Exploration & Production
Capital Market Update

10 July 2013
E&P management team and staff

Management team

- **Jone Hess**
  - Development
  - 20+ years
  - ExxonMobil
  - New Orleans, Melbourne, Stavanger, London

- **Frank Sivertsen**
  - CEO
  - 25+ years
  - Conoco, Petoro
  - Houston, Dubai, Stockholm, Stavanger

- **Haakon Haaland**
  - Bus. development & Exploration
  - 25+ years
  - ConocoPhillips
  - London, Houston, Stavanger

- **Judith Buss**
  - CFO
  - 15+ years
  - E.ON
  - Dusseldorf, Stavanger

- **Felix Lerch**
  - Production
  - 20+ years
  - Shell
  - London, The Hague

Staff & Skills

- 200 staff and 230 contractors at end 2012
- Background from international E&P companies
- Experience of 18 years on average
- 90% of staff with operating experience
- Experience accumulated globally in 30+ countries
- Multicultural team with 13 nationalities

Experienced E&P team
Key milestones

- E&P business commenced in 2003 after acquisition of Ruhrgas by E.ON
- Four major portfolio development steps:
  - 2003: transfer of 5.2% in Elgin-Franklin to E&P and acquisition of 15% in Njord
  - 2005: acquisition of Caledonia and of an additional 15% in Njord
  - 2007: acquisition of 28% in Skarv
  - 2009: acquisition of 25% in Yuzhno Russkoye
- Currently holding 50 exploration licenses in UK, Norway and Algeria
- Progressive build-up of in-house operator competences

Build-up of portfolio in parallel with development of in-house competences
Strategy – Development of in-house skills

Operatorships important …
• … to compete successfully for new exploration licenses
• … to engage constructively with other operators to make value driven decisions
• … to attract and retain staff in a competitive job market

Development of in-house skills to ensure delivery of strategy

Successful execution of increasingly complex projects as operator
Strategy – Focused approach

Focus areas

Strategic priorities

- Manage portfolio **across E&P value chain:**
  - Pursue exploration
  - Develop assets
  - Optimize production

- Focus activity and expertise on **selected hydrocarbon provinces:**
  - Offshore UK and Norway
  - Russia
  - North Africa

- Shift from acquisitions towards **organic development**

- **Value driven:** no particular preference for gas or liquids

Strengthened position as a focused E&P company
Near term production outlook

**Production drivers**

**Skarv – Norway**
- Skarv on stream since December 2012
- Production ramp-up in 2013

**Njord – Norway**
- Infill well drilling ongoing
- Satellite field Hyme in production in 2013

**Elgin Franklin – UK**
- Back in production in 2013

**Huntington – UK**
- Production commenced in April 2013

**Yuzhno Russkoye – Russia**
- Stable production

**2013 production expected to range between 55m boe and 59m boe**
Producing assets - Skarv

Overview
- Major oil and gas development (€6bn investment) in Norwegian Sea
- Reserves: 0.5bn boe gross
- Production started in December 2012
- Purpose-built FPSO for harsh environment
- 16 well development
- Max. daily production: 165,000 boe/day
- Field life: 25+ years

Current status
- 13 of 16 wells already completed
- Production ramp-up ongoing: seven wells producing
- Drilling activities ongoing until year end
- On schedule to meet 2013 production target of ~10m boe (net E.ON)

Outlook:
- Additional wells planned to develop other discoveries (Snadd, -South, -Outer) and exploration targets on license

Skarv represents about 50% of E.ON’s North Sea production
Producing assets – E.ON operated fields

**Overview**
- E.ON operated FPSO development in UK Central North Sea
- Project delivered on budget of £360m gross
- Six well development
- Max. daily production: 30,000 bbl/day
- Production start: April 2013
- Field life: 5+ years

**Current status**
- Commissioning of gas compression system ongoing
- Production ramp-up planned for July

**Outlook**
- Identified new exploration targets in the area to extend field life of Huntington

**Huntington**

**Other fields**

**Babbage**
- Production start: August 2010
- Phase II development with two additional wells
- Fracking operations on-going
- Production ramp-up planned for August

**Johnston**
- Infill well completed on budget and schedule
- Hook-up scheduled for August

**Rita**
- Pipeline replacement completed on budget and ahead of schedule
- Production restart: June 2013

E.ON operates 20% of its North Sea production
Producing assets – Other fields

**Njord**

**Current status**
- Production in 2013 impacted by
  - Floatel incident in November 2012
  - Delay in drilling of planned infill wells
  - Production currently choked back to execute drilling activities

**Hyme**
- Production start in February 2012
- Reserves: 30m boe
- Two well development with tie-in to Njord infrastructure

**Outlook**
- Identified potential for more infill wells
- Studies on-going to extend field life to 2030 through development of other nearby discoveries using Njord infrastructure

**Elgin-Franklin**

**Current status**
- Field shut-in following gas leak in March 2012
- Production re-start in March 2013
- Stable Production from initially three wells
- Other wells will be suspended/abandoned

**Outlook**
- Potential to reinstate one/two more wells on Elgin/Franklin in 2014
- West Franklin development expected to come on stream from Q2 2014 with three new wells extending Elgin/Franklin field life beyond 2028
- Work continues to mature attractive exploration targets in the area (i.e Corfe)

Strong recovery from operational challenges in 2012
Exploration and development

North Sea / North Africa resource inventory¹
m boe

<table>
<thead>
<tr>
<th>Category</th>
<th>Reserves</th>
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<tbody>
<tr>
<td>2P reserves</td>
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<tr>
<td>Contingent resources: In concept</td>
<td>96</td>
</tr>
<tr>
<td>Contingent resources: Feasibility</td>
<td>63</td>
</tr>
<tr>
<td>Risked exploration</td>
<td>131</td>
</tr>
<tr>
<td>Total reserves &amp; resources</td>
<td>503</td>
</tr>
</tbody>
</table>

- Contingent resources form the project inventory/development pipeline.
- Uncertainty increases from 2P reserves to risked exploration

- **2P reserves**: E.ON’s net share of hydrocarbon in fields either producing or with a firm development plan
- **Contingent resources – in concept**: discovered resources in fields which currently are undergoing conceptual development studies
- **Contingent resources – feasibility**: discovered hydrocarbon in fields which currently are undergoing feasibility development studies or where the economics are not finalized
- **Risked exploration**: expected (risked) resources to be found from drilling new exploration wells on E.ON’s portfolio of licenses

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Investment focus now on exploration and organic development

1. E.ON E&P Reserves & Resources Report 2012
Exploration – New strategy

2003-2012
- Since 2003, drilled 34 wells, participated in 22 discoveries and found 156m boe at average finding cost of 4.6 €/boe
- Exploration success rate above industry average
- Discoveries are profitable, but mid sized to small, reflecting near-field exploration close to existing assets
- Larger discoveries were mainly gas discoveries in Norway, but infrastructure constraints slow down development
- Several discoveries such as Huntington, Babbage and Hyme, have matured through to production by now

2013-...
New exploration strategy
- Increase number of held licenses to improve high value finding success
- Participate in 8 – 10 exploration wells per year
- Strengthen the exploration organization

Ambitious targets
- Create value through the addition of at least 150m boe 2P Reserves by 2020
- Make one operated discovery every second year
- Deliver finding cost in industry top quartile
- Deliver high value through projects exceeding 15% IRR

Major discoveries
Developments

Main projects in development pipeline

- Orca
  - UK
- Asha
  - Norway
- Talbot
  - UK
- Tolmount
  - UK
- Fogelberg
  - Norway
- Austen
  - UK
- Noatun
  - Norway
- Snadd
  - Norway

Comments

- Benchmarking shows that reserve replacement cost\(^1\) of peer group were ~10 $/boe in 2011 vs ~7 $/boe for E.ON

- Future reserve replacement costs\(^1\) expected to be higher, at 15-25 $/boe, in line with general industry trends

- At first glance, future development expected to yield IRRs of 15-20%

- Development capex in coming years likely to range between €200-500m per year

Attractive development pipeline in place

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1. Reserve replacement cost = (finding + development + acquisition costs) / resources added
Longer term production outlook

Comments

- Lack of ongoing near term large developments means that North Sea production will decline somewhat after 2014-2015
- Some timing uncertainty when discoveries will be brought in production
- Longer term production replacement to come from making new discoveries
- Yuzhno Russkoye broadly stable

Long term outlook healthy, but temporary decline likely absent acquisitions
## 2010-2012 financials

### Earnings North Sea / North Africa / Other

<table>
<thead>
<tr>
<th>€m</th>
<th>2010A</th>
<th>2011A</th>
<th>2012A</th>
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<tbody>
<tr>
<td>Net sales</td>
<td>641</td>
<td>607</td>
<td>362</td>
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<tr>
<td>Opex</td>
<td>-228</td>
<td>-335</td>
<td>-357</td>
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<tr>
<td>EBITDA</td>
<td>413</td>
<td>272</td>
<td>5</td>
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<tr>
<td>DD&amp;A</td>
<td>-184</td>
<td>-126</td>
<td>-110</td>
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<tr>
<td>EBIT</td>
<td>230</td>
<td>146</td>
<td>-105</td>
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<tr>
<td>Net interest</td>
<td>-28</td>
<td>-31</td>
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<tr>
<td>Taxes</td>
<td>-73</td>
<td>-46</td>
<td>108</td>
</tr>
<tr>
<td>Net income</td>
<td>129</td>
<td>70</td>
<td>4</td>
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</tbody>
</table>

### Achieved prices North Sea production

<table>
<thead>
<tr>
<th>$/bbl</th>
<th>€/MWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
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</table>

- No hedging of Norwegian production
- No hedging of Russian production
- Some hedging of UK oil and gas production

### Earnings Russia

<table>
<thead>
<tr>
<th>€m</th>
<th>2010A</th>
<th>2011A</th>
<th>2012A</th>
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<tbody>
<tr>
<td>EBITDA</td>
<td>296</td>
<td>455</td>
<td>518</td>
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<tr>
<td>DD&amp;A</td>
<td>-120</td>
<td>-120</td>
<td>-120</td>
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<tr>
<td>EBIT</td>
<td>176</td>
<td>335</td>
<td>398</td>
</tr>
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</table>

North Sea / North Africa moving to another scale in 2013
2013 outlook

Earnings drivers

North Sea / North Africa
- 2013 EBITDA up ~€0.8bn YoY
  - Production up from 5m boe to 18-22m boe
  - Oil & gas prices at similar levels as last year
- 2013 DD&A up ~€0.4bn YoY

Russia
- 2013 EBITDA broadly stable
- 2013 DD&A stable

Major contribution to E.ON’s EBITDA growth in 2013
E&P within E.ON

Group Management

Global Units:
- Generation
- Renewables
- Global Commodities
- Exploration & Production

Regional Units:
- Germany
- Other EU countries
- Non-EU countries
- Support functions
Yuzhno Russkoye

**Timeline**
- Production start in 2007
- Acquisition in 2009 of 25% stake in exchange for 2.93% stake in Gazprom (~€2.3bn)

**Ownership & operatorship**
- Gazprom 50%, E.ON 25%, BASF 25%
- Gazprom operator

**OAO Severneftegazprom (SNGP)**
- Effectively owns Yuzhno Russkoye field
- E.ON’s 25% stake accounted for at equity
- E.ON’s 25% share of production sold at cost-plus price to ‘Trader’

‘Trader’
- Fully consolidated
- Gas bought from SNGP resold to Gazprom:
  - 50% German import price netback
  - 50% Russian domestic price netback
Skarv

Ownership & operatorship
• Owners: E.ON 28.08%, Statoil 36%, BP 24%, PGNiG 12%
• Operator: BP

Timeline
• 1998: first discovery
• 2007: acquisition of E.ON’s stake for ~$0.9bn
• Dec 2012: start of production

Reserves
• 2P reserves: 128m boe net
• Liquids: 52m boe net
• Gas: 75m boe net
Skarv FPSO

Weight
- Heaviest module (P200): ~3,000 T
- Topsides: ~18,000 T
- Hull: ~48,000 T
- Turret: ~7,000 T

Design processing rate
- Oil: 85,000 bbl per day
- Gas: 19m m³ per day

Oil storage
- Capacity: 0.9m bbl
- Offloading every 10 days at peak production
Current exploration & appraisal projects

- ~€200m budgeted for exploration & appraisal in 2013
- Drill 10-12 E&A wells in North Sea & Algeria (thereof 4 operated by E.ON)
- 2 oil discoveries so far in Norway and UK
- Large appraisal program in Algeria
- Potential to find ~75m boe (unrisked)
- Strong awards in recent UK and Norwegian license rounds
E&P taxation

UK

Marginal tax rate: 62%

Tax deductibility of investments
- Fully deductible and cash effective in the following year
- Special allowance to reduce tax for „marginal interest“, i.e. high pressure / high temperature fields, small fields (<7.5 boe), West of Shetlands, etc.
- Effective refund per € invested: 62%

Norway

Marginal tax rate: 78%

Tax deductibility of exploration & appraisal investments
- Fully deductible and cash effective in current and following year (50/50)
- Effective refund per € invested: 78%

Tax deductibility of development & production investments
- 6 years linear depreciation
- 4 years „uplift“ of 22% on SPT at 50% tax rate
- Effective refund per € invested: 89%

Russia

SNGP
- Accounted for at equity
- Contribution therefore already after tax

Trader
- Marginal tax rate: 20%

High tax rates but favorable treatment of investments
## Oil & gas production

<table>
<thead>
<tr>
<th>m boe</th>
<th>Q1 2013</th>
<th>Q1 2012</th>
<th>+/- %</th>
<th>FY 2012</th>
<th>FY 2011</th>
<th>+/- %</th>
</tr>
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<tbody>
<tr>
<td>Skarv</td>
<td>1.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Njord</td>
<td>0.9</td>
<td>1.3</td>
<td>-34</td>
<td>2.6</td>
<td>4.7</td>
<td>-45</td>
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<td>Elgin-Franklin</td>
<td>0.1</td>
<td>0.5</td>
<td>-84</td>
<td>0.5</td>
<td>2.5</td>
<td>-78</td>
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<tr>
<td>Babbage</td>
<td>0.2</td>
<td>0.3</td>
<td>-26</td>
<td>0.9</td>
<td>1.4</td>
<td>-39</td>
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<td>Rita</td>
<td>0.0</td>
<td>0.0</td>
<td>-</td>
<td>0.0</td>
<td>0.6</td>
<td>-100</td>
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<tr>
<td><strong>Total North Sea</strong></td>
<td><strong>2.9</strong></td>
<td><strong>2.5</strong></td>
<td><strong>+17</strong></td>
<td><strong>5.3</strong></td>
<td><strong>11.0</strong></td>
<td><strong>-52</strong></td>
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<tr>
<td>Yuzhno Russkoje</td>
<td>10.0</td>
<td>10.3</td>
<td>-2</td>
<td>37.7</td>
<td>38.2</td>
<td>-1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>13.0</strong></td>
<td><strong>12.8</strong></td>
<td><strong>+2</strong></td>
<td><strong>43.0</strong></td>
<td><strong>49.2</strong></td>
<td><strong>-13</strong></td>
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# E.ON IR - Reporting calendar & important links

## Reporting calendar

<table>
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<tr>
<th>Date</th>
<th>Event</th>
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<tr>
<td>August 13, 2013</td>
<td>Interim Report II: January – June 2013</td>
</tr>
<tr>
<td>November 13, 2013</td>
<td>Interim Report III: January – September 2013</td>
</tr>
<tr>
<td>March 12, 2014</td>
<td>Annual Report 2013</td>
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<tr>
<td>April 30, 2014</td>
<td>2014 Annual Shareholders Meeting</td>
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<tr>
<td>May 2, 2014</td>
<td>Dividend Payout</td>
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<tr>
<td>May 13, 2014</td>
<td>Interim Report I: January – March 2014</td>
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## Important links

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<tr>
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<th>Link</th>
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<td>Creditor Relations</td>
<td><a href="http://www.eon.com/de/investoren/dialog/creditor-relations.htm">http://www.eon.com/de/investoren/dialog/creditor-relations.htm</a></td>
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