Capital Market Day 2009
E.ON's generation activities

Essen

October 7th, 2009

Agenda

Introduction	Wulf Bernotat
Global perspective and trends	Johannes Teyssen
Portfolio development	Eckhardt Rümmler
Monetizing the assets	Gregor Pett

E.ON's current strategic priorities

Improvement of operational performance

- Drive towards operational excellence
- PerformtoWin initiative to deliver € 1.5 bn until 2011

Portfolio streamlining

- Reduction of complexity of group's structure
- Implementation of EU commitment
- Objective to generate more than € 10 bn of cash proceeds

Investment prioritization

- Focus on organic growth investments
- Platform for future earnings growth

Portfolio streamlining

Divestment of generation capacity

Targets

- Commitment to EU Commission to divest 5 GW in Germany
- Divestment of further capacity to facilitate transactions

Achievements

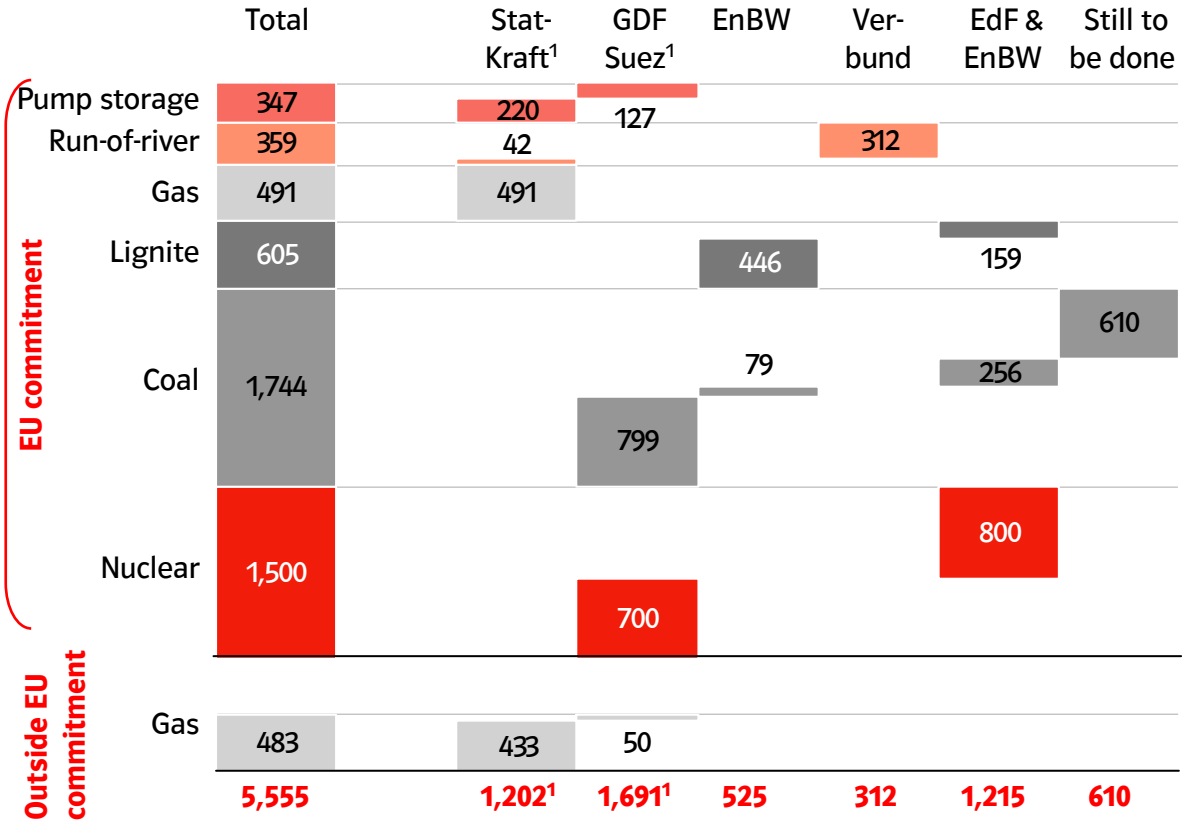
- Agreements to divest 4.4 GW
- Agreements to divest 0.5 GW

- Preference to swap as much capacity as possible
- Preference for like-for-like swaps of technologies
- Reduction of CO2 footprint

- Agreements to receive 3.7 GW in total
- Nuclear, coal and pump storage largely swapped like-for-like
- Lignite sold, not swapped

Portfolio streamlining

Generation capacity divested in Germany (MW)



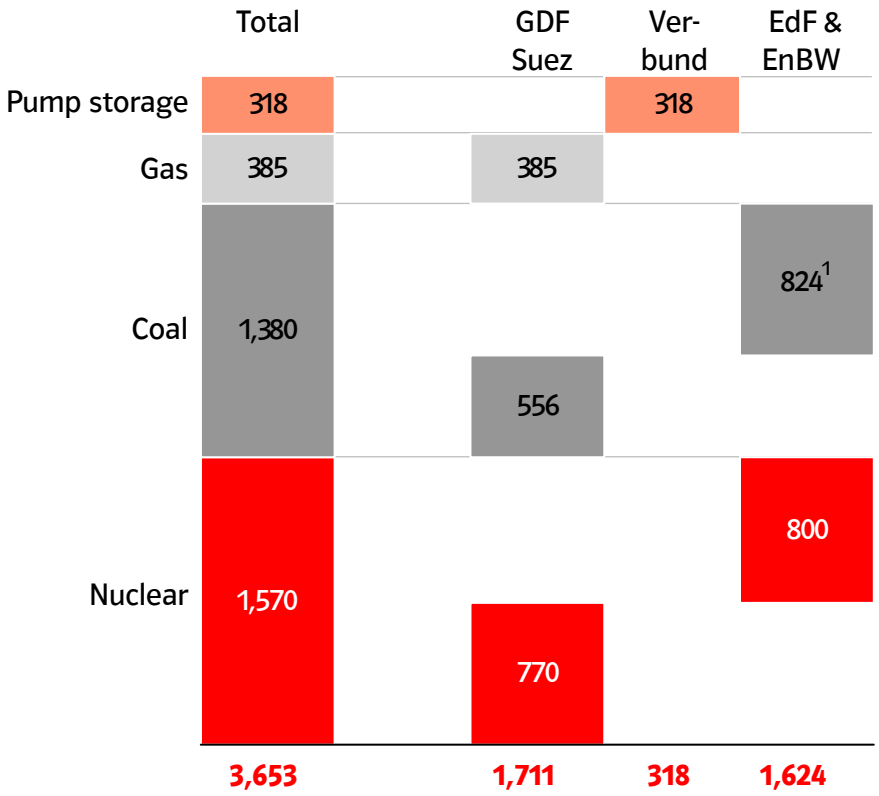
- Negative effect on Adjusted EBIT of disposal and swaps of 5.5 GW generation capacity excluding Statkraft asset swap: ~€ 0.5 bn on a full-year basis in 2010
- Negative effect on Adjusted EBIT of Statkraft asset swap (especially Swedish hydro): ~€ 0.2 bn already effective in 2009

1. Additionally, Statkraft acquired 16 MW of biomass capacity, GDF Suez 10 MW of biomass capacity and 5 MW of run-of-river capacity

Close to fulfillment of EU commitment

Portfolio streamlining

Generation capacity received outside Germany (MW)



- More than € 2 bn of cash proceeds expected, including forthcoming sales of remaining capacity
- Statkraft transaction part of broader transaction to buy out the 45% minority interest of Statkraft in E.ON Sweden

1. 35% of SNET's 2,355 MW of generation capacity

Substantial strengthening of generation presence outside Germany

Portfolio streamlining – Overview

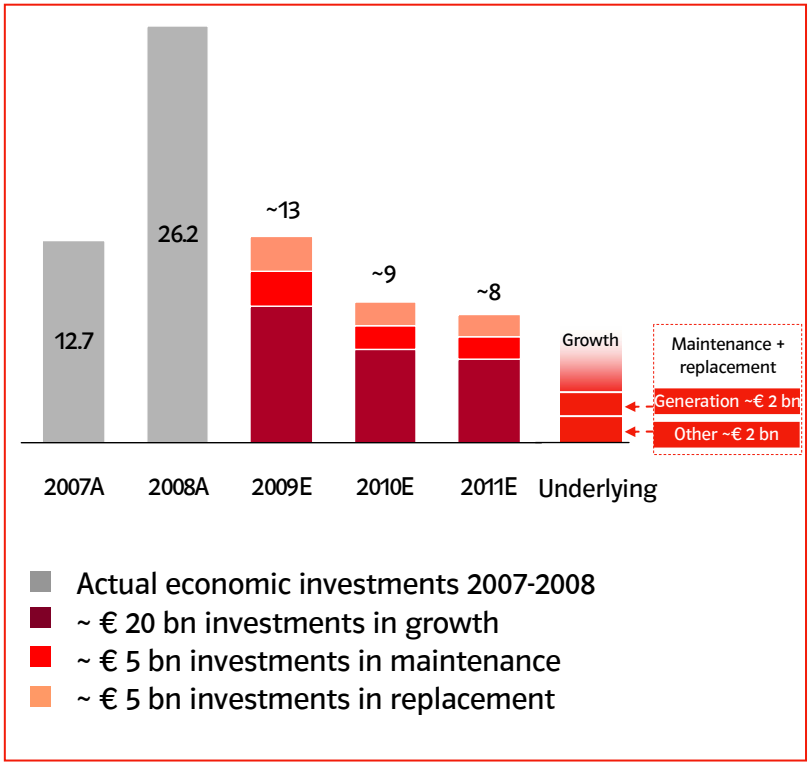
	Transaction	Expected closing	Cash proceeds
Closed	Statkraft asset swap	Dec 2008	×
	Disposal of 0.5 GW to EnBW	May 2009	✓
	Disposal and swap of hydro-electric generation capacity with Verbund	Aug 2009	✓/×
Pending	Swap of 1.7 GW generation capacity with Electrabel	Q4 2009	×
	Swap of 1.2 GW generation capacity with EdF	Q4 2009	×
	Yuzhno Russkoye - Gazprom swap	Q4 2009	×
	Disposal of Thüga	Q4 2009	✓
In preparation	Disposal of remaining generation capacity related to EU commitment	2009/2010	✓
	Disposal of 4 stakes taken out of Thüga	2009/2010	✓
	Disposal of Italian gas distribution	2010	✓
	Disposal of German transmission network	2010	✓
Under consideration	Further disposals	-	✓

- Objective of generating > € 10 bn of cash proceeds by end 2010
- Already close to € 5 bn of cash proceeds agreed on, thereof € 2.9 bn for Thüga
- Current disposal priorities:
  - Sale of remaining generation capacity related to EU commitment
  - Four stakes taken out of Thüga

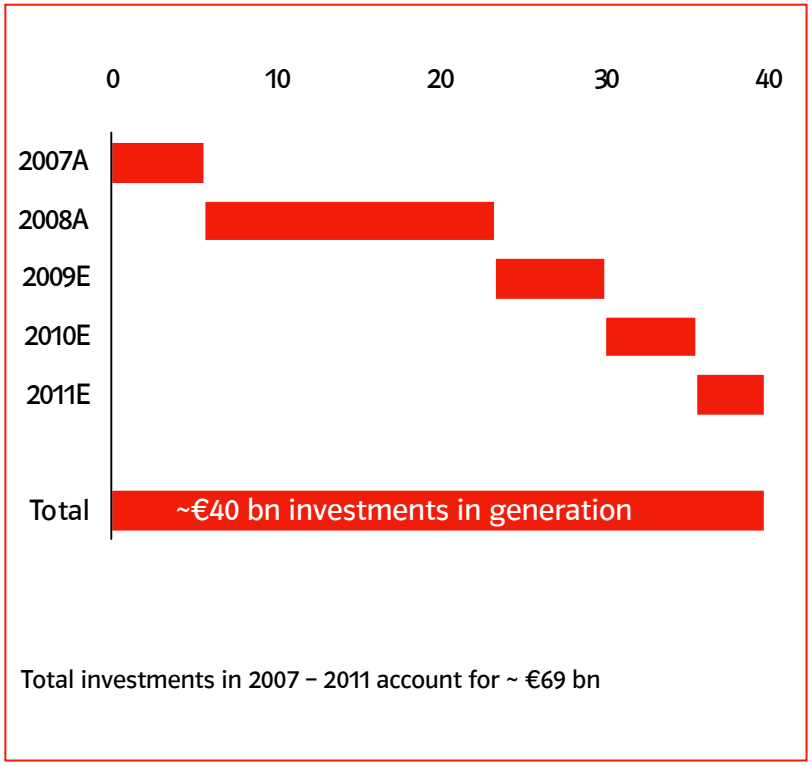
Already mid way to targeted > € 10 bn cash proceeds

Generation within the E.ON Group - CAPEX

E.ON Group capex 2007-2011



E.ON Generation capex 2007-2011

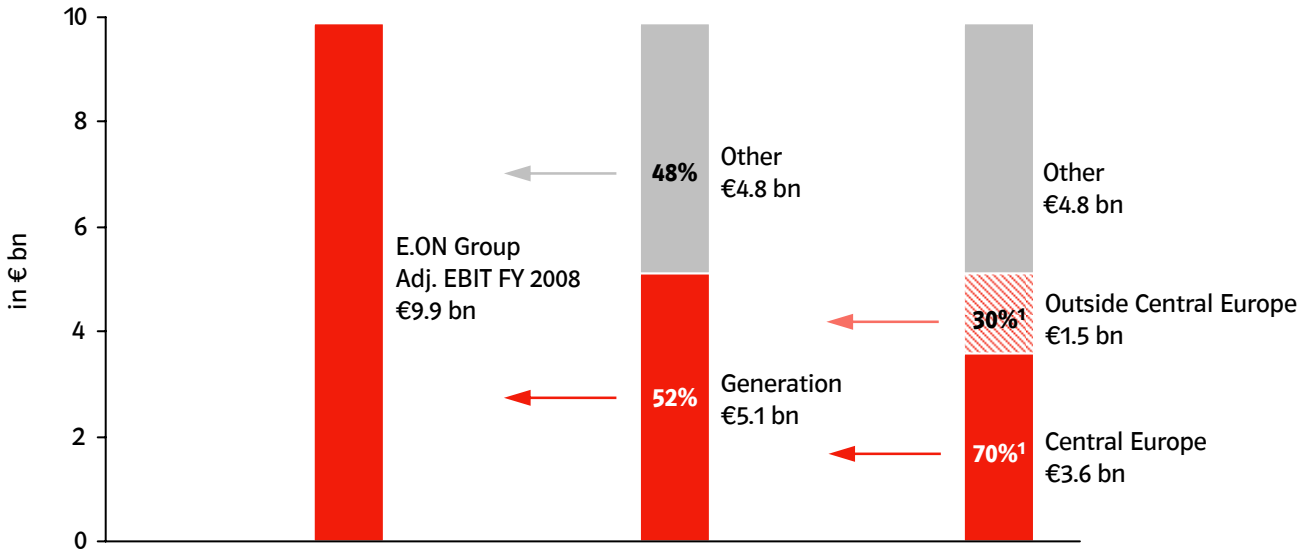


Total investments in 2007 – 2011 account for ~ €69 bn

Generation constitutes a lion's share of economic investments – a sound basis for growth

Generation within the E.ON Group – Adj. EBIT contribution

Generation activities are the largest contributor to E.ON's results



1. % of countries outside of Central Europe will increase in future years as Spain and Italy have been only consolidated since July 2008

Generation accounts for over 50% of the Group's adjusted EBIT

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Start with today's current issues

Datteln, Germany

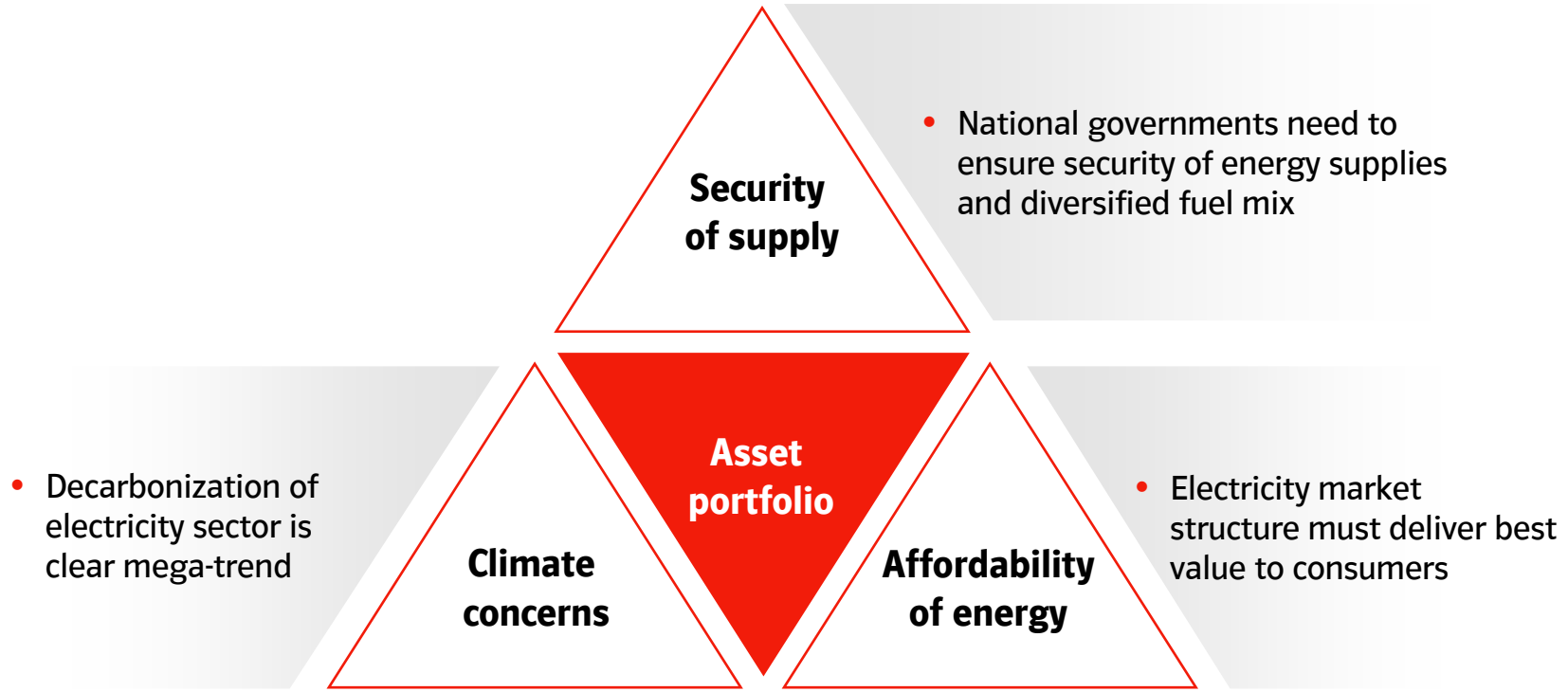
Irshing 4, Germany

Oskarshamn, Sweden

Roscoe, Texas, USA

Krümmel, Germany

Future strategy must be compatible with Energy Trilemma



Necessity for a global compromise is becoming more and more imminent

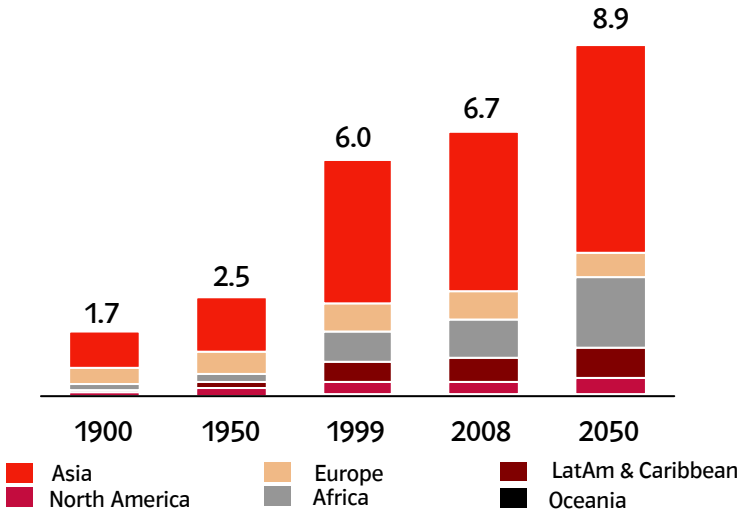
Global trends and drivers

- **Population growth and rising energy intensity**
- **Increasing energy demand requires decarbonisation**
- **Technological opportunities**
- **Significant replacement requirements**

Population growth and rising energy intensity

Global population to hit 9 bn by 2050

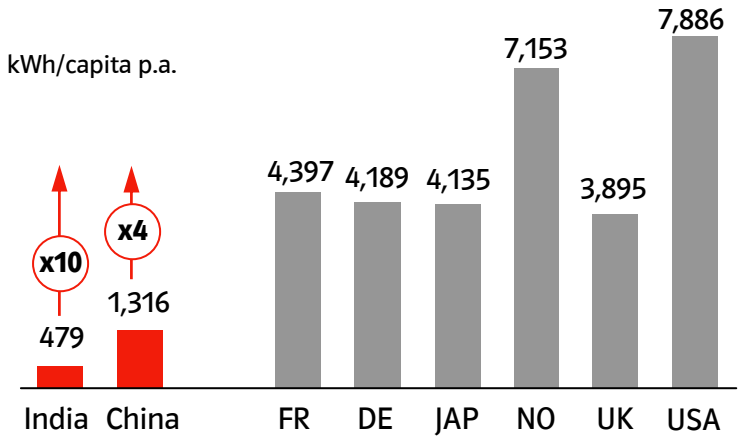
- Majority of increase is expected to come from Asia
- Pressure on energy resources and water supply set to intensify



Source: United States Census Buro 2006

OECD energy intensity 4x that of China

- Expectation that 80% of demand growth is met by fossil fuels
- China is building over 1 GW of coal fired plant per week in order to satisfy its rising energy demands



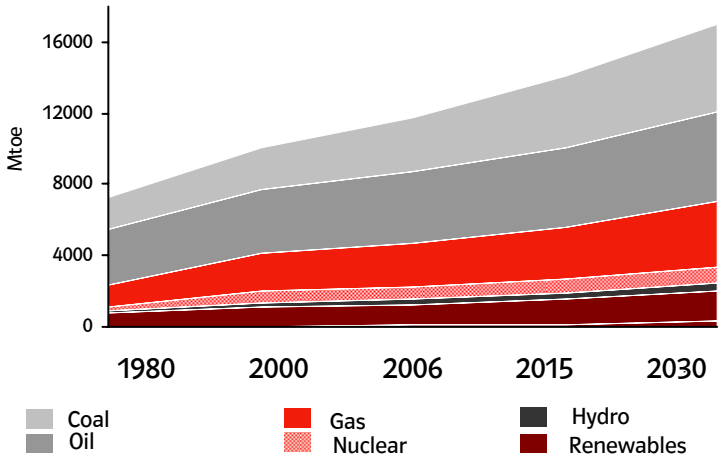
Source: United States Census Buro 2006

Global population forecast to hit 9bn by 2050 with Chinese energy intensity set to quadruple

Increasing energy demand requires decarbonisation

Strong rise in global energy demand

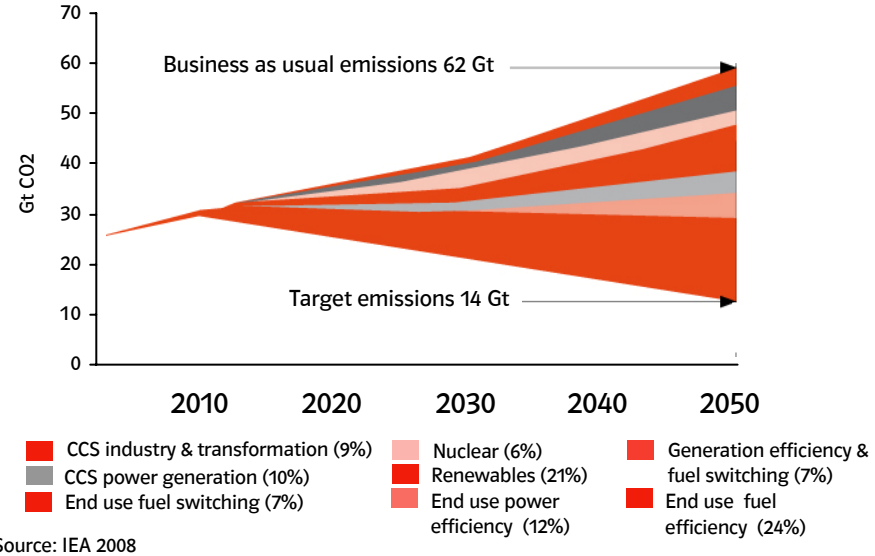
- Population growth and further industrialization of rural areas in Asia will drive energy needs
- Primary energy demand set to rise at average of 1.6% p.a. out to 2030



Source: IEA

Technologies to tackle climate change

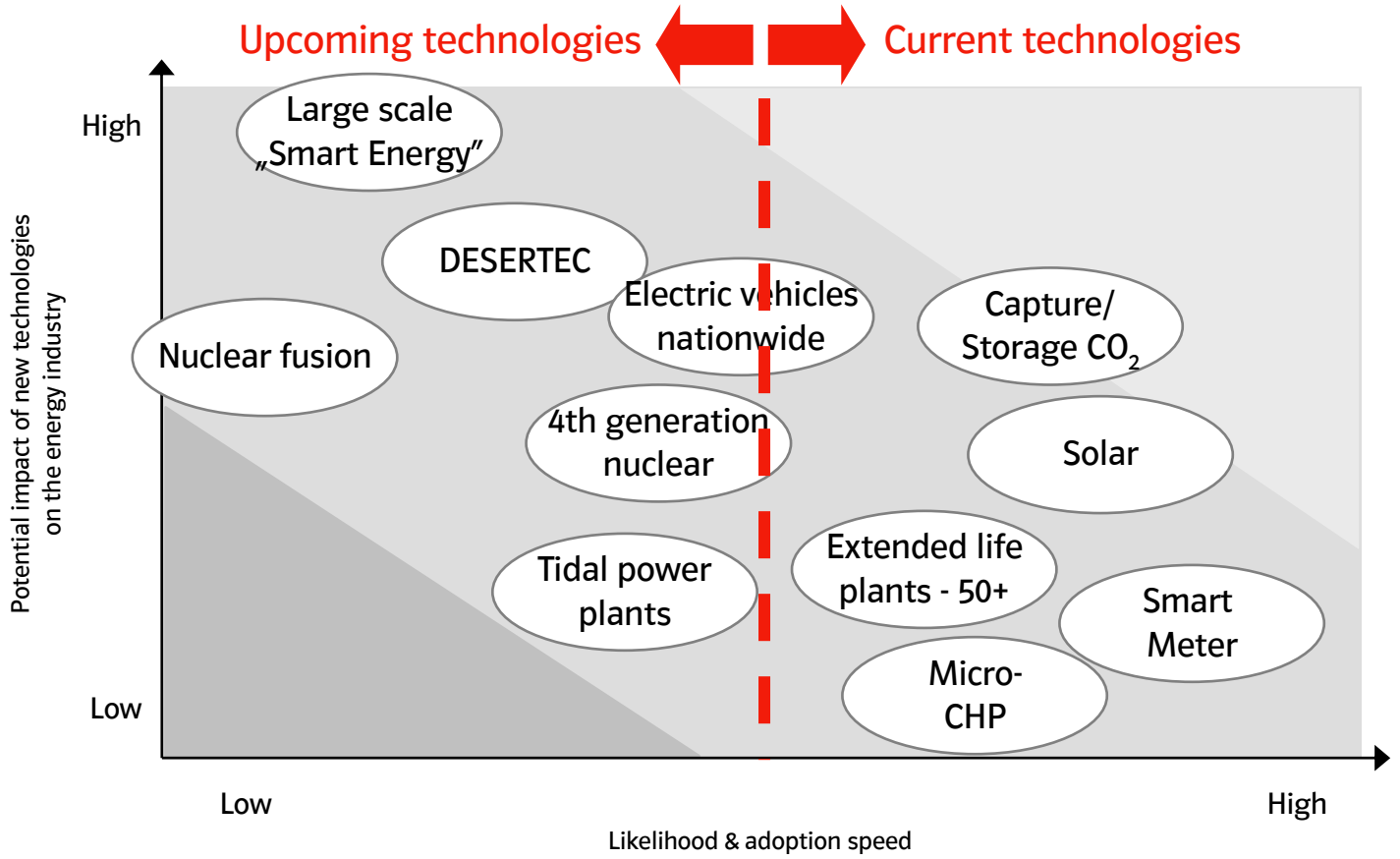
- Business-as-usual would lead to emissions of 62 Gt by 2050
- 14 Gt target consistent with 2˚C warming target (450ppm)



Source: IEA 2008

All technologies will be needed on a global basis to meet the 2˚C target

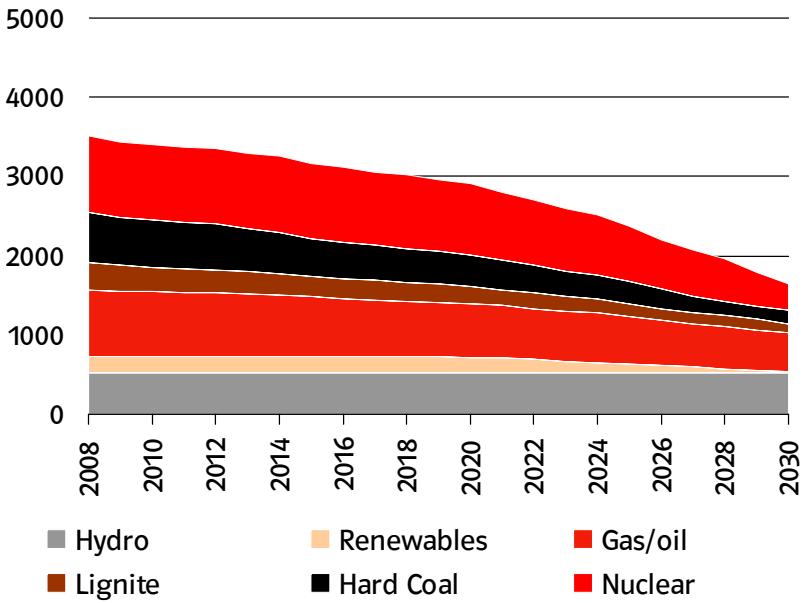
Technological opportunities



Technological competence is key for future success

Significant replacement requirements

Development of EU27 power supply (excl. replacements)



- Large Combustion Plant Directive (LCPD) will mean up to 50 GW of plant needs to be replaced
- New renewables will need 90+% fossil backing

→ Power demand growth is important, but replacement plant requirements have much greater impact on the equilibrium of a market

Long term fundamentals will prevail: more than 50% of Europe's generation has to be replaced by 2030

Implications for the industry

Need for investments

Need for capital intensive technologies to reduce CO2

Need for reliable political framework

Need for investments

Globally

International Energy Agency view on global power investment needs:

- $550 bn per year investment needed in Generation between 2010-2030 under the IEA's 450 ppm target (2˚C rise in global temperatures)

Europe

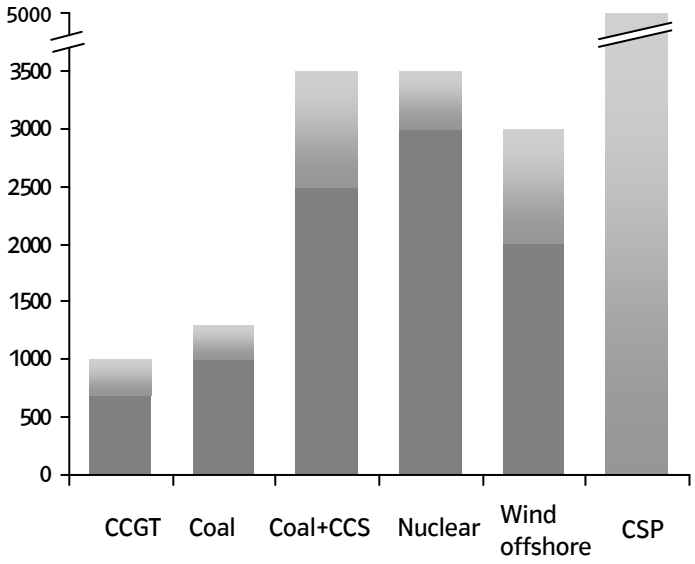
- EU power plant investment will run at a level of up to €60bn per year, to replace existing capacity and to decarbonise the generation system

*Based on VGB target of 475GW of new capacity needed out to 2020, with average Capex of ~€1300/kW (Lyon conference September 2009)

Real challenge is to create the incentives that necessary investments are made

Need for capital intensive technologies to reduce CO2

Cost comparison (new build, €/kW)



Highlights of available technologies

- Hightech technologies needed to tackle climate change: nuclear, coal + CCS, wind, solar
- Higher capex and lower fuel cost than today's default technologies (CCGT and coal)
- Only large well capitalized entities manage new Nuclear and coal + CCS build
- Coal + CCS looks very promising but still needs to be proven on a large scale

Range of technologies can deliver decarbonisation, security of supply and affordability

Reliable investment framework for hightech investment after 2012 needed

Investments are needed → **System has to deliver sustainable investment signals** → **Sources of Incentives**

- EU has set itself binding CO2 targets for 2020
- 50% of EU27 capacity has to be replaced until 2030
- Many MS[1] such as UK have gone further and put binding targets incl. a specific fuel mix into national law

- ETS provides only partial support due to lack of time horizon beyond 2020
- A system with a high share of Renewables leads to high mark-up needs for other generation capacity
- If Governments do not favour the least cost option somebody has to pay

- Post COP 15 global CO2 agreement established and strong LT carbon framework put in place
- EU moves forth with progressive targets, installs strong carbon regime
- MSs[1] will put in place separate support regimes (eg. low carbon obligation, capacity market etc.)

1. Member state

E.ON expects attractive conditions to be put in place irrespective of source

Positive long term outlook, but short term uncertainty

Long term

- Pace of decarbonisation is only going to increase, creating opportunities for energy sector
- Low-carbon investments necessary through plant replacement cycles (eg LCPD), renewables, e-mobility

Bullish

Short term

- Global recession has "stolen" 3-4 years of demand
- Increasing efficiency targets will dampen demand growth
- Uncertainty around environmental phase outs (LCPD and nuclear)

Uncertainty

E.ON addresses long term and short term developments by formulating scenarios

E.ON positions itself for the future using detailed scenarios

Unabated Growth

- India and China combat climate constraints arguing additional burdens for economies
- EU gets increasingly disillusioned with intl. efforts and turns to climate change adaptation
- Economy rebounds as trust in doing business-as-usual is restored quickly
- Global run on fossil fuels ensues

Green World

- Climate change mitigation takes centre stage
- Robust GDP growth
- Quick onset of peak oil and high commodity prices
- Governments stimulate markets to deliver technological innovation
- Trust helps implement solutions with high capital costs

Slow Recovery

- Recession has hit the world economy at its core
- Low levels of investment, preference for low capital costs technologies
- Weak growth spawns weak ST climate agreement
- Discovery of new gas reserves – world muddles through, with moderate fossil fuel prices

Climate Concerns

- Climate change mitigation viewed as key
- Moderate economic growth due to international conflicts
- Affordable fossil fuel makes agreement on LT carbon targets more difficult
- More conflicts attributed to effects of climate change

Different winning technologies in different scenarios

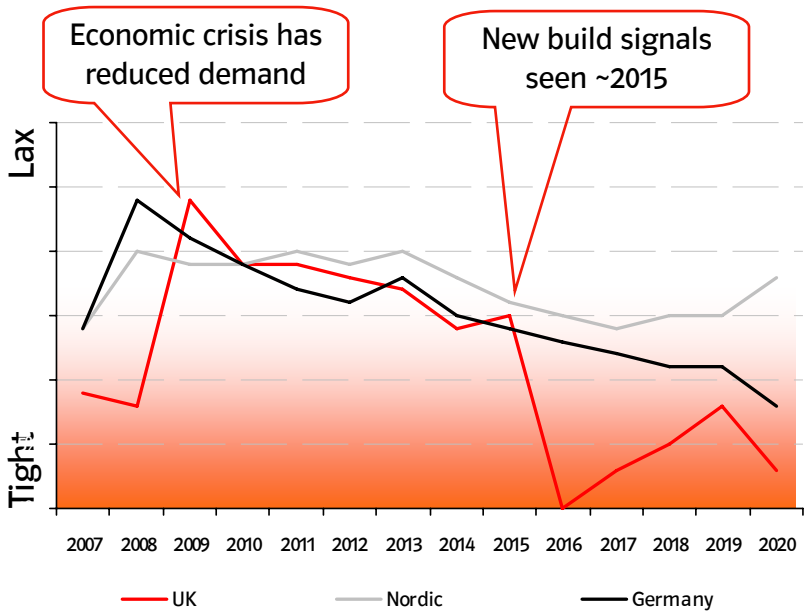
	Coal	CCGT	Nuclear	Renewables
Unabated Growth	++	o	+	o
Slow Recovery	-	++	o	+
Climate Concerns	--/+[1]	+	+	+
Green World	- -/++[1]	-	++	++

1. With CCS

E.ON combines clear position on carbon reduction with scenario work

Impacts of the economic crisis in the new investment cycle

Development of remaining capacity*



Source: E.ON data, own modelling results

*Margin against peak load

Short-term:

- Economic downturn has dramatically increased capacity margins

Medium- to long-term:

- Level of tightness for remaining capacity in all core markets after 2015
- UK remains market, where we see greatest need for new investment due to LCPD closures and closure of aging nuclear
- German development depends heavily on nuclear phase out; Dena study identifies 16 GW of needed additional capacity by 2020
- For Nordic energy balance is far more relevant than the capacity balance

Development of capacity margin indicates tight markets after 2015

E.ON's reaction to the economic and financial crisis

All projects reassessed	• All projects have been remodeled taking into account changes in Capex and power prices
Renegotiated contracts to drive down cost	• Contracts for existing new build plants have been renegotiated to take advantage of falling Capex values
Postponement of projects	• Change in EU supply demand balance has led to postponement of many projects

E.ON well positioned for the upturn

Downturn lets us get back to basics

- We will be using the down time to focus our attention on improving the quality of our existing portfolio (E.G Oskarshamn, Ratcliffe)
- Delay in new builds lets us better plan for the future

E.ON is well positioned for the upturn

- Pan-EU presence gives E.ON the ability to tap the markets with the quickest recoveries and highest growth rates (Spain, Italy, CEE, UK)
- E.ON in markets such as UK which have replacement cycles (LCPD) driving need for new capacity
- E.ON can target markets with scope for future technologies such as nuclear (France, UK, Nordic, Italy)
- Existing market positions of 10-20% share are ideal platforms for further growth (UK, Nordic, Benelux)

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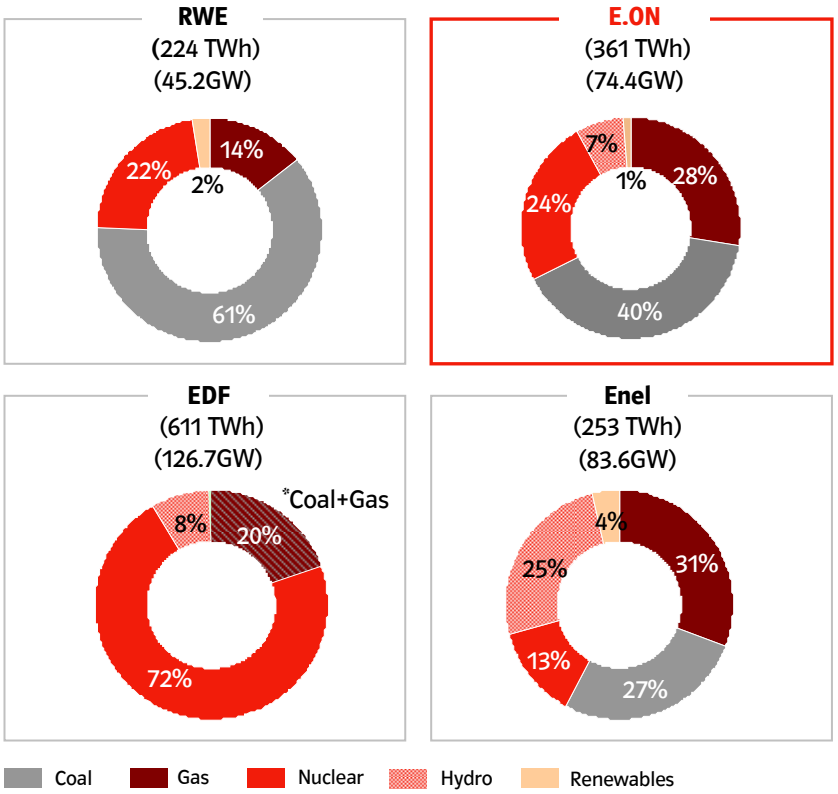
Status quo of our generation portfolio

Portfolio mix



- 2nd largest producer in EU
- Portfolio is well diversified across technologies and geographies
- Over 30% is CO2 free
- Growth focus in renewables and nuclear will further balance portfolio
- CO2 emissions in line with peers and ahead of direct competitor RWE

Technological diversification is expected to bring additional value post 2012

Strategic approach for generation portfolio

Selective approach for EU, Non-EU and Renewables

Future development of E.ON's European portfolio

Financial contribution from European new builds

Selective approach for EU, Non-EU and Renewables

Conventional generation

Core European Business

- Functional pan-European management of assets
- Portfoilo robust under various scenarios of the economic development

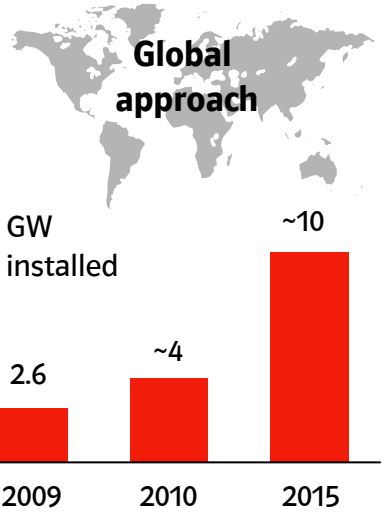
Beyond Europe

- Decentralised manage-ment of US and Russian businesses
- Diversification away from EU market exposure

Renewables

"From Boutique to Industrial"

- Global footprint but highly selective in markets
- Value through centralisation of procurement and finance
- Decentralised teams catering for very different global markets

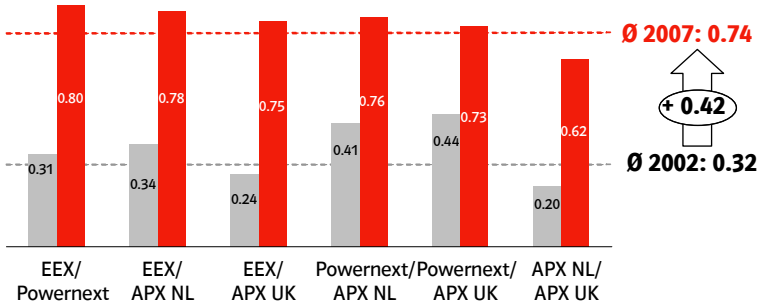


Global capacity. 2009 actual, 2010 and 2015 forecast

Generation strategy dependent on respective market and technology

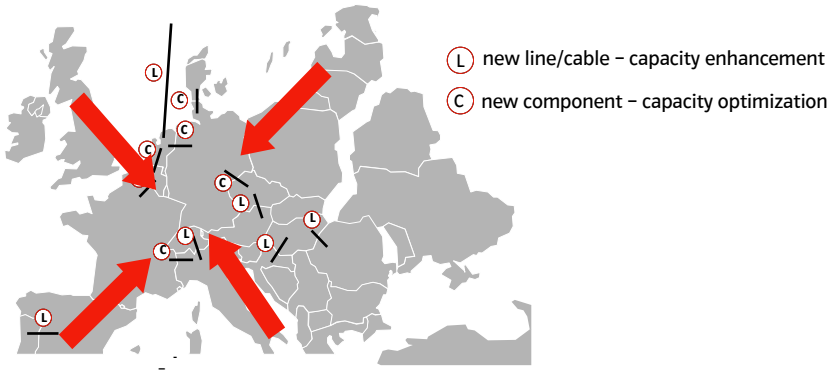
Selective approach for EU, Non-EU and Renewables

Price correlation among NW European exchanges



Major interconnection capacity additions

since 2005 in UCTE

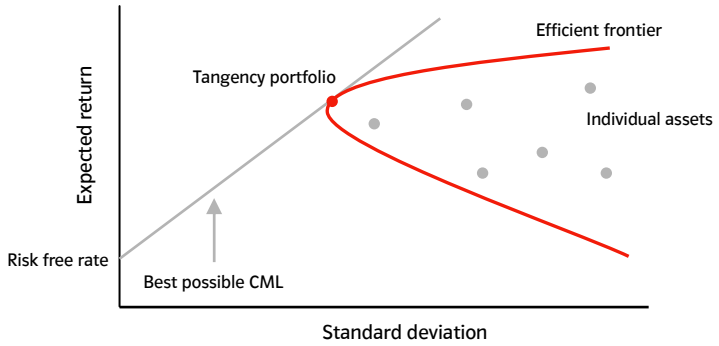


- Markets are slowly becoming physically better connected, large volume of planned interconnection projects
- Power price convergence progressing at far more rapid rate
- Harmonization of trading arrangements and market coupling incentives will drive further convergence, especially in Eastern European markets
- Markets still have national regulatory dimension
- E.ON's portfolio advantage from being a pan-EU player diversifies national regulatory risk

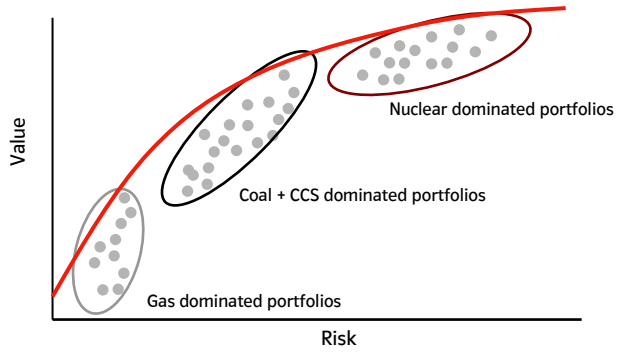
Market convergence on course, E.ON seizes value from pan-EU business approach

Future development of E.ON's European portfolio – efficient portfolio construction

Markowitz Bullet Model



E.ON practical approach - illustrative



- Just as fund managers do, E.ON uses Markowitz theory to build an efficient power plant portfolio
- E.ON has an advantage in building an efficient portfolio due to geographical spread of options available and in-depth knowledge of project risk and rewards
- All projects are analysed based on their risk and reward contribution to the overall E.ON portfolio

→ By building up an efficient portfolio of assets E.ON can diversify away unsystematic risk

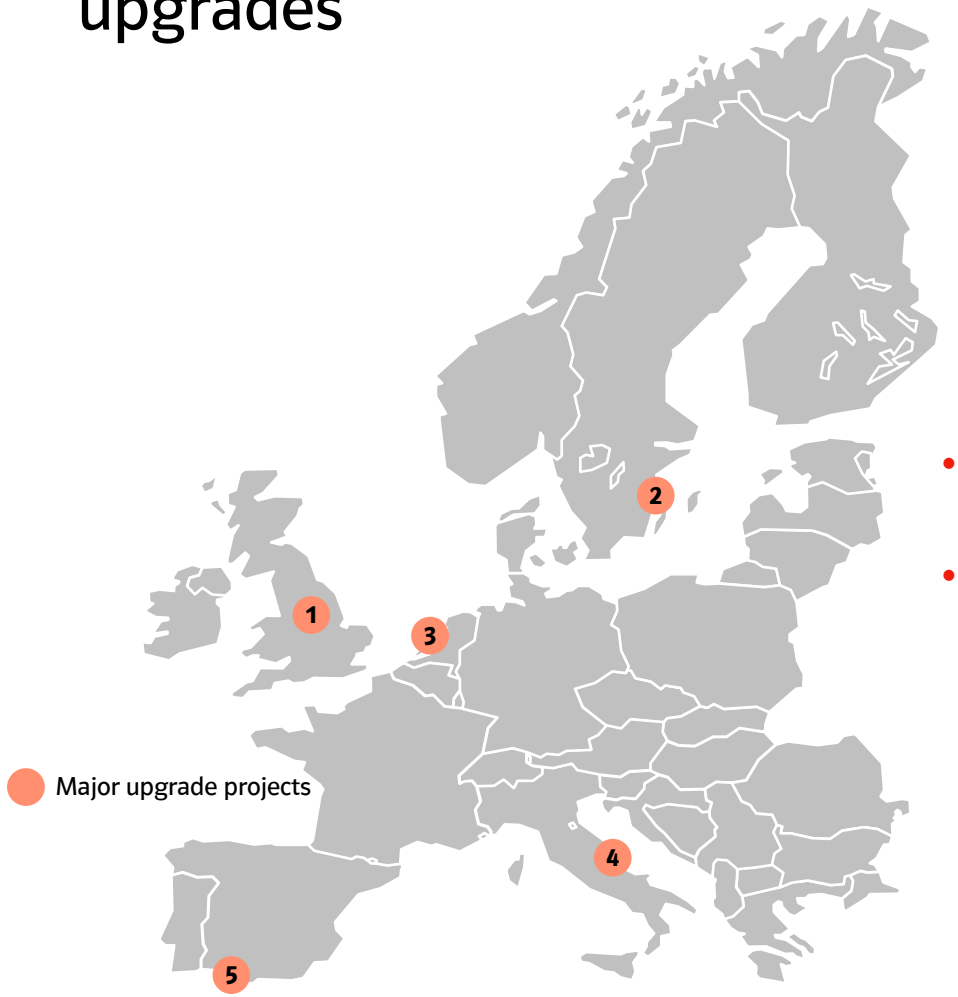
E.ON portfolio as a whole delivers >100bp above WACC, not every individual asset

Future development of E.ON's European portfolio – new builds

	Name	Type	Capacity (MW)[1]	Start-up date
1	Irsching 4	CCGT	540	2011
	Irsching 5[2]	CCGT	430	2009
2	Datteln 4	Coal	1,100	2011
3	Malzenice	CCGT	430	2010/11
4	Gönyü 1	CCGT	430	2011
5	Scandale[2]	CCGT	415	2009/10
6	Grain	CCGT	1,275	2010
7	Maasvlakte 3	Coal	1,100	2013
8	Emile Huchet	CCGT	860	2010
9	Algeciras	CCGT	820	2010
10	Malmö	Gas	440	Online 2009
11	Livorno Ferraris[2]	CCGT	600	Online 2008
12	Escatron	CCGT	800	Online 2008

1. Gross capacity pro rata E.ON's interest
2. Irsching 5: 50% of 860 MW
   Scandale: 50% of 830 MW
   Livorno Ferraris 75% of 800 MW

Future development of E.ON's European portfolio – major upgrades

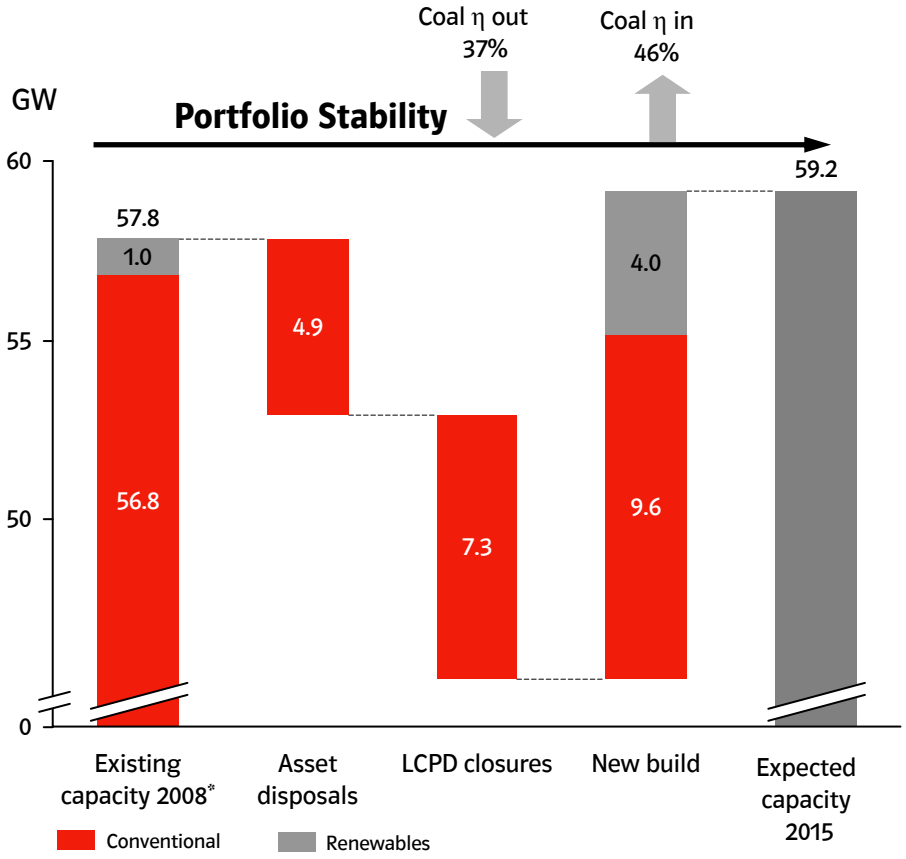


	Name	Type	Capacity (MW)1	Implementation date
1	Ratcliffe	Coal	2,000	2013
2	Oskarshamn	Nuclear	430	2012
3	Maasvlakte 1&2	Coal	1060	2012
4	Terni	Hydro	550	2010
5	Los Barrios	Coal	480	2009

- All overhaul measures deliver exceptionally high IRR
- Good economics caused by different drivers of profitability:
  - Extension of plant lifetime
  - Improvement of plant efficiency
  - Upgrade of plant capacity

1. Gross capacity pro rata E.ON's interest

Future development of E.ON's European portfolio

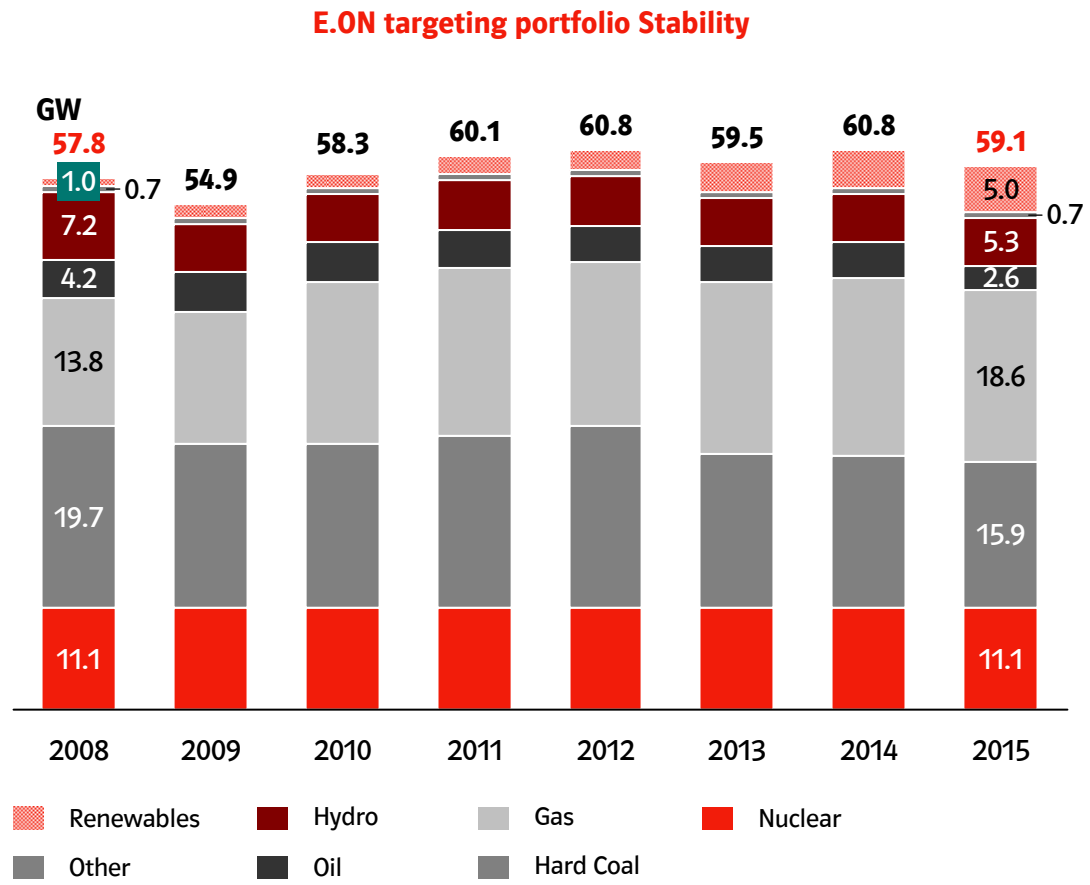


1. Asset disposal contains A2A carve out, 4800 MW disposal, Statkraft deal
2. 2.5 GW not yet under construction / not yet defined
3. Assumed that existing plant that reaches techniclal end of life is life extended

- E.ON portfolio development targets stability in turbulent times
- Slow down in new build due to demand reduction caused by economic crises
- But quality and efficiency of portfolio improving as old inefficient assets go out and new state or the art assets come in
- Fits with Perform To Win focusing on improvement of existing assets

Focused on investment discipline

Future development of E.ON's European portfolio

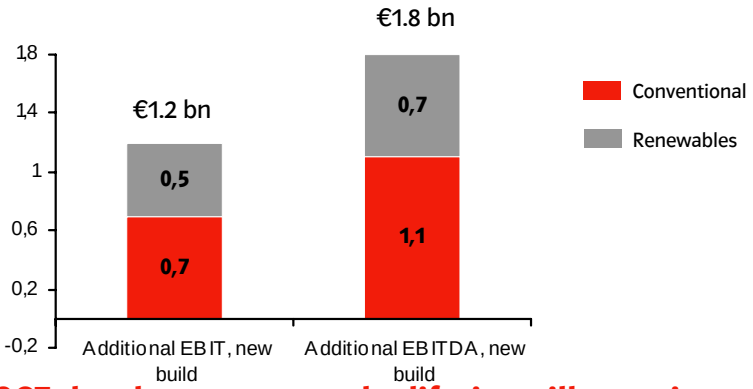


- Capacity declines in 2009 due to forced asset disposals
- Capacity rebounds between 2009-2011 as new build pipeline comes online
- Portfolio remains stable 2011-15 as effect of LCPD closures counteracted by new builds
- Reduction in CO2 exposure as renewables grows and old coal is phased out

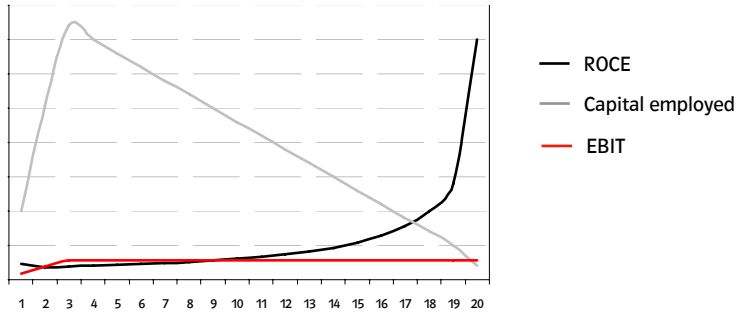
Focused on investment discipline

Financial contribution from European new builds

Estimation of the contribution of the new built capacities[1] to the Group's EBIT/EBITDA (€bn[2]) in 2015



ROCE development over the lifetime, illustrative



- Total estimated Adj. EBIT contribution stemming from 15 bn capital employed in new builds in 2015 is approx. € 1.2 bn
- This would overcompensate the effect on Adj. EBIT from the structural changes (Statkraft; 5GW) (~ - € 0.7 bn) as well as the EBIT reduction from the phase out of other plants
- In early years ROCE is often lower than WACC
- Over lifetime we expect our investments IRR to beat WACC by at least 100bp

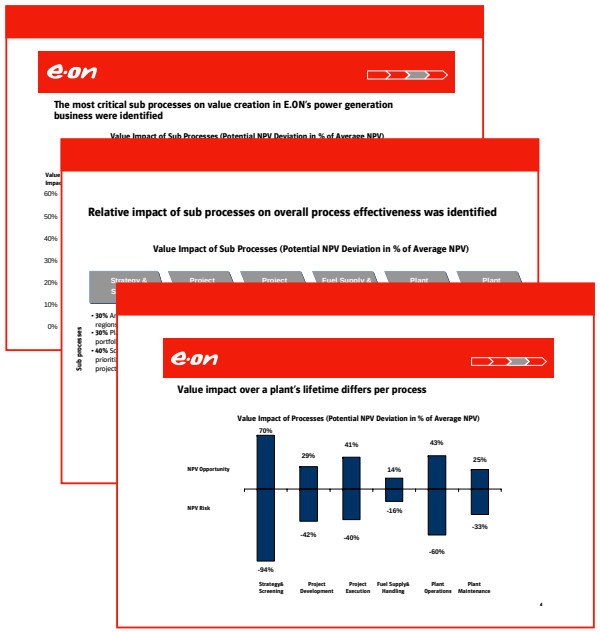
1. Capacity commissioned between 2009-2015
2. Adj. EBIT approximation highly dependend on CO2 regime

New build program delivering roughly € 1.8 bn Adj. EBITDA in 2015

Operational execution

Detailed quantitative analysis of key profitability drivers conducted

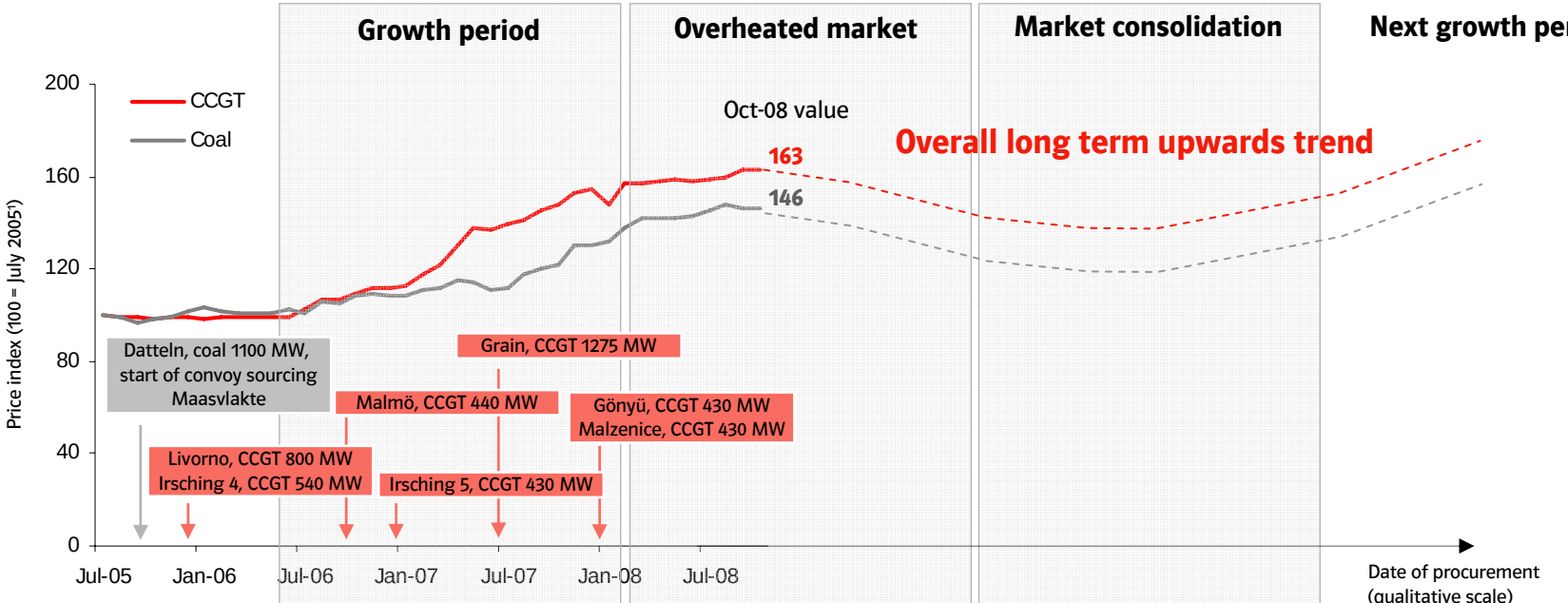
- Comprehensive quantitative analysis was done to derive optimal way to deliver at least 100 bp above WACC



Seven key profitability drivers

1. **Strategic robust portfolio approach**
   Markowitz efficient portfolio
2. **Optimal power plant sourcing strategy**
   Procuring & building, right way at right time
3. **Pushing technology**
   Push the technical boundaries whilst keeping plant flexible
4. **Superior site selection and site access**
   Identifying and having access to good sites
5. **Effective commissioning**
   Best in class commissioning of plant
6. **Excellent processes in place**
   Right processes and organisation delivery setup
7. **Successful strategy for the fleet operation**
   Managing the EU fleet for optimal performance

2 Optimal power plant sourcing strategy



	Growth period	Overheated market	Market consolidation
Power Plant Market	• Beginning increase of fossil power plant prices	• Dramatic escalation. Prices do not reflect economic outlook	• Consolidation of prices due to decrease in commodity prices and demand
E.ON sourcing strategy	• Majority of new build projects locked in before all time high	• Review and postponement of project pipeline	• Uncommitted projects to be re-tendered to take advantage of lower capex

1) Historical data, Source: CERA

E.ON sourcing strategy supports investing at attractive price levels

3 Pushing technology

Expertise in development of technology is combined with trading view of monetizing assets

	Old coal (495MW)	„off the shelf" Hard Coal (800MW)	**E.ON 1100MW plants**
Efficency	35-40%	45%	**47%**
Ramp rate	+/- 9-10MW/min	+/- 24MW/min	**+/- 26MW/min**
Min capacity	Approx. 30%	25%	**25%**
Max capacity	106%	103%	**103%**
Start up time time up to base load	Cold (turbine only) : 9h Warm (turbine only): 2h Hot (turbine only): < 1h	Cold (turbine only) : 10 h Warm (turbine only): 3 h Hot (turbine only): 110 min	**Cold (turbine only) : 3,5 h** **Warm (turbine only): 1,8 h** **Hot (turbine only): 25 min**

Efficeny figures assume direct cooling

Investing in highly efficient plant whilst maintaining flexibility to capture the highest prices

4 Superior site selection and site access

Value drivers	Generic plant (standard new entrant)	E.ON Examples
Direct cooling	✗	✓ Maasvlakte 3, Grain, Malmö, Irshing, Gönyü, Algeciras
Fuel logistics	Various	✓ Maasvlakte 3 - Cape size shipping
CHP component	✗	✓ Grain, Malmö
Grid connection	Standard charge	✓ Maasvlakte3-unconjested zone Grain - low locational charge
CCS Readiness	Minimum Standards	✓ All coal plants TUV Certified Maasvlakte 3, Datteln

Added value

- E.ON has access to attractive brown-field sites suitable to ~125 GW of conventional new build
- Being site owner helps smooth consenting process
- A good site contributes circa 10%[1] to NPV of project

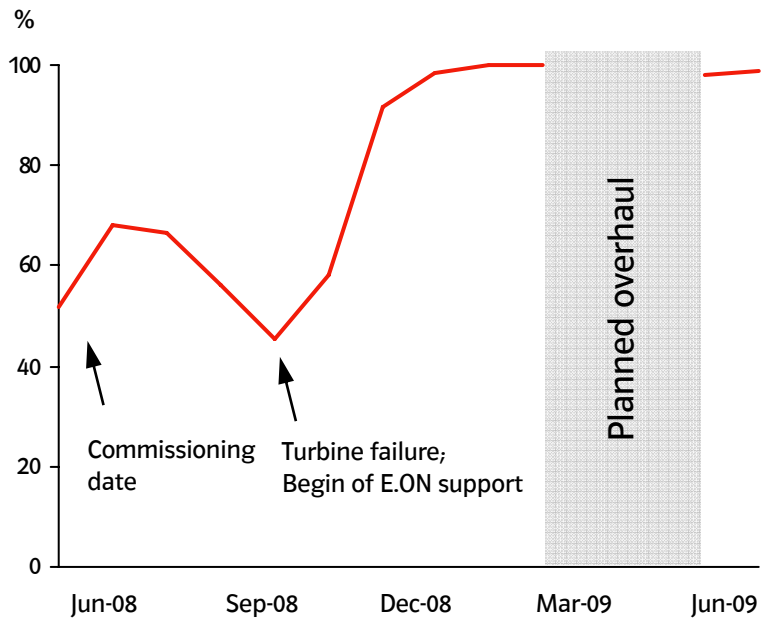
1. Based on CCGT

E.ON Land Bank means we have access to the best sites and we employ the best site selection techniques

5 Effective commissioning

Example: CCGT commissioning support

Monthly availability Spanish CCGT Escatron



- Technical experts advice in commissioning and operations of new installed CCGT in Spain
- Collaboration from the CCGT fleet provides faster & cheaper commissioning of new build plants
- Technical experts advice in commissioning and operations of new installed Flue Gas Desulphurisation (FGD)

Los Barrios, Spain

Puente Nuevo, Spain

Groupwide experience enables us to perform world class commissioning across the EU

6 Excellent processes in place

Best in class processes

Measure	Example value added
CAPEX forecast	Supports timing of investments
Procurement	Realization of scale effects by central procurement
Claim management	Strengthening of legal position
Risk management	Group-wide standards to control risks in all project phases
One organization for fossil plant construction	Efficient use of scarce resources
One engineering organization	Standardization, clear responsibilities
Ad-hoc/Case by case support by E.ON top mgmt	Support of administrative processes ensuring timeline

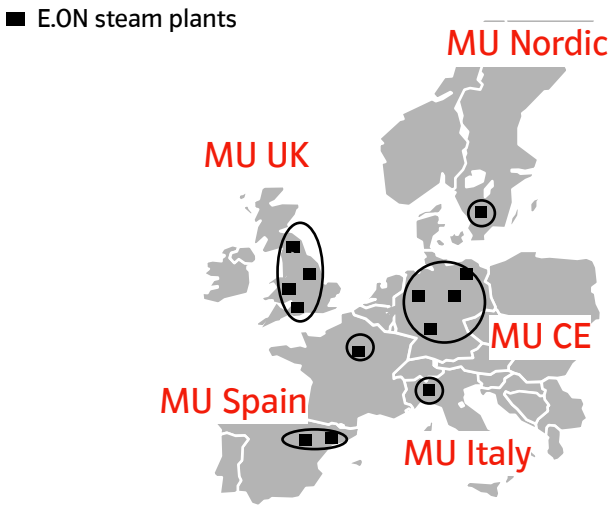
Optimal delivery setup

After concentration on cross-market new build of fossil power plant scope is now extended across technologies (e.g. nuclear)

E.ON has developed the right tools and setup to add value

7 New industrial logic to fleet management

Traditional MU/ COC approach

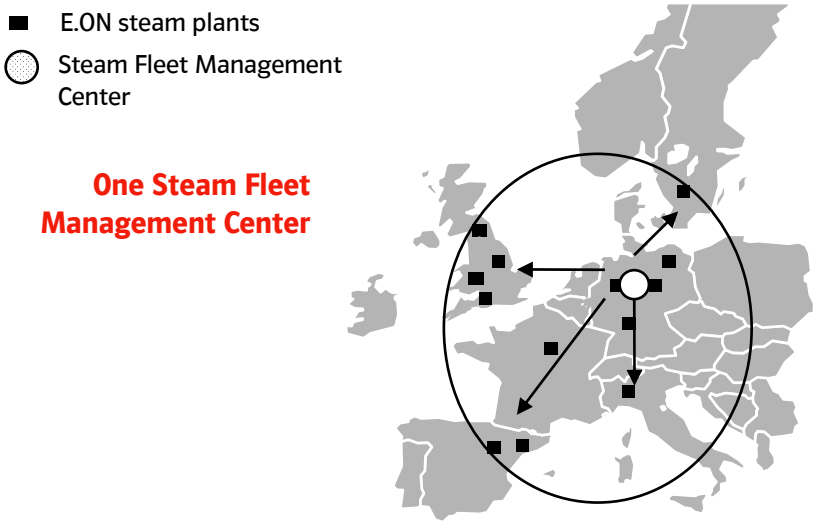


Past: national generation organizations

- Focus on local markets and local potential
- Selected international synergies
- Focus on international networks and knowledge management

Progression to Fleet Management Centre approach

Example for steam plant



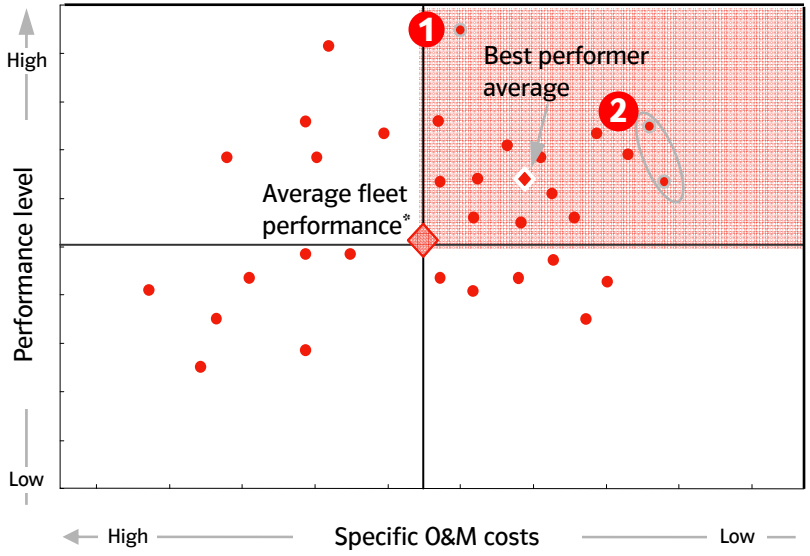
New functional empowerment of generation

- Strong European fleet mind set
- Focus on European market
- Fleet management centers for all technologies (CCGT, hydro, nuclear)

Functional empowerment unleashes full potential of E.ON's generation business

7 Benchmarking – fossil fleet

Power plant benchmarking across the Group



- E.ON's continuous improvement process is focused on the following:
  - Benchmarking
  - Plant improvement plans
  - Peer reviews
- Pan EU portfolio delivers a variety of benchmarking opportunities
- Involvement of Endesa plants confirmed pan-EU approach, by bringing new best practice into the Group
- Every power plant has a continuous improvement plan
- External benchmarking confirmed:

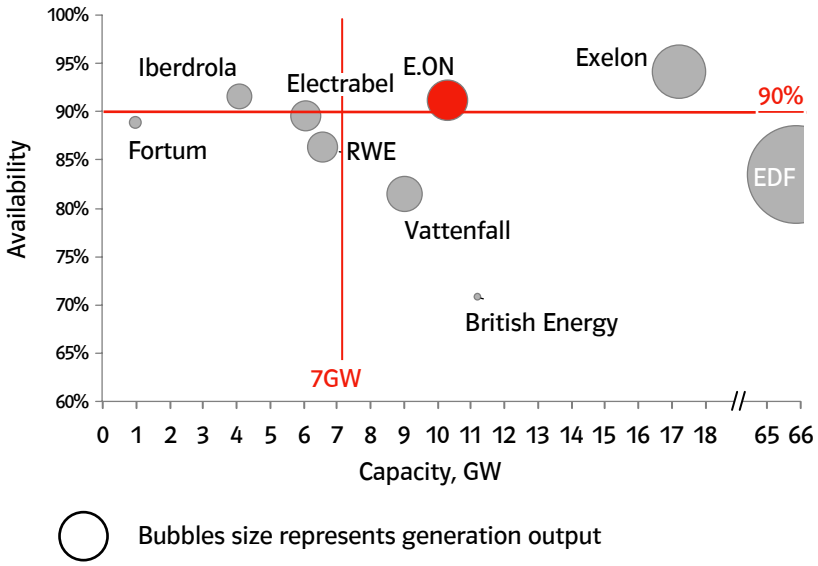
1 E.ON has the best performing plant

2 E.ON's low cost plants are inline with the best performing average

Pan EU approach gives rise to unique benchmarking opportunities

7 Benchmarking – nuclear fleet

Availability/output of peers' nuclear fleets



- E.ON is already a top performing nuclear operator
- E.ON will operate its nuclear fleet in a functional Pan-EU centralized manner
- Competitors only operate national fleets
- Strive to increase performance further
- Nuclear competencies mean E.ON is well placed to deliver and efficiently operate new build plants

E.ON strives to be the leading Europe wide nuclear fleet operator

7 Operational improvements

Example: E.ON Climate & Renewables

Availability increase	O&M cost reduction
SCADA[1]	Scale of projects and harmonized WTG[2] use
Optimized spare part concept	Spare part pooling
CMS[3] and predictive maintenance	Widen O&M contracts
Access to critical equipment and tools	Optimized share of 3rd party O&M
Proper and complete documentation	O&M framework agreement
2011 target availability 98%	2011 target O&M cost reduction 10%

Return Improvements

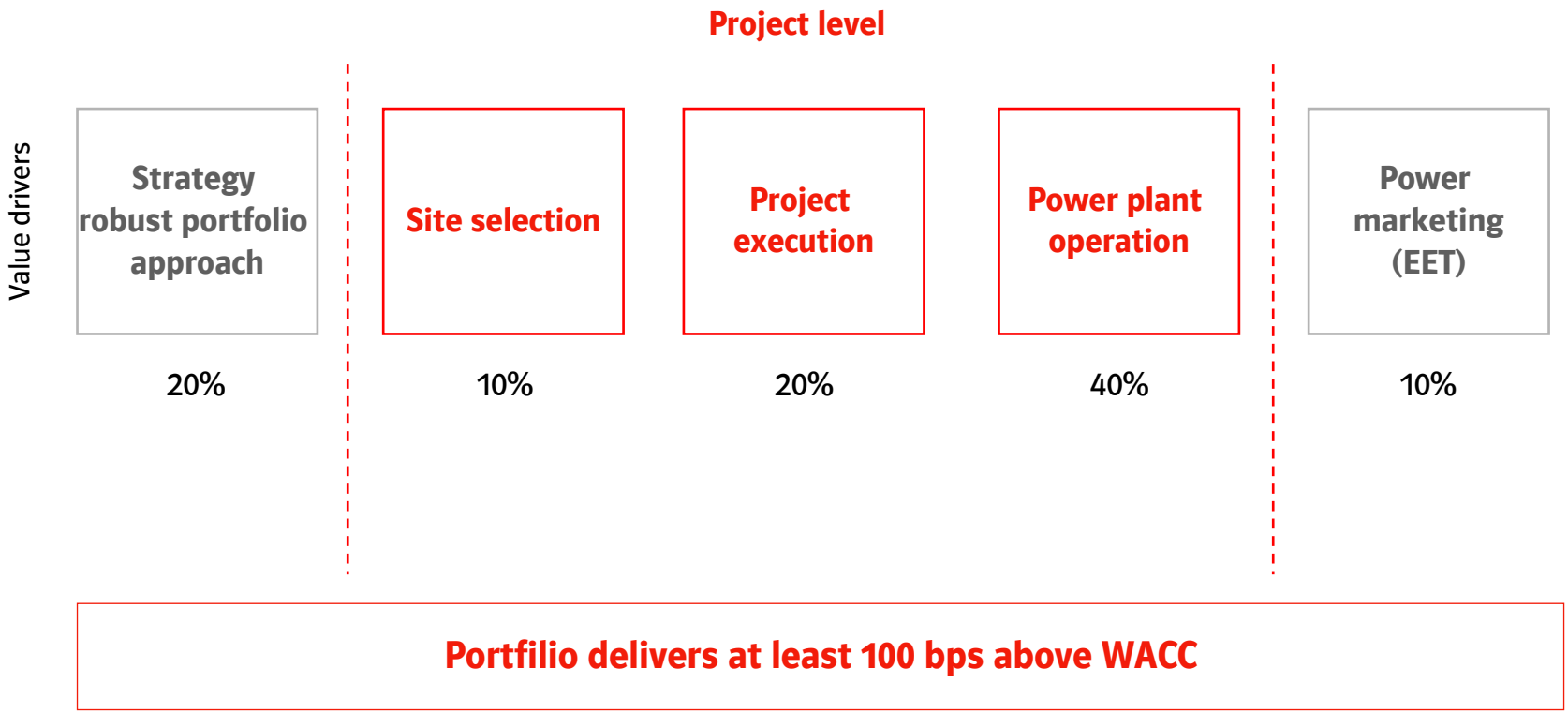
Direct positive impact on financial returns through leverage effects on:

- Costs
- Revenues

1: Supervisory Control And Data Acquisition
2: Wind Turbine Generator
3: Condition Monitoring System

Group-wide operational standards enable EC&R to leverage on significant performance drivers

Value-creative portfolio



Agenda

Introduction	Wulf Bernotat
Global perspective and trends	Johannes Teyssen
Portfolio development	Eckhardt Rümmler
Monetizing the assets	Gregor Pett

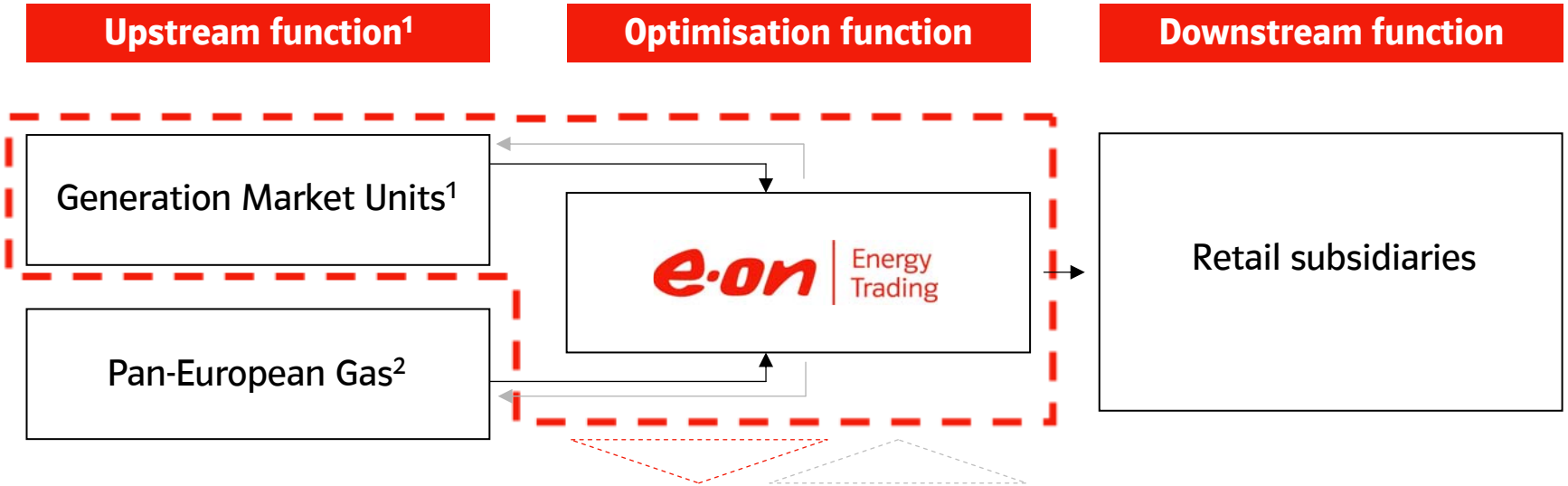
Principle approach

Different concepts of monetizing the generation assets possible

- Long term sales contracts
- Long term cost based agreements (tolling)
- Spot- or short term based concepts
- Forward trading based concepts

E.ON gives priority to the last option

E.ON's business model overview

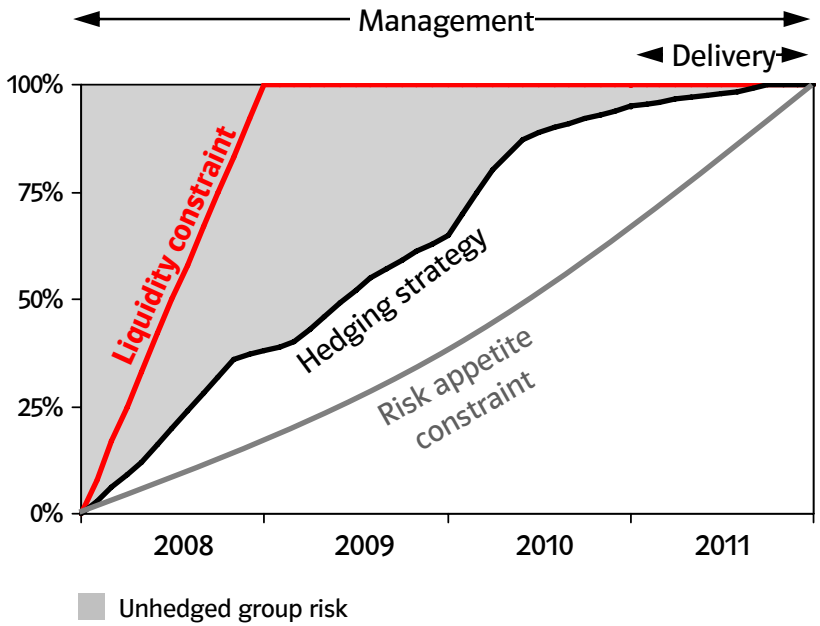


1. Generation functions of MU Central Europe, MU UK, MU Nordic, MU Spain, MU Italy
2. Including optimization in some markets

EET is in charge of monetizing generation assets

Monetizing generation assets through forward hedging

Forward hedging strategy over 3 year period

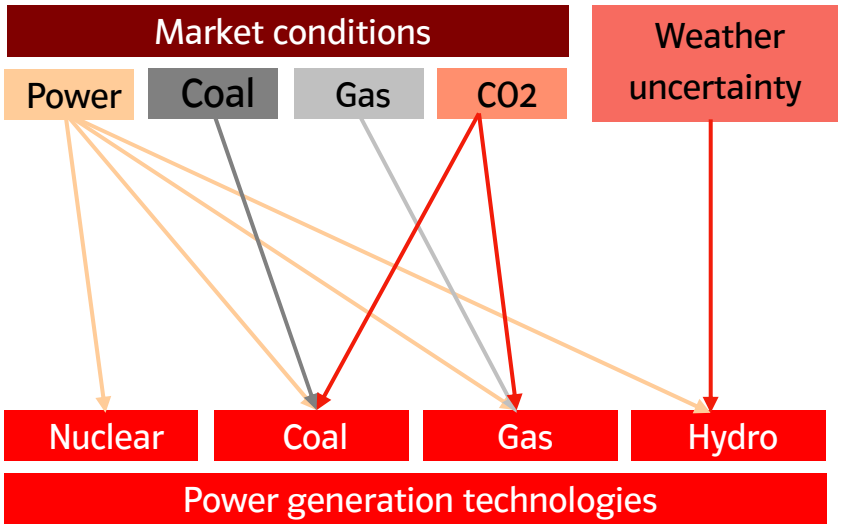


- Hedging is ideally done within the 3 year budgeting period to reduce risk and to lock in profits
- Generation Market Units hand over commodity positions and risks as soon as liquidity builds up
- After handover, EET holds total corresponding position and risk and manages them until delivery
- EET develops hedging strategy and optimization for the whole commodity portfolio
- Value added by hedging strategy is benchmarked against:
  - immediate hedge of volumes once transferred over from Genco[1] to EET
  - a normal hedging path

1. Generation company (currently the Market Units)

EET in charge of optimizing forward hedging of generation assets

Monetizing generation assets through forward hedging



- Hedging volumes are determined on price forecasting, deep market analysis, and risk limits
- Forward hedging of margins rather than prices
  - Nuclear & hydro: power prices
  - Coal: clean dark spreads
  - Gas: clean spark spreads
- Coal, gas and CO2 are optimized separately
- Overall schedule of forward hedging similar for all technologies. Differences due to market conditions
- Differences between technologies, especially hydro, regarding predictability of volumes and therefore possibility of forward hedging

Similar approach for all technologies, but specific characteristics taken into account

Monetizing generation assets through forward hedging

- EET creates greatest amount of value through optimization
- Liquidity high in four core markets (Germany, Netherlands, Nordic and UK)

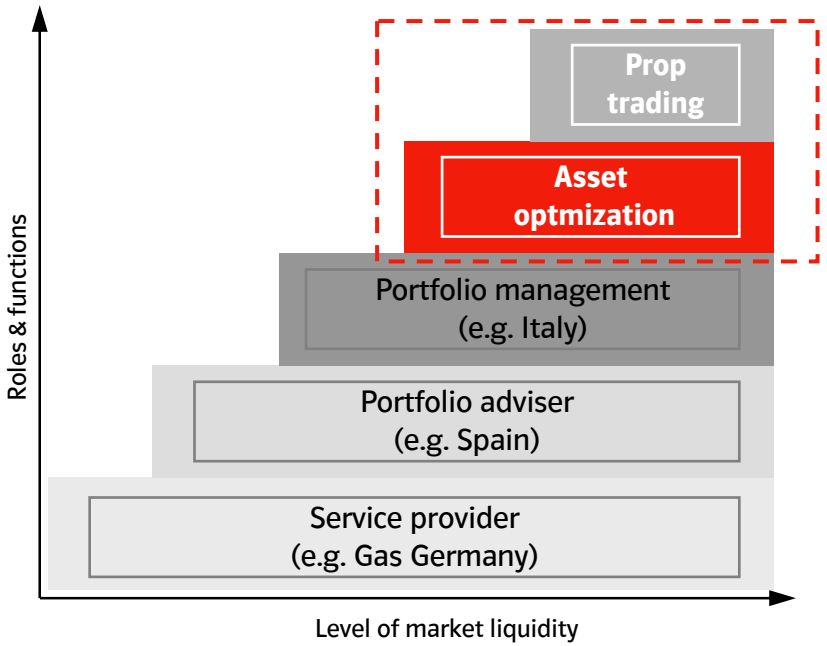
→ Asset optimization possible over a time period of 2-3 years ahead of delivery

- In Spain and Italy, markets are much less liquid

→ EET has limited role of portfolio manager or adviser

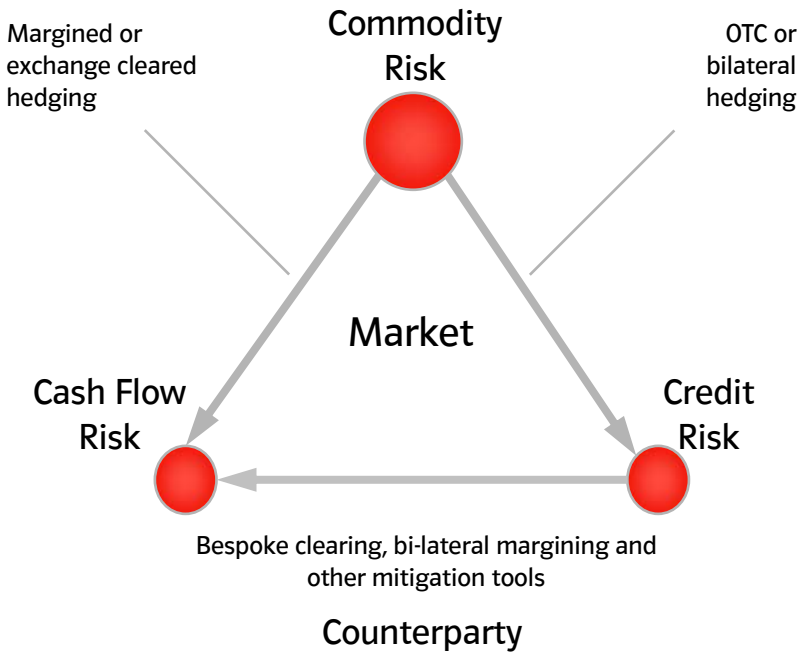
- Role of EET to expand as Italian and Spanish markets become more liberalized and liquid
- Additionally, EET gives important input to generation strategy and investment planning

Degree of sophistication depends on liquidity



Forward hedging is only possible in liquid markets

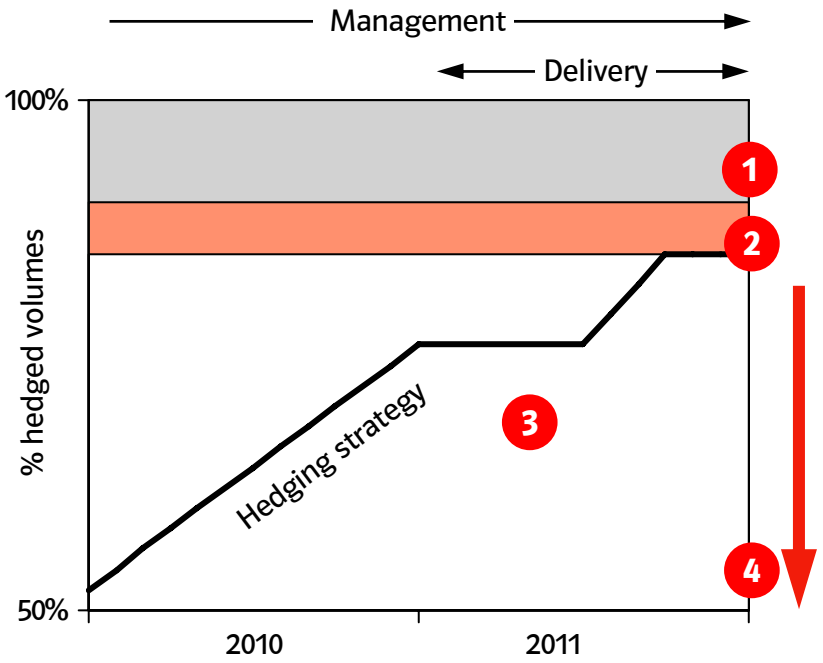
Hedging strategies and risk diversification



- In energy trading, commodity risk, credit risk and cash flow risk are interlinked
- EET has comprehensive view on all risk positions related to energy trading
- EET manages the whole E.ON group position in an efficient and timely manner
- E.ON Risk Committee assesses and decides on risk appetite

EET has the expertise and leverage to capture value and mitigate risks no matter what the market conditions

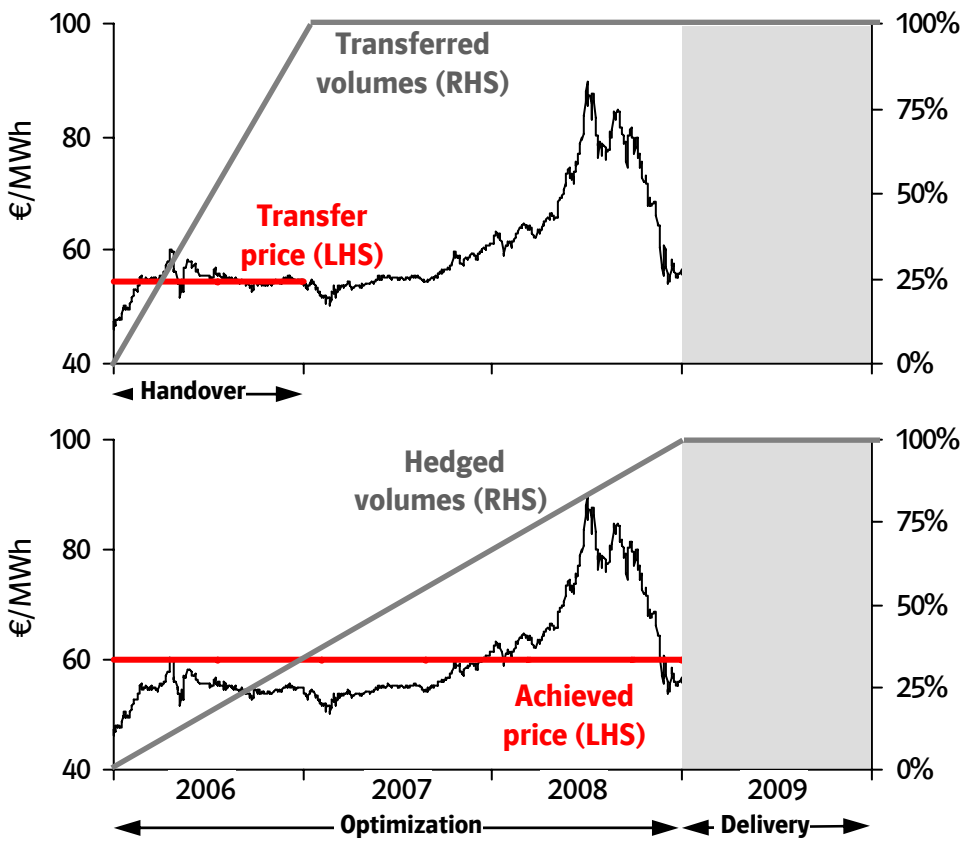
Beyond forward hedging



1. Consider planned volume uncertainty
2. Capacities sold off e.g. as balancing services or other options to network operator
3. Market view that prompt is more value creating than forwards
4. Make or buy decision as part of daily prompt optimization:
   - Buy spot instead of producing
   - Unwind spread hedges

Substantial possibilities to add value beyond forward hedging

Interaction between generation MUs and EET



- Internal transfer prices are major determinant for Adjusted EBIT of generation market units
- Adjusted EBIT of Energy Trading optimization is based on differences between externally achieved prices and internal transfer prices
- Transfer prices are fixed as soon as liquidity builds up, namely 2-3 years before expected delivery
- Transfer prices are based on forward prices

Transfer mechanism impacts Adjusted EBIT of EET and of generation MUs

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