



## **Performance and streamlining**

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Commerzbank German Investment Seminar

New York

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## Agenda

**E.ON - a truly integrated and diversified utility**

**Main challenges in times of economic crisis**

**Mastering challenges**

**Summary**



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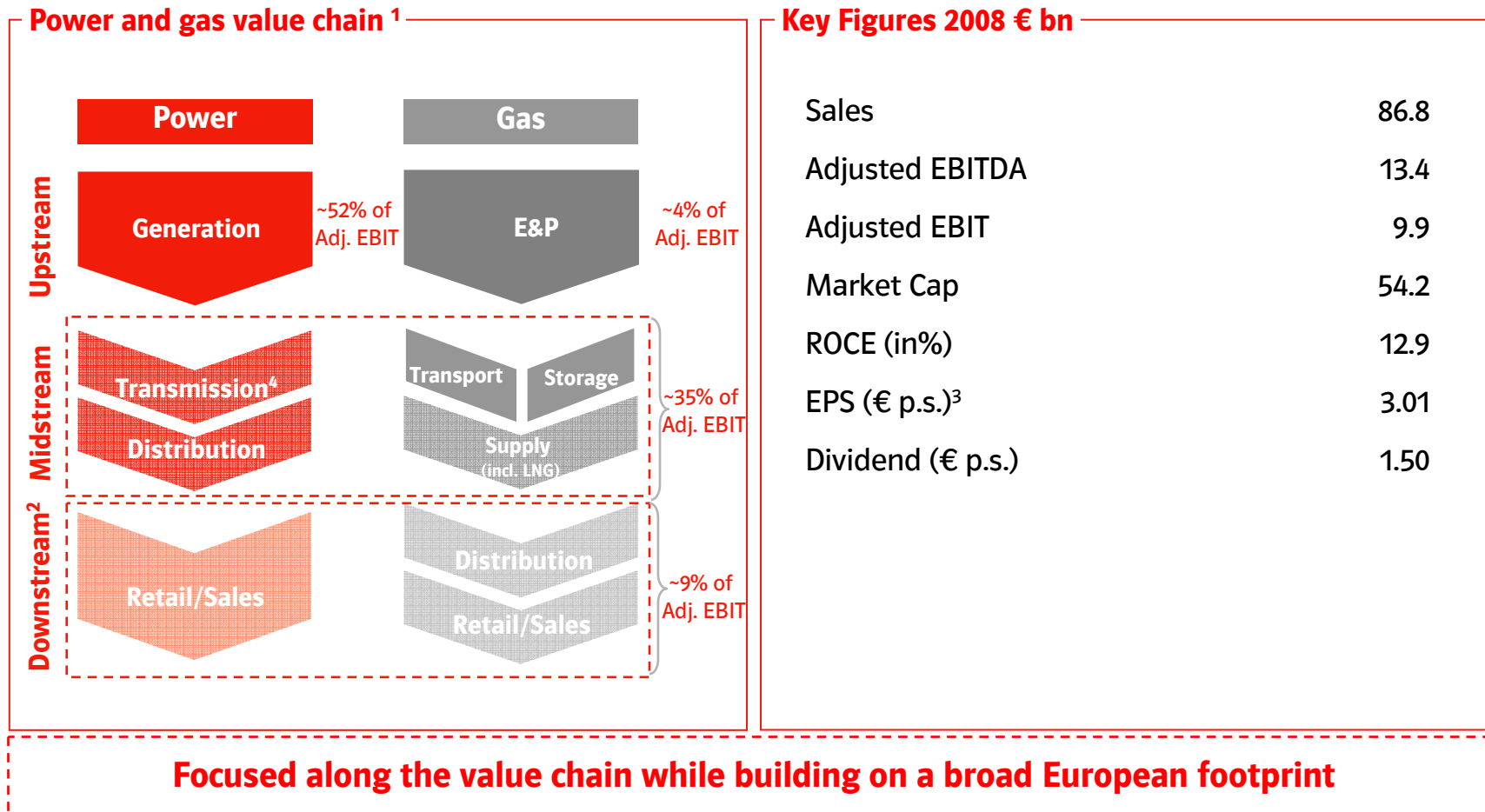
**E.ON - a truly integrated and diversified utility**

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**Summary**

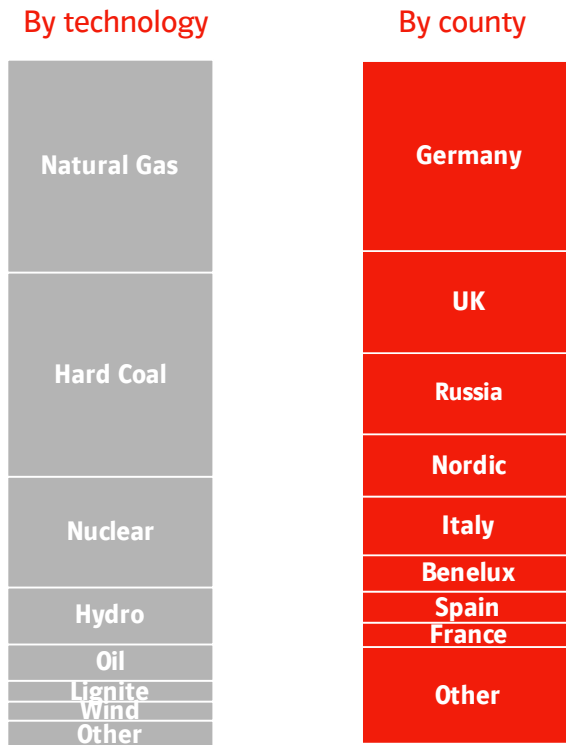
# Our business - Integrated power and gas company



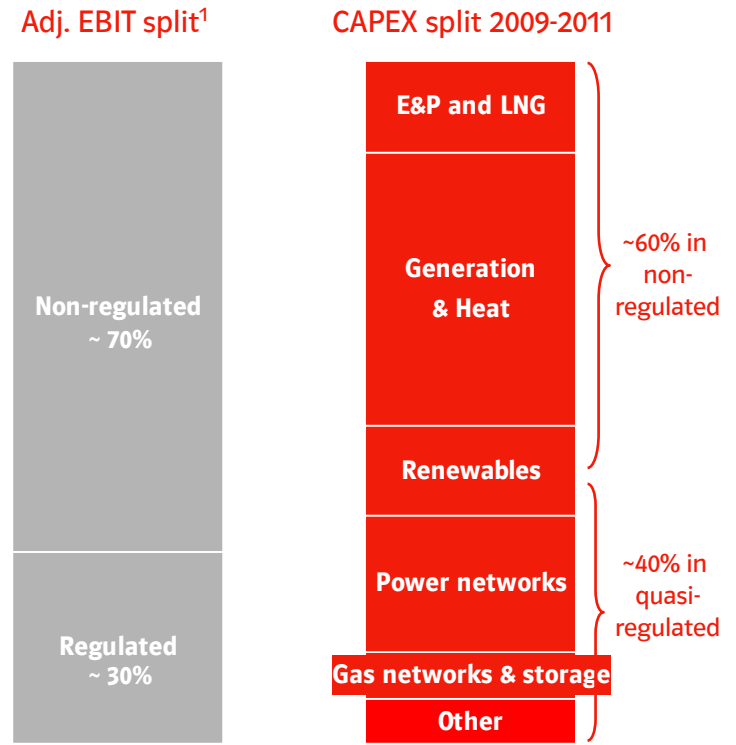
1. Adj. EBIT shares calculated on basis of reported 2008 figures  
 2. Adj. EBIT share is the residual of the total minus midstream and upstream. I.e. it also includes the other/consolidation line  
 3. Based on adjusted Net Income and the weighted average number of shares in 2008.  
 4. E.ON subsidiary Transpower Stromübertragungs GmbH (transpower) sold to state-owned Dutch network operator TenneT. Closing expected in Q1 2010

# Our approach – well diversified portfolio across regions and technologies

## E.ON group generation capacity mix



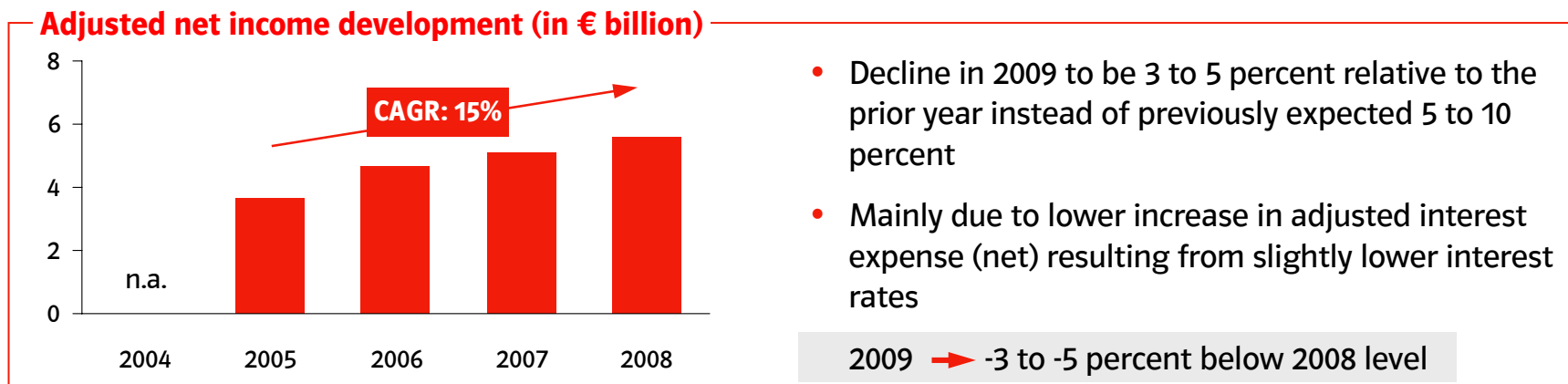
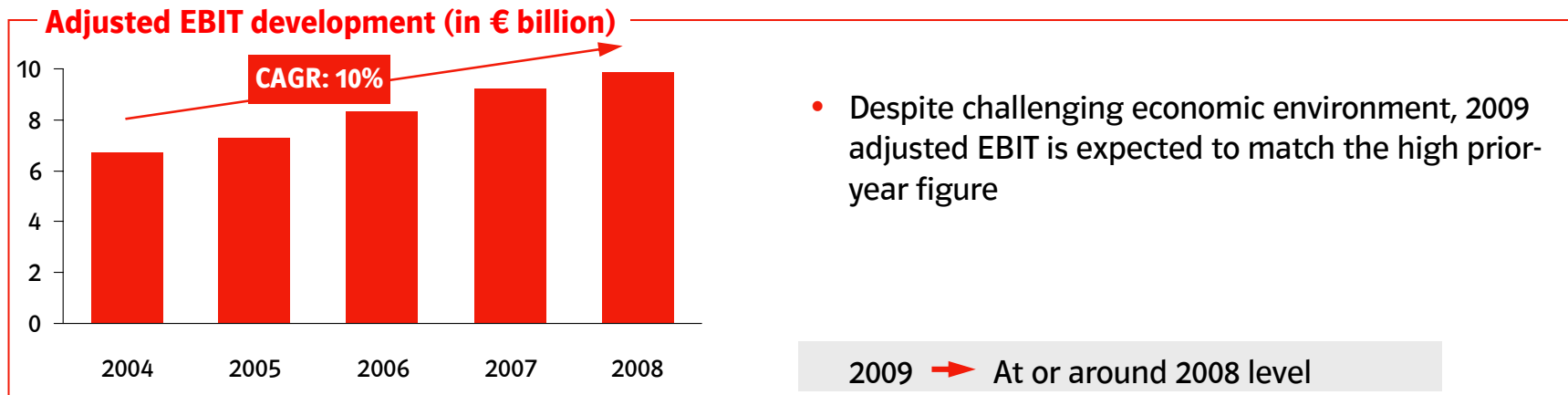
## Mix between regulated and unregulated



**Healthy mix of regulated and unregulated activities as well as a well diversified generation mix**

1. Based on 2008 figures

## Strong track record of earnings and stability in difficult times



**Relatively stable earnings in 2009 despite economic crisis**



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**E.ON - a truly integrated and diversified utility**

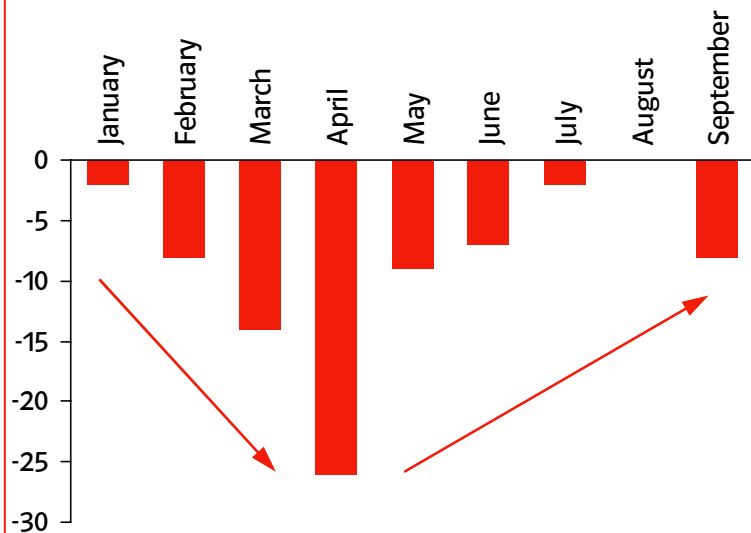
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# Challenge No 1 - Gas wholesale

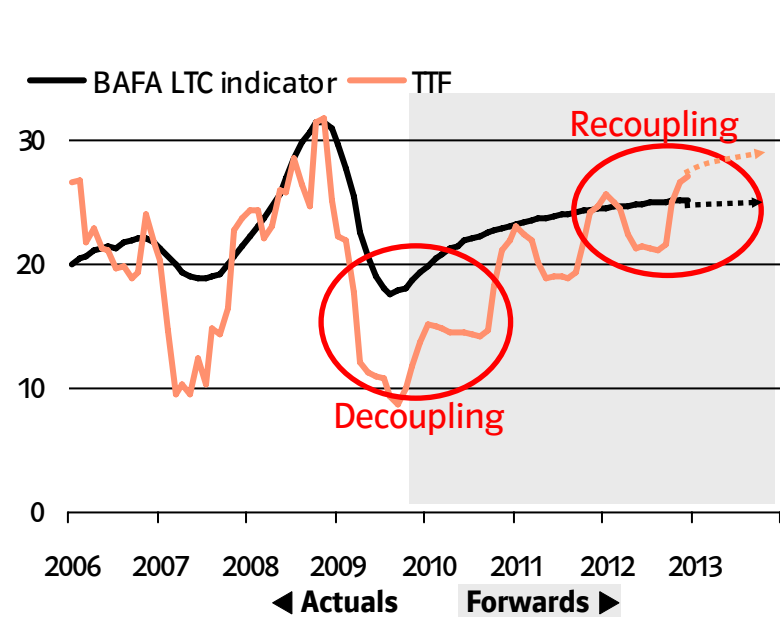
**Big six<sup>1</sup> gas monthly consumption y-o-y**  
(% change)



Source: national statistics

- Global economic crisis leads to significant demand decrease especially in gas-to-power & industrial consumption

**Spot price vs. LTC price indicator €/MWh**



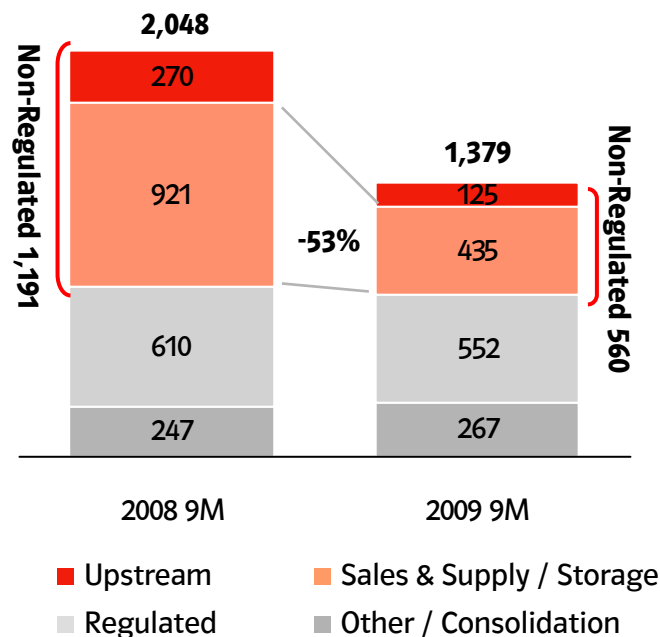
- Temporary oversupply => Decoupling of spot gas and Long-term contract (LTC) prices
- Markets expect recoupling

**Currently supply and sales business of Pan European Gas under strong pressure**

1. Big six: D,UK I,F,NL,E

## Supply and sales, which represents about one third of the gas business, main driver for PEG EBIT reduction

**Pan European Gas 9M 2009 Adjusted EBIT (€ m)**



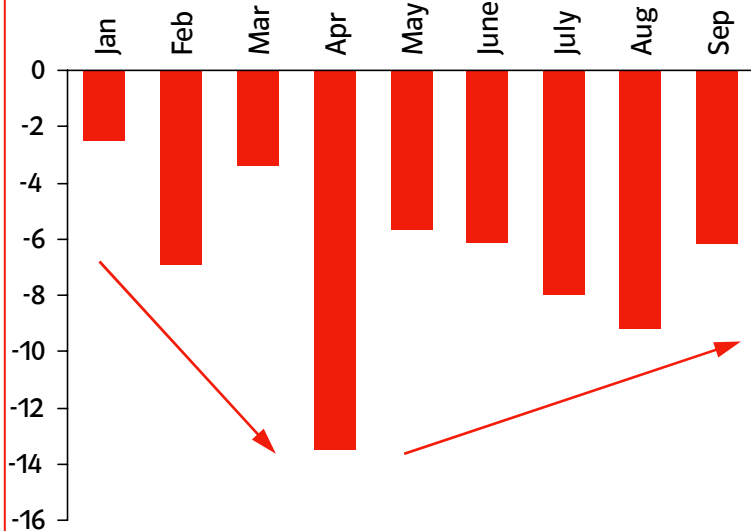
**Current situation and future developments**

- Pan-European Gas consists of a mix of stable and more volatile businesses
- Majority of PEG's adjusted EBIT derived from relatively stable segments: Regulated, Storage and Other (Thüga)
- Upstream as well as Supply & Sales are more volatile businesses, each with its own dynamics
- Supply and sales represents about one third of the gas business

**Pan-European Gas benefits from diversified business model**

## Challenge No 2 - Power demand & price decline

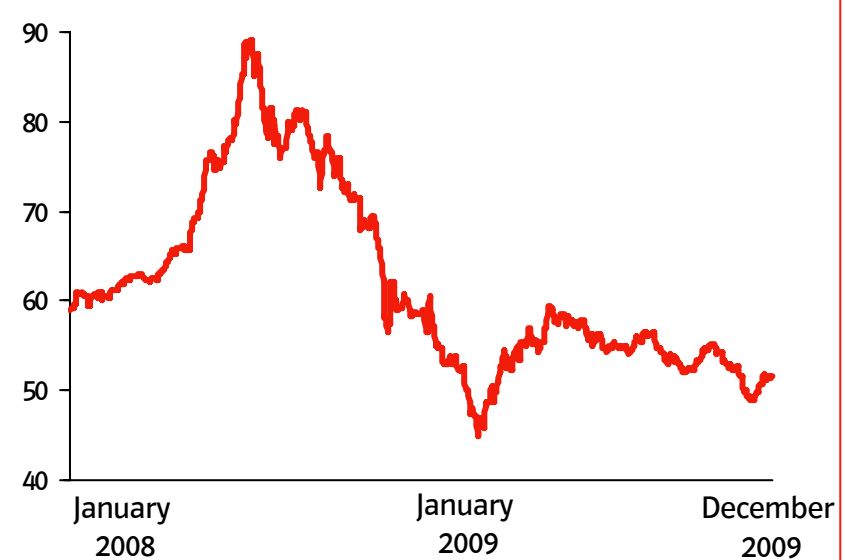
**German monthly power consumption y-o-y**  
(% change)



- Global economic crisis leads to significant demand decrease
- Picture is similar across Europe

Source: BDEW

**German 2011 EEX Baseload forward 2008-2009**  
(€/MWh)



- Unprecedented rally in power prices in 2008
- Followed by burst of commodity bubble
- Contraction of power prices (forward & spot)

Source: Bloomberg

**Combined effect of volume decrease and price contraction**

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## Mastering challenges in gas wholesale: Renegotiation of long term contracts

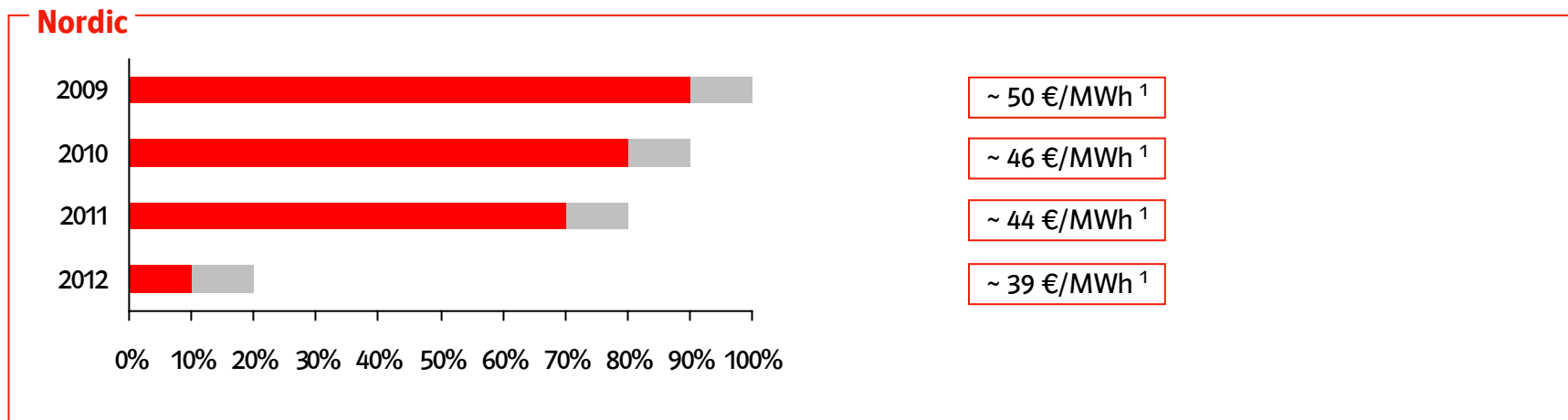
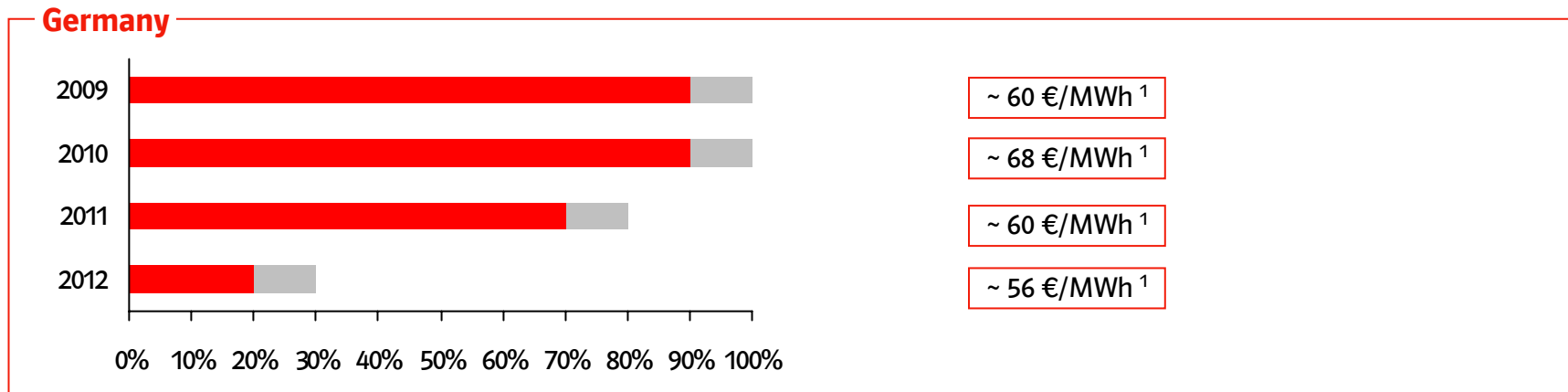
### Main messages

- Pan European Gas focus in 2009 was to secure volume, based on its obligations according to the long term contracts (LTCs)
- Renegotiation of 80% of the LTCs ongoing:
  - Clear progress is being made based on constructive , long term relationships
  - Limited additional flexibility targeted
  - Minimum take obligation tight but manageable
- Margin recovery not before 2011

**Contract renegotiation is an important tool for reinstating good profitability at supply and sales**

# Mastering challenges in power generation: Outright power

Hedging of E.ON's outright generation (as of September 30, 2009)

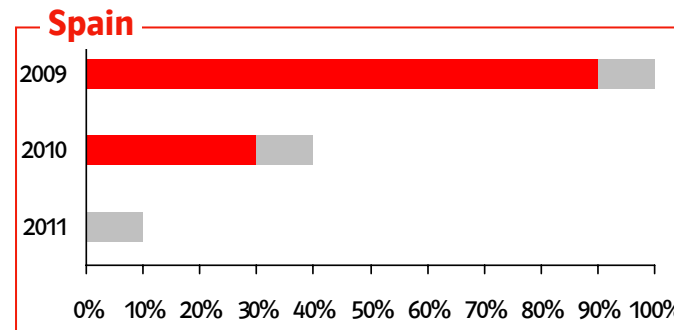
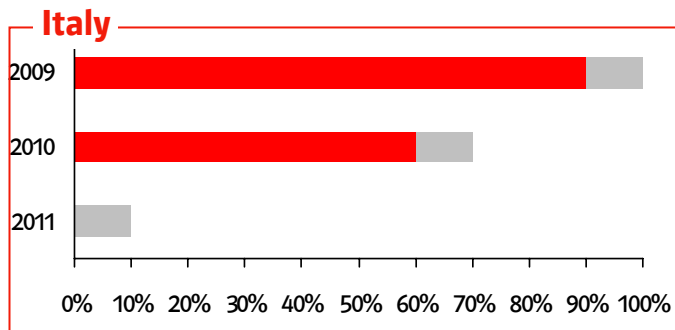
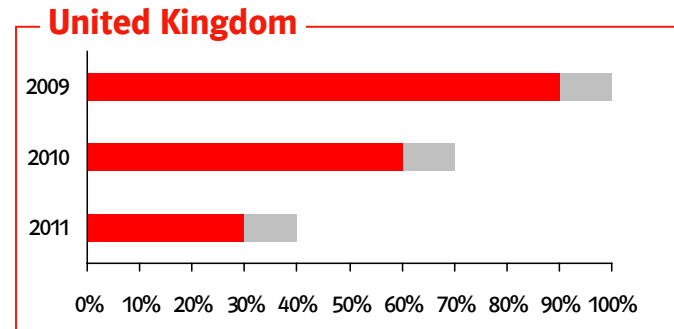
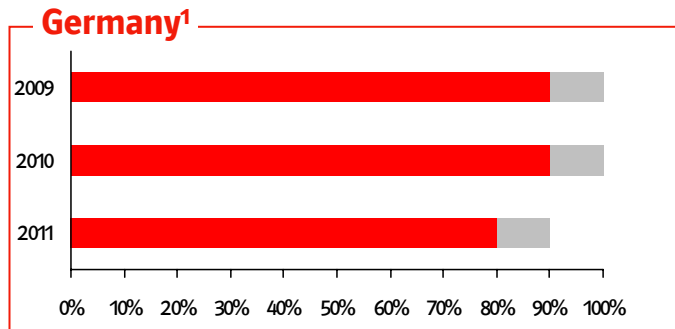


= percentage band of generation hedged

1. Average realized price only relevant for the pure outright power position (Nuclear/Hydro) sold in the respective year

# Mastering challenges in power generation: Spreads

Hedging of E.ON's spread generation (as of September 30, 2009)



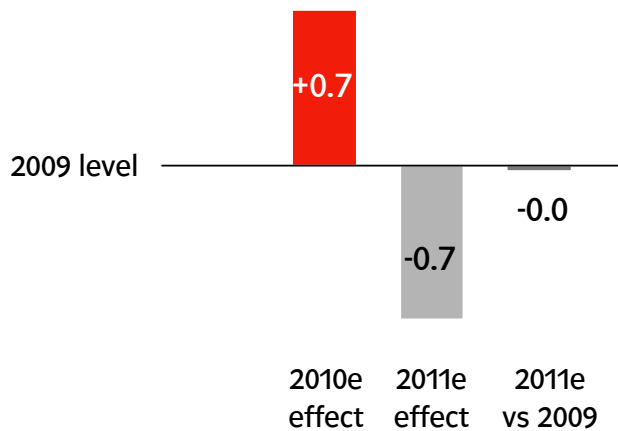
= percentage band of generation hedged

1. Prior to asset swap Electrabel/GDF-Suez

# Outright power sales – impact on earnings in 2010-2011

**Upside/downside to adjusted EBIT,  
German & Nordic outright sales**

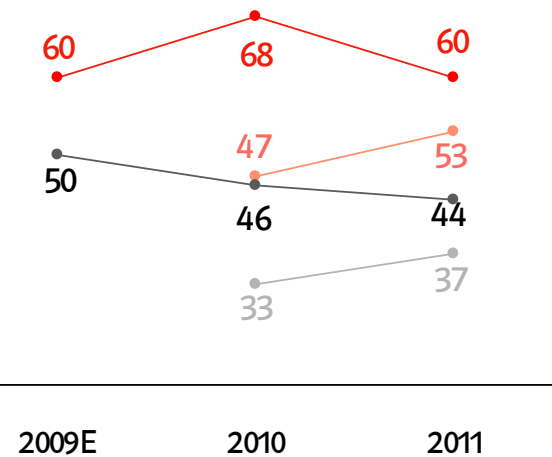
in € bn (approximated)



- Illustrated effect on adjusted EBIT stems from outright power sales in Germany and Nordic only
- Hedged volumes as of 30 Sep 2009; open positions marked to market as of 1 Oct 2009

**Forward price pattern,  
German & Nordic outright sales**

in €/MWh



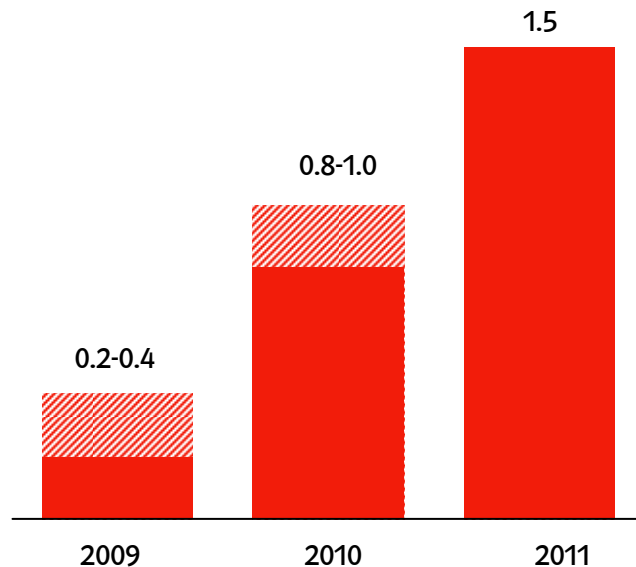
- Achieved price, Germany
- Open position marked to market (1 Oct 2009), Germany
- Achieved price, Nordic
- Open position marked to market (1 Oct 2009), Nordic

**Outright hedging leads to upside for 2010 power generation earnings while reducing 2011, but in any case protects the company against current price decline**

# Mastering challenges: Enhancing operational performance for the entire group

## Development of cumulative Adj. EBIT impact

in € bn



## P&L effects in detail

- Detailed road map defined for almost all projects
- Adjusted EBIT impact confirmed at €1.5bn by 2011
  - € 1.1 bn of cost savings
  - € 0.4 bn of productivity enhancements
- Social agreement with employee representatives concluded
- Restructuring costs estimated at ~€ 0.5 bn
- Most projects in implementation phase

**€ 1.5 bn impact on Adjusted EBIT confirmed, implementation ongoing**

# Mastering challenges: focused capital expenditure

## CAPEX split 2009-2011 (in € bn)

<b>E&amp;P and LNG</b>	~ 4	<ul style="list-style-type: none"> <li>• Yushno Russkoje to contribute ~ €200-250m Adj. EBIT in 2010</li> <li>• Scarv Idun to contribute fully in 2012 with ~ €300-400m Adj. EBIT</li> </ul>
<b>Generation &amp; Heat</b>	~ 12	<ul style="list-style-type: none"> <li>• Growing European generation portfolio to nearly 60GW (incl. renewable generation in Europe) by 2015</li> <li>• Additional EBITDA contribution of European new build capacities (incl. renewable generation in Europe) estimated to be €1.8bn by 2015</li> <li>• Additional new capacity being added to generation portfolio in Russia, growing overall capacity to almost 11GW by 2013</li> </ul>
<b>Renewables</b>	~ 4	<ul style="list-style-type: none"> <li>• Installed renewable capacity to reach 10 GW by 2015 from around 3 GW year end 2009</li> <li>• Target of ~ €300m Adj. EBIT contribution in 2010 despite depressed US wholesale prices</li> </ul>
<b>Power networks</b>	~ 6	<ul style="list-style-type: none"> <li>• Largely maintenance/replacement capex</li> <li>• Gas storage and some power grid investments, however, represents growth and will add stable additional earnings</li> </ul>
<b>Gas networks &amp; storage</b>	~ 2	
<b>Other</b>	~ 2	

**Continuing organic growth program whilst further focusing the activities**

## Mastering challenges: Portfolio streamlining

### Objective

- Simplify group structure
- Focus on most attractive businesses
- Generate > € 10 bn of cash proceeds by end 2010

### Achievements

- Already close to € 6 bn of cash proceeds:
  - € 2.9 bn for Thüga
  - € 0.9 bn for transpower
  - € 2 bn for 5 GW of German generation capacity
- € 2 bn of book gains realized<sup>1</sup>

### Earnings dilution

- - € 0.9 bn effect on 2010 Adjusted EBIT from deconsolidation of announced disposals
- Translates into an EPS dilution of €0.24 per share<sup>2</sup>

1. Based on first nine months 2009 reporting

2. For detail on calculation of the dilution, please consult the appendix

## Mastering challenges: Deleveraging the balance sheet

### Balance sheet health check

- Target debt factor (Economic Net Debt/EBITDA) of 3x
- Strong commitment to A flat/A2 rating
- In 2009/2010, some pressure on balance sheet and ratios due to challenging environment in gas/power
- No significant funding needs ahead, successful debt issuance of approximately € 8 bn in 2009
- Well positioned with long debt maturities and diversified debt profile, mainly fixed rate notes, little commercial paper utilization (€ 1.5 bn only)
- Solid liquidity position, prolongation of credit facility successfully completed in Q4 2009 (volume tranche A & B: € 8,95 bn)
- Strong commitment to dividend policy and stability in earnings

**E.ON well positioned with diversified funding, strong cash flows and commitment to rating and dividend**

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### Positioning

- Well positioned across Europe with a robust and well diversified portfolio

### Stable returns

- Solid and stable returns despite true challenges in 2009

### Operational excellence

- Hedging strategy (power)
- Renegotiations for long-term contracts (gas)
- Substantial, culture changing operational performance program

### Portfolio review

- Objective of generating > € 10 bn of cash by end 2010
- Already close to € 6 bn of cash proceeds

### Organic growth

- Continue organic growth program, mainly financed by strong operational cash flows as well as by divestments of non-core businesses

### Dividend & Rating

- Committed to dividend policy (payout ratio of 50-60 percent) and A flat/A2 rating

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Appendix

## Portfolio streamlining – Imputed effects from disposals

### P&L and balance sheet effects (€bn)

	Adj. EBIT (2010)	Net debt reduction
5000 MW	- 0.5	+ 2.0
Thüga (80%)	- 0.2	+ 2.9
Power grid	- 0.2	+ 0.9
<b>Total</b>	<b>- 0.9</b>	<b>+ 5.8</b>
<b>Imputed net interest result from net debt reduction <sup>1</sup>:</b>		
5.8 bn	X	4.5%
		=
		0.3 bn

### P&L effects in detail

- Adj. EBIT effects in 5000MW transaction
  - ~€ 250 m of EBIT are directly linked to power plants that are sold for cash
  - E.ON receives 35% minority stake of SNET (corresponding to ~€ 50 m of EBIT) with SNET Adj. EBIT being already fully consolidated (35% minorities = ~€ 20m)
- Non cash items increase dilution:
  - ~€ 70 m non-cash items reduce EBIT and net profit (consisting mainly of the PPA charge)
- Book gains close to € 2 bn already realized
- Total cash proceeds from portfolio measures of over € 10 bn by end 2010

**With an assumed interest rate of 4.5% 2010 EPS are diluted by about 0.24 € <sup>2</sup>**

1. The 4.5% is our current average group cost of debt for E.ON total financial liabilities. The resulting € 0.3 bn is a pre tax number.

2. To arrive at our dilution figure we have used a normalized group tax rate of 27% (except for Thüga where main parts of the EBIT are already taxed) and we have used the current number of shares outstanding (1.905bn) to calculate the EPS impact. In this calculation we have adjusted for the ~€ 70 m non cash items.



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