

Part of the Problem or Part of the Solution?

Addressing Our Energy Challenges

About This Report

This is E.ON AG's fourth Corporate Responsibility (CR) Report¹. Last year's report emphasized the dialog with our stakeholders as well as the changing market environment. This report focuses on E.ON's integrated business model. This allows us to present our stakeholders with a comprehensive overview of our worldwide activities and the economic, social and environmental challenges associated with them. The primary target groups here are our investors, rating and ranking agencies, various multipliers in the area of CR including decision-makers from the spheres of politics, civil society and research, and our employees.



This annual CR Report forms part of E.ON AG's regular reporting activities. It is also our Communication on Progress in the meaning of the United Nations' Global Compact. This is a report for the entire E.ON Group encompass-

ing E.ON AG including its direct subsidiaries and participations, the market units Central Europe, Nordic, Pan-European Gas, U.K. and U.S. Midwest as well as the corresponding business units of E.ON. The data in this report refer to all subsidiaries and power plants in which E.ON owns a majority stake and which are fully consolidated in E.ON's Consolidated Financial Statements. Figures for 2005 and 2006 were adjusted for discontinued operations. Investments made during 2007 in new markets, including activities in Russia and in the area of renewable energy, have, with the exception of personnel-related data, not yet been integrated into the CR reporting system.



In producing this report we adhered to the guidelines of the Global Reporting Initiative (GRI) including the Electric Utility Sector Supplement issued in September 2007. The GRI confirmed that our reporting meets Application Level "A+," the highest category for companies following the GRI reporting guidelines. A condensed GRI and Global Compact Content Index can be found at the end of the report. An index providing more detailed commentary and links is published on our website. [→ 602] In addition, the information requirements of the Institutional Investors Group on Climate Change (IIGCC) also influenced the contents of our CR reporting. [→ 608]

Following the introduction of an IT-based system for groupwide collection of CR-relevant data in 2006, we improved the system further in 2007 by means of a series of implementation workshops and adjusted the key figure set. The collation system, the presentation of selected key performance figures and chapters have been assured by our external auditors. We see this as confirmation of the quality of this data collation and reporting system. The assurance report can be found on page 58.

The reporting period is the 2007 financial year. The deadline for content submission is February 29, 2008. This report is available in both German and English. Our next CR Report is scheduled for publication in the second quarter of 2009.

¹Since 2005 we had summarized our activities on the issue of balancing E.ON's approach to financial performance, environmental protection and social engagement under the term "Corporate Social Responsibility" (CSR); however, we had the growing impression, particularly with the German translation of CSR, that this term limited our engagement to a social level. We felt that our broader understanding of responsibility in our core business was not reflected adequately enough. Therefore we switched in 2007 to using the term "Corporate Responsibility" (CR) to represent the balanced financial, environmental and social responsibility of companies.

www.eon.com/Responsibility [→ 100]

This CR Report is supplemented by further information available at www.eon.com/Responsibility. We also provide additional, more detailed information here on the activities of individual market and business units. References are used at relevant points in this report

indicating that additional information is available on our website. All references used in this report have been given a code. By entering the corresponding code into the search box the reader is forwarded directly to the relevant pages on our website.

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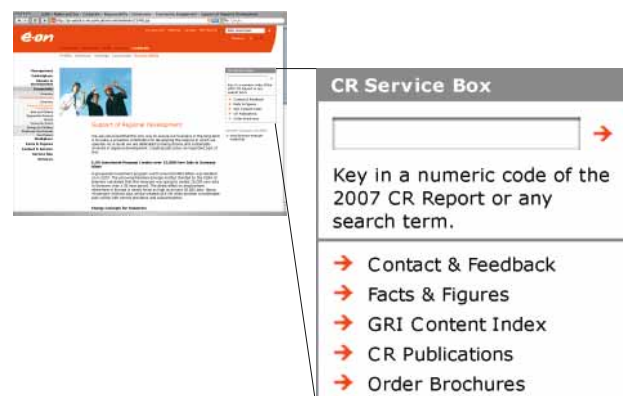
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We give detailed reports on our CR activities on the Internet too, at www.eon.com/Responsibility; online reporting is an integral part of our reporting strategy and a great opportunity to expand and deepen specific content from our print CR Report.

Our CR website is organized into several fields of action: "Approach" includes extensive information on our CR strategy and on our comprehensive series of stakeholder dialogs. "Marketplace" allows us to give additional information on issues such as business ethics or responsible investment, while "Environment" details our approach to topics including operative environmental stewardship as well as our engagement for the protection of natural habitats and biodiversity. Our wide-ranging societal commitment is examined under "Community," while "Workplace" lays out our approach in detail to employee-related issues including life balance and occupational safety.

You'll find this print report also provides many references to more exhaustive information on the Internet. The list above offers an overview: to access the corresponding pages simply key the numeric code into the window of the CR Portal's search tool. [→ 100]



Part of the Problem?

The globalization of energy markets, the world's growing demand for energy and the effects of these on our climate, energy prices and supply are challenging us in more than just the business sense. At the same time, society is posing new questions that we as an energy company want to answer and is raising expectations that we need to meet. However, it's clear from the public criticism of our sector that we have so far not completely managed to do this—and that we are currently seen as being part of the problem rather than part of the solution.

Or Part of the Solution?

We fully intend to change this and to show that as a large energy company we are already working hard towards solving these energy policy and societal issues. In our role as corporate citizen we'll step up our contribution in the public debate on creating the right conditions for sustainable future energy supply and consumption. After all, Corporate Responsibility starts with listening and ensuring everyone concerned can take part in an open dialog. We're happy to say that in many areas of our Group we're making clear progress on finding innovative solutions to the issues at hand—and already have success stories to tell.

Addressing Our Energy Challenges



Dr. Wulf H. Bernotat

Christoph Dänzer-Vanotti

Dear Readers,

Hardly a day goes by without a new headline about climate change, rising energy prices, security of supply, or who's responsible. Our industry is, now more than ever, centerstage in the public and political debate. We are facing increasing pressure to provide convincing answers to key challenges of our time.

In fact, most people see our industry as part of the problem, not part of the solution. To some extent, we only have ourselves to blame for people's skeptical and critical attitude. The increasing globalization of commodity and energy markets is having a profound effect on the utility industry and on the earth's climate. This creates new challenges for our business but also confronts us with new concerns and expectations from our stakeholders. Regrettably, we didn't always respond to these concerns quickly enough and didn't play an active enough role in the public discussion of them.

We want this to change. We intend to actively demonstrate our commitment to solving today's energy challenges. We see the ongoing public debate about energy issues as an opportunity to play a new role and speak with a new voice, as an opportunity to regain our stakeholders' trust by taking responsible action. We're committed to fostering an open and honest dialog about the future of Europe's energy supply, a dialog that will yield viable, mutually acceptable solutions. We're convinced that our company, thanks to its increasingly global scale, can play a significant role in this process. We're working hard across our organization to develop innovative solutions to the economic, environmental, and societal challenges facing our industry. And we're proud to say that we've already achieved some noteworthy successes.

The purpose of this report is to present, in a tangible way, the objectives, strategies, and achievements of our Corporate Responsibility (CR) efforts. Its purpose is also to actively foster energy policy dialog, identify the areas where we've already made progress, and to help find the common ground on which, by working together, we can find solutions to our most pressing energy issues.

The theme of our previous CR Report was stakeholder dialog. This report focuses on what we're doing to address the major CR issues facing the utility industry: protecting the earth's climate and improving the efficiency of power generation, promoting security of supply and spurring energy market competition in Europe, and earning the public's trust as a reliable corporate citizen of the regions and communities where we operate. One example of our commitment to CR is the emission-reduction target we set in 2007, one of the most ambitious in our industry: by 2030, we intend to halve our specific carbon dioxide emissions relative to 1990. Other examples include the

investment program we announced in 2007 (which contains substantial investments in renewable energy, technologically advanced power plants, and energy infrastructure), our R&D activities, and our many services and programs to help our customers use energy more responsibly. Finally, we believe CR also means putting people first and helping them meet the professional and personal challenges they face.

This report also describes some of the conflicting objectives confronting our industry and what we're doing to achieve a balance between them. For example, all generation technologies have advantages and disadvantages. That's why, before making a decision, we weigh carefully the impact it will have on our business, the environment, and our stakeholders.

The chapters of this report correspond to the steps of our value chain. We chose this organizing principal to show how CR is embedded into our business. In 2007, we significantly expanded our CR team and structures. Our purpose was to further integrate CR into our business processes and allocate the personnel resources necessary to drive CR in our organization. Last year, we also began the process of refining our CR strategy and objectives. Together, they serve as guideposts as we make important decisions and operate our business responsibly.

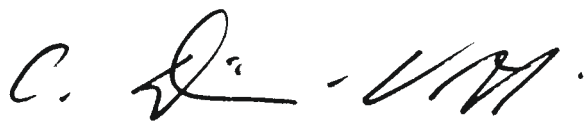
Our decisions and actions are also guided by our unequivocal endorsement of the principles of the United Nations' Global Compact and thereby by our commitment to human rights, uphold working standards, minimize environmental impacts, and fight corruption.

We hope you find this report useful and invite you to decide for yourself what progress E.ON made last year and where we stand today.

Düsseldorf, February 29, 2008

A handwritten signature in black ink, appearing to read 'W. Bernotat', with a stylized, flowing script.

Dr. Wulf H. Bernotat
Chairman of the Board of Management

A handwritten signature in black ink, appearing to read 'C. Dänzer-Vanotti', with a stylized, flowing script.

Christoph Dänzer-Vanotti
Member of the Board of Management

Highs and Lows in 2007

January

- **Local power outages in Sweden** Atlantic storm Per causes widespread damage to the electricity distribution system in southwest Sweden, leaving about 170,000 E.ON customers without power. Thanks to the hard work and dedication of E.ON technicians and the network update program, service is quickly restored in most areas (see page 38).

March

- + **Key principles of our responsible procurement policy implemented** E.ON defines the principles of our responsible procurement policy and embeds them into our general purchasing terms. This sound basis enables us to incorporate the principles of the Global Compact into our purchasing strategies and the selection of our suppliers (see page 12).

April

- + **Energy efficiency and climate protection at the center of research activity** The E.ON Energy Research Center begins its work. Over the next ten years, E.ON will invest around €40 million to fund the center, which was founded in conjunction with RWTH Aachen University (see page 29).

May

- + **Progress made in E.ON's approach to climate protection** E.ON defines a groupwide climate-protection target. E.ON intends to halve its specific CO₂ emissions by 2030 compared with 1990 levels. In addition, E.ON decides to double its renewables investments through 2010 from €3 billion to €6 billion (see page 21).
- + **€60 billion investment program** E.ON announces that it is increasing investments for 2007-2010 to €60 billion. The revised plan, which includes substantial investments in technologically advanced generating units, energy infrastructure

and renewables, will make Europe's energy supply more secure, more competitive and more environmentally friendly. According to a study conducted by the Bremen Energy Institute, E.ON's investments will create more than 30,000 jobs at E.ON, its suppliers and service providers in Europe (see page 6).

July

New Climate & Renewables market unit E.ON decides to create a new market unit called Climate & Renewables. The new unit will manage and oversee the global expansion of E.ON's renewables business and coordinate international climate-protection projects (see page 22).

August

Natural gas pipeline rupture In Gräveneck, Germany, construction work and adverse ground and weather conditions cause a natural gas pipeline to rupture and explode. No one is hurt, and property damage is quickly repaired. Only one E.ON customer goes without gas for two days (see page 39).



September

- + **Admission into the Dow Jones Sustainability Index** E.ON is admitted into the Dow Jones Sustainability Index, making it even more attractive to investors interested in long-term investment opportunities in socially responsible companies (see page 8).

- + **Safe.TEG launched** E.ON launches a project called Safe.TEG to enhance its safety culture, particularly among senior executives. The project will use interviews with E.ON's top 250 executives (Top Executive Group, TEG) to generate initiatives aimed at improving occupational safety. [→ 510]

December

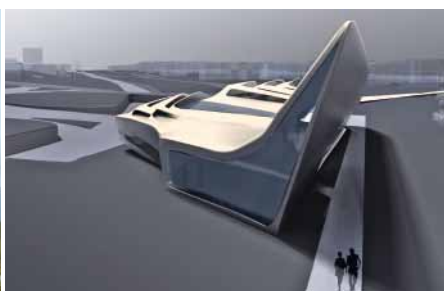
- + **Continued improvement of lost time injury frequency (LTIF)** With an LTIF of 3.0 (an average of three accidents for every million hours worked), E.ON has achieved its target of halving its 2004 LTIF by 2007 (see page 13).

These events extend over more than one month

- **Difficult market environment** The public debate about rising energy prices along with allegations of market manipulation, mainly in Germany, make E.ON's market environment more difficult. There is also significant public opposition to the construction of new power plants, including campaigns to stop the construction of new coal-fired generating units in Germany and the U.K. (see page 20).

- **Thirteen workplace fatalities** Despite the high safety standards across our organization, the number of workplace fatalities rises in 2007. 13 employees died on the job, nine of whom were employees of contracted business partners. All of these incidents are being investigated and have had a decisive influence on our new approach to occupational safety (see page 13).

- **The European Commission alleges broken security seal** During 2007, and officially alleged in January 2008, the European Commission noted that security seals it placed at the premises of our subsidiary E.ON Energie had been broken. E.ON denies the allegation and has reports from independent experts stating that the changes to the seals were not caused by tampering or negligence but by other factors (see page 16).



- **Customer fatalities in Romania** Sadly, three of our customers in Romania died as the result of gas network leakages and incorrect handling of our gas products. In response, we intend to increase our efforts to promote customer safety, for example by running an advertising campaign on natural gas safety. [→ 222]

E.ON Corporate Profile

E.ON is the world's largest investor-owned energy services provider. By meeting the energy needs of our 30 million customers, our 88,000 employees generated €68.7 billion in sales in 2007. Since 2000, E.ON has transformed itself from a conglomerate into an integrated power and gas company. Our business extends along the entire value chain in power and gas, with significant operations in power generation and natural gas production, energy trading and wholesale, transport and distribution, and end-customer supply. We also aim to achieve a leading position in European power trading. [→ 801]

In 2007, the E.ON Group again improved its operating performance, increasing adjusted EBIT by 10 percent year-on-year to €9.2 billion.

E.ON Group Financial Highlights

	2007	2006	+/- %
Sales (€ in millions)	68,731	64,091	+7
Adjusted EBIT (€ in millions)	9,208	8,356	+10
Electricity sales (in billion kWh) ¹	470.8	417.9	+13
Gas sales (in billion kWh) ¹	1,212.5	1,186.9	+2
Investments (€ in millions)	11,306	5,037	+124
Employees at year end ²	87,815	80,612	+9

¹Unconsolidated figures.

²Figures do not include apprentices, managing directors, and board members but include OGK-4, E.ON Climate & Renewables.

Employees¹

	December 31		
	2007	2006	+/- %
Central Europe	44,051	43,546	+1
Pan-European Gas	12,214	12,417	-2
U.K.	16,786	15,621	+7
Nordic	5,804	5,693	+2
U.S. Midwest	2,977	2,890	+3
Corporate Center/New Markets ²	5,983	445	-
Total	87,815	80,612	+9
Discontinued operations ³	474	473	-

¹Figures do not include apprentices, managing directors, and board members.

²Includes OGK-4, E.ON Climate & Renewables.

³Consists of Western Kentucky Energy Corp.

Corporate Strategy

Thanks to our targeted growth and integration strategy, E.ON ranks among Europe's leading integrated power and gas companies. The foundation of our industry leadership is our integrated business model with operations along the entire value chain.

- We're vertically integrated, with operations upstream (power generation and natural gas production), midstream (wholesale) and downstream (end-customer supply), enabling us to optimize our business while at the same time managing risks.
- We're horizontally integrated in order to leverage power-gas convergence (in particular due to the increasingly important role natural gas plays in power generation and in end-customer supply), providing us with synergy and growth potential.
- The expansion of the European Union and the regional integration of our operations offer additional growth potential and, increasingly, opportunities to optimize our risk position and asset portfolio.

E.ON is therefore superbly positioned to meet the new challenges of Europe's changing energy marketplace.

Our €60 billion investment program for 2007-2010 is paving the way for us to continue to execute this strategy, continue to grow and continue to maintain as well as create jobs in the regions and communities where we operate. According to a study conducted by the Bremen Energy Institute, our investments in new generating capacity and energy infrastructure will create 30,000 additional jobs at E.ON, its suppliers and service providers across Europe. [→ 802]

Organizational Structure

Our market-oriented organizational structure has three tiers. Located in Düsseldorf, Germany, E.ON AG is the E.ON Group's Corporate Center (Company Headquarters). It manages E.ON as an integrated energy Group, charts the Group's strategic course, defines areas for further

development, manages business issues that transcend our individual markets, optimizes the Group's business portfolio, and secures financial resources.

The market unit lead companies for our Central Europe, Pan-European Gas, U.K., Nordic and U.S. Midwest market units are tasked with managing the five respective target markets. On our third organizational tier, the business units take care of our operational business. Joining our existing market units in 2008 are Russia, Italy and the new functional market units Energy Trading and Climate & Renewables. [→ 803]

We're organizing and managing our business, particularly power generation and energy trading, on a more European scale so that we can better seize the opportunities created by the ongoing integration of Europe's energy markets. Promoting a groupwide corporate culture is an integral part of this process. That's why we launched an integration project called OneE.ON in 2004. Its aim is to increase our employees' identification with E.ON, improve their grasp of E.ON's corporate strategy and enhance teamwork across our organization.

Net Value Added

The calculation of our net value added clearly illustrates the financial benefits for our various stakeholders. Here the key net value added figure represents our company's performance in continuing operations (gross profit on sales less the cost of goods sold and services provided, depreciation and other expenses). The E.ON Group recorded net value added of approximately €6.9 billion in 2007, equal to ten percent of our sales. At the E.ON Annual Shareholders Meeting on April 30, 2008, the Board of Management and Supervisory Board will propose that E.ON pay a cash dividend of €4.10 per share qualifying for a dividend. This would result in a total dividend payout of around €2.6 billion based on the number of shares outstanding as of December 31, 2007. In addition to the dividend, our shareholders benefited from a 42-percent increase in the price of E.ON stock in 2007.

Employees by Region¹

December 31, 2007	
Germany	37,414
United Kingdom	17,143
Romania	10,568
Sweden	5,466
Russia	5,320
Hungary	4,958
USA and Canada	3,077
Czech Republic	2,562
Bulgaria	2,357
Other ²	1,893

¹Includes board members, managing directors, and apprentices.

²Includes Italy, the Netherlands, Poland, Finland, Norway, Denmark, and certain other countries.

Net Value Added

€ in millions	2007	2006
Value added¹	15,812	13,077
Employees: wages, salaries, benefits	4,597	4,529
Government entities: current taxes, other taxes ²	2,615	1,974
Lenders: interest expense ³	1,206	1,257
Minority interests: minority interests' share of income/loss (-) from continuing operations	520	496
Net value added⁴	6,874	4,821
Shareholders: dividends ⁵	2,590	2,210

¹From continuing operations.

²Adjusted for deferred taxes; excludes other federal, state, and local fees and levies (such as concession fees) of €471 million in 2007.

³Excludes the accretion expense on long-term provisions; includes capitalized interest expense.

⁴Income from continuing operations (attributable to shareholders of E.ON AG).

⁵Dividends are paid out of value added from both continuing and discontinued operations.

A Responsible Business

Energy is an indispensable part of our daily lives. It's where a strong economy begins and it is the basis for the prosperity of society as a whole. Access to energy is an essential requirement for growth and development around the world and this is why energy is such a special resource.

As an energy service provider, E.ON therefore bears a special responsibility. How can we contribute to low-emission economic growth? How can we maintain a competitive price structure in times of increasing energy demand and ever-tighter resources? How can we safeguard the energy supply for future generations? And what can E.ON do to help solve the issue of climate change? It's clear that these questions, urgently relevant to our core business, also have a social dimension. Our goal must therefore be to focus on the responsible and efficient use of our energy resources, to help bring about a sustainable energy economy in which we can play an active role in society's global energy future.

Our Group's vision is to become the world's leading power and gas company. We can only be the world's leading company if we do business responsibly. This means that we have to take a long-term, balanced approach to our financial resources and performance, environmental protection and social engagement. Our goal is to earn, maintain and enhance the trust of key stakeholders in a fast-changing global landscape of

economic, social and environmental conditions. We realize here that our industry currently has an overall trust deficit in society, yet we see trust as an essential ingredient for our long-term business success.

In 2007 E.ON was listed on the **Dow Jones Sustainability Index** for the first time

For this to be successful we must work further towards integrating Corporate Responsibility (CR) groupwide into our daily business routines and processes. Only once all of us at E.ON live by our CR principles and apply these as routine we can make a long-term contribution to E.ON's success. And the improvement in our ratings and rankings in 2007 is proof that we have already made significant progress; for example, E.ON was listed for the first time in the Dow Jones Sustainability Index in 2007, showing that our CR performance places us amongst the top 10 percent of energy companies in this respect.

Strategy

In our view, Corporate Responsibility is multidimensional: it requires equal measures of social engagement and environmental protection, climate protection, provision of safe and attractive workplaces, security of supply and a dependable contribution to the national economies of the countries where we are located. The development of strategies that make a sustainable contribution to solving ecological, economical and social challenges enables us to fully recognize this responsibility. To be able to implement these strategies effectively we are dependent on our own employees' engagement and support. For this reason we developed a new People Strategy in 2007 which is intended to help us to meet the challenges that a globally operating company faces. At the same time we have continued to develop our CR strategy, in order to be able to make an active contribution to a sustainable energy future through our forward-looking actions and innovative solutions.

Our New People Strategy

Its goal is to support employees and managers in realizing the corporate vision and therefore to make an important contribution to the success of the company. Together with those employees responsible for human Resources (HR) in the market units, HR management developed the People Strategy OneHR in 2007. Its successful implementation rests on three pillars: having best people, the right leaders and an energizing environment. Based on our corporate strategy and values as well as an analysis of the personnel market, eleven strategic fields of action were identified to which OneHR attaches great importance. During development of these measures, we paid very close attention to their measurability so that their successes could be identified in the controlling process over the next few years. OneHR was launched in the presence of E.ON's 120-plus HR managers at a launch event in September 2007 in Budapest.

The OneHR strategy includes, among other elements, the identification and promotion of internal high-potential staff as well as an active diversity and health management program. The purpose of the Talent Management component is to promote an international employee exchange and to increase the number of women in management positions. In addition to this, OneHR establishes a long-term system to ensure our attractiveness as an employer in the fierce future competition for up-and-coming talents. [→ 501]

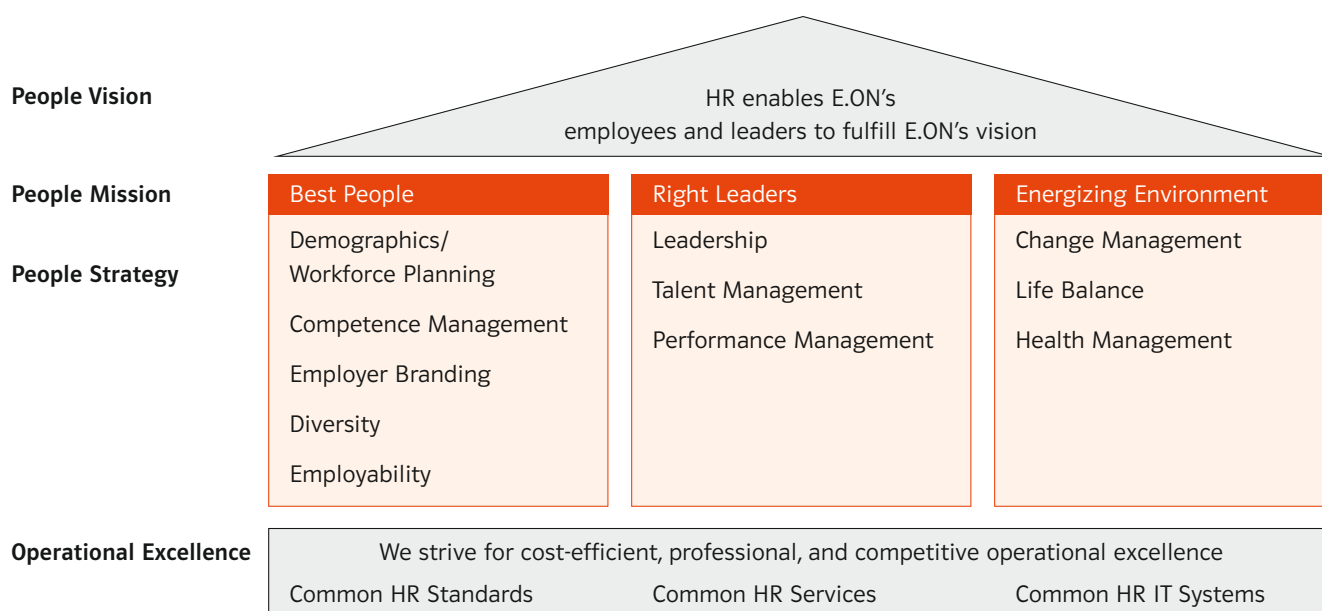


Employee Representatives

A healthy, open relationship between the employer and the employees' representatives is a decisive factor when it comes to ensuring the long-term success of a company. This is why at E.ON this cooperation based on partnership and trust is an integral part of our corporate and leadership culture.

The Group Works Council plays a central role here, representing the interests of E.ON employees in Germany and currently consisting of 26 members. There are additional Combined Works Councils as well as locally responsible Works Councils on the German business and market unit level. The European Works Council (EWC) is the bridge to the employee representative bodies in the other European countries. Meeting twice yearly, the EWC forms the unified body of employee representatives from all the European countries where E.ON does business. [→ 509]

The EWC and the Group Works Council are regularly updated on E.ON's CR activities as a Group. The Works Council also has a representative on the CR Council (see page 14).



Revisiting the CR Strategy

Our CR strategy forms the basis for coordinating responsible corporate action groupwide and for its integration into all business units. Our aim here is to play a leading role in the energy sector in the area of CR. To achieve this we first of all carried out a comprehensive review

of CR-relevant issues from the business environment in 2007. In order for us to be able to formulate strategic solutions from this review, we have evaluated the issues by applying the criteria "Relevance to E.ON's stakeholders" and "Relevance to E.ON" (materiality analysis). [→ 107]

Materiality Matrix

Relevance to E.ON's stakeholders	very important		important	
	Environment: Nuclear waste Other emissions Human rights Society & community: Employee volunteering Lobbying	Product responsibility: Vulnerable customers	Environment: Renewable energy Energy technology development Greenhouse gas emissions Efficient energy production Economic: Economic value generated Climate change impacts Society & community: Fair competition Corruption and bribery Job security and creation Responsible procurement	Workplace: Process Safety Responsible Employer and Future Employees Health and Safety Product responsibility: Customer energy efficiency Reliability and security of supply Customer and community safety Customized products and services
important	Environment: Biodiversity Waste Operational environmental protection Water and energy consumption	Society & community: Charitable donations Product responsibility: Product labeling Electromagnetic fields Responsible marketing	Environment: Resource use (material and fuels) Economic: Business growth Society & community: Community involvement	Workplace: Diversity, equal opportunities Union relations and labor practices
	important		very important	Relevance to E.ON

Our CR strategy was enhanced at the end of 2007 based on the objectives we formulated in 2006. The review and the materiality (content-focus) process formed the starting point in our efforts to strengthen our strategy. The result of this process are our strategic work areas Organize, Manage and Focus. [→ 108]

- **Organize = building the framework.** We need to make it possible for our employees groupwide to take personal responsibility for CR. A primary emphasis of our CR strategy is therefore the creation of conditions that sensitize our employees to social and environmentally relevant issues, reinforced by producing corresponding solutions. Embedding CR more firmly groupwide will form the basis for responsible corporate action in all business units and departments.
- **Manage = managing risks and meeting expectations.** In this action field the objective is to identify CR-relevant risks at an early stage and to introduce measures to prevent and mitigate these risks. To do this we are developing answers and solutions to those issues that have a specific and tangible effect on our core business. Our commitment to environmental protection is just as much an element of this action field as the rights of our employees and the struggle against corruption or dealing with questions on work safety issues. We continue to place particular value on employee awareness and observance of our Code of Conduct. To make sure we keep our house in order we manage opportunities and risks taking into account the expectations of our stakeholders.

- **Focus = defining E.ON's CR profile more clearly.**

In some of our key CR-related areas we aim to set and push the agenda. This requires a focus on a selected number of topics where we feel we need to and can add value. These core topics for E.ON's CR profile are currently under development and being discussed with stakeholders. We'll be pushing these enthusiastically within the framework of our CR activity and communication: after all, they stem from the very nature of E.ON's business sector and at the same time represent the greatest societal challenges today. What's more, we also see these topics as key drivers for innovating our business.

Guidelines

In order to meet society's requirements as well as our own, we have recognized our social responsibility as one of the five basic values of our corporate culture.

Core aspects of E.ON's corporate responsibilities are contained in the principles of the United Nations' Global Compact to which our Group has been committed since 2005. This means we fully support the observance of human rights, labor standards and environmental protection standards, and are solidly engaged in the struggle against corruption. E.ON is active in the international and a number of national Global Compact networks (e.g. Germany and Sweden) and has opened a dialog in these networks for the exchange of ideas with business leaders and political representatives, as well as with various nongovernmental organizations.

We have begun to establish and update a series of guidelines for individual work areas across the organization in order to make responsible corporate action a permanent part of our daily routine, and have based these guidelines on the principles of the Global Compact.

[→ 101]

Environment and Climate Protection Guidelines

We laid the groundwork for the development of an integrated environment and climate protection guideline in 2007. To this end we carried out a review and an evaluation of the internal and external requirements, mainly in the area of climate protection and energy efficiency. We are currently in the process of defining the corresponding integrated guideline. It is expected to be approved by E.ON's Board of Management in 2008 and will become mandatory for all market units from that time forward. [→ 301]

Our environment and climate protection guideline is expected to cover two action fields: the area of climate protection covers our activities to reduce greenhouse gas emissions, to increase energy efficiency and CO₂-free electricity generation. Environmental protection will address operational environmental protection, including environment management systems, as well as the topic of biodiversity and the protection of the oceans.

Responsible Procurement Policy

In March of 2007 E.ON approved the key principles required for establishing a responsible procurement policy and incorporated these into our general purchasing terms. On the basis of this, instruments and procedures were developed in 2007 to enable our suppliers' compliance with the principles of the Global Compact to be taken into consideration in purchasing strategies and when selecting suppliers.

The creation of a risk profile for the respective suppliers and regular evaluation of their services by the recipient are part of the scope of the newly developed procedure. In the first step, in 2008 the most strategically important suppliers of each market unit will be evaluated. The group of suppliers to be evaluated will afterwards be progressively expanded to enable us to assess all main potential risks faced by our procurement strategies. In doing so, compliance with the principles of the Global Compact will be checked both as part of these suppliers' obligation to disclose information as

well as applying audits at the suppliers' facilities. If required, the procurement and technology teams are supported for the CR-related part of the supplier audit by the company's own CR experts or by external partners who specialize in performing CR audits. In addition to this, we expect our suppliers to proactively influence their own suppliers and work together with them to ensure compliance with the principles of the UN Global Compact. The long-term aim is for the principles of the Global Compact to become an integral component of the daily working routine and the reciprocal relationships within our entire supply chain. [→ 213]

Health and Safety Policy

Our employees' own health and safety are top priorities at E.ON. To help us bundle our competencies more strongly in this area and apply them more effectively we created a new Health & Safety department in the CR division of the Corporate Center in 2007.

The department harmonizes and manages all safety-relevant processes across the Group. To boost our internal safety culture all management levels at the market units will be included. If incidents occur the department supports the causal analysis, reporting and remedial processes. Besides collating pure incident statistics we are also working hard on embedding a platform to help generate and document Group-internal expert knowledge of safety-related and other dangerous incidents across all areas of our company. We'll also be including experiences from other companies and related sectors such as the petrochemical industry.

The Health & Safety department is also working on implementing our Safety Strategy with the aim of making E.ON the safest company in the energy sector worldwide. For this reason, in 2007 we concentrated on implementing and updating the minimum requirements relating to safety right across the Group.

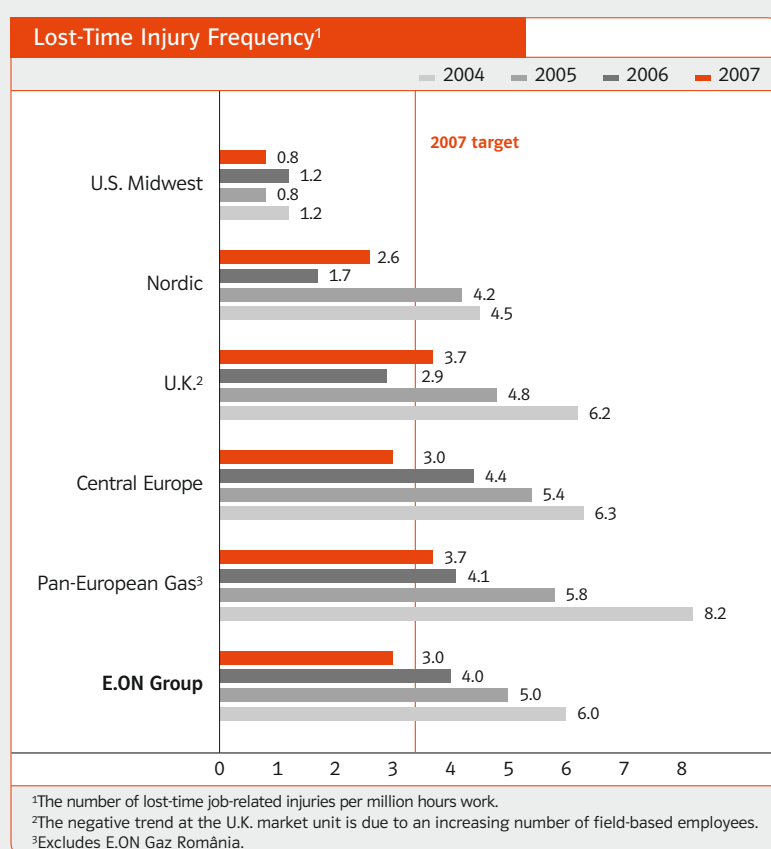
The continued development of the Safety Strategy was at the heart of our second E.ON-wide Safety Conference in 2007. The result is called Action Plan Safety 2007, which came into effect in October 2007. The Plan's main goal is to implement a stand-alone groupwide safety

management system based on our existing management system at market unit level. Action Plan Safety 2007 includes a range of measures intended to promote the internal safety culture at all levels of the Group. [→ 510]

Our Safety Performance in 2007

Compared to our regional competitors, our market units have for many years had noticeably lower accident rates. The high level we have achieved in our safety performance is reflected by our low Lost-Time Injury Frequency index value (LTIF). In 2007 this index value was 3.0, meaning that E.ON suffered on average three work-related and lost-time accidents per million hours worked. Consequently, we have even been able to undercut our 2007 target of reducing LTIF to 3.3.

Despite our high groupwide safety standards we suffered 13 work-related fatalities in 2007. Nine of these staff were employed by third parties working on our behalf. We carefully investigated the causes of each of the incidents and established that accidents occurred, amongst other reasons, as a result of inadequate safeguards when rigging electricity pylons or working under the influence of drugs. We have taken all necessary steps to ensure that such incidents are not repeated.



Community Policy

In line with the further development of our CR strategy in 2007 we also revised our approach to Community Involvement and developed a groupwide strategy. As with the CR strategy, this addresses three main work areas:

- **Organize**—confirming roles and responsibilities, policies and processes for Community Involvement while ensuring core principles such as the Group's policy for financial support (Corporate Giving) are embedded across the Group.
- **Integrate**—ensuring appropriate Community Involvement Programs are in place to support the various activities and specific societal issues that E.ON as an electricity and gas business faces, from building a new power plant, via managing product safety issues to promoting our societal engagement.
- **Profile**—we want to define our Community Involvement Profile more clearly through developing flagship projects such as Energy for Children (see page 50).

Our Community Working Group, consisting of colleagues from across our business, is tasked with bringing our strategy to life in all our existing and new market units.

Organization

In order to fully meet the complex social challenges that a global corporation such as E.ON faces, we began setting up specific organizational units in the area of CR in 2005. In 2007 we were able to set another milestone in this process, with the expansion of our CR staff.

CR Council

The CR Council remains at the top of the CR organizational structure. Since 2005 the Council has provided centralized management of Corporate Responsibility; it meets at least three times a year, makes recommendations to the Board of Management and monitors the implementation of approved CR goals. The CR Council is composed of representatives of the specialist divisions at the Corporate Center, the Works Council and Board members from E.ON's market units. The CR Council has been jointly chaired since 2006 by Christoph Dänzer-Vanotti, member of the E.ON AG Board of Management, and Dr. Paul Golby, Chairman of the Board of Management and CEO of E.ON UK. In 2008 selected external members will be joining the CR Council to broaden our discussions with their independent perspectives and to provide for an increased level of accountability and transparency. [→ 107]

CR Organization Area at the Corporate Center, Market and Business Units

We established the position of Chief Responsibility Officer at the Corporate Center in 2007, who is reporting directly to the Member of the Board of Management responsible for CR and HR. The Responsible Management, Marketplace & Community, Climate Protection & Environment as well as the Health & Safety departments all report to the Chief Responsibility Officer at Group level. These four departments work together to develop groupwide guidelines and measures. CR Communication is responsible for the internal and external communication of CR activities. To implement our CR strategy at our locations we further expanded staffing levels at the five market units that made up E.ON in 2007.

At the close of 2007 all market units had at least one full-time CR manager. The market units' CR managers are the direct points of contact for our stakeholders on a national and community level and adjust our project approach to each location's requirements. Besides this CR coordinators have been nominated at individual business units—most especially at our biggest market unit, Central Europe.

Numerous teams of experts are already working successfully with the involvement of market and business units on integrating CR further into the Group. One example of this groupwide cooperation is the new CR work program (see page 54). [\[→ 109\]](#)

The Board of Management and the Supervisory Board are informed of CR activity at regular intervals. Regular weekly meetings between the Chief Responsibility Officer and the representative of the Board of Management responsible for CR provide the platform for an exchange of ideas. The Board of Management regularly passes this information on to the Supervisory Board in the Board of Management report and as part of the Supervisory Board agenda.

With the expansion of our organizational structure we recognize that CR is a determining factor for sustained business success and our goal here is to ensure that decision-makers at all levels are fully aware of their responsibilities. The CR division bundles competencies and is therefore a strong force driving CR measures at all corporate levels. We don't merely want to react to the expectations of our stakeholders; we want to establish a basis that makes it possible for us to proactively identify new requirements in the medium term and thus to validate our leadership position by implementing forward-looking measures.



Corporate Governance

E.ON sees corporate governance as the basis for responsible and value-oriented company management. The Board of Management and Supervisory Board have dealt in depth with complying with the requirements of the German Corporate Governance Code—especially in relation to the new requirements from June 14, 2007 and E.ON now complies with all recommendations of the revised formulation of the Code. For that reason, we were able to submit an Declaration of Compliance for 2007 pursuant to Section 161 of the German Stock Corporation Act.

In August 2007, E.ON's Board of Management decided to delist E.ON's American Depositary Shares (ADS) from the New York Stock Exchange (NYSE) as well as to apply for deregistration and ending of E.ON's reporting obligation as required by the American stock exchange supervisory authority, the Securities and Exchange Commission (SEC). Delisting and deregistration became effective after the period for objection had expired for the NYSE and SEC. Discontinuation of these unnecessary internal processes has enabled us to increase efficiency in the area of Corporate Audit and reduce costs at the same time. [\[→ 804\]](#)

Risk Management

Forward thinking and effective risk management are prerequisites for the sustainable success of a company. Therefore, the aim of our risk management system is to identify potential risks early on and to systematically control decision-making processes and responses. To enable us to achieve this we have incorporated various measures into the overall organizational and operational structure of E.ON. This includes laying down group-wide guidelines, a standardized groupwide strategy, a planning and controlling process as well as producing separate groupwide risk reports and establishing Risk Committees. The effectiveness of our Early Risk Warning system is reviewed regularly by our Internal Audit—and, as required by law, independent auditors. [\[→ 804\]](#)

Code of Conduct

An integral part of our corporate governance structure is our Code of Conduct which defines binding rules for the ethical conduct of our employees. It was revised in 2006 and applies to all employees. [\[→ 707\]](#) In 2007 we presented our Code of Conduct to our employees both as part of our induction events for new employees and as part of the training programs of the E.ON Academy. In 2008 we intend to further improve all employees' practical understanding of and familiarity with the Code of Conduct; to do this we have developed our own groupwide e-learning tool. The program will start in May 2008 for all employees who work online as part of their job—which means 75 percent of E.ON employees will be covered. Case examples and questions on their understanding of the Code will make employees familiar with the contents of the Code and increase awareness and understanding of the Code's principles. Employees will be issued with a certificate to confirm they have taken part.

The majority of fraud cases we registered in 2007 were identified by our existing internal controls and we see this as confirmation of the effectiveness of our control mechanisms. With low total damages these violations are not to be seen as major business threats; nevertheless, we have held individual discussions with those involved and have taken strict disciplinary measures.

The Whistleblower Hotline has established itself as a further key instrument against corruption and bribery and we took action in all cases reported via this channel. [\[→ 102\]](#) [\[→ 215\]](#)

Legal Proceedings

In addition, there are currently certain risks relating to legal proceedings resulting from the E.ON Group's operations. These in particular include legal proceedings concerning alleged price-fixing agreements and anti-competitive practices. In connection with the investigations in the electricity sector, in March 2008 E.ON proposed to the Commission to divest its transmission network and a certain amount of generating capacity in Germany. After conducting a market test, the Commission will make a legally binding decision and not continue any antitrust proceedings relating to the electricity sector.

At the beginning of 2008 detailed investigation led the EU Commission to raise allegations of security-seal breaking at our E.ON Energie subsidiary and with this to announce a fine. The E.ON Group and E.ON Energie have completely rejected these allegations and have provided a comprehensive series of reports by independent scientists. E.ON Energie has additionally launched an immediate countersuit against the announced fine.

In addition, there are lawsuits pending against E.ON AG and U.S. subsidiaries in connection with the disposal of VEBA Electronics in 2000. E.ON Ruhrgas is a party to a number of different arbitration proceedings in connection with the acquisition of stakes in other companies and in connection with gas delivery contracts.

E.ON will continue to provide transparent and timely reporting on the main legal proceedings in which the Group or its subsidiaries are involved. [→ 804]

Stakeholder Dialog

E.ON takes active and constructive dialog with its stakeholder groups very seriously. These dialogs enable us to identify the various expectations and needs of these groups and they also give us the opportunity to present our perspective. This continual exchange of information provides us with support in our decision-making processes and also gives us valuable feedback for our strategies, plans and activities: we recognize that our stakeholders' acceptance is essential to our company's long-term success.

Dialog Events

We conduct intensive dialogs with our stakeholders primarily at a community level, as it's at our local sites where citizens and their communities are directly impacted by our corporate decisions. At our Visitor Centers and scheduled events we proactively seek dialog with residents and community decision-makers. We are locally active in a number of ways in order to learn how they feel and what they expect from us. [→ 115] At Group level in 2008 we fully intend to continue the systematization process which began in 2007: at present we are developing mechanisms to regularly and methodically gauge our shareholders' expectations.

CR Memberships

Our membership of many associations, such as the World Energy Council, the World Business Council for Sustainable Development, UN Global Compact, the Global Reporting Initiative (GRI), endorse the Forum for Sustainable Development of the German Economy ("Forum für Nachhaltige Entwicklung der Deutschen Wirtschaft") provides us with a platform on which we exchange information with economic, political and NGO representatives. Within the GRI we seek dialog with other energy companies and with our stakeholders so that we can develop criteria for establishing a transparent and informative reporting system for the electricity sector, for instance through the publication of the GRI Electric Utility Sector Supplement. [→ 114]

Our Successes in 2007

To reinforce the concept of responsible corporate action we naturally also include this in our employee communications. We regularly incorporate CR content in our employee newsletter E.ON World as well as on our intranet pages. CR is a topic also covered in personnel development programs such as the seminars for Potential Senior Managers and Senior Management, as well as the Campus for Senior Management Pool members, whose next career move will be to a Senior Management position.

We set a clear CR goal for ourselves in our annual Employee Opinion Survey in 2007: we wanted to see the number of employees viewing E.ON as a responsible company reach 80 percent. Unfortunately, despite an increase of nine percentage points, we were unable to reach this goal, as in September 2007 only 72 percent of our employees were in full agreement. These results have prompted us to further sharpen our CR profile within the company and to expand our related activities.

E.ON launches its own Investor Relations CR dialog

In terms of analysts' and investors' opinions we already achieved this objective in 2007. For E.ON they are key dialog partners with whom we were able to have a more intensive exchange of opinions last year. Our own CR dialog in cooperation with our Investor Relations department gave us the opportunity in 2007 to discuss with these key investors and shareholders their expectations with respect to our CR activities. An evaluation of these events showed us that this dialog is much appreciated and the feedback will help us prepare for further dialogs in 2008.



"There's no doubt that our stock price reflects our focussed strategy and financial performance."

Kiran Bhojani, Executive Vice President Investor Relations, E.ON AG

"We believe CR adds value to our business while at the same time benefiting society as a whole."

Eric Depluët, Chief Responsibility Officer, E.ON AG



Reputation Arithmetic:

How Do Investors Value Responsibility?

Risks have a longer time horizon in the energy sector, where assets such as the average coal-fired power station can have operating lives lasting several decades.

That's why our business model needs to be robust enough to deal with the long-term risks of a carbon-, water- and resource-constrained world. For our business to be successful well into the future, we also need to understand and address our stakeholders' expectations and concerns. And earn their trust that we operate our business responsibly.

Good CR Is Good Business

But does running a company responsibly increase its value? The answer is apparently "yes." In 2007, Rio Tinto, an Australian aluminum producer, made a bid to acquire Alcan, a Canadian aluminum producer, that was significantly above Alcan's stock price. Dick Evans, CEO of the combined entity Rio Tinto Alcan, later stated his belief that the premium was mainly a reflection of Alcan's solid earnings and balance sheet—but was also driven by the company's excellent track record on sustainability, environmental stewardship and stakeholder relationships. **Kiran Bhojani**, Executive Vice President Investor Relations (IR), E.ON AG, is convinced that a similar process is at work in the market's valuation of E.ON: "There's no doubt that our stock price reflects our focussed strategy and financial performance. But my impression is that our shareholders and potential shareholders also factor in their trust in our leadership team and in how our company is managing risks and societal expectations."

Good CR Is Good IR

To learn more about which CR issues matter most to our investors, in December 2007 we held our first Investor Relations dialog devoted to CR. The dialog's main focus was climate change and security of supply and

emphasized how E.ON's generation strategy and carbon-reduction target can help mitigate it. Investors also wanted to know how E.ON is addressing other environmental issues such as nuclear waste management, water scarcity and stricter emission standards, with societal issues also generating valuable debate on how we approach vulnerable customers, on our CR effort in emerging markets, as well as on our acquisition of OGK-4, a Russian power producer, and the impact this has on our risk situation in terms of business ethics and occupational safety.

Dr. Eric Depluet, Chief Responsibility Officer, E.ON AG: "Investors' increasing awareness of CR issues is another reason for incorporating a wider understanding of risks and expectations in our day-to-day business. Integrating CR into all our business functions is a vital part of meeting these expectations. We believe CR adds value to our business while at the same time benefiting society as a whole."



E.ON Stock Key Figures

Earnings¹: €11.06 per share

Dividend: €4.10 per share

Dividend payout²: €2,590 million

Year-end closing price: €145.59 per share

Number of shares outstanding³: 632 million

E.ON stock trading volume: €136.2 billion

¹Thereof the Shareholders of the E.ON AG.

²Based on the number of shares outstanding as of December 31, 2007; further share repurchases could alter the dividend payout.

³On all German stock exchanges, including Xetra.

The Origin of Our Energy

Unlimited access to energy is an essential for modern-day living. Communications, industrial manufacturing, and a comfortable home environment all depend on a constant supply of electricity, gas, and heat. The supply of energy can only be safeguarded by mastering a host of complex processes from procurement and generation to end-customer supply. In gas supply, the emphasis is more on procurement, transport, and distribution, while electricity must first be generated from suitable energy sources.

Competing Objectives in Energy Generation and Procurement

Security of supply isn't the only challenge we have to meet. The public expects E.ON to offer a multitude of energy-production and procurement solutions that balance competing objectives:

- **Substantial CO₂ emissions-reduction measures.** The construction and updating of fossil-fuel-fired power plants is subject to increasing opposition; there's a call for the rapid expansion of renewable-source generating capacity instead, with a possible expansion of nuclear power once again being mooted.
- **Competitive prices.** Policymakers and the media are keeping a watchful eye on energy prices.
- **No adverse affects on local residents or the environment.** The public greets plans for new power plants with increasing skepticism.
- **Security of supply.** Mounting demand and tighter resources are making energy supply more difficult, while the construction of new generating capacity is increasingly being called into question.

- **Securing support for renewables on-site.** People don't particularly want wind turbines and other renewable assets to be built right on-site in their community.
- **Taking nuclear skepticism seriously.** There is still strong opposition to nuclear power in some European countries, caused to some extent by emotionalized public debate.

None of these expectations can be met fully without compromising at least one other. Withdrawing from coal or nuclear power would jeopardize security of supply. With the demand for energy increasing, stopping the construction of new power plants would lead to tighter supplies and higher energy prices. Capping energy prices would stifle investment and make supplies even tighter. On the other hand, prioritizing security of supply would necessitate compromises in other areas.

Dealing with Conflicting Challenges

Faced with the necessity of balancing a number of competing objectives, E.ON's strategy is not to favor one generation technology over another. Instead, we aim for a broad and balanced energy mix, the further diversification of our generation portfolio and an ongoing dialog with our stakeholders.

Using a number of long-term scenarios for the development of the energy sector in the decades ahead, our strategy is based on an analysis of the strengths and weaknesses as well as the challenges and opportunities of the various generation technologies:

- Coal-fired and nuclear power plants offer a high degree of supply security in base load generation. Going forward, however, the CO₂ emissions from coal-fired plants must be reduced by substantially improving the plants' thermal efficiency. Major investments in higher thermal efficiency and in innovative carbon capture and storage (CCS) technologies are essential.

- Gas-fired power plants emit significantly less CO₂ per megawatt hour than coal-fired plants. To mitigate the price and supply risks associated with natural gas, we intend to further diversify our gas procurement portfolio.
- Although energy generated from renewables is carbon-neutral, their intermittent generation capacity requires further advances in energy-storage technology and places high demands on transmission systems (see page 36). Even large-scale pumped-storage hydroelectric plants can't offset the lack of wind-power capacity on windless days. The growing importance of climate-protection targets is changing how the industry prices energy sources. Increasingly, price disadvantages can be balanced out by emissions trading.
- Because nuclear power serves as an important and sustainable source of carbon-free baseload electricity, it makes sense to expand nuclear capacity going forward while increasing investments in safe storage solutions for radioactive waste, for example.
- Small-scale cogeneration units also offer attractive prospects, particularly for sites with a significant demand for heat (see page 26).

Tackling Climate Change

According to an Intergovernmental Panel on Climate Change (IPCC) study published in 2007, energy-sector companies are responsible for about 26 percent of the world's global anthropogenic greenhouse gas emissions. E.ON emitted 121.3 million metric tons of CO₂ in 2007, most of it from our coal, natural gas, or oil-fired power stations. This means we're responsible for 0.44 percent of 27.7 billion metric tons of global CO₂ emissions caused by the combustion of fossil fuels—and that we therefore have a clear responsibility to substantially reduce our power plants' CO₂ emissions. [→ 305]

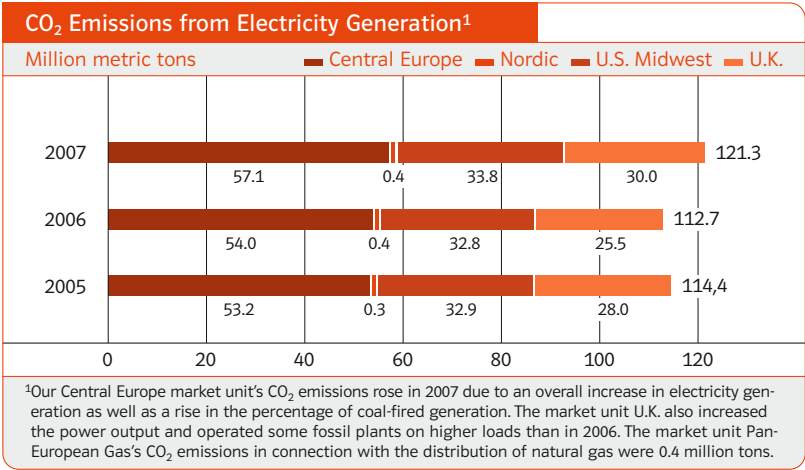
Our goal is to significantly **improve** the **thermal efficiency** of our fossil-fuel-fired power stations

50 Percent Less CO₂

In May 2007 we set an ambitious target for reducing our specific CO₂ emissions. By 2030, we intend to reduce the E.ON Group's CO₂ emissions to 360 grams per generated kilowatt-hour (0.36 t/MWh), half the 1990 figure. In terms of absolute figures our emissions will depend on the future development of our generation portfolio and our installed generation capacity. [→ 303]

CO ₂ Intensity ¹ E.ON Group								Energy mix of own generation 2007 in %		
t/MWh	1990	2002	2003	2004	2005	2006	2007	Fossil, others	Nuclear	Renewables
Central Europe	0.45	0.39	0.41	0.41	0.41	0.41	0.42	46.0	46.2	7.7
U.K.	0.94	0.67	0.72	0.79	0.75	0.71	0.73	98.9	0.0	1.1
Nordic	0.02	0.12	0.14	0.01	0.01	0.02	0.01	3.2	51.1	45.8
U.S. Midwest ²	0.99	1.01	1.00	0.93	0.92	0.93	0.94	99.5	0.0	0.5
E.ON Group	0.72	0.54	0.55	0.49	0.49	0.49	0.50	57.3	32.4	10.3

¹Specific CO₂ emissions: emitted metric tons of CO₂ per MWh electricity generated.
²Based on own generation of 36.1 billion kWh; this is the total electricity generation of all our U.S. Midwest market unit's majority stakeholdings.



The complete set of key emission figures is available, along with further environmental key figures, at [eon.com](#). [\[→ 609\]](#)

CO₂ Reduction through Market Forces
Our industry needs a stable regulatory environment. We agree with key aspects of the Green Package of climate-protection legislation announced by the European Commission in January 2008.

By 2030 we want to reduce our **CO₂ emissions to 360 grams per generated kilowatt-hour**

The draft legislation consists of mostly market-based initiatives aimed at reducing the CO₂ emissions of EU member states by 20 percent by 2030, or by as much as 30 percent if a global climate-reduction agreement is reached. The policy objective of emissions trading, which gives a competitive advantage to low-emission and zero-emission generating units, is to crowd out carbon-intensive generation technologies. To magnify this effect, the Commission's draft legislation also calls for CO₂ emission allowances, which are currently

allocated to emitters at no cost, to be auctioned to emitters by EU member states. Although we think an auction is the right solution for the long term, we believe it should be introduced gradually so that it doesn't render some existing generating capacity immediately uncompetitive, creating stranded assets. However, a step-by-step transition to a full auction of emission allowances only makes sense if all facilities are included and if the same rules apply to all. E.ON supports a period of transition to a full auction by 2020 as long as all operators—of old and new facilities alike—take part in the auction. A harmonized, EU-wide auction will put an end to the competitive distortions caused by the preferential allocation rules of some EU member states. [\[→ 305\]](#)

Bundling the Group's **climate change projects** more strongly and more globally

New Climate & Renewables Market Unit. Emissions trading has considerably changed the ground rules for power generation and trading, the value of some of our assets and thus our business in Europe and beyond. The challenges of climate change require global action. By creating a new market unit, Climate & Renewables, which began operations in January 2008, we've responded to these challenges. This unit will be responsible for operating most of our renewable-source generating capacity, managing our global investments in renewables and coordinating our participation in climate-protection projects around the world. Climate & Renewables will help us achieve our CO₂-reduction target. [\[→ 205\]](#)

E.ON's new Generation and Gas Strategy

In order to tap all available potential, in May 2007 we defined an ambitious carbon-reduction target as the culmination of our groupwide project to develop a carbon strategy. The target is now embedded in our standardized, multi-tier decision-making processes. We now evaluate all significant capital investments and acquisitions for their impact on our carbon-reduction target.

In line with our carbon strategy, in late 2007 we revised our generation strategy too. We intend to take action in five main areas as we develop our energy mix going forward:

- increase our investments in renewables
- enhance the efficiency of our generation fleet
- deploy CCS technology in coal-fired power plants
- play a greater role in championing nuclear power
- increase our investments in R&D and in demonstration projects.

€3 billion for natural gas production

Through 2010, we plan to invest €3 billion in natural gas production in the North Sea and in Russia in an effort to further improve gas supply security and minimize our exposure to market developments in the long term. In 2007, we also launched the climate protection initiative Erdgas.ON for Germany's natural gas market. The purpose is to promote climate protection by accelerating the deployment of cutting-edge technologies, particularly at the premises of our residential and industrial gas customers. A key element of the initiative is replacing natural gas with bio natural gas, which is essentially carbon-neutral.

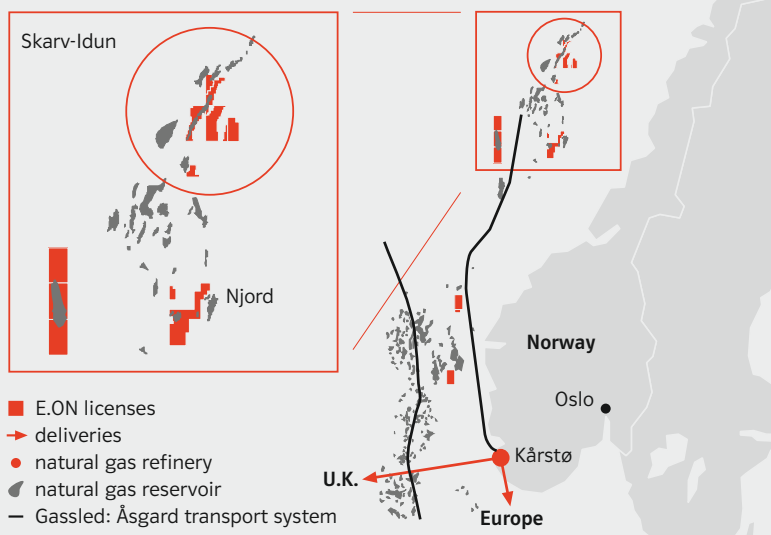
We're confident that our reorientation will help us be seen as a responsible, forward-looking energy company.

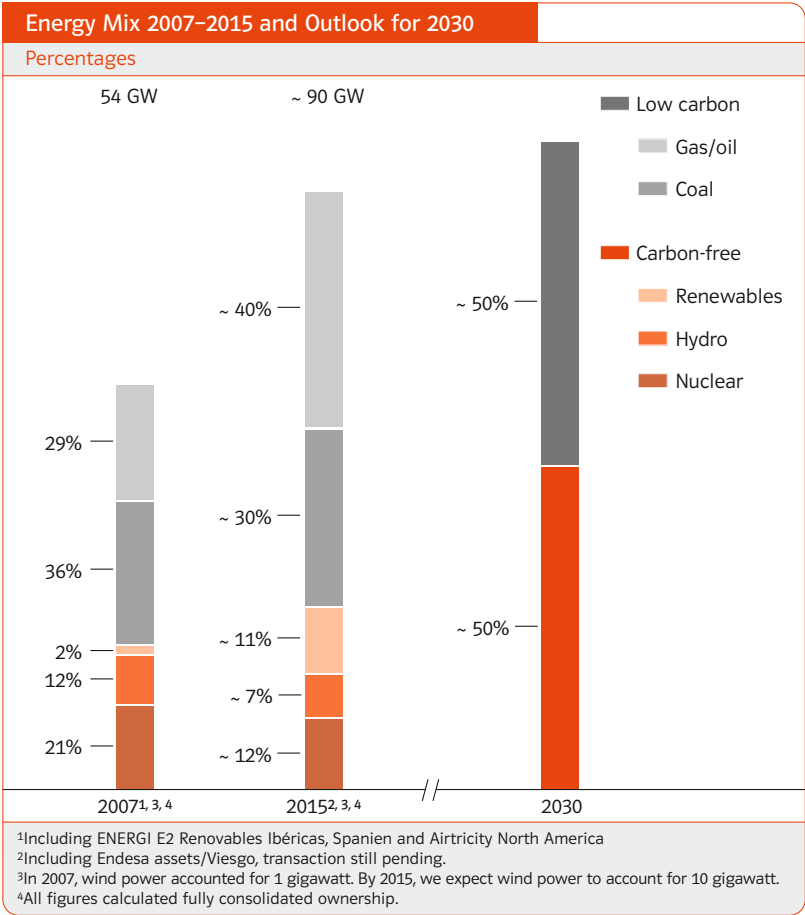
Growth Enhances Security of Supply

E.ON further expanded its natural gas production portfolio by acquiring 28 percent of Skarv and Idun, natural gas fields that rank among Norway's largest and most attractive. E.ON's share of the fields' annual output is expected to average about 1.4 billion cubic meters for at least ten years and will make an important contribution to Europe's security of supply. E.ON also has a 30-percent stake in the Njord field in the Norwegian Sea, which has about 10 billion cubic meters of gas reserves.



Natural Gas Fields in the Norwegian Sea





An Energy Mix for the Future

E.ON has a broad and balanced energy mix. In 2007, 36 percent of our generating capacity was coal-fired, 29 percent gas- and oil-fired, 21 percent nuclear and 14 percent renewables. This diversity also enables us to optimally meet all kinds of load, from baseload to peakload, while at the same time providing electricity at competitive prices and meeting our CO₂ emissions-reduction target. [→ 202]

Zero-emission Solutions

The IPCC report issued in 2007 highlights the urgency of reducing CO₂ emissions. However, existing renewables technologies alone are insufficient to achieve this objective. That's why we need nuclear power as a transitional

energy source. We believe that nuclear power, despite opposition in some countries, should be allowed to continue to help reduce greenhouse gas (GHG) emissions. With the alternative technologies currently available, doing away with coal-fired and nuclear generation simultaneously is not a feasible option.

Renewables investments doubled to €6 billion

Renewables

Renewables (including hydro) accounted for 14 percent of our generating capacity in 2007. Our plans call for this figure to increase to 18 percent by 2015; this figure factors in constant overall hydro generation capacity, currently 11 percent. After 2015, this development will continue to be intensively driven by our new Climate & Renewables market unit. Plans call for our entire generation portfolio to consist of low-emission and zero-emission power plants by 2030. To meet these targets, we have doubled our planned investments in renewables through 2010 from €3 billion to €6 billion. These investments will serve to accelerate the expansion of our renewables capacity (particularly in wind and biomass) through organic growth and through acquisitions, over €1 billion of which we completed in 2007. The expansion of our renewables capacity helps us partially mitigate the impact of fewer emission allowances allocated to us in Europe. [→ 202]

Wind-power Capacity Acquired in Iberia and North America

In August 2007, we acquired ENERGI E2 Renovables Ibéricas (E2-I), which operates 260 megawatts (MW) of technologically advanced wind-power capacity and a number of small-scale hydroelectric and biomass assets in Spain and Portugal, for €481 million. Over the next four years, E2-I is developing another 560 MW of wind-power capacity at sites in Iberia with particularly favorable wind conditions.

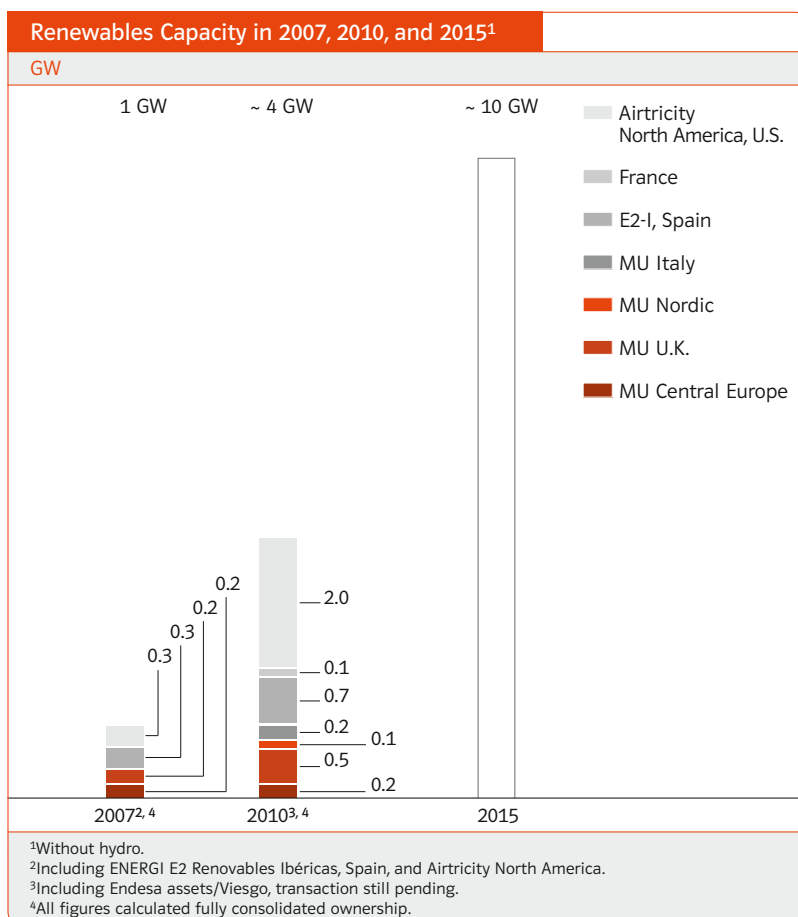
In October 2007, we acquired the North American operations of Airtricity, an Ireland-based wind-farm operator, for €580 million. It has given us 250 MW of wind-power capacity, with further, higher-capacity wind farms to enter service by the end of 2008, all in favorable locations in Texas and New York. More than 1,000 MW of additional projects, enough to supply around 500,000 homes with energy, are at an advanced development stage. Our acquisitions in 2007 have made E.ON the seventh-largest wind-farm operator.

E.ON is the **world's seventh-largest** wind-farm operator

Organic Growth of Wind Power. We also increased our wind-power portfolio through organic growth in 2007. In 2007, E.ON UK completed Stag's Holt, its nineteenth onshore wind farm. Stag's Holt consists of nine wind turbines with an aggregate installed capacity of 18 MW, enough to supply 9,000 homes with green electricity. In the U.K., E.ON is involved in the development of several large-scale offshore wind projects:

- In 2007, the realization phase began for London Array in the U.K. One of the world's largest offshore wind-farm projects, it will have a total installed capacity of 1,000 MW. [→ 205]
- In December 2007, we began installing the first turbines of Robin Rigg wind farm in the Solway Firth on the northwest coast of England. This 180 MW facility will enter service in 2009.
- E.ON UK is planning another project, Humber Gateway, which will be sited off the coast of East Yorkshire. It will consist of 83 wind turbines with a combined capacity of 300 MW.

E.ON is meeting special technical challenges in offshore projects in Germany, which must be sited further out to sea (see page 31). [→ 205]



Biomass Energy. Where the fuel supply is sufficient, biomass is a considerably more reliable renewable technology than wind or solar power. Biogas, which is derived from biomass, is therefore suitable for providing baseload electricity. [→ 205] In mid-2007, the first of a large series of biogas-fired power plants entered service in Malchin in northern Germany. The plant cost €13.3 million to build (see page 31).

The Future of Nuclear Power

Carbon-free nuclear power is a key ingredient in a climate-friendly energy mix. By building new, technologically advanced facilities and by extending the operating lives of existing modern facilities, we can make a substantial contribution to reducing CO₂ emissions and securing the supply of electricity at competitive prices. [→ 204] Nuclear power supplies around one third of Germany and Europe's electricity. A number of governments are now reconsidering their position on nuclear

power and planning to build new nuclear power stations. Thirty-four nuclear power stations are under construction around the world, several of them in Europe. Our Nordic market unit is currently examining the options for building new nuclear power stations. In partnership with Finnish trade, industry and service companies we established Fennovoima OY to build a 1,500–2,000 MW nuclear power station in Finland. The U.K. is also considering whether to replace first-generation and second-generation nuclear plants with the latest reactor technology and E.ON intends to be involved in this process.

Trust through an **open information policy** on nuclear safety

Phasing out nuclear power in Germany is creating difficult conditions for the country to reach its climate-protection targets after 2012 (see page 28). Germany's nuclear power stations prevent the emission of about as much CO₂ as emitted annually by the country's road transport sector. Phasing out nuclear power would also increase dependence on suppliers of fossil fuels. According to the Federal Ministry of Economics and Technology, global uranium reserves are sufficient for another 200 years.

However, nuclear power raises a number of issues about plant safety, nuclear fuel reprocessing, nuclear waste management, and the dismantling of decommissioned nuclear power stations. One of the ways we strive to win the public's trust in the safety of our facilities is by reporting even the most minor occurrences that pose absolutely no public health risk. We're actively involved in efforts to find solutions for the final storage of radioactive waste. In Sweden, we're part of a research consortium that's testing the feasibility of storing spent nuclear fuel rods in subterranean rock formations. We also support nuclear research in other ways. We've endowed a Chair for Nuclear Technology at Munich's Technical University in order to spur the development of innovative technologies.

Low-emission Solutions

We're convinced that fossil fuels will not be fully replaced by other energy sources by 2030. Our challenge is to ensure security of supply and cost-effectiveness while at the same time help reduce the CO₂ emissions of our fossil-fuel-fired generating units.

Efficiency-enhancing Technologies for Fossil Fuel-fired Generating Units

New coal-fired power plants are indispensable for securing supply of baseload electricity. To provide intermediate load and peakload electricity, we're building technologically advanced gas-fired generating units with a high thermal efficiency. In the framework of emission trading and reduction of GHG emissions we are examining the feasibility of retrofitting existing power plants with cogeneration technology and working to develop CCS technology (see page 33). Our new coal-fired power plants are designed capture-ready. Beginning in 2020, as a rule we intend all our new coal-fired plants to be equipped with CCS technology.

All new coal-fired power plants to be **CCS-ready**

More Efficient Power Plants. E.ON is currently planning a series of new coal-fired power plants with a thermal efficiency of 45 percent and higher in Rotterdam (Netherlands), Antwerp (Belgium), Datteln and Staudinger (Germany). These plants utilize cutting-edge technology and have considerable CO₂-reduction potential compared with the EU average thermal efficiency of 36 percent. If heat can be sold to municipalities or industrial users, efficiency can be increased with combined heat and power (CHP). At Kingsnorth power station in the U.K., we're currently exploring the possibility of retrofitting existing generating units with cogeneration technology, a step that could improve the efficiency of many existing plants. [→ 206]

Improving the Efficiency of Gas-fired Generation

We're also working systematically to improve the efficiency of our gas-fired power plants in order to meet our climate targets. In partnership with manufacturers, we're deploying state-of-the-art turbine technology. Outdated power plants are being replaced one by one.

At the end of 2007, we started operating the world's largest gas turbine at our site in Irsching in southeast Germany. In conjunction with a downstream steam turbine the plant is going to have a thermal efficiency of more than 60 percent on completion. High thermal efficiency levels are also planned for the combined-cycle gas turbines currently under construction in Malmö, Sweden and Gönyü, Hungary. [→ 209]

Generation and Stakeholder Dialog

Maintaining a dialog with our stakeholders is a priority for E.ON and an integral part of our CR strategy (see page 17). Stakeholder dialogs play a particularly important role in the planning and approval processes for new power plants.

Stakeholder dialog plays a key role in new power plant projects

They help us demonstrate transparency and responsibility while at the same time gaining community support. In the end, it's lawmakers, planning boards, and other public agencies that decide whether we can build or

operate our power plants. We conduct a large number of dialog events involving local communities, decision-makers, and multipliers to communicate the importance of our projects for the community and economy, to respond to concerns and to find solutions. [→ 111]

Driving the Dialog on Fossil Fuels

The recent debate on the construction of technologically advanced coal-fired power plants at Kingsnorth in the U.K. and at several sites in Germany for example, has prompted us to establish special platforms for stakeholder dialog. In 2007 we launched Power Plant Forums in Datteln and Staudinger in Germany and Gönyü in Hungary. The participants meet every four to six weeks to discuss issues such as dust emissions, traffic congestion near the construction site and the plant's positive economic impact on the community. All participants, including E.ON representatives, have the same rights and agree jointly on the statements the forum issues. The Power Plant Forums have their own websites (www.kraftwerksforum-staudinger.de, www.kraftwerksforum-datteln.de), conduct independent media relations and distribute information materials. The forums, a voluntary initiative paid for by E.ON, are organized and moderated by an independent agency.

Media Dialog about Maasvlakte

In November 2007, the Dutch government gave E.ON permission to build a new coal-fired generating unit at the Maasvlakte power station. As the project was at the center of heated public debate, we decided to run a media campaign. It was launched by a full-page ad in daily newspapers in which we presented our arguments in favor of the project and invited readers to state their opinion on our website (www.eon-benelux.com). We received about 200 emails which we subsequently posted on the site. In the campaign's second phase, we explained the project in more detail, presented the responses to the first ad, and again asked feedback from the public. We invited the first 30 respondents to a panel discussion with the CEO of E.ON Benelux, a video of which is available on our website.

Thanks to this effort, we believe that we were able to establish a dialog with the public and demonstrate our interest in listening to other people's points of view, even when these differ significantly from our own.



Nuclear Power Again under Discussion

The public discussion of nuclear energy in the U.K. was reinvigorated in 2007, and in January 2008, the U.K. government announced its intention to push forward with the construction of new nuclear power stations. E.ON held a Nuclear Stakeholder Workshop in London, which gave climate and environment experts, regulators, energy-policy consultants, union leaders, and political scientists the opportunity to discuss nuclear power, public support, radioactive waste, and nuclear safety with E.ON experts. Participants identified the planning and approval process and the legal framework for nuclear power plants as areas that require reform. There is little change when it comes to safety, which still leads some participants to reject nuclear power despite its ability to reduce CO₂ emissions. They also agreed that the final storage of nuclear waste remains a critical issue, to which E.ON responded and added to the debate with a presentation of its positive experience in Sweden.

Final storage of nuclear waste remains a key issue

E.ON Nordic is involved in efforts to establish the final storage of radioactive waste via its stake in Svensk Kärnbränslehantering AB or SKB (Swedish Nuclear Fuel and Waste Management Co). SKB, which is owned by Sweden's nuclear power industry, is tasked with managing and disposing of radioactive waste from Swedish nuclear power plants in compliance with stringent standards. SKB has successfully operated an underground final low-level waste storage facility since 1988. There's hardly any public opposition to this facility. Furthermore, SKB has developed a workable plan for the final storage of spent nuclear fuel. During its development,

the plan was regularly reviewed by government agencies and at public hearings. In 2009, SKB will file an application to begin constructing the storage facility. SKB has identified two potential sites, with solid community support at both.

Renewables Not Immune to Criticism

Our renewables activities are also not immune to criticism from stakeholders. Biomass is criticized for crowding out food production. Wind power raises concerns about birdlife and landscape conservation. Offshore wind farms can affect sensitive marine ecosystems and, in some countries, have raised concerns about their impact on air-defense radar. We commission scientific studies on the potential ecological consequences of our offshore projects and strive to build and operate our facilities in a way that has the least possible impact on nature and local residents. The construction of power lines to connect new wind farms to the electricity network is also a controversial issue for which we are proactively seeking public dialog (see page 36).

Innovation: Key to the Future

Innovations that enable us to enhance the efficiency of our generating units and thus prevent or dramatically reduce our CO₂ emissions while ensuring security of supply at competitive prices are very important to our generation strategy. [→ 307] E.ON's coordinated strategy

encompasses research, development and demonstration (RD&D). It enables us to achieve decisive competitive advantages and, to the extent that it involves basic research, is part of our commitment to CR. A cornerstone of our RD&D effort is our ability to pave the way for promising technologies to be tested on a commercial scale (see page 33).

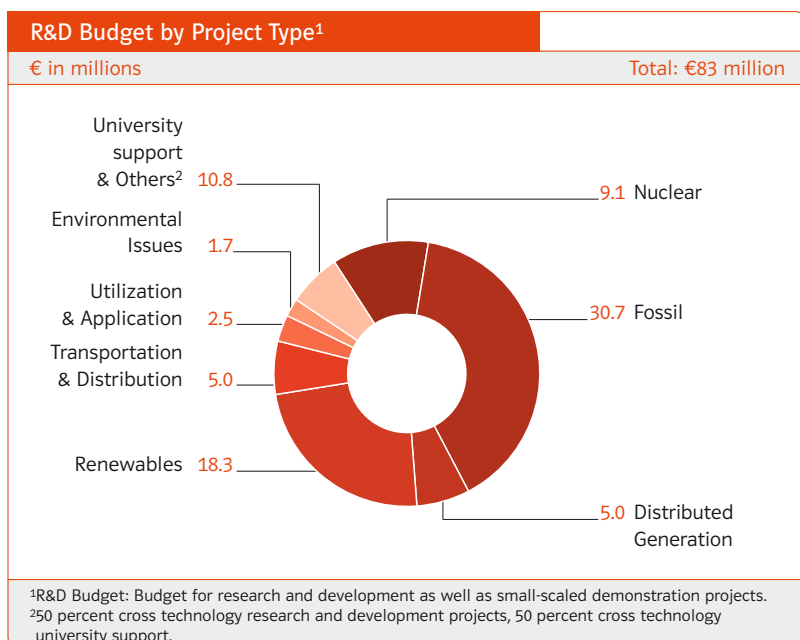
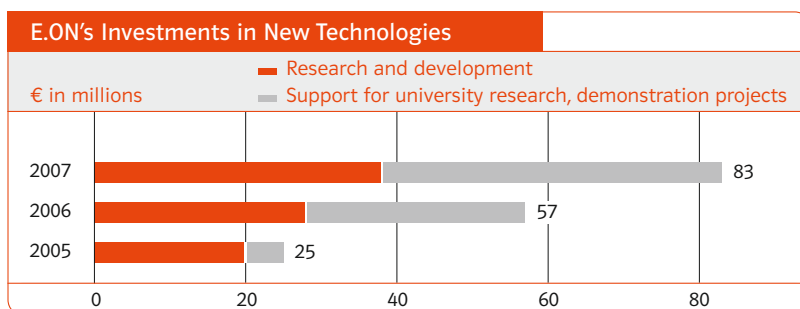
Testing innovative technologies for commercial application

E.ON's groupwide programs include our research initiative innovate.on, which focuses mainly on the implementation of new technologies, and our efforts to support research at universities and scientific institutes. Our market units also have programs that support research and technology development. [→ 307] Including the investments of our market units, we invested €83 million in R&D and in small-scale demonstration projects in 2007, 44 percent more than in 2006. We also invested heavily in large-scale demonstration projects designed to test technology on a commercial scale.

International Research and University Support

In 2007, we began a ten-year, large-scale funding program encompassing scholarships, dissertation prizes, and research grants with the aim of spurring research into key energy technologies.

University Support. E.ON dedicated €40 million of this budget in 2006 to the E.ON Energy Research Center at RWTH Aachen University. Founded in 2006, the Center is Europe's biggest-ever partnership between a corporation and a university. In 2007, it appointed directors to four of its five departments, which have commenced their research work.



E.ON International Research Initiative. The E.ON International Research Initiative was launched in July 2007 as part of our support for university research. Through 2016, we plan to award approximately €6 million annually in grants to fund innovative research projects, resulting in total investments of €60 million. [→ 309]

innovate.on

In October 2006 we launched innovate.on, a research initiative aimed at accelerating the commercial application of our R&D programs. [→ 308]

The earlier a technology enters commercial operation, the faster we can benefit from its cost advantages. This motivates researchers to develop new ideas. The initiative focuses on six main areas:

- coal-fired generating units with a thermal efficiency of more than 50 percent
- Carbon capture and storage (CCS) technology
- tidal power
- offshore wind farms
- bio natural gas
- gas-fired heat pumps.

A number of innovate.on projects entered a decisive phase in 2007:

Developing a 50plus Coal-fired Power Plant. Testing of the so called 50plus technology in Unit F of E.ON's Scholven power station in Gelsenkirchen has been under way since 2005 as part of a project called COMTES700. E.ON plans to build a 500 MW generating unit for the commercial implementation of this technology. [→ 308] "50plus" stands for a thermal efficiency of more than 50 percent, something as yet unachieved in coal-fired generation.

Standard-setting **thermal efficiency**
of more than **50 percent**

CCS. E.ON is including CCS technology as an option for its future fossil-fuel-fired power plants. Our involvement in a number of test and demonstration units is helping to promote the development of this technology (see page 33).

Construction of another carbon-capture pilot unit has started at Maasvlakte power station near Rotterdam. We also plan to partner with Siemens to explore possible improvements in the carbon capture process using a pilot unit at an E.ON power station.

Capture and store **1 million tons**
of **CO₂** annually

E.ON U.S. currently chairs the FutureGen Alliance, a non-profit consortium of electric utilities and coal companies working with the U.S. Department of Energy (DoE) to develop FutureGen, the world's first near-zero-emission coal-fired power plant slated for construction in Mattoon, Illinois. E.ON U.S. will contribute €18.2 million

towards this effort. FutureGen will utilize pre-combustion carbon capture, a process in which coal is first transformed into a combustible gas in an integrated gasification combined-cycle power plant. The plant was originally scheduled to enter service in 2012. Recently, questions have arisen regarding DoE funding for the project, which may affect the commissioning date.

Tidal Energy. Rough estimates suggest that tidal energy could generate around 450 billion kWh of electricity worldwide per year, the equivalent of around 40 large nuclear power stations. Caused by the moon's gravitational pull on the earth, tides represent vast stores of wave energy and are readily calculable. E.ON is working with Lunar Energy to deploy and test underwater turbines on the seabed off the coast of Wales. An environmental impact study is planned for 2008. The underwater turbines are currently being tested in a laboratory. The tidal-stream power plant is expected to enter service in 2011. There is still a long way to go, though, before this technology is ready for large-scale commercial utilization. But due to its huge potential, we think pursuing this technology will create many opportunities going forward.

Offshore Wind Energy. In partnership with other energy companies and several equipment manufacturers, we're finding innovative solutions to the technical challenges of building wind farms in deep water off Germany's North Sea coast. Germany's first offshore wind farm, alpha ventus, will consist of twelve of the world's largest wind turbines and become operational in late 2008. Its submarine cable and connection with the electricity network also represent a considerable ecological challenge, as the site is 50 kilometers (30 miles) offshore.

Bio Natural Gas Production Plants. The main drawback of conventional biogas-fired cogeneration units is that the heat they produce goes unused, since the demand for heat is seasonal. E.ON is taking a different approach at our new bio natural gas production plant in Schwandorf in southeast Germany, currently the largest of its kind in Europe. The plant upgrades biogas to bio natural gas—which essentially has the same characteristics as natural gas—and injects it into the natural gas pipeline system. Bio natural gas then becomes part of the natural gas supply system and can be used to generate electricity or to heat homes and businesses. Bio natural gas is also used as a vehicle fuel. The advantage of bio natural gas is that it requires only about one third of the agricultural land needed for conventional biofuel production. The Schwandorf plant, which entered service in February 2008, has drawn on the experience we gathered at our bio natural gas production facilities in Sweden. [\[→ 202\]](#)

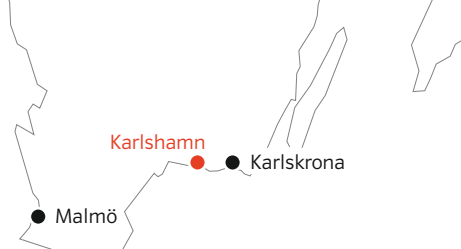


"I keep getting asked whether CCS isn't just wishful thinking and why we don't simply invest our money in renewables instead."

Stefan Håkansson, Managing Director, E.ON Nordic

"I'm convinced that the ammonia process we're testing will pay off."

Björn Möller, Technical Supervisor Karlshamn project, E.ON Nordic



CCS

The Key to a Low-carbon Future?

E.ON is committed to providing its customers with a reliable supply of energy at affordable prices and at the same time significantly reducing its carbon footprint. Because we can't achieve both objectives by relying on renewables alone, we're building technologically advanced fossil-fuel-fired power plants that emit far less CO₂. But we're not stopping there. We're working diligently to develop the technology to capture CO₂ and store it deep underground. This technology—known as carbon capture and storage (CCS)—has the potential to reduce emissions from coal-fired and gas-fired power plants drastically.

Technological Advances, Economic Necessities

In partnership with Alstom, a worldwide manufacturer of power generation equipment, we'll begin testing a post-combustion carbon capture process in a pilot unit at Karlshamn power station in Sweden in late 2008. This process will extract CO₂ from the power station's flue gas using chilled ammonia as a solvent. Subsequent warming of the ammonia releases the CO₂ so that it can be piped into an underground facility for permanent sequestering. The team at Karlshamn estimates that the process will capture more than 90 percent of the CO₂ and consume just 10 percent of the energy produced by the generating unit, rendering it more efficient than other CCS technologies. **Stefan Håkansson**, Managing Director of Karlshamn Kraft, the E.ON Nordic subsidiary, that operates the power station, says that CCS is sometimes an uphill PR battle: "At our information events I keep getting asked whether CCS isn't just wishful thinking and why we don't simply invest our money in renewables instead. I try to explain to them why we believe CCS has a real future."

The technology that will be tested in Karlshamn, though innovative in its application to power generation, is based on relatively well known phenomena. Moreover, because it captures CO₂ from flue gas, it has the potential to be retrofitted on existing power plants.

Dr. Björn Fredriksson Möller, Technical Supervisor of the Karlshamn project, E.ON Nordic, is optimistic: "I'm convinced that the ammonia process we're testing will pay off. For the foreseeable future, there's no way to meet the rising global energy consumption without continuing to use fossil fuels. CCS has the potential to essentially eliminate the climate impact of burning coal and gas to generating electricity."

Several CCS Processes Are Undergoing Testing

E.ON has the energy expertise and financial strength to spur CCS research and development on a variety of fronts. That's why we're also testing post-combustion carbon capture at Maasvlakte power station in the Netherlands, pre-combustion capture as part of the FutureGen Alliance in the United States, and Oxyfuel combustion at Ratcliffe power station in the United Kingdom. In addition, we're partnering with Siemens to develop a post-combustion capture technology to be tested at an E.ON power station in Germany. Our expectations are high. CCS would help us meet our ambitious climate-protection targets and give us a strong position in emissions trading, which would further enhance our competitiveness.



Karlshamn CCS test unit

Technology: Post-combustion capture using ammonia

Capture rate: 90%

Energy loss: 10%

Project schedule: 6/2007 - 12/2009

Investments: €8 million

CO₂ capture capacity: 10,000 ton CO₂/year

The Pathways of Our Energy

In today's industrial and information society, people expect a leading energy company like E.ON to reliably supply them with the electricity and natural gas they need. Throughout the day and throughout the year, a utility must maintain a precise balance between the energy delivered onto and drawn off its network (a process rendered more challenging, for example, by the fluctuating output of wind-power facilities). It must also maintain and update its infrastructure and successfully and efficiently manage its business in market conditions that vary significantly by country. The fact is, though, that energy utilities will face even more challenges in the future.

What People Expect of an Energy Network Operator

Wire and pipeline systems are essential energy pathways. They take energy from where it's produced to where it's consumed. They also affect the economic development of surrounding regions and communities, the lives of people who live and work near them, and the environment. For these reasons, network operators face different expectations from different stakeholder groups, including:

- more detailed, real-time information about available energy transport capacity
- lower rates for energy transmission and distribution services
- nondiscriminatory network access with the aim of spurring competition
- rapid connection of new renewable-source generating facilities which are often sited in remote locations
- underground power lines instead of overhead lines

System operators are called on to find solutions that address, as far as possible, these different stakeholder expectations, which include the expectations of communities and government entities as well as those of energy producers, traders, marketers, and consumers.

Because we're an integrated energy company, we have a vital interest in efficient and nondiscriminatory energy pathways that operate transparently and that earn the public's trust. This is true whether individual market units within our Group are the network operators or whether we're a customer using another network operator's services. It's fundamentally important for us to have expertise along the entire energy value chain, from production and trading to transmission, supply and distribution. Transmission and distribution systems are the pathways that connect our upstream business (power generation and natural gas production and importing) to our downstream business (end-customer supply). We'll therefore play an active role in policymaking and public debates on this issue and do our part to promote a robust and efficient energy infrastructure for Europe.

To promote competition within the European Union, the European Commission is pushing for greater separation between the business of generating electricity and the business of transmitting it. We support the Commission's efforts to create an effective, EU-wide internal market for energy. But we don't believe that the Commission's proposed policy mechanisms will help bring about the internal market.

Nevertheless, after weighing up the advantages and disadvantages, we decided that it would be best to comply with the Commission's wishes and propose a number of structural initiatives to promote competition in the German electricity market. These measures relate mainly to the sale of our electric transmission network in Germany and the disposal of 4,800 megawatts of generating capacity that, ideally, we'd like to swap for capacity in other European markets. This was a business decision, one that in no way alters our fundamental beliefs.

Enhance competition and create incentives for improving efficiency

Initiatives to Promote Competition. E.ON has been active for some time to promote competition on the road towards a harmonized European energy market.

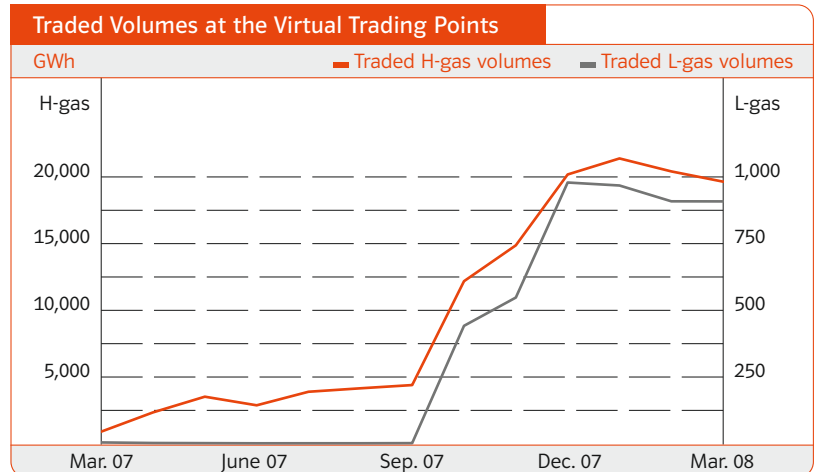
We provide comprehensive market data and, in early 2007, launched a package of competition initiatives designed to enhance the transparency of Europe's energy markets and to develop market-based solutions for energy-policy challenges. In addition, we support cooperation between Europe's national energy exchanges with the goal of creating a pan-European energy exchange. Finally, at the request of the European Commission, in the summer of 2007 we submitted a proposal for a harmonized, EU-wide emissions-trading scheme (see page 22). This would stimulate competition and create incentives for enhancing efficiency.

Transparency on Generation and Transport Capacities.

Our commitment to market transparency makes us a pacesetter in Europe. [→ 216] In October 2007 E.ON Energie was Germany's first energy company to create a website designed to provide power traders and marketers with comprehensive, up-to-the-minute information about the availability of its generation fleet and any planned or unplanned outages. E.ON Gastransport, which operates our natural gas transmission and storage system in Germany, also offers customers comprehensive services via its web portal. At www.eon-gastransport.com, customers can set up a shipper account, book pipeline capacity, manage their account and trade gas at two virtual trading points. The trading volume at E.ON Gastransport's virtual trading points increased significantly last year.

Trends in Energy Transport and Distribution

Maintaining supply reliability and quality around the clock and throughout the year is actually a considerable technical achievement. Electrical energy isn't easy to store, and the capacity of Europe's power-storage infrastructure is small. This means that network operators must ensure that the amount of electricity delivered onto their system is, at every moment, equal to the amount of electricity being used by the system's consumers. To do this, they dispatch the generating units in their control area; that is, they tell the units when to generate electricity and when not to.



E.ON Makes Generating Capacities Transparent

E.ON is Germany's first power producer to provide in-depth information on the availability of its generation fleet (www.eon-schafft-transparenz.de), helping traders and other market participants forecast the supply side of the generation market more accurately. The information is of great significance for power generation and trading. E.ON is making an important contribution towards spurring competition in Europe's electricity market.



Availability of Generating Units in 2007¹

Percentages	Central Europe	Nordic	U.K.	U.S. Midwest	Total
Nuclear	91	81	-	-	89
Fossil fuels	81	37	83	87	81

¹These availability figures include planned outages for repair and maintenance as well as market-driven nonavailability. For example, the comparatively low availability of the Nordic market unit's fossil-fuel-fired generating units resulted mainly from planned outages.

Load on Electricity Networks Increasing. System operators regularly forecast the future load on their system. But even with the best forecasts, load patterns can change in unexpected ways. In particular, the output of wind turbines fluctuates significantly with changes in wind speed, which complicates transmission system operations. [→ 210] According to a study conducted in 2005 by the German Energy Agency, Germany will need 400 kilometers (240 miles) of new transmission lines to move wind power from the North (where most of it's generated) to population centers in Central and Southern Germany. About 850 kilometers (510 miles) of existing transmission lines will need to be replaced. If these measures aren't taken, the agency estimates that by 2020 there won't be enough transmission capacity to handle nearly one fourth of Germany's wind-power output, meaning that this energy can't be produced. For precisely this reason E.ON has consistently invested heavily in network links, despite the very lengthy approval lead-times that frequently caused extensive delays to these necessary expansions.

Security of Supply Requires a Diversified Procurement Portfolio. As Europe's leading natural gas company, we're taking action to bear our share of responsibility for securing Europe's supply of natural gas. To avoid future gas supply bottlenecks, E.ON is working systematically to further diversify our gas procurement portfolio. [→ 213] On the infrastructure side, we're involved

in the planning of international pipelines and are developing alternative gas transport systems, which will help to reduce our dependence on individual producers. For example, E.ON is planning to enter into the liquefied natural gas (LNG) business. LNG is an alternative transport and storage technology for natural gas in a cooled, compressed, liquefied state. In May 2007, E.ON Ruhrgas concluded an agreement with National Grid for regasification capacity at a terminal located on the Isle of Grain in the United Kingdom. The contract term begins in 2010 for an annual volume of approximately 1.7 billion cubic meters. We're currently considering other investments in LNG terminals at a number of locations in Europe.

Investments to Expand Pipeline and Storage Capacity.

A large part of our gas infrastructure investments is earmarked for the Nord Stream pipeline across the Baltic Sea and the pipelines needed to connect Nord Stream to Germany's gas transport system. The Swedish government has called on the pipeline consortium (which consists of Gazprom, E.ON, BASF and Gasunie) to make changes to the project's environmental impact assessment. Although we will do all we can to ensure that the consortium responds without delay, we can't rule out the possibility that this will delay the start of construction and increase costs.

Our investments in the planned Skanled pipeline will help diversify gas supply pathways in Northern Europe, while our acquisition of a 28-percent stake in Skarv and Idun natural gas fields in Norway for €641 million will help diversify our gas procurement portfolio. We plan to invest €1 billion to expand our gas production portfolio. In addition we plan to expand our gas infrastructure, including our gas storage capacity.

Stakeholder Dialog in Infrastructure Expansion Projects

Increasingly, communities are opposing projects to expand network infrastructure. The approvals process for such projects can be extremely long (in Germany, the average is about ten years), which delays the urgently needed expansion of network capacity. In

2005, the United Kingdom set up a new central committee to simplify the approval process for strategically important infrastructure projects. In Germany, planning boards face a dilemma. German law requires that network operators give renewable-source generating units preferential treatment when they dispatch capacity to meet load. The rapid increase in renewables capacity makes the construction of new power lines essential. German law also calls on planners to choose the most cost-effective way to build new power lines, and that means overhead lines. But communities often object to new overhead power lines, particularly when the lines are to be sited near residential areas or nature preserves. Residents prefer that new lines be buried. Unfortunately for network operators, underground high-voltage 380 kilovolt cables cost between four to seven times more than overhead lines. To recover these additional costs, network operators in Germany need the costs to be approved by the network regulator.

Cultivating Community Support for Network Expansion. Support from the community can be a decisive factor in planning-board approval for an infrastructure project. Our subsidiaries that operate power and gas systems work closely with planning boards and government agencies to propose pathways for our power lines and gas pipelines that are sensitive to the needs of local residents and other stakeholders. Treating our stakeholders as partners and listening carefully to

their concerns is how we fulfill our commitment to achieving a mutually acceptable balance between the interests of local residents and our obligation to supply.

Initiative for more dialog

Stakeholder dialog is integral to our success. That's why our market and business units regularly share information about their successful stakeholder dialog programs, giving us a wealth of best practices to draw on. In our 2006 CR Report, we described how our emphasis on stakeholder dialog enables us to create win-win situations for our company and local communities. [\[→ 704\]](#) In 2006, E.ON Energie, the lead company of our Central Europe market unit, launched an initiative to foster dialog with opinion-makers and stakeholders. The initiative is called "E.ON in Dialog." [\[→ 111\]](#)

Successful Crisis Management

E.ON faces a challenge when it comes to maintaining electric and gas service under extreme circumstances, particularly in the case of natural disasters and accidents. In 2007, our thorough preparation, coordinated crisis-response procedures and proactive public-information programs enabled us to minimize damage to our energy networks, deploy our expertise and gain our customers' trust.

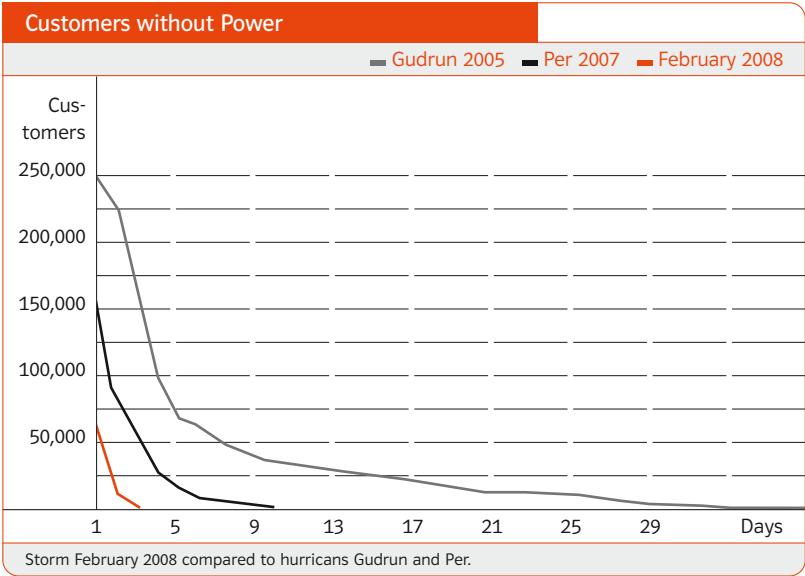
Rapid Response. On January 14, 2007, Per, a storm with hurricane-force winds, damaged the electricity network in southern Sweden, in some places severely. Our costs for repairs and compensation to customers totaled about €95 million. In response to reoccurring storm damage, we began replacing overhead lines with underground cables in Sweden. E.ON Nordic plans to invest SEK 12 billion (about €1.3 billion) in the program, under which about 17,000 kilometers of lines will be buried or replaced with new, storm-resistant technology by 2011. The success of these measures is already evident. There have been fewer power outages in the wake of severe storms.

Kyrrill, a low-pressure system with hurricane-force winds, damaged large sections of our network in Germany on January 18–19, 2007. There were no outages in E.ON Netz’s high-voltage system. About 750,000 customers of Central Europe’s distribution network operators experienced brief power outages. By the evening of January 19, only about 100,000 customers were still without power. Service was restored to all customers by the evening of January 20. [→ 210]

More Reserves thanks to Energy Storage

To enhance security of supply at a regional level, we’re expanding our natural gas storage capacity in several European countries and spurring the development of the energy storage technologies of tomorrow.

More Underground Storage Capacity. After working closely with local decision-makers and involving the community through numerous dialog forums, we’re expanding our natural gas storage capacity. We plan to invest €3 billion to €4 billion through 2014 to expand our existing storage capacity and to build new capacity. In October 2007, E.ON Ruhrgas concluded an agreement with IVG, a German real-estate company, to lease up to 15 million cubic meters (mcm) of storage space in as many as 25 underground caverns in Etzel, 10 miles southwest of Wilhelmshaven. The total working gas capacity of the facility is estimated at 2.5 billion cubic meters (bcm). E.ON UK is currently developing Holford, one of England’s largest underground gas storage facilities. Located about 25 miles northwest of Newcastle, the facility will be able to store roughly 165 mcm of natural gas, enough to cover 82,000 households’ energy requirements for a year. In 2007, E.ON Földgáz Storage, one of our Hungarian gas subsidiaries, began work to expand the storage capacity of its Zsana facility



whose current capacity is 3.5 bcm. Zsana's daily withdrawal rate is 47.5 mcm, enough gas to meet about half of Hungary's needs on a cold winter day.

New energy storage facilities for a securer supply of energy

Renewable-source Electricity Requires New Storage Technologies. The output of most renewable-source generating units (wind turbines, solar panels) fluctuates significantly. For this reason, renewables are incapable of serving as a continuous, safe and reliable source of electricity unless effective storage systems are found. [→ 202] Because renewables account for an ever-increasing share of Europe's energy mix, the development of efficient and cost-effective energy storage technology is an urgent task.

In September 2007, E.ON UK announced that its Technology Centre in Nottingham was successfully developing a large-scale battery, a first step towards finding solutions to manage the fluctuations in the output of wind and solar power (see page 41).

Ready for the Unexpected

A rupture in the half-inch-thick steel wall of a high-pressure natural gas pipeline in Gräveneck, Germany, demonstrated that we're well prepared to manage crises, even crises that occur very rarely. On the morning of August 28, 2007, the pipeline ruptured in Gräveneck, leading to an explosion and fire that damaged vegetation within a 200-meter radius of the rupture. When monitoring equipment showed a loss of pressure in the pipeline, staff at the network control center and at the site shut off the flow of natural gas, which extinguished the fire. No one was hurt in the incident, there were no service interruptions for our gas transport customers, and we swiftly reached agreements to compensate owners for any property damage. Gas service was quickly restored to the surrounding communities. The rupture was caused by ground shifting on the side of a hill near the pipeline resulting from rain-saturated soil and the extra weight of excavated earth that had been piled on the hill. E.ON Ruhrgas and E.ON Gastransport kept the public and authorities well informed throughout the incident. They also sent E.ON Ruhrgas's Chief Technology Officer and other senior executives to survey the situation and talk with residents and assure them of the superb safety record of natural gas pipelines.





"We're looking for the best way to use large-scale batteries to support low-CO₂ energy systems."

Martin Aten, Electrical Engineer, E.ON UK

"Today we're first of all trying to figure out just what the requirements of coupling this battery technology to the network are and what kind of controlling systems we'll need to integrate it into the network."

David Anelli, Business Modelling Consultant, E.ON UK



Harnessing the Potential of Renewable Energies More Efficiently with New Storage Technology?

Energy storage is a core research and development area for us at E.ON. Right now there is still no efficient technology for storing large amounts of electricity. Due to the natural fluctuations in their generating capacity, wind, tidal and solar energy can't be fed at a constant rate into supply networks. The more renewable energy sources we add to our networks with a higher proportion of intermittent generation, the more problematic traditional methods to balance the power in a grid may become. Storing energy in large battery devices can provide an attractive solution, if their cost and physical size can be reduced.

Fundamental Research and a Large-scale Pilot Project

To help renewable energy maximize their potential in future, E.ON Engineering's Technology Centre in Nottingham is participating in a development project for a new type of industrial-scale battery. This joint project is being supported by the U.K. Department for Business Enterprise and Regulatory Reform (BERR) and partners include the University of Southampton along with electrochemical consultancy firm C-Tech Innovation Ltd. E.ON's contribution is to research and identify the best technologies for connecting these large batteries within the supply network, researching their interaction with renewable sources of energy and evaluating the potential impact they may have on future electricity markets.

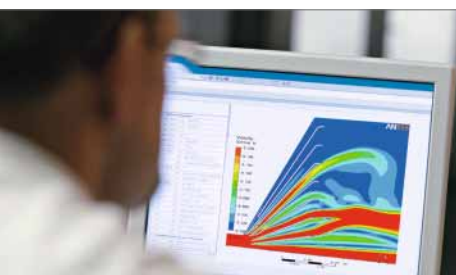
The long-term aim is to develop a high-power-density, king-sized battery which could be roughly the size of four standard shipping containers and capable of supplying one megawatt over four hours—or the energy equivalent of 10 million standard Type AA batteries.

This is a challenging target and there is still a lot of development work required to achieve it. The latest forecasts show that even larger systems will be required to buffer the energy output of a large wind turbine site. **Dr. Martin Aten**, Electrical Engineer, E.ON UK, is still sometimes asked how many batteries of this type he intends to use per wind turbine. "We're still just starting," he smiles; "we're looking for the best way to use large-scale batteries to support low-CO₂ energy systems."

David Anelli, Business Modelling Consultant, E.ON UK, also freely admits that E.ON is still a considerable way from being able to operate a battery-buffered network infrastructure: "Today we're first of all trying to figure out just what the requirements for coupling this battery technology to the network are," Anelli explains, "as well as what kind of controlling systems we'll need to integrate it into the network. We are also keeping an eye on alternative technologies which are competing to fulfill the same role as the giant battery and changes in the power markets which would affect its investment potential."

Systematically Reducing Development Lead Times

The Large Battery Joint Project is an excellent example of E.ON's integrated research and development strategy. By creating dynamic links between fundamental research initiatives and the application of pioneering technologies we can significantly boost their development speed. This will help us identify promising energy solutions sooner, even if it's not completely clear in the beginning what form these will eventually take.



A new battery technology prototype

Functional principle: Redox flow battery

Charge carrier: Lead ions, Pb²⁺

Location: Nottingham

Project period: 09/2007 - 03/2009

Total project investment: €871.000

The Use of Our Energy

In advanced economies today readily available energy in all its forms is almost taken for granted. Awareness of the environmental impact associated with energy generation has, however, increased strongly in recent years, with intense debate focused on CO₂ emissions and climate change. The energy industry is facing high expectations and meets the challenge of providing energy as an essential yet affordable driver of economic growth and social wellbeing—and works on effective solutions to the urgent issue of climate change in parallel.

Energy Consumption—Dynamic Discussion and Development

For E.ON improving energy efficiency as well as ensuring climate-friendly generation is a key starting point in reducing global CO₂ emissions and counteracting rising energy prices at the same time. In our opinion, it's especially important to raise public awareness of personal responsibility and that the challenges we face can only be tackled if business and political communities join forces with individual citizens. This issue was also widely discussed in public in 2007. A Europe-wide survey carried out in the same year by the Future Foundation and TNS UK showed that three quarters of respondents recognized a direct correlation between their behavior and climate change; at the same time 69 percent said they had moved towards a more energy-saving attitude in their everyday consumption in recent years.

More Demanding Customers

Climate change is not the only area in which public awareness has changed: increasing energy prices were an issue that also moved the public in 2007 and where energy utilities—especially in Germany but also in Sweden and Britain—came in for criticism. When it

comes to their utility, private households and corporations alike increasingly pay more attention to transparent pricing structures, a product range best suited to their own needs and professional customer advice.

In recent years customers have generally shown a higher willingness to change their supplier or at least their electricity tariff in countries which have liberalized electricity markets. Since the beginning of the liberalization of the German electricity market in 1998, the BDEW's (Electricity and Water Industry Association) figures show that across 40 million private customers, every second household has in fact done just that at least once. We see this as confirmation that liberalization is working.

On balance E.ON benefited in Germany from customers' willingness to change. While our regional gas and electricity utilities lost 400,000 private customers to the end of December 2007, we gained 700,000 new customers at the same time with "E WIE EINFACH" ("E for easy"). Our business grew by over 300,000 private customers.

300,000 additional customers
in Germany

Customer Loyalty

In 2007 the loyalty of E.ON's mass-market customers improved slightly in our key market countries when compared to 2006. Our customer loyalty index is based on an annual survey of our customers' satisfaction, which asks them to give grades from 1 to 6 just like at college, where 1 stands for very high and 6 stands for very low loyalty. [→ 218] Given the rise in our customers' requirements we are pleased to say that our customer satisfaction grades rose in 2007. This is a small but very motivating step for us on the road to becoming the energy utility with the strongest customer orientation. [→ 216]

Using Energy Efficiently

Global energy demand shows no sign of decreasing and will naturally affect prices going forward. The International Energy Agency (IEA) forecasts that global energy consumption will increase by 60 percent by 2030. Through our information and energy consultancy services we provide our private and business customers with suggestions on how to use energy responsibly and efficiently. Correspondingly we also intend to influence the behavior of our own employees. Moreover we see benefits in providing customers with advice on decentralized energy generation. Here E.ON offers various solutions such as heat pumps, micro-generators or solar modules. We provide consultancy on an individual basis with regard to the most suitable application. [→ 220]

Advice and Support for Private Customers

Providing our customers with advice is a key component of our Group's business strategy. To do this we are developing suitable services and products on location and are implementing them as comprehensively and efficiently as possible. Our private customers in all market units have a rich range of information and advice services available to them, ranging from energy-saving tips on almost all Group companies' websites, through consumption calculators and other interactive tools to printed brochures and CDs/DVDs. On our Energy Saving Road Shows, for example, we visit customers, listen to them and perform energy saving checks on-site. [→ 219]

Energy Efficiency Advice. E.ON Nordic's interactive web-based "Klimatskolan" ("Climate School") is just one example of the targeted consumption advice that Group companies delivered in 2007. The goal is to help the public to gain a clearer understanding of the nebulous issue of CO₂ emissions, offering specific examples to illustrate the potential reductions that consumption behavior changes can make. The Climate School was part of an integrated 2007 media campaign, supported by radio and TV ads which attracted visitors to the site. We intend to transfer and roll out this successful initiative at other Group market units in 2008 as part of our best-practice approach.



Public Events

Energy-issue-related events form part of E.ON's customer advice services: one example are the energy management workshops that E.ON offered in the U.S. during October and November 2007 together with "Project Warm." This was an energy-saving campaign aimed at low-income households: the workshops were designed to connect with the widest possible public and offered families practical tips and advice on how they could reduce their energy consumption. Insulation packs were handed out containing insulating foil, insulation tape, adhesive tape and adhesive sticks helping workshop visitors put energy-saving tips into practice right away.

Energy costs particularly affect older people, as they often lack the essential knowledge needed for efficient energy consumption. The U.K. initiative "EnergyRight" is tackling this issue head-on. Together with our partner charity, Age Concern, E.ON UK launched EnergyRight in 2007 as a pilot project in Nottingham. Well-trained volunteers performed energy checks and gave tips, guidance, advice and support to those concerned.

In the area of energy-efficient buildings, in 2007 E.ON Bayern and E.ON Hanse developed and offered specific products to customers in partnership with dena (German Energy Agency) for obtaining Energy Performance Certificates. Using a definitive consumption analysis tool we intend to establish a tool on the market which makes the energy efficiency potential of buildings transparent and which boosts meaningful modernization measures in terms of reducing energy consumption. In Germany the Energy Performance Certificate for older buildings will become obligatory as of July 2008 and other European states are set to follow suit.

Erdgas.ON for the Gas Market. In the fall of 2007 E.ON Ruhrgas launched a customer advice and promotion campaign for the German gas market with its "Erdgas.ON" project focusing on climate protection. Its flagship initiative for the heating market is a freshly designed support program for high-efficiency gas and solar heating systems, to be launched in April 2008. With support from its partners E.ON will be delivering advice to its customers on environmentally friendly heating systems. What is more, as part of a drive to help customers upgrade from older oil-fired systems we will be offering an upgrade subsidy; we estimate the program's potential annual CO₂ reduction at around 400,000 tons.

Annual **savings potential** of **400,000 tons** of CO₂ from "Erdgas.ON"

We'll be running an energy efficiency information campaign in parallel to Erdgas.ON as well as offering further training to installation technicians.

Information and Advice for Businesses

Surveys in 2007 show just how great industrial companies' potential for CO₂ reduction is. Studies suggest that in Britain for example business is responsible for 40 percent of nationwide CO₂ emissions, mainly due to its energy consumption. This means that boosting energy-efficient business processes will on the one hand help firms to make a major contribution to climate protection and on the other to cut their own energy bills. [→ 219] We intend to help our business customers to do exactly that and thus support their competitiveness while increasing their satisfaction with and loyalty to our company.

Awareness of Total Energy Consumption. One example from 2007 is E.ON Sales & Trading's (today E.ON Energy Trading) "E.ON Consult" service that offers a company a detailed analysis of all types of energy it consumes. This analysis pinpoints energy economies, works out steps towards these and calculates their potential contribution to the company's bottom line. This analysis is standardized throughout Europe and therefore helps companies compare energy consumption, related costs and potential savings across borders.

E.ON Nordic's "EnergiDirigent" takes a similarly comprehensive approach: this fully automated analysis and monitoring system continually optimizes a company's energy consumption, identifying energy-intensive production processes that may be partly or fully shut down for a certain period. With EnergiDirigent companies can call up a detailed overview of their current consumption and costs. More than 350 E.ON Nordic customers have signed up for approximately 400 systems and are measurably reducing their costs and CO₂ emissions, saving €2.7 million in 2007.

Individual Projects to Suit Any Requirement. In Germany E.ON Ruhrgas is tailoring energy efficiency projects for its industrial customers, partnering with system manufacturers to support its customers with practical energy efficiency solutions right from the planning phase of a refit.

Meanwhile, Thüringer Energienetze's "Web.check" offers its customers a precise measurement of their energy consumption, allowing consumers to call up their consumption data from anywhere and at any time. As of the end of 2007 around 1,000 network customers are already using this service to measure their electricity and increasingly also their gas consumption. This way companies are able to identify peak loads and optimize their production in an energy-saving way.

Information and Advice for Our Employees

As a company, E.ON is itself a consumer of energy and it's only natural that we urge our employees to make a contribution toward increasing energy efficiency. To raise each employee's awareness and engagement further, we focused even more closely on this issue in 2007 and implemented numerous initiatives at our market and business units. [→ 304]

In 2006 an exemplary pilot program was started at E.ON UK and was successfully continued in 2007. Its aim is to reduce each employee's energy-consumption-generated CO₂ emissions. Here E.ON UK offered energy surveys at its five largest sites and as a result, E.ON UK achieved a twelve percent reduction in CO₂ emissions at its administrative sites in 2007—thereby outperforming its target of 10 percent.



Woman Round-the-world Sailor Partners E.ON UK

In 2007 E.ON UK found a dedicated partner in the British round-the-world sailor Ellen MacArthur to increase awareness of the topic of energy efficiency among business customers.

As a solo sailor, Ellen MacArthur knows what it means to use resources as sparingly as possible. In a three-year partnership with her E.ON UK intends to spotlight energy saving. The aim is to change the way in which energy is used in companies fundamentally. Together with the Chartered Institution of Building Services Engineers (CIBSE) and Ellen MacArthur as leading lady, we launched the campaign "100 Days of Carbon Clean Up." Based on the campaign, over 700 companies started to reduce their CO₂ emissions.

The "Environmental Champions" program was also launched in 2007 at E.ON UK whereby 300 specially trained employees are helping raise all their colleagues' awareness of environmentally friendly conduct in order to bring about a long-term change in energy awareness and behavior. This initiative is already a success: for instance our staff's efforts were able to save 456,000 kWh electricity in the second half of 2007, meaning an emissions reduction of no less than 196 tons of CO₂. We lowered our paper consumption too, doing without some 5.3 million sheets of copier paper.

More Information—with Smart Meters

Advanced electricity meters are set to become a key factor in more efficient energy consumption in most of Europe. [→ 219] E.ON is supporting the development of these so-called smart meters because we know that our customers, utilities and the environment will all benefit. With this latest generation of electricity meters customers are now able to call up real-time consumption data remotely. Smart metering delivers more detailed data, on periodic peaks and highly energy-intensive appliances for example, helping our customers gain a clear overview of their own consumption profile and thus tap into cost-lowering efficiencies.

Customer complaints reduced by around **30 percent** in Sweden

Thanks to new national laws all customers in Sweden will have these smart meters installed by 2009. Initial experiences at E.ON from 2007 show that customer satisfaction among smart meter users with their electricity supplier rose thanks to the increased transparency. In conjunction with clearer energy bills the amount of customer complaints in 2007 dropped at the same time by around 30 percent.

Studies show that the presence of smart meters alone causes a reduction in energy consumption of around 4 percent; this is apparently due to customers' increased awareness of their own energy consumption habits!

Smart metering will also be introduced nationwide in Finland in 2009. In Germany, E.ON edis is currently running a pilot project, while E.ON UK has made the new technology available to large corporate customers since October 2007. Further pilot projects also are running in the Czech Republic and E.ON U.S. in Kentucky is performing feasibility studies and running a pilot project.

Tailor-made Products

Increasingly demanding customers in the energy market require increasingly differentiated power and gas products. In the meantime, individual customers' requirements, even within specific private or business customer segments, are often very different. It goes without saying that E.ON strives to meet this development with carefully tailored products and tariffs.

[→ 223]

Planning Reliability with Flat Rates

2007's energy price debate gave us renewed cause to review our products and tariffs. The aim was to help our customers to plan their energy expenditure more reliably. In August 2007 E.ON UK's "Fixed Price Until 2009" offered a fixed-price product to electricity-only and also to combined electricity and gas customers, allowing both new and existing customers to fix their energy prices at current standard prices until 1 January 2009.

Northern Germany's E.ON Hanse has taken a similar approach and with "FixStrom" since the beginning of 2008 has offered its customers the opportunity to freeze their electricity tariffs right up to December 31, 2009, with a minimal tariff supplement of €1 monthly. With "HanseDuo" E.ON Hanse's natural gas customers can cut their overall energy costs by signing up for a specially discounted electricity tariff, as this significantly reduces the double administration costs normally generated by private power and gas customers. What's more, HanseDuo fixes the electricity price until December 31, 2008.

Environmentally Oriented Power and Gas Products

Alongside price, environmental criteria are playing a key role for an increasing number of customers when choosing their tariffs—and E.ON is responding to their changing wishes, with all retail businesses offering special green tariffs. [→ 221]

Products in Individual Markets. E.ON UK's "Go Green" combined electricity and gas tariff was launched in May 2007, with electricity generated from renewable sources and CO₂ emissions from customers' gas consumption neutralized by worldwide sustainable energy projects. In this E.ON has partnered with Climate Care, a European organization working in CO₂ neutralization projects.

Environmentally friendly products are offered across the Group

E.ON U.S.'s "Green Energy" initiative has offered electricity from renewable sources since May 2007. In Kentucky we are supporting those utilities that generate power from renewable sources and whose power plants are located in the network area of our subsidiaries Kentucky Utilities and Louisville Gas and Electric. We obtain Green Tags from a respected emissions certificate broker for the Green Energy power these utilities supply; the tags help us trade on the environmental advantage of green power elsewhere, providing critical funds for building low environmental impact power plants, for instance.

E.ON Nordic's customers have the possibility to choose their preferred energy source individually with "Ditt Energival" ("Your Energy, Your Choice"); not only that, we offer our customers hydroelectric power with no surcharge at all in this region, while wind-generated power and also power sources awarded the Swedish Society for Nature Conservation's environmental certificate are provided at only minimal surcharges.

E.ON Bayern is offering a completely CO₂-free power product based on hydroelectric power, with E.ON AquaPower: this tariff is one of the lowest-priced ecologically oriented products in its category in Germany: for a three-person household the surcharge is around €2 a month.

Our German brand "E WIE EINFACH" ("E for easy") launched the "MeinKlimaTarif" ("MyGreenTariff") for electricity and gas at the beginning of 2008. This tariff guarantees that the CO₂ emissions generated by our customers' consumption are completely neutralized by greenhouse gas compensation projects. We have also asked Société Générale de Surveillance (SGS) to help us provide the required level of transparency in the certification of our processes. On the gas market "MeinKlimaTarif" is the first climate-neutral product available in Germany nationwide.

Business Customers' Increasing Demand for Green Electricity. How electricity is generated is also becoming of greater interest to our business customers, as many companies intend to reduce their specific CO₂ emissions. We see this as a growing market sector and intend to help our customers with our know-how. One good example of this is E.ON UK's "Easy Green" tariff: here, for every unit of electricity used, E.ON replaces it on the national grid with another unit from a renewable wind or hydro source. In parallel to this, the CO₂ emissions produced by conventional power generation are offset through neutralization projects.

Products for Vulnerable Customers

Rising energy prices can pose serious financial difficulties for vulnerable customers which is why in Germany in particular, social tariffs are one of a number of relevant measures supported by politicians. E.ON is well aware of its particular responsibility as a part of the community. [→ 217]

This is why E.ON UK is also supporting its vulnerable customers and continued to run its "CaringEnergy" initiative. E.ON UK aims to invest around €147 million in the scheme over three years from 2006. This scheme offers a range of advisory and support services for disadvantaged customers. For example this includes free energy efficiency advice or discounts, in some cases to zero, on the price of cavity wall insulation and loft insulation measures.

€147 million for "CaringEnergy" in the U.K.

This investment also includes €2.9 million for the CaringEnergy Fund which will allow us to support low-income households with essential services and goods such as repair/replacement heating systems, white good appliances and insulation measures.

Moreover, in 2007 E.ON Bayern was the first utility in Germany to introduce a social discount electricity tariff for vulnerable customers, in cooperation with the Christian charitable organizations Diakonie and Caritas. All seven of our German regional utilities have offered a similar system since January 1, 2008 for a total of 32,000 vulnerable power customers. This makes E.ON the first energy utility to offer a nationwide social discount tariff in Germany.

Employees and Society— Fit for the Future

Know-how and education are decisive factors when it comes to promoting society's efficient and sustainable use of energy. At the same time, heightened awareness and widespread engagement are needed, and E.ON intends to play a key part in promoting these. This also requires us first of all to make our own employees fit for the future.

Qualifying Our Employees for the Future

For a company like E.ON, sustainability means identifying and tackling challenges in good time. The conditions surrounding our business activities are constantly changing so we must make our employees aware of this. Along with globalization, we are tackling topics such as climate change, a rapidly changing market environment and new social challenges in relation to responsible business. We are convinced that responsible use of energy can ultimately only be achieved through a fundamental shift in awareness and to achieve this we intend to establish a groupwide corporate culture where Corporate Responsibility represents a key driving principle. At the same time we want to be perceived as an attractive and motivating employer: our slogan "Your Energy Shapes the Future" is intended to reinforce this and also motivate our current and future employees. The People Strategy OneHR we developed in 2007 provides three central pillars that are designed to help us achieve this: best qualified employees, best management and a highly motivating working environment (see page 9). [\[→ 501\]](#)

Further Training for the Future. For us, the further education and training of our employees plays a very important role. [\[→ 523\]](#) We see these areas as key elements to allow us to manage our company successfully in the future and that's why we invested around €78 million in further education and training across the Group in 2007.

We've invested some €78 million groupwide in further training

In 2007 our employees completed on average more than three training days. We are currently discussing how the topic of CR can be integrated even further into the E.ON Academy's training programs, one of our main vehicles of our management training effort. Raising managers' awareness is seen by us as an important way to integrate the subject of CR even further into our daily work.

In 2007 the trainees of the Graduate Program for recent university graduates [→ 523] set up a groupwide project which allows them to look at the issue of E.ON's Corporate Responsibility. The aim is to get to know what young people's expectations of E.ON and the energy sector overall are, as well as their ideas on a practical design to secure our future energy supply. This international group of trainees holds roundtable discussions with youth representatives in the countries where the trainees are currently on deployment for E.ON. Up to February 2008 a total of eight discussions have taken place at seven different locations in Sweden, Germany and the USA involving 55 participants overall, who have emphasized the importance of security of supply as well as climate and environmental protection in their own areas. All participants also particularly welcomed E.ON's openness and willingness to engage in dialog.

Vocational Training for the Future. Training young people is particularly important to us as it allows us to cover our own requirement for qualified personnel both now and in the long term. [→ 524] As a result we invest both in our own competitiveness for the future as well as in that of society. As part of the training we place a high value on getting an understanding of the specific challenges of the energy sector across to our talented young employees and equipping them with the right tools to deal with these. In Germany the E.ON Group employed a total of 2,656 apprentices in 2007, once again training more apprentices than we need for our own requirements.

Apprentices in Germany

	Dec. 31, 2007
Central Europe	2,369
Pan-European Gas	276
E.ON AG/Other	11
Total	2,656

Committed with Energy

One thing that has been particularly important to E.ON for many years is supporting disadvantaged youths. As part of the "Mit Energie dabei" (Committed with Energy) project, we support youths in Germany who had initially not found an apprenticeship. In 2007, around 430 socially disadvantaged youths took part in apprenticeship projects at 19 project locations nationwide. After a three-month training course these participants were given a seven-month internship as a springboard to professional life. Following that, around 80 percent of participants were able to be placed in regular apprenticeships in 2007, often in the company where the internship has taken place. E.ON funds the project "Mit Energie dabei" with an annual budget of almost €3 million. It's therefore important to us that this project helps create additional training and workplaces outside E.ON. For this reason we will further expand the project to offer 550 places nationwide from 2008–2010.



Wir lassen sie nicht im Regen stehen!
E.ON macht Jugendliche stark für den Job.

Soll sehr! Lernen unterstützt unsere Initiative „Mit Energie dabei“ Jugendliche beim Start ins Arbeitsleben. An dem werden über 20 Unternehmen, die im Trainingsprogramm an der Hand führen, teilnehmen. Auch wir der Energie helfen wir „Mit Energie dabei“ in Zusammenarbeit mit den Agenturen für Arbeit eine Arbeitsgemeinschaft in den einzelnen Städten, regionalen Bildungszentren sowie Klein- und mittleren Betrieben der Region durchzuführen. Rund 15 Prozent unserer Teilnehmerinnen und -nehmer sind in eine Ausbildung oder Arbeit vermittelt. Diese Bildungsgänge für Jugendliche sind ein Schritt zur Fachkräftesicherung, denn auch Ihre Energie gestaltet Zukunft.

Mit Energie dabei.

e-on

Energy and Environmental Education for the Next Generation

With our expertise in the energy sector E.ON intends to support not only today's customers and society—we also want to assume responsibility for the next generation. We see energy and environmental education as being a key instrument in promoting responsible and sustainable use of our natural resources. We aim to raise the awareness of young people today so that they use energy and treat the environment in a responsible way as adults tomorrow.

"Energy for Children" Rolled out Groupwide.

Our Energy for Children initiative is the first groupwide CR initiative that we've rolled out across all E.ON's market units. Its origins reflect the call for action that the United Nations and UNESCO have made namely that educating for sustainability must be firmly embedded in our society's current way of life and the principles, values and methods of sustainable development are integrated in education. They have asked for support in doing this from all parts of society—educators, governments, not-for-profit organizations and industry.

Within Energy for Children all market units will develop projects for kindergartens, primary and secondary schools by 2011; we are focusing on far-reaching, pioneering educational initiatives on a national scale in each country in which we operate, which should set the standard for energy and environmental awareness education. Other cornerstones of our Energy for Children program are wider partnerships with various local children's organizations and our own employees' voluntary engagement in the projects we support. [→ 411]

Examples of Pioneering National Projects. In October 2006 E.ON UK launched a major national educational project: the "Energy Experience" is a highly engaging multi-media resource that teaches young people

(5-16 years) in natural science classes about the conditions and challenges that exist in relation to energy production, distribution and consumption. The program combines an interactive website with supporting classroom packs on the topics of energy and the environment.

More than **19,000 schools** in the U.K. are participating in the "Energy Experience"

The project is extremely popular, with over 19,000 schools requesting classroom packs by the end of 2007, equating to 70 percent of secondary schools across England, Scotland & Wales who are actually using the program. Some 120 E.ON UK employees also volunteered to deliver the Energy Experience to local schools.

A national energy education project called "Nyfiken på Energi" ("Curious about Energy") was further developed in Sweden in 2007. Along with interactive applications, we're providing learning material such as the "Nyfiken på Energi" brochure on energy and the environment. And take-up was very good in 2007, with 44,000 brochures ordered alone. "Energy for Children" will be further supported during 2008 with the further development of cross-regional courses; we have already established partnerships with primary and secondary schools in Malmö, Norrköping and Järfälla as well as the interactive environmental training center "Kreativum" in Karlshamn.

We will also be entering new territory with Energy for Children at our sites in Central and Eastern Europe. At the moment we are sharing experiences across the Group and using focused financial support to drive

the program forward. A trial project was launched in Romania in December 2007 and constructive discussions with educational government ministries have progressed well in other Eastern European markets, with launch plans for mid-2008.

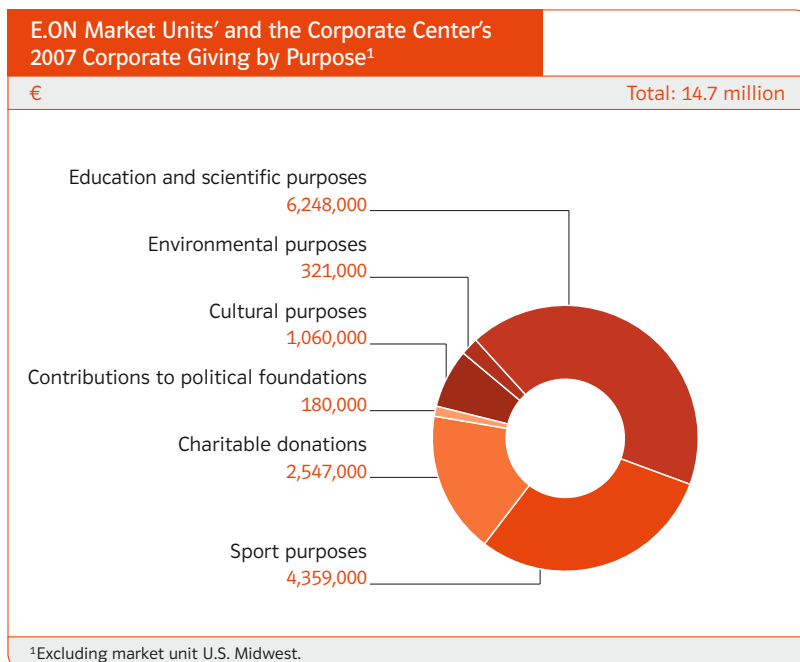
Energy for Children will see the launch in 2008 of its groundbreaking "Lighthouse Project" for children aged from three to six, aimed specifically at kindergartens, in Germany. The project has been developed in cooperation with and under the pedagogical stewardship of renowned energy and environmental experts, as the topic of sustainable development has yet to be given sufficient weight in the curriculum. The aim of the project, which will be fully funded by E.ON, is to set a new benchmark in the education of young children regarding energy and environmental awareness. [→ 412]

Ongoing Community Engagement

E.ON is also widely engaged in the future of the communities where our businesses are present. Our donations, sponsorship and community partnerships [→ 410] provide support for improving societal infrastructure, artistic, cultural and scientific activities [→ 404] and strengthen our local and regional roots—not only as a member of the community, but also as an employer. To do this a wide range of activities are carried out at the Corporate Center and at market units. Furthermore, we actively support community development projects [→ 403], with a total sum (Corporate Giving) of €14.7 million in the 2007 reporting period.

We gave **€14.7 million** in 2007

A fraction of this support was given to politically associated foundations as part of fulfilling our responsibilities as a corporate citizen. As a major company, we at E.ON see ourselves as a part of society and we do all we can to meet society's expectations in as many aspects of community life as possible. We are also supporting employees' community involvement. That's why donations are only a small part of our financial contributions to society, with significantly higher outlay in the sporting and cultural arenas as well as for our employees' voluntary engagements. [→ 402]





"Some people ask me how I reconcile our company's objective of selling more natural gas with our team's services, which help customers use less of it."

Matthias Brune, Consulting Engineer, E.ON Ruhrgas

"E.ON doesn't just sell natural gas. We provide climate-friendly energy solutions."

Friedhelm Mrowitzki, Metering Technician, E.ON Ruhrgas

Should We Be in the Business of Helping Our Customers Use Less Energy?

Telling customers how they can use energy more efficiently reduces the size of their carbon footprint and their energy bill. As energy gets more expensive, our customers increasingly look to us for energy-saving advice. We've responded with a wide variety of consulting services tailored to our customers' individual needs. We believe that helping customers use energy more wisely ultimately strengthens our core business of energy supply.

Industrial Customers Look to E.ON Ruhrgas for Advice

E.ON Ruhrgas supplies lots of natural gas to industrial customers. It also helps them use less of it. E.ON Ruhrgas offers customers a range of analytical and consulting services as well as advanced metering technology. The purpose is to optimize customers' use of natural gas at all parts of the production chain.

Matthias Brune, Consulting Engineer for E.ON Ruhrgas's industrial customer team, says: "Some people ask me how I reconcile our company's objective of selling more natural gas with our team's services, which help customers use less of it. I tell them that making natural gas more cost-effective increases its attractiveness as an energy source and that that can only be good for E.ON Ruhrgas."

Advice from E.ON Ruhrgas has helped TRIMET ALUMINIUM AG, Germany's largest aluminum processor, significantly reduce the specific energy consumption of its Essen mill. In 2003, the mill burned 696 kWh of natural gas to produce a metric ton of aluminum. In 2007, it burned just 455 kWh per metric ton. Since 2003, TRIMET has consumed about 50 million kWh less natural gas and emitted about 10,000 metric tons less CO₂. E.ON Ruhrgas's consulting services have enabled TRIMET to improve its energy efficiency and its environmental performance.

Like Matthias Brune, **Friedhelm Mrowitzki**, a Metering Technician in the industrial customer service team, is also repeatedly asked why E.ON Ruhrgas would want to help its customers conserve energy. Mrowitzki believes that "it's a mistake to view energy sales and energy-saving advice as competing objectives. E.ON doesn't just sell natural gas. We provide climate-friendly energy solutions. We want to help our customers meet their emission-reduction targets and remain competitive for the long term. At times, this may mean selling less gas to some customers. But in the long run it secures our sales base."

Investing in Customer Loyalty

Energy-saving advice is an excellent tool for enhancing customer loyalty. Satisfied E.ON customers are much more likely to stay loyal to us for the long term. More-over, helping an industrial customer reduce its energy costs can enable it, or one of its facilities, to remain competitive (see page 44 for other examples of our consulting services). For us, it's not a zero-sum game. We can help customers use energy more efficiently and still grow our business—by increasing our market share in Germany and our other markets.



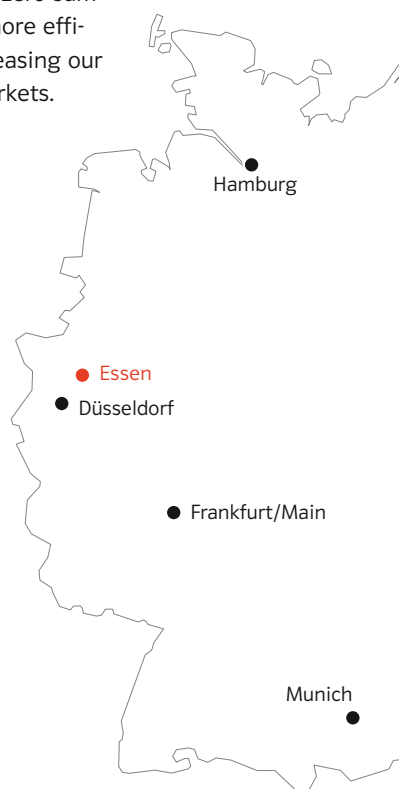
Enhancing energy efficiency at TRIMET ALUMINIUM's mill in Essen, Germany

Project: Detailed plan to replace twelve smelting furnaces with energy-saving equipment that preheats the combustion air

Energy savings: 50 million kWh natural gas

CO₂ savings: 10,000 metric tons

Project duration: 2003–2007



CR Work Program and Outlook 2008

We see fulfilling our Corporate Responsibility as an ongoing process. Our CR program is intended to give a clear overview of the specific targets and measures we are pursuing in this effort—and naturally, of how far we have come towards achieving these. Following the further development of our CR strategy and CR organization we have also adjusted the structure of our CR program compared to the 2006 Report: within this revised CR program, in the left-hand column we describe the targets and measures that we have set ourselves at E.ON for the period 2008–2010. The right-

hand column shows the goals and targets that have been assigned to which central working area (organize = building the framework/manage = managing risks and meeting expectations/focus = defining E.ON's CR profile more clearly, see page 11). In the CR program 2007 we show our progress towards the goals set in 2006. The 2007 CR program is available in full on our website. [→ 109] We have re-included those targets we didn't reach last year in the new 2008–2010 CR program.

CR Work Program 2008–2010

Objectives and actions

Strategic areas of work

Overall Responsible Management

Continue development of CR organization at all levels	Organize
Identify a core set of indicators to track performance and support business decision-making	Organize
Annual CR performance reporting	Organize
Develop further the internal and external CR communication strategy, the stakeholder map and stakeholder dialog strategy	Organize
Implement appropriate Environmental Impact Assessments and Social Impact Assessments in relevant parts of the business; integrate results in business decisions	Manage
Assess business ethics risks and prepare an action plan	Manage
Support implementation of responsible procurement policy by risk assessments and training courses	Manage
Assess corporate risks related to human rights and labor rights violations	Manage
Develop training and other measures to stimulate a "culture of responsibility" across the business	Manage
Develop strategic CR profile in line with the CR strategy and test on stakeholders	Focus

Marketplace

Work with marketing experts to develop a responsible products and services strategy	Organize
Embed CR elements in the Group Sponsorship Strategy	Organize
Support vulnerable customers in all E.ON retail markets	Manage
Develop a Group approach to vulnerable customers	Focus

Community

Develop and roll out Group Community Involvement strategy including Group guidelines for community investments	Organize
Establish effective partnerships with relevant NGOs and support local partnership building at E.ON business units	Manage
Develop appropriate community programs in place to support existing E.ON assets and new-build projects	Manage
Right programs in place in E.ON countries to address relevant community energy safety issues	Manage
Implement the Energy for Children program	Focus

Climate Protection & Environment

Develop a groupwide Climate Protection & Environment Policy	Organize
Assess current implementation of environmental management systems and determine groupwide application of a management system	Organize
Assess the climate change impact to E.ON assets	Manage
Develop a groupwide biodiversity assessment and policy	Manage
Identify targets for advanced emission standards at new-build coal-fired power plants	Focus

Workplace & Health

Assess the current situation of health management in the Group	Organize
Develop a Group health strategy and policy	Organize
Develop health management toolkit and system	Manage
Assess the current situation regarding Group diversity management	Manage
Coordinate employee volunteering activities related to CR profile projects	Focus
Support development of an aging workforce action plan	Focus

Safety

Develop and implement a central incident reporting system (injuries, near misses and hazardous occurrences)	Organize
Evaluate reports on incidents in hazardous industries (e.g. Baker report) and draw conclusions for E.ON	Organize
Develop and implement harmonized, groupwide minimum safety standards	Organize
Develop and implement a Group safety management system	Manage
Conduct safety assessment on all Top Executive Group members (project Safe.TEG) and facilitate action plans at personal and market unit level	Manage
Develop a responsibility policy regarding contractors' and subcontractors' safety performance	Manage



Outlook 2008

The climate change discussion will continue to be a priority in discussions at E.ON, at all levels and as a key element in our business strategy and operations.

Our clear goal is to develop our business strategy on renewable energy resources further and continue to work on our generation strategy.

Achieving our ambitious target of 50 percent reduction in CO₂ intensity depends on the successful implementation of our generation strategy. Our focus here is on two elements in particular: firstly the regulatory environment on the European level and secondly the efficient and effective implementation of carbon capture and storage (CCS) techniques.

We have currently over 17 pilot projects running to test and improve the practical implementation of CCS. We are fully aware of the urgency behind the application of this technology and each step forward will bring us closer to a carbon neutral society. In addition, we strongly believe that in the transition towards a carbon neutral society the energy mix should include nuclear energy. Nuclear is essential to minimize CO₂ emissions and keep electricity affordable until further alternatives are developed and viable.

E.ON is convinced that for an efficient supply and distribution of energy it is essential to strengthen a European market and establish a policy and regulatory framework that provides the adequate incentives for long-term investments. We will continue to work on

an effective European-level approach in the management of electricity grids. The energy sector needs this long-term perspective to tackle issues related to ownership, responsibilities and accountability. In 2008 we will continue to discuss this with appropriate authorities and Governments, making sure that we are able to meet the rising demand for energy in society and to strengthen our position as a key player in the global power and gas arena.

Stakeholder Dialogs

There are a number of key issues for our industry that we need to discuss with stakeholders in society. These issues are related to some of the key challenges we currently face. Should we continue to build new coal-fired power plants? And if so, under what framework conditions?

If we don't build this generation capacity, are we still able to deliver the energy demanded by society? After all, it's our responsibility to deliver the energy needed to keep our economies prosperous and to maintain our quality of life. What role should nuclear energy play in our energy mix? And how can we further strengthen operational safety and manage the adequate storage of nuclear waste? These and other issues will continue to dominate discussions with our stakeholders for many years to come.



In addition, we are very much aware of responsibilities in the value chain. When we buy fuel, whether this is biofuel, gas, coal or uranium, we need to work with our suppliers to minimize environmental impacts and avoid violations of human and labor rights. If we purchase biofuel as the more environmentally friendly option, for example, we may drive up food prices locally. These are issues we can't solve on our own and we will discuss this with interest groups and politicians to find the best possible solutions for all those involved.

Business Innovation

We are part of one of the most dynamic business sectors of our time and this report outlines a great number of challenges we see for us as a leading company in the power and gas industry. We continue to work on making current technologies more efficient and finding new solutions to safeguard our society's supply of energy. We will continue to optimize existing technologies, explore new options and opportunities in terms of power generation and push for more sustainable consumption. The E.ON Energy Institute at the University of Aachen will be the key vehicle in this effort. In addition our in-house R&D Department will drive innovation through our own programs and through strategic partnerships with universities, businesses and special-interest organizations.

Part of the Solution

To earn the trust of our stakeholders we have to demonstrate that we care and are getting to grips with all these issues. In 2008 we see it as a priority to strengthen the CR debate within E.ON. We do care, each and every one of us, and we want to be seen as part of the solution to one of the greatest challenges of our time.

For this to be credible we must establish a "culture of responsibility" in all parts of the business. This doesn't happen by itself and we will work hard on the integration of CR in our community involvement, our supply chain, our environmental performance, the safety of our employees and customers and in the strengthening of relations with our key stakeholders. All this is expected from us and we see it as our duty to meet these expectations if we are to be considered a leader in our sector. As highlighted by the E.ON Board in 2006, Corporate Responsibility is a fundamental part of the way we do business.

Independent Assurance Report^{1, 2}

To E.ON AG, Düsseldorf

We have performed a limited assurance engagement on the Corporate Responsibility Report 2007 "Part of the Problem or Part of the Solution?" (the "CR Report") of E.ON AG, Düsseldorf. Based on our assignment, our evidence-gathering procedures were applied to the following parts of the CR Report:

- Chapter 3—E.ON Corporate Profile
- Chapter 4—A Responsible Business
- Chapter 8—CR Work Program and Outlook 2008
- Indicator specific CO₂ emissions (page 22)
- Indicator CO₂ intensity (page 21)
- Indicator Lost-Time Injury Frequency (page 13)

Management's Responsibility

E.ON AG's Board of Managing Directors is responsible for the preparation of the CR Report in accordance with the following criteria stated in the Sustainability Reporting Guidelines Vol. 3 (pages 7–17) of the Global Reporting Initiative (GRI)

- Materiality,
- Stakeholder Inclusiveness,
- Sustainability Context,
- Completeness,
- Balance,
- Clarity,
- Accuracy,
- Timeliness,
- Comparability, and
- Reliability.

This responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the CR Report as well as the selection and application of appropriate methods to prepare the CR Report.

Practitioner's Responsibility

Our responsibility is to express a conclusion based on the work we performed as to whether any matters have come to our attention that cause us to believe that the above-mentioned chapters and indicators of

the CR Report were not prepared in accordance with the above-mentioned criteria of the Sustainability Reporting Guidelines Vol. 3 of the GRI. We also have been engaged to report on recommendations for the further development of CR management and CR reporting on the basis of the results of this engagement.

Methodology

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement in such a way that we are able to express our conclusion with limited assurance.

In a limited assurance engagement the evidence-gathering procedures are less comprehensive than for a reasonable assurance engagement, and therefore less assurance is obtained than during a reasonable assurance engagement.

The procedures selected depend upon the practitioner's judgment. This includes the assessment of the risk of material incompliance of the above-mentioned chapters and indicators of the CR Report with the above-mentioned criteria.

Within the scope of our work we performed amongst others the following procedures:

- Inquiries of the Head of Corporate Responsibility of E.ON AG and the CR managers of E.ON AG and the market units Central Europe, Pan-European Gas, U.K., Nordic and U.S. Midwest
- Inspection of descriptions of the organizational structure of the CR department of E.ON AG and the CR Council
- Inspection of documents regarding the development process of the CR vision, CR strategy, and the CR program
- Inspection of documents which provide evidence on the implementation of CR management (minutes of a meeting, reports to the Board of Managing Directors or Supervisory Board)

¹Translation of the independent assurance report, authoritative in German language.

²Our engagement applies to the German version of the CR Report. Data referred to within the CR Report (e.g. assertions published in the Internet) were not included in the scope of our assurance engagement.

- Obtaining an understanding of stakeholder dialogs performed in 2007 by interviewing CR managers and inspecting the documents provided
- Obtaining an understanding of the process for selecting topics for the 2007 CR Report
- Inspection of relevant documentation of corporate principles and the organizational and reporting structures at the level of E.ON AG and the market units
- Inquiries of the persons in charge of IT at E.ON AG and of the external service provider with regard to the functionality and attributes of the IT systems implemented for CR data reporting
- Inspection of the existing documentation of the system and examination of IT-supported processes and controls for CR data collection, analysis and aggregation at the level of E.ON AG and the market units
- Inquiries of the Vice President Climate Protection and Environment of the CR department of E.ON AG and other staff members at E.ON AG with regard to the development process related to the CO₂ target definition and inspection of supporting documents
- Inquiries of the Vice President Health and Safety of the CR department of E.ON AG and other staff members of the market units with regard to the groupwide management of health and safety measures and inspection of the documents provided
- Inquiries of the statutory auditors at E.ON AG with regard to audit procedures performed within the statutory audit of the annual financial statements and the consolidated financial statements on ratios adopted for the CR Report and use of this relevant work
- Examination of evidence on selected ratios on a sample basis, in particular in connection with data collection and aggregation at market unit and E.ON AG level

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the above-mentioned chapters and indicators of the CR Report have not been prepared, in all material respects, in accordance with the above-mentioned criteria of the Sustainability Reporting Guidelines Vol. 3 of the GRI.

Emphasis of Matter—Recommendations

Without qualifying our conclusion above, we express the following recommendations for the further development of CR management and CR reporting:

- E.ON AG should continue developing the processes and systems on CR data collection and formalize relevant controls.
- Furthermore, we recommend a closer coordination and a stronger integration of the preparation of E.ON AG's Annual Report and CR Report.
- Moreover, we recommend agreeing with Corporate Audit how internal audit can contribute to the quality assurance of the CR reporting processes and data and support CR management in this respect.
- In the scope of the groupwide development of CR strategy and program, binding objectives and scopes of duties have been defined. We recommend consequently breaking them down to the market units and in doing so developing criteria to measure and evaluate the achievement of objectives.

Frankfurt am Main, 15 April 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Michael Werner



By procuration
Kai Michael Beckmann

GRI and Global Compact Index

We selected the indicators for this CR Report on the basis of the Global Reporting Initiative's (GRI) Sustainability Report Guidelines (G3) and the pilot version of the GRI Electric Utilities Sector Supplement. The GRI Content Index lists which G3 indicators we report on, the extent to which we report on them, and where this information can be found in this report, in our other publications (the 2007 E.ON Annual Report, Strategy & Key Figures 2007, Business Overview), or at eon.com. [→ 602] Our selection of GRI indicators was also guided by the materiality analysis we undertook to identify key CR topics and evaluate them according to their relevance for our company. The results of this process are documented on page 10.

This report also describes the progress we've made in implementing the UN Global Compact's ten principles, which are indicated in the left-hand column of the following table. [→ 607]

Global
Compact
relevance

● GRI Standard Disclosure		
Status	Reference	
● fully covered	1-62: CR Report pages	
◐ partly covered	AR: Annual Report	
○ not covered	www: internet	
◆ not material	BO: Business Overview	
× not applicable		
1. Strategy and Analysis		
1.1	● Statement from the most senior decision-maker	2
1.2	● Key impacts, risks and opportunities	8-19
2. Organizational Profile		
2.1	● Name of the organization	6-7
2.2	● Brands, products and/or services	6-7, 20-33, 34-41, 42-53
2.3	● Operational structure	6-7
2.4	● Headquarters location	6-7
2.5	● Countries in operation	6-7
2.6	● Nature of ownership	6-7, AR
2.7	● Markets served	6-7
2.8	● Scale of the organization	6-7, AR
2.9	● Significant changes regarding size, structure, or ownership	www, AR
2.10	● Awards received	www
EU1	● Installed capacity (MW)	BO
EU2	● Number of residential, industrial and commercial customer accounts	www
EU3	● Length of transmission and distribution lines by voltage	BO, Strategy and Key Figures 2007
EU4	● Allocation of CO ₂ emissions permits, broken down by country or regulatory regime	www
3. Report Parameters		
3.1	● Reporting period	About this Report
3.2	● Date of most recent previous report	About this Report
3.3	● Reporting cycle	About this Report
3.4	● Contact point for questions	Contact

3.5 ● Process for defining report content	About this Report
3.6 ● Boundary of the report	About this Report
3.7 ● Limitations on the scope or boundary of the report	About this Report
3.8 ● Joint ventures, subsidiaries, and outsourced operations	About this Report
3.9 ◐ Data measurement techniques	www
3.10 ● Effects of re-statement of information provided in earlier reports	www
3.11 ● Significant changes in the scope, boundary, or measurement methods	www
3.12 ● GRI Content Index	www
3.13 ● External assurance	58
4. Governance, Commitments, and Engagement	
4.1 ● Governance structure	14, AR
4.2 ● Indication whether chairperson is also executive officer	14-15, AR
4.3 ● Independent members at the board	www, AR
4.4 ● Mechanisms for shareholders and employees to provide recommendations to the board	www, AR
4.5 ● Linkage between executive compensation and organization's performance	www
4.6 ● Processes to avoid conflicts of interest at the board	www
4.7 ◐ Expertise of board members on sustainability topics	www, AR
4.8 ● Statements of mission, codes of conduct, and principles	8-19, www
4.9 ● Procedures for board governance on management of sustainability performance	14-15, www
4.10 ● Processes for evaluation of the board's sustainability performance	8-19
4.11 ● Precautionary approach	15-16, www
4.12 ● External charters, principles, or other initiatives	11, 17, www
4.13 ● Memberships in associations	11, 17, www
4.14 ● Stakeholder groups	www, CSR Report 06 (4-5)
4.15 ● Stakeholder identification and selection	10, www, CSR Report 06 (4-5)
4.16 ● Approaches to stakeholder engagement	8-19, 20-33, 34-41, 42-54, CSR Report 06 (4-5), www
4.17 ● Topics and concerns raised by stakeholders	8-19, 20-33, 34-41, CSR Report 06 (4-5), www
Economic Performance Indicators	
● Disclosure on management approach (including DMA EU5, 6, 7 and 8)	
EC1 ● Direct economic value generated and distributed	6-7, www
7 EC2 ● Financial implications due to climate change	20-33, www
EC3 ● Coverage of the organization's defined benefit plan	www, AR
1 EC4 ◐ Financial government assistance	www
EC5 ○ Entry level wage compared to local minimum wage (Add)	
6 EC6 ◐ Locally-based suppliers	www
EC7 × Local hiring	
EC8 ● Infrastructure investment and services for public benefit	23-25, 29-31, 36-39, 42-53, www
EC9 ● Indirect economic impacts (Add)	6-7, www
EU9 ● Planned capacity (MW) against projected electricity demand over the long term, broken down by energy source and country or regulatory regime	www
EU10 ◐ Estimated capacity (MW) saved through demand-side management programs	www
EU11 ◐ Estimated energy (MWh) saved through demand-side management programs, broken down by residential, commercial and industrial customers	www

EU12	●	Average generation efficiency by energy source and by country or regulatory regime	www
EU13	×	Transmission and distribution efficiency	

Environmental Performance Indicators

	●	Disclosure on management approach	6-7, 8-19, www
8	EN1	● Volume of materials used	www
8, 9	EN2	● Recycled materials	www
8	EN3	● Direct primary energy consumption	www
8	EN4	● Indirect primary energy consumption	www
8, 9	EN5	● Energy conservation (Add)	23, 26-29, 43-46, 50-51, www
8, 9	EN6	● Initiatives for energy efficiency and renewable energy (Add)	23, 26-29, 43-46, 50-51, www
8, 9	EN7	● Initiatives for reducing indirect energy consumption (Add)	www
8	EN8	● Total water withdrawal	www
8	EN9	● Effect of water withdrawal (Add)	www
8, 9	EN10	● Water recycled and reused (Add)	www
8	EN11	◆ Land assets in or adjacent to protected areas	
8	EU14	◆ Biodiversity of replacement habitats compared to the biodiversity of the areas that are being replaced	
8	EN12	● Impacts on biodiversity	www
8	EN13	◆ Habitats protected or restored (Add)	www
8	EN14	● Strategies for biodiversity (Add)	www
8	EN15	◆ Endangered species (Add)	
8	EN16	● Greenhouse gas emissions	21-22, www
8	EN17	◆ Other greenhouse gas emissions	
7, 8, 9	EN18	● Initiatives to reduce greenhouse gas emissions (Add)	20-33, 43-46, www
8	EN19	◆ Emissions of ozone-depleting substances	
8	EN20	● NO _x , SO _x , and other air emissions	www
8	EN21	◆ Water discharge	www
8	EN22	● Waste by type and disposal method	www
8	EN23	● Significant spills	www
8	EN24	◆ Waste deemed hazardous under the terms of the Basel Convention (Add)	
8	EN25	◆ Impacts of discharges and runoff on biodiversity (Add)	
7, 8, 9	EN26	● Initiatives to mitigate environmental impacts	20-33, 42-53, www
8, 9	EN27	×	Packaging materials
8	EN28	● Sanctions for noncompliance with environmental regulations	16, www
8	EN29	○ Environmental impacts of transport (Add)	
7, 8, 9	EN30	● Environmental protection expenditures (Add)	www

Social Performance Indicators: Labor Practices and Decent Work

	●	Disclosure on management approach (including DMA EU15)	8-19, AR, www
	LA1	● Workforce by employment type and region	6-7, www
	EU16	×	Total subcontracted workforce
1	EU17	● Percentage of contractors and subcontractors that have undergone relevant health and safety training	www
6	LA2	● Employee turnover	6-7, www
	LA3	● Benefits to full-time employees (Add)	www
1, 3	LA4	● Employees with collective bargaining agreements	www
3	LA5	● Minimum notice period(s) regarding operational changes	www
1	LA6	● Workforce represented in joint health and safety committees (Add)	www
1	LA7	● Occupational diseases, lost days, and number of fatalities	www

1	LA8	◆ Training on serious diseases	
1	LA9	● Trade union agreements on health and safety (Add)	www
	LA10	● Training per employee	www
	LA11	● Programs for lifelong learning (Add)	www
	LA12	● Regular performance and career development reviews (Add)	www
1, 6	LA13	● Composition of governance bodies	www
1, 6	LA14	○ Gender pay disparity	

Social Performance Indicators: Human Rights

	●	Disclosure on management approach	8-19, www
1-6	HR1	● Investment agreements	6-7, 23-25, 29-30
1-6	HR2	● Supplier screening on human rights	12, www
1-6	HR3	● Training on human rights (Add)	8-19, www
1, 2, 6	HR4	● Incidents of discrimination	www
1, 2, 3	HR5	● Freedom of association and collective bargaining	www
1, 2, 5	HR6	● Child labor	3, 11-13, www
1, 2, 4	HR7	● Forced labor	3, 11-13, www
1, 2	HR8	◆ Training for security personnel (Add)	
1, 2	HR9	×	Violations of rights of indigenous people (Add)

Social Performance Indicators: Society

	●	Disclosure on management approach (including DMA EU18, 19 and 20)	9-19, www, CSR Report 06 (4-5)
	S01	● Impacts on communities	9-19, www
	EU21	● Number of people displaced (by new or expansion projects related to generation facilities and transmission lines)	www
	S02	● Corruption risks	15-17, www
10	S03	● Anticorruption training	16, www
10	S04	● Actions taken in response to incidents of corruption	15-17, www
10	S05	● Lobbying	8-19, 20-33, 34-41, www, AR
1-10	S06	● Donations to political parties and politicians (Add)	51
10	S07	● Legal actions for anticompetitive behavior (Add)	Highs and Lows, 16, AR
	S08	● Sanctions for noncompliance with laws and regulations	Highs and Lows, 16, AR

Social Performance Indicators: Product Responsibility

	●	Disclosure on management approach (including DMA EU22 and 23)	42-53, www
1	PR1	◆ Health and safety impacts along product life cycle	
1	PR2	◆ Noncompliance with health and safety standards (Add)	
1	EU24	● Number of injuries and fatalities to the public involving company assets, including legal judgment, settlements and pending legal cases of diseases	13, www
8	PR3	● Product information	42-48, www
8	PR4	◆ Noncompliance with product information standards (Add)	
	PR5	● Customer satisfaction (Add)	42-43, www
	PR6	◆ Marketing communication standards	
	PR7	◆ Noncompliance with marketing communication standards (Add)	
1	PR8	- Complaints regarding customer privacy (Add)	www
	PR9	● Sanctions for noncompliance with product and service-related regulations	www, AR
	EU25	● Percentage of population unserved in licensed distribution areas, broken down by population in rural areas and urban areas	www
	EU26	● Number of residential disconnections for nonpayment	www, Strategy and Key Figures 2007
	EU27	● Power outage frequency	www
	EU28	● Average power outage duration	www
	EU29	● Average plant availability factor	www

Contact

E.ON AG

Dr. Eric Depluet
Chief Responsibility Officer

Erik Brandsma
Vice President
Corporate Responsibility

Nick Lakin
Vice President
Marketplace & Community

Dr. Matthias Hansch
Vice President
Climate Protection & Environment

Dr. Harald Wachsmuth
Vice President
Health & Safety

Volker Türk
Manager CR Reporting

For more information please contact us
at the address below or use our Dialog
Platform on our web page: [\[→ 703\]](#)

E.ON AG
E.ON-Platz 1
40479 Düsseldorf

T +49 2 11-45 79-0
F +49 2 11-45 79-5 01
info@eon.com
www.eon.com

CR Manager E.ON Group

Helmut Blenk
Central Europe Market Unit

Kirsten Willings
Pan-European Gas Market Unit

Vicky Bullivant
U.K. Market Unit

Katarina Skalare
Nordic Market Unit

Laura Douglas
U.S. Midwest Market Unit

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Düsseldorf, May 2008

This CR Report contains certain forward-looking statements based on E.ON management's current assumptions and forecasts and other currently available information. Various known and unknown risks, uncertainties, and other factors could lead to material differences between E.ON's actual future results, financial situation, development or performance and the estimates given here. E.ON assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Glossary

Adjusted EBIT Adjusted earnings before interest and taxes. Adjusted EBIT, E.ON's key figure for purposes of internal management control and as an indicator of a business's long-term earnings power, is derived from income/loss (-) from continuing operations before interest income and income taxes and is adjusted to exclude certain extraordinary items, mainly other income and expenses of a nonrecurring or rare nature.

Biogas consists primarily of methane and carbon dioxide and is produced in special facilities by the anaerobic fermentation of organic matter. Biogas is often used as a fuel in distributed generation facilities that generate both electricity and heat.

Bio natural gas is also known as pipeline-quality biogas or renewable natural gas and is produced by upgrading biogas. The upgrading process consists mainly of removing carbon dioxide, water, and hydrogen sulfide. Bio natural gas, which has the same methane content and characteristics of natural gas, can be injected into the natural gas pipeline system and used or stored just like natural gas.

Business unit Each E.ON market unit (see "market unit") consists of several business units which are responsible for managing day-to-day operations.

Carbon capture and storage (CCS) A process for fossil-fuel-fired generating units in which carbon dioxide is separated and stored, usually in underground storage facilities. It is considered a possible way to mitigate the greenhouse effect.

Global Compact Initiated by former UN Secretary-General Kofi Annan, the Global Compact is designed to encourage corporate social responsibility and address the challenges created by globalization. Participating companies pledge to comply with the Global Compact's ten principles relating to human rights, workplace standards, environmental protection and fighting corruption.

Liquefied Natural Gas (LNG) is natural gas converted to a liquid state by pressure and severe cooling (minus 162 degrees Celsius, minus 260 degrees Fahrenheit), which reduces its volume by a factor of 600. LNG is transported in tanker vessels to terminals where it is returned to a gaseous state. LNG is playing an increasingly important role in international gas supply.

Lost-Time Injury Frequency (LTIF) is a common international measure of workplace accidents that cause downtime. LTIF equals the number of accidents per million hours of work.

Market unit Part of E.ON's market-oriented organizational structure, our market units correspond to our five target markets: Central Europe, Pan-European Gas, U.K., Nordic, and U.S. Midwest. In 2008 we intend to add two further geographically segmented market units (Russia and Italy) as well as two new functionally segmented market units (Climate & Renewables and Energy Trading), which began operations on January 1, 2008.

Net value added is a measure of a company's economic performance equal to its gross profit on sales plus other income less the cost of goods sold and services provided, depreciation and other expenses.

Research, development and demonstration (RD&D) is a term to describe technology development from research through small-scale and large-scale demonstration projects in which new technologies are tested under real conditions before they enter commercial operation.

Union for the Coordination of Transmission of Electricity (UCTE) An organization responsible for coordinating and expanding Europe's interconnected transmission system which serves more than 400 million consumers. Thirty-four transmission network operators in 22 countries are members of the UCTE.

Unbundling is an EU requirement on energy companies to create independent entities (with separate accounting, information, organizational, and legal structures) to manage their operations at the individual links in the electricity and natural gas value chain (production, trading, transmission, and distribution). Its purpose is to prevent energy companies from distorting competition in the EU's liberalized energy markets or engaging in discriminatory business practices or cross-subsidization.

