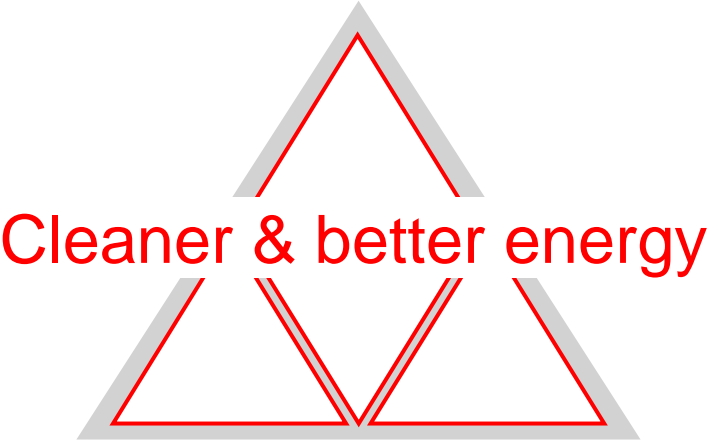
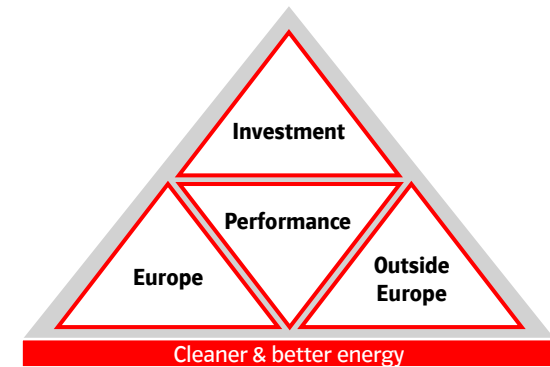


# Corporate sustainability

August 2012



# Cleaner & better energy



## Key drivers of E.ON's transformation

**Divest non-core assets**

**Safeguard financial strength**

**Expansion outside Europe**

**Increase efficiency, improve organization**

**Improve capital management**

- Total target ~€15bn disposals by end 2013, ~€12.4bn achieved
- Divested broad range of assets at attractive conditions
- Target debt factor <3x, solid single A rating
- Financial debt reduced by ~€10bn in last 24 months, comfortable liquidity position
- Disciplined investment approach, mainly organic development (generation)
- Agreement with MPX marks first step
- Target to reduce controllable costs to €9.5bn in 2015, simplify Group
- Individual measures in execution, framework agreement with German unions signed
- Increased return requirements
- Change business approach (e.g. capital velocity, partnering)

**Position E.ON for the future**

**e-on**

# E.ON Group key financial targets

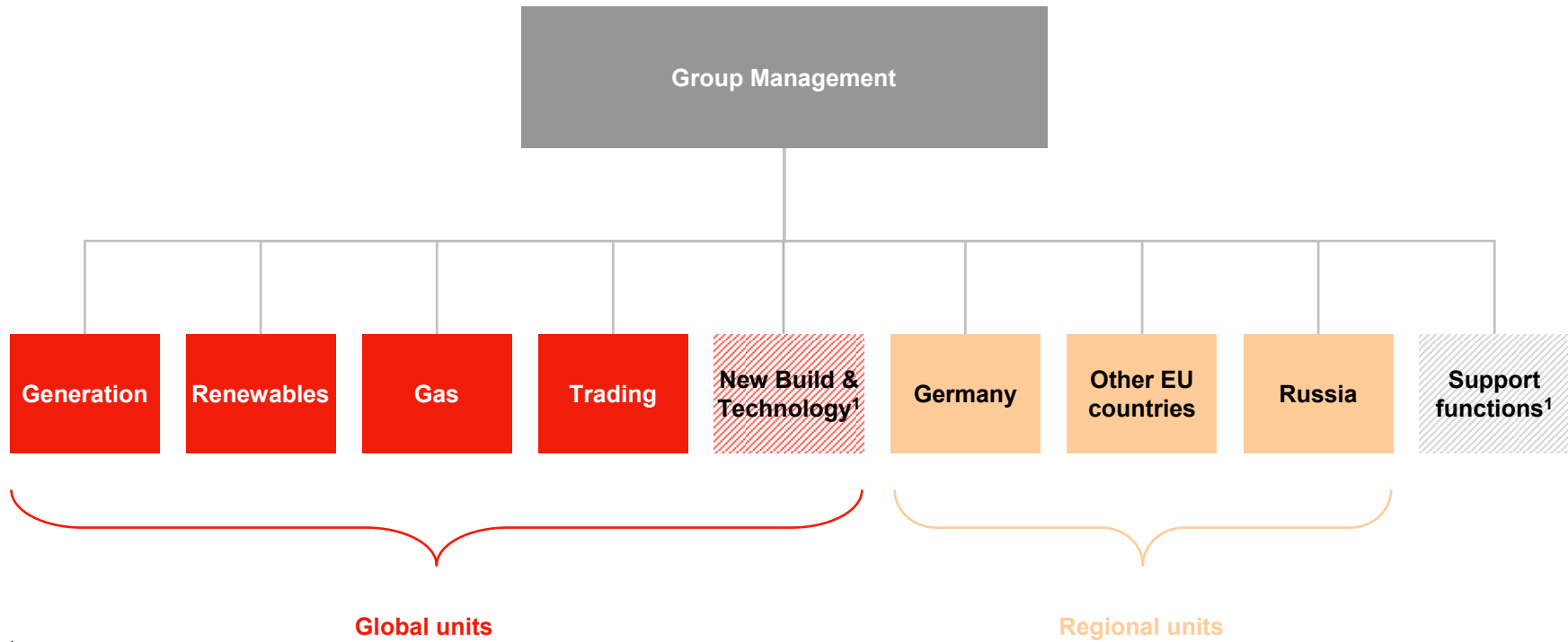
<b>Results</b>	• 2012E EBITDA <sup>1</sup>	€bn	10.4 – 11.0
	Underlying EPS	€/share	2.15 – 2.35
	• 2013E EBITDA <sup>1</sup>	€bn	11.6 – 12.3 <sup>2</sup>
	Underlying EPS	€/share	1.7 – 2.0 <sup>2</sup>
	• 2015E EBITDA <sup>1</sup>	€bn	12.5 - 13.0 <sup>3</sup>
	Underlying EPS	€/share	2.0 – 2.3 <sup>3</sup>
<b>Dividends</b>	• Dividend payout policy	% underlying NI	50 – 60
	• 2011A	€/share	1.0
	• 2012E	€/share	1.1
	• 2013E	€/share	≥1.1
<b>Other</b>	• Rating target		Solid single A
	• Medium-term debt factor		<3x
	• Investments 2011-13	€bn	~19
	• Total disposals until 2013	€bn	~15

1. Adjusted for extraordinary effects 2. 2013 post €0.9bn effect of achieved disposals (€9.1bn) 3. 2015 post –€1.7bn effect of total disposals (€–15bn)

Transparent financial targets for coming years



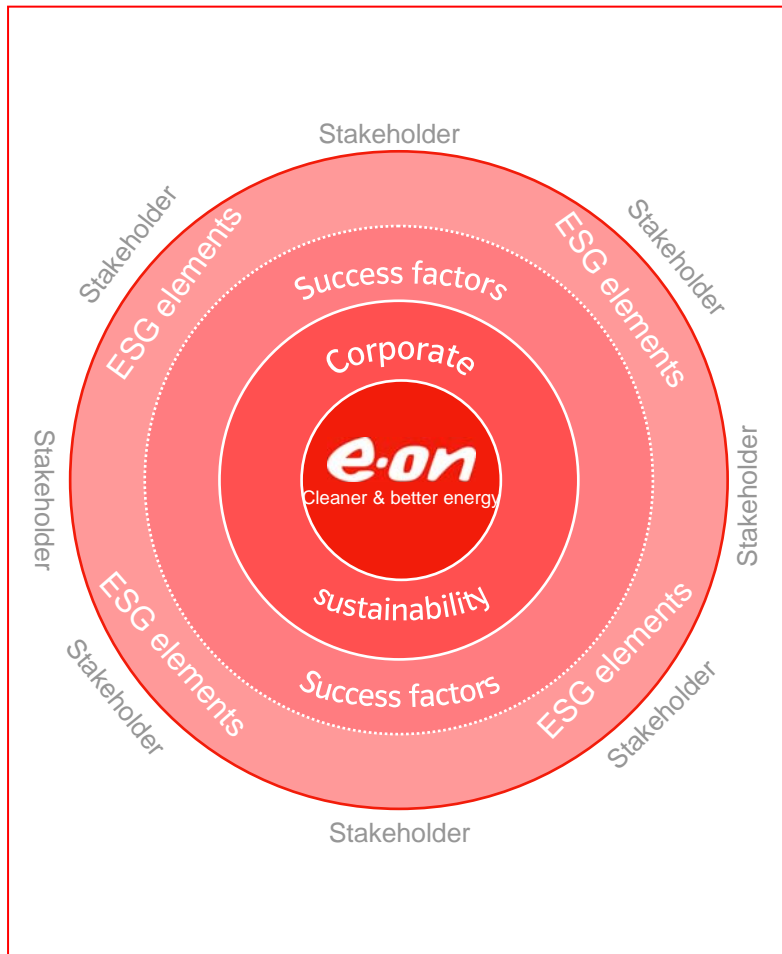
# E.ON Group structure



**Leaner and more market oriented organization**



# Corporate sustainability at E.ON



## Mission

Listen to and work with our stakeholders to deliver cleaner & better energy, ensuring corporate sustainability is at the core of our behaviors and business decisions

## Risk reduction

- Operational, regulatory, strategic  
e.g. effective regulatory risk reduction may also have a direct monetary impact (fine avoidance, lower insurance premiums, lower financing costs)

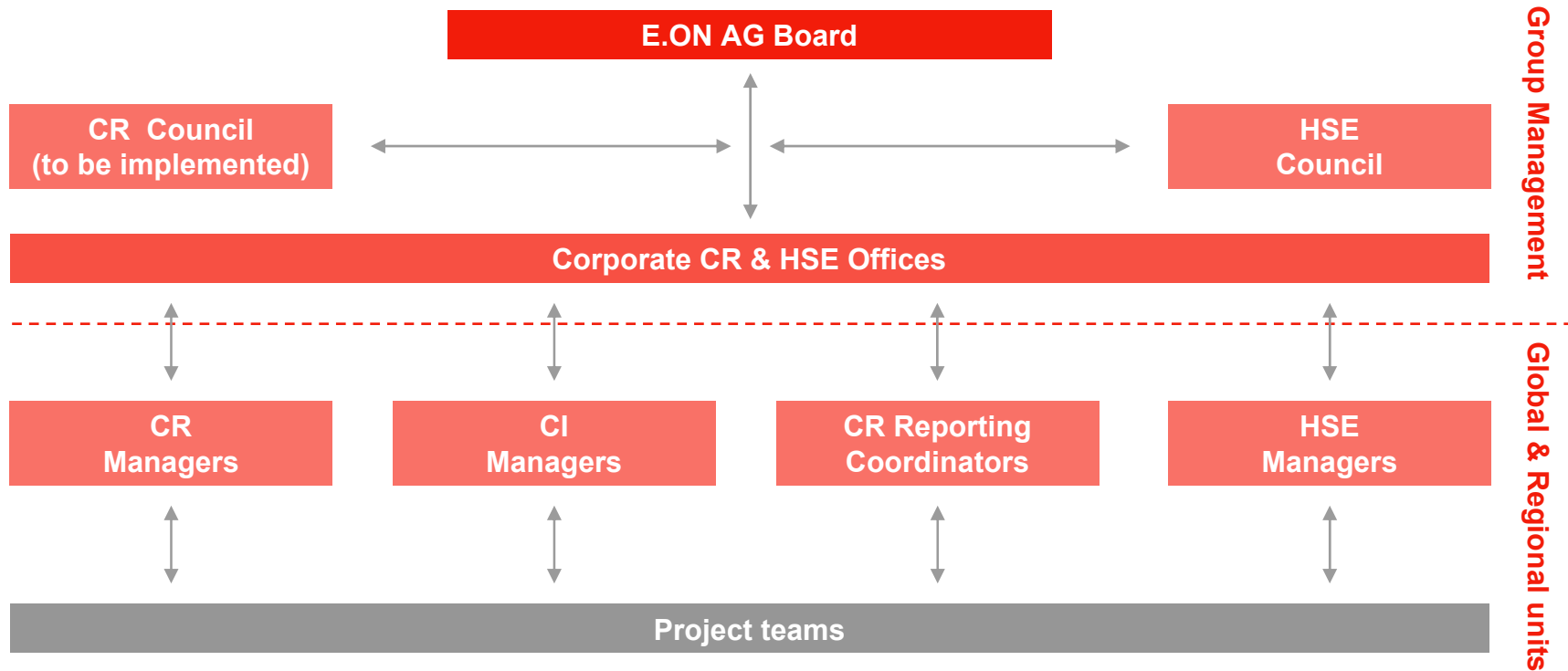
## Direct monetary impact

- Our activities deliver enhanced revenues or savings

## Improving E.ON's credibility, reputation and brand image

- Among key stakeholder groups

# Corporate sustainability organizational structure



**CR:** Corporate Responsibility    **HSE:** Health, Safety & Environment    **CI:** Community Involvement

**Corporate sustainability is developed and implemented on a group-wide basis, thereby centrally steered**



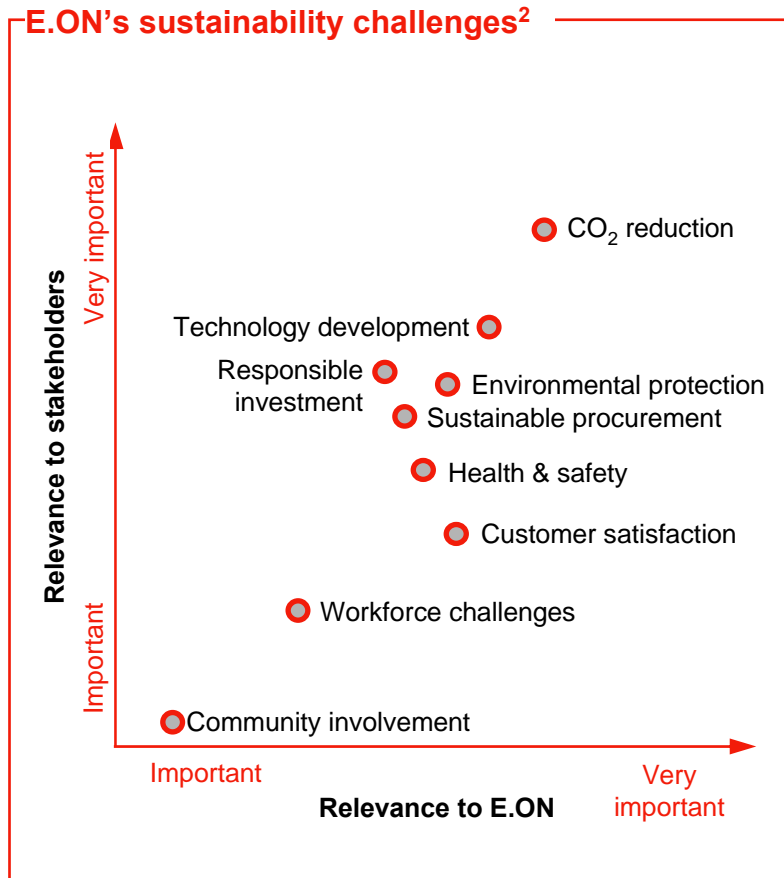
# Factors for successful corporate sustainability

<b>Leadership commitment</b>	Executives & senior management take personal responsibility for corporate sustainability and demonstrate active involvement
<b>Governance &amp; structure</b>	Establish robust organization, structures and processes to ensure guidance, accountability and continued improvement
<b>Engagement</b>	Work together and support others to integrate corporate sustainability into strategic plans, decision making processes and day-to-day activities
<b>Competence</b>	Motivate and train all colleagues and contractors to ensure right level and mix of corporate sustainability competencies
<b>Learning organization</b>	Actively share and embed learning from successes, failures and also from experiences and viewpoints of others to further drive continuous improvement
<b>Transparency</b>	Engage openly with colleagues and stakeholders about actions and results in order to demonstrate credibility and build trust

**E.ON fulfills all conditions to successfully master current and future sustainability challenges**



# Sustainability challenges translated in ESG<sup>1</sup> elements



## ESG elements

### Environment

- **Climate change**
  - CO<sub>2</sub> emission intensity
  - Energy efficiency
  - Energy storage
  - Distributed generation
  - Transition to a low-carbon economy
- **Operational environment**
  - Water
  - Resource efficiency

### Social

- Communities / Society
- Incidents
- Employability
- Diversity

### Governance

- Corruption & bribery
- Supply chain
- Audits/assessments

<sup>1</sup> Environment, Social and Governance

<sup>2</sup> Source: Extracts from E.ON's materiality matrix of sustainability challenges 2011/2012



# Environment - Climate change

## Sustainability goals and ambitions 2012–2015

### Elements

- CO2 emission intensity
- Energy efficiency
- Energy storage
- Distributed generation
- Transition to a low-carbon economy

### Ambition

- 50% reduction of CO2 emission intensity by 2025 (1990 baseline) for the European power generation fleet
- Rapid expansion in renewables (ex-hydro): >30% growth of installed capacity (4.2GW 2011 to 5.5GW 2013)
- Develop smarter and more innovative energy solutions, helping to increase our own energy efficiency and that of our customers
- Development of new technologies that enable & accelerate the transition to a low-carbon economy
- Reduce by 20% the carbon footprint of our daily business activities by 2020 (2010 baseline)
- Become a premium partner in the delivery of products and services for sustainable cities
- Enable customers to receive their required level of comfort and performance, whilst reducing their energy costs and climate impact

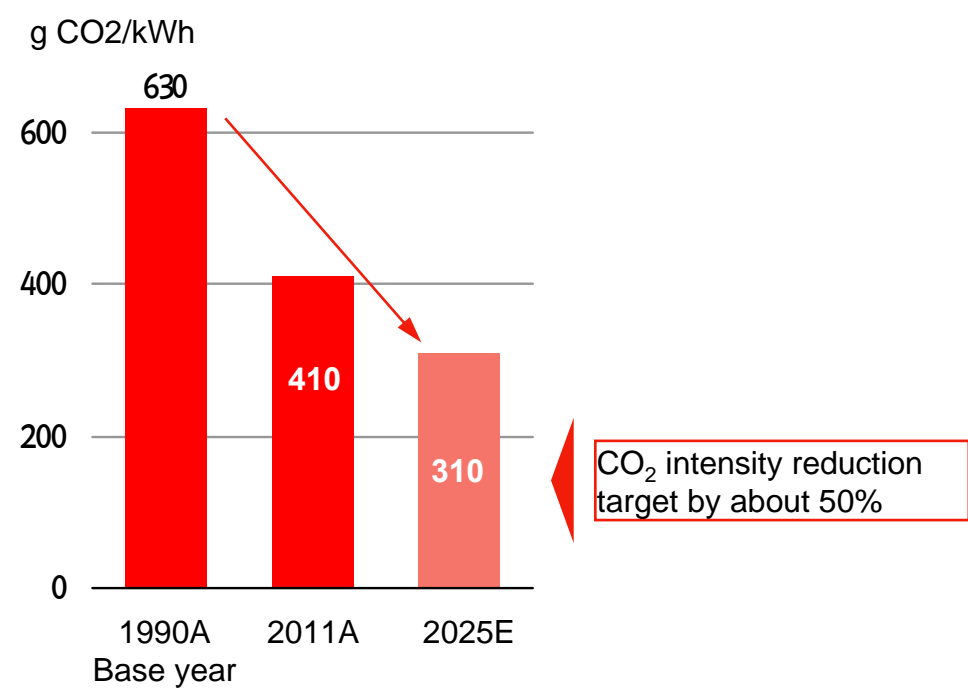
### Business value

- Increased operating revenue due to reduced EU ETS financial risk
- Increased revenue from winning & retaining customers as a provider of low-carbon energy products and services
- Business risk reduction through being prepared for:
  - future policy & regulations (e.g. EU Energy Efficiency Action Plan)
  - consumer demand shift (e.g. B2B low-carbon challenges)
  - disruptive technologies (e.g. energy storage)
- Participate in decoupling energy consumption via resource efficient investments
- A robust climate change strategy is a fundamental requirement for our key stakeholders i.e. Investors/NGOs

# Environment - Climate change

## E.ON's CO2 intensity target for power generation

E.ON carbon intensity (Europe)



**Continuous increase of renewables to compensate shutdown of German nuclear fleet**



# Environment - Operational environment

## Sustainability goals and ambitions 2012–2015

### Elements

- Water
- Resource efficiency

### Ambition

- Minimize water scarcity risks by establishment of a sustainable water management framework for E.ON's operations
- Fulfil the requirements to become a signatory to the UN CEO Water Mandate e.g.
  - Advanced sustainable water management
  - Respect public & private roles
  - Be accountable and transparent by 2015
- Develop a life-cycle approach to Design & Construction, Operation and Decommissioning to increase resource efficiency
- Zero significant pollution incidents

### Business value

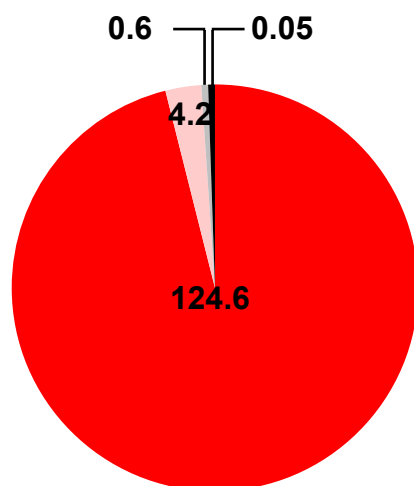
- Reduced operating cost (e.g. reduce water abstraction and power for pumping)
- Increases business resilience to water availability and water efficiency risks
- Business risk reduction (e.g. permitting risk) to support licence to build and operate
- Investment community requirement
- Supports "Total Cost of Operation" and "Environmental Footprint" concept to bridge Capex/Opex barriers to sustainable investment

# Environment - Performance at a glance (1)

## E.ON's carbon footprint in 2011

### Scope 1<sup>1</sup>

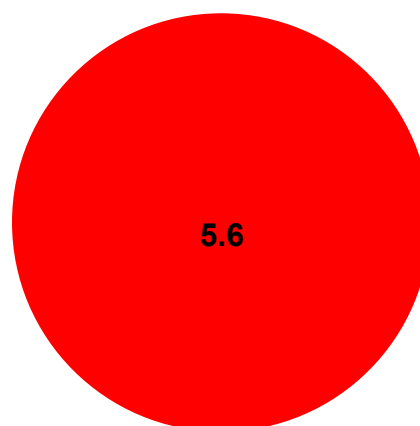
129.4 mn t CO<sub>2-e</sub>  
(incl. 88.5 mn t under EU-ETS)



■ Power & heat generation ■ Fugitive emissions  
■ Fuels combustion ■ Owned transport

### Scope 2<sup>1</sup>

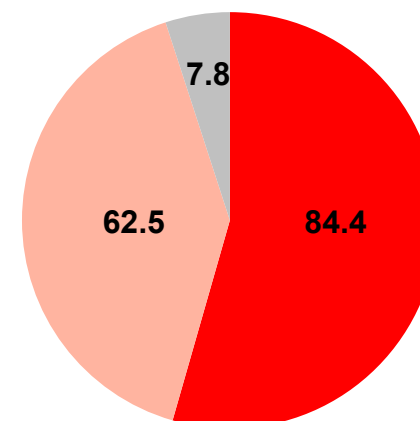
5.6 mn t CO<sub>2-e</sub>



■ Consumption of purchased electricity, heat, steam & cooling

### Scope 3<sup>1</sup>

154.7 mn t CO<sub>2-e</sub>



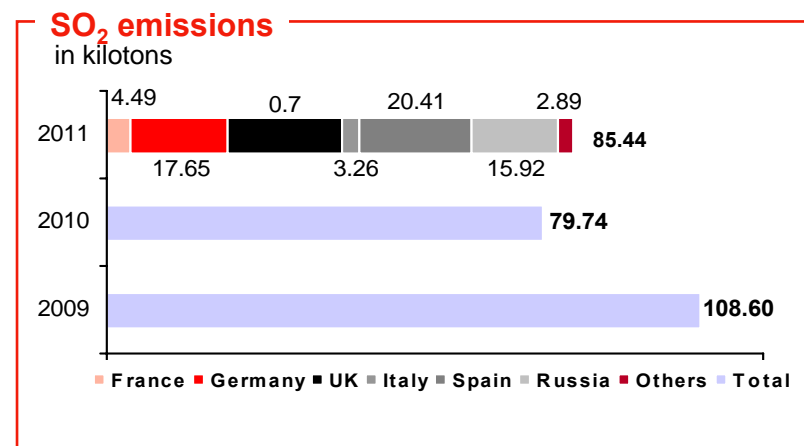
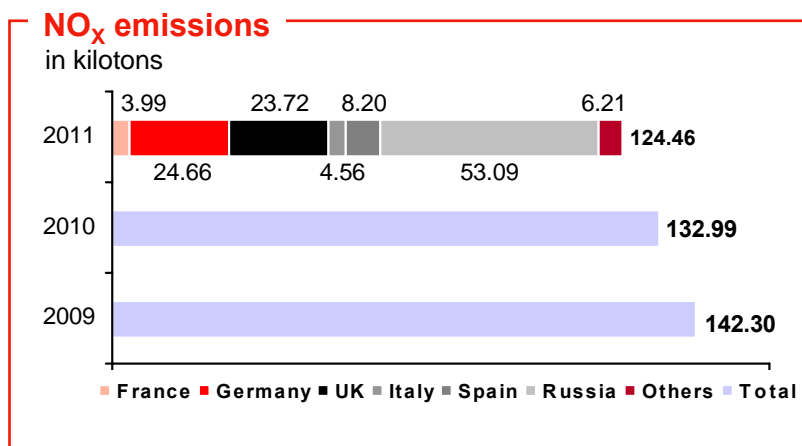
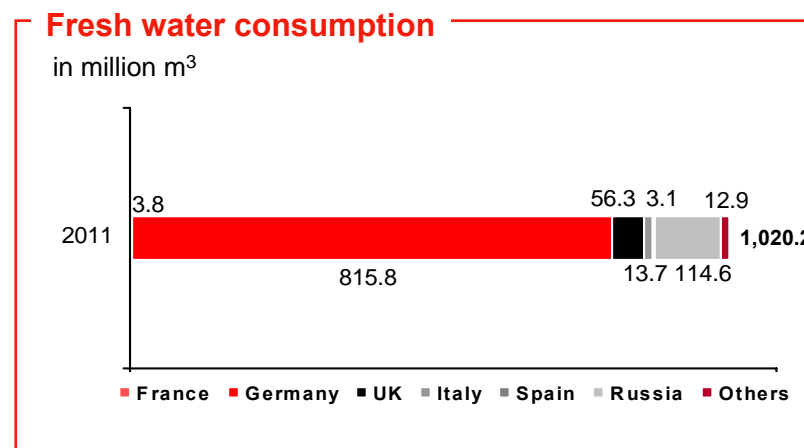
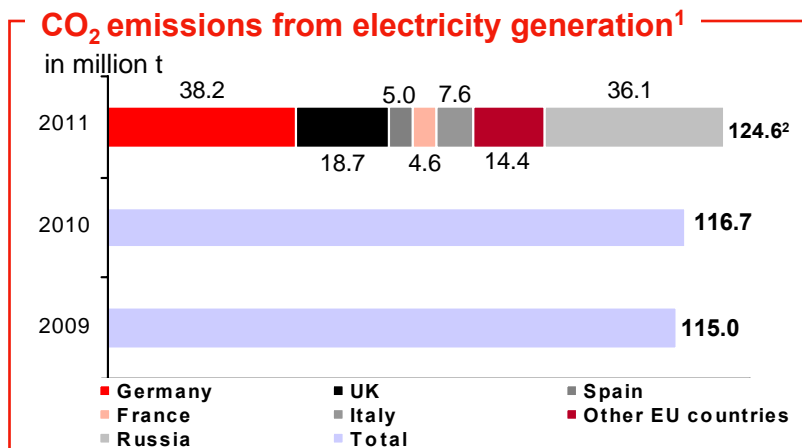
■ End use of purchased electricity  
■ Gas sales to end users  
■ Purchased material & fuels & other<sup>2</sup>

<sup>1</sup> acc. to GHG-protocol; for explanation of "scope" terminology see back-up.

<sup>2</sup> incl. Employee commuting 0.1 and business travel 0.01

**Note:** For further „Environment“ indicators refer to : <http://www.eon.com/en/sustainability/key-figures-2011/environment.html>

# Environment - Performance at a glance (2)



<sup>1</sup> Including carbon emissions from gas transport

<sup>2</sup> Higher CO<sub>2</sub> emissions in 2011 compared to 2010 due to higher generation in Russia and closure of nuclear power plants in Germany

**Note:** For further „Environment“ indicators refer to : <http://www.eon.com/en/sustainability/key-figures-2011/environment.html>



## Social - Sustainability goals and ambitions 2012–2015

### Elements

- Communities/Society
- Incidents
- Employability
- Diversity

### Ambition

- Explore “inclusive business”<sup>1</sup> opportunities in the energy sector to develop scalable business opportunities in existing or potential markets
- Proactive stakeholder dialogues
- Enhance approach for safety and environmental to remove causes of accidents
- Increase employability by improving the Health & Safety performance and reducing losses/lost times
- Increase gender diversity of the workforce, e.g. 14% women in management by end of 2016

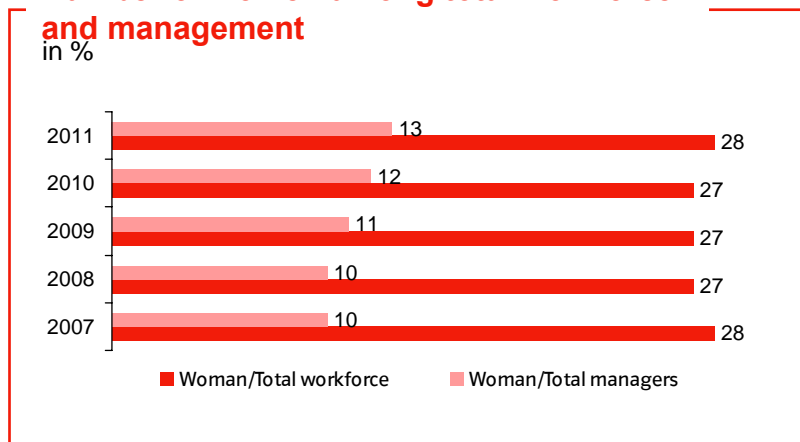
### Business value

- Enhance understanding of existing and new markets
- Reduce risks of local opposition for licence to build and operate
- Improve business resilience and reduce business interruption costs
- Risk reduction due to early interaction and trend anticipation

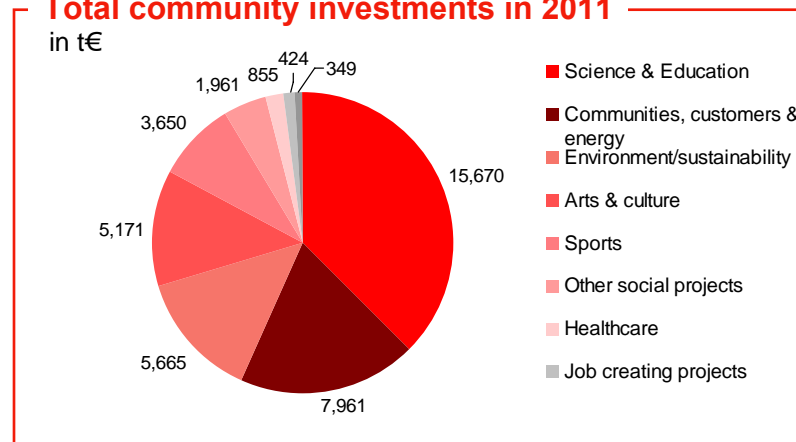
<sup>1</sup> “Inclusive business”: models that profitably engage low-income populations across companies’ value chains and develop affordable products and services that meet the needs of low-income populations

# Social - Performance at a glance

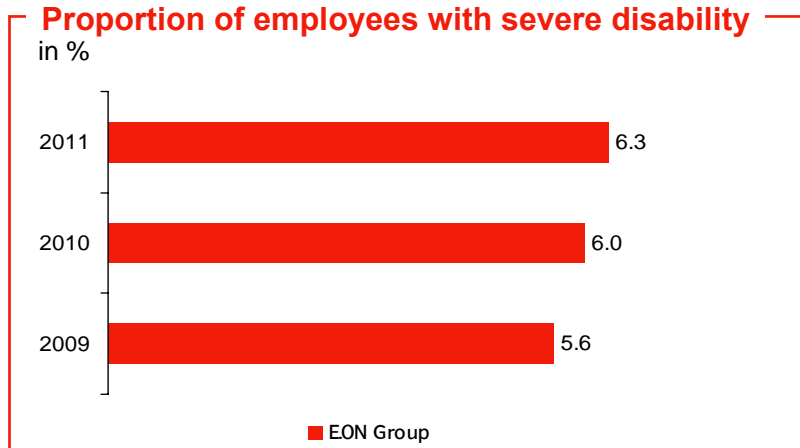
**Number of women among total workforce<sup>1</sup> and management**  
in %



**Total community investments in 2011**  
in t€

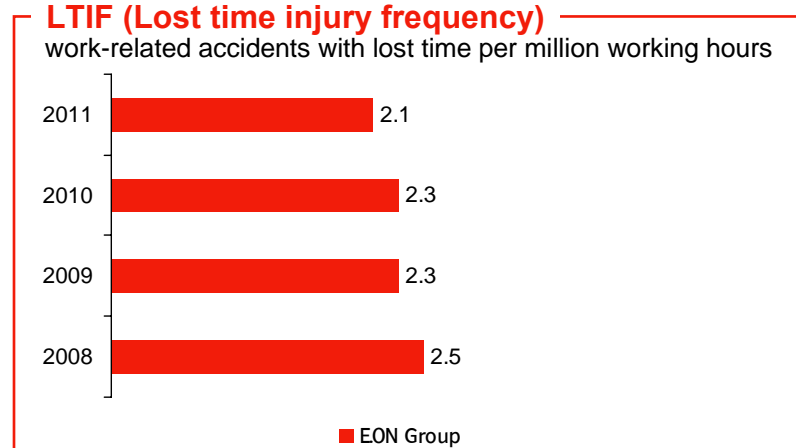


**Proportion of employees with severe disability**  
in %



**LTIF (Lost time injury frequency)**

work-related accidents with lost time per million working hours



<sup>1</sup> Including Board Members/Managing Directors and apprentices

**Note:** For further „Social“ indicators refer to : <http://www.eon.com/en/sustainability/key-figures-2011/social.html>



# Governance – Sustainability goals and ambitions 2012–2015

## Elements

- Corruption & bribery
- Supply chain
- Audits/assessments

## Ambition

- Risks related to corruption & bribery and human & labor rights have been thoroughly assessed prior to all investment decision-making in high risk markets
- E.ON takes responsibility for environmental, social and ethical conditions in the supply chain
- E.ON will continue its ambitious sustainability auditing/assessment program to ensure compliance with its policies and standards

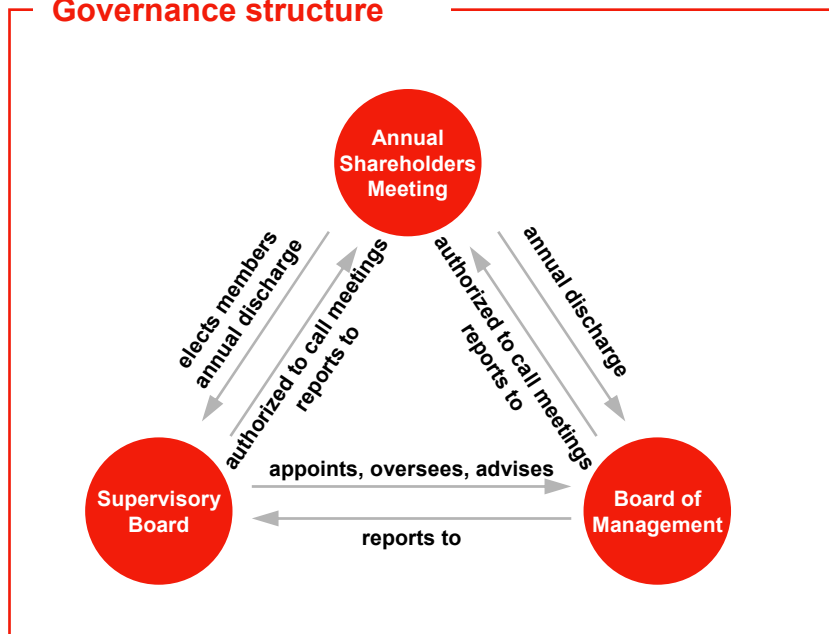
## Business value

- Reduces financial and reputation risks from potential criminal and civil action.
- Reduces supply chain risks



# Governance - Performance at a glance (1)

## Governance structure



<sup>1</sup> Free float defined as the amount of registered shares less treasury stock.

## Governance themes

- Ownership structure: 100% free float<sup>1</sup> – no-block building, no government participation
- Compliance to codes: regular training of employees throughout the Group
- Compliance officers and whistle blower process in place
- External verification on reporting for Annual Report and Sustainability Report
- Board remuneration: Sustainability related targets, incl. safety performance integrated in bonus system **(see back-ups)**

**Note:** For further „Governance“ indicators refer to: <http://www.eon.com/en/sustainability/key-figures-2011/governance.html>

## Governance - Performance at a glance (2)

### ESG risk management in fuel procurement is one of our governance elements

#### Procurement policy

- 2007 E.ON established responsible procurement policy addressing environmental performance, human & labour rights and business ethics
- 2009 E.ON added amendment specifically addressing procurement of biomass

#### Supplier audits

- E.ON conducts audits among its non-fuel suppliers where ESG criteria are mandatory part of the audit
- 2010 E.ON undertook independent sustainability audits of coal mines in Columbia and South Africa
- E.ON audited nuclear enrichment facilities and uranium mines in Canada and Russia

#### Capacity building and partnerships

- E.ON initiated and is now part of the “Better Coal” Initiative to ensure responsible coal sourcing across sector industries on a global level
- E.ON provides training and builds sustainability capacity where needed in non fuel as well as fuel procurement cycle (e.g. biomass, uranium, coal and gas)

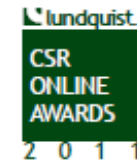
**Note:** For further „Governance“ indicators refer to: <http://www.eon.com/en/sustainability/key-figures-2011/governance.html>

# External recognition - Ratings / Rankings and Reporting

## Continued recognition of E.ON's sustainability activities:

- ⇒ Listed in CDP Leadership Performance Index
- ⇒ Listed in Dow Jones Sustainability Index
- ⇒ "SAM-Sustainability Award 2012: bronze class"
- ⇒ Recognized as "Great Place to Work"
- ⇒ Recognized as European Utilities Leader in corporate sustainability reporting "CSR Online Awards"

**BEST IN CLASS**  
environmental and  
social performance  
STOREBRAND SRI

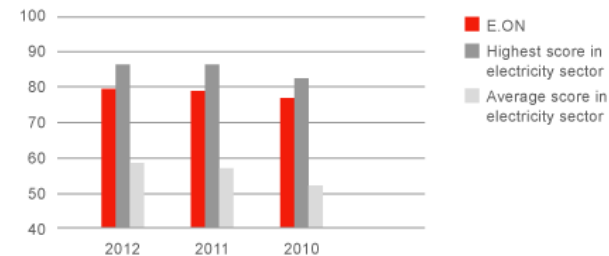


**sam** 2012  
bronze class

**Dow Jones  
Sustainability Indexes**  
Member 2011/12

SAM Assessment 2010 to 2012

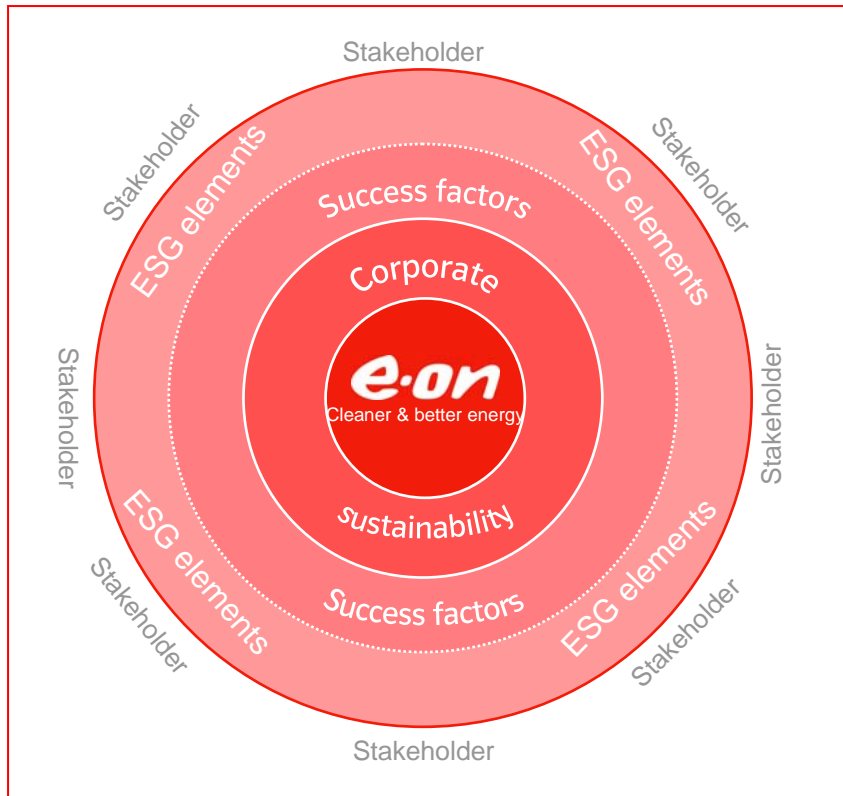
Percentage of maximum points obtained



**Note:** For further recognitions refer to: <http://www.eon.com/en/sustainability/approach/reporting/external-recognition.html>

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# Summary



From	To
Largely project driven activities	Implementing corporate sustainability in core business processes
Management of corporate sustainability by experts	Corporate sustainability lead by business owners
Limited group-wide steering	Group-wide consistent management approach
Building up processes and skills	Developing corporate sustainability behaviors and competences

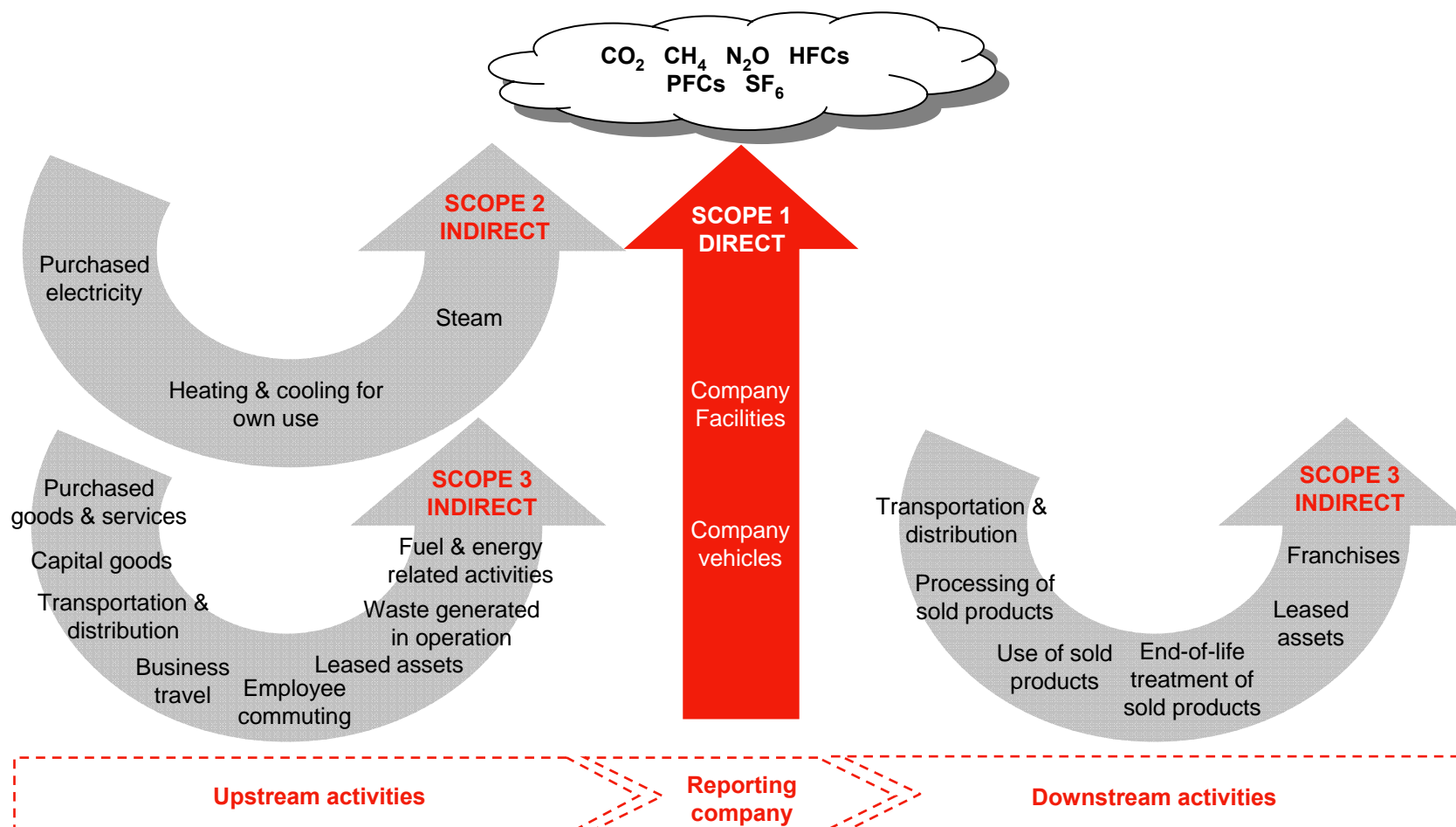
**Corporate sustainability at E.ON manages ESG-risks, creates business opportunities and thereby value**



**Back-up**

**e-on**

# “Scope” classification – Understanding current and future carbon issues



$CO_2$ =Carbon dioxide  
 $CH_4$ =Methane

$N_2O$ =Nitrous oxide

PFCs=Perfluorinated compound  
HFCs=Haloalkane

$SF_6$ =Sulfur hexafluoride

# Governance – Board remuneration overview

## General remarks on board remuneration

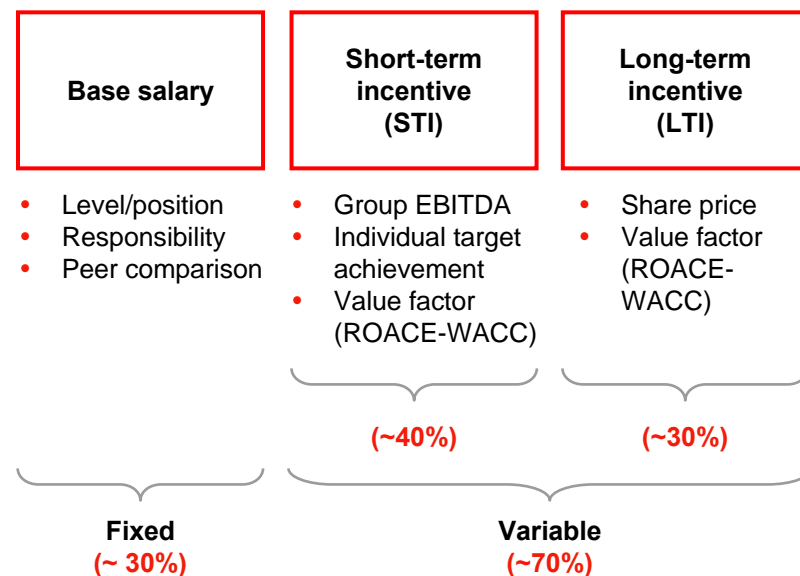
### Purpose & role

- Ensure attractive and adequate compensation in-line with market
- Adequacy is based upon following criteria:
  - Tasks & responsibilities of board member
  - Individual performance
  - Economic performance of company incl. future prospects
  - Sustainable development
  - Market environment

### Responsibilities & process

- Chairman of supervisory board makes proposal to executive committee with respect to individual performance/LTI grant values
- Executive committee proposes to supervisory board, which then makes final decision

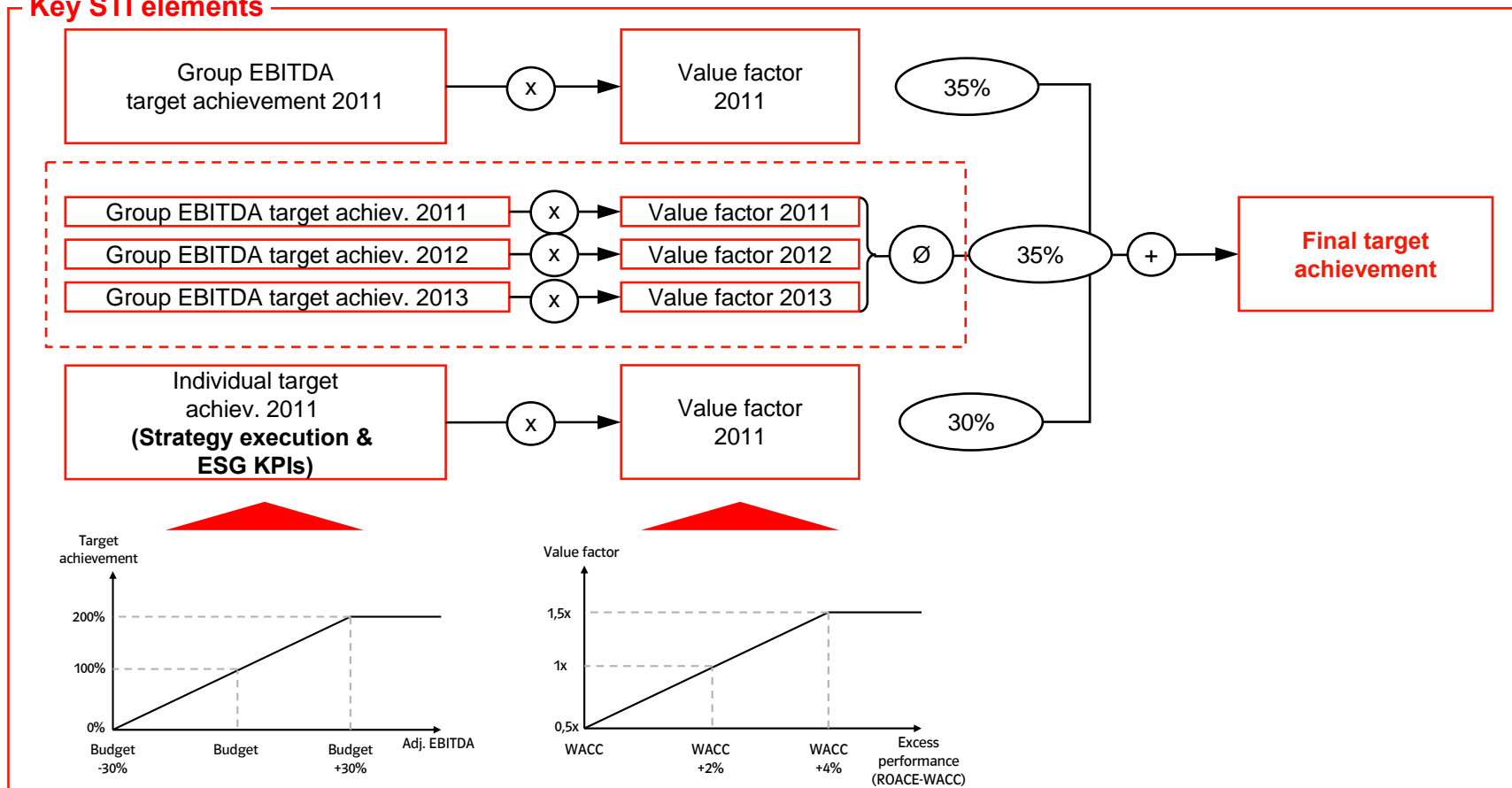
## Key components of board remuneration



**Fix & variable remuneration with clear link towards economic business indicators and share price development**

# Governance – Board remuneration - Short-term incentive scheme (STI)

## Key STI elements



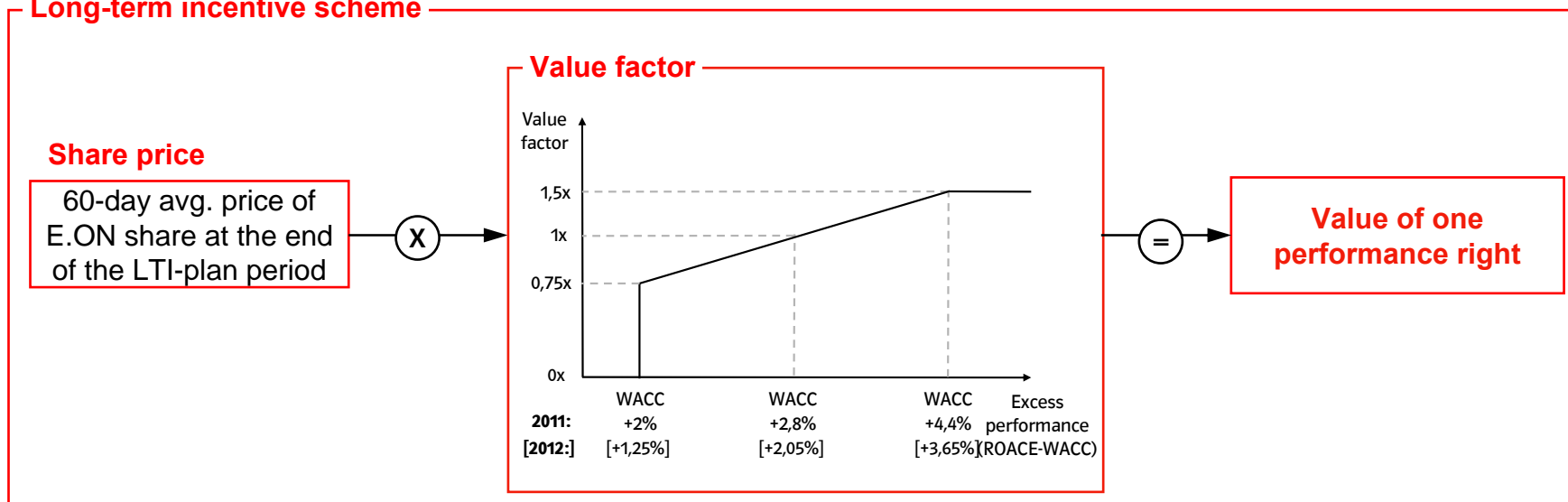
**Total target achievement for bonus calculation is derived from EBITDA performance vs. budget, individual performance and value creation**



## Governance – Board remuneration - Long-term incentive scheme (LTI)

- Value of performance rights is determined by share price and long-term value factor
- Long-term value factor is determined ex post by 4-year average excess performance (difference between ROACE and WACC)
- Value factor and therefore value of performance rights fall to zero if excess performance (ROACE-WACC) is below defined threshold (until 2011: WACC + 2%-points, as of 2012: WACC + 1.25%-points)

### Long-term incentive scheme



**LTI payout depending on share price development and value creation during vesting period**

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# E.ON IR - Reporting calendar & important links

## Reporting calendar

<u>Date</u>	<u>Event</u>
August 13, 2012	Interim Report II: January – June 2012
November 13, 2012	Interim Report III: January – September 2012
March 13, 2013	Annual report 2012
May 3, 2013	2013 Annual Shareholders Meeting
May 6, 2013	Dividend Payment
May 8, 2013	Interim Report I: January – March 2013

## Important links

<u>Content</u>	<u>Link</u>
Equity Story	<a href="http://www.eon.com/en/investors/26658.jsp">http://www.eon.com/en/investors/26658.jsp</a>
Segment Stories	<a href="http://www.eon.com/en/investors/42341.jsp">http://www.eon.com/en/investors/42341.jsp</a>
Annual Report	<a href="http://www.eon.com/en/corporate/19886.jsp">http://www.eon.com/en/corporate/19886.jsp</a>
Interim Reports	<a href="http://www.eon.com/en/corporate/1022.jsp">http://www.eon.com/en/corporate/1022.jsp</a>
Facts & Figures	<a href="http://www.eon.com/en/corporate/1029.jsp">http://www.eon.com/en/corporate/1029.jsp</a>

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