation in personal services, by contrast, remained difficult in 2021. China, other Asian countries, and the United States benefited from high demand for goods. U.S. production in 2021, for example, returned to the level of 2019. Overall, however, the economic recovery was tepid and its pace moderate. Experts expect this trend to continue. After the number of people infected and ill with the Covid-19 virus rose worldwide in the fourth quarter of 2021, some governments again imposed limitations and restrictions. The omicron variant of the Covid-19 virus was classified as a concern by the World Health Organization in late November and continued to spread rapidly after the New Year.

European countries experienced positive effects from the agreement between the European Union and the United Kingdom on the terms of future cooperation and the cost of Britain's exit from the single market and customs union. The European economy proved resilient overall in the second half of 2021.

GDP Growth in Real Terms in 2021



Source: OECD, 2021.

As the year progressed, the global economic recovery was accompanied by a rise in raw material and energy prices and by supply shortages. The shortages, together with higher demand across all economic sectors, led to a general increase in inflation rates, particularly from the fourth quarter of 2021 onward.

The German Council of Economic Experts' annual two-year forecast predicted that Germany's inflation rate, for example, would be 3.1 percent in 2021 and 2.6 percent in 2022. The Federal Statistical Office reported that Germany's inflation rate in December 2021 was in fact 5.3 percent higher than a year earlier; the inflation rate in December 2020 had been -0.3 percent (owing in part to a temporary reduction in VAT for part of that year). The Council of Economic Experts warned that extended shortages, higher wage settlements, and rising energy prices harbor the risk that these price drivers, which are usually only temporary, could lead to prolonged inflation. Alongside higher prices for raw materials and intermediate products, rising energy prices in particular caused inflation rates to increase.

After a first quarter hampered by Covid-19 restrictions, Germany's economy gained momentum mid-year. The pace of economic growth slowed considerably in the third quarter owing to global supply shortages for intermediate products, which severely impeded industrial production. According to the OECD, Germany's gross domestic product ("GDP") increased by 2.9 percent in 2021.

Energy Price Developments

A combination of disparate factors sent energy prices higher in 2021. The main cause was a tight supply of natural gas accompanied by rising global gas demand amid the economic recovery. In addition, wholesale gas and electricity prices increased owing to higher coal and carbon prices.

The primary reason for high gas demand was the economic recovery after the first waves of the Covid-19 pandemic subsided along with weather factors. The economies of China, other Asian countries, and the United States purchased large amounts of gas. In addition, Europe's renewables output declined owing to poor wind conditions. Gas-fired capacity had to fill this gap in power output, but was only available to a limited extent. Moreover, gas reserves had fallen in the wake of a cold winter of 2020–2021, and Europe's gas storage inventory had not been replenished in the summer of 2021 to the degree it had in previous years. Even a major natural gas exporter like Russia was not immune and initially focused on meeting its increased domestic demand. In addition, some temporary gas supply shortages resulted from maintenance work in the gas network.

High gas and electricity prices affected the European Union's member states very differently. This is because the link between wholesale and retail prices differs by country. The impact that wholesale prices have on consumers also depends on each country's regulatory scheme and national energy mix.

The practical consequences of the increase in wholesale electricity prices varied considerably. In September 2021, for example, average electricity prices in Europe were between €50 and €196 per MWh, depending on the country.

The paragraphs that follow will use the spot market and spot prices to explain these developments.

The spot price for electricity in Germany averaged around €221 per MWh in December compared with an average spot price of €38 per MWh in 2019.

Wholesale gas prices also reached record levels at the end of the year and remained at a high level. Spot natural gas prices in Germany averaged €115 per MWh in December, more than €100 per MWh higher than the annual average for 2020.

Price movements on other wholesale markets were similar. Forward electricity prices for upcoming months, quarters, and years more than doubled in the first half of December, but eased again slightly after the Christmas holidays. Nevertheless, the average price for year-ahead baseload electricity was €212.88 per MWh in December 2021, almost €90 more than in November.

The trend of forward gas prices was similar. Year-ahead gas averaged nearly €88 per MWh in December 2021, €35 more than in November.

The average carbon allowance price in December 2021 was about €80 per metric ton, more than triple the average price in 2020.

The European Commission responded to rising energy prices across Europe by issuing a communication on October 13, 2021, entitled "Tackling rising energy prices: a toolbox for action and support." It explains what member states could do immediately under existing EU law to mitigate the economic and social impact of higher energy prices. The measures included:

- suspending or deferring electricity-bill payments
- providing income support to prevent disconnection
- using proceeds from the Emissions Trading Scheme ("EU ETS") to ease the burden on consumers
- reducing energy taxes for vulnerable customers
- creating temporary state aid schemes for industry.

The European Commission also called on member states to invest more to develop future-proof energy storage, trans-European networks, renewable energy, and energy efficiency. In addition, it announced that it would examine the possibility of joint procurement of gas reserves.

The Commission's immediate measures also included closer monitoring of markets, while it also stressed that there is no evidence of speculation by market participants. E.ON is skeptical of any additional regulation of energy markets in view of the possible consequences for investment in the energy transition. It advocates the rejection of measures that distort free price formation or restrict free trade in energy.

Higher energy prices affected all markets in which E.ON operates and had negative consequences for end-consumers. Some suppliers in Germany, for example, terminated their customers' contracts because they were no longer able to meet their supply obligations. A total of 41 energy suppliers in Germany had gone out of business by the end of the year. The reason is that some energy suppliers sometimes count on low wholesale prices so that they can offer energy at the lowest possible price. As soon as the cost of procuring gas or electricity rises, however, they quickly find they can no longer supply energy to their customers at the agreed-on price.

E.ON, by contrast, adopts a long-term, foresighted approach to procuring electricity and natural gas for its customers. This protects existing customers from short-term price adjustments. Nevertheless, E.ON too had to temporarily suspend the acquisition of new customers in Germany in October 2021 in view of higher procurement costs in its gas business. This did not affect existing customers, and E.ON also continued to fulfill its role as a basic supplier. After a few days, potential gas customers were also able to conclude new contracts again.

Tight energy markets severely impacted many U.K. consumers. To provide some background, the British government announced in 2017 the introduction of a price cap for energy bills. It was implemented by the Office of Gas and Electricity Markets ("Ofgem"), the U.K. energy regulator, and took effect at the start of 2019. Ofgem updates the price cap every six months. It sets a maximum rate that energy suppliers can charge their customers for the use of gas and electricity. Ofgem raised the cap twice in 2021. Due to its adjustment methodology, however, energy bills in 2021 did not reflect the considerable rise in wholesale prices. As a result, the standard tariff with a price cap was the cheapest product on the market. Energy suppliers who had not hedged sufficiently and were poorly capitalized ran into financial difficulties because they had to procure energy at higher costs. This led to nearly 30 suppliers going bankrupt in 2021. E.ON acquired approximately 389,000 customers from four suppliers that exited the market.

Most of the increase in wholesale energy costs in 2021 was factored into Ofgem's most recent price cap update, announced in February 2022. The energy bill for an average household will rise by 54 percent to around £1,971 (€2,370) from April 1, 2022, onward. Ofgem made a number of proposals, including a revision of how future price caps are calculated.

In parallel, the British government announced measures to ease the burden on households. A large portion of them are to receive £350 (€416) in relief to partially offset the price cap increase announced by Ofgem. First, a large share of the population is to receive a £150 property-tax discount in April 2022. Second, all households are to receive a £200 reduction on electricity bills payable in the fall. This amount is repayable over a five-year period. Details on the implementation of the measures have not yet been determined.

E.ON welcomed the measures taken by the British government to support customers. From the Company's point of view, the energy crisis has made it clear that investment in energy efficiency must be increased so that energy bills decline permanently and dependence on gas is reduced.

In early 2022 rising energy prices became a topic of political discussion in Germany as well. Politicians from various parties along with trade associations designed a range of proposals to relieve the burden on consumers, including an early reduction as well as the recission of the surcharge stipulated by the Renewable Energy Sources Act (known by its German abbreviation, "EEG"). E.ON had already advocated a reduction in the EEG surcharge in the past and welcomes its recission, particularly from consumers' viewpoint. Many different factors beyond procurement costs influence the price of electricity, including (even if the EEG surcharge is rescinded) state-imposed taxes, regional network fees, and other levies and

surcharges. It is therefore not yet possible to reliably predict how much relief customers will receive (as of February 2022). The current federal government's coalition agreement calls for the EEG surcharge to be rescinded in 2023.

By contrast, the federal cabinet decided on February 2, 2022, to provide a one-time heating cost subsidy for lower-income households. In view of the sharp rise in heating costs in the 2021/2022 heating season, a one-time subsidy adjusted for the number of persons is planned for households receiving a housing subsidy. Draft legislation is expected to be introduced in the Bundestag in March.

Energy Policy and Regulatory Environment

Global

The questions of by what means climate change should be slowed and how quickly continued to shape the global energy-policy debate in 2021.

The United States, under President Joseph Biden, rejoined the Paris climate agreement at the start of the year. President Vladimir Putin announced in October 2021 that Russia intends to be carbon-neutral by 2060. Prime Minister Narendra Modi announced in October as well that renewables would meet half of India's energy needs by 2030 and that the entire country would be carbon-neutral by 2070.

Participants at the G20 summit also stated their position on climate change, but did not agree on specific measures. At their summit on October 30 and 31, 2021, the heads of government of the 20 most important industrialized and emerging countries pledged to achieve carbon neutrality "by or around mid-century."

By contrast, the United Nations framework convention on climate change, 26th conference of the parties ("COP26") in Glasgow, ended with a new global agreement. Although not legally binding, the agreement will set the climate protection agenda for the decade ahead.

In the final declaration, called the Glasgow Climate Pact, countries committed to a joint objective of stopping global warming at 1.5 degrees Centigrade compared with the preindustrial era. To this end, the existing climate protection plans for this decade are to be tightened by the end of 2022, three years earlier than previously planned. The declaration also states that global emissions of climatically harmful greenhouse gases ("GHGs") must decline by 45 percent this decade if the 1.5-degree limit is to remain achievable.

Among other things, COP26 also set rules for a global carbon market. The main issue was about projects to reduce emissions in one country being used to meet the climate targets of another. Double counting is supposed to be prevented in the future my means of accurate allocation.

In addition, it was the first UN climate conference to produce a plan to reduce coal consumption. Following an intervention by China and India, however, participants agreed only to "phase down" coal rather than to completely phase it out.

Funding to help economically weaker countries cope with the effects of climate change and transition to clean energy is also to be increased. This financial aid is to be doubled by 2025 onward, from the current level of around $20 billion annually to $40 billion (about €35 billion).

Progress for developing countries was also announced by the LEAF Coalition. LEAF, which stands for lowering emissions by accelerating forest finance, is a global initiative of governments and corporations, including E.ON. It announced at COP26 that it had mobilized $1 billion to finance measures to protect tropical and subtropical forests and reduce deforestation.

Most of the governmental arrangements made at COP26 are controlled by the countries themselves. Only some countries made their pledges legally binding. Moreover, the pledges made in Glasgow are not sufficient to actually limit the global temperature increase to 1.5 degrees. E.ON therefore believes that COP26 did not represent a real breakthrough. Instead, it is imperative for climate protection to shift even more resolutely into implementation mode.

The next UN climate conference, COP27, is scheduled to take place in November 2022 in Sharm el-Sheikh, Egypt.

Europe

The adoption of the European Climate Law in June 2021 made Europe the first continent to make a binding commitment to climate neutrality by 2050. The law also set a new interim target: by 2030, the European Union intends to reduce its net GHG emissions by 55 percent relative to 1990; previously, the joint reduction target was 40 percent.

On July 14, 2021, the European Commission presented its Fit for 55 package aimed at achieving the new climate target. It revises current energy and climate legislation and contains numerous proposals for measures to reduce GHG emissions in all sectors. It will therefore affect all areas of the economy, industry, and society.

The package builds on the Commission's European Green Deal from 2020. Fit for 55 reaffirms Europe's growth strategy to combine climate protection and prosperity. It links post-pandemic economic recovery and the resilience of member states' economic models to climate and environmental protection; this is intended to give companies planning security for investments.

Among other things, Fit for 55:

- reforms the EU Emissions Trading Scheme ("EU ETS") and extends it to aviation
- creates an additional emissions trading scheme for the buildings and transport sectors
- increases the proportion of renewables
- sets stricter emission standards for passenger cars and light commercial vehicles
- provides relief for consumers who are financially strained by rising carbon prices
- revises rules for land use and forestry.

Overall, all measures aim to reduce GHG emissions across the board and stimulate investments in climate-protection technologies. E.ON welcomes the strong emphasis on climate protection. From E.ON's point of view, however, Europe's legislation in particular gives too little consideration to the significant role that energy infrastructure plays in the transformation of energy systems.

The European Parliament and member states began consultations on the Fit for 55 package in the fourth quarter of 2021. Negotiations and consultations with the member states on the various pieces of legislation will continue in 2022 and probably beyond.

The EU Taxonomy Regulation—which was published on April 21, 2021, and largely took effect on January 1, 2022—provides a foundation for more sustainable economic activity. Supplementary regulations are foreseen. These include, for example, the question of whether the taxonomy will treat nuclear energy and natural gas as green technologies. The Commission proposed this to the member states on December 31, 2021. This triggered a policy debate in the member states that is not expected to be concluded until the second quarter when the associated EU legislation takes effect.

The taxonomy, which was originally intended to align financial markets with sustainability, sets criteria for companies' environmentally sustainable activities. These activities—which include, for example, the operation of production facilities—must promote climate protection or adaptation to climate change in order to be classified as sustainable.

The taxonomy envisages the achievement of other environmental objectives, without yet describing them in detail. It essentially requires companies to disclose for 2021 how many of their activities were in categories covered by the taxonomy. For the following year, they will be required to report the proportion of their activities that are or are not environmentally sustainable pursuant to the taxonomy based on key performance indicators such as revenues, investments, and operating expenses. The taxonomy's purpose is to encourage financial markets to invest and finance more sustainably. E.ON, a company that propels the energy transition and has a sustainability-oriented corporate strategy, welcomes the regulations; E.ON's planned investments are already largely taxonomy-aligned.

On December 15, 2021, the Commission presented another package of measures to implement the European Green Deal. The Hydrogen and Gas Market Decarbonization package aims to gradually replace fossil gas with low-carbon and renewable alternatives in order to achieve climate neutrality. The package contains numerous legislative proposals for, among other things, adapting internal gas market rules (particularly with regard to hydrogen), reducing methane emissions in the energy sector, and enhancing the energy efficiency of buildings.

Germany

In addition to dealing with the Covid-19 pandemic, climate protection was a dominant topic of policy debate in Germany as well. On March 24, 2021, the German Federal Constitutional Court ruled that the Climate Protection Act of 2019 (German abbreviation: "KSG") was partially unconstitutional; it published the ruling on April 29, 2021. The German federal government and parliament subsequently adopted amendments for key aspects of KSG 2019. Their purpose is for Germany to achieve climate neutrality faster than previously planned. Climate neutrality is to be achieved by 2045, and the GHG reduction target for 2030 was raised to 65 percent. In addition, separate targets for 2030 were set for individual sectors of the economy. Non-sector-specific carbon reduction targets were set for 2031 to 2040. Other amendments included targets for the federal government's investment and procurement projects so that they too help reduce GHG emissions

To achieve the new and more ambitious climate targets, alongside the KSG the German federal government that was initially in office in 2021 adopted a German Climate Package. One of its aims is to raise carbon prices. However, no specific figure or date was stipulated. Another aim is to accelerate renewables expansion as well as

the ramp-up of hydrogen. For this purpose, an Immediate Action Program for 2022 with a budget of €8 billion was launched as well, although it has no practical relevance because actual spending levels will not be set until the 20th legislative period (this began with the inaugural session of the 20th German Bundestag on October 26, 2021). The federal cabinet is expected to revisit the contents of the Immediate Action Program in its draft for the 2022 federal budget.

In 2021 lawmakers also amended various sections of the Energy Industry Act (German abbreviation: "EnWG"). These relate to aspects of energy infrastructure and power generation, but also to customer-related solutions and thus the relationship between energy suppliers and consumers.

For example, energy providers will be subject to additional information and transparency requirements. In the future, contracts will have to be in text form across all sales channels. This eliminates the possibility of concluding contracts verbally or by telephone. However, it also creates new legal uncertainties for online contracts.

The EnWG amendments relating to electricity networks include the remuneration of network investments, increased transparency obligations for the publication of network data, and new rules for managing network bottlenecks (redispatch). Redispatch involves network operators modifying the power fed into the high-voltage network by power plants with the aim of avoiding overloads in the network. From October 1, 2021, the revised rules require all voltage levels of the network to be integrated and that smaller storage and generation facilities (including renewable generation and CHP facilities) with more than 100 kW or controllable feed-in facilities with 5.6 kW or more to be included in the redispatch process.

The financial conditions of the respective regulatory period are important for network operators in Germany, as they affect their investments in network expansion in the years ahead. This applies in particular to power distribution networks, which form the backbone of the energy transition. To set the return on investment ("ROI") for the fourth regulatory period (2023 to 2027 for gas, 2024 to 2028 for electricity), the German Federal Network Agency (German acronym: "BNetzA") initially commissioned several expert opinions and then conducted a consultation process. The BNetzA subsequently set the ROI for new assets (capitalized from 2006 onward) at 5.07 percent and for old assets (capitalized before 2006) at 3.51 percent; both figures are before corporate tax. The new ROIs are therefore significantly lower than those for the current regulatory period (6.91 percent for new assets and 5.12 for old assets). The BNetzA justifies this reduction mainly by the general decline in interest rates, which is reflected above all in the risk-free interest rate.

E.ON's distribution network operating companies initiated legal action against the ROI set for the fourth regulatory period, because the expert opinions obtained by the BNetzA show that, among other things, the calculation of the market risk premium was incorrect. To ensure the investments in distribution networks needed for the energy transition, Germany's regulatory scheme must be competitive internationally.

The Münster Higher Administrative Court's ruling of March 4, 2021, temporarily suspended the market declaration and thus the rollout of smart meters. As part of the amended EnWG, amendments were therefore also made to the Metering Point Operation Act (German abbreviation: "MsbG"). The amendments are an important step for the energy industry to regain legal certainty with regard to the rollout and to accelerate the digitalization of the energy transition.

A regulation passed simultaneously with the EnWG will in the future exempt green hydrogen (that is, H_2 produced with renewable electricity) from the EEG surcharge. This is intended to spur the expansion of hydrogen. However, this regulation is subject to the provisions of European law.

A ruling by the European Court of Justice ("ECJ") also has an impact on the regulatory environment for network operators. In infringement proceedings against Germany, the ECJ ruled on September 2, 2021, that Germany was in breach of the EU Energy Directive (EU RL 2019/944) and that the BNetzA was not acting independently enough. The ECJ ruling only affects the future; all decisions previously made by the BNetzA remain valid. The ruling will necessitate reforms to parts of Germany's energy law. Germany's previous regulations will nevertheless remain applicable until new legislation is passed. A transition period of around 18 to 24 months is expected until a new legal framework takes effect.

The elections for the 20th German Bundestag on September 26, 2021, led to the creation of a new federal government consisting of three parties (SPD, Bündnis 90/the Greens, FDP). Climate protection is one of the focal points of the new coalition. The coalition agreement includes, among other things, the following points:

Renewables expansion is to be accelerated by means of higher tender amounts, power purchase agreements ("PPAs", which are contracts between electricity producers and consumers), Europe-wide trade in guarantees of origin for green electricity, and the systematic removal of hurdles to the construction of generation facilities. The overarching target is for renewables to account for 80 percent of Germany's electricity consumption by 2030, based on anticipated consumption of between 680 and 750 TWh. E.ON believes this target should be welcomed; it is important, however, for networks to be expanded and modernized in synch with renewables growth.

Germany's coal phaseout is to be moved forward. Specifically, it was agreed that the review of the end date for the decommissioning of lignite- and hard-coal-fired power plants after 2030, which the law sets at 2026, will be moved forward by over three years to the end of 2022. Climate protection targets set by the previous government—1.5 degrees Centigrade and climate neutrality by 2045—remain in place. An emergency climate protection program is to get measures under way. Gas-fired power plants are recognized as necessary "until security of supply is ensured by renewables."

The price of carbon remains the central control mechanism for climate protection. The coalition intends to advocate a minimum carbon price in the EU ETS and the creation of a second European emissions trading scheme for heat and mobility.

The coalition agreement emphasizes the importance of faster network expansion. Planning of network infrastructure is to be carried out with foresight. The BNetzA and network operators are to develop a plan for a "climate-neutral network." The plan's details were not initially known. From E.ON's point of view, the emphasis on the importance of attractive conditions for investments in network infrastructure relative to the rest of Europe should in any case be welcomed.

Planning and approval processes are to be shortened. The coalition agreement says this will halve their duration and is to be implemented in the government's first year in office. Although these aspects have not been specified, this announcement is to be welcomed in the interests of climate protection.

Among the agreements contained in the coalition agreement are the following:

- The price of electricity for consumers is to fall. For this purpose, EEG funding will come from the federal budget rather than a surcharge from 2023 onward. There are discussions about moving this measure forward to ease the burden of higher electricity prices on consumers; a decision and legislation are not expected until the second quarter of 2022.
- A reform of network fees is also foreseen.
- Germany is to become the pacesetting market for hydrogen technologies by 2030; for this purpose, its national hydrogen strategy is to receive an "ambitious update". Hydrogen network infrastructure as well as green-hydrogen production are to be promoted.
- At least 15 million electric cars are to be registered by 2030. The coalition declared its support for the EU's goal of allowing only carbon-neutral vehicles to be registered from 2035 onward.
- 50 percent of heat is to be climate-neutral by 2030; to achieve this, the requirements for new residential construction are to be tightened. Newly installed heating systems are to be required to run on at least 65 percent renewables from 2025 onward.
- The coalition agreement also identifies digitalization (such as artificial intelligence, quantum technology, and data-based solutions) as a key area for the future. The government plans to introduce an additional digital budget for this purpose, and all future laws are to be subjected to a digitalization check in the future.
- The proportion of renewables in gross electricity consumption is to be increased to 80 percent; the EEG currently foresees 65 percent.

Most of the projects related to energy policy and climate protection are in line with the growth strategy E.ON published on November 23, 2021. E.ON thus expressly supports more ambitious climate targets and intends for the innovative solutions of its Energy Networks and Customer Solutions segments to promote this plan.

As provided for in the 13th amendment to the Atomic Energy Act, three nuclear power plants ("NPPs") were decommissioned on December 31, 2021. Alongside Gundremmingen C, they were Brokdorf and Grohnde NPPs operated by E.ON's PreussenElektra subsidiary. Isar 2, which is operated by PreussenElektra, and Germany's other remaining NPPs (Emsland and Neckarwestheim) will end operation at year-end 2022. The closure of the last plants will complete the political decision Germany made in 2011 to phase out nuclear energy.

United Kingdom
The Covid-19 pandemic severely impacted the United Kingdom in 2021 as well. The successful introduction of vaccines enabled large parts of the economy to get back on track. After a sharp downturn in 2020, the economy grew by around 6.5 percent in 2021. Dramatically higher energy costs became a key political issue. Energy suppliers with a low equity ratio and inadequate risk management were no longer able to supply energy to their customers at the contractually agreed-on price. As a result, numerous suppliers had to cease operations. The energy regulator, the Office of Gas and Electricity Markets ("Ofgem"), responded in November 2021 by submitting a series of proposals under which companies would be subject to stricter rules and controls. The U.K. government also published a net-zero strategy. Government advisors consider it to be a viable roadmap for the United Kingdom to achieve its 2050 climate targets. The strategy focuses on creating a regulatory framework and encouraging private-sector investment but includes only limited public funding.

Netherlands
A new government made up of the previous coalition partners was formed just before Christmas. The new coalition agreement includes a commitment to more renewable energy generation, more hybrid heat pumps, and the construction of two NPPs. It also sets a target for the Netherlands to reduce its carbon emissions by 55 percent by 2030.

The Dutch cabinet earmarked €3.2 billion to support primarily private households that could no longer pay all or part of their bills because of higher energy prices. Legislation such as a clean energy package, a heating law, and a roughly €500 million energy-conservation package are expected to take effect at the beginning of 2022.

Italy
A new government supported by a broad majority took office in Italy in January 2021. It is led by Mario Draghi, former president of the European Central Bank. The new government established a Ministry for Ecological Transition. The new ministry combines responsibilities for the energy sector that were formerly assigned to the Environment Ministry and the Ministry for Economic Development.

In November 2021 parliament approved the transposition of EU directives on renewable energy and the internal electricity market into Italian law. The budget law extended tax credits through 2022 to increase the energy efficiency of residential buildings. It also extended through 2023 a scheme that provides incentives for comprehensive building renovations.

To mitigate the impact of high energy prices on end-consumers, Italy set aside around €3 billion, part of which comes from revenue from emissions trading, to reduce electricity and gas network fees and the VAT on gas. It will also provide more support for low-income consumers.

Sweden
A vote of no confidence against the minority government of Social Democrats and Greens was held in June. The opposition did not succeed in forming a government, and so the previous government initially returned to office. The prime minister resigned in November, and a new Social Democratic government was confirmed at the end of November.

High electricity prices were a key topic of the energy policy debate in Sweden as well, with the country's four existing price zones frequently being called into question. In September 2021, for example, the price level in southern Sweden was more than twice as high as in the North.

An amendment to electricity network regulation took effect on June 1, 2021. The Ministry of the Environment is currently working on an electrification strategy. The Ministry of Infrastructure has established an electrification committee for the transport sector, which will serve until the end of 2022.

Sweden's Covid-19 pandemic restrictions were less stringent than in other countries, and many measures were lifted at the end of September 2021.

East-Central Europe
A new energy law In the Czech Republic that was due to take effect in 2023 will be delayed yet again. Elections changed the balance of power in parliament. This is expected to lead, among other things, to a revision of the country's climate and energy strategy, which is likely to include discussions on new NPPs. High energy prices also dominated the Czech Republic's debate on energy-system transformation.

As part of the agreements concluded in 2019 between E.ON, MVM, and Opus Global, E.ON restructured its activities in Hungary's energy market; this process was largely completed in 2021. New regulatory periods for network fees began in 2021 for electricity networks (on April 1) and for gas networks (on October 1); rules for greater energy efficiency took effect on January 1, 2021. Despite increased electricity consumption, the government announced that it would maintain state-regulated retail electricity prices at current levels. The government also introduced subsidies aimed at increasing the country's solar capacity by 200 MW.

A reform of Poland's coal sector was not completed in 2021 owing to the resignation of a senior government official; in addition, the Minister of Climate and Environment was replaced in a government reshuffle in late October. Because the European Commission considered Poland to be in violation of rule of law principles, funds from the EU recovery plan were withheld.

In November 2021 Croatia's parliament passed a new Electricity Market Act that paves the way for a transition to cleaner energy and transposes the EU directive on common rules for the internal electricity market. A new Energy Efficiency Act took effect the previous April. Renewables legislation is expected.

Several energy suppliers in Slovakia became insolvent, with the result that 300,000 customers had to be served by other suppliers. Amendments to laws on the energy market and support for renewables were debated but not adopted.

Slovenia held the EU Council Presidency in the second half of 2021, which, under the motto "Together. Resilient. Europe," it dedicated to the EU's economic recovery process. The government announced the introduction of energy vouchers for vulnerable customer groups, but by year-end had otherwise not taken any specific action against the rise in energy prices.

Romania's government did take action against rising energy prices, which were already among Europe's highest. However, industry and business associations heavily criticized the aid measures, which they considered too complex. The bureaucratic rules affect the energy industry as well. A new government took office in late November 2021 after the previous governing coalition collapsed. A notable feature of the coalition agreement is that the two major parties will take turns appointing the prime minister, with a rotation scheduled for May 2023. In October 2021 the former government had published a national energy and climate protection program, which the European Commission contested because it did not accord with EU measures.

Business Performance

E.ON surpassed several forecast metrics for the 2021 financial year, after increasing its full-year forecast significantly in August. The adjustment was attributable to the implementation of the public-law agreement of March 25, 2021, between the German federal government and the country's nuclear power plant operators. In this context, previous purchases of residual power output rights were refunded. This resulted in a positive effect of roughly €0.6 billion, which was the reason for the increased forecast. E.ON raised its forecast range for adjusted EBIT for the 2021 financial year from €3.8 to 4.0 billion to €4.4 to 4.6 billion. It also raised the forecast range for adjusted net income, from €1.7 to 1.9 billion to €2.2 to 2.4 billion. E.ON surpassed its revised guidance in particular owing to PreussenElektra's strong earnings performance. The main drivers were higher sales prices in the second half of the year and high capacity utilization at the remaining power plants. E.ON's core operating business also delivered a positive performance, owing in part to cost savings and higher sales volume in almost all regional markets.

Sales in the 2021 financial year increased by €16.4 billion to €77.4 billion. Sales rose in particular at the Customer Solutions segment. The increase is partially attributable to the settlement of commodity derivatives. In addition, sales volume was higher in nearly all E.ON markets due primarily to cooler weather. The passthrough of higher cost components, in particular in Germany and the United Kingdom, was another positive factor.

Adjusted EBIT for the E.ON Group of €4.7 billion was about €1 billion above the prior-year figure and thus slightly above the forecast range of €4.4 to €4.6 billion. Energy Networks recorded adjusted EBIT of €3 billion, which was within the forecast range of €2.9 to €3.1 billion. Customer Solutions' adjusted EBIT of about €0.9 billion was also within the forecast range of €0.8 to €1 billion. Adjusted EBIT recorded under Corporate Functions/Other of -€321 million reflects the forecast of roughly -€0.3 billion. Non-Core Business posted adjusted EBIT of €1.1 billion, which was slightly above the forecast range which had been adjusted to €0.8 to €1 billion in August 2021. Adjusted net income of €2.5 billion was around €1 billion above the prior-year level and therefore likewise slightly above the forecast range of €2.2 to €2.4 billion. Earnings per share, which are based on adjusted net income, amounted to €0.96 in the reporting period (prior year: €0.63). In E.ON's core business, this positive performance was partly attributable to higher power and gas sales volume due to cooler weather in almost all its markets. Cost savings, particularly at the U.K. sales business, contributed to the earnings improvement as well.

In addition, E.ON recorded a cash-conversion rate ("CCR") of 80 percent in the 2021 financial year. This is attributable in part to operating effects and changes in working capital. E.ON had planned to achieve an average CCR of about 100 percent for the 2021 to 2023 financial years and expects to achieve it. CCR is equal to operating cash flow before interest and taxes (€5.6 billion) divided by adjusted EBITDA (€7.9 billion), without factoring in payments for the dismantling of nuclear power stations (roughly -€0.7 billion).

Cash-effective investments of €4.8 billion were significantly above the prior-year level of €4.2 billion, albeit slightly below the forecast figure of €4.9 billion. Energy Networks' investments of €3.5 billion were above the forecast figure of €3.3 billion. Customer Solutions' investments of €0.7 billion were below the forecast figure of €1 billion. The deviation is largely attributable to a delay in the implementation of Energy Infrastructure Solutions' projects due to Covid-19. Investments of €0.2 billion at Corporate Functions/Other were in line with the forecast figure. Non-Core Business's investments of €0.3 billion were slightly below the forecast figure of €0.4 billion.

Cash provided by operating activities of continuing operations of €4.1 billion was considerably below the prior-year level (€5.3 billion). Temporary working capital effects at the balance-sheet date at the Energy Networks segment constituted the principal reason. This was partially counteracted by an improvement in EBITDA resulting from the refund of previous payments to acquire residual power output rights.

Acquisitions, Disposals, and Discontinued Operations in 2021

In 2021 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:

- Disposal of 100 percent of innogy's eMobility activities in Europe
- Westenergie AG's consortium agreement with RheinEnergie and the reclassification of the stake in Stadtwerke Duisburg as an asset held for sale
- Reclassification of the contributed assets of Stromnetzgesellschaft Essen, part of which is to be disposed of, as assets held for sale
- Reclassification of VSEH as a disposal group due to the planned combination with ZSE in Slovakia
- Sale of the retail business in Belgium
- Sale of the sales business to industrial customers ("B2B") in the Netherlands
- Sale of the universal service provider ("USP") business in Hungary and thus its reclassification as a disposal group
- Sale of the biogas business in Sweden.

Cash provided by investing activities of continuing operations included cash-effective disposal proceeds totaling €1 billion in 2021 (prior year: €2.8 billion).

Earnings Situation

Sales

Sales in the 2021 financial year rose by €16.4 billion year on year to €77.4 billion.

Energy Networks' sales of €18.3 billion were €0.3 billion above the prior-year figure. The improvement resulted in part from cooler weather and the recovery from the Covid-19 pandemic's adverse economic repercussions in 2020. The inclusion of VSEH's network business in Slovakia for the entire year was also a positive factor.

Customer Solutions' sales rose by €12.8 billion to €61.5 billion. The increase in sales mainly reflected the settlement of derivatives amid higher prices on commodity markets (€4.9 billion). Also, sales volume rose in nearly all E.ON markets owing primarily to cooler weather. In addition, the passthrough of increased cost components led to higher sales in Germany and the United Kingdom. The inclusion of VSEH in Slovakia for the entire year was another positive factor. By contrast, changes in the customer portfolio, in part in Germany, led to a volume-driven decline in sales.

Sales

	Fourth quarter			Full year		
€ in millions	2021	2020	+/- %	2021	2020	+/- %
Energy Networks	5,005	5,047	-1%	18,273	17,936	2%
Customer Solutions	23,244	14,217	63%	61,507	48,659	26%
Non-Core Business	559	360	55%	1,632	1,388	18%
Corporate Functions/Other	8,624	1,762	389%	17,265	2,755	527%
Consolidation	-8,161	-3,756	-117%	-21,319	-9,794	-118%
E.ON Group	**29,271**	**17,630**	**66%**	**77,358**	**60,944**	**27%**

Sales at Non-Core Business rose by €0.2 billion year on year to €1.6 billion. Higher sales prices in the second half of the year and high utilization rates of nuclear power plants ("NPPs") were the main drivers. This was partially offset because a portion of the refunds were passed through to the minority shareholders of E.ON's jointly owned NPPs. The refunds of previously purchased residual power output rights resulted from the implementation of the public law agreement of March 25, 2021, between the German federal government and the country's NPP operators.

Sales recorded at Corporate Functions/Other of €17.3 billion were €14.5 billion above the prior-year figure. The increase is mainly attributable to the establishment of E.ON Energy Markets, a new central commodity procurement unit that began operating in October 2020. Its business activities on commodity markets amid rising prices and the settlement of derivatives (€3.3 billion) contributed to this sales trend.

The increase attributable to consolidation mainly results from internal transactions relating to central energy procurement.

Other Line Items from the Consolidated Statements of Income

The Consolidated Statements of Income are on page 165.

Own work capitalized of €761 million was 12 percent above the prior-year figure of €680 million. Own work capitalized consisted predominantly of network investments as well as ongoing and completed IT projects.

Other operating income totaled €47,383 million in 2021 (prior year: €8,907 million). Income from derivative financial instruments alone increased by €38,831 million year on year to €44,737 million, mainly because of sharply higher energy prices on commodity markets.

Income from currency-translation effects of €478 million was €586 million lower than the prior-year figure of €1,064 million. 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 €360 million (prior year: €469 million).

Costs of materials of €78,096 million were considerably above the prior-year figure of €47,147 million. The increase primarily reflects higher prices on commodity markets. This resulted in higher direct procurement costs as well as adjustments to the corresponding expenses to the current market price at the time of delivery in the case of forward procurement contracts that are accounted for as derivative financial instruments pursuant to IFRS. Income from the settlement of commodity derivatives is recorded under other operating income. The creation of provisions for pending transactions was also recognized in costs of materials. These provisions were mainly created for contracted sales transactions that are not subject to IFRS 9 (failed own-use transactions) but that are commercially part of a portfolio and that are partially offset by procurement transactions that are accounted for as derivative financial instruments. Consequently, the marking to market of procurement transactions results in other operating earnings.

Depreciation charges declined from €4,166 million in the prior year to €3,922 million, principally because of lower impairment charges of €277 million (prior year: €479 million). Scheduled depreciation charges in the year under review were recorded primarily at Energy Networks' operations in Germany.

Other operating expenses of €31,665 million were €20,746 million above the prior-year level (€10,919 million), chiefly because expenditures relating to derivative financial instruments (including currency-translation effects) rose by €20,699 million to €26,486 million. In addition, expenditures relating to currency-translation effects increased by €244 million to €885 million.

Income from companies accounted for under the equity method of €505 million was above the prior-year level (€408 million). Higher equity earnings from network companies in Germany and from shareholdings in Turkey were partially offset by the absence of income from Rampion Renewables Ltd after its sale to RWE.

Adjusted EBIT

For the purpose of internal management control and as the most important indicator of businesses' long-term earnings power, in the year under review E.ON used earnings before interest and taxes that have been adjusted to exclude non-operating effects ("adjusted EBIT").

The core business's adjusted EBIT in the 2021 financial year rose by €216 million to €3,579 million (prior year: €3,363 million). Energy Networks' adjusted EBIT of €2,970 million was €272 million below the prior-year figure. Earnings were adversely affected by effects resulting from higher commodity prices, which led in particular to higher costs for network losses. These will be offset over time under national regulatory schemes. This was compounded in Germany by several factors, including higher costs for maintenance and repair and a further increase in networks' supply tasks. Higher costs for upstream networks led to lower earnings in Sweden. Positive effects in East-Central Europe/Turkey resulting primarily from the inclusion of VSEH in Slovakia for the entire year were more than offset by higher costs for network losses.

Adjusted EBIT

	Fourth quarter			Full year		
€ in millions	2021	2020[1]	+/- %	2021	2020[1]	+/- %
Energy Networks	556	913	-39%	2,970	3,242	-8%
Customer Solutions	25	92	-73%	926	478	94%
Thereof EIS business	–	–	–	*237*	–	–
Corporate Functions/Other	-76	-39	-95%	-321	-363	12%
Consolidation	6	7	-14%	4	6	-33%
Adjusted EBIT from core business	**511**	**973**	**-47%**	**3,579**	**3,363**	**6%**
Non-Core Business	284	115	147%	1.144	413	177%
E.ON Group adjusted EBIT	**795**	**1,088**	**-27%**	**4,723**	**3,776**	**25%**

[1] Includes the effects of retrospective changes in connection with the adjustment of the provisional recognition of the innogy acquisition until September 18, 2020.

Adjusted EBIT at Customer Solutions rose by €448 million year on year to €926 million. The reasons included a weather-driven increase in sales volume and operating improvements in nearly all E.ON markets. In addition, cost savings from the ongoing restructuring program in the United Kingdom had a positive impact on adjusted EBIT. Customer Solutions includes Energy Infrastructure Solutions ("EIS"), which reported adjusted EBIT of €237 million in the reporting period. EIS' activities are disclosed separately throughout this report.

Adjusted EBIT recorded at Corporate Functions/Other improved by €42 million year on year to -€321 million, principally because of cost savings. The non-recurrence of positive income from the stake in Rampion Renewables Ltd, which was sold in the first half of 2021, had a countervailing effect.

The E.ON Group's adjusted EBIT totaled €4,723 million and was thus €947million above the prior-year figure. The increase resulted from the aforementioned developments at the core business and from effects at Non-Core Business. Alongside higher sales prices and sales volumes, these effects relate mainly to the implementation of the public-law agreement of March 25, 2021, between the German federal government and the country's NPP operators. In this context, previous purchases of residual power output rights were refunded. This resulted in a positive effect of roughly €0.6 billion.

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 2021.

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 as well as related provisions for contingent losses, 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 (after taxes and non-controlling interests). Non-operating interest expense/income also includes positive effects from the resolution of valuation differences between the nominal and fair value of innogy bonds.

On the following pages, the disclosures in the Consolidated Statements of Income are reconciled to the adjusted earnings metrics.

Reconciliation to Adjusted EBIT

Net income attributable to shareholders of E.ON SE and corresponding earnings per share amounted to €4.7 billion and €1.80, respectively. In the prior year E.ON recorded net income of about €1 billion and earnings per share of €0.39. The development of net income in the 2021 financial year mainly reflected asymmetrical valuation effects on unrealized sales and procurement transactions as a result of sharp increases in commodity prices. These effects had no impact on contractual payment streams or adjusted earnings.

Pursuant to IFRS 5, income/loss from discontinued operations, net, is reported separately in the Consolidated Statements of Income. In the prior year this item included 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 income).

E.ON's tax expense in 2021 amounted to €818 million (prior year: €871 million). In 2021, the tax rate was 13 percent (prior year: 40 percent). In the reporting period, in particular the use of tax losses, market valuations of commodities with no tax effect and taxes for previous years led to a reduction in the tax rate. The reason for the high tax rate in the previous year was essentially a one-off effect from the valuation of deferred tax assets, which was partially offset by taxes for previous years.

Financial results of -€386 million improved by €316 million relative to the prior year. An increase in income from equity investments and improved interest income/expenses, which benefited in part from a lower interest expense on debt financing, were positive factors. There were also countervailing effects in non-operating earnings. These include positive valuation effects on securities held for trading, lower income for prior periods compared with the prior year, and lower earnings relative to the prior year from the difference between the nominal interest rate and the effective interest rate of the innogy bonds adjusted due to the purchase-price allocation (see page 68).

Reconciliation to Adjusted EBIT

	Fourth quarter		Full year	
€ in millions	2021	2020[1]	2021	2020[1]
Net income/loss	1,402	212	5,305	1,270
Attributable to shareholders of E.ON SE	*907*	*156*	*4,691*	*1,017*
Attributable to non-controlling interests	*495*	*56*	*614*	*253*
Income/Loss from discontinued operations, net	–	1	–	40
Income/Loss from continuing operations	**1,402**	**213**	**5,305**	**1,310**
Income taxes	82	180	818	871
Financial results	29	206	386	702
Income/Loss from continuing operations before financial results and income taxes	**1,513**	**599**	**6,509**	**2,883**
Income/Loss from equity investments	68	-21	167	18
EBIT	**1,581**	**578**	**6,676**	**2,901**
Non-operating adjustments	**-786**	**510**	**-1,953**	**875**
Net book gains (-)/losses (+)	*8*	*-40*	*-26*	*-258*
Restructuring expenses	*222*	*266*	*511*	*656*
Effects from derivative financial instruments	*-1,625*	*-971*	*-3,250*	*-1,128*
Impairments (+)/Reversals (-)	*428*	*473*	*440*	*557*
Carryforward of hidden reserves (+) and liabilities (-) from the innogy transaction	*246*	*325*	*760*	*802*
Other non-operating earnings	*-65*	*457*	*-388*	*246*
Adjusted EBIT	**795**	**1,088**	**4,723**	**3,776**
Impairments (+)/Reversals (-)	17	21	49	27
Scheduled depreciation and amortization	800	830	3,117	3,102
Adjusted EBITDA	**1,612**	**1,939**	**7,889**	**6,905**

[1]Includes the effects of retrospective changes in connection with the adjustment of the provisional recognition of the innogy acquisition until September 18, 2020.

Net book gains were lower than the prior-year figure. The main factor in the year under review was the transfer of the remaining stake in Rampion wind farm to RWE.

Restructuring expenses were lower than in the 2020 reporting period and, as in the prior year, consisted primarily of expenditures in conjunction with the innogy integration and the restructuring of the sales business in the United Kingdom.

The effects in connection with derivative financial instruments developed positively by €2,122 million to €3,250 million. The strong increase in commodity prices led to significant increases in the market value of unrealized sales and procurement transactions.

E.ON recorded impairment charges in the 2021 financial year in particular at Energy Networks' operations in Slovakia (mainly on goodwill in conjunction with the reclassification of these operations as a disposal group) and on intangible assets at its operations in Romania. Impairment charges recorded in the prior year related in particular to Energy Networks' operations in Hungary (due mainly to the current restructuring of these operations; see page 39) as well as Customer Solutions' operations in the United Kingdom (primarily for software in conjunction with the ongoing restructuring program) and its operations in the Netherlands/Belgium (in particular as part of the planned disposal of the Belgian sales business).

Items resulting from the subsequent valuation of hidden reserves and liabilities as part of the purchase-price allocation for innogy are disclosed separately.

The increase in other non-operating earnings is mainly attributable to valuation effects on non-current provisions, which were partly offset by negative valuation effects on bonds denominated in foreign currencies.

The prior-year figure was adversely affected by valuation effects for repurchase obligations under IAS 32 and non-current provisions as well as realized effects from hedging transactions for certain currency risks.

Reconciliation to Adjusted Net Income

	Fourth quarter		Full year	
€ in millions	2021	2020[1]	2021	2020[1]
Income/Loss from continuing operations before financial results and income taxes	**1,513**	**599**	**6,509**	**2,883**
Income/Loss from equity investments	68	-21	167	18
EBIT	**1,581**	**578**	**6,676**	**2,901**
Non-operating adjustments	-786	510	-1,953	875
Adjusted EBIT	**795**	**1,088**	**4,723**	**3,776**
Net interest income/loss	-97	-185	-553	-720
Non-operating interest expense (+)/income (-)	-110	-57	-391	-358
Operating earnings before taxes	**588**	**846**	**3,779**	**2,698**
Taxes on operating earnings	-99	-190	-880	-653
Operating earnings attributable to non-controlling interests	-129	-107	-396	-407
Adjusted net income	**360**	**549**	**2,503**	**1,638**

[1]Includes the effects of retrospective changes in connection with the adjustment of the provisional recognition of the innogy acquisition until September 18, 2020.

Reconciliation to Adjusted Net Income

Adjusted net income of €2,503 million was 53 percent above the prior-year figure of €1,638 million. Besides the above-described effects in the reconciliation to adjusted EBIT, this reconciliation includes the following items:

Interest income/expenses includes non-operating components, which improved by €33 million year on year, principally because of positive valuation effects on securities recorded at fair value on the balance-sheet date. The adverse effects included a reduction in income for prior years and lower earnings from the difference between the nominal interest rate and the effective interest rate of the innogy bonds adjusted due to the purchase-price allocation.

The tax rate on operating earnings of continuing operations was 23 percent (prior year: 24 percent). The principal reason for the decline was the utilization of tax loss carryforwards, which lowered the tax rate.

Non-controlling interests' share of operating earnings declined slightly, mainly because of lower operating earnings from minority-held companies.

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 2021 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 €1.9 billion at year-end 2021. 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 for a debt factor of 4.8 to 5.2. The debt factor at year-end 2021 of 4.9 was within the target range.

Economic Net Debt

Economic net debt declined by €1.9 billion relative to year-end 2020 (€40.7 billion) to €38.8 billion.

Financial liabilities of €32.7 billion reflect E.ON SE's issuance of two bonds in the reporting year totaling €1.35 billion as well as the repayment of three bonds (GBP and EUR) totaling €2.4 billion. The increase in financial liabilities is also attributable to both adverse currency-translation effects on bonds denominated in foreign currencies (effects that were largely offset in E.ON's net financial position by positive effects from foreign-currency hedging) and short-term interim financing.

E.ON's net financial position increased by €0.7 billion compared with year-end 2020 to -€24.7 billion. E.ON SE's dividend payment and investment expenditures were largely offset, in part by operating cash flow, disposals (in particular as part of the reorganization of business activities in Hungary; see page 39 and Note 30 to the Consolidated Financial Statements), and margin payments in conjunction with the development of commodity prices.

The increase in actuarial discount rates for pensions, which led to a reduction in defined benefit obligations, had a positive impact on economic net debt, as did the return on plan assets (see Note 25 to the Consolidated Financial Statements). The reduction in provisions for asset-retirement obligations mainly results from the utilization of provisions for asset-retirement obligations in the nuclear energy business (see Note 26 to the Consolidated Financial Statements). Because the utilization affects operating cash flow, it has no overall effect on economic net debt.

Economic Net Debt

	December 31	
€ in millions	2021	2020
Liquid funds	5,965	4,795
Non-current securities	1,699	1,887
Financial liabilities[1]	-32,730	-30,720
FX hedging adjustment	391	82
Net financial position	**-24,675**	**-23,956**
Provisions for pensions	-6,082	-8,088
Asset-retirement obligations[2]	-8,016	-8,692
Economic net debt	**-38,773**	**-40,736**

[1]Bonds issued by innogy are recorded at their nominal value. The figure shown in the Consolidated Balance Sheets is €1.9 billion higher (year-end 2020: €2.1 billion higher).
[2]This figure is not the same as the asset-retirement obligations shown in the Consolidated Balance Sheets (€9,230 million at December 31, 2021; €10,194 million at December 31, 2020). 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 then-current criteria of the EU Taxonomy Regulation on sustainable economic activities ("EU taxonomy"). In December 2021 E.ON revised its green bond framework to reflect the now finalized version of the EU taxonomy. The EU taxonomy defines which economic activities are to be classified as ecologically sustainable and thus sets a Europe-wide standard for sustainable investments. E.ON's Green Bond Framework is geared toward sustainable projects at 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. All bonds now have E.ON SE as debtor or guarantor (with EIF as issuer). In 2021 E.ON paid back in full maturities of €2.4 billion. E.ON issued new debt totaling €1.35 billion (see pages 36 and 37).

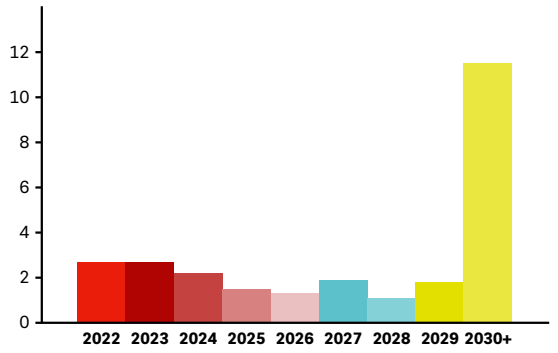
With the exception of a U.S.-dollar-denominated bond issued in 2008, all of E.ON SE and EIF's currently outstanding bonds were issued under a Debt Issuance Program ("DIP"). Similarly, innogy and innogy Finance B.V. bonds were formerly issued under the former innogy Group's DIP. A DIP simplifies a company's 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 2021 with a total volume of €35 billion, of which about €16.1 billion was utilized at year-end 2021. E.ON SE intends to renew the DIP in 2022.

Financial Liabilities

	December 31	
€ in billions	2021	2020
Bonds[1]	26.4	26.9
EUR	*18.0*	*18.4*
GBP	*7.1*	*7.2*
USD	*0.9*	*0.8*
JPY	*0.3*	*0.3*
Other currencies	*0.1*	*0.2*
Promissory notes	0.0	0.0
Commercial paper	1.5	0.0
Other liabilities	4.8	3.8
Total	**32.7**	**30.7**

[1]Includes private placements.

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



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. €1.5 billion of CP was outstanding at year-end 2021 (prior year: €0).

E.ON also has access to €3.5 billion syndicated credit facility, which was concluded on October 24, 2019. It originally had a five-year term and includes two options to extend the facility, in each case for one year. The first and second options to extend the facility for another year were exercised in October 2020 and October 2021, respectively. This extended the term of the credit facility to October 24, 2026. 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.

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 are 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 using 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 the 2021 financial year increased by €591 million year on year to €4,762 million. Investments in property, plant, and equipment and intangible assets totaled €4,487 million (prior year: €4,362 million). Share investments amounted to €275 million versus -€191 million in the prior year.

Investments

€ in millions	2021	2020	+/- %
Energy Networks	3,520	3,369	4%
Customer Solutions	710	803	-12%
Thereof EIS business	*409*	–	
Corporate Functions/Other	238	-273	187%
Consolidation	-4	-3	-33%
Investments in core business	**4,464**	**3,896**	**15%**
Non-Core Business	298	275	8%
E.ON Group investments	**4,762**	**4,171**	**14%**

Energy Networks' investments of €3,520 million were 4 percent above the prior-year level of €3,369 million. Investment activity in all regions focused in part on new connections and the renewal of network infrastructure. In addition, more was invested in the expansion of smart meters in Sweden than in the prior year, and replacement investments increased as well.

Customer Solutions' investments of €710 million were 12 percent below the prior-year figure (€803 million). EIS's investments across all regional markets accounted for fully €409 million of total investments. Investments in Sweden were significantly below the prior-year level due to the completion of the Högbytorp project. In addition, the prior-year figure included expenditures for the acquisition of Coromatic, a leading supplier of critical building infrastructure in Scandinavia. Investments in the United Kingdom, most of which went toward the expansion of smart meters, declined as well. By contrast, E.ON Business Solutions invested significantly more in projects relating to embedded energy supply than in the prior year.

Investments recorded at Corporate Functions/Other of €238 million (prior-year period: -€273 million) are principally attributable to subsequent purchase-price payments in conjunction with the innogy acquisition. By contrast, prior-year investments included purchase-price reductions relating to the innogy acquisition. In addition, investments in the reporting year went toward the acquisition of gridX GmbH and envelio GmbH (for more information on these projects, see page 38).

Non-Core Business's investments rose by €23 million year on year to €298 million.

Cash Flow

Cash provided by operating activities of continuing operations before interest and taxes of €5.6 billion was €0.3 billion below the prior-year figure of €5.9 billion. Negative working-capital effects at the German network business were the principal adverse factor at Energy Networks, whose cash provided by operating activities was €0.5 billion below the prior-year figure. Working-capital effects in Sweden were the main reason for the €0.2 billion year-on-year decline at Customer Solutions. Operating cash flow at Non-Core Business was €0.5 billion higher relative to the prior year, primarily because of an improvement in EBITDA due to the refund of previous payments to acquire residual power output rights (€0.6 billion). In addition, cash provided by operating activities of continuing operations reflected a normalization of tax payments in 2021.

Cash provided by investing activities of continuing operations totaled -€5.4 billion versus -€1.9 billion in the prior year. Margin payments made in connection with derivative transactions (mainly initial margins) due to price movements in the year under review were significantly higher than in the prior year. In the first quarter of the prior year E.ON received the payment for the indirect stake in Nord Stream AG (Nord Stream 1) that had been transferred to the Contractual Trust Arrangement ("CTA") in 2019. In addition, prior-year cash flow benefited from a subsequent purchase-price payment by RWE for the innogy acquisition, the sale of innogy's retail business in the Czech Republic, and from the sale of the heating electricity business. The payment from the sale of Rampion Renewables Ltd to RWE was also received in the 2020 financial year. Cash provided by investing activities in the year under review benefitted to a comparatively limited degree from the sale of two network companies in Hungary.

Cash Flow[1]

€ in millions	2021	2020
Operating cash flow	4,069	5,287
Operating cash flow before interest and taxes[2]	5,639	5,948
Cash provided by (used for) investing activities	-5,399	-1,877
Cash provided by (used for) financing activities	2,263	-2,624

[1]From continuing 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 operations of €2.3 billion was €4.9 billion above the prior-year figure of -€2.6 billion. This was due in particular to compensation payments made to innogy SE's remaining minority shareholders in the 2020 financial year (€2.4 billion). Variation margin payments in conjunction with derivative transactions had a positive effect on cash provided by financing activities. The sale of a portion of the Company's business operations in Hungary led to a further improvement in the year under review.

Asset Situation

Total assets and liabilities of €119.8 billion were about €24.4 billion, or 26 percent, above the figure at year-end 2020. Non-current assets rose by €5.2 billion to €80.6 billion. This is mainly attributable to an increase in receivables on derivative financial instruments.

Current assets increased by 97 percent, from €19.9 billion to €39.1 billion. This likewise resulted mainly from the increase in receivables on derivative financial instruments and an increase in liquid funds.

Equity attributable to E.ON SE shareholders was about €12 billion at year-end 2021. Equity attributable to non-controlling interests was roughly €5.9 billion. The equity ratio (including non-controlling interests) at year-end 2021 was 15 percent, which is 6 percentage points higher than at year-end 2020. Net income in the 2021 financial year was the primary factor. The expiration of the enviaM AG put option in the amount of €1.8 billion had a positive impact on equity. Of this amount, €0.7 billion is attributable to the shareholders of E.ON SE and €1.1 billion to minority interests. The remeasurement of pension obligations likewise had a positive effect on equity. These items were partially offset by the dividend payout totaling €1.6 billion.

Non-current debt declined by €0.4 billion, or 1 percent, chiefly because of the development of non-current bonds and other operating liabilities. Another positive factor was a reduction in provisions for pensions, which resulted from an increase in the actuarial discount rates used by the E.ON Group and a positive return on plan assets.

Current debt of €40.5 billion was 65 percent above the figure at year-end 2020. This was due in particular to an increase in other provisions for contingent losses from pending transactions in conjunction with the rise in energy prices on commodity markets and the increase in liabilities from derivative financial instruments. The expiration of the put option for enviaM AG and the development of current bonds were countervailing factors.

Consolidated Assets, Liabilities, and Equity

€ in millions	Dec. 31, 2021	%	Dec. 31, 2020	%
Non-current assets	80,637	67	75,484	79
Current assets	39,122	33	19,901	21
Total assets	**119,759**	**100**	**95,385**	**100**
Equity	17,889	15	9,055	9
Non-current liabilities	61,359	51	61,761	65
Current liabilities	40,511	34	24,569	26
Total equity and liabilities	**119,759**	**100**	**95,385**	**100**

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

Business Segments

Energy Networks

Power and Gas Passthrough

On balance, power and gas passthrough in the year under review rose relative to the prior year. In Germany this is attributable in part to cooler weather and in part to the recovery of the economy from the repercussions of the Covid-19 pandemic, which had an adverse effect in 2020.

Power passthrough in Sweden rose slightly year on year because, on average, the weather was cooler over the course of the year.

In East-Central Europe/Turkey, lower passthrough due to the sale of two network operators in Hungary (ETI and ÉMÁSZ) was offset by higher power passthrough resulting from the acquisition of VSEH in Slovakia. Gas passthrough was above the prior-year level.

Energy Passthrough

	Germany		Sweden		East-Central Europe/ Turkey		Total	
Billion kWh	2021	2020	2021	2020	2021	2020	2021	2020
Fourth quarter								
Power	62.3	64.5	10.0	9.5	15.3	17.9	87.6	91.9
Line loss, station use, etc.	1.9	2.0	0.4	0.3	0.2	0.7	2.4	2.9
Gas	54.5	60.6	–	–	17.6	16.1	72.1	76.7
Full year								
Power	234.7	226.9	36.9	34.7	66.2	64.2	337.8	325.8
Line loss, station use, etc.	7.1	7.1	1.2	1.1	3.9	4.0	12.1	12.1
Gas	183.9	170.6	–	–	49.8	46.2	233.7	216.8

System Length and Network Customers

E.ON's power system in Germany was about 700,000 kilometers long, slightly below the prior-year figure (705,000 kilometers). At year-end it had about 14.9 million network customers for power in its service territory. E.ON's gas system declined slightly to about 101,000 kilometers (prior year: 104,000 kilometers). By contrast, the number of network customers—1.8 million—was essentially unchanged from 2020.

The length of E.ON's power system in Sweden was 140,000 kilometers (prior year: 139,000 kilometers). The number of customers in the power distribution system was about 1.1 million, unchanged from the prior year.

E.ON operates electricity networks in East-Central Europe/Turkey with a total system length of 274,000 kilometers (prior year: 322,000 kilometers) and supplies about 8.3 million network customers (prior year: 9.7 million). The decline in system length and the number of customers is mainly attributable to the sale of two network operators in Hungary, ETI and ÉMÁSZ. As in the prior year, gas networks operated by E.ON were roughly 49,000 kilometers long. The number of gas network customers was almost unchanged at around 2.7 million (prior year: 2.6 million).

Sales and Adjusted EBIT

Sales and adjusted EBIT in Germany were €14,661 million and €1,961 million, respectively. Sales were at the prior-year level. Adjusted EBIT declined by 8 percent year on year. Earnings were adversely affected primarily by effects resulting from higher commodity prices, which led in particular to higher costs for network losses.

Sales in Sweden in 2021 rose by about 8 percent, from €899 million to €962 million, owing to higher passthrough amid colder weather. Higher costs for the upstream network reduced adjusted EBIT in the year under review by €34 million to €337 million.

East-Central Europe/Turkey's sales of €2,650 million were higher (prior year: €2,484 million), whereas its adjusted EBIT of €672 million was slightly below the prior-year level. Positive effects such as the inclusion of VSEH in Slovakia for the entire year were more than offset by higher costs for network losses and adverse currency-translation effects.

Energy Networks

	Germany		Sweden		East-Central Europe/Turkey		Total	
€ in millions	2021	2020	2021	2020	2021	2020	2021	2020
Fourth quarter								
Sales	4,076	4,102	261	240	668	705	5,005	5,047
Adjusted EBITDA[1]	779	1,028	111	137	228	285	1,118	1,450
Adjusted EBIT[1]	353	626	67	96	136	191	556	913
Full year								
Sales	14,661	14,563	962	889	2,650	2,484	18,273	17,936
Adjusted EBITDA	3,458	3,628	507	529	1,023	1,029	4,988	5,186
Adjusted EBIT	1,961	2,182	337	371	672	689	2,970	3,242

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

Customer Solutions

Power and Gas Sales Volume

Customer Solutions' power sales of 372.8 billion kWh were at the prior-year level, whereas its gas sales rose by 63 billion kWh to 447.9 billion kWh.

The main drivers of power and gas sales in nearly all regional markets were cooler weather, which led to volume increases, and Covid-19-related sellbacks, particularly to the wholesale market. Power sales in Germany declined to 188 billion kWh (prior year: 196.2 billion kWh), owing in part to portfolio streamlining among sales partners.

Power Sales[1]

	Germany		United Kingdom		Netherlands/ Belgium		Other[2, 3]		Total	
Billion kWh	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Fourth quarter										
Residential and SME	8.8	7.7	6.0	6.2	1.7	2.3	8.2	9.0	24.7	25.2
I&C	6.9	6.7	8.7	8.1	1.1	1.7	6.1	7.7	22.8	24.2
Sales partners	13.4	20.4	–	0.6	–	–	1.8	2.1	15.2	23.2
Customer groups	**29.1**	**34.8**	**14.7**	**14.9**	**2.8**	**4.0**	**16.1**	**18.8**	**62.7**	**72.6**
Wholesale market	50.5	20.6	28.1	3.9	2.3	2.3	2.4	3.4	83.0	30.6
Total	**79.3**	**55.5**	**42.8**	**18.8**	**5.1**	**6.3**	**18.7**	**22.1**	**145.9**	**102.7**
Full year										
Residential and SME	32.7	31.5	21.8	22.4	6.3	7.6	32.5	31.9	93.3	93.4
I&C	28.5	30.9	32.0	31.5	4.7	6.2	24.5	30.2	89.7	98.8
Sales partners	49.8	72.7	2.2	2.2	–	–	6.9	3.8	59.1	78.9
Customer groups	**111.0**	**135.1**	**56.0**	**56.1**	**11.1**	**13.8**	**64.0**	**66.0**	**242.3**	**271.2**
Wholesale market	77.0	61.1	35.8	20.5	8.2	6.6	9.7	12.0	130.7	101.0
Total	**188.0**	**196.2**	**91.8**	**76.6**	**19.3**	**20.4**	**73.7**	**77.9**	**372.8**	**371.1**

[1]The amounts shown were aggregated to totals and not consolidated.
[2]Excludes E.ON Business Solutions.
[3]Prior-year figures were adjusted due to changes in segment reporting (this concerns the activities in Slovakia (VSEH) and in Croatia; see page 36).

Customer Numbers

Customer Solutions' fully consolidated companies had about 39.9 million customers at year-end 2021, slightly below the prior-year figure of 41.15 million. The acquisition of customers from energy companies that had filed for bankruptcy increased the number of customers in Germany to 14.4 million (prior year: 13.9 million). E.ON acquired customers from insolvent suppliers in the United Kingdom as well, which led to a slight increase in customers (2021: 10.5 million; prior year: 10.3 million). The number of customers in the Netherlands/Belgium declined to 4.1 million (prior year: 4.6 million) because of the disposal of the sales business in Belgium. Customer gains and losses encompassed power as well as gas customers. The total number of customers in the other countries where this segment operates fell.[1] Customer losses resulted in particular from the restructuring of the business in Hungary and the related return of the ELMŰ universal service provider ("USP") license. These losses were not offset by the acquisition of customers of insolvent energy service providers in the Czech Republic and the acquisition of VSEH in Slovakia.

Sales and Adjusted EBIT

Customer Solutions' sales increased by 26 percent year on year to €61.5 billion. Adjusted EBIT rose by 94 percent to €926 million. Customer Solutions includes the EIS business, which recorded adjusted EBIT of €237 million in the reporting period. EIS's activities are disclosed separately throughout this report.

Gas Sales[1]

	Germany		United Kingdom		Netherlands/ Belgium		Other[2, 3]		Total	
Billion kWh	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Fourth quarter										
Residential and SME	15.6	14.5	16.0	16.5	8.2	5.4	12.6	12.0	52.4	48.4
I&C	5.6	7.9	5.9	2.7	5.3	7.6	5.3	7.7	22.1	25.9
Sales partners	12.1	14.6	2.0	2.3	–	–	–	0.5	14.1	17.4
Customer groups	**33.3**	**37.0**	**23,9**	**21.5**	**13.5**	**13.0**	**17.9**	**20.2**	**88.6**	**91.7**
Wholesale market	38.0	13.6	31.9	11.2	10.7	9.1	2.5	1.2	83.1	35.1
Total	**71.3**	**50.6**	**55.8**	**32.7**	**24.1**	**22.1**	**20.4**	**21.2**	**171.6**	**126.6**
Full year										
Residential and SME	46.4	40.7	49.0	49.1	26.8	21.6	35.9	31.2	158.1	142.6
I&C	26.0	25.2	14.0	10.3	23.1	26.6	20.9	23.0	84.0	85.1
Sales partners	36.6	45.3	7.4	6.8	–	–	0.7	1.4	44.7	53.5
Customer groups	**109.0**	**111.3**	**70.4**	**66.2**	**49.9**	**48.2**	**57.4**	**55.6**	**286.7**	**281.3**
Wholesale market	80.3	44.5	41.0	27.6	32.6	25.8	7.4	6.0	161.3	103.9
Total	**189.3**	**155.8**	**111.4**	**93.8**	**82.4**	**74.0**	**64.8**	**61.3**	**447.9**	**385.0**

[1] The amounts shown were aggregated to totals and not consolidated.
[2] Excludes E.ON Business Solutions.
[3] Prior-year figures were adjusted due to changes in segment reporting (this concerns the activities in Slovakia (VSEH) and in Croatia; see page 36).

[3]Prior-year figures were adjusted due to changes in segment reporting (this concerns the activities in Slovakia (VSEH) and in Croatia; see page 36).

Sales in Germany increased by 26 percent to €28,475 million. This is partly attributable to the settlement of commodity derivatives. Higher consumption due to cooler weather and the passthrough of increased cost components also contributed to the increase. Adjusted EBIT rose as well, by 27 percent to €525 million. This was likewise due to cooler weather and to synergies already achieved by the innogy integration.[1] By contrast, higher procurement costs had an adverse effect on earnings.

Sales in the United Kingdom increased by 28 percent to €17,870 million, owing in part, as in Germany, to the settlement of commodity derivatives and to the passthrough of increased cost components. Cooler weather contributed to higher sales as well. Adjusted EBIT rose by 194 percent to €121 million. The significant improvement was due primarily to higher sales volume resulting from cooler weather and to cost savings from the ongoing restructuring program.

Sales in the Netherlands/Belgium increased by 38 percent to €4,088 million, adjusted EBIT by 12 percent to €90 million. This positive performance was due in particular to the current market environment and higher energy prices as well as to cooler weather and the resulting increase in sales volume.

Customer Solutions

	Germany		United Kingdom		Netherlands/ Belgium		Other		Total		Thereof EIS
€ in millions	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Fourth quarter											
Sales	11,489	6,669	6,392	3,917	1,730	940	3,633	2,691	23,244	14,217	–
Adjusted EBITDA[1]	152	154	-35	-96	50	51	3	130	170	239	–
Adjusted EBIT[1]	115	116	-88	-127	35	35	-37	68	25	92	–
Full year											
Sales	28,475	22,550	17,870	13,993	4,088	2,959	11,074	9,157	61,507	48,659	–
Adjusted EBITDA	660	546	261	1	152	152	419	327	1,492	1,026	479
Adjusted EBIT	525	412	121	-129	90	80	190	115	926	478	237

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

On balance, the Other business unit also delivered a positive sales and adjusted EBIT performance. Sales rose by 21 percent to €11,074 million and adjusted EBIT by 65 percent to €190 million. The main reasons for the improvement of both metrics were the non-recurrence of the reduction in sales volume recorded in 2020 owing to weather and Covid-19 factors and the high level of energy prices in 2021. Earnings were lower only in Hungary, due in particular to the high level of energy prices.

Non-Core Business

Fully Consolidated and Attributable Generating Capacity

PreussenElektra's fully consolidated and attributable generating capacity at year-end 2021 both totaled 1,058 MW (prior year: 3,828 MW and 3,319 MW, respectively). PreussenElektra's fully consolidated as well as its attributable generating capacity declined considerably relative to the prior year because of the shutdown of Brokdorf and Grohne nuclear power plants ("NPPs") on December 31, 2021, pursuant to Germany's Atomic Energy Act.

[1]Cash-effective costs of €197 million were recognized for innogy's integration into the E.ON Group in 2021.

PreussenElektra's Power Generation

Power procured (owned generation and purchases) in the 2021 financial year was about 1.8 billion kWh above the prior-year figure. The year-on-year increase is mainly attributable to shorter planned outages at Grohnde and Isar 2 NPPs and the non-recurrence of the outage at Brokdorf NPP.

Power Generation

	PreussenElektra	
Billion kWh	2021	2020
Fourth quarter		
Owned generation	7.7	7.4
Purchases	0.2	0.4
Jointly owned power plants	–	–
Third parties	*0.2*	*0.4*
Total	**7.9**	**7.8**
Station use, line loss, etc.	–	–
Power sales	**7.9**	**7.8**
Full year		
Owned generation	30.5	28.4
Purchases	1.1	1.4
Jointly owned power plants	–	–
Third parties	*1.1*	*1.4*
Total	**31.6**	**29.8**
Station use, line loss, etc.	-0.1	-0.1
Power sales	**31.5**	**29.7**

Sales and Adjusted EBIT

Non-Core Business's sales of €1.6 billion were €0.2 billion above the prior-year figure. Adjusted EBIT rose by €0.7 billion to €1.1 billion.

Sales at Non-Core Business rose by €244 million year on year to €1,632 million. Higher sales prices and higher sales volume due to high utilization rates of NPPs were the reasons at PreussenElektra. This was partially offset by the passthrough of a portion of refunds to the minority shareholders of E.ON's jointly owned NPPs. The refunds resulted from the implementation of the public law agreement of March 25, 2021, between the German federal government and the country's NPP operators, which provided for the refund of previous purchases of residual power output rights.

Adjusted EBIT of €1,144 million was significantly above the prior-year level (€413 million). This attributable in part to higher sales prices and higher sales volume but mainly to the implementation of the public law agreement of March 25, 2021, between the German federal government and NPP operators. In this context, previous purchases of residual power were refunded. This resulted in a positive effect of roughly €0.6 billion. Equity earnings on E.ON's stake in Enerjisa Üretim also surpassed the prior-year figure, primarily because of operating improvements, which were partially offset by currency-translation effects resulting from the weakening of the Turkish lira.

Non-Core Business

	PreussenElektra		Generation Turkey		Total	
€ in millions	2021	2020	2021	2020	2021	2020
Fourth quarter						
Sales	559	360	–	–	559	360
Adjusted EBITDA	346	253	20	3	366	256
Adjusted EBIT	264	112	20	3	284	115
Full year						
Sales	1,632	1,388	–	–	1,632	1,388
Adjusted EBITDA	1,563	895	54	30	1,617	925
Adjusted EBIT	1,090	383	54	30	1,144	413

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

The 2021 Financial Year

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	2021	2020
Intangible assets	22	46
Property, plant, and equipment	13	15
Financial assets	46,059	45,688
Non-current assets	**46,094**	**45,749**
Receivables from affiliated companies	12,553	10,798
Other receivables and assets	2,257	648
Liquid funds	1,666	2,646
Current assets	**16,476**	**14,092**
Accrued expenses	62	66
Asset surplus after offsetting of benefit obligations	4	4
Total assets	**62,636**	**59,911**
Equity	11,440	10,643
Provisions	1,055	1,236
Bonds	13,731	11,621
Liabilities to affiliated companies	34,714	35,683
Other liabilities	1,451	467
Deferred income	245	261
Total equity and liabilities	**62,636**	**59,911**

The changes in financial assets are mainly attributable to the reversal of impairment charges on equity interests in affiliated companies. The increase in receivables from affiliated companies and the decline in liabilities to affiliated companies result from changes in cash-pooling balances.

The increase in other receivables mainly results from the acquisition of money market funds; the increase in other liabilities results from the incurrence of short-term financial liabilities.

The change in equity mainly reflects an allocation to retained earnings of €350 million, changes in treasury shares under the employee stock purchase program conducted in 2021, and a €430 million increase in net income available for distribution.

E.ON SE issued new bonds and commercial paper in the amount of €2,860 million in the 2021 financial year and repaid bonds in the amount of €750 million. Energy price movements on wholesale markets were unusually volatile at the end of the year. The resulting fluctuations in liquidity led to the existence of investments in a money market fund as well as short-term funding by means of commercial paper and bank loans.

Information on treasury shares can be found in Note 11 and Note 20 to the Consolidated Financial Statements.

Income Statement of E.ON SE (Summary)

€ in millions	2021	2020
Income from equity interests	2,107	2,405
Interest income/loss	-26	24
Other expenditures and income	-101	-624
Taxes	26	309
Net income	**2,006**	**2,114**
Profit carryforward from the prior year	898	10
Net income transferred to retained earnings	-350	0
Net income available for distribution	**2,554**	**2,124**

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 main contributors to positive income from equity interests were income from the transfer of profits from E.ON Energie AG in the amount of €1,385 million and from E.ON Beteiligungen GmbH in the amount of €661 million.

The deterioration of net interest result mainly reflects a reduction in tax-related interest income.

The negative balance of other income and expenses in 2021 resulted primarily from €249 million in expenses for purchased third-party services, €226 million in personnel-related expenses, €66 million in auditing and consulting services, and €15 million in net expenses from currency effects. In addition, income of €368 million relates to the reversal of impairment charges on equity interests in affiliated companies.

The activities of the company E.ON SE within the meaning of Section 6b (3) of the Energy Industry Act consist mainly of other activities outside the electricity and gas sector. In addition, E.ON SE provides a relatively limited degree of energy-specific services to affiliated network operators for network operation relating to electricity distribution, gas distribution, and basic metering point operation and prepares activity statements for these services. The resulting earnings, individually and in total, are minimal (less than €0.5 million).

In the year under review, total income from taxes amounted to €26 million, which encompasses the year under review as well as prior years. This consists of an income tax expense of €39 million and income from other taxes of €65 million. Corporate taxes and solidarity surcharges attributable to 2021 totaled €78 million, and trade taxes amounted to €66 million. For previous years the Company recorded tax income of €170 million, of which €105 million relates to income taxes.

At the Annual Shareholders Meeting in 2022, the Management Board will propose that net income available for distribution be used to pay a dividend of €0.49 per ordinary share and the remaining amount of €1,276 million to be carried forward to the next financial year. Management's proposal for the use of net income available for distribution is based on the number of ordinary shares on March 7, 2022, the date the Financial Statements of E.ON SE were prepared.

The complete Financial Statements of E.ON SE, with an unqualified opinion issued by the auditor, KPMG AG, Düsseldorf, will be announced in the Bundesanzeiger.

Outlook

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 2026 financial year. This also applies to a dividend growth of up to 5 percent for the 2022 financial year. E.ON will aim for an annual increase in dividend per share after 2026 as well. In E.ON's strategy, sustainability with an emphasis on climate-neutral economic activities is a key growth factor that will enable E.ON to meet its dividend targets.

Forecast Report

Business Environment

Macroeconomic Situation

Economic growth forecasts remained fraught with uncertainty in view of the difficulty in predicting the course of the Covid-19 pandemic and its implications. As long as large parts of the world's population remain unvaccinated and there is a risk of new outbreaks, the recovery of the global economy will be uneven and remain vulnerable to setbacks. Although the global economy as a whole returned to its pre-pandemic level in 2021, experts believe that individual economies will recover and develop very differently in the future. For example, the OECD estimates that Europe could recover in around three years, whereas in countries like Mexico and South Africa this process could take three to five years. The German economy could return to normal capacity utilization some time in 2022. Alongside more vaccinations, the economic recovery would be spurred by further increases in consumption; high household savings, low financing costs, and also government stimulus could also help boost to the economy's upward trend.

The OECD's economic outlook from December 2021 predicts global gross domestic product ("GDP") growth of 4.5 percent in 2022. The European Union's Economic Forecast anticipates GDP growth of 4.3 percent in 2022 for both the EU and the eurozone.

The overall mood clouded over somewhat in the course of 2021. The main causes worldwide were rising energy prices and the resulting increase in inflation. In the spring, the German Council of Economic Experts was still forecasting that Germany's GDP would grow by 4.6 percent in 2022. The council expects eurozone growth of 4.3 percent in 2022. The German government assumes similar figures in its fall GDP forecast for Germany. This scenario, published in late October 2021, predicts growth of 4.1 percent in 2022 and 1.6 percent in 2023.

General Statement on E.ON's Anticipated Development

In November 2021 E.ON's reconfigured Management Board communicated a growth strategy as well as a forecast for the next five years that represents the continuation of the corporate restructuring of recent years. E.ON's growth ambitions will continue to be significantly shaped by sustainability and digitalization. The operating business will likely be less affected by the Covid-19 pandemic in 2022 than by possible disruptions on wholesale energy markets, due in part to current developments in the Ukraine conflict. There is currently a high degree of uncertainty regarding the conflict between Russia and Ukraine and its economic repercussions. E.ON mainly perceives risks for commodity markets and associated credit and liquidity risks as well as valuation risks for investments, among others the stake in Nord Stream AG held in the plan assets for pensions. In addition, political or regulatory measures could have an indirect or direct impact on business operations in individual countries. Overall, the effect of the conflict and of a possible further escalation on E.ON's business performance in 2022 and key performance indicators cannot be sufficiently estimated at the present time and is therefore not included in the forecast.

Anticipated Earnings and Financial Situation

Forecast Earnings Performance

E.ON's most important key performance indicators effective the 2022 financial year are adjusted EBITDA, investments, and earnings per share based on adjusted net income ("EPS"). E.ON expects to record adjusted EBITDA of €7.6 to €7.8 billion in the 2022 financial year. It anticipates adjusted net income in 2022 of €2.3 to €2.5 billion or €0.88 to €0.96 per share (based on 2,609 million shares outstanding).

Forecast by segment:

Adjusted EBITDA[1]

€ in billions	2022 (forecast)
Energy Networks	5.5 to 5.7
Customer Solutions	1.5 to 1.7
Corporate Functions/Other	about -0.2
Core Business	**6.9 to 7.1**
Non-Core Business	0.6 to 0.8
E.ON Group	**7.6 to 7.8**

[1]Adjusted for non-operating effects.

E.ON expects Energy Networks' earnings to increase significantly relative to the prior financial year. This performance will reflect the further expansion of this segment's regulated asset base due to additional investments. The implementation of planned synergies and the reversal of negative earnings effects resulting from the Covid-19 pandemic in prior years will also have a positive impact, particularly in the network business in Germany. Earnings will be adversely affected by the significant rise in costs for the procurement of network losses, particularly in Sweden and East-Central Europe/Turkey, which in many markets can only be passed through after a delay due to existing regulatory mechanisms.

Customer Solutions' earnings are expected to be above the prior-year level. The Company expects a positive performance, especially through the leveraging of synergies, primarily in Germany. At the same time, successful restructuring in the United Kingdom will serve to increase earnings. The segment will also benefit from additional growth in distributed EIS activities.

Earnings reported at Corporate Functions/Other are expected to be at the prior-year level. The realization of additional synergies will be offset by expenditures to establish new, particularly digital businesses.

Earnings at Non-Core Business are expected to be significantly below the prior-year level. The decline is attributable to PreussenElektra and results from the end of operations of Grohnde and Brokdorf nuclear power plants on December 31, 2021. By contrast, this business will benefit from higher sales prices. In addition, earnings in 2021 were positively affected by the refund of prior purchases of residual power output rights.

Planned Investments

Investments in the sustainable expansion and digital transformation of energy networks and activities relating to customer solutions are the basis for the value-driven growth E.ON aims for. Investments of about €5.3 billion are therefore planned for the 2022 financial year.

Cash-Effective Investments: 2022 Plan

	€ in billions	Percentages
Energy Networks	~4.1	77
Customer Solutions	~1.1	21
Corporate Functions/Other	~0.1	2
Core Business	**~5.3**	**100**
Non-Core Business	~0.0	0
Total	**~5.3**	**100**

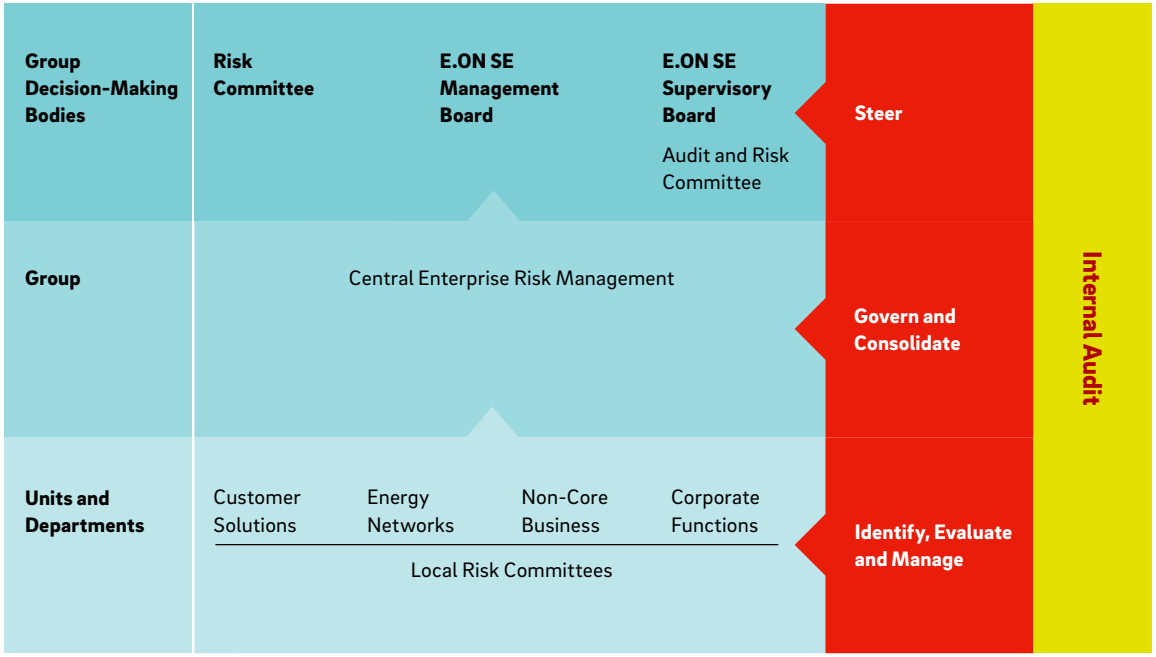
E.ON will make most of these investments in its Energy Networks segment, the backbone of a successful energy transition. Investments will go towards expanding, enhancing, and modernizing networks, switching equipment, and metering and control technology in order to ensure the reliable, uninterrupted, and sustainable distribution of electricity and to meet rising energy demand. In addition, E.ON will invest in the digitalization of network planning, monitoring, and control.

Customer Solutions' investments will mainly go toward expanding the EIS business of providing climate-friendly, distributed energy infrastructure solutions, particularly in our markets in Sweden, Germany, and the United Kingdom. E.ON will also invest in IT, smart meters and conventional residential meters, smart solutions for eMobility, and integrated energy solutions.

Corporate Functions/Other's investments will go mainly toward Group-wide IT infrastructure and digital platforms for the networks and customer solutions businesses. No significant investments are expected at Non-Core Business.

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 and contracted 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
- transparency on E.ON's risk position 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.

E.ON strives to operate responsibly at all times and therefore monitors all the material impacts of its business activities. Alongside financial aspects, E.ON also considers environmental, social, and governance ("ESG") aspects along its value chain. The systematic consideration of non-financial issues enables the Company to identify opportunities and risks for business development at an early stage.

In 2021 E.ON integrated the reporting of non-financial risks related to ESG and their impact on the Group into the ERM. All risks and chances related to ESG are identified in the ERM system.

In 2021 E.ON for the first time developed a qualitative scenario analysis describing the impact of three different climate scenarios on E.ON and on individual E.ON business units through 2050. This involved defining reference scenarios and assessing and identifying the relevant business units on the basis of key value drivers and related key performance indicators ("KPIs"). The next step was to develop a qualitative scenario impact analysis by analyzing the key value drivers identified by the business units and performing a risk assessment as well as by evaluating the business impacts and developing strategic recommendations.

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. Close consultation between the business units and with departments at Corporate Functions such as Controlling, Finance, and Accounting as well as Internal Audit is 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 major investments.

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. Detailed information can be found in the Separate Combined Non-Financial Report starting on page 138.

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's local sales units and the remaining generation operations conduct 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 multistage 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 Internal Audit. In compliance with the provisions of Section 91, Paragraph 2, of the German Stock Corporation Act relating to the establishment of a risk-monitoring and early warning system, E.ON has a Risk Committee for the E.ON Group and for each of its business units. The Risk Committee's mission is to achieve a comprehensive view of 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 EBITDA.

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 EBITDA 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 EBITDA. The impact classes are shown in the table below.

Impact Classes

Low	$x < €10$ million
Moderate	€10 million $\leq x <$ €50 million
Medium	€50 million $\leq x <$ €200 million
Major	€200 million $\leq x <$ €1 billion
High	$x \geq$ €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 EBITDA.

Risk Position

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 following description of risks by category alludes to the aforementioned impact classes. In addition, the description of risks by segment and category addresses major/high tail events and major/high qualitative risks. In the case of qualitative risks (which by definition are more difficult to assess both in terms of their loss amount and probability), a further distinction is made between risks with a low probability (6 percent < x ≤ 25 percent) and a medium probability (26 percent < x ≤ 50 percent). Example: in category x, there is a risk y (medium, high) and a risk z (low, high).

In the case of tail events and qualitative risks, the focus is not only on E.ON's key performance indicator, adjusted EBITDA, but also on other indicators relating to its asset and financial position.

The E.ON Group has major risk positions in the following categories: market risks as well as legal and regulatory 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 EBITDA 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 2021 was influenced primarily by sharply higher commodity prices. First, they affect PreussenElektra's remaining power generation activities; second, they are a major risk factor for volume and price effects and also for potential credit losses in the sales business. In addition, high commodity prices lead to an increase in counterparty risks (tail/high).

At the time of preparing this report, it is not possible to make any specific assessments of other possible implications of the current crisis in Ukraine beyond the increase in commodity prices that is factored into the risk assessment. Potential implications for the Nord Stream AG stake held in pension plan assets will depend on political developments, in particular trade relations with Russia. In addition, political or regulatory measures could have an indirect or direct impact on business operations in individual countries.

The network business could also experience a decline in sales volume, credit losses, and price increases for network losses which result in lower earnings. A distinctive feature of the network business, however, is that regulatory mechanisms generally foresee that volume-driven declines in sales and price-driven cost increases for network losses can generally be recovered in subsequent years by corresponding adjustments to network tariffs.

Risks and Chances by Segment

Energy Networks

The operation of energy networks is subject to a large degree of government regulation. New laws (tail/high) and regulatory periods cause uncertainty for this business (medium/medium). 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 EBITDA (tail/major). 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.

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 (tail/high).

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 impact of 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") (tail/high) or trigger liabilities and significant payment obligations stemming from the solidarity obligation agreed on among German NPP operators (tail/high). 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.

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 EBITDA 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. 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 (environmental) policy 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.

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 a medium chance position.

A significant change will result from Germany's implementation of the European Court of Justice's ruling requiring it to form a largely independent national regulatory agency, which could have an impact on the other EU countries in which E.ON conducts regulated business activities (low/major).

Operational and IT Risks

The operational and strategic management of the E.ON Group relies heavily on complex information technology ("IT") and complex operational 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 units). 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.

Extraordinary environmental events could also affect the operation of energy networks or equipment and equipment components. This could pose a liquidity risk for E.ON (tail/high).

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 it communicates consistently, enhances the dialog, and maintains 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 retain 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 (low/major). 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 and 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. E.ON procures the required quantities of electricity and gas for its customers based on robust demand forecasting methods. Nevertheless, actual customer demand may deviate from the forecast owing to various factors (such as the weather and the economy). Such deviations could have a positive or negative business impact, particularly in an environment of highly volatile prices. E.ON aims to reduce these impacts by, for example, pursuing a prudent hedging strategy in conjunction with a proactive approach to reforecasting or by pricing its risks vis-à-vis customers.

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. In addition, E.ON founded a new subsidiary, E.ON Energy Markets GmbH ("EEM"), which functions as a central interface to wholesale markets. EEM's main purpose is to consolidate E.ON's commodity positions in order to diversify and mitigate credit and margin risks. EEM has so far acted on behalf of the main E.ON procurement portfolios in Germany and the Netherlands; other countries will be added successively.

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

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 (medium/major).

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 (tail/major).

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 eurozone 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 relating to net income from financial liabilities and interest-rate derivatives that are based on variable interest rates and from non-current asset-retirement obligations.

Derivative transactions may result in short-term cash inflows or outflows. This relates in particular to margin payments for electricity and gas procurement transactions on energy exchanges. The additional liquidity requirements potentially resulting from this are factored into in E.ON's financing strategy.

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.

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

This category has a medium risk and a major chance position.

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

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 (tail/high). On the other hand, positive business performance or further debt reduction could have a positive impact on E.ON's rating.

Management Board's Evaluation of the Risk and Chances Situation

The E.ON Group's overall risk and chances situation at year-end 2021 did not change materially relative to year-end 2020 owing to offsetting effects across the risk categories. Although the average annual risk for the E.ON Group's adjusted EBITDA is classified as major and despite the expansion of its risk and chance position in the category market risks due to higher commodity prices, 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 ("IFRSIC") 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 regularly 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.

Internal Control System

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.

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 among the Group companies.

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 Grouxp's Consolidated Financial Statements 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 and the ICS principles. This is known as a management self-assessment. The assessment is supported by tests of control effectiveness for selective risk areas. Corporate Audit's ICS department defines the methodology for these tests, which are conducted by the process owners or employees assigned by them.

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.

The findings of the management self-assessments and the audits are included in the annual report on the effectiveness of the entire E.ON Group's ICS and are reported to the E.ON SE Management Board.

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 ("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.

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

Disclosures Pursuant to Section 289a and Section 315a 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

An employee stock purchase program was offered in 2021. Shares acquired by an employee under the Company-sponsored employee stock purchase program are subject to a blackout period that begins the day ownership of such shares is transferred to the employee and that ends on December 31 of the next calendar year plus one. As a rule, an employee may not sell such shares until the blackout period has expired.

Pursuant to Section 71b of the German Stock Corporation Act (known by its German abbreviation, "AktG"), the Company's 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 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 Performance 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.