

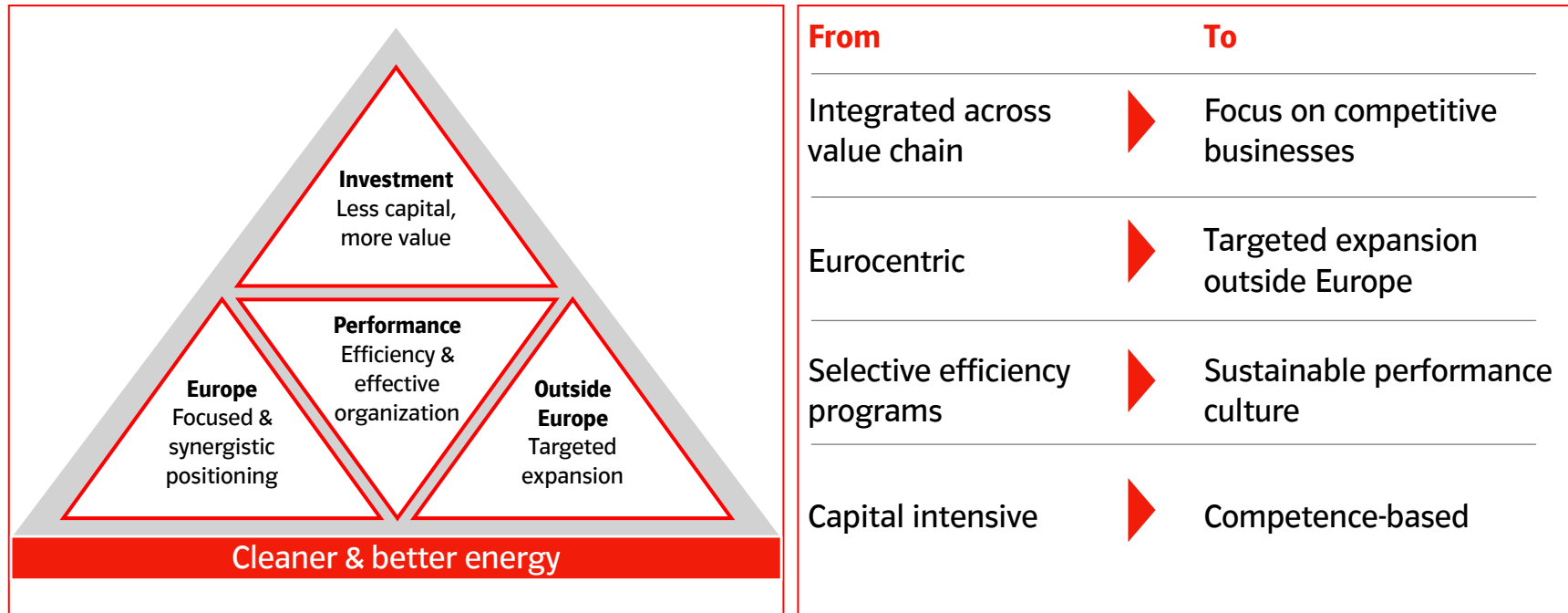
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Global Unit Gas

E.ON – Cleaner & better energy



# E.ON strategy



**Transform European utility into global, specialized energy solutions provider**

## E.ON Group strategic priorities

**Challenging markets**

**Political interventions**

**Performance**

- Intensify cost & quality management
- Simplify structures
- Execute portfolio measures
- Create balance sheet flexibility

**Europe:**

**System transformation**

**Outside Europe:**

**Growth & new technologies**

**Growth**

- Capture growth in renewables & decentralized energies
- Exploit opportunities in new markets

**Markets require intensified self-help measures**

## E.ON Group key financial targets

### Results

• 2011E	Adjusted EBITDA	€bn	9.1 – 9.3 <sup>1</sup>
	Adjusted EPS	€/share	1.2 – 1.3 <sup>1</sup>
• 2013E	Adjusted EBITDA	€bn	11.6 – 12.3 <sup>2</sup>
	Adjusted EPS	€/share	1.7 – 2.0 <sup>2</sup>
• 2015E	Adjusted EBITDA	€bn	12.5 – 13.0 <sup>3</sup>
	Adjusted EPS	€/share	2.0 – 2.3 <sup>3</sup>

### Dividends

• Dividend payout policy	% adj. net income	50 – 60
• 2011E	€/share	1.0
• 2012E	€/share	1.1
• 2013E	€/share	≥1.1

### Other

• Rating target		Solid single A
• Medium-term debt factor		<3x
• Investments 2011-13	€bn	~19
• Total disposals until 2013	€bn	~15

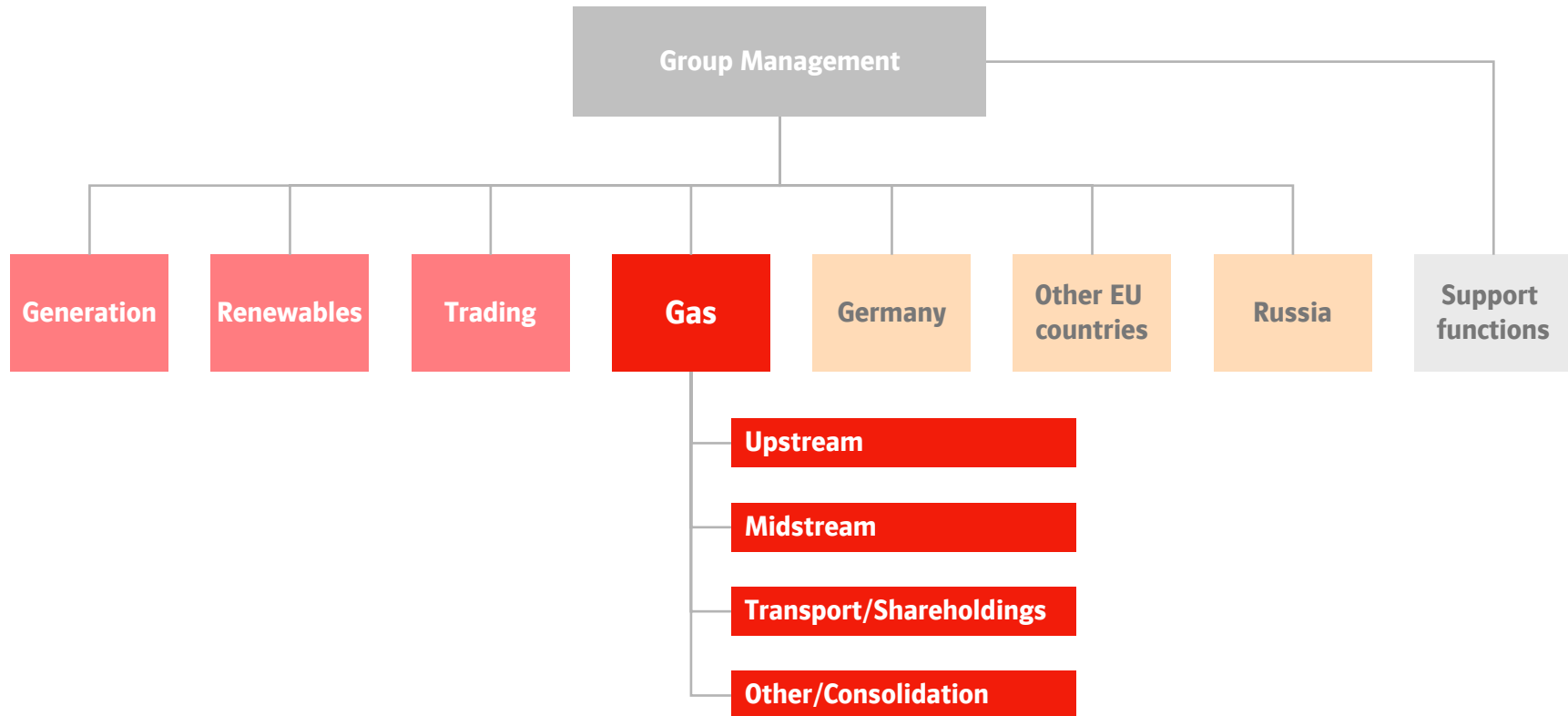
**Transparent financial targets for coming years**  
**Assumed 2015 debt factor allows ~€6bn of additional growth CAPEX**

1. 2011 post €0.5bn effect of achieved disposals (€9.1bn)

2. 2013 post €0.9bn effect of achieved disposals (€9.1bn)

3. 2015 post ~€1.7bn effect of total disposals (€~15bn)

## Global Unit Gas within E.ON's structure



**Leaner and more market oriented organization**

## Gas – Executive summary

### Market environment

- **Systemic change** of gas market functioning
  - Decoupling of oil-linked LTCs and hub prices
  - Hub prices & forwards relevant price signal
  - Growing integration of European markets
- **Tightening of global LNG & regional shift**
- **Uncertainty of long-term gas demand growth** in Europe

### Adapt LTCs to changed environment

- Renegotiation objective: restore competitiveness of LTCs and derisk Supply & Sales business
- Renegotiation parameters: price level, indexation and review mechanism
- 37% of LTC volumes successfully renegotiated so far
- Arbitration with Gazprom initiated

### Portfolio re-orientation towards upstream and optimization

- Develop further **focused & skill-based upstream position**
  - Production to expand by >20% between 2010 and 2013
  - Adj. EBITDA to increase from €0.7bn (2010) to €1.7-2.1bn (2013)
- **Enhance optimization earnings** by adjusting portfolio and bundling of gas supply, optimization and trading activities

**Paradigm shift in European gas markets – Portfolio shift towards upstream and optimization**

## Gas – Financials and outlook

### Earnings drivers

#### Main earnings drivers

- Upstream: further production growth and higher prices
- Midstream: return of Supply & Sales to normal after losses in 2011

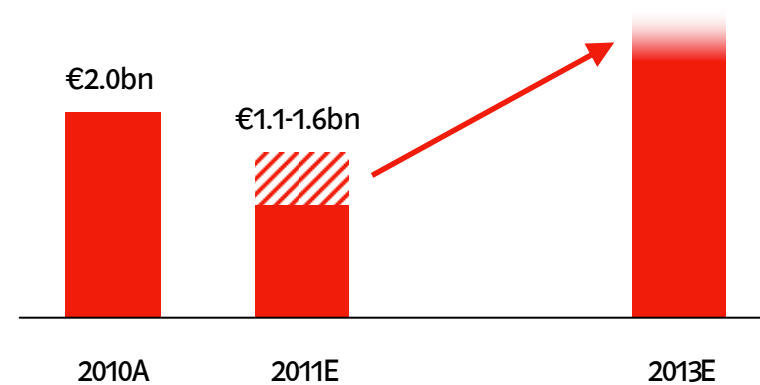
#### Outlook 2011 compared to 2010

- Upstream: marginal improvement thanks to higher prices
- Midstream: loss of less than €1bn assumed for Supply & Sales

#### Target 2013 compared to 2010

- Upstream: significant increase due to higher production and prices
- Midstream: return to normal level assumed for operational Supply & Sales business

### Outlook



### Gas – FY 2010 financials

€bn	Sales	Adj. EBITDA	Adj. EBIT
Upstream	1.4	0.7	0.4
Midstream	20.0	0.5	0.4
Transport/Shareholdings	1.6	0.7	0.5
Other/Consolidation	-1.6	0.1	0.1
<b>Gas</b>	<b>21.4</b>	<b>2.0</b>	<b>1.4</b>

**Strong increase in upstream - Supply & Sales to return to normal in 2013**

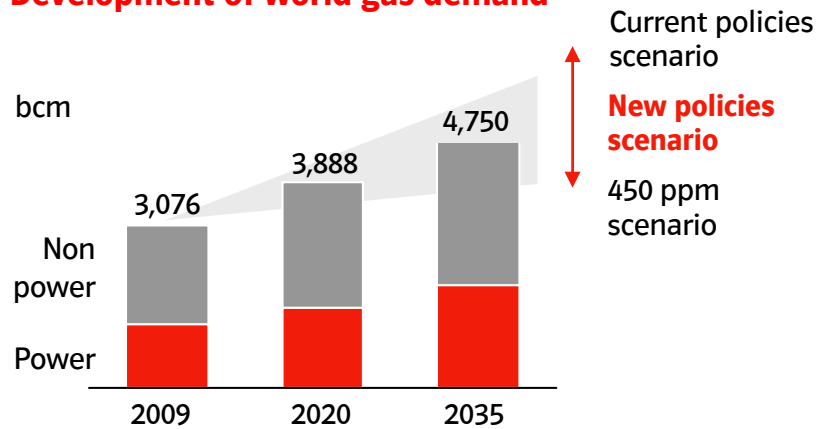
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Discussion Material



# Global perspective (I)

## Development of world gas demand



## Key drivers

**Economic growth and energy policy are key determinants of future gas demand:**

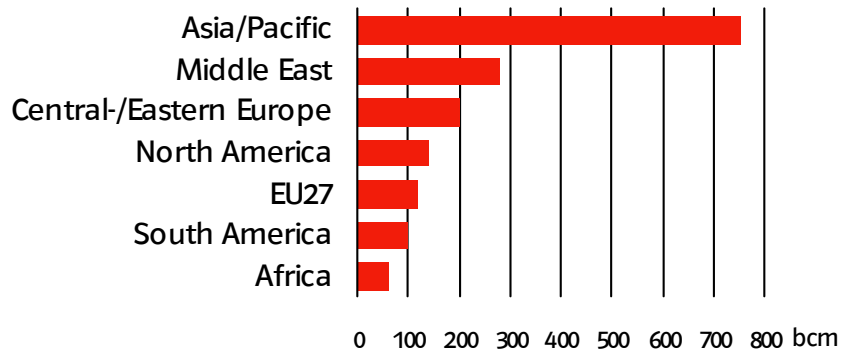
### Advantages of natural gas

- Ample supplies globally
- Cleanest of all fossil fuels
- Highly efficient and flexible
- Complement to renewable energy

### Environmental context

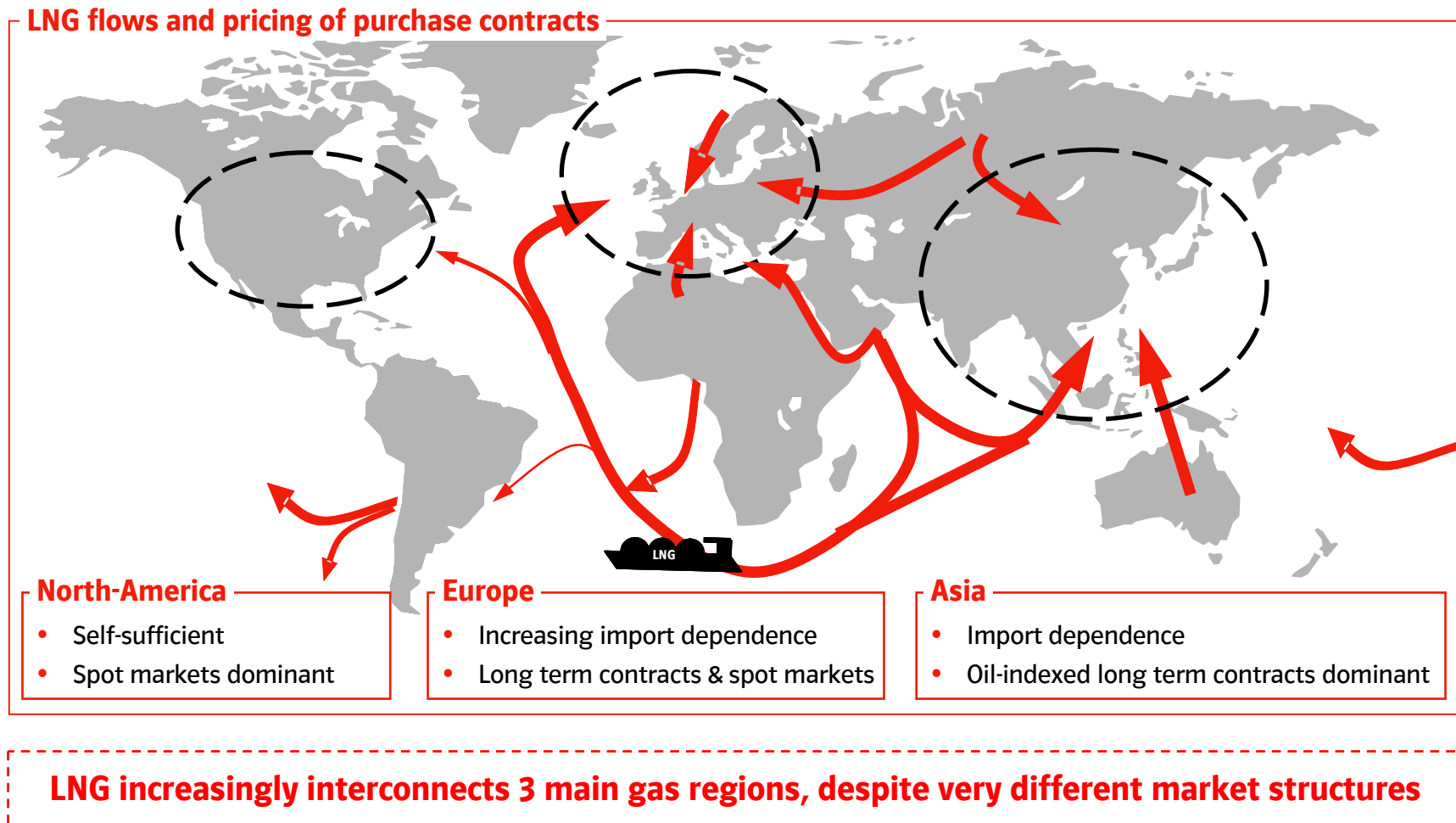
- Reduction of CO<sub>2</sub>-emissions
- Improved energy efficiency
- Increased deployment of renewable energies

## 2009-2035 gas demand growth by region



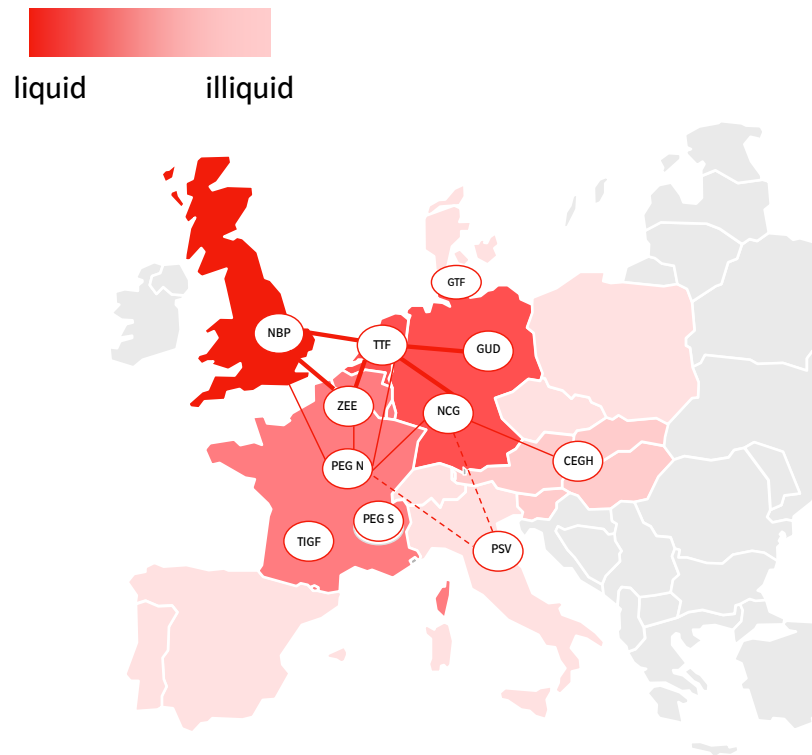
**Gas is not only a 'bridge' - it is a 'destination' fuel into a lower-carbon world**

## Global perspective (II)



## Development of European gas markets (I)

### Integration of European markets



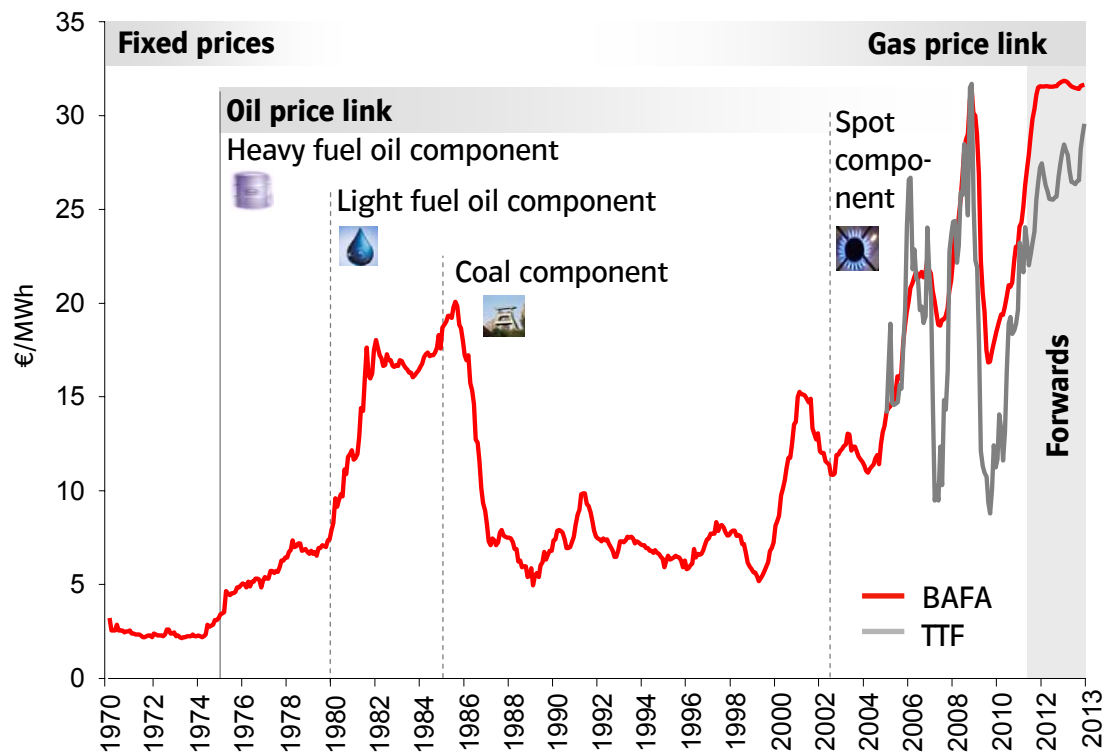
### Changing market environment

- Transparent and competitive market environment
- Market opening through national regulation
- Cross-border market integration by European regulation
- European gas hubs: continuing growth of volumes and deepening of liquidity
- Strong correlation between national trading hubs (NBP, ZEE, TTF, NCG)
- Decoupling of oil-based LTC prices and hub prices

**Functioning integrated market for natural gas in Europe expected by mid/end of decade**

## Development of European gas markets (II)

### Pricing of long-term import contracts

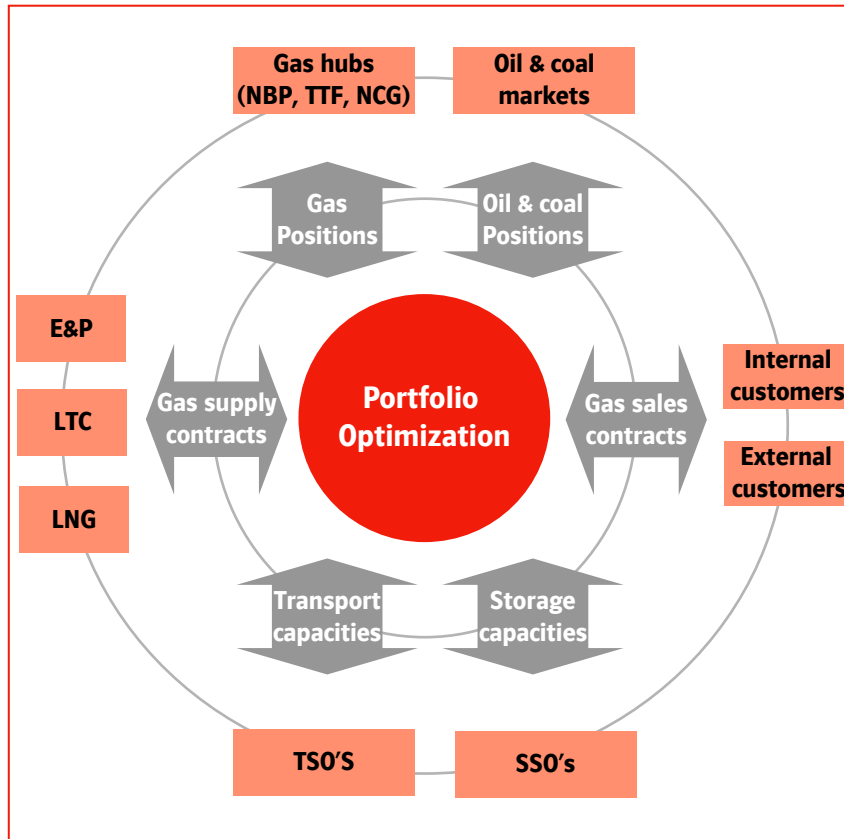


### Pricing of sales contracts

- Prices for oil as competing fuel for natural gas barely matter anymore in the more liquid European markets
- Hub prices and forwards have become relevant price signals for wholesale customers
- Various price elements in the markets (e.g. fixed price, oil-indexation, spot price, forwards, options, ...).

**Natural gas hubs set today the relevant price signals in the markets**

# Portfolio Optimization



## Integrated portfolio optimization

- Diversified and complementary supply, transport, storage and sales portfolio
- Intense cooperation across E.ON Group

## Examples

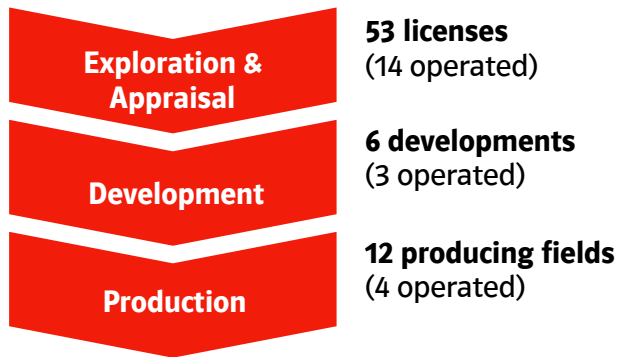
- **Supply optimization:** Various supply contracts and delivery points as well as access to transportation capacity create opportunities to minimize sourcing costs
- Sale of **virtual storage** in one country backed by physical storage in another country creates opportunities to optimize physical storage

**Integrated portfolio optimization across the group creates additional value**

# Upstream

## Portfolio

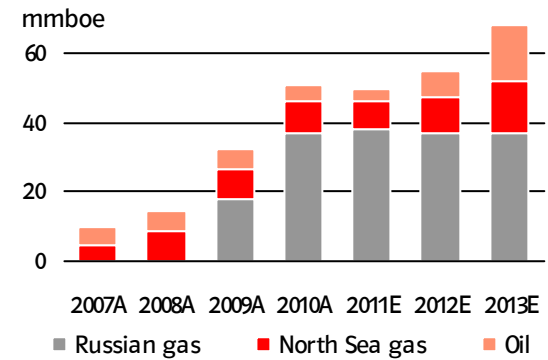
- Active in **entire E&P value chain** with focus on early phase



- Active as **operator and non-operator**
- Strong skill set: expanding role as operator**
  - North Sea: operating exploration (Norway), developing (UK) & producing fields (UK)
  - North Africa: onshore operator (Algeria)

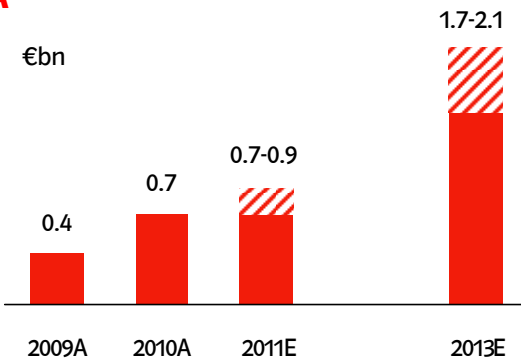
## Production

- Continuous build up of production
- First production of Skarv in 2012



## Adjusted EBITDA

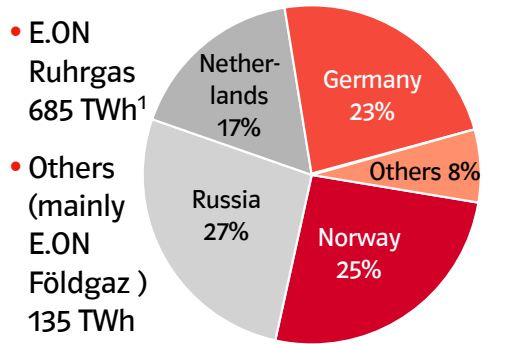
- Contribution of Skarv
- Increase of oil and gas prices



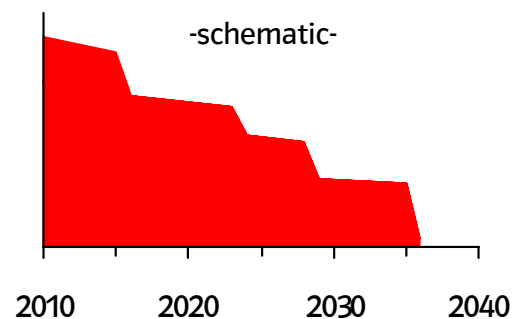
**Experienced & skilled niche player**

# Midstream – Supply & Sales (I)

## Gas sourcing 2010



## Profile of LTC maturities



### Importer bears volume risk

- Long-term "Take or Pay" purchase commitment
- Obligation to actively develop market

### Producer bears price risk

- Long-term supply commitment
- Obligation to supply at competitive prices

### Basic principles of LTCs

- Efficient sales channel for large volumes
- Prerequisite for significant upstream and transport investments
- Entitlement to periodic renegotiation (price reviews)

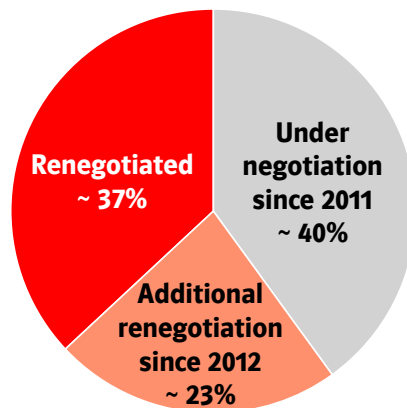
### New developments/adaptations

- Hubs set relevant price signals
- Faster reactions to market developments and changed environment necessary
- Need to reflect changed market conditions (price level, indexation and adjustment conditions)

**Long-term import contracts (LTCs) require adaptation to changed market environment**

## Midstream – Supply & Sales (II)

### Status of LTC re-negotiations



- Objective is to adjust LTC prices to fundamentally changed market conditions, i.e. to restore an appropriate risk/return profile for the Supply & Sales business
- Several agreements on adjustment of LTCs already concluded, corresponding to more than 1/3 of supply volumes for 2011
- Besides substantial price reductions, adjustments have been achieved to address structural solutions as well; negotiations for further adjustments continue
- Arbitration proceedings with Gazprom initiated; it is expected that commercial discussions continue in parallel
- Renegotiation with Statoil started on 1 Jan 2012

### Outlook Supply & Sales

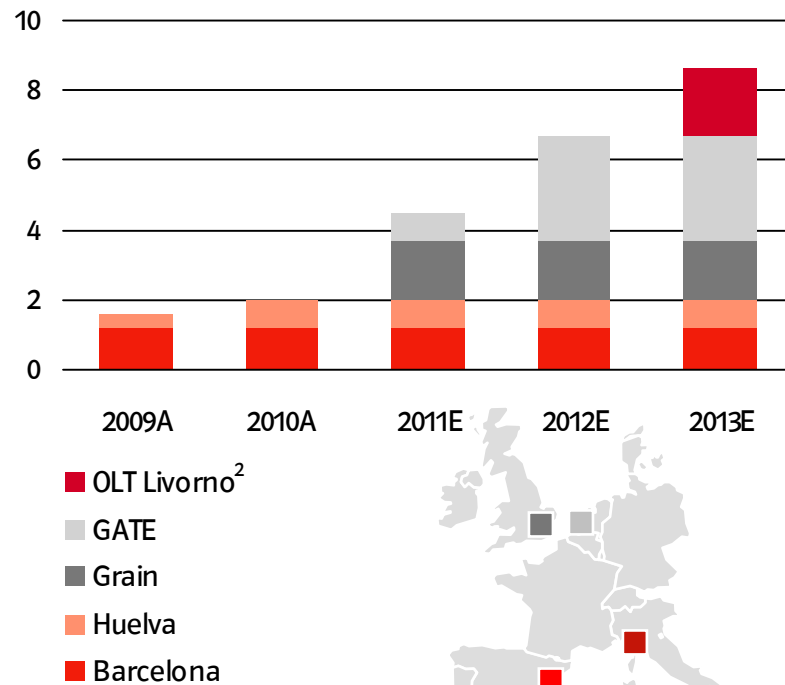
- Uncertainty about final timing of commercial agreements or arbitration decisions create uncertainty about earning levels
- **2011 outlook:** loss of less than €1bn
- **2013 target:** return to normal level assumed for operational Supply & Sales business. Upside potential out of additional catch-up effects from previous periods

**Ensuring sustainability of LTCs on track – already more than 1/3 successfully renegotiated**



## Midstream – Supply & Sales (III)

**LNG regas capacity (bcm/a)<sup>1</sup>**



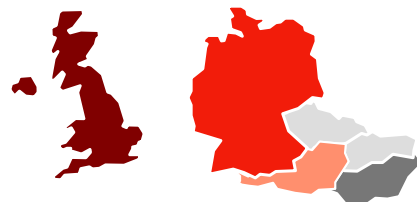
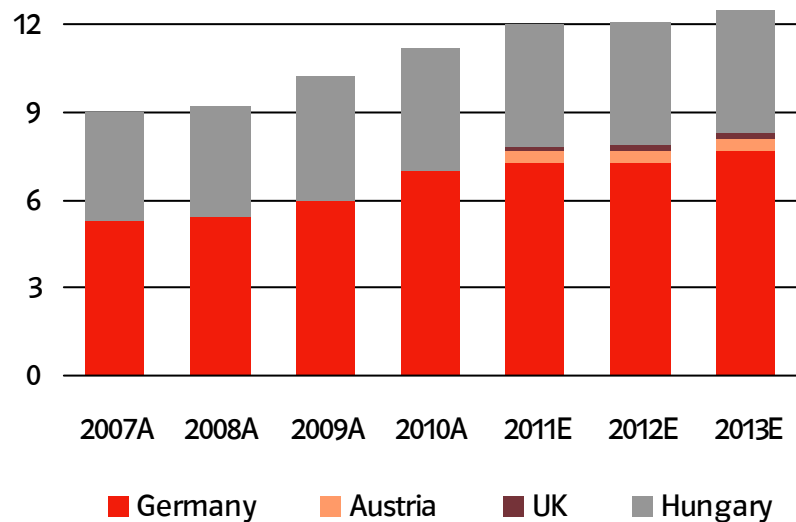
1. LNG regas capacity in E.ON Group  
2. Capacity according to project share (under construction)

- LNG imports complement pipeline imports to offset decline of gas production in Europe
- Global competition for available LNG volumes
- LNG flows determined to a large extent by differences in prices between various gas consumption regions
- E.ON's LNG regas portfolio ensures direct access to all major European gas markets and creates destination and pricing flexibility for the LNG business

**Diversified access to LNG regas capacity provide destination and pricing flexibility**

## Midstream - Gas Storage

Gas storage capacities (bcm)

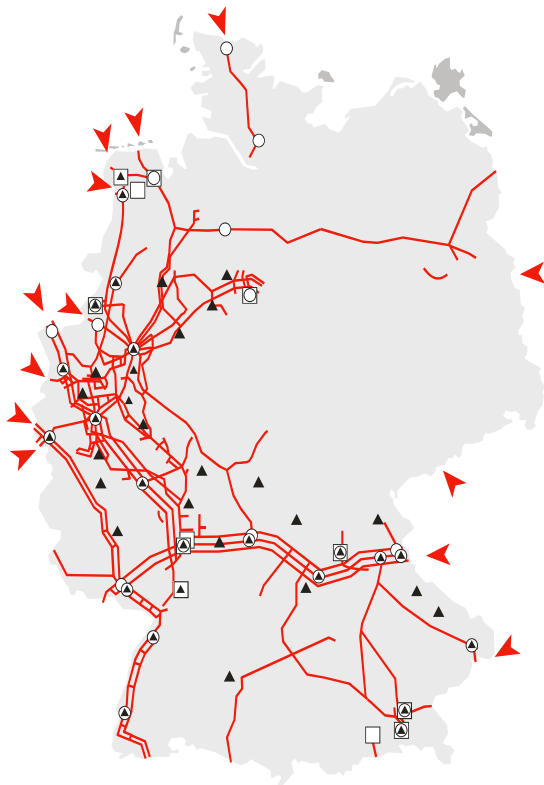


- E.ON Gas Storage (EGS) is one of the leading underground gas storage companies in Europe
  - ~11 bn m<sup>3</sup> of working gas capacity in Central Europe (2010)
  - Projects in Germany, Austria and UK
- Operating and/or marketing the capacity of 22 existing storage facilities
  - Front runner in transparency and capacity marketing
  - Attractive and innovative products and services
  - On the trunk line to main transport/transit routes and trading hubs
- R&D of new technologies, such as H<sup>2</sup>- and compressed air storage

**Flexible storage portfolio to meet demand in alternative market environments**

## Transport - Open Grid Europe

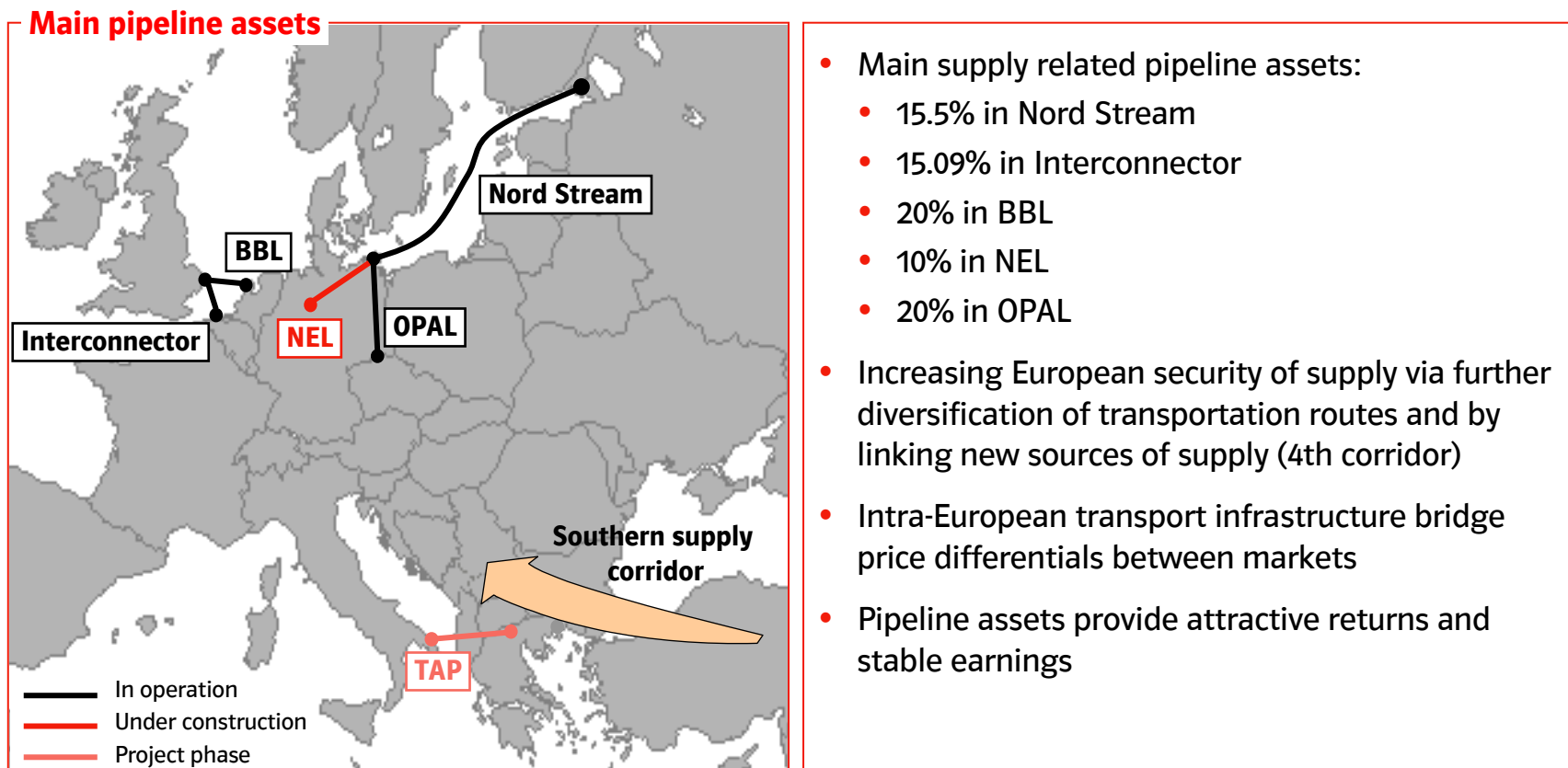
### Network of Open Grid Europe



- Highest market share in Germany by grid length (~12,000 km)
- Set up of NetConnect Germany (NCG), the most liquid trading point in Germany since 2008
- Expansion of NCG by GRTgaz Deutschland, ENI Gas Transport Deutschland and GVSNetz in 2009
- Integration of OGE L-Gas and Thyssengas into NCG by 04/2011
- Adaptations of transport tariff system in 2008/2009, start of incentive regulation
- Implementation of ITO-Model (3rd EU regulatory package) in 2010/2011
- Evaluation of strategic options

**Market and innovation leader of the German gas transmission system**

## Transport – Supply related shareholdings

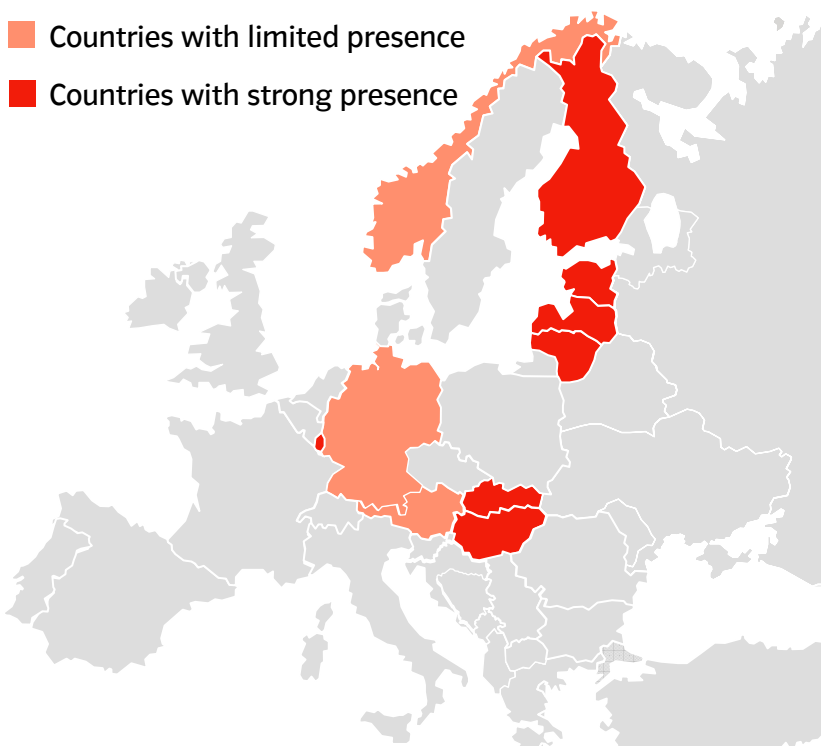


**Key role of infrastructure assets in securing long-term supplies**

## Other Shareholdings

### Geographic presence

- Countries with limited presence
- Countries with strong presence



- Operations in transit and growth markets
  - Development of regional markets
  - Realization of market potential and synergies between the shareholdings
- Value enhancement through operational excellence
- Main businesses and shareholdings outside Germany:
  - Hungary: 100% of E.ON Földgaz Trade
  - Slovakia: 24.5% in SPP, 40.5% in Nafta
  - Finland: 20% in Gasum
  - Baltic countries: 47% in Latvijas Gaze, 39% in Lietuvos Dujos, 34% in Eesti Gaas
  - Luxemburg: 11% in Enovos

**Shareholdings allow stable returns and synergies with core business**

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What can we do to  
help you?

## E.ON IR and reporting calendar

<b>Date</b>	<b>Event</b>	<b>Location</b>
March 14, 2012	Annual Report 2011	Düsseldorf
May 3, 2012	AGM 2012	Essen
May 4, 2012	Dividend payment	
May 9, 2012	Interim Report I: January – March 2012	Düsseldorf
August 13, 2012	Interim Report II: January – June 2012	Düsseldorf



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