

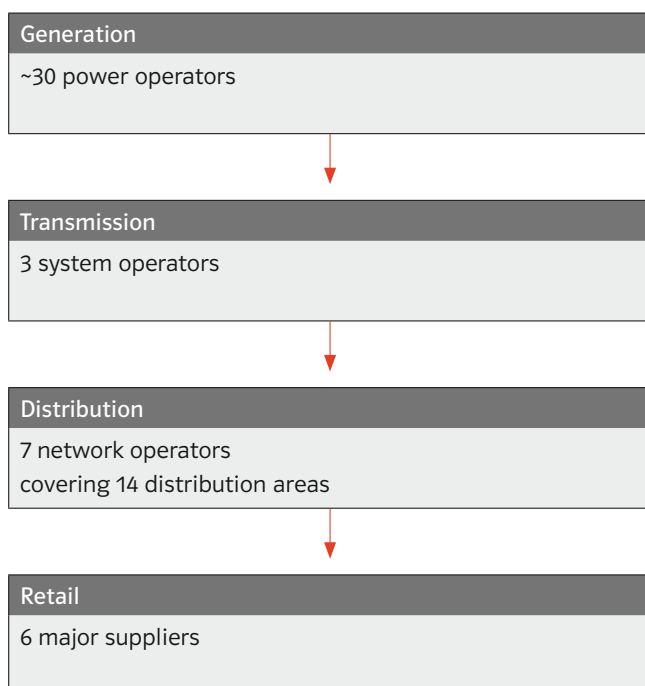
# U.K. Market Unit

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## Introduction

E.ON UK is one of the leading integrated power and gas companies in the United Kingdom. It was formed as one of the four successor companies to the former Central Electricity Generating Board as part of the privatization of the power industry in the United Kingdom in 1989. E.ON UK and its associated companies are actively involved in power generation, distribution, retail and trading. As of December 31, 2007, E.ON UK owned or through joint ventures had an attributable interest in 10,581 MW of generation capacity, including 359 MW of CHP plants and 251 MW of operational wind and hydroelectric generation capacity. E.ON UK served approximately 8.0 million electricity and gas customer accounts at December 31, 2007 and its Central Networks business served 4.9 million customer connections. The U.K. market unit recorded sales of €12.6 billion in 2007 and adjusted EBIT of €1.1 billion.

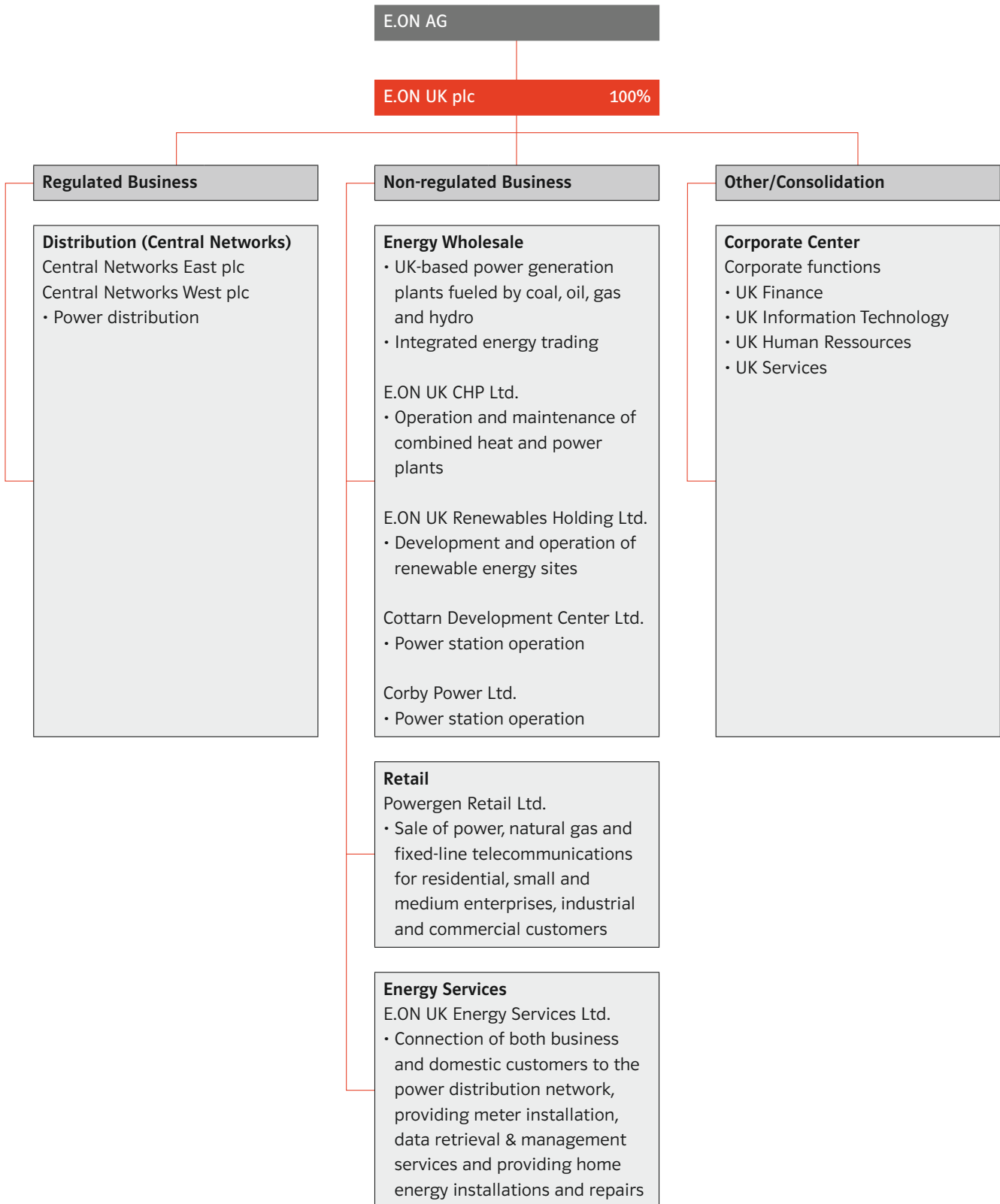
## Market Overview U.K.



U.K. Power and Gas Supply		
Billion kWh	Supply <sup>1</sup>	CAGR 2005-2010
Power	357.4	0.6%
Gas	1,053.0	1.4%

<sup>1</sup>As of December 31, 2006.  
CAGR = Compound annual growth rate.  
Source: E.ON

## Business Activities



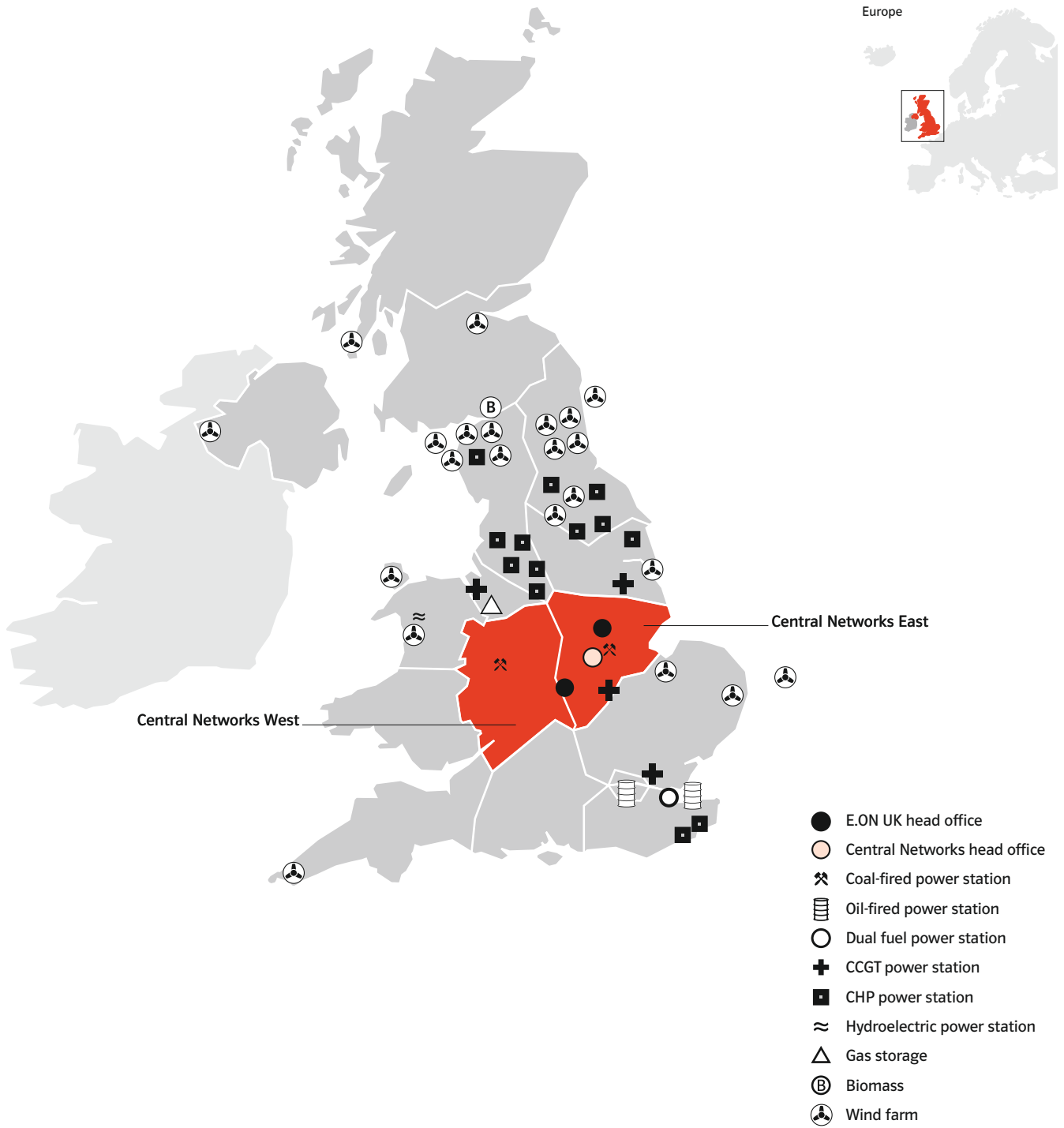
## 2007 Sales

Sales by Business Units	
€ in million	
Regulated business	888
Non-regulated business	12,126
Other/consolidation	-430
<b>Total</b>	<b>12,584</b>

### Significant market positions

- One of the U.K.'s leading national energy brands with about 8.0 million customer accounts (5.3 million electricity and 2.7 million gas).
- Flexible generation position, well balanced against mass-market retail operations.
- Energy Trading business division is a major participant in the U.K. electricity and gas wholesale market.
- E.ON UK's share of distribution network is 132,115 km, overall market is 759,221 km, giving a market share of 17.0 percent.
- One of the leading U.K. renewable developers and operators, and leading CHP operator.

# Activities in U.K.



## Activities in U.K.

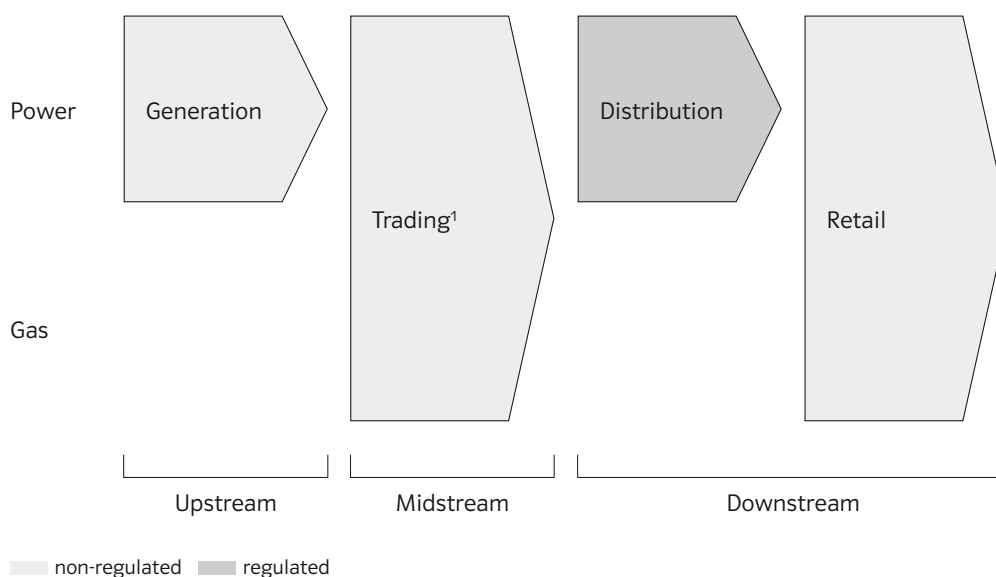
Power			
	E.ON UK shareholdings	Overall U.K. market	Market share %
Power supplied	77.8 billion kWh	357.4 billion kWh	22.0
<i>of which own generation<sup>1</sup></i>	<i>41.2 billion kWh</i>	<i>357.4 billion kWh</i>	<i>12.0</i>
Customer accounts	5.3 million	29.2 million	18.0
Distribution network	132,115 km	759,221 km	17.0
Generation capacity	11 GW	83 GW <sup>2</sup>	13.0

<sup>1</sup>Excludes CHP and renewables generation.  
<sup>2</sup>Official U.K. Government Figures for U.K. Plant Capacity have yet to be released for 2007 (figures based on prior year).

Natural Gas			
	E.ON UK shareholdings	Overall U.K. market	Market share %
Sales	78.9 billion kWh <sup>1</sup>	1,053 billion kWh	7.5
Customer accounts	2.7 million	22.1 million	12.2

<sup>1</sup>Sales to industrial and commercial customers, sales to retail mass market customers, market sales (see Business Overview, page 44).

## Business Activities along the Value Chain



<sup>1</sup>Carried out by E.ON Energy Trading as of January 1, 2008.

## 2007 Power Procurement and Sales Volume

Power Generation by Energy Source					
MW	2007 <sup>1</sup>	2006	2005	2004	2003
Gas	3,865	3,849	3,849	2,567	2,993
Coal	4,910	4,910	4,910	4,910	4,910
Other	1,806	1,788	1,788	1,788	1,711
<b>E.ON UK</b>	<b>10,581</b>	<b>10,547</b>	<b>10,547</b>	<b>9,265</b>	<b>9,614</b>
Gas	37,633	37,633	36,396	35,631	33,857
Coal	22,902	22,902	22,627	22,639	22,524
Nuclear	10,969	10,969	11,852	11,852	11,852
Other	11,541	11,541	10,863	10,179	10,061
<b>U.K. market overall</b>	<b>83,045</b>	<b>83,045</b>	<b>81,738</b>	<b>80,301</b>	<b>78,294</b>

<sup>1</sup>Official U.K. Government Figures for U.K. Plant Capacity have yet to be released for 2007 (figures based on prior year).

Generation Output					
GWh	2007	2006	2005	2004	2003
Gas	19,723	14,479	16,405	16,560	16,286
Coal	22,856	22,143	21,840	21,760	24,759
Other	756	857	934	521	380
<b>E.ON UK</b>	<b>43,335</b>	<b>37,480</b>	<b>39,179</b>	<b>38,841</b>	<b>41,425</b>
Gas	146,084	124,688	134,798	137,758	128,037
Coal	125,245	139,474	126,140	121,937	127,698
Nuclear	57,249	69,237	75,173	73,682	81,911
Other	28,803	27,539	24,401	22,612	17,595
<b>U.K. market overall</b>	<b>357,380</b>	<b>360,937</b>	<b>360,512</b>	<b>355,989</b>	<b>355,241</b>

## Generation Assets

Hard-Coal-fired Power Stations				
	Total capacity net MW	E.ON UK's share		
		%	Attributable capacity MW	Start-up date
Ironbridge U1 <sup>1</sup>	485	100.0	485	1970
Ironbridge U2 <sup>1</sup>	485	100.0	485	1970
Kingsnorth U1 <sup>1</sup>	485	100.0	485	1970
Kingsnorth U2 <sup>1</sup>	485	100.0	485	1971
Kingsnorth U3 <sup>1</sup>	485	100.0	485	1972
Kingsnorth U4 <sup>1</sup>	485	100.0	485	1973
Ratcliffe U1 <sup>1,2</sup>	500	100.0	500	1968
Ratcliffe U2 <sup>1,2</sup>	500	100.0	500	1969
Ratcliffe U3 <sup>1,2</sup>	500	100.0	500	1970
Ratcliffe U4 <sup>1,2</sup>	500	100.0	500	1970
<b>Total</b>	<b>4,910</b>		<b>4,910</b>	

<sup>1</sup>Biomass material co-fired during 2007.  
<sup>2</sup>In May 2006, after a successful 18-month trial, Ratcliffe-on-Soar power station was granted the necessary authorization to allow the co-firing of petroleum coke with coal at all four units.

Natural-Gas-fired Power Stations				
	Total capacity net MW	E.ON UK's share		
		%	Attributable capacity MW	Start-up date
Cottam Development Centre (CDC) Module	400	100.0	400	1999
Connahs Quay U1	345	100.0	345	1996
Connahs Quay U2	345	100.0	345	1996
Connahs Quay U3	345	100.0	345	1996
Connahs Quay U4	345	100.0	345	1996
Corby Module	401	50.0	200	1993
Enfield <sup>1</sup>	408	100.0	408	2002
Killingholme Mod 1	450	100.0	450	1992
Killingholme Mod 2	450	100.0	450	1993
Merchant CHP	218	100.0	218	various
<b>Total</b>	<b>3,707</b>		<b>3,506</b>	

<sup>1</sup>Enfield capacity increased to 408 MW (2006: 392 MW) after a compressor upgrade.

Oil-fired Power Stations				
	Total capacity net MW	E.ON UK's share		
		%	Attributable capacity MW	Start-up date
Grain U1	650	100.0	650	1982
Grain U4	650	100.0	650	1984
<b>Total</b>	<b>1,300</b>		<b>1,300</b>	

### Other Power Stations (Including Hydroelectric and Wind Farms)

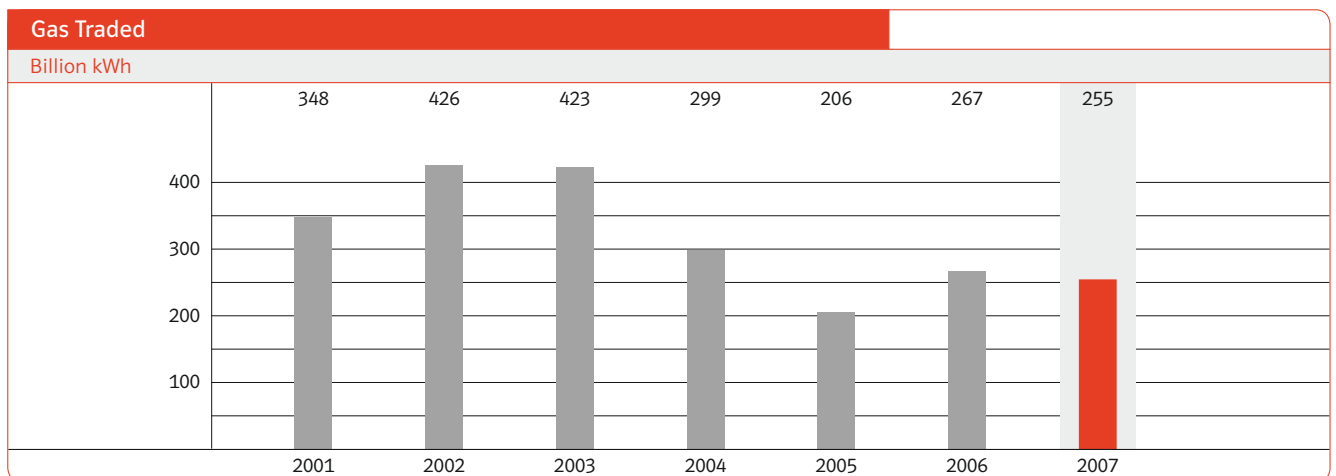
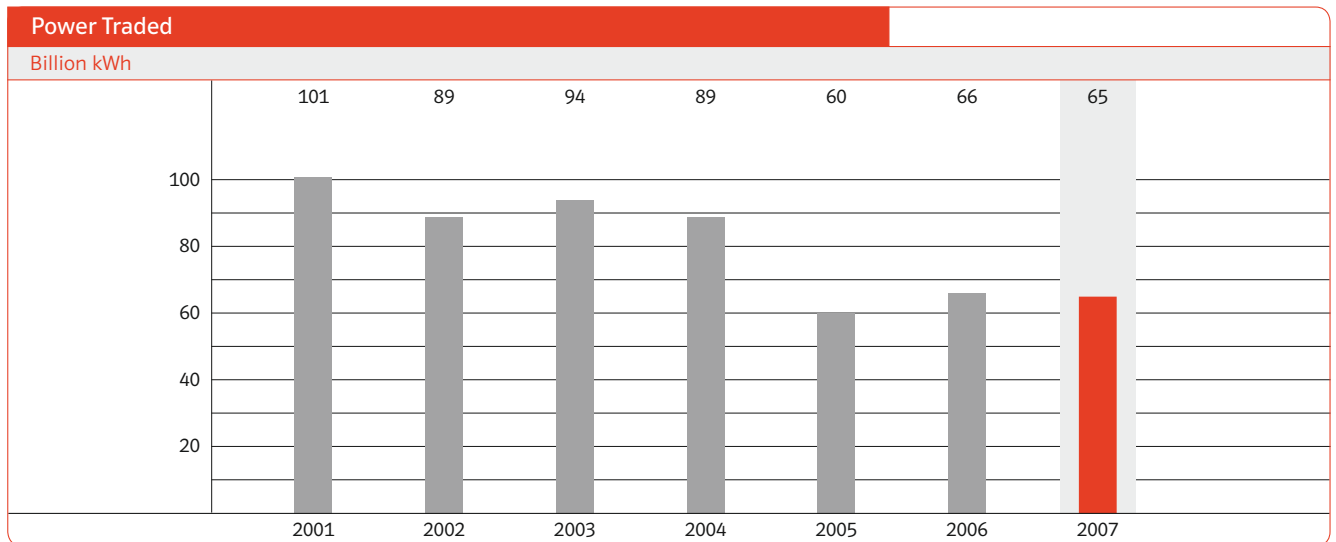
	Total capacity net MW	E.ON UK's share		Start-up date
		%	Attributable capacity MW	
Grain Aux GT1	28	100.0	28	1979
Grain Aux GT4	27	100.0	27	1980
Kingsnorth Aux GT1	17	100.0	17	1967
Kingsnorth Aux GT4	17	100.0	17	1968
Ratcliffe Aux GT2	17	100.0	17	1967
Ratcliffe Aux GT4	17	100.0	17	1968
Taylors Lane GT2	68	100.0	68	1981
Taylors Lane GT3	64	100.0	64	1979
Hydroelectric	50	100.0	50	1962
Wind farms <sup>1</sup>	212	various	201	various
<b>Total</b>	<b>517</b>		<b>506</b>	

<sup>1</sup>Wind farm capacity at 212 MW (2006: 197 MW) after completion of Stags Holt onshore site. Transferred to E.ON Climate & Renewables at January 1, 2008.

### CHP Power Stations

	Total capacity net MW	E.ON UK's share		Start-up date
		%	Attributable capacity MW	
CHP schemes	359	100.0	359	various
<b>Total</b>	<b>359</b>		<b>359</b>	

## Power and Gas Trading

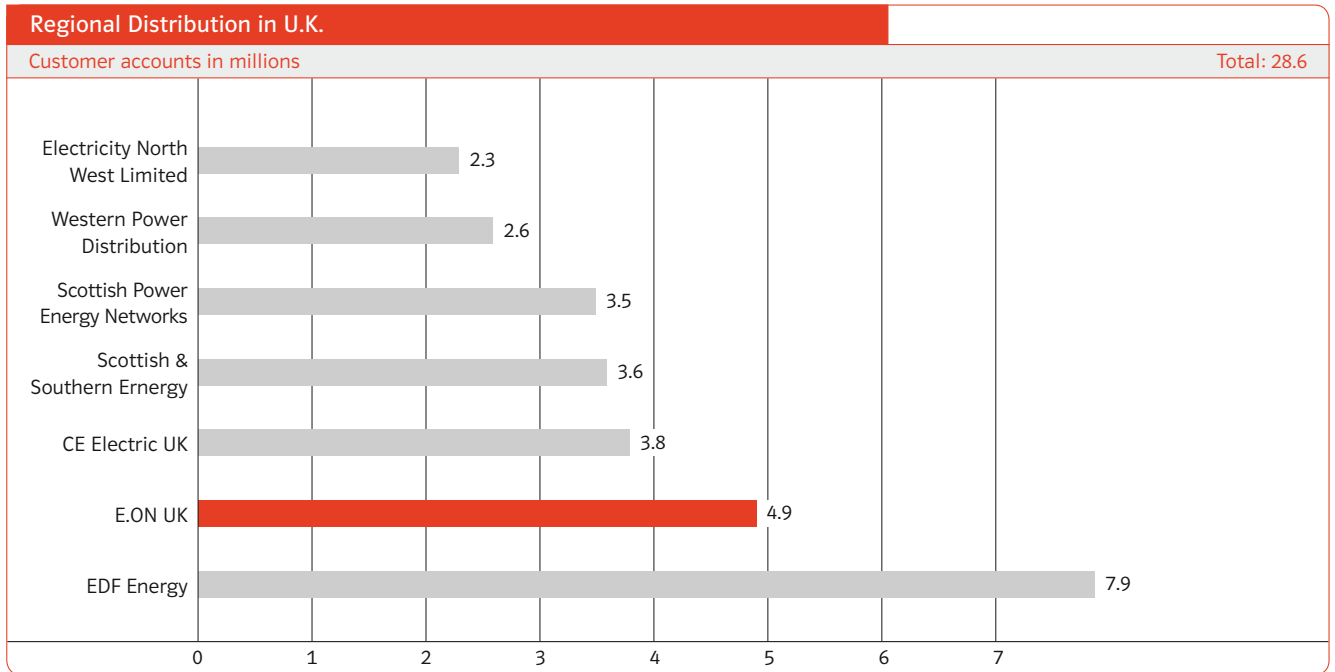


### Market Purchases and Proprietary Trading

- Primary role is to maximize the integrated gross margin across generation, trading, and retail, within acceptable risk limits.
- Active in several markets: Power in U.K. and in France; gas in U.K. and continent, gas oil and fuel oil in U.K., carbon in the U.K. as well as international & U.K. coal trading.

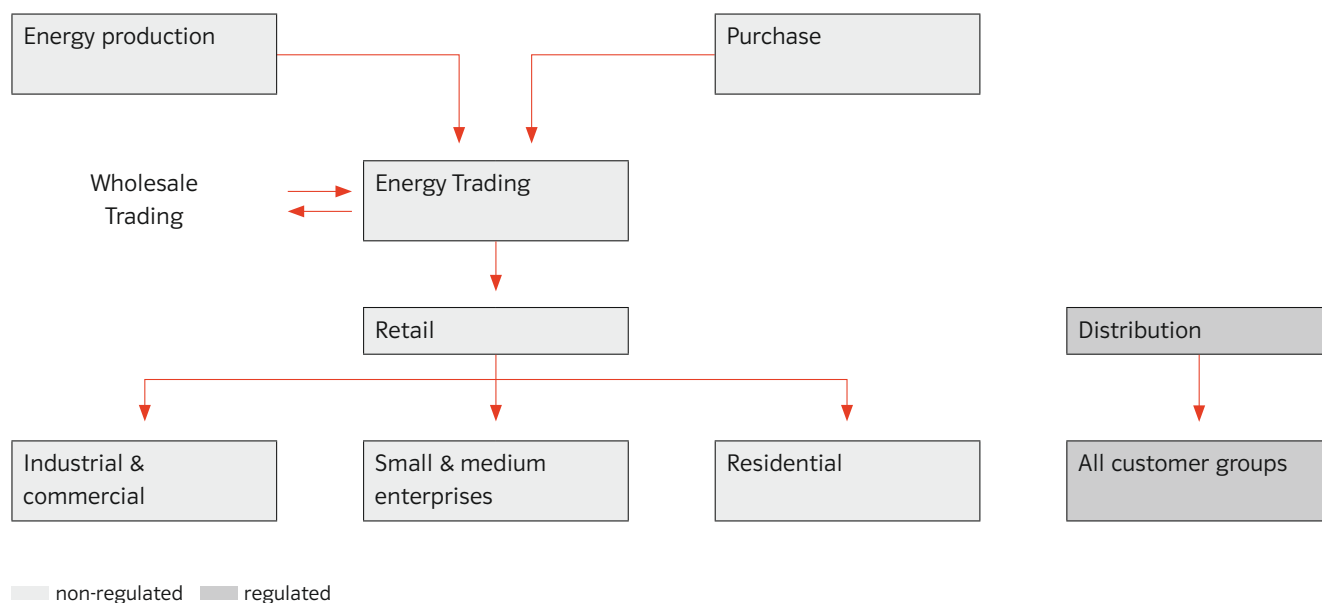
## Regional Distribution





In January 2004, E.ON UK acquired Midlands Electricity for £1.2 billion. The distribution network of Midlands Electricity is adjoining E.ON UK's existing East Midlands Electricity network. The combined system is known as Central Networks, with 4.9 million customer connections.

## Supply Structure



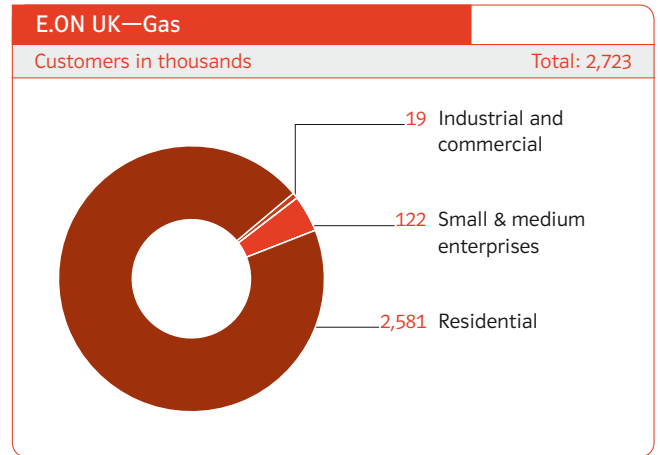
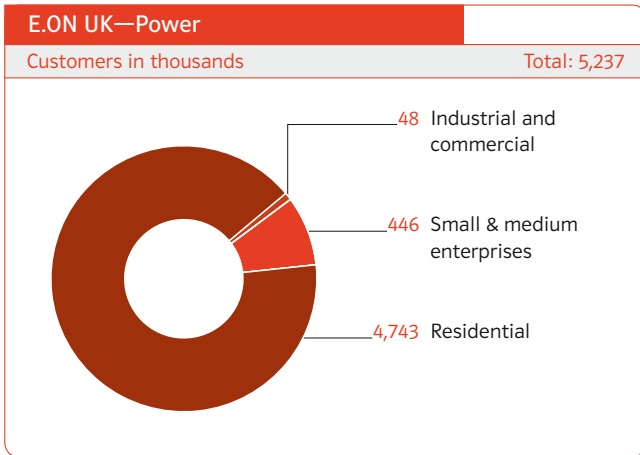
### Non-regulated Business

- Activities throughout U.K.
- Free choice of electricity supplier.
- Competition and minimal regulation.
- Trade and delivery of electricity.
- Power trading optimizes generation and supply.

### Regulated Business

- Operating in East Midlands and in Midlands (since January 16, 2004).
- Highly regulated.
- Only electricity distribution.
- Strict separation from retail business.

## Power and Gas Customers<sup>1</sup>



Marketing, customer services, and products create loyalty to the E.ON UK and Powergen brands.

<sup>1</sup>As of December 31, 2007.

## Energy Services

Energy Services Key Figures		2007
<b>Energy Services</b>		
Number of Staff		4,015
<b>Connections</b>		
Number of domestic connections		46,405
<b>Home Installations</b>		
Number of heating jobs		116,917 <sup>1</sup>
Number of insulation jobs		116,695 <sup>1</sup>
Number of local authority/housing association contracts		28 <sup>1</sup>
<b>Metering</b>		
Meter changes		281,000

<sup>1</sup>See Business Overview, page 51, approx. 400,000 homes per year.

- **New Connections**—Connecting domestic and business customers to the distribution network predominantly for electricity, but increasingly offering multi-utility connection service.
- **Metering Services**—Provides meter installation, data retrieval, data management and meter maintenance services to external customers and our retail business.
- **Home Energy Services**—Provides home energy installations and repairs, including loft and cavity wall insulations, boiler service and repair work to domestic customers, local authorities and housing associations.

### E.ON UK—Investments in Generation and Gas Infrastructure

- Progress has been made on consents to build two new highly efficient coal units at Kingsnorth power station in Kent. Approval has been ratified by the local authority and should be confirmed by the U.K. government midway through 2008.
- In 2007 E.ON UK started construction of one of the UK's largest gas-fired CHP stations which will generate 1,275 MW of power and export up to 340 MW of heat at its Isle of Grain site in Kent. This station is due to commission in 2009.
- Continued development of one of the largest gas storage facilities in the U.K.

### E.ON UK—Continuous Investment in Renewables

New build and contracts will be utilized to meet the increasing renewable obligation requirement. Recent major actions include:

- During the year construction continued on the 44 MW wood-burning plant in Lockerbie, in Southwest Scotland. This became operational in the first quarter of 2008.
- During the year construction progressed with the Robin Rigg 180 MW offshore wind farm.
- During the year, E.ON UK completed construction of an 18 MW onshore wind farm in Cambridgeshire which became operational in the third quarter of 2007.

## Key Figures

U.K. Key Figures			
	2007	2006	+/- %
Sales	€12,584 million	€12,518 million	+1.0
Adjusted EBITDA	€1,657 million	€1,804 million	-8.0
Adjusted EBIT	€1,136 million	€1,239 million	-8.0
ROCE	9.2%	9.7%	-0.5 <sup>1</sup>
Cost of capital	9.5%	9.2%	+0.3 <sup>1</sup>
Value added	€-37 million	€64 million	-
Cash provided by operating activities	€1,615 million	€724 million	+123.0
Investments	€1,364 million	€863 million	+58.0
Employees (at year end)	16,786	15,621	+7.0

<sup>1</sup>Changes in percentage points.

Sales by Customer Segment <sup>1</sup>			
Billion kWh	2007	2006	+/- %
Power Residential and SME	34.2	37.9	-10.0
Power I&C	18.4	18.4	-
Power Market sales	25.2	17.5	+4.4
<b>Total power sales</b>	<b>77.8</b>	<b>73.8</b>	<b>+5.0</b>
Gas Residential and SME	55.5	63.9	-13.0
Gas I&C	23.4	28.7	-18.0
Gas Market sales	78.2	62.8	+25.0
<b>Total gas sales</b>	<b>157.1</b>	<b>155.4</b>	<b>+1.0</b>

<sup>1</sup>Excludes energy trading activities.