E.ON Kraftwerke GmbH

2013 Annual Report

This is a translation of the German original of the annual financial statements of E.ON Kraftwerke GmbH. Only the German version of the annual financial statements shall be legally binding and final.

Content

E.ON Kraftwerke GmbH, Hanover

2013 Management Report

1. Business and framework conditions

1.1 Business activities

As of the merger effective date, January 1, 2013, E.ON Kraftwerke GmbH, Hanover, and Amrumbank-West GmbH, Munich, were merged pursuant to section 2 no. 1 of the German Transformation Act (*Umwandlungsgesetz* – UmwG) onto E.ON Wasserkraft GmbH, Landshut. Pursuant to section 54 para. 1 sent. 2 no. 2 UmwG, E.ON Wasserkraft GmbH did not increase its share capital. In the course of the merger, the previous E.ON Wasserkraft GmbH changed its company name to E.ON Kraftwerke GmbH and the registered office was relocated to Hanover.

E.ON Kraftwerke GmbH (EKW) operates approx. 135 coal, natural gas, fuel and water power plants that are owned or managed by it, representing almost the entire national conventional power plant portfolio and the water power plants within E.ON Group with a capacity of about 11,000 megawatts. In addition, it provides services primarily in the area of operation management. All shares in EKW are held by E.ON Beteiligungen GmbH, Düsseldorf.

Pursuant to section 6b para. 7 sent. 4 EnWG, which applies to EKW as a vertically integrated power supply company as defined in section 3 no. 38 EnWG (*Energiewirtschaftsgesetz* – German Energy Industry Act), all activities pursuant to section 6b para. 3 sent. 1 EnWG are also to be addressed. As a power generation company, EKW exclusively conducts other activities as defined in section 6b para. 3 sent. 3 EnWG within the electricity industry.

1.2 Technology and innovation

Through E.ON SE, Düsseldorf (E.ON SE), the company is represented in different organisations engaging in research projects. In addition, other enterprises are commissioned in collaboration with E.ON SE to conduct research and development work. EKW focuses on the standardisation of state-of-the-art technology and the optimisation of flue gas purification as an integrated overall process.

2. Business report

2.1 Overall economic framework

In 2013, the global economy continued the recovery process with moderate growth rates, accompanied by great uncertainty without visible dynamics. According to information from the OECD, with 3.0% compared to the previous year the increase of the effective global trade volume was on the same level as in 2012. This growth rate continues to fall short of the long-term average of the years 2001 through 2010 of 4.9%. The OECD considers the still existing uncertainty a cause for the continuing weak growth. In the OECD's view, the euro area appears to have overcome the recession. In 2013, the economy only shrank slightly. However, the growth rates of the large economies in the north, most of which were slightly positive, were not sufficient to compensate the decrease in economic activities in the south. Nonetheless, the OECD states that the decrease of economic performance in the southern countries is decelerating.
Based on domestic demand, and here in particular on private consumption, the German economy was the anchor of the economic recovery in the euro area, in spite of the very moderate growth in 2013.

2.2 Energy policy environment

In 2013, too, the energy policy debate focused primarily on the implementation of the energy transition. In addition to the discussion regarding the promotion of renewable energies and their assumption of market and system responsibility, possible solutions for the stabilisation of security of supply, in particular of conventional generation, played a key role in the debate. It is expected that there will be additional regulatory interventions in order to increase the security of supply. In the medium term, capacity mechanisms are to be developed, in order to create sufficient incentives to keep existing plants in the market and to prompt required new constructions.

2.3 Industry situation

According to preliminary calculations of *Arbeitsgemeinschaft Energiebilanzen e. V.* (AGEB – Working Group on Energy Balances), energy consumption in Germany 2013 is expected to be 2.6% above the previous year's level; thus, 477.7 mn tons of hard coal units (SKE) were consumed.

For mineral oil consumption, the increase of approx. 2% was below the average growth rate with regard to all energy sources. There were increases with regard to light fuel oil, diesel fuel, naphtha and liquid gas. Consumption of heavy fuel oil decreased. The share of mineral oil in the overall energy consumption was 33%.

As a consequence of the cold weather in the first six months, the use of natural gas for the generation of heat increased significantly, with the increase being attenuated by the mild weather trend in the second six months, as well as by the declining use of natural gas in power plant consumption. Natural gas consumption increased by almost 7% in 2013, with the share of natural gas in the overall energy consumption increasing to 22.5%.

The consumption of hard coal increased by approx. 4% in 2013, this is attributable, in particular, to an increase of almost 7% in the use for the generation of electricity and heat. In contrast, the steel industry reduced its demand for coke and coal by almost 2%. The share of hard coal in the overall energy consumption slightly increased to 12.7% in 2013.

Nuclear energy slightly reduced its contribution to the energy balance by 2.5%. The share in the energy mix decreased to 7.6%.

Renewable energies recorded an overall increase of almost 6%. Their share in overall consumption thus rose slightly to 11.8%. Water power (not including pump storage) recorded a decline of 2.5% compared to the previous year. Wind power also showed a minus of 2%. The contribution of photovoltaics rose by almost 7%. The use of biomass increased strongly by approx. 11%.

The wholesale market price for electricity further declined in 2013. For example, prices on the futures market (Phelix Baseload Year Futures) for 2014 through 2016, which are relevant for the marketing of base load and intermediate load power plants, fell from approx. 46 €/MWh at the beginning of the year to values around 37 €/MWh.

This reflects the effect of the increasing share of regenerative electricity generation and its priority feeding into the grid. For many plants – in particular for gas-fired power plants – the profitable operation of the plant became increasingly rare.

The price for the primary fuel imported coal on the futures market (ARA Coal Year Futures 2014) fell this year from more than 110 USD/t at the beginning of the year to approx. 85 USD/t as of the end of the year. The current reference price for the primary fuel gas (NCG) fluctuated between 25 €/MWh and 27 €/MWh and peaked at almost 40 €/MWh.

The spot market prices for CO_2 certificates (EUA) oscillated between 3 and 6 €/t CO_2.

2.4 Course of business

Power generation and energy supply agreements

In the financial year, EKW generated 34,442 GWh (conventional power plants division: 31,451 GWh (previous year: 33,026 GWh); water power division: 2,991 GWh (previous year: 4,289 GWh)). Taking into account the electricity procured and the own requirements, a net amount of 40,753 GWh (conventional power plants division: 35,760 GWh (previous year: 36,961 GWh); water power division: 4,993 GWh (previous year: 8,149 GWh)) was marketed primarily to E.ON Global Commodities SE, Düsseldorf (conventional power plants division: 17,270 GWh (previous year: 18,271 GWh); water power division: 3,694 GWh (previous year: 6,705 GWh)). Furthermore, energy was supplied to RuhrEnergie GmbH, EVR, Gelsenkirchen, (conventional power plants division: 13,068 GWh (previous year: 12,981 GWh)) and other special contract customers (conventional power plants division: 5,422 GWh (previous year: 5,709 GWh); water power division: 1,299 GWh (previous year: 1,444 GWh)).

The agreement entered into in 2008 on the intra-group energy supply relationships with the main take-off party, E.ON Global Commodities SE (EGC), which is based on the offsetting of commercial market prices for future supplies, was adjusted in details.

The company continues to hold and/or enter into long-term energy supply agreements with major customers through its wholly-owned subsidiary, RuhrEnergie GmbH, EVR (REG). REG is responsible, in particular, for the distribution of the electricity generated in the power plants in the Ruhr region.

Plant operation

The operation of the conventional power plants was mostly reliable. However, with regard to individual power plant block-units damages occurred during operation, which in some cases extended the planned revisions significantly. For example, a generator damage in the Buschhaus power plant resulted in an extension of downtime of more than 70 days. This was unfavourable in view of the fact that this particular power plant was spun off together with the "Helmstedter Revier" with economic effect as of the completion of the revision.

With regard to the water power plants, operations were affected in the year 2013 by a number of scheduled maintenance measures, unscheduled repair measures and the big flood in June. The maintenance measures on the Mid-Isar-Canal caused more than six months of operating restrictions, although a new reconstruction concept was used which allowed for the continued operation with a reduced flow-through.
The rehabilitation of the power plants of Donau Wasserkraft AG, Munich, at the mid-section of the Danube, which are operated under our management, was completed this year with the retrofitting of machine no. 3 in Bittenbrunn. Unexpected damages to the bearings of the machines in the Geisling power plant as well as the unexpected massive risk to operational safety resulting from cracks in the generators in Waldeck 2 caused significant downtimes. In all cases, reconstruction measures were initiated or, respectively, conducted successfully. The distinctive operational event in 2013 was the June flooding, which could be coped with reasonably well with the plants owned and managed by us. In particular, the management of the Forggensee and Walchensee reservoirs in close coordination with the authorities effected a significant relief of the overall situation – to the extent that this was possible. The extreme inflows to the Forggensee that were held could subsequently be used and the generation downtimes during the flooding phase were partially compensated as a result thereof.

The power plant block-units Staudinger 1 and Shamrock were decommissioned in the reporting period.

E.ON is currently building a coal-fired power plant with an electric net capacity of about 1,055 MW in Datteln and already invested more than €1 billion in connection therewith. By judgement confirmed by the Federal Administrative Court (BVerwG) in Leipzig, the Oberverwaltungsgericht (Higher Administrative Court) Münster (OVG) declared the development plan of the city of Datteln to be invalid. Therefore, new development plan proceedings are currently conducted, in order to reestablish the planning basis for the Datteln 4 power plant. In this context, further important steps could be accomplished with the plan adoption resolution of the Regionalverband Rhein-Ruhr for the amendment of the regional development plan on December 13, 2013 and the notice of permission to deviate from planning objectives of December 20, 2013. After an evaluation of the comments received in the course of the public participation regarding the project-related development plan, the city of Datteln adopted a resolution on December 18, 2013 – in order to avoid legal risks, and taking into account a judgement of the Federal Administrative Court only published after the announcement of the presentation for inspection already conducted – for a modified announcement together with a repeated presentation for inspection. The second presentation for inspection of the planning documents is conducted in the period from 06/01/2014 through 07/02/2014. With the dismissal of the complaints against denial of leave to appeal by the BVerwG in June 2013, the judgement of the OVG rendered in June 2012 regarding the cancellation of the advance notice has become final and binding. As a consequence, the Münster District Government (*Bezirksregierung Münster* – BRM) cancelled the contested partial licenses (nos. 1, 4 and 5) by notice at the beginning of December 2013. The 2nd and 3rd partial license have become final and binding. The conservation of the existing building structure and the utilisation of the infrastructure on the construction site are secured by an exceptional leave from the public authorities. The new approval proceedings pursuant to immission control law are currently being prepared in coordination with the BRM. In view of the pending planning processes, of the approval proceedings yet to be conducted, further lawsuits and the current political environment, we currently expect further delays compared to the originally scheduled commissioning date. In order to secure the district heating and railroad electricity supply until the commissioning of the Datteln 4 power plant, provisional measures are currently implemented. We still assume that the power plant will be commissioned. In principle, such risks may also occur in the context of other new construction projects in the area of electricity and gas.

In the North Sea, E.ON is currently constructing an offshore wind farm with an electric nominal capacity of approx. 288 MW and has already invested more than €300 mn in connection therewith, with the planned investment volume being €1.0 billion. The construction is proceeding according to plan. There are no identifiable delays affecting the commissioning scheduled for the autumn of 2015.

The Happurg pumped storage power station has ceased operation in January 2011 due to damage to the floor of the upper reservoir. Based on the extensive exploration works conducted in 2011 and 2012 and the resulting dialogue with the competent approval and technical authorities, in March 2013 E.ON filed revised planning approval documents for the reconstruction of the upper reservoir with the Nürnberger Land District Office. The documents contain proposals for the reconstruction measures in the geological area of the collapse and for the adjoining limestone areas. The permit notice for the reconstruction work is expected in the first six months of 2014. On the basis of the amendment of the German Energy Industry Act (*Energiewirtschaftsgesetz* – EnWG) (March 2013), various alternatives for an exemption from network usage fees were examined in addition. Following the issuance of the permit notice for the reconstruction work, it is intended, where necessary, to submit the relevant approval documentation for the measures required for the exemption from the network usage fees.

E.ON 2.0

The group-wide programme E.ON 2.0 for the improvement of performance that was started in August 2011 within E.ON Group makes good progress. After specific possible savings were identified in 2011 in a first phase of the programme, more than 50 projects further specified this potential in 2012, including the areas of co-determination and line organisation, into several thousand individual measures, almost all of which were already handed over to the line organisation for implementation. In the 2013 reporting period, numerous measures were already implemented at EKW. For example, inter alia, the transactional accounting activities were concentrated in Regensburg and Cluj, Romania. Until the end of 2014, at the latest, all individual measures will be implemented.

Emissions trading

The 2012 emissions reports, which document the actual emissions for the plants of EKW subject to emissions trading for the year 2012 vis-à-vis the public authority granting the permit, were submitted in due time on February 28, 2013, as was the required number of emission allowances in the time thereafter.

Besides, the year 2013 was characterised by the commencement of the third trading period (2013-2020), in the course of which – in contrast to the second trading period – there will be no more free-of-cost allocation for the product electricity. The applications for a continued free-of-cost allocation for the products heat and steam for the existing plants were submitted in 2012 in due time, and the preliminary allocation amounts also corresponded substantially to our applications, with a final allocation being expected in 2014. For 2013, the expected allocation amounts to about 800,000 EUAs; this amount will be reduced every year to about 300,000 EUAs in 2020, compared to about 27.4 mn EUAs in 2012. In this respect, the annual allocation amount may be further reduced for a specific plant as a result of the ex-post correction mechanism, if the activity level, which has to be reviewed annually, amounts to less than 50% of the initial activity level. Using the newly introduced communication regarding operation, this has to be reported to the German Emissions Trading Authority (*Deutsche Emissionshandelsstelle* – DEHSt); in the course of this reporting, not all of the required data was delivered, since in our view the scope demanded by the regulatory authority significantly exceeds the legally required extent. We now seek to clarify DEHSt's claim for information in court by way of an action for a declaratory judgement.

Material developments in tangible fixed assets and the participation companies

The organisational units “Flussgruppe Inn” and “Helmstedter Revier” were spun off and sold. In this context, the company interests in Österreichisch-Bayerische Kraftwerke AG (ÖBK), Grenzkraftwerke Gesellschaft mit beschränkter Haftung (GKW) and Donaukraftwerk Jochenstein AG (DKJ) as well as in the companies Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH (Norgam) and Terrakomp GmbH were also disposed of.

Further, the interests in Biomasseheizkraftwerk Emden GmbH, Biomasseheizkraftwerk Landesbergen GmbH and E.ON Power Plants Belgium b.v.b.a. were also sold.

In the subsidiaries E.ON Erömüvek Kft. (Hungary) and E.ON Elektrarne s.r.o. (Slovakia), capital increases were conducted at the end of the year in view of the difficult economic situation of the gas-fired power plants.

2.5 Result of operations, financial position and net assets

In the following, because of the merger measures the information is presented in a form providing economically comparable information.

In the reporting period EKW achieved an annual profit of €217.4 mn (previous year: conv. generation €148.2 mn, water power €353.1 mn) and transferred it to E.ON Beteiligungen.

Sales amounted to €2,706.5 mn (previous year: conv. generation €2,716.2 mn, water power €655.7 mn)

With regard to costs of material, corresponding expenses have to be recorded in this respect.

Personnel expenses amounted to €296.9 mn (previous year: conv. generation €254.7 mn, water power €65.2 mn)

The other operating expenses amounted to €254.0 mn.

The financial result comprising the investment income, interest income and expenses as well as write-downs of long-term financial assets amounted to – €230.3 mn. Charges resulted primarily from write-downs of long-term financial assets in an amount of €233.9 mn.

The financial position is characterised by the integration into E.ON SE. The access to liquidity is ensured by an agreement with E.ON SE.

The net assets are primarily characterised by receivables against affiliated enterprises and long-term provisions.

The investments of E.ON Kraftwerke GmbH in intangible fixed assets and tangible fixed assets amounted to €267.8 mn. The majority is attributable to the new construction projects described above. In addition, a total amount of €189.6 mn was paid into the capital reserves of subsidiaries.

2.6 Performance indicators

EBITDA

E.ON Kraftwerke GmbH is included in the company group of E.ON SE, which controls its companies at segment level in accordance with IFRS key indicators. For purposes of internal controlling and as an indicator for the sustainable profitability, E.ON Group uses earnings before interest, taxes and depreciations (EBITDA), adjusted for extraordinary effects, which is determined on the basis of the International Financial Reporting Standards (IFRS). This earnings parameter is not affected by investment and depreciation cycles and at the same time acts as an indicator of the cash-effective earnings contribution. The EBITDA according to IFRS is the central performance indicator for E.ON Kraftwerke GmbH. For 2013, the IFRS EBITDA adjusted for extraordinary effects amounts to €656.4 mn. Deviations from the result from ordinary business activities in accordance with the German Commercial Code (*Handelsgesetzbuch* – HGB) primarily result – with the exception of depreciations, amortizations and write-downs as well as interest income and expenses – from the extraordinary [effects] adjusted in accordance with IFRS as well as different recognition and valuation methods of the accounting regulations. The latter are attributable, in particular, to the determination of pension provisions and the valuation of derivative financial instruments.

Availability of plants

The availability of the fossile power plants amounted to approx. 88%. In the medium term, we endeavour to achieve a slight increase.

Industrial safety

For the operation of all plants, strict occupational safety, environmental and health standards apply, in order to reduce the risk of accidents and to avoid work-related illnesses.
The consequent implementation of HSE improvement plans and the introduction of across-plan reviews have resulted in a further improvement of occupational safety. The sustainability of the measures taken was confirmed by various independent audits. The goal is to reduce the total number of all recorded accidents. For 2013, the index value amounts to 3.2 (TRIF = Total Recordable Injury Frequency).

3. Employees

As per December 31, 2013, EKW employed a total of 2,756 (prev. yr.: 3,602 / thereof 2,829 division conv. power plants / 773 water power division) persons (not including suspended employment relationships; thereof 300 (prev. yr.: 378 / thereof 313 division conv. power plants / 65 water power division) trainees and 3 (prev. yr.: 7 / thereof 2 division conv. power plants / 5 water power division) interns).

Compared to December 31, 2012, the development of the number of staff is declining. The main reason for this is, in particular, the reduction by 513 employees resulting from the spin-off transactions. Besides, the group-wide "E.ON 2.0" restructuring programme launched in 2011 – which was described above – also has effects in this respect. The number of trainees is declining since the quota reflects the number of staff. Accordingly, in line with the reduction of personnel, there are also less trainees being trained.

4. Supplementary report

No events of special significance have occurred after the end of the financial year.

5. Forecast report (risks and opportunities)

The future development of EKW and the pertaining opportunities are dependent on a disruption-free operation of the plants. Besides, the future net assets, financial position and results of operations also has to be seen in connection with the development of E.ON SE. In particular, it has to be taken into account, that the generation is primarily controlled via EGC.

As a consequence of the difficult framework conditions in the energy industry as well as the planned changes to the power plant portfolio, the earnings situation is expected to deteriorate in 2014 compared to the current financial year.

For E.ON Kraftwerke GmbH, an EBITDA is expected in 2014 in an amount of €0.5 to 0.6 billion. This forecast takes into account the discontinuation of earnings contributions as a result of the decommissioning of power plant block-units as well as the expected effects from the E.ON 2.0 efficiency programme.

6. Risk report

EKW is part of the group-wide risk management system. The risk management system primarily includes provisions on uniform planning and controlling processes, policies and reporting systems as well as risk reporting. In addition, the group-wide credit risk management is an integral part of the risk management system. With regard to the financial crisis, additional safeguarding measures were implemented. The objective of the risk management system is to enable the company management to be in a position to identify risks early and take counter-measures in time. The effectiveness of the risk management system is monitored by independent internal and external audits.

For EKW, the following key risks exist:

- external risks in connection with the political and legal framework conditions as well as the regulatory environment (e.g. approval risks Datteln 4, withdrawal of water Heyden),
- strategic risks and market risks or, respectively, risks of a change in market prices (e.g. changes in the oil price),
- operational risks from the operation of the plants as well as closure risks (e.g. submission of CO_2 allowances, unplanned downtimes, plant damages, natural disasters),
- financial risks.

As a key risk, it has to be pointed out that E.ON is currently building a coal-fired power plant with an electric net capacity of about 1,055 MW in Datteln and has already invested more than €1 billion in connection therewith. In view of the pending approval and planning processes, of the OVG judgement of 12 June 2012 (cancellation of the advance notice) which has become final and binding upon dismissal of the complaints against denial of leave to appeal by the BVerwG by resolution of June 26, 2013, of further lawsuits and the current political environment, we currently expect further delays compared to the originally scheduled commissioning date.

Furthermore, the EnWG amended at the end of 2012 – together with the *Reservekraftwerksverordnung* (Ordinance on Power Plant Reserve) adopted in 2013 – implements additional regulatory restrictions also for the power plant sector in Germany (in particular, decommissioning restrictions as well as requirements of safeguarding system-relevant power plants). These restrictions may also affect the profitability of E.ON's power generation facilities.

In April, EKW entered into an agreement with TenneT in respect of power plant block-unit 4 in Irsching for the specification of a performance portion regarding redispatch measures. The agreement has a term from 1 April 2013 until March 31, 2016. The operation of power plants has always been in the focus of the Federal Cartel Office (*Bundeskartellamt* – BKartA). In the interest of a transparent procedure and in order to achieve legal certainty, the agreement was transmitted to the BKartA unrequested even before its execution. Accordingly, the Federal Cartel Office is currently examining the agreement. Payments of damages or fines under these proceedings are not expected.

EKW is taking, inter alia, following measures, in order to avert these risks:

- detailed instructions regarding business and procedures,
- programmes for training and further education for employees,
- maintenance and revision of the plants,
- taking out of suitable insurance,
- constructive collaboration with supervisory and approval authorities,
- monitoring of legislation and case-law,
- futures contracts for the limitation of currency risks.

At the end of the 2013 financial year, the risk situation of EKW in the operational business – including the new or changed risks – has not changed significantly compared to the end of the year 2012. In future, political and regulatory interventions as well as possible delays in new construction projects may have a detrimental effect on the earnings situation. However, from today's perspective, no risks are discernible for the future that could jeopardise the continued existence of the company.

E.ON Kraftwerke GmbH, Hanover

Balance Sheet

Assets

in € million	**Note**	**Dec. 31, 2013**	**Dec. 31, 2012**
Fixed assets			
Intangible fixed assets	(1)	32.2	119.3
Tangible fixed assets	(1)	2,365.2	219.5
Long-term financial assets	(2)		
Shares in affiliated companies		879.4	70.3
Other long-term financial assets		78.7	74.5
		3,355.5	**483.6**
Current assets			
Inventories	(3)	253.0	0.0
Receivables and other assets	(4)	3,921.8	4,158.9
Cash	(5)	0.3	(€ 37 thou.)
		4,175.1	**4,158.9**
Prepaid expenses	(6)	**200.6**	**418.3**
Excess of plan assets over pension liability	(7)	**15.0**	**1.2**
		7,746.2	**5,062.0**

Equity and liabilities

in € million	**Note**	**Dec. 31, 2013**	**Dec. 31, 2012**
Equity	(8)		
Subscribed capital		283.4	283.4
Capital reserves		5,113.2	3,571.7
Revenue reserves		15.8	15.8
		5,412.4	**3,870.9**
Grants	(9)	**20.9**	**0.1**
Provisions	(10)	**1,435.8**	**809.0**
Liabilities	(11)	**690.5**	**375.9**
Deferred income	(12)	**186.6**	**6.1**
		7,746.2	**5,062.0**

E.ON Kraftwerke GmbH, Hanover

Income Statement

in € million	Note	2013	2012
Sales	(15)	2,706.5	655.7
Increase or decrease in stock of finished goods and work in progress		-0.4	0.0
Other own work capitalized		1.9	1.8
Other operating income	(16)	236.7	87.8
Cost of materials	(17)	1,832.3	255.1
Personnel expenses	(18)	296.9	65.2
Depreciation, amortization and write-downs	(19)	81.4	15.6
Other operating expenses	(20)	254.0	31.7
Investment income	(21)	27.0	1.9
Interest income and expense	(22)	-23.4	-8.5
Write-downs of long-term financial assets	(23)	233.9	0.2
Result from ordinary activities		**249.8**	**370.9**
Extraordinary result	(24)	-32.4	-17.7
Taxes on income and profits	(25)	(€ -19 thousand)	0.1
Net income for the year before profit transfer		**217.4**	**353.1**
Profit transferred on the basis of a profit transfer agreement	(26)	217.4	353.1
Net income for the year		**0.0**	**0.0**
Net retained profits		**0.0**	**0.0**

E.ON Kraftwerke GmbH, Hanover

Notes

A. Preliminary Remarks

Annual financial statements

The annual financial statements have been prepared in accordance with the accounting principles for large corporations set out in the German Commercial Code (*Handelsgesetzbuch*, "HGB"), the German Limited Liability Companies Act (*GmbH-Gesetz*, "GmbHG") and the German Energy Industry Act (*Energiewirtschaftsgesetz*, "EnWG"). The income statement has been prepared using the nature of expense method. Unless otherwise specified, figures are presented in millions of euros (€ million). The accounting policies applied in the previous year were retained in the year under review.

To enhance the clarity of presentation, the statutory disclosures on the items of the balance sheet and the income statement as well as the information that can be disclosed optionally in the balance sheet or the income statement, or in the notes to the annual financial statements, are disclosed in full in the notes to the annual financial statements. Individual items that have been combined in the balance sheet or income statement are broken down in the notes to the financial statements. The fiscal year corresponds to the calendar year.

In accordance with the merger agreement between E.ON Wasserkraft GmbH, Landshut (EWK), E.ON Kraftwerke GmbH, Hanover (EKW), and Amrumbank-West GmbH, Munich (Amrumbank), the assets and liabilities – in whole and with all rights and obligations in each case – of EKW and Amrumbank were merged with EWK by way of dissolution without liquidation (merger by absorption) in accordance with section 2 no. 1 of the German Transformation Act (*Umwandlungsgesetz*, "UmwG"), with retrospective effect as of January 1, 2013. E.ON Wasserkraft GmbH was then renamed E.ON Kraftwerke GmbH. The Company's registered office was moved to Hanover.

The prior-year figures in the notes to the annual financial statements relate to the former E.ON Wasserkraft GmbH.

The following table shows the figures taken over from the former EKW:

in € million	Jan. 1, 2013
Fixed assets	3,182.1
Current assets	943.8
Other assets	29.0
Equity	2,004.9
Grants	21.2
Provisions	756.6
Other liabilities	1,372.2

The comparability of the prior-year figures in the income statement is limited and is explained in the following. The following table shows a condensed income statement of the former EKW from 2012:

in € million	**2012**
Sales	2,716.2
Other income	117.8
Cost of materials	1,867.4
Personnel expenses	254.7
Depreciation, amortization and write-downs	106.8
Other operating expenses	338.8
Financial result	-76.0
Result from ordinary activities	190.3
Extraordinary result	-42.3
Taxes on income and profits	-0.2
Net income for the year before profit transfer	148.2

The following table shows the figures taken over from Amrumbank:

in € million	**Jan. 1, 2013**
Fixed assets	110.9
Current assets	5.4
Equity	0.1
Provisions	4.5
Other equity and liabilities	111.7

In accordance with the spin-off and transfer agreement, EKW transferred the following assets and liabilities to Innwerk AG, Landshut, as of the spin-off date of January 1, 2013:

in € million	**Jan. 1, 2013**
Fixed assets	172.2
Current assets	11.9
Equity	127.5
Provisions	53.7
Liabilities	2.9

The restructuring had a negligible effect on the income statement.

In accordance with the spin-off and transfer agreement, EKW transferred the following assets and liabilities in particular to Helmstedter Revier GmbH, Hanover, as of the spin-off date of October 1, 2013:

in € million	**Oct. 1, 2013**
Fixed assets	30.2
Inventories	42.7
Current assets	39.4
Provisions	111.9
Liabilities	0.3

The restructuring had a negligible effect on the income statement.

Group affiliation

In accordance with section 291 of the HGB, E.ON Kraftwerke GmbH is exempt from the requirement to prepare consolidated financial statements and a group management report in accordance with sections 290 et seq of the HGB.

E.ON Kraftwerke GmbH and its subsidiaries are included in the consolidated financial statements of E.ON SE, Düsseldorf (HRB 69043), which provide the basis for the exemption. E.ON SE is the parent company that prepares the consolidated financial statements and the group management report for the largest group of companies. In accordance with section 325 of the HGB, the consolidated financial statements and the group management report are submitted electronically to the operator of the Federal Gazette (*Bundesanzeiger*), where they are made public. These documents can be accessed online under www.bundesanzeiger.de or www.eon.com.

Pursuant to section 315a of the HGB, E.ON SE prepares the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Commission for use in the European Union (IFRS).

B. General Accounting Policies

ASSETS

Fixed assets

Purchased intangible and tangible fixed assets are measured at cost less depreciation and amortization, to the extent that these have a finite useful life. Both the straight-line and declining balance methods of depreciation are used. The retention option in accordance with article 67 (4) sentence 1 of the Introductory Act to the German Commercial Code (*Einführungsgesetz zum Handelsgesetzbuch*, "EGHGB") was exercised and the declining balance method retained for assets already held as of January 1, 2010 and depreciated using the declining balance method. Additions from fiscal year 2010 onwards are exclusively depreciated on a straight-line basis in accordance with the expected useful life.

Depreciation of tangible fixed assets is generally based on the following useful lives:

• Intangible fixed assets (rights of water use based on individual agreements)	*3 to 91 years*
• Buildings, including buildings on third-party land	*10 to 60 years*
• Technical equipment and machinery	*8 to 40 years*
• Other equipment, operating and office equipment	*3 to 20 years*

The production costs of internally generated tangible fixed assets include directly attributable production and material costs, as well as an appropriate share of indirect material costs, indirect production costs, and depreciation of fixed assets. The production costs for the Pleinting plant include borrowing costs.

Due to their negligible significance, finite-lived assets costing between €150 and €1,000 are combined and reported as a single item, and are depreciated over five years on a straight-line basis. Finite-lived assets costing less than €150 are expensed in full in the year of acquisition.

Long-term financial assets are recorded at cost, taking into account the principle of lower of cost or market value.

Interest-bearing loans are carried at their principal amount; non- or low-interest-bearing loans are carried at their present value.

Fixed assets are written down if the carrying amount calculated in accordance with the above principles is higher than the fair value on the reporting date.

Current assets

Inventories are measured at the lower of cost, market value or fair value. Raw materials, consumables and supplies are generally measured at the lower of average amortized or market prices.

Emission rights are recognized on the date of issue or acquisition. No certificates were issued to the Company free of charge in the fiscal year. Certificates are only measured if there is a purchase price. Each certificate is valued at €4.88 per ton of $C0_2$ as of the reporting date (Carbix).

Receivables and all miscellaneous other assets as well as cash-in-hand and bank balances are measured at their principal amounts. Appropriate valuation allowances are recognized for identifiable default risks.

Plan assets

The obligations to employees arising from occupational pension and partial retirement schemes are covered by corresponding funds invested in fixed-term deposits; in addition, there are claims from reinsured pension obligations against Versorgungskasse Energie VVaG, Hanover (VKE). The fixed-term deposits for partial retirement schemes are managed in trust by Energie-Sicherungstreuhand e.V., Hanover, on behalf of E.ON Kraftwerke GmbH. The relevant assets are ringfenced from all other creditors.

Plan assets are measured at fair value and are offset against the respective underlying obligations in accordance with section 246 (2) of the HGB. The associated expenses and income from interest effects and from the assets to be offset are treated in the same way. The resulting accumulated benefit obligation is reported under provisions. The fair value of the plan assets exceeding the obligation is recognized under "Excess of plan assets over pension liability" on the assets side of the balance sheet.

EQUITY AND LIABILITIES

Provisions

(Provisions for pensions and similar obligations)

Pensions and similar obligations are measured using the internationally recognized projected unit credit method. According to this method, pension obligations are calculated on the basis of the pension entitlements as of the reporting date, taking into account future salary increases. Pension obligations are discounted at the average market interest rate for the past seven years published by the Deutsche Bundesbank assuming a remaining maturity of 15 years. Salary and pension trends are also taken into account. The actuarial calculation of provisions is based on K. Heubeck's 2005 G mortality tables. The retirement age for measurement purposes is generally the earliest possible age limit under the statutory retirement pension system in Germany, taking into account the provisions of the Act to Adapt the Standard Retirement Age (*RV-Altersgrenzenanpassungsgesetz*) dated April 20, 2007. The contractually agreed retirement age is taken into account for employees who have signed early retirement or partial retirement agreements. Fluctuation probabilities are also applied.

Effective December 31, 2006, MEON Pensions GmbH & Co KG, Grünwald, (MEON) assumed the obligation to settle the Company's benefit obligations to current employees and their surviving dependents as the debtor by way of an agreement on the assumption of debt. MEON internally indemnifies the Company against the benefit obligations set out in this agreement. In return for this indemnification, the Company has transferred assets of an equivalent value to MEON. Indemnification receivables are measured in the same way as the underlying benefit obligations.

Indemnification receivables are offset openly against pension provisions.

(Provisions for anniversaries and similar obligations)

Anniversary obligations are also measured using the internationally recognized projected unit credit method. As for pension obligations, the discount rate published by the Deutsche Bundesbank assuming a remaining maturity of 15 years is applied to anniversary and long-service leave obligations as well as to death benefit and benefit in kind obligations. A salary trend is also taken into account. The actuarial calculation of provisions is based on K. Heubeck's 2005 G mortality tables.

(Provisions for partial and early retirement schemes)

Durations of 1.5 years and 3.4 years are assumed for partial retirement and early retirement obligations, respectively. The interest rate applicable to these durations is interpolated on a straight-line basis from the interest rates published by the Deutsche Bundesbank. A salary trend is also taken into account. The actuarial calculation of provisions is based on K. Heubeck's 2005 G mortality tables.

(Miscellaneous other provisions)

Miscellaneous other provisions include all identifiable risks and uncertain obligations. They are recognized at the necessary settlement amount dictated by prudent business judgment. Long-term provisions (with a remaining maturity of over one year) are discounted at the average market interest rate for the past seven years in line with their remaining maturity. Provisions with a remaining maturity of less than one year as of the reporting rate that were originally long-term provisions are also discounted.

Income and expenses from the discounting of provisions and the unwinding of the discount on provisions, as well as from changes to the interest rates, are reported separately under "Other interest and similar income" and "Other interest and similar expenses".

Liabilities

Liabilities are carried at their settlement amount as of the reporting date.

Prepaid expenses and deferred income

Prepaid expenses and deferred income were recognized for expenses and income attributable to future periods.

Foreign currency translation

Receivables and payables denominated in foreign currencies are translated at the middle rate on the date of the transaction. They are subsequently translated at the middle spot rate.

Deferred taxes

Deferred taxes are recognized in the consolidated financial statements of E.ON SE as the tax group parent due to the existing profit transfer agreement.

C. Balance Sheet Disclosures

(1) Intangible and tangible fixed assets

The changes to the individual fixed asset items in 2013 are presented in the statement of changes in fixed assets in Annex 1, which forms part of the notes to the financial statements. All intangible fixed assets have been purchased.

Additions to fixed assets mainly relate to assets in construction as well as power and district heating generation assets.

(2) Long-term financial assets

The list of shareholdings of E.ON Kraftwerke GmbH can be found in Annex 2, which forms part of the notes to the financial statements.

Loans to affiliated companies are exclusively attributable to loans to Kraftwerk Schkopau GbR.

(3) Inventories

in € million	Dec. 31, 2013	Dec. 31, 2012
Raw materials	153.5	0.0
Consumables and supplies	99.5	0.0
	253.0	**0.0**

(4) Receivables and other assets

in € million	Dec. 31, 2013		Dec. 31, 2012	
	Total	due after more than one year	Total	due after more than one year
Trade receivables	122.0	84.2	91.5	90.5
Receivables from affiliated companies	3,759.1	0.0	4,059.6	0.0
of which from shareholders	(0.2)	(0.0)	(2.1)	(0.0)
of which trade receivables	(401.8)	(0.0)	(54.5)	(0.0)
of which from allocation and financial transactions	(3,357.1)	(0.0)	(4,003.0)	(0.0)
Receivables from other long-term investees and investors	(€1.3 thousand)	0.0	0.0	0.0
Other assets	40.7	0.0	7.8	0.0
	3,921.8	**84.2**	**4,158.9**	**90.5**

Receivables from affiliated companies are mainly due to intragroup cash pooling with E.ON SE, Düsseldorf.

(5) Cash

Cash comprises cash-in-hand and bank balances.

(6) Prepaid expenses

Prepaid expenses are primarily attributable to contractual payments for energy supply contracts, which are economically attributable to subsequent years and will be recognized over the term of the contract.

(7) Excess of plan assets over pension liability

The offsetting of plan ass ets as we ll as t he reinsured pension obligation and the outstanding settlement amount from partial retirement arrangements has led to an excess of plan assets over pension liability, which is broken down as follows:

in € million	Dec. 31, 2013	Dec. 31, 2012
Benefit obligations reinsured with VKE		
Settlement amount/pension obligations before offsetting (gross amount)	27.5	0.0
Fair value of plan assets		
Pension liability insurance claims	39.8	0.0
Net amount	**12.3**	**0.0**
Outstanding settlement amount from partial retirement arrangements		
Settlement amount	27.4	11.6
Fair value of the plan assets (fixed-term deposits)	30.1	12.8
Net amount	**2.7**	**1.2**
Total excess of plan assets over pension liability	**15.0**	**1.2**

The fair values of the pension liability insurance claims correspond to the actuarial reserve documented by the insurer and thus their cost. The fair value of the fixed-term deposits is equal to their cost.

(8) Equity

The Company's subscribed capital is unchanged at €283.4 million since the share capital was not increased by the merger in accordance with section 54 (1) sentence 2 no. 2 and sentence 3 of the UmwG. All of the shares in EKW were transferred from E.ON Energie AG, Munich, to E.ON Beteiligungen GmbH, Munich, in accordance with the spin-off and transfer agreement.

The capital reserves (within the meaning of section 272 (2) no. 4 of the HGB) rose by €1,541.5 million to €5,113.2 million as a result of the mergers of EKW and Amrumbank with EWK. This led to contributions in the amount of €1,669.0 million. A capital decrease of €127.5 million was recorded due to the spin-off of the Flussgruppe Inn.

The revenue reserves relate to other revenue reserves.

(9) Grants

Reversals of €0.4 million were recognized in the year under review.

(10) Provisions

in € million	Dec. 31, 2013	Dec. 31, 2012
Provisions for pensions and similar obligations (offset against VKE's reinsurance claims)	407.7	92.6
Indemnification claims against MEON	-280.3	-63.7
Remaining provisions for pensions	127.4	28.9
Provisions for taxes	4.8	1.3
Other provisions	1,303.6	778.8
	1,435.8	**809.0**

Provisions for pensions and similar obligations cover the benefit obligations to former and current employees. These are partially financed by the employer and partially by the employee as part of a salary sacrifice scheme.

The benefit obligations to retirees, former employees and their surviving dependents at the end of 2006 were transferred to MEON as of December 31, 2006.

Of the r emaining pension obligations, the pension liability insurance claims are o ffset as follows:

in € million	Dec. 31, 2013	Dec. 31, 2012
Benefit obligations not reinsured with VKE		
Settlement amount		
Pension obligations before offsetting (gross amount)	**392.1**	**80.5**
	394.1	83.0
Benefit obligations reinsured with VKE		
Settlement amount	27.5	3.2
Pension provisions before offsetting (gross amount)	27.5	3.2
Cost of plan assets	27.5	3.0
Net amount after offsetting	**0.0**	**0.2**
Benefits in kind (electricity)	**13.6**	**9.4**
Total provisions	**407.7**	**92.6**

The fair values of the pension liability insurance claims correspond to the actuarial reserve documented by the insurer and thus their cost. The fair value of the fixed-term deposits is equal to their cost.

The pension obligations and the provisions for benefits in kind (electricity) reported are offset openly with the indemnification claims against MEON.

The discount rate applied in the discounting of pension obligations was 4.91% p.a. in fiscal year 2013 (previous year: 5.07% p.a.). Furthermore, a salary trend of 2.5% p.a. and a pension trend of 2.0% p.a. were assumed, as in the previous year.

The retention option exercised in previous years in accordance with German Accounting Law Modernization Act (*Bilanzrechtsmodernisierungsgesetz*, "BilMoG") no longer exists since the amounts originally recognized in the year of transition (2010) were exceeded for the first time.

Other provisions mainly comprise provisions for concession obligations, renewal obligations, emissions certificates required, personnel obligations (including for partial retirement), for environmental improvement and disposal obligations, for expenses in connection with construction projects not eligible for capitalization, as well as for unbilled goods and services.

The higher carrying amount was retained to the extent that the measurement rules set out in section 253 of the HGB that changed as a result of the BilMoG in the year of transition (2010) led to a reversal of other provisions and additions are expected by December 31, 2024 at the latest. The excess amount totaled €106.3 million as of December 31, 2013.

Based on a duration of 1.5 years (previous year: 1.8 years), a discount rate of 3.49% p.a. (previous year: 3.83% p.a.) and, as in the previous year, a salary trend of 2.5% p.a. was applied for partial retirement obligations. Based on a duration of 3.4 years (previous year: 3.8 years and 4.0 years), a discount rate of 3.74% p.a. (previous year: 4.11% p.a. and 4.14% p.a.) was applied for early retirement obligations and potential obligations. Furthermore, as in the previous year, a salary trend of 2.5% p.a. was assumed.

(11) Liabilities

in € million	Dec. 31, 2013				Dec. 31, 2012	
		Due				Due
	Total	within 1 year	within 1 to 5 years	after more than 5 years	Total	after more than 1 year
Trade payables	66.3	64.7	1.1	0.5	7.5	0.0
Liabilities to affiliated companies	575.4	575.1	0.0	0.3	365.9	0.3
of which to shareholders	(230.8)	(230.8)	(0.0)	(0.0)	(353.7)	(0.0)
of which trade payables	(268.2)	(268.2)	(0.0)	(0.0)	(9.4)	(0.0)
of which from allocation and financial transactions	(76.4)	(76.1)	(0.0)	(0.3)	(2.8)	(0.3)
Liabilities to other long-term investees and investors	33.1	33.1	0.0	0.0	0.8	0.0
Other liabilities	15.7	8.2	5.9	1.6	1.7	0.0
	690.5	**681.1**	**7.0**	**2.4**	**375.9**	**0.3**

Other liabilities relate to tax liabilities (€3.9 million; previous year: €0.6 million) and social security liabilities (€2.8 million; previous year: €0.6 million).

(12) Deferred income

This item is mainly attributable to payments received for energy supply contracts, which are economically attributable to subsequent years and will be recognized over the term of the contract.

(13) Contingent liabilities and other financial commitments

Contingent liabilities are as follows:

in € million	Total	Of which attributable to affiliated companies
Contingent liabilities from guarantees	53.1	52.8
Contingent liabilities from warranties	2.3	2.3
	55.4	**55.1**

Contingent liabilities from warranties also include letters of comfort, parent company guarantees and indemnity agreements, the amount of which cannot be quantified.

The Company's financial guarantees include the liquidity assistance guarantee to MEON in the amount of €1,123.0 million.

E.ON Kraftwerke GmbH is jointly and severally liable for its equity interests in Kraftwerk Schkopau GbR, Schkopau, Kraftwerk Buer GbR, Gelsenkirchen, as well as Volkswagen AG PreussenElektra AG oHG, Wolfsburg.

Electricity delivery, fuel supply and disposal, and the procurement of electricity are covered by long-term agreements customary to the industry. Other financial commitments relate to the usual commitments arising from rental and lease agreements, from purchase commitments for investments (€759.2 million, of which €60.6 million is attributable to affiliated companies), as well as from loans that have been granted but not yet drawn down.

EKW is obliged to make additional contributions to VKE and VAW-Innwerk Unterstützungsgesellschaft mbH, Bonn, if short- term compensatory payments are required in the case of an asset shortfall.

Under the asset swap agreement between the three E.ON group companies and other external contractual parties dated July 30, 2009, E KW is obliged to pay damages in various cases provided specific conditions have been met. Different time restrictions of up to ten years apply to the assertion of any future claims for damages. This liability to pay compensation is limited to the total purchase price achieved.

Contingent liabilities in accordance with the provisions of the UmwG are due to the liabilities transferred in connection with reorganizations under company law in previous years.

The risk of utilization is considered low for each of the contingent liabilities. This opinion is based mainly on the credit assessments of the primary liable parties as well as on past experience.

(14) Financial instruments

The Company is exposed to currency risk as part of its business activities. This is managed using a systematic risk management system. As of the reporting date, currency swaps with affiliated companies had a notional value of €2.1 million and a lower fair value of €0.1 million.

D. Income Statement Disclosures

(15) Sales

in € million	2013	2012
Power generation	2,539.7	611.4
Management fee	151.7	44.3
Other sales	15.1	0.0
	2,706.5	**655.7**

Sales were generated almost exclusively in Germany.

(16) Other operating income

Other operating income primarily comprises income from recharged goods and services, from recharged personnel and administrative expenses, from the disposal of fixed assets as well as from the reversal of provisions. Significant prior-period income in the amount of €34.2 million was attributable to the reversal of provisions. The item also includes currency translation gains of €0.9 million.

(17) Cost of materials

in € million	2013	2012
Cost of raw materials, consumables and supplies	1,539.4	150.0
Cost of purchased services	292.9	105.1
	1,832.3	**255.1**

(18) Personnel expenses

in € million	2013	2012
Wages and salaries	235.4	51.4
Social security, post-employment and other employee benefit costs	61.5	13.8
of which for post-employment benefits	(22.6)	(4.7)
	296.9	**65.2**

Amounts resulting from the unwinding of the discount on personnel provisions, in particular pension provisions, are not recorded under personnel expenses; rather, these are reported under interest income.

An average of 2,869 people were employed in the year under review. These are broken down as follows:

	2013	2012
Waged employees	1,284	377
Salaried employees	1,400	269
Part-time employees	185	78
	2,869	**724**

The increase in the average number of employees is largely due to the addition of employees in the Conventional Generation division. The disposals as part of E.ON 2.0 in particular and the spin-off transactions had an offsetting effect.

(19) Depreciation, amortization and write-downs

Depreciation, amortization and w rite-downs are sole ly attributable to amortization and write-downs of in tangible fixed assets, and depreciation and write-downs of tangible fixed assets.

(20) Other operating expenses

Other operating expenses primarily comprise losses on the disposal of tangible fixed assets and current assets, expenses for consulting and oth er services, as well as general administration costs and currency losses of €0.2 million.

(21) Investment income

in € million	2013	2012
Income from long-term equity investments	3.4	1.9
of which from affiliated companies	(2.4)	(€25 thousand)
Income from profit transfer agreements	61.1	0.0
of which from affiliated companies	(61.1)	(0.0)
Cost of loss absorption	-37.5	-0.0
of which from affiliated companies	(-37.3)	(-0.0)
	27.0	**1.9**

(22) Interest income and expense

in € million	2013	2012
Income from long-term loans		
	4.6	**(€4 thousand)**
- of which from affiliated companies	(4.6)	(0.0)
Other interest and similar income	12.9	1.9
- of which from affiliated companies	(2.6)	(1.1)
Income from the discounting of provisions	4.7	0.0
	17.6	**1.9**
Interest and similar expenses	-7.3	-2.7
- of which due to affiliated companies	(-3.9)	(-0,5)
Expenses from the unwinding of the discount on provisions	-38.3	-7.7
	-45.6	**-10.4**
	-23.4	**-8.5**

Expenses from the unwinding of the discount on provisions also include a net expense of €19.2 million from the unwinding of the discount (including changes to the interest rate) on pension and long-term personnel provisions (€22.0 million) after offsetting against income from the corresponding plan assets (€2.8 m illion). The Wind, Water and C onventional Generation divisions are financed via separate cash accounts at E.ON SE.

(23) Write-downs of long-term financial assets

This item mainly relates to write-downs on the shares in two affiliated companies, which totaled €233.9 million.

(24) Extraordinary result

in € million	2013	2012
Extraordinary income	52.7	0.8
Extraordinary expenses	-85,1	-18.5
	-32,4	**-17.7**

Extraordinary income is attributable to non-recurring income of €52.7 million to compensate for the disadvantage caused by the reduction in the power generation capacity available to EGC.

In addition, extraordinary expenses were incurred in connection with the spin-off transactions described above due to book losses.

(25) Taxes on income and profits

Income and profit tax has not been collected since 2011. Tax refunds of €18.5 thousand were recorded outside the tax group.

(26) Profit transferred on the basis of a profit transfer agreement

The net income for the year of €217.4 million was transferred to the parent company on the basis of the profit transfer agreement with E.ON Beteiligungen GmbH.

Other disclosures

Transactions with related parties

EKW exchanges goods and serv ices with a l arge number of com panies, including related parties, as part of its continuing operations. These transactions are summarized as follows:

in € million	2013	2012
Income	177.6	0.0
Expenses	226.6	0.0
Receivables	108.3	0.0
Liabilities	195.1	0.0

Expenses from transactions with related parties primarily relate to the procurement of electricity and operational expenses at jointly operated power plants. These are settled on a cost plus return on equity basis in accordance with the cost transfer agreements. Receivables from related parties mainly include trade receivables.

Liabilities to related parties are due to cash transfers and from the ongoing electricity business with jointly operated power plants.

Significant transactions with affiliated or associated companies (section 6b (2) of the EnWG)

Significant contractual relationships exist in particular with:

- E.ON SE on the investment/borrowing of cash funds (cash pooling agreement). Receivables in the amount of €3,235.0 million were recognized as of the reporting date. Interest income of €2.4 million and an interest expense of €9.0 million were recognized in this connection.
- E.ON Anlagenservice GmbH on the provision of support and other services in the area of technical maintenance and plant service (€47.0 million).
- E.ON New Build & Technology GmbH on technical project management and planning services (€20.9 million).

Remuneration of the Supervisory Board and the Managing Directors

Remuneration of the members of the Supervisory Board amounted to €106.6 thousand. In accordance with section 286 (4) of the HGB, the remuneration of the Managing Directors is not disclosed since only Mr. Jost and Mr. Gattermann receive remuneration from E.ON Kraftwerke GmbH.

Obligations from pension commitments to former Managing Directors and their surviving dependents as well as the necessary plan assets were transferred to MEON as of December 31, 2006. MEON recognized a provision in the amount of €27,095.0 thousand for the obligations to former Managing Directors and their surviving dependents assumed by it. The current remuneration of this group is €2,487.1 thousand.

The members of the Supervisory Board and the Managing Directors are listed on pages 37 and 38. The audit fees are not disclosed since this information is included in the notes to the consolidated financial statements of E.ON SE.

Hanover, January 23, 2014

E.ON Kraftwerke GmbH

The management

Jost	Sattermann	Dr. Klostermann

Members of the Supervisory Board of E.ON Kraftwerke GmbH

Dr. E. h. Bernhard Fischer, Hanover	Chairman of the Supervisory Board Chairman of the Board of Directors E.ON Generation GmbH
Holger Grzella, Gelsenkirchen	Deputy Chairman of the Supervisory Board Chairman of the Division Works Council of E.ON Kraftwerke GmbH
Thomas Barth, Munich	Chairman of the Management Board of E.ON Energie AG (until 31/12/2013)
Anton Baumgartner, Finsing	Plant Manager Isar, Finsing, of E.ON Kraftwerke GmbH (from 10/05/2013)
Alexander Gröbner, Regensburg	District Manager ver.di Oberpfalz District, Regensburg
Wolf Hatje, Hanover	Former member of the Management Board of E.ON Mitte AG (until 06/02/2013)
Dr. Walter Hohlefelder, Munich	Former member of the Management Board of E.ON Energie AG (from 26/04/2013)
Matthias Hube, Maasvlakte (Belgium)	Plant Manager E.ON Generation Fleet
Gerald Humpel, Ingolstadt/Irsching	Member of the Division Works Council of E.ON Kraftwerke GmbH (until 11/03/2013)
Hermann Ikemann, Düsseldorf	Global Head of Employee Relations & Labor Law of E.ON SE (from 26/04/2013)
Josef Irlesberger, Landsberg/Lech	Plant Manager Lech, Landsberg/Lech, of E.ON Kraftwerke GmbH (from 10/05/2013)
Dr. Ingo Luge, Essen	Chairman of the Board of Directors of E.ON Deutschland
Peter Obramski, Gelsenkirchen	Head of Ruhr-Mitte District IG Bergbau, Chemie und Energie, Gelsenkirchen
Dr. Nanna Rapp, Düsseldorf	Head of Operational Efficiency of E.ON SE (from 26/04/2013)
Andreas Reichwald, Petershagen	Headquarters Works Council of E.ON Kraftwerke GmbH
Heinz-Peter Schierenbeck, Hanover	Former Head of the Group Senior Executives Division of E.ON Energie AG (until 06/02/2013)
Dr. Albrecht Schleich, Munich	Member of the Management Board of Rhein-Main-Donau AG (until 31/12/2013)
Andreas Schneider, Helmstedt	Deputy Chairman of the Division Works Council of E.ON Kraftwerke GmbH
Eberhard Schomburg, Petershagen	Chairman of the Division Works Council of E.ON Kraftwerke GmbH
Dirk Steinheider, Hanover	CFO E.ON Generation GmbH (from 26/04/2013)

Board of Directors

Dirk Jost, Hanover	HR Chairman

	(Chairman from 03/06/2013)
Christof Gattermann, Hanover	Coordination Regional Units
Dr. Ulf Klostermann, Hanover	Finance, Materials and Energy

Statement of changes in fixed assets

in € million

	As of Jan. 1, 2013	Additions /disposals (-) as a result of reorganizations	Additions	Disposals	Transfers	As of Dec. 31, 2013	Cumulative depreciation, amortization and write-downs: As of Dec. 31, 2013	Cumulative depreciation, amortization and write-downs: of which: additions/disposals (-) as a result of reorganizations	Carrying amounts: As of Dec. 31, 2013	Carrying amounts: As of Dec. 31, 2012	Carrying amounts: Depreciation, amortization and write-downs in fiscal year 2013
Intangible fixed assets											
Purchased concessions and similar rights	168.4	-17.6	0.4	0.5	0.0	150.7	118.5	68.0	32.2	119.3	2.0
	168.4	**-17.6**	**0.4**	**0.5**	**0.0**	**150.7**	**118.5**	**68.0**	**32.2**	**119.3**	**2.0**
Tangible fixed assets											
Land, land rights and buildings, including buildings on third-party land	144.4	717.0	3.0	2.1	1.6	863.9	539.9	450.7	324.0	67.6	13.4
Technical equipment and machinery	1,180.4	5,246.9	6.6	16.5	7.7	6,425.1	5,940.4	4,849.1	484.7	134.3	61.6
Other equipment, operating and office equipment	22.7	67.6	2.2	5.4	0.0	87.1	72.2	52.8	14.9	2.2	4.4
Prepayments and assets under construction	15.4	1,280.2	255.6	0.3	-9.3	1,541.6	0.0	0.0	1,541.6	15.4	0.0
	1,362.9	**7,311.7**	**267.4**	**24.3**	**0.0**	**8,917.7**	**6,552.5**	**5,352.6**	**2,365.2**	**219.5**	**79.4**
Long-term financial assets											
Shares in affiliated companies	70.3	1,362.8	189.6	35.5	0.0	1,587.2	707.8	494.6	879.4	70.3	233.9
Loans to affiliated companies	0.0	70.4	0.0	4.1	0.0	66.3	0.0	0.0	66.3	0.0	0.0
Equity investments	82.0	-49.6	0.0	12.9	0.0	19.5	7.4	8.4	12.1	74.5	0.0
Other loans	0.0	0.5	0.0	0.1	0.0	0.4	0.1	0.1	0.3	0.0	0.0
	152.3	**1,384.1**	**189.6**	**52.6**	**0.0**	**1,673.4**	**715.3**	**503.1**	**958.1**	**144.8**	**233.9**
	1,683.6	**8,678.2**	**457.4**	**77.4**	**0.0**	**10,741.8**	**7,386.3**	**5,923.7**	**3,355.5**	**483.6**	**315.3**
of which:											
Merger of E.ON Kraftwerke GmbH		9,439.9						6,593.8			
Merger of Amrumbank-West GmbH		113.0						2.1			
Spin-off of VIPER		-297.0						-124.7			
Spin-off of Helmstedter Revier		-577.7						-547.5			
		8,678.2						**5,923.7**			

List of shareholdings as of December 31, 2013

	Registered office	Interest in capital in %	Equity (2012) in € '000	Net profit/loss (2012) in € '000
Affiliated companies				
BauMineral GmbH	Herten	100.00	4,591	0 [1]
EEP 2. Beteiligungsgesellschaft mbH	Munich	100.00	24	0
EEP Kraftwerksgesellschaft Obernburg mbH	Munich	100.00	24	0
E.ON Anlagenservice GmbH	Gelsenkirchen	100.00	43,100	0 [1]
E.ON Elektrárne s.r.o.	Trakovice	100.00	54,855	18,938
E.ON Energy Projects GmbH	Munich	100.00	20,689	0 [1]
E.ON Energy Solutions GmbH	Munich	100.00	1,017	-7
E.ON Erömüvek Kft.	Budapest	100.00	81,357	-2,352 [2]
E.ON Fernwärme GmbH	Gelsenkirchen	100.00	18,600	0 [1]
E.ON Kraftwerke 6. Beteiligungs-GmbH	Hanover	100.00	24	0
Gemeinschaftskraftwerk Irsching GmbH	Vohburg	50.20	284,382	3,661
Gemeinschaftskraftwerk Staudinger Verwaltungs-GmbH	Großkrotzenburg	100.00	27	2
Gemeinschaftskraftwerk Veltheim Gesellschaft mit beschränkter Haftung	Porta Westfalica	66.67	9,649	631
KGW - Kraftwerk Grenzach-Wyhlen GmbH	Munich	69.76	11,568	1,762
Kraftwerk Burghausen GmbH	Munich	100.00	4,807	0 [1]
Kraftwerk Hattorf GmbH	Munich	100.00	25	0 [1]
Kraftwerk Plattling GmbH	Munich	100.00	75	0 [1]
Kraftwerk Schkopau Betriebsgesellschaft mbH	Schkopau	55.60	28	2
Kraftwerk Schkopau GbR	Schkopau	58.10	108,386	6,128
MEON Pensions GmbH & Co. KG	Grünwald	34.28	1,892,707	112,396
Netz Veltheim GmbH	Porta Westfalica	66.67	10,613	2,150
Offshore Trassenplanungs GmbH	Hanover	50.00	90	3
RuhrEnergie GmbH, EVR	Gelsenkirchen	100.00	12,783	0 [1]
Untere Iller AG	Landshut	60.00	1,135	41
VEW-VKR Fernwärmeleitung Shamrock-Bochum GbR	Gelsenkirchen-Buer	55.10	0	0
Equity investments				
Fernwärmeversorgung Herne GmbH	Herne	50.00	1,023	0 [1]
Gemeinschaftskraftwerk Kiel Gesellschaft mit beschränkter Haftung	Kiel	50.00	18,870	1,533
Industriekraftwerk Greifswald GmbH	Kassel	49.00	22	-3
InfraServ-Bayernwerk Gendorf GmbH	Burgkirchen/Alz	50.00	7,546	1,032
Kraftwerk Buer Betriebsgesellschaft mbH i. L.	Gelsenkirchen	50.00	0	0
Kraftwerk Buer GbR	Gelsenkirchen	50.00	5,113	-293
Lillo Energy NV	Beveren/Antwerp	50.00	17,809	3,180
Volkswagen AG Preussen Elektra AG Offene Handelsgesellschaft	Wolfsburg	95.00	-1,825	296

1) After profit transfer

2) Translated at the closing rate/average rate

Auditor's Report

We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes to the financial statements – together with the bookkeeping system, and the management report of E.ON Kraftwerke GmbH, Hanover, for the business year from January 1 to December 31, 2013. According to section 6b (5) EnWG ("Energiewirtschaftsgesetz", "German Energy Industry Law"), the audit also included the company's observance of obligations for the accounting according to section 6b (3) EnWG, which require separate bookkeeping for activities stated in section 6b (3) EnWG. The maintenance of the books and records, the preparation of the annual financial statements and management report in accordance with German commercial law for corporations, as well as the observance of the obligations pursuant to section 6b (3) EnWG are the responsibility of the Company's Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report as well as the observance of obligations for the accounting according to section 6b (3) EnWG based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance and to obtain reasonable assurance about whether, in all material respects, the obligations pursuant to section 6b (3) EnWG have been observed. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report, as well as the observance of obligations for the accounting according to section 6b (3) EnWG are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report and assessing whether the amounts stated and the classification of accounts in accordance with section 6b (3) EnWG are appropriate and comprehensible and whether the principle of consistency has been observed. We believe that our audit provides a reasonable basis for our opinion.

Our audit of the annual financial statements, together with the bookkeeping system, and of the management report has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

The audit of the observance of obligations for the accounting according to section 6b (3) EnWG, which require separate bookkeeping for activities stated in section 6b (3) EnWG, has not led to any reservations.

Hanover, January 24, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Norbert Versen	ppa. Thorsten Wesch
Wirtschaftsprüfer	Wirtschaftsprüfer