

# Local. International.

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● Sven

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● Isabelle

# International.

It sounds far away. Big. Impersonal. Unreachable. Actually, the opposite is true. International is everywhere.

In Madrid and in Düsseldorf. Off the coast of Scotland. In Malmö. In Datteln. In Bratislava. In Livorno Ferraris. At OGK-4 in Moscow. Why? Because everything we do locally benefits from the way we work together across our international organization. Because that's how we learn from each other, create synergies, and find the best solutions. For the environment. For a reliable and secure supply of energy. For our employees and our investors. But especially for our customers.

At E.ON, there are countless examples of this kind of collaboration. Our 2008 Company Report introduces you to a few of them.

We want you to see how local international can be.



6

Smart Product Workshop:  
part of our groupwide  
Smart Metering Program



17

R&D Steering Group meets  
in the United Kingdom



11

Employee opinion survey: an  
important management and  
communications tool



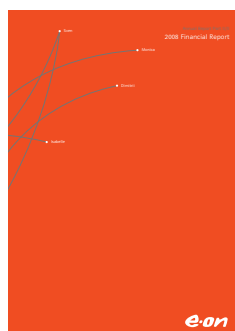
25

Protective clothing that  
meets uniform standards



51

Expanding our storage  
capacity to help secure  
Hungary's gas supply



### Financial Report

Combined Group Management Report  
Consolidated Financial Statements  
Corporate Governance  
Supervisory Board and Board of Management  
Tables and Explanations

You can download our Financial Report, or  
order the print version,  
at [eon.com/brochures](http://eon.com/brochures).

### 2 Our Company.

2 CEO's Letter  
4 Profile  
8 Business Areas  
10 Corporate Culture  
12 Responsibility  
14 New Technologies  
18 The Year in Review

### 20 Our People.

20 Board of Management  
22 Supervisory Board  
23 Employees

### 28 Our Stock.

28 Development of E.ON Stock  
31 Funding Program  
32 Investor and Creditor Relations

### 34 Our Strategy.

34 Key Beliefs  
36 Market Environment  
38 Target Markets  
39 Investment Plan  
40 Growth Targets

### 42 Our Structure.

42 An Overview  
44 Central Europe Market Unit  
48 Pan-European Gas Market Unit  
52 U.K. Market Unit  
56 Nordic Market Unit  
60 U.S. Midwest Market Unit  
64 Energy Trading Market Unit  
69 New Markets  
70 Climate & Renewables Market Unit  
74 Russia Market Unit  
78 Italy Market Unit  
82 Spain Market Unit

86 Index of Terms  
Financial Calendar

# Our Company.

CEO's Letter



Dear Reader,

2008 was a decisive year for E.ON. We paved the way for further growth and performance gains and made our business more international. Along with our Climate & Renewables and Energy Trading market units, our new subsidiaries in Southern Europe and in Russia form a solid, sustainable platform for further growth in Europe and around the world. We laid a foundation that will enable us to build on our consistent success and to continue our positive development. We owe these achievements first and foremost to our employees and managers. On behalf of the E.ON Board of Management, I'd like to take this opportunity to express our sincere thanks for their outstanding work and dedication. Going forward, we intend to focus on organic growth and the strengths of our organization. We demonstrated one of these strengths during the recent natural gas dispute. Our prompt action and the impressive capabilities of our gas business benefited people in Germany and many Eastern Europe countries.

But 2008 also made it abundantly clear that we must redouble our efforts if we want to maintain our position as a leading player in Europe. E.ON has become bigger and more international. We now need to work just as hard to further improve our performance and competitiveness—all the more so as our markets become more difficult. It's also abundantly clear that the business environment in all of our markets has become considerably more challenging. Competition is stiffer, regulation is tighter. At the same time, society rightly expects its energy supply to be greener and more sustainable. Then there's the current financial and economic crisis, which has now spread to all regions and industries and is a source of additional pressure in our business. This is precisely why we need to focus on leveraging our strengths so that we can better realize E.ON's potential.

By initiating a groupwide efficiency-enhancement program that we call Perform-to-Win, we acted early and from a position of strength. This program will help us adapt to the changes in our business environment. E.ON has grown a lot in recent years. In just a short time, we've doubled the number of our market units from five to ten. As a result, our company has become more complex. Now it's time for us to take a close look at our organizational structures and business processes. We need to refine them so that we can continue to manage our company with precision and assurance. We know that in the future we can't afford duplicate work and overly bureaucratic decision-making processes. We have to become leaner in administration throughout our company. We want our efficiency and performance to keep pace with our successful growth. The current financial and economic crisis makes it essential that we make better use of our resources and our potential. No one can accurately predict how the crisis will unfold or how long it will last. There's no doubt, though, that it has become a global recession and is affecting many of our customers and that it will also impact our business.


But the financial and economic crisis is only one of the changes in our business environment, albeit a very far-reaching one. Climate protection, supply security, and keener competition are similarly challenging. Nevertheless, the crisis shouldn't be used as an excuse for losing sight of these objectives or for watering them down. We need to design smart plans for the energy industry and to take a coordinated approach to solving the three most urgent energy problems: resource scarcity, global growth in energy consumption, and the threat of climate change. Climate protection, supply security, and affordable energy belong together—and together form the foundation of industrialized societies. We want our ideas and investments to help shape a new energy world that's climate-friendlier and more economical. Increasingly, the energy world will be less centralized and will incorporate smart, interconnected systems in which micro combined-heat-and-power units supplement traditional large-scale power stations. We also want our customers, particularly in the industrial

segment, to increasingly become our partners in power and heat supply. Enhancing energy efficiency will play a decisive role in all these efforts.

This will require huge investments in renewables, in robust and efficient energy networks, and in clean, technologically advanced large-scale power stations. For the foreseeable future, coal in particular will remain a key ingredient in a balanced generation mix along with nuclear power, natural gas, and renewables. But we need to capture more of coal's energy potential and dramatically reduce its carbon emissions. To achieve this objective, we're busy researching and developing carbon capture and storage technology which will eventually be fitted on our new and highly efficient coal-fired power plants. Even in tough economic times like today, we're maintaining the fundamental course of our investment program. But we're also reviewing every project to ensure that it's adding value. Our investments make a valuable contribution to economic growth and employment in Europe.

Our employees expect their jobs to remain secure and attractive. Policymakers and consumers expect us to make the necessary investments so that we can continue to deliver a secure, affordable, and environmentally friendly energy supply. And our shareholders expect a reasonable return on their investments. If we intend to meet these expectations—all of them reasonable and justified—then we need to act today and enhance our company's performance even further. I'm convinced that we'll succeed and that E.ON can confidently face the challenges of the future.

Sincerely yours,



Dr. Wulf H. Bernotat

# An overview. Of us.

If you watch the news or follow the stock market, you've probably heard of E.ON. You may know something about us because you're one of our customers. But there's a lot more to discover. So come along and join us for a tour of the E.ON world.

"Guten Morgen!", "Good morning!",  
"Bonjour!", "¡Buenos días!", "Buongiorno!",  
"Goedemorgen!", "God morgon!",  
"Dzien dobry!", "Хорошим завтра!"  
93,538 times a day. Welcome to E.ON.

E.ON is one of the world's largest investor-owned power and gas companies. Our roughly 93,500 employees generated just under €87 billion in sales in 2008.

We do business across Europe, Russia, and the United States. We're a pacesetter in power and gas and in renewables. And we've only been around eight years.

## Our Roots

E.ON was created by the merger of two large German industrial companies with long and proud histories: VEBA and VIAG. Both were founded in the 1920s as holding companies for state-owned industrial interests. Their privatization in the 1960s and 1980s created two large and successful conglomerates. Like E.ON is now, both companies were listed in the DAX 30, Germany's blue-chip stock index. Shortly after the VEBA-VIAG merger, E.ON began focusing solely on its core energy business.

## Our Business

Our integrated business model encompasses operations along the entire value chain in power and gas, from power generation and gas production to distribution and sales. Our objective is to provide our customers with a secure and affordable supply of energy. We combine our international footprint with local expertise and share good ideas across our organization. These strengths enable us to create superior value for our shareholders and excellent prospects for our customers and employees.

We've organized our business—particularly power generation, energy trading, and power-plant construction—on a more European scale so that we can better seize the opportunities created by the ongoing integration of Europe's energy markets. We've also optimized the way we manage our business.

## Our Corporate Structure

E.ON AG, Düsseldorf, is the E.ON Group's Corporate Center. Its main tasks are to chart E.ON's strategic course and manage the business across all our markets. The market-unit lead companies are responsible for integrating and coordinating operations across their respective target market. Business units manage day-to-day operations at a national or regional level.

## E.ON Group Financial Highlights (€ in millions)

	2008	2007	+/- %
Electricity sales (billion kWh)	614.6	487.0	+26
Gas sales (billion kWh)	1,224.0	1,092.3	+12
Sales	86,753	68,731	+26
Adjusted EBITDA	13,385	12,450	+8
Adjusted EBIT	9,878	9,208	+7
Adjusted net income	5,598	5,115	+9
Cash-effective investments	18,406	11,306	+63
Employees (at year-end)	93,538	87,815	+7

Some of our market units are geographically segmented (Central Europe, U.K., Nordic, U.S. Midwest, Russia, Italy, and Spain), while others have groupwide responsibilities. Pan-European Gas is our natural-gas supplier and is responsible for the centralized management of our European gas storage operations. Energy Trading manages our entire European trading business. Climate & Renewables is responsible for expanding our renewable-source electricity business (with the exception of large-scale hydroelectricity). For reasons of materiality and, in some cases, due to the absence of prior-year figures, we have combined the Climate & Renewables, Russia, Italy, and Spain market units in a single reporting segment called New Markets. You'll find detailed information about each of our market units beginning on page 42.

Anybody can keep pace.  
We want to set it.

### Wherever we do business, we're among the leaders.

E.ON's competitive positions and market presence.

#### Central Europe

- No. 2 in power generation
- No. 1 in power and gas sales

Significant operations in Germany, Belgium, France, the Netherlands, Hungary, the Czech Republic, Slovakia, Romania, and Bulgaria.

#### Pan-European Gas

- No. 1 in gas supply in Europe

Truly pan-European gas supply portfolio with long-term supply contracts with Russia, Norway, the Netherlands, Germany, the United Kingdom, and Denmark.

#### U.K.

- No. 2 in power generation
- No. 3 in power and gas sales

Significant operations in the United Kingdom.

#### Nordic

- No. 4 in Nordic power generation
- No. 3 in Nordic power sales

Significant operations in Sweden and Finland.

#### U.S. Midwest

- No. 1 in power generation in Kentucky
- No. 1 in power and gas sales in Kentucky

Significant operations in the Midwestern United States.

#### New Markets

##### Climate & Renewables

E.ON Climate & Renewables ranks among the world's leading wind power producers and has operations in Germany, Sweden, Italy, Spain, the United Kingdom, the United States, and other countries.

##### Russia

E.ON ranks among Russia's leading thermal power producers.

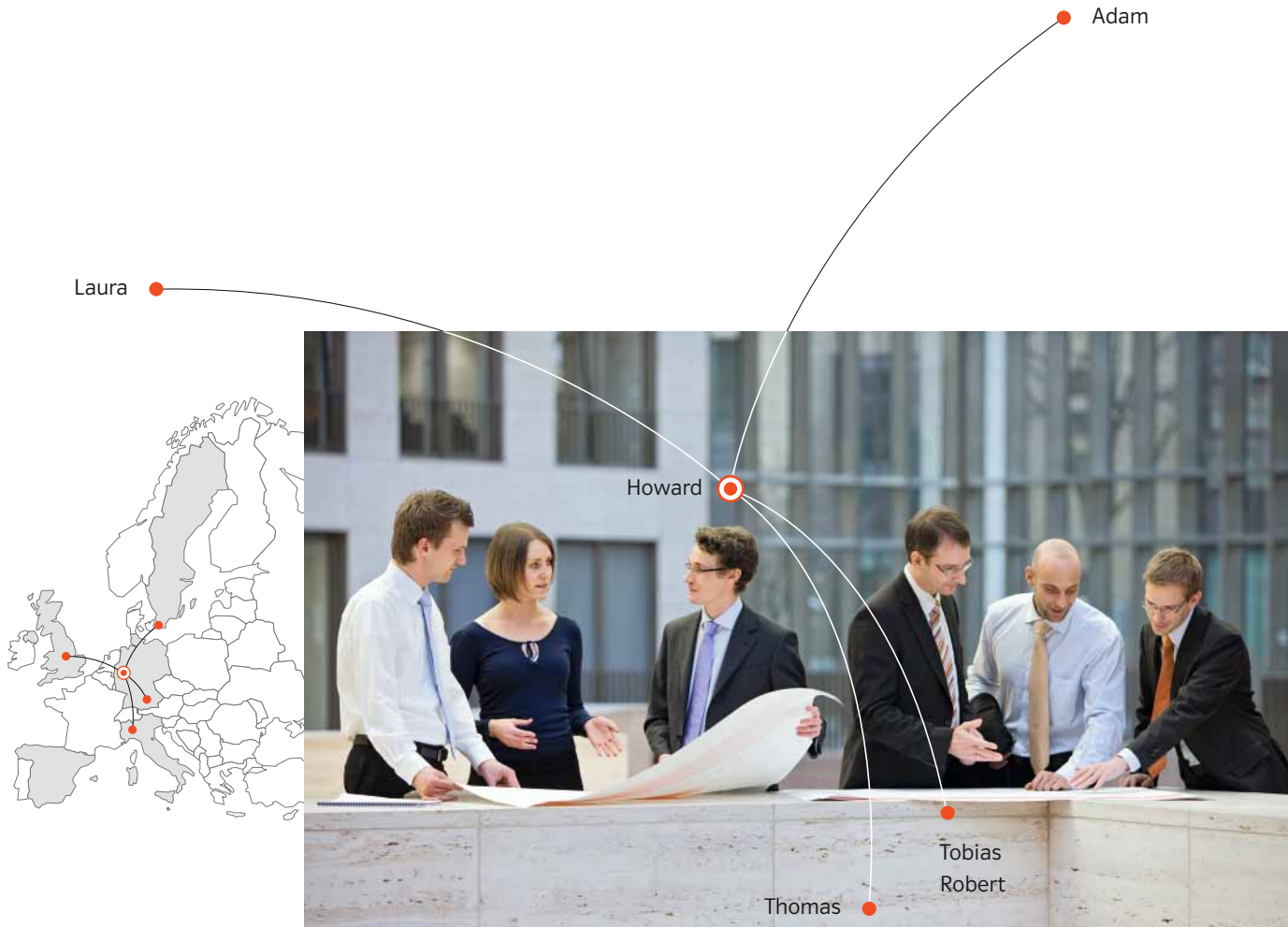
##### Italy and Spain

We rank among the leading suppliers in Italy and Spain.



"We'll only be able to meet long-term challenges like European energy security and global climate protection if customers select E.ON's services from a range of choices in an open, competitive marketplace. That's why we're committed to offering fairly priced products and services and to providing excellent customer care. Listening to our customers is the best way for us to get better all the time. And satisfied customers are the best form of advertising for acquiring new ones. We work hard every day to satisfy our customers. It's a task that motivates our roughly 93,500 E.ON employees across more than 30 countries."

Dr. Johannes Teysen



**Smart Product Workshop.** Product developers from around E.ON met in December 2008 for the first workshop to share their experience of working with an exciting new technology. The smart meter product work stream is part of the newly created Smart Meter Program which is responsible for coordinating smart metering activities across our company and for sharing knowledge and best practice. This way, we can ensure that our customers reap all the benefits of the transition from old-fashioned meters to a new technology that will help them use energy more wisely. E.ON is one of the market leaders in smart metering, with the installation of over 1.8 million meters under way.



## Our Objectives

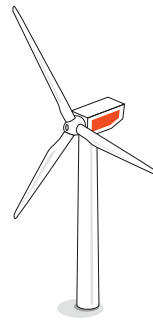
Integrated, competitive, nondiscriminatory, and transparent. That's the European Commission's vision for the EU's internal energy market. The Commission also aims to use climate-protection mechanisms like emissions trading to fundamentally change the makeup of Europe's generation fleet. They're good ideas. And E.ON supports them. Because we're convinced that the systematic integration of Europe's energy markets and effective competition along the entire value chain are good for everyone.

E.ON already has the most balanced and flexible generation mix in Europe. We have the capability to optimize our operations across our markets. We have the engineering expertise to support our ambitious new-build program. We expect to increase our generating capacity from today's 74 GW to more than 100 GW by 2030, with more than half of our energy mix consisting of zero-emission technologies and the other half of low-emission technologies.

We also intend to further strengthen our market position in European gas supply. Our medium- to long-term objective is source at least 10 billion cubic meters of natural gas from our own production assets each year.

## Performance Initiative

Perform-to-Win is the name we've given to a comprehensive initiative designed to make the E.ON Group even more competitive. It consists of measures aimed at improving our efficiency and productivity, cutting costs in specific areas, optimizing our organizational structures and business processes, and eliminating unnecessary bureaucracy. We expect these measures to help us reach our ambitious objectives despite the impact of the financial and economic crisis and to enable us to continue our positive development.



## 24% Renewables

We intend to increase renewables' share of our generating capacity to 24 percent by 2030.

## Our business is power and gas.

The foundation of our industry leadership is our integrated business model with operations along the entire value chain in power and gas. Its proven success gives us a superb position to meet the challenges of our markets.

**More competition? That's what we want, too.**

We made a commitment to the European Commission to divest about 5 GW of generating capacity and to divest our ultrahigh-voltage transmission system in Germany to an operator not active in power generation or power supply. The Commission's decision, which came in November 2008, explicitly highlighted the effective contribution of these initiatives towards enhancing competition in Germany's electricity market in a way that benefits electricity customers.





# Shared values make life easier.

Corporate culture is about sharing an identity. That's easier said than done in a global company with roughly 93,500 employees in more than 30 countries. At E.ON, we want to foster an atmosphere in which our employees can work together successfully across organizational and national boundaries. And we want to establish uniform parameters for the decisions we make across our organization. That's why we've defined shared E.ON values and behaviors. We believe they build confidence and trust: our trust in each other and, we hope, other people's trust in our company.

It's not easy to trust people you hardly know. Trust requires a solid foundation. We believe having a shared corporate culture creates such a foundation and makes our organization stronger, faster, and more agile. That's why we've defined core values and behaviors that apply to all of us at E.ON. Every day, across our company. They guide the way we work and interact with each other and the way E.ON as a company treats its employees, customers, shareholders, and society as a whole.

Here are the values and behaviors we share. And that we believe will enable us to realize our vision of becoming the world's leading power and gas company:

## Our Values

- Integrity  
We do what we say.
- Openness  
We say what we think.
- Trust and Mutual Respect  
We treat others as we would like to be treated.
- Courage  
We do and say what we believe is right.
- Social Responsibility  
We act in the long-term interest of society.

## Our Behaviors

- Customer Orientation
- Drive for Excellent Performance
- Change Initiation
- Teamwork
- Leadership
- Diversity and Development

An integral part of our corporate culture is the annual employee opinion survey. It gives our employees the opportunity to tell us what they think about their work environment, management, and our corporate strategy. If the survey results point to areas where we could improve, we design and implement initiatives to address them. It's one of the ways we strive to be better all the time.

In the 2008 survey, 85 percent of respondents said that they actively cultivate our core values and behaviors in the workplace, an impressive figure compared with the findings at other large corporations.

### OneE.ON

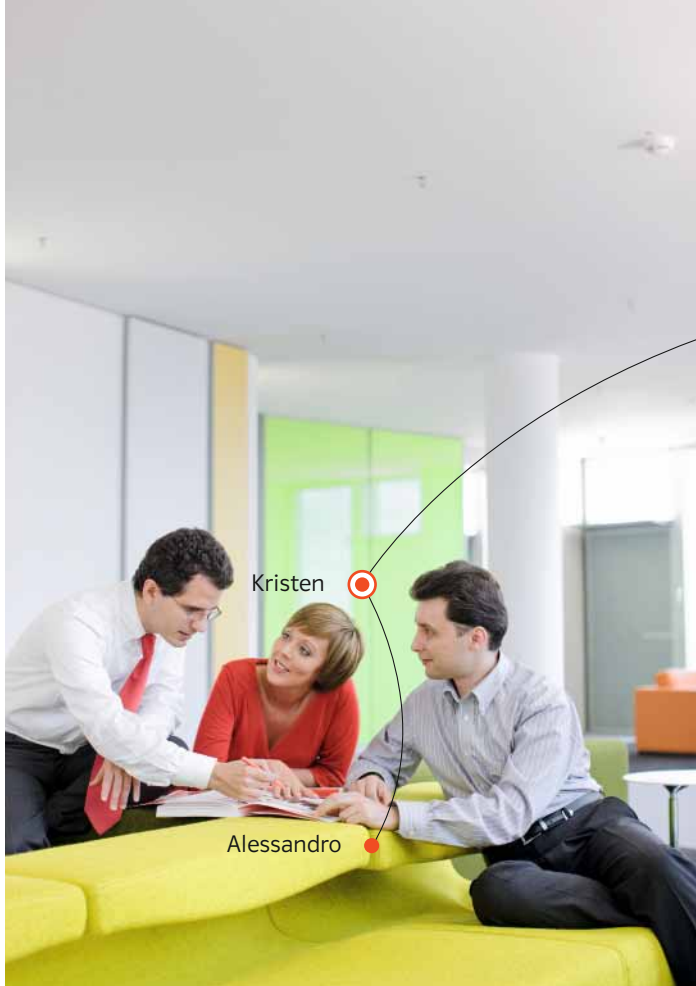
OneE.ON is a process for fostering a shared corporate culture and for integrating newly acquired companies into the E.ON Group.

In 2008, we introduced the Team Performance Workshop, whose purpose is to enhance teamwork on the basis of our core values and behaviors. It consists of several modules and can be tailored to the needs of departments and teams across E.ON. Its final step is a goal-setting exercise in which team members commit to adopting specific behaviors going forward.

## 3,000

employees in 847 teams

entered the OneE.ON Award competition in 2008. The awards honor projects and initiatives that exemplify the OneE.ON spirit.



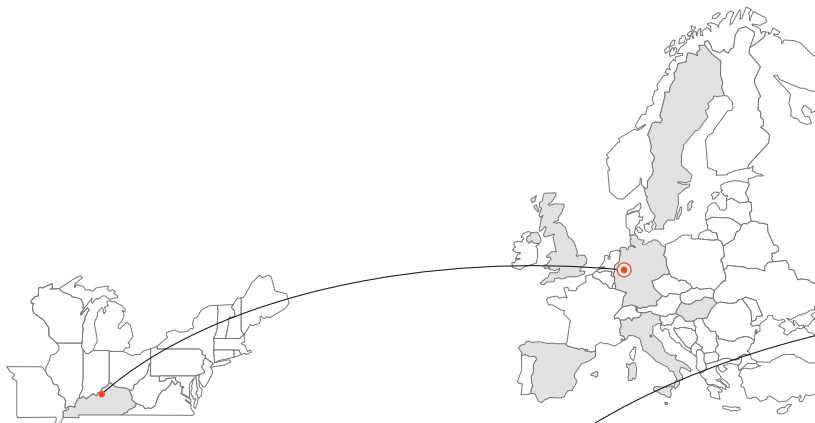
**Employee Opinion Survey (EOS).** Our regular EOS has become an essential management and communications tool. Following a groupwide full survey in 2007, we surveyed a representative sample of our employees in 2008. The participation rate—77.1 percent—was again very high, underscoring our employees' dedication to our company. We're proud that our employees give E.ON high marks relative to the results of similar surveys at other large corporations. According to the most recent EOS, a sizeable majority of our people feel motivated by their work; 86 percent say the teamwork is good in their department, and 80 percent say that their direct supervisors keep their commitments.

About 90 coordinators from across E.ON work together, like the three shown here in Düsseldorf, to ensure that the EOS runs smoothly and to organize the follow-up processes that foster continuous improvement.



**"The purpose of the OneE.ON process is to foster a shared understanding that enables us to work together more effectively and that makes our company a consistently successful performer in the marketplace."**

Dr. Wulf H. Bernotat



Sharon  
Katie  
Marlene  
Sarah



Matthias  
Erik

**Environmental Champions.** Environmental Champions are specially trained employees who motivate their colleagues to conserve energy, water, and paper and to limit business travel. They've been helping fellow employees at E.ON UK reduce their personal environmental impact since 2007. Encouraged by the program's success at our U.K. facilities, we rolled it out groupwide in November 2008. In the spirit of promoting low-carbon alternatives, nearly all the meetings of the Environmental Champions working group take place by video or web conference.

# Taking responsibility

**The energy industry is confronted with major social, economic, and environmental challenges. As a global power and gas company, E.ON bears a special responsibility: to provide people with a secure, affordable, and climate-friendly supply of energy.**

Our industry has entered a period of rapid, profound change. Energy markets are becoming more global, and people's energy appetite continues to increase, affecting prices and the earth's climate. It's a situation that calls for new thinking and new approaches. We want to seize the opportunities and actively manage the risks created by the changing energy landscape so that we can, over the long term, maximize the value we create for our shareholders and for society as whole. As part of this effort, we strive to be an energy-industry leader in corporate responsibility (CR).

To help us get there, we've further refined our CR strategy and defined clear targets and initiatives for 2008-2010. We've also established groupwide policies and guidelines for issues like climate and environmental protection, responsible procurement, health management, and occupational safety.

We've put into a place a number of programs and initiatives that enable us to combine our efforts in support of our CR strategy. These include training programs and audits with regard to responsible procurement; E.ON Environmental Champions, a groupwide program in which our employees take the lead in promoting environmental protection and resource conservation at our facilities; initiatives to foster a safety and health culture across our company; Energy for Children, a program to support energy and environmental education for young people; and expanded stakeholder dialogs.

Our 2007 CR Report took a close look at some of the profound changes affecting our industry. At the event where the report was released, we held a lively podium discussion entitled "Part of the Problem or Part of the Solution? Addressing our Energy Challenges" at which a range of opinion-makers shared their differing views.

Our CR efforts have been recognized by our inclusion, for the second year running, in the Dow Jones Sustainability Index (DJSI) World and the DJSI STOXX and, for the first time, in the Carbon Disclosure Leadership Index.



**Dow Jones Sustainability Index**

For the second year in a row, E.ON is included in the Dow Jones Sustainability Index, the leading index of its kind. We're proud of this recognition and take it as an indication that our CR strategy is on the right course.

Want to find out more?  
[eon.com/responsibility](http://eon.com/responsibility)

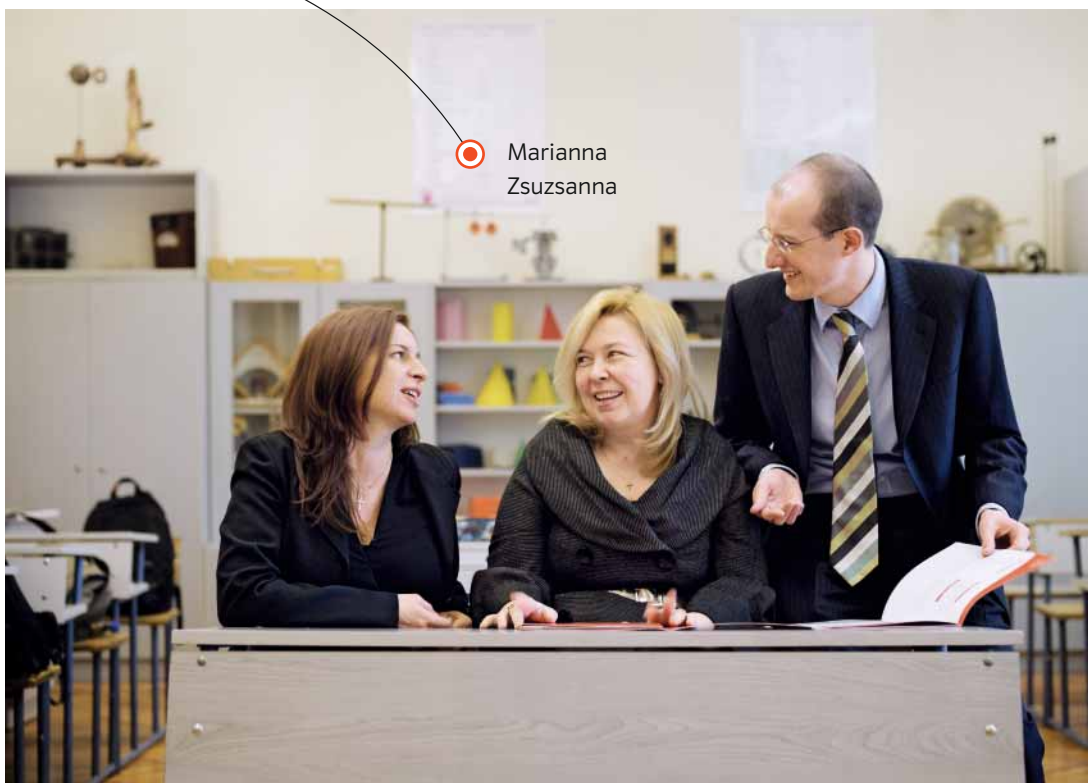
**Energy for Children.** Energy for Children is E.ON's first groupwide community involvement program. Its purpose is to develop leading energy and environmental education initiatives for children, helping build awareness in sustainability issues from a young age. Sharing best practice from across the group, many E.ON companies have developed Energy for Children projects tailored to the specific learning needs of children of different ages and to the needs of the countries and regions where E.ON operates.

E.ON UK's Energy Experience is a range of online activities, classroom packs, and live events that helps young people aged 5 to 16 explore the theme of energy. Although in existence for only two years, it's now used by more than 13,000 schools in Great Britain and has set the standard for E.ON online learning materials. Seeing the program's success, E.ON Hungária along with E.ON Földgáz adapted it in 2008 with the support of Hungary's Education Ministry and leading pedagogues. Called "Energiakaland," it's now being rolled out to over 3,000 primary and secondary schools. As E.ON is a strong supporter of employee volunteering, over 30 specially trained E.ON Hungária employees are already visiting schools helping familiarize teachers with the new learning materials and joining in the lessons. As E.ON UK volunteers do in Great Britain, they serve as ambassadors of E.ON—and energy literacy—in communities across their country.

In Germany, our focus is the support of an education project launched in 2009 in cooperation with the National Association of Nature and Environmental Education. The nationwide project, pedagogically independent from E.ON, helps kindergarten children learn about sustainable development as it relates to energy and the environment.



Nick



Marianna Zsuzsanna



# The energy of the future? We're making it happen.



Jonas

Stefanie



**Carbon-Capture-Ready Accreditation.** We're planning to build the United Kingdom's first new coal-fired power station in over two decades, a 1.6 GW facility at Kingsnorth in southeast England. It could also become one of the world's first large carbon-capture-and-storage (CCS) facilities. That's because it's designed to be retrofitted with CCS as soon as this technology is proven on a commercial scale and the necessary regulatory or economic drivers are in place. Our project team in Ratcliffe-on-Soar is sharing their expertise to ensure that the power station's design, like those for our new-build projects in Wilhelmshaven and Antwerp, is certified capture-ready by TÜV Nord, a leading independent inspection and testing firm.

Energy is essential to our society. At E.ON, we generate an increasing share of our electricity from climate-friendly sources like renewables and nuclear power. But we still generate a lot of electricity using finite fossil fuels, resulting in the emission of large quantities of CO<sub>2</sub>, one of the greenhouse gases. Changing this is one of our top priorities. New technologies will help us build a bridge to a lower-carbon future.

It's essential for our company to look beyond the horizon. Many of our facilities have operating lifetimes of 40 years and more. A lot can change in 40 years. The main mission of our research and development (R&D) program is to foresee these changes and to find the right solutions to address them. We've long taken a two-pronged approach to R&D. First, we continually optimize our existing facilities and processes. Second, we develop key technologies that protect that environment and conserve resources.

Our broad international footprint gives us a big advantage. Our network of outstanding R&D experts extends across countries and continents, enabling us to draw on the different specialties of our market units. Our experts search for concrete solutions to general technical problems and then use our R&D network to share their findings with colleagues around the group. This ensures that innovative solutions for a sustainable energy supply are disseminated and implemented as quickly as possible across E.ON and across our industry.

E.ON has forged a public-private partnership with RWTH Aachen University to support research into energy efficiency and renewables. E.ON will provide €40 million of funding to the E.ON Energy Research Center at the university for a period of ten years.

#### Pioneer in High-Efficiency Coal-Fired Generation

Less coal, more energy. The average hard-coal-fired power plant in Europe has a thermal efficiency of 36 percent; the global average is just 30 percent. E.ON intends to build the world's first coal-fired power plant with a thermal efficiency of more than 50 percent, setting new standards for generation technology. The 500 MW plant, the result of over a decade of R&D, will be sited in Wilhelmshaven in northwest Germany. Today's coal-fired plants operate with steam temperatures of 600° C (1,100° F) and steam pressure of 240 bars or 3,500 pounds per square inch (psi). The Wilhelmshaven plant will operate at 700° C (1,300° F) and 350 bars of pressure (5,080 psi), thereby reducing energy losses to the technically feasible minimum. While the boilers and piping of today's plants are made of carbon steel, next-generation components will be made primarily of nickel-based superalloys, which are capable of withstanding higher steam temperatures and pressure.

If all hard-coal-fired power plants worldwide incorporated 700-degree technology, global CO<sub>2</sub> emissions would decline by 3 billion metric tons, or 40 percent. Plans call for the Wilhelmshaven plant to enter service by the middle of the next decade.

### innovate.on: Pioneering New Energy

E.ON's mission is to be the world's leading power and gas company. That's why we're committed to playing a significant role in the development of key energy technologies, as well. We deliver on this commitment through innovate.on, our groupwide technology initiative. Its purpose is to take key energy technologies from laboratory scale to commercial scale. There are currently seven main innovate.on technology areas:

- High-efficiency coal-fired generation
- Carbon capture and storage
- Nuclear power: generation III+
- Offshore wind
- Biomethane
- Marine energy
- Gas heat pumps

Two of the top areas in 2008 were carbon capture and storage and biomethane.

### Carbon Capture and Storage (CCS)

CCS refers to technologies applied to fossil-fuel-fired power generation that make it possible to capture CO<sub>2</sub> and permanently store it deep underground. Our biggest focus is on post-combustion capture, a method by which chemicals are used to capture CO<sub>2</sub> from a power plant's exhaust stream. Our objective is to make this technology commercially viable by 2020, which is why we're investing about €100 million to research and develop it.

It wasn't a coincidence that our 2008 Technology Day took place near Rotterdam, the location of E.ON Benelux's Maasvlakte power station where engineers were conducting tests on a post-combustion capture method. The pilot unit at Maasvlakte, called CATO, is designed to test a variety of CO<sub>2</sub> absorption media, including alkaline solutions and innovative membrane technology.

The CATO project is just one of seven pilot projects in which we're testing post-combustion capture and accelerating its commercial-scale application in collaboration with leading manufacturers and R&D firms like Alstom, Hitachi Power Europe, Siemens, Cansolv, Mitsubishi, Fluor, and TNO, a Dutch organization for applied scientific research.

Want to find out more?

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[eon.com/ccs](http://eon.com/ccs)

Three of the seven partnerships were launched in 2008. One pilot unit is being built at Heyden power station in western Germany in partnership with Canada-based Cansolv Technologies Inc., another in Wilhelmshaven in northwest Germany in partnership with Fluor Corporation of United States, and a third in partnership with Mitsubishi Heavy Industries of Japan at another E.ON power station in Germany. At Karlshamn power station in Sweden, E.ON Sverige engineers are testing a process that uses cooled ammonia to capture up to 90 percent of the CO<sub>2</sub> from a pilot unit's flue gas.

E.ON is taking a pioneering role in the development of post-combustion capture: in seven pilot projects, leading manufacturers from around the world are testing their capture processes at E.ON power stations.

We created the CCS Implementation Network in 2008 as a CCS knowledge storehouse and as a forum for our CCS project teams groupwide to share information and insights with each other. The aim is to pool our expertise so that decisive breakthroughs happen earlier. This is particularly important now, since our project at E.ON UK's Kingsnorth power station is short-listed for a competition launched by the U.K. government to fund a large-scale clean-coal demonstration plant that uses post-combustion carbon capture.

## Biomethane

Our second main R&D focus in 2008 was biomethane, which is also known as pipeline-quality biogas and renewable natural gas. Biogas, from which biomethane is made, is often produced at rural locations and combusted on site to generate electricity or to cogenerate electricity and heat. The drawback of biogas-fired generation is its low thermal efficiency unless cogeneration is possible (that is, unless there's a local use for the waste heat). But if biogas is instead upgraded to biomethane, it can be injected into the natural gas pipeline system and used wherever it's needed: in homes, businesses, factories, and power plants.

In 2007, E.ON launched a pilot project in Schwandorf in south-east Germany to test the commercial-scale viability of this technology. The plant transforms 85,000 metric tons of energy crops into 16 million cubic meters of biomethane each year. Its production rate of approximately 1,000 cubic meters an hour is enough to meet the needs of 5,000 homes. Additional plants with an aggregate capacity of 700 GWh per year have entered service or are in the planning and construction phase.

Interested in more innovation? We've got it. Here are current projects from several innovate.on technology areas:

## Carbon Capture Readiness

### A new CCS standard

Carbon Capture Readiness is a certification issued by TÜV Nord, a leading independent inspection and testing firm. Power plants certified capture-ready have the necessary characteristics to be retrofitted with post-combustion capture as soon as this technology is proven on a commercial scale. Two of our new-build projects have already been certified: Wilhelmshaven and Antwerp.

## CO<sub>2</sub>SINK in Ketzin

### CO<sub>2</sub> storage

Over the next two years, up to 60,000 metric tons of CO<sub>2</sub> will be piped into a rock formation 600 meters below ground in Ketzin west of Berlin, Germany. The pilot project involving E.ON and numerous partners from science and industry has been testing permanent carbon storage since mid-2008.

## Gas Heat Pump Initiative

### Gas heat pumps

The purpose of this initiative is to promote the use of gas heat pumps. These space-heating devices for homes and other buildings use less natural gas than other heating devices because they draw a portion of the heat they produce from a renewable source: the heat contained in the ground, air, or water.

## Next-Generation Boiling Water Reactor

### Nuclear energy: generation III+

We believe that state-of-the-art nuclear power plants with advanced passive safety systems are an essential part of a balanced, climate-friendly energy mix. That's why we're involved in the detailed engineering of the Generation III+ boiling water reactor in partnership with its manufacturers, Areva and Siemens.

## Substation for alpha ventus

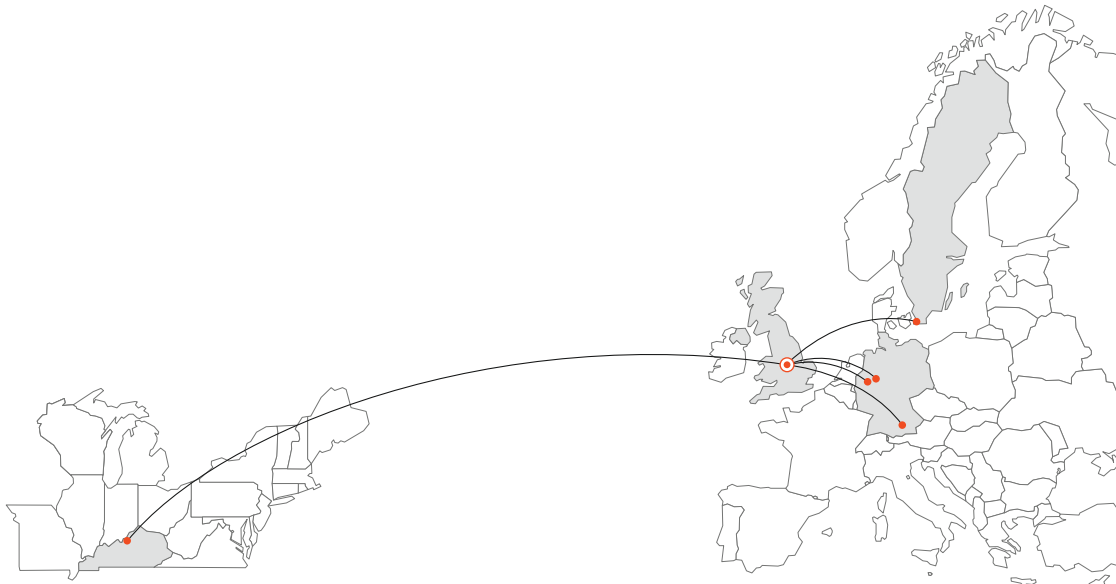
### Offshore wind power

The substation is a key piece of alpha ventus, an offshore wind farm being built by E.ON, EWE, and Vattenfall Europe in the North Sea 45 kilometers (28 miles) off the coast of the German island of Borkum. The substation collects the zero-carbon power from the turbines and raises the voltage for transmission to shore. Standing 60 meters and weighing 1,300 metric tons, the transformer was anchored in position under difficult conditions in early October 2008.



### E.ON Research Award

€60 Million for the Future. The annual E.ON Research Award provides grants to support research projects that are of particular importance to the energy industry. The research topic for the 2007 competition was energy storage. Grant recipients included a project for using battery-powered cars as mobile electricity storage devices and one for storing electricity from offshore wind farms as compressed air in flexible containers on the seabed. The research topic for 2008 was the application of nanotechnology in the energy business. E.ON plans to award a total of €60 million in research grants through 2016. And with no strings attached: the research results remain the property of the researchers.



John

**R&D Steering Group.** In October 2008, the members of the R&D Steering Group (RDSG) gathered a short distance from E.ON UK's Ratcliffe-on-Soar power station in central England. Three issues topped the agenda at the two-day meeting: How can we share R&D insights and successes more rapidly and efficiently across our organization? How can we avoid duplicate research? And how can we make our knowledge management even better? The RDSG meets frequently, and its members stay in close contact throughout the year. Its main responsibilities are to design E.ON's overall R&D strategy, monitor the progress of current R&D programs, identify areas for future research, and evaluate opportunities for research partnerships.

Lars

Stephan

Jörgen  
Miriam  
Markus  
Andreas

Dave

Jörg

# 2008. Not just another year.

## February

E.ON and Gazprom sign a Memorandum of Understanding (MoU) to work as partners to build and operate a 1.2 GW combined-cycle gas turbine (CCGT) near Lubmin in northeast Germany. The location is near where Nord Stream, a submarine natural gas pipeline across the Baltic Sea linking Russia and Germany, will make its landfall. Plans call for the CCGT to enter service in 2011. The two companies will make the final investment decision on the project in 2009.

## April

E.ON issues a \$3 billion bond, its first benchmark bond in the United States, successfully enlarging the spectrum of its financing options to include the large and important U.S. debt market. A few days later, E.ON issues a €2.5 billion benchmark bond, taking advantage of the improved conditions on Europe's bond markets. The high demand for the bond demonstrates that the transaction was well timed and structured.

E.ON, Areva, and Siemens sign a Letter of Intent (LoI) to work together to develop advanced nuclear power technology and to build new nuclear power stations. The LoI underscores the companies' commitment to nuclear energy and their belief that carbon-free nuclear power is an important ingredient in a balanced energy mix.

Denmark's energy agency gives E.ON the go-ahead to build a 200 MW offshore wind farm, the world's largest of its kind when it becomes operational in 2010. It will generate enough carbon-free electricity to power 200,000 homes, meeting 2 percent of Denmark's total electricity demand.

## May

E.ON issues a €1 billion bond aimed primarily at small and medium-sized institutional investors in Europe. E.ON's transaction—the biggest regionally targeted corporate bond issue ever—reopens the market for regionally targeted bonds for the first time since the beginning of the financial crisis.

## June

With a single transaction, E.ON significantly expands its European footprint. It completes the acquisition of a substantial portfolio of assets (primarily in Italy, Spain, and France) pursuant to its agreement from 2007 with Enel, an Italian energy company, and Endesa, a Spanish energy company. The acquisition improves E.ON's position in three key European markets and lays the foundation for further profitable growth. In total, E.ON acquires about 12.2 GW of generating capacity.

## New Markets

### Starting on page 69

of this report, you'll find detailed information about our new markets in the sections on our new market units.



### July

E.ON begins construction of an 800 MW CCGT at Surgutskaya GRES-2 power station in Siberia. The project is part of E.ON's ongoing investment program in Russia under which it will add about 2.3 GW of capacity.

E.ON finalizes the asset-swap agreement reached in 2007 with Statkraft under which it will acquire Statkraft's 44.6-percent stake in E.ON Sverige and a hydroelectric plant in Sweden. The transaction, which takes effect on December 31, 2008, gives E.ON sole ownership of E.ON Sverige (with the exception of a 0.05-percent minority stake), further strengthening its position in Northern Europe. In return, Statkraft acquires about 4 percent of E.ON's stock along with generation assets in Sweden, Germany, and the United Kingdom.

### August

August 4 is the first trading day after E.ON's three-for-one stock split and conversion from bearer shares to registered shares.

E.ON issues another euro-denominated benchmark bond. The €2 billion bond successfully reopens the euro corporate bond market after the summer break.

### September

After just two years of construction, E.ON's technologically advanced 800 MW CCGT in Livorno Ferraris in northern Italy becomes operational.

E.ON officially opens the first two phases of its wind farm in Roscoe in west-central Texas. When all four phases are operational in mid-2009, Roscoe's 627 turbines and installed capacity of 781.5 MW will make it one of the world's biggest on-shore wind farms.

### October

After intensive negotiations, E.ON and Gazprom successfully reach an agreement under which E.ON will acquire 25 percent (less one share) of Yuzhno Russkoye, a natural gas field in Siberia. In return, Gazprom will acquire E.ON Ruhrgas's stake in ZAO Gerosgaz, a Russian company that holds just under 3 percent of Gazprom's stock. E.ON's stake in Yuzhno Russkoye deepens its long-standing partnership with Gazprom, further enhances German-Russian relations, and makes another important contribution towards securing Europe's supply of natural gas. Negotiations on details of the agreement are still to be completed.

E.ON and Masdar, an initiative by Abu Dhabi to promote renewables development, sign an agreement to work together to build London Array which, when completed, will be the world's largest offshore wind farm. The partners also agree to collaborate on a number of other renewables projects.

### November

Despite the difficult situation on global financial markets, E.ON successfully extends the 364-day tranche of its syndicated credit facility at a volume of €7.5 billion. This tranche matures on November 26, 2009. E.ON's roughly €5 billion long-term tranche remains in place through December 2, 2011, giving E.ON a total of €12.5 billion in credit facilities as a backup for its commercial paper programs.

At the same time, E.ON issues a €1 billion bond and a Swiss-franc denominated bond. Both are targeted at retail investors with the aim of further diversifying E.ON's investor base. By issuing two bonds in different currencies on the same day, E.ON demonstrates its flexibility and its determination to implement its financial strategy.

The European Commission issues a commitment decision on the initiatives proposed by E.ON to end ongoing disagreements on electricity-related issues. The decision renders legally binding E.ON's commitment to divest its ultrahigh-voltage transmission system in Germany and to sell about 5 GW of generating capacity to competitors. The Commission ends its investigation of E.ON on electricity-related issues.

### December

Only a few weeks after the European Commission's decision, E.ON takes action to implement the first part of its initiatives. E.ON signs an MoU to sell Electrabel 1.7 GW of generating capacity in return for the same amount of capacity and procurement rights in Belgium. E.ON also signs an MoU to sell EnBW about 0.5 GW of generating capacity. The transactions are expected to close in 2009.

# Our People.

## Board of Management

The five members of the E.ON Board of Management are jointly responsible for managing the company and its business operations. The Board of Management determines E.ON's objectives, strategy, policies, and organizational structure. It regularly informs the E.ON Supervisory Board about all matters relevant for the company.



Wulf

### **Dr. Wulf H. Bernotat**

Chairman and Chief Executive Officer  
Born 1948 in Göttingen,  
Member of the Board  
of Management since 2003  
Group Executive Human Resources,  
Investor Relations, Group Audit,  
Corporate Communications,  
Economic and Public Affairs,  
Düsseldorf



Johannes

### **Dr. Johannes Teysen**

Vice Chairman  
Born 1959 in Hildesheim,  
Member of the Board of Management  
since 2004  
Corporate Planning & Controlling, Regulation  
and Infrastructure Management, Group Procure-  
ment, Marketing & Sales, Upstream/Generation,  
Trading & Portfolio Optimization, Düsseldorf





### Dr. Marcus Schenck

Born 1965 in Memmingen,  
Member of the Board of  
Management since 2006  
Finance, Accounting, Tax, IT,  
Düsseldorf

Marcus



Christoph

### Christoph Dänzer-Vanotti

Born 1955 in Freiburg im Breisgau,  
Member of the Board of Management  
since 2006

Human Resources, Corporate Responsibility,  
E.ON Academy, OneE.ON,  
Facility Management, Düsseldorf



Lutz

### Lutz Feldmann

Born 1957 in Bonn,  
Member of the Board of Management  
since 2006

Mergers & Acquisitions, Legal Affairs,  
Corporate Development, New Markets,  
Düsseldorf

### Dr. Burckhard Bergmann

Born 1943 in Sendenhorst/Beckum, Member  
of the Board of Management since 2003  
Gas Procurement, Gas Production, Group  
Regulatory Management, Düsseldorf  
(until February 29, 2008)

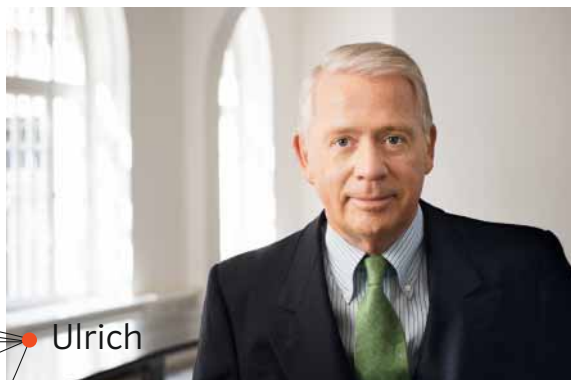
### Executive Vice Presidents

Kiran Bhojani, Düsseldorf

Dr. Peter Blau, Düsseldorf

Gert von der Groeben, Düsseldorf

Heinrich Montag, Düsseldorf



Ulrich

Ulrich Hartmann

The E.ON Supervisory Board represents a cross-section of the economy, bringing together seasoned executives from a variety of industries, union officials, works council representatives, and employees. It consists of ten shareholder and ten employee representatives. Its role is to monitor and advise the E.ON Board of Management and appoint its members. The Supervisory Board is directly involved in all decisions of fundamental importance to the E.ON Group.

**Prof. Dr. Günter Vogelsang**

Honorary Chairman of the Supervisory Board, E.ON AG

**Ulrich Hartmann**

Chairman of the Supervisory Board, E.ON AG

**Hubertus Schmoldt**

Deputy Chairman of the Supervisory Board, E.ON AG  
Chairman of the Board of Management; Mining, Chemicals, and Energy  
Labor Union, IGBCE

**Werner Bartoschek**

Chairman of the Group Works Council, E.ON Ruhrgas AG

**Sven Bergelin**

Director of the National Energy Industry Group,  
Unified Service Sector Union, ver.di

**Gabriele Gratz**

Chairwoman of the European Works Council, E.ON AG

**Wolf-Rüdiger Hinrichsen**

Chairman of the Works Council, E.ON AG

**Ulrich Hocker**

General Manager, German Investor Protection Association

**Prof. Dr. Ulrich Lehner**

Chairman of the Supervisory Board, Deutsche Telekom AG

**Bård Mikkelsen**

President and Chief Executive Officer, Statkraft AS

**Erhard Ott**

Member of the National Executive Board and Director of the Federal  
Utilities, Waste Management, and Transportation Division Unified Service  
Sector Union, ver.di

**Hans Prüfer**

Chairman of the Group Works Council, E.ON AG

**Klaus Dieter Raschke**

Chairman of the Group Works Council, E.ON Energie AG

**Dr. Walter Reitler**

Senior Vice President of HSE and Corporate Responsibility, E.ON Energie AG

**Dr. Henning Schulte-Noelle**

Chairman of the Supervisory Board, Allianz SE

**Dr. Karen de Segundo**

Attorney

**Dr. Theo Siegert**

Managing Partner, de Haen-Carstanjen & Söhne

**Prof. Dr. Wilhelm Simson**

Chairman of the Supervisory Board, Merck KGaA

**Dr. Georg Frhr. von Waldenfels**

Attorney

**Werner Wenning**

Chairman of the Board of Management, Bayer AG

**Hans Wollitzer**

Chairman of the Company Works Council, E.ON Energie AG

You'll find the Report of the Supervisory Board in our Financial Report.

# We get our energy from many sources: Paula, John, Kirsten, Martin, Søren, Elena...

As a global energy company, we know all about competing for scarce resources. But this doesn't just apply to the commodities from which we derive energy. It also applies to the people who make it happen: our employees. They're integral to our success. Our most important challenge is therefore to hire and retain the best people and foster their development.

Our most important challenge is to hire and retain the best people and foster their development. To be ready to meet this challenge, we pursue a consistent and integrated groupwide human resources strategy that we call OneHR. All of our market units are integrated into OneHR, which we developed in close collaboration with them. OneHR is closely aligned with E.ON's corporate strategy and objectives and forms the basis for consistent, groupwide HR management processes.

We want to have the best employees, the right leadership, and a work atmosphere that motivates them all.

## 2.4 LTIF

### Lost Time Injury Frequency

In 2008, we had 2.4 workplace injuries resulting in lost time per million hours of work, which makes E.ON one of the safest companies in our industry.

As part of the OneHR process, we identified 11 key action areas. They constitute the main focus of our people strategy.

- Demographics/Workforce Planning
- Competence Management
- Employer Branding
- Diversity
- Employability
- Leadership
- Talent Management
- Performance Management
- Change Management
- Life Balance
- Health Management

The programs we're implementing in each of these action areas are aimed at helping E.ON successfully execute its corporate strategy.

### Growing by Offering Long-term Prospects

E.ON is growing. Our vision is to become the world's leading power and gas company. Due to demographic change, there will be fewer younger skilled workers in the future. It will become more difficult for E.ON to attract the best people, internally and externally, nationally and internationally. That's why we're already adjusting our HR strategy to address the long-term changes to the age structure of our workforce: through strategic HR planning, competency management, and employee development.

Our objective is to optimally develop the abilities of each employee, making it possible for him or her to take on new roles in our organization. Our employability programs are specifically targeted at experienced, veteran staff. We offer them flexible working arrangements and have a program through which they can share their knowledge with the next generation of employees. Our international employee exchange programs make a key contribution towards enhancing diversity at our company.

By themselves, however, these programs won't enable us to be successful on the international market for talent. E.ON needs to attract people by being a world-class performer in the marketplace and by offering world-class opportunities to its employees.

#### Expats

About 400 expatriates are at work at E.ON companies around the world. Expat assignments give employees the opportunity to grow by working and living in new market units and new cultures and at the same time foster the transfer of knowledge and best practices across our company.

### Attracting Top Talent

Our objective is to be seen as an outstanding employer, which is an essential prerequisite for attracting and retaining the right employees for our business.

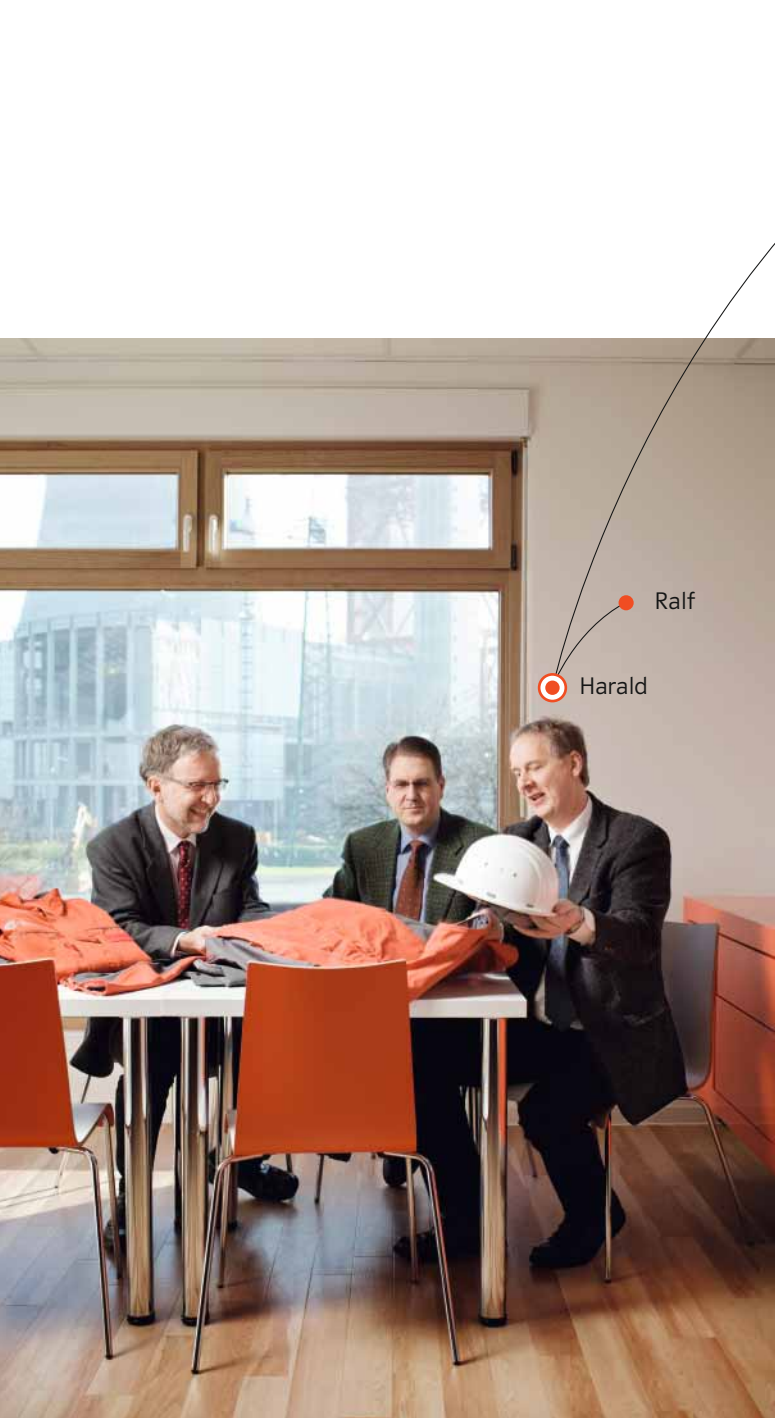
Our most recent successes indicate that we're on the right course. In 2008, we were selected as one of the top ten employers for engineers. In a survey by CRF, an internationally renowned best-practice agency, we ranked as the second-best place to launch a career. We achieved an impressive 14th place in the "Best Workplaces in Europe 2008" competition.

Superior job performance benefits us as a company. We make sure it benefits our employees, too. We offer our best employees excellent opportunities for career growth, regardless of their nationality, cultural background, or gender. We've developed a uniform management profile and a competency model to help us identify employees with senior management potential. This enables us to find and develop people within our organization who have the leadership skills to play an active role in shaping E.ON's future and creating value for our entire company.



“E.ON is about people. Our employees are our most important competitive advantage. Thanks to E.ON’s superb reputation as an employer and to the innovative people strategy we call OneHR, we’ll continue to recruit the best and most talented employees. Even in difficult economic times, we continue to invest in the training and professional development of our employees. And we do all this in an atmosphere of trust and cooperation with our employee representatives.”

Christoph Dänzer-Vanotti



**Safety Clothing.** At E.ON, we’re committed to the highest standards of safety. No matter what the job is or what country we’re operating in. As part of this commitment, we developed standardized safety clothing that’s now being introduced across our company.

The project team responsible for developing the clothing was made up of specialists from occupational safety, marketing/branding, procurement, and operations. Experts from our market units were also closely involved. Prototypes of the new safety clothing were put to the test by the biggest experts of all: the employees who will wear the clothing at our facilities and in the field. Thorough development and testing ensured that all the clothing meets our high safety standards and also fits comfortably, performs well, and projects the E.ON brand.

The procurement terms for the new E.ON safety clothing, which ensures a uniformly high safety standard, were negotiated centrally. The process of successively introducing the clothing throughout our company began in late 2008.

### Employees by Market Unit 2008<sup>1</sup>

Central Europe	44,142
Pan-European Gas	9,827
U.K.	17,480
Nordic	5,826
U.S. Midwest	3,110
Energy Trading	885
New Markets <sup>2</sup>	9,214
Corporate Center <sup>3</sup>	3,054
<b>Total</b>	<b>93,538</b>

<sup>1</sup>Excludes board members/managing directors (330) and apprentices (2,705).

<sup>2</sup>Includes Climate & Renewables, Russia, Italy, and Spain.

<sup>3</sup>Includes E.ON IS.

### Total Workforce by Region 2008<sup>1</sup>

Germany	39,281
United Kingdom	18,581
Romania	8,507
Russia	5,769
Sweden	5,574
Hungary	5,116
USA and Canada	3,250
Czech Republic	2,768
Bulgaria	2,120
Other <sup>2</sup>	5,607

<sup>1</sup>Includes board members/managing directors, and apprentices.

<sup>2</sup>Includes Italy, Spain, France, Poland, the Netherlands, and certain other countries.



#### Balanced Age Structure

E.ON's workforce has a fairly balanced age structure. At year-end 2008, about 20 percent of our people were 30 years old or younger, about 56 percent were aged 31 to 50, and about 24 percent were over 50.

Talent management is about developing our employees with high potential. Our efforts to develop our high-potential employees are truly groupwide in scope, extending through all levels of hierarchy and across all organizational and national boundaries. Their development is individually tailored and is designed to prepare them for new functions and new career opportunities. Why do we do this? Because the E.ON-specific knowledge and skills of our top employees are very valuable to us, and we want to offer them individualized development opportunities.

Developing our female employees is also one of the priorities of this effort. Like at many other companies, the percentage of women in senior management at E.ON is too small. The purpose of an initiative called "Talent Management: Women" is to raise this percentage and to foster and make better use of the abilities of women at our company and of women in the labor force. The initiative consists of several components, including development support through mentoring relationships, a greater use of part-time arrangements for management positions, and flexible childcare options.

All of these efforts demonstrate that our performance and development culture is already very good. But we want it to be even better. That's why we've developed Performance Management for our executives which helps us be even more efficient at recognizing and rewarding superior performance.

### A Work Environment that Makes Top Performance Fun

A healthy work-life balance is an integral part of a motivating work environment. At E.ON, we want our people to find the balance that's right for them. We've introduced a wide range of programs to support them, including flexible work schedules, extended part-time arrangements for parents, and sabbaticals. We believe that people need balance in their lives in order to sustain a top performance—and to have fun, at work and at home.

Motivated and dedicated employees are particularly valuable in times of change. At a global company like E.ON, change is a constant. We form new market units, restructure parts of our company, and deploy new technologies. These situations create significant challenges for our people. Our change management programs are designed to enable our managers and employees to deal positively and actively with these challenges and to view change as an opportunity.

This approach makes it faster and easier for our employees to accept and cultivate the attitudes and behaviors we expect of them and to ensure effective implementation. Our managers can draw on proven, standardized tools to assist in this process. When our employees are confronted with new situations, we also help them acquire the knowledge and skills they need to understand and successfully cope with changes in technology, processes, and culture.

### 20% women hires for senior management positions

That's our medium-term objective, which means that we intend to achieve a significant increase in the percentage of women senior managers. To help increase the percentage of women top executives, E.ON board members serve as mentors to women members of our Executive Pool.

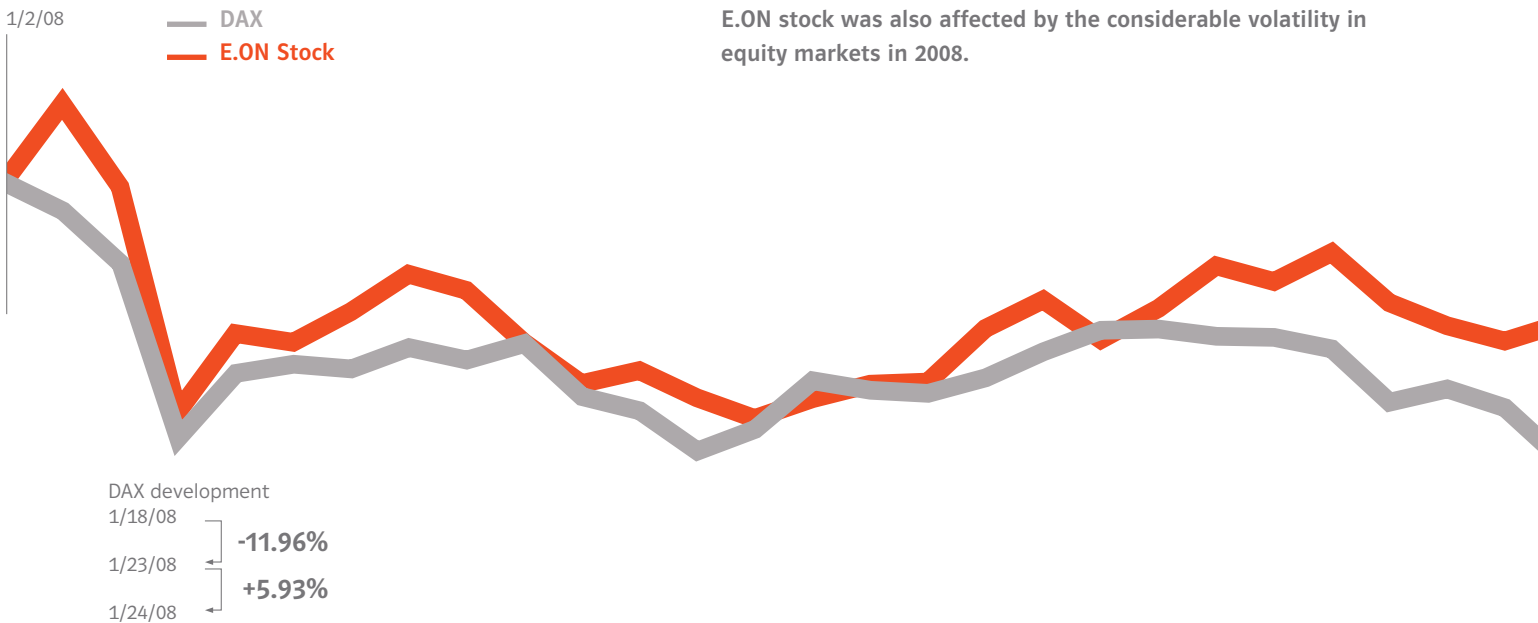






# Our Stock.

Development of E.ON Stock<sup>1</sup>



E.ON stock was also affected by the considerable volatility in equity markets in 2008.

E.ON stock is listed on all German stock exchanges and included in all major European stock indices. On December 30, 2008, E.ON stock's weighting in the DAX index of Germany's top blue chips was 10.38 percent, once again the highest weighting in the index. In the United States, E.ON stock is traded over the counter in the form of American Depositary Receipts (ADRs). The conversion ratio between E.ON ADRs and E.ON stock is one to one.

The key features of 2008 were the global financial crisis and the unfolding economic crisis. Although E.ON is a financially solid company and the energy utility industry is largely noncyclical, E.ON stock wasn't immune to the general downward trend and finished the year 41.4 percent lower. Shareholders who reinvested their cash dividends saw the value of their E.ON portfolio decline by 39.5 percent in 2008. Despite the distortions of the DAX due to the special situation at VW, E.ON stock thus declined less than the German and European stock markets (DAX: -40.4 percent; EURO STOXX: -42.4 percent). European utility stocks as measured by the STOXX Utilities declined by 36.4 percent in 2008.

## E.ON Stock's Development

Investors who purchased €5,000 worth of E.ON stock at the end of 2003 and reinvested their cash dividends (including the special dividend in 2006) saw the value of their investment increase to €10,109 by the end of 2008, which represents an average annual return of 15.1 percent. E.ON stock thus considerably outperformed the DAX (3.9 percent) and the EURO STOXX (0.3 percent) and also had a higher annual return than the STOXX Utilities (12.7 percent).

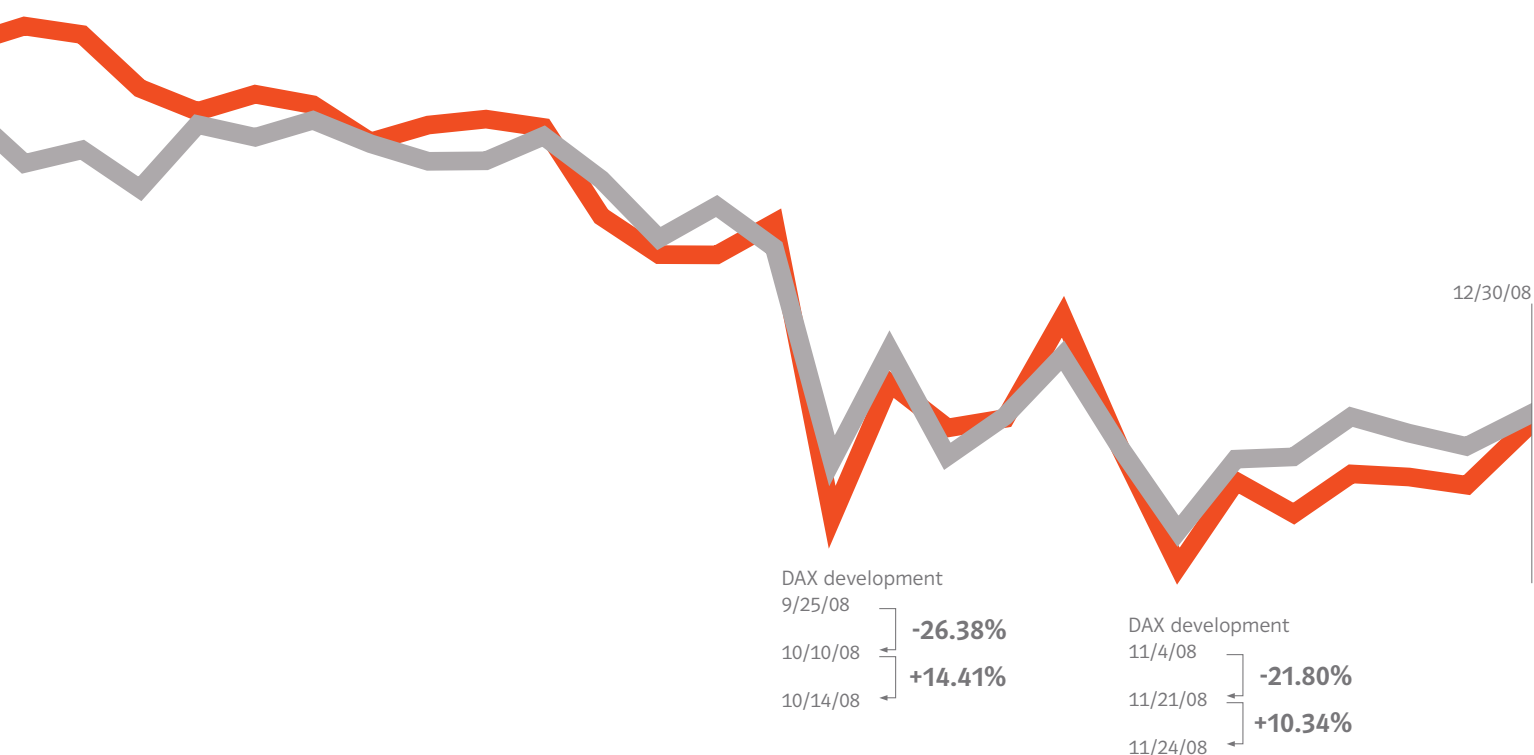
## Share Buyback Program

In June 2007, we began a €7 billion share buyback program with the aim of making E.ON's capital structure more efficient. We repurchased about €3.5 billion worth of E.ON stock in 2007 and another €3 billion between January 1 and December 3, 2008. Due to the ongoing financial crisis, we've decided to suspend our share buyback program to maintain the highest degree of flexibility.

<sup>1</sup>All figures are after, or adjusted for, the stock split.

### Weighting of E.ON Stock in Major Indices (as of Dec. 30, 2008)

DAX	10.38%
Dow Jones EURO STOXX 50	4.14%
Dow Jones STOXX Utilities	17.58%



### E.ON Stock Key Figures<sup>1</sup>

€ per share	2004	2005	2006	2007	2008
Earnings attributable to the shareholders of E.ON AG	2.20	3.75	2.82	3.69	0.68
Earnings from adjusted net income	-	1.84	2.22	2.62	3.01
Dividend	0.78	0.92	1.12	1.37	1.50
Dividend payout (€ in millions)	1,549	4,614 <sup>2</sup>	2,210	2,560	2,857
Twelve-month high	22.35	29.64	34.80	48.69	50.93
Twelve-month low	16.42	21.50	27.37	32.02	23.50
Year-end closing price	22.35	29.13	34.28	48.53	28.44
Number of shares outstanding (in millions)	1,977	1,977	1,979	1,895	1,905
Market capitalization <sup>3</sup> (€ in billions)	44.2	57.6	67.6	92.0	54.2
Book value <sup>4</sup>	16.97	22.50	24.62	26.06	18.10
Market-to-book ratio <sup>5</sup> (percentage)	132	129	139	186	157
E.ON stock trading volume <sup>6</sup> (€ in billions)	46.1	62.5	92.5	136.2	119.2
Trading volume of all German stocks (€ in billions)	877.7	1,095.8	1,539.3	2,350.9	2,029.6
<i>E.ON stock's share of German trading volume (percentage)</i>	<i>5.3</i>	<i>5.7</i>	<i>6.0</i>	<i>5.8</i>	<i>5.9</i>

Want to find out more?  
[eon.com/stock](http://eon.com/stock)

<sup>1</sup>Adjusted for discontinued operations; figures prior to 2006 calculated according to U.S. GAAP.

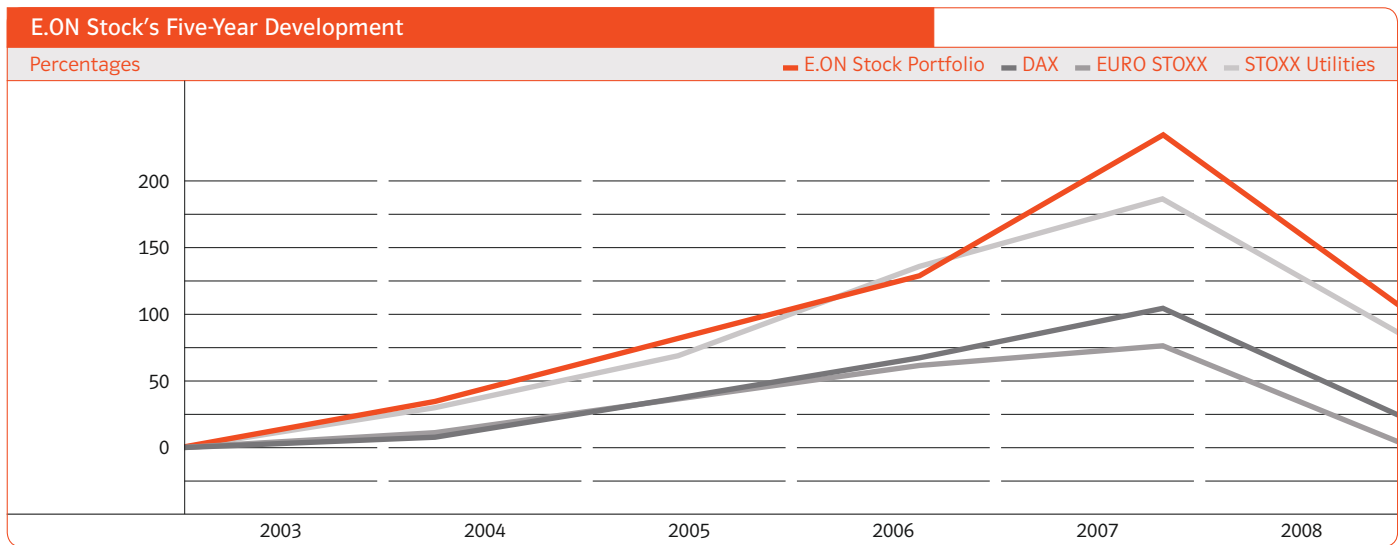
<sup>2</sup>Includes special dividend of €1.42 per share.

<sup>3</sup>Based on ordinary shares outstanding.

<sup>4</sup>Shares attributable to the shareholders of E.ON AG.

<sup>5</sup>Year-end stock price expressed as a percentage of book value per share (excluding minority interests).

<sup>6</sup>On all German stock exchanges, including Xetra.

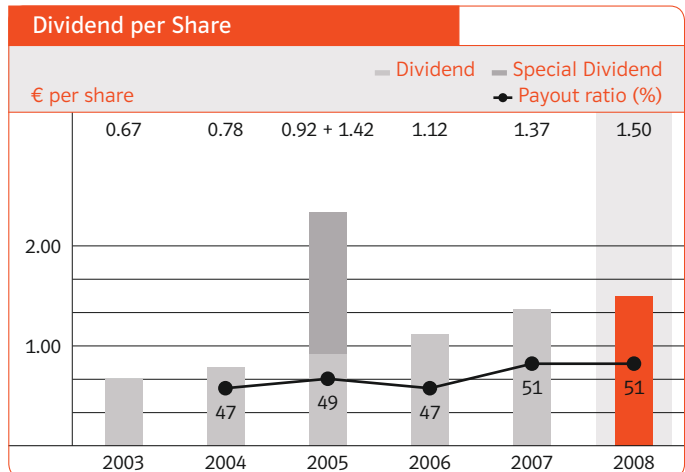


#### Stock Split

On August 4, 2008, we conducted a three-for-one stock split. The stock split divided by three the price of E.ON stock at the time of the split, as well as the amount of any future per-share dividend. We simultaneously converted E.ON stock from bearer shares to registered shares. The purpose of the conversion is to support direct communications with our shareholders and to make our investor relations even better and more efficient.

#### Dividend

At the 2009 Annual Shareholders Meeting, management will propose that the cash dividend for the 2008 financial year be increased by 9.5 percent year on year to €1.50 per share. Since the 2003 financial year, the dividend has thus increased from €0.67 to €1.50, which represents an average increase of 17.5 percent per year. Based on E.ON stock's year-end 2008 closing price, the dividend yield is 5.3 percent.



#### E.ON Stock Information

##### Type of Shares

Ordinary shares with no par value/  
Registered shares

##### Stock Codes

**Germany**  
WKN ENAG99  
ISIN DE000ENAG999

##### USA

Cusip No. 268 780 103

##### Stock Symbols

**Reuters**  
FSE EONGn.F  
Xetra EONGn.DE  
ADR EONGY.PK

##### Bloomberg

FSE EOAN GF  
Xetra EOAN GY  
ADR EONGY US

“E.ON is economically and financially flexible enough to hold its own even in these challenging times. We pursue a sustainable financing strategy. We were active in bond markets in the early stage of the crises and have covered our long-term funding needs at good terms. This demonstrates that we’ve done some good work.”

Dr. Marcus Schenck

# Funding program according to plan.

A turbulent year is behind us. Despite the difficult situation in financial markets, E.ON continued to successfully achieve its funding objectives. Our transparent information policy enables us to retain the trust of retail and institutional investors. They appreciate our company’s financial and economic strength.

In the fall of 2007, E.ON started its €30 billion funding program for the period 2007-2010 in the context of its investment program. By year-end 2007, E.ON had already issued €6 billion in bonds.

## Represented in All Major Markets

We placed a further €13 billion in bonds and promissory notes (*Schuldscheindarlehen*) in 2008. Apart from euro- and dollar-denominated benchmark bonds, these also included promissory notes, smaller bond issues and privately placed bonds in different currencies such as Swiss francs and yen. The euro-denominated benchmark bonds included a €2.5 billion issue in April, a €2 billion issue in August, and a €1 billion issue in November aimed at retail investors.

In addition, in May E.ON issued a regionally targeted €1 billion bond aimed primarily at small and medium-sized institutional investors in Europe. In April, we issued a \$3 billion bond, our first benchmark bond in the U.S. capital market. All bonds were significantly oversubscribed and placed with a large number of investors.

We continued our program in January 2009 with additional euro- and sterling-denominated benchmark bonds and with smaller bond issues and promissory notes. Altogether, these issues totaled about €5 billion. E.ON has therefore already secured a substantial portion of its funding for the current year.

As another component of its funding program, E.ON regularly makes use of commercial paper (CP). At year-end 2008, €7.3 billion in CP was outstanding. Despite the difficult times on capital markets, E.ON continues to have very good access to CP markets.

Finally, amid the financial crisis, E.ON successfully extended a tranche of its syndicated credit facility that was due to mature. The tranche was extended at €7.5 billion.

Thanks to our good ratings, our transparent financial communication, and the less cyclical nature of the utility industry, we’re confident that in the future we’ll continue to enjoy the trust of our investors and banks and that we’ll be able to execute the remainder of our funding program without difficulty.

### Award-Winning Achievement

In recognition of its achievements in implementing its funding program in 2008, in January 2009 E.ON received the coveted Corporate Issuer of the Year Award from *International Financing Review*, a renowned capital market magazine. The magazine confers the award, which is based on surveys of major banks and institutional investors, to companies whose funding programs have earned them a high degree of trust and recognition in capital markets.

# Sustained transparency.

**We've done a lot over the years to further enhance our Investor Relations (IR)—for professional and retail investors. Our mission is to provide straightforward, transparent communications and information at our periodic roadshows, at conferences, at eon.com, and when we meet personally with investors. For us, reliability and transparency are the foundation of good IR.**

## Building Relationships

Each year we invite analysts and institutional investors to an analysts conference held on the day we release our annual report. We use this event to present our results for the previous financial year and our objectives for the current year. The conference for our 2007 results was held in March 2008 in Düsseldorf.

Capital Market Day, which we co-host each year with one of our market units, is another key date on our financial calendar. One of its main purposes is for the host market unit's senior management to introduce themselves and to talk in detail about



### Capital Market Day 2008 in Madrid

In 2008, E.ON invited analysts and institutional investors to Madrid. Executives from the Spain market unit and from our other new market units (Russia, Italy, and Climate & Renewables) talked to participants about these promising growth markets. The event, organized by our IR team, offered participants good insights into the strategic and operational development of our businesses.

### We do IR personally.

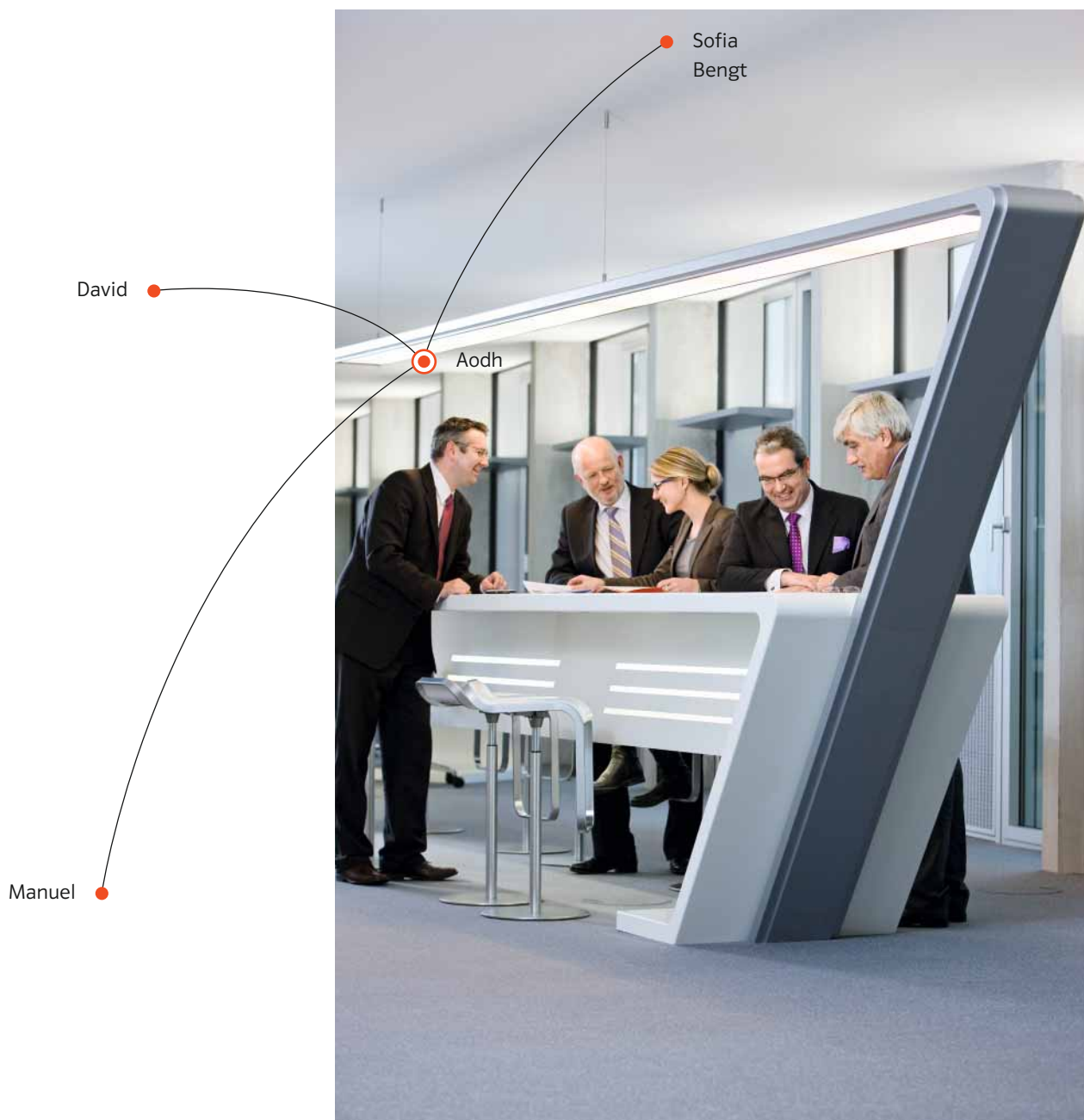
For us, IR is about personal contact and building lasting relationships. In 2008, we were again recognized for these qualities. The Thomson Reuters Extel European Survey honored us with awards for the best IR officer and the best IR by a European utility, and we received the Grand Prix at IR Magazine's Continental Europe Awards. Altogether, we've won 30 IR awards in the past five years. It's a source of pride—and of motivation for the work we do each day.

the operations in their market. We believe it's important for analysts and institutional investors to meet and get to know the people who manage our businesses in our target markets. And we believe our commitment to facilitating this direct contact has helped foster the capital market's longstanding trust in E.ON and in E.ON stock.

In addition, at eon.com anyone interested in E.ON will find our financial reports and executive presentations as well as webcasts and podcasts of IR events in both audio and video format. Of course, we can always be reached by telephone and email, when the markets are calm and particularly when they're turbulent.

Want to find out more?  
[eon.com/investors](http://eon.com/investors)

**Groupwide Incident and Crisis Management.** E.ON is aware of its responsibilities towards its customers, its employees, and society as a whole. That's why we continually improve our procedures for effectively managing unforeseen events. In 2008, a set of standards and procedures was designed and approved, in collaboration with all of our market units, that makes incident and crisis management even more consistent across our organization. In addition, the Corporate Incident & Crisis Management department at the Corporate Center significantly enhanced the IT infrastructure for reporting incidents and crises by introducing a new web-based tool that all E.ON employees can access through our company intranet.



# Our Strategy.

Key Beliefs

## Building from a Strong

We make, move, and market energy. From power plants and wind farms across Europe and in the United States via electricity networks into our customers homes. From natural gas fields via pipelines to end-customer supply. E.ON is present along the entire energy value chain.

We not only have a diverse generation mix and a broad geographic footprint with operations in more than 30 countries. We're also Europe's biggest gas importer, one of the world's leading renewables players, a top energy trader, and a premier energy supplier serving roughly 30 million customers across Europe.

This gives us a superb platform from which to execute our value-oriented strategy to achieve sustained profitable growth. We use our broad presence along the entire value chain to create and leverage synergies. We also make selective investments that give us access to new customers and markets. In executing our strategy, we're guided by six key beliefs:

### **Presence along the Entire Value Chain**

We're active along the entire value chain in power and gas, with operations upstream (power generation and natural gas production), midstream (energy imports and wholesale), and downstream (end-customer supply). This enables us to operate efficiently and to capitalize on our comprehensive market knowledge to create value across our business. For our company and our customers.

### **Power-Gas Convergence**

Power and gas are converging upstream (more gas-fired generation), midstream (cross-commodity energy trading), and downstream (increasing popularity of dual-fuel products). Our superb position in all three segments provides us with synergy and growth potential.



“We’re convinced that the systematic integration of Europe’s energy markets and effective competition along the entire value chain are good for everyone. They’ll create substantial opportunities for our business and make energy supplies more secure than ever.”

Dr. Wulf H. Bernotat

# Platform.

## Strong Market Positions

In liberalized markets, scale and strong market positions give us a key competitive edge and create a solid foundation for ensuring security of supply.

## Growth

In the future, our markets in Northwestern Europe will grow at a moderate pace. That’s why we’re seizing opportunities for above-average growth in Southern Europe and adjacent regions like Russia.

## Value from Experience

Our deep expertise in all facets of the energy business is an invaluable competitive advantage, one that we leverage fully by sharing best practices across our organization.

## Market and Competition

Open, competitive markets are the best guarantee for energy security and efficiency. An integrated European energy market offers E.ON the best environment for expanding our market positions and achieving organic growth in new regions.

For all our operations, we focus on selective investments and acquisitions that meet our strict strategic and financial criteria. We believe that you need a clear idea of where you’re going in order to get there.

## An Overview of Our Strategy

- Update, expand, and systematically develop our strong, diversified generation portfolio while resolutely reducing our specific carbon dioxide emissions.
- Pursue selective growth in new markets like Russia, Italy, and Spain.
- Strengthen our gas supply position through our own gas production assets and liquefied natural gas.
- Expand our renewables operations in Europe and North America for the long term.

# Our market environment is changing, creating challenges but also opportunities.

The global financial and economic crisis made the overall economic environment gloomier in 2008. The energy industry, however, was less hard-hit by these events than many other industries. Going forward, internationalization and market liberalization will be the main sources of our opportunities, while government regulation and regional economic differences will present us with our greatest challenges. Being successful in this environment requires strong international market positions combined with a solid local presence. And that's what we have.

## Central Europe

Rising energy demand along with political demands for greater energy efficiency and lower carbon emissions are the predominant features of the Central European market. Overall, this region of Europe will need about 120 GW of additional generating capacity by 2030 to meet rising energy demand and to replace old power plants. In Germany, network operators face increasing regulatory pressure, while competition is becoming fiercer in the retail business. Eastern European markets, by contrast, are at the early stages of market development and vary considerably by country.

## Pan-European Gas

An increasingly important issue in Europe is how to ensure a secure, competitively priced supply of natural gas in an environment of rising global demand and declining European production. In the years ahead, we expect competition to continue to intensify in the German gas supply business as the market becomes increasingly open.

## U.K.

As early as 2007 it was predicted that rising consumption and the closing of older power plants would make generating capacity in Britain increasingly tight. This trend was confirmed in 2008.

## Nordic

Sweden, the Nordic region's largest market, already produces well over 90 percent of its electricity in zero-carbon hydro and nuclear power stations. Plans call for the Swedish economy to use no fossil fuel by 2020. In January 2009, the Swedish government announced that it was lifting the ban on the construction of new nuclear power stations.

"Our acquisitions in Spain, Italy, and Russia give E.ON strategically significant market positions in three attractive new markets. They're part of our targeted effort to make our company even more international, to seize new growth and earnings opportunities, and to successfully prepare ourselves for increasingly keen competition."

Lutz Feldmann

**U.S. Midwest**

The United States will need to make substantial investments in new generating capacity in the years ahead. At the same time, there are signs of a growing trend towards climate protection and targeted support for renewables.

**Energy Trading**

The growing integration of Europe's power and gas markets shapes the trading environment. Liquidity continues to increase, although there remains wide regional variation between North-western and Southeastern Europe. Due to the financial crisis, some participants (mainly banks) will withdraw from the market.

**New Markets  
Climate & Renewables**

Forecasts call for renewables to grow at a swift pace worldwide, particularly wind and solar power. Our focus is predominantly on Europe and the United States which offer the greatest growth potential.

**Russia**

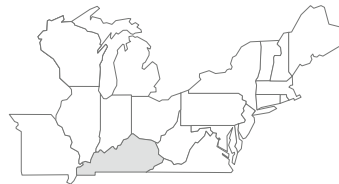
Our key success driver going forward is the continued liberalization of Russia's electricity market, a process that's on schedule for completion by 2011.

**Italy**

We expect moderate growth in power and gas consumption in Italy. We're moving forward with our program to expand our Italian generation portfolio and update it with advanced technology.

**Spain**

The regulation of Spain's retail energy market will gradually be phased out by 2012. One of the main tasks ahead is to modernize Spain's generation fleet and add additional capacity to meet rising demand. Renewables will play a key role in this effort.



Peter

Annika

Michael

Heiko

Dieter

Judit

**GLOBE.** Global Business Excellence, GLOBE for short, is a groupwide program aimed at harmonizing the processes and IT systems for accounting, controlling, and procurement throughout our company. Launched in 2007 by the E.ON Board of Management as a strategic initiative, GLOBE will improve steering and shorten decision-making paths. Harmonized commercial processes will give E.ON greater flexibility in navigating change and make it easier to integrate new companies. After completing the set-up phase in July 2008, the program team began developing concepts. The gradual rollout of GLOBE will begin towards the end of 2009.

# Our markets are changing. We're prepared.

Europe faces fundamental challenges. The creation of a uniform, competitive, and transparent EU-wide internal market for energy. Climate protection. Energy security. We're convinced that by working together we can meet these challenges. And that everyone will benefit.

We see ourselves as a pacesetter for European market integration.

An EU-wide internal market for energy will enhance security of supply for our customers and open up new markets and sales channels for us. It's also a necessary prerequisite for climate-protection mechanisms like emissions trading to be effective in moving Europe's energy industry towards a lower-carbon future. That's why we support the European Commission's efforts to create an internal market.

Selective growth in new markets is essential for sustained value creation. Our entry into new markets in Europe and adjacent regions will enable us to deliver robust growth and expand our strong position on the Continent. This includes our new operations in Southern and Western Europe, where in recent years we've acquired a substantial portfolio of assets in Italy, Spain, and France. It also includes our operations in Russia, where we have a long-standing partnership in the natural gas business. In 2008, we successfully completed the integration of OGC-4, a Russian power producer, thereby successfully establishing ourselves in the Russia electricity market, which is expected to grow significantly in the long term.

## Actively Promoting Climate Protection

As one of the world's leading energy companies, we believe it's our responsibility to also be a leader in climate protection. By 2030, we intend to halve our specific carbon dioxide emissions compared with the 1990 figure. To get there, we're investing billions in highly efficient, climate-friendly power plants, significantly expanding our renewables capacity, and developing new technologies that will make it possible to generate electricity from fossil fuels with almost no carbon emissions.

### E.ON's initiative to promote competition and an EU-wide internal market for energy

- We support efforts to combine Europe's national power exchanges into a Europe-wide power trading marketplace.
- Since 2006, we've provided all market participants with information about the current availability of our generating capacity in Germany.
- We intend to expand cross-border power transfer capacity between Germany and neighboring countries by 1 GW.
- We're further expanding our transmission system in Germany, creating considerable additional capacity for cross-border power transfer.
- We've operated a web-based gas-trading portal for Germany since 2006.
- We're creating additional pipeline capacity for natural gas imports in order to further enhance both security of supply and gas-market competition in Germany and Europe.

# Investments for energy security and growth.

When E.ON plans investments, they're often big. Both in terms of budget and time horizon. We have to plan far into the future because many of our facilities have operating lifetimes of up to 50 years. In 2008, we continued to execute the growth program we launched in 2007. Our acquisition of Endesa Europa and Enel Viesgo together with our asset swap with Statkraft expanded our presence in Continental Europe and largely completed our current external growth plans. In the years ahead, we'll concentrate primarily on organic growth in our old and new markets.

We plan to invest a total of up to €30 billion in the period 2009-2011. About one third of these investments will go towards the maintenance and replacement of existing infrastructure. The main focus will be on securing our generating and network capacity for the long term and on renewing and maintaining our generation portfolio. Here, the key feature is the construction of high-efficiency coal-fired and gas-fired power plants in Germany and the United

Kingdom. We'll also be continuing to modernize our electric distribution systems in the United Kingdom, Sweden, and Germany.

Our investment plan focuses on organic growth.

The remaining two thirds represent growth investments, about 80 percent of which will be organic growth. A significant portion is earmarked for the expansion of our conventional generating capacity in the Netherlands, Belgium, Slovakia, and Russia. We also plan to expand our renewable-source generating capacity, where the focus is on onshore and offshore wind farms in the United States, the United Kingdom, and Denmark.

Another key growth area is the increasingly important upstream natural gas business, where we intend to significantly expand our production capacity in order to further diversify our supply portfolio. Investments are planned for production expansion, primarily in Skarv und Njord gas fields.

In addition, we intend to extend our electricity networks in the years ahead to provide the necessary capacity to meet anticipated increases in power production. We plan to invest about €2.5 billion to add network capacity. We also plan to invest €2 billion to expand our gas pipeline system and enlarge our gas storage capacity. This will help ensure that our customers have a reliable supply of gas even when there are international supply difficulties.

As one of Europe's leading energy companies, we have a responsibility to supply energy to millions of customers. We have the strength to meet this responsibility—even in turbulent times—and to delivery growth and thus to ensure supply security.



## Maasvlakte 3 New-Build Project

In early 2008, E.ON began the construction of Maasvlakte Power Plant 3 (MPP3) in the harbor area of Rotterdam. MPP3 is a 1,100 MW high-efficiency coal-fired unit that will produce enough electricity to meet 7 percent of the Netherlands' total needs. Like Maasvlakte's existing units, MPP3 will be able to co-fire biomass. It's also being designed and built for subsequent retrofitting with carbon-capture technology. Total investments in the project amount to more than €1 billion. MPP3 is scheduled to enter service in the first half of 2013.

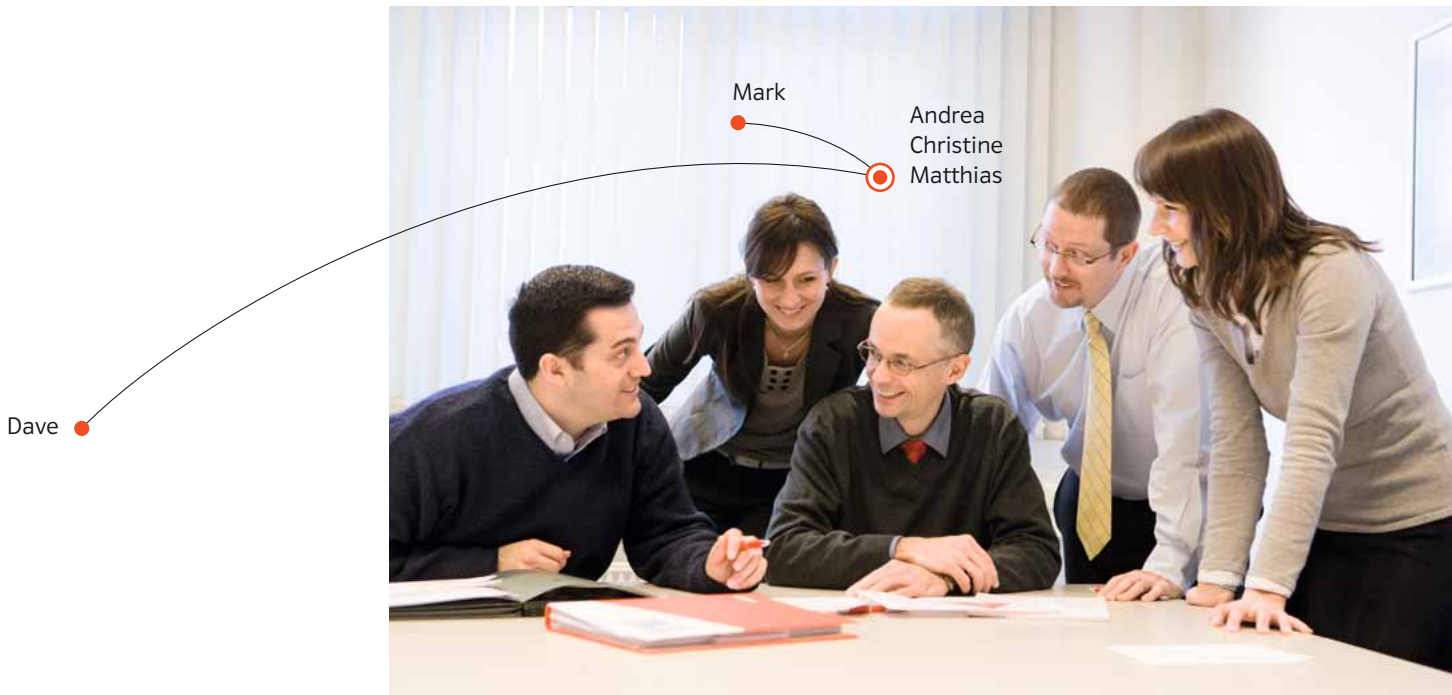
# We remain ambitious.

In 2008, E.ON further expanded its position as a leading European energy company. Our successful acquisition of significant positions in Italy, Spain, and France gives us operations in all key European markets. Our strong presence in the power and gas business gives us a superb position that we intend to further strengthen and expand going forward.

After a period of growth in which we've acquired companies in many different countries and achieved a broad European footprint unmatched in our industry, we've launched a performance initiative called Perform-to-Win to achieve our ambitious objectives. This initiative will focus on strengthening our company from within and improving our performance in order to enhance our prospects for future growth.

We're investing in renewables, in highly efficient power plants, and in the expansion of our gas business.

It's essential—particularly in view of the current financial and economic crisis—for our company to operate a successful business, to have an efficient cost structure, and to have a strategically optimized business portfolio and for us to actively manage its capital structure. Doing these





things enables us to access the resources we need to continue to make value-enhancing investments and to grow. And to create the foundation of our success tomorrow and for the long term.

Conventional power generation has long been our main strength. We're in the process of modernizing our conventional generation fleet in Europe to make it more efficient and to increase our market share in selected markets. We intend to maintain our balanced portfolio for the long term by adding capacity in a range of generation technologies: conventional fuels like natural gas and coal, next-generation nuclear power with advanced safety features, hydroelectricity, and other renewables. We're also actively developing carbon capture and storage technologies as part of our effort to meet our climate-protection targets.

On the gas side, we believe Europe's increasing import dependency will create significant opportunities for our existing import and storage business, for us to establish new strategic businesses like liquefied natural gas, and for us to grow our production portfolio. Our existing stakes in North Sea gas fields along with Yuzhno Russkoye, a huge Russian gas field in which we'll acquire a stake under an agreement we reached in 2008, will play a key role in this effort.

### Growth through Climate Protection

Renewables like wind and hydro are already important ingredients of our energy mix. They'll be indispensable in the future because they combine climate protection and fuel independence. Government subsidy programs are another attractive aspect of renewables. These programs enable us to invest in renewables at a realistic cost, creating a green energy resource that benefits the environment and society in general.

The creation of E.ON Climate & Renewables was an important step that enhances our ability to seize opportunities in this very promising growth market. Our objective is to expand our renewables generating capacity from today's 2 GW to 10 GW by 2015. Our growth will come mainly from the construction of profitable onshore wind farms; we're also developing and building offshore wind farms. In addition, we see a lot of potential for biomass and solar-thermal energy, which in the long term will account for a significant share of large-scale renewables capacity.

These investments will give us a superb position and enable us to continue to operate successfully and to grow. Even in difficult times.

**10,000,000,000**  
**cubic meters per year**

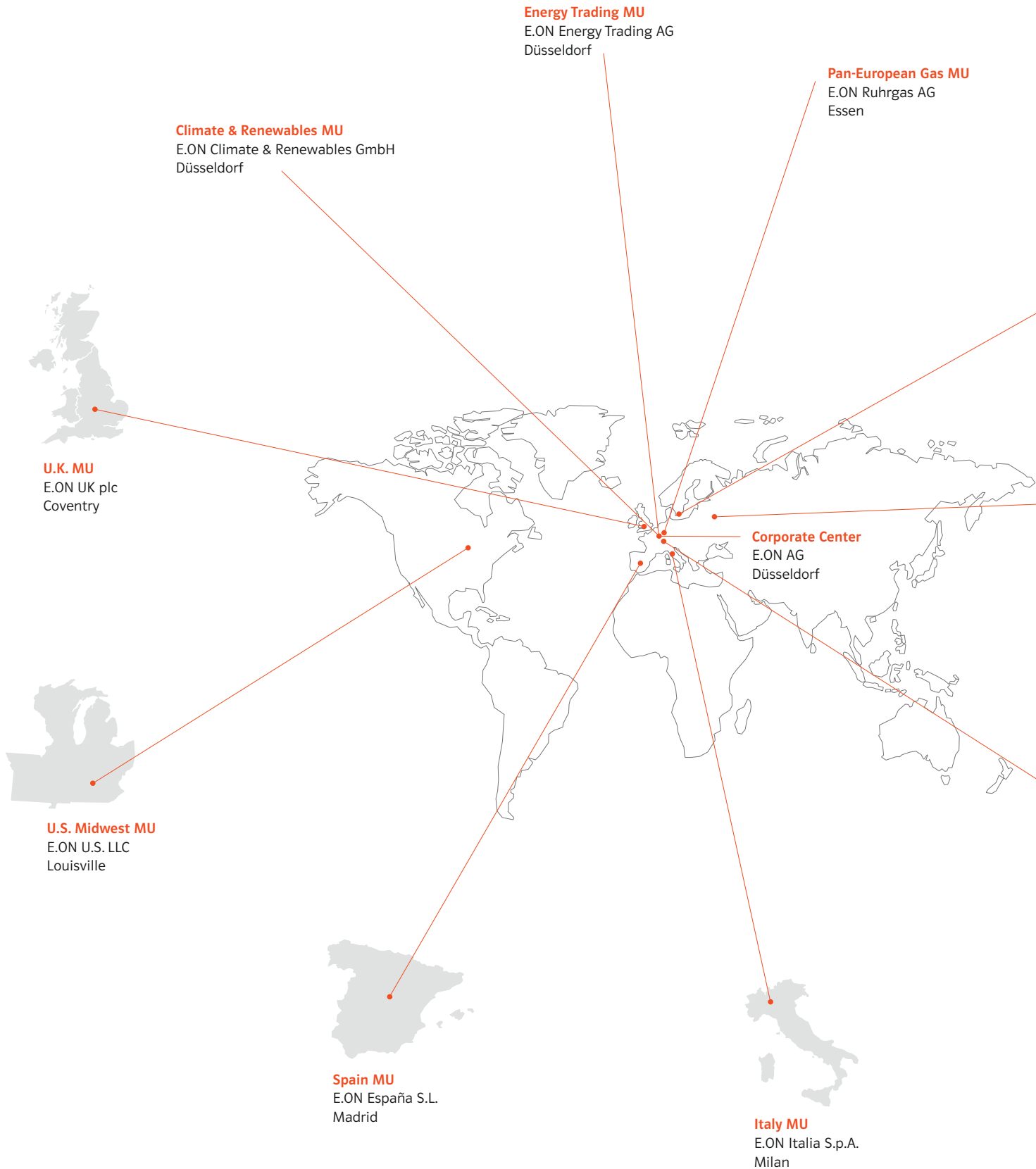
That's our medium-term objective for how much natural gas we aim to source from our own production assets.

**Center of Competence (CoC) Fossil.** Our CoC Fossil coordinates knowledge sharing for our entire conventional generation fleet. It conducts annual benchmarking reviews of our power stations that analyze key performance indicators as well as operational processes. The reviews enable us to identify best practices and share them across the fleet.



# Our Structure.

An Overview



MU = Market Unit

## Superbly positioned, ten times over.

We segment our business by market units. Their number doubled in 2008. We added three geographically segmented market units to manage our business in our new target markets: Russia, Italy, and Spain. We also created two functionally segmented market units to leverage synergies and pool expertise in our businesses with a broader international scope: our European energy trading business and our global renewables business.



**Nordic MU**  
E.ON Nordic AB  
Malmö



**Russia MU**  
E.ON Russia Power  
Moscow



**Central Europe MU**  
E.ON Energie AG  
Munich

### Corporate Center

The Corporate Center's main tasks are to manage E.ON as an integrated energy company, chart E.ON's strategic course, define its financial policy and initiatives, manage business issues that transcend individual markets, manage risk, and continually optimize the group's business portfolio.

### Central Europe Market Unit

One of Europe's largest energy companies, E.ON Energie has operations in many Central European countries, including Germany, Belgium, the Netherlands, France, Hungary, Slovakia, and the Czech Republic.

### Pan-European Gas Market Unit

E.ON Ruhrgas is one of Europe's premier gas companies and among the world's biggest investor-owned gas importers. Its customers include regional and municipal energy utilities as well as industrial enterprises.

### U.K. Market Unit

E.ON UK, one of the United Kingdom's leading energy utilities, provides power and gas service to residential, industrial, commercial, and municipal customers across Britain.

### Nordic Market Unit

E.ON Nordic manages our energy operations in Northern Europe. Its operating companies generate, distribute, market, and supply electricity and gas.

### U.S. Midwest Market Unit

E.ON U.S. is a diversified energy service provider. Its operations are focused primarily on the regulated electric and gas utility sector in Kentucky.

### Energy Trading Market Unit

E.ON Energy Trading combines in a single entity all our European trading activities for electricity, gas, coal, oil, and carbon allowances.

### New Markets

#### Climate & Renewables Market Unit

E.ON Climate & Renewables is responsible for our global renewables and carbon-sourcing businesses.

#### Russia Market Unit

E.ON Russia Power oversees our electricity business in Russia. Our Russian portfolio consists of generating capacity in growing, industrialized regions of the country (Central Russia, Ural, and Western Siberia).

#### Italy Market Unit

E.ON Italia manages our power and gas business in Italy. Its generation fleet consists mainly of gas, coal, hydro, and wind assets. We also operate local gas pipeline systems, mainly in northern Italy.

#### Spain Market Unit

E.ON Spain manages our operations on the Iberian peninsula. It was created by the acquisition of EnelViesgo, an electric utility, and of additional generating capacity across Spain.

Want to find out more?

[eon.com/structure](http://eon.com/structure)

Europe



# Central Europe

## Market Unit

- Successful entry into high-growth French market
- Centers of Competence leverage synergies in power generation and new plant construction
- New-build program moves forward according to plan
- New sales organization enhances customer orientation in Germany

**2008 power sales**  
376.2 billion kWh

**2008 gas sales**  
130.2 billion kWh

**2008 sales**  
€41,135 million

**2008 adjusted EBITDA**  
€6,266 million

**2008 adjusted EBIT**  
€4,720 million

**2008 cash-effective investments**  
€3,188 million

**Employees at year-end 2008**  
44,142

### Owned generation on 138.3 billion kWh by energy source



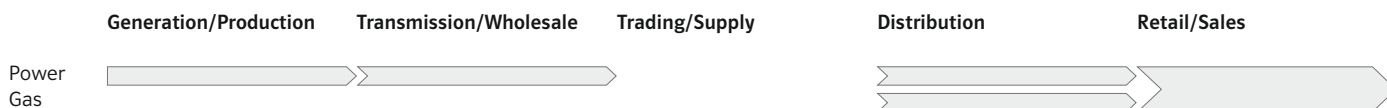
Information about our renewables operations is in the section of this report on our Climate & Renewables market unit on page 70.



“With a presence in some 20 Central European countries, E.ON Energie is an important player in the power and gas business. This makes us a driving force for the completion of the EU-wide internal energy market, for energy security, and for Europe’s effort to meet its ambitious climate-protection targets.”

**Prof. Dr. Klaus-Dieter Maubach**  
CEO, E.ON Energie

## Operations along the Value Chain



Munich-based E.ON Energie is the lead company of our Central Europe market unit and is responsible for managing our business in Central Europe, which consists of power generation, transmission, distribution, and sales as well as natural gas distribution and sales.

E.ON Energie's operations stretch from the Atlantic Ocean to the Black Sea. It has subsidiaries in the Netherlands, France, Germany, the Czech Republic, Hungary, Slovakia, Bulgaria, and Romania, and other European countries. It supplies energy to some 17 million customer accounts, about half of them outside Germany. After Germany, E.ON Energie's second-biggest market is Hungary, where it has over 3 million electricity and gas customers.

### Central European Energy Market

One of the biggest challenges facing Europe's energy industry is the creation of an EU-wide internal market for energy encompassing more than 20 countries, which in some cases vary considerably by market structure and degree of competition. Europe has many large players, some of them state-owned. Under European law, the energy markets of EU member states were supposed to have been fully liberalized by mid-2007. Nevertheless, competitive conditions continue to vary by country. Germany, due in part to E.ON's initiatives, has one of Europe's most competitive energy markets. E.ON Energie is already superbly positioned to compete in Germany and Europe.

### Generation

E.ON Energie generates electricity from several sources, primarily nuclear and hard coal. Other fuels include hydro, lignite, natural gas, and oil. Our top priority in power generation is that our energy mix must be secure, environmentally and climate friendly, and affordable. And we want it to stay this way into the future.

Although renewable energy will definitely account for an increasing share of the E.ON Group's total generating capacity, from a reliability and cost standpoint it won't completely replace conventional capacity for the foreseeable future. That's why we're pushing forward with the development of new, climate-friendly conventional power plants. We're planning and building high-efficiency coal-fired and gas-fired power plants at more than a dozen locations in Germany, Belgium, the Netherlands, Hungary, Slovakia, and France.

The construction of all our new power plants in Europe is managed centrally by the New Build Unit at E.ON Kraftwerke, a subsidiary of E.ON Energie, enabling us to apply best practices in new-build projects across our company.

#### 46-Percent Thermal Efficiency in Antwerp

One of our high-efficiency hard-coal-fired power plants is planned in Antwerp, Belgium. It has a thermal efficiency of 46 percent and is expected to enter service in 2015. For comparison, the average thermal efficiency of coal-fired plants in Europe is 36 percent.

### New Build Unit and Center of Competence Fossil

The New Build Unit is responsible for managing the construction of all coal-fired and gas-fired power plants at Central Europe and at all our other European market units. Combining our new-build activities in a single entity will enable us to develop and deliver a portfolio of highly efficient and climate-friendly conventional power plants and to utilize synergies that will benefit the entire E.ON Group.

The Center of Competence Fossil pools the E.ON Group's extensive expertise and experience in conventional generation, thereby helping to enhance the efficiency and reliability of our power-plant operations. We also have a Center of Competence for nuclear power.

Our newest subsidiary is Paris-based E.ON France. Last year E.ON acquired Endesa's 65-percent stake in SNET, a French power producer, which forms the core of E.ON France. Our acquisition was the first major investment in France by an investor-owned energy company. France is Northwestern Europe's second-largest energy market after Germany and is therefore of particular interest to us.



Together with our other market units, E.ON Energie is working to enable innovative technologies to make the transition to commercial scale as quickly as possible. One of our main focuses is on the development of next-generation coal-fired power plants with a thermal efficiency of more than 50 percent. We're also actively involved in the development of carbon capture and storage technologies and are conducting pilot projects at several of our power stations.

More information on these and other innovating projects is in the section of this report on New Technologies beginning on page 14.

### Transmission and Distribution

E.ON Energie operates substantial distribution systems across Europe. It has about 725,000 kilometers of low- and intermediate-voltage electricity lines and about 112,000 kilometers of gas distribution pipelines. E.ON Energie also has about 45,000 kilometers of high-voltage electricity lines. Its ultrahigh-voltage transmission system in Germany with a total length of about 10,600 kilometers is being held for sale.

### Agreement with the European Commission

E.ON has made the following commitments to the Commission: We will sell our ultrahigh-voltage transmission system in Germany, currently operated by E.ON Netz, to an operator not otherwise active in power generation or supply. We will also sell about 5 GW of generating capacity in Germany. It wasn't easy to make this commitment, since it will affect some of our employees. But it will also create more competition in Germany. Moreover, we'll swapping some of our generating capacity for capacity in other European countries, which will also spur competition.

### Sales

Our sales operations are tailored to our customers' needs and behaviors and to the market environment of the countries where we do business. This enables us to offer our customers individualized products and superior service. For example, our six regional sales companies and regional utility E.ON Thüringer Energie in Germany offer specialized products to customers who place value on receiving additional services and having a locally based energy provider.

### New Sales Organization in Germany

E.ON Energie streamlined its sales organization in Germany in 2008. Effective September 1, 2008, a new unit called E.ON Vertrieb Deutschland ("E.ON Sales Germany") manages our sales operations centrally. Two shared-services companies, E.ON Best Service and E.ON Service Plus, are responsible for the service side of the business, from meter reading and billing to customer care and collections management. The improved organization enhances our competitiveness by making our business processes more efficient and transparent. At the same time, our regional sales affiliates continue to give us a strong local presence, ensuring that we stay close to our customers.

### E WIE EINFACH: An Established Player

E.ON Energie's subsidiary E WIE EINFACH ("E as in Easy")—Germany's only nationwide supplier of power and gas service for residential customers—is playing an important role in promoting retail competition in Germany. Founded in February 2007, E WIE EINFACH supplied 590,000 new customer accounts in 2008 alone.

### Energy Prices

Due to the overall market situation—particularly the sharp rise in crude oil prices through the first half of the year—we had to increase our electricity and natural gas prices in Germany in 2008. The subsequent decline in oil prices will, with a time lag, lead to lower retail prices, especially for natural gas.



#### E.ON in Dialog

Controversial issues like price adjustments and the construction of new power plants demonstrate clearly that the trust of policymakers, the general public, and our customers is an important foundation for our business. That's why we maintain a dialog with these groups. One example of our efforts is a series of events in Germany called "E.ON in Dialog," in which we try to build relationships with opinion makers and multipliers. We've also set up information centers in locations near where we're building new power plants in order to give people in the community the opportunity to talk with us directly.



We're showing consumers that we're working to develop innovative, efficient, smart solutions for electricity use.

## Electromobility

Electric cars make it possible to combine personal mobility with climate protection. They provide carbon-free transport and keep urban areas free of fine particle emissions and other pollutants. E.ON Energie has joined Volkswagen and other partners in an initiative to help realize the potential of electromobility. As part of this initiative, E.ON Energie is examining the possibility of using the batteries of electric cars as storage devices that would give the overall power system greater flexibility in handling peakload situations and the fluctuating production from renewable sources.

In addition, E.ON Energie and BMW will launch a joint electromobility pilot project in May 2009. Its purpose is to gather comprehensive practical experience that will spur further advances in vehicle concepts, batteries, and battery-charging infrastructure.

## Smart Meters

Thanks to a microprocessor, smart meters can do much more than the old-fashioned electricity and gas meters they will gradually replace over the next few years. For example, they can recognize when electricity is abundant (and thus cheaper) and automatically turn on selected appliances or electronic devices, making it possible to achieve a better balance between electricity production and consumption. A pilot project is testing smart meters in 10,000 households in Bavaria.

You'll find E.ON's consolidated financial statements and related commentary in our 2008 Financial Report.

Want to know more about our Central Europe market unit? [eon-energie.com](http://eon-energie.com)



**ZEUS.ON.** Distribution system managers from Hungary, Slovakia, and the Czech Republic meet regularly in Bratislava to work on ZEUS. ZEUS, which stands for Central European synergies, is a program for harmonizing the IT applications and the technical, operational, and business processes of E.ON companies in Eastern Europe. The cross-border collaborative effort aims to leverage potential savings, to reduce IT costs, and to improve processes by sharing best practices.

Europe



# Pan-European Gas

## Market Unit

- Gas exploration and production operations expanded
- Transport capacity in Europe further strengthened
- European gas storage business combined in a single company

### Gas supply of 679.5 billion kWh by country

26%	26%	18%	17%
Russia	Norway	Germany	Netherlands
6%	4%	3%	
United Kingdom	Denmark	Other	

**2008 gas sales**  
687.0 billion kWh

**2008 sales**  
€27,422 million

**2008 adjusted EBITDA**  
€3,113 million

**2008 adjusted EBIT**  
€2,631 million

**2008 cash-effective investments**  
€1,215 million

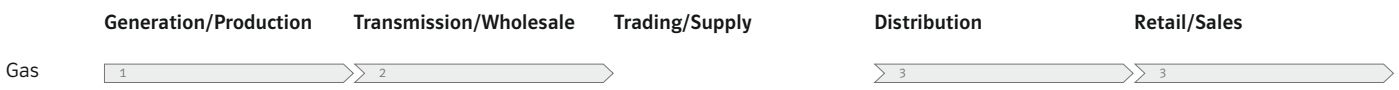
**Employees at year-end 2008**  
9,827



“Our mission is to bring natural gas to the marketplace. As the E.ON Group’s gas experts, we’re responsible for supplying E.ON’s markets across Europe with natural gas, thereby creating new growth opportunities. Working closely with other E.ON colleagues is an important part of how we ensure a sustainable, secure supply of natural gas tailored to customers’ needs.”

**Dr. Bernhard Reutersberg**  
CEO, E.ON Ruhrgas

**Operations along the Value Chain**



<sup>1</sup>Exploration and production. <sup>2</sup>Includes gas storage. <sup>3</sup>Thüga, E.ON Ruhrgas International shareholdings.

E.ON Ruhrgas, Essen, is the lead company of the Pan-European Gas market unit and manages our gas business. Together with its subsidiaries, E.ON Ruhrgas is active along the entire value chain of Europe’s gas market: gas exploration and production, gas transport and storage, and gas wholesale and supply. As a leading European gas company, E.ON Ruhrgas has long-standing relationships with major producers in Russia and Norway and in the Netherlands, the United Kingdom, Denmark, and Germany. Its diverse supply portfolio is a proven strength and ensures that our customers have a secure supply of natural gas.

**European Natural Gas Market**

Europe is the world’s second-largest gas market after North America. With domestic production declining in the Netherlands, Germany, and the United Kingdom, Europe will become more dependent on gas imports. This makes it important for Europe to develop new supply pathways and sources, one of which is liquefied natural gas (LNG).

**LNG Increasingly Important**

LNG is natural gas that has been converted to a liquid state by pressure and severe cooling (-161 degrees Celsius, -260 degrees Fahrenheit), which reduces its volume by a factor of 600. LNG is transported by sea in special tankers to terminals where it’s returned to a gaseous state. LNG makes it possible for Europe to source natural gas from countries with no existing or planned pipeline connection to Europe.

Another way we’re diversifying our supply portfolio is to develop our LNG business so that we can access production regions with no pipeline links to Europe. LNG currently meets about 10 percent of the EU27’s natural gas needs, a figure that’s expected to increase significantly in the years ahead. We concluded important LNG contracts in 2008 as part of our effort to become a strong player in this strategically and economically important growth market.

E.ON Ruhrgas was selected as an investor for a new LNG project in West Africa. We have a stake in all phases of this promising project, from production to liquefaction, and signed an agreement for the development of the gas infrastructure. We also acquired a 5-percent stake and 3 billion cubic meters (bcm) of annual regasification capacity at GATE, an LNG terminal

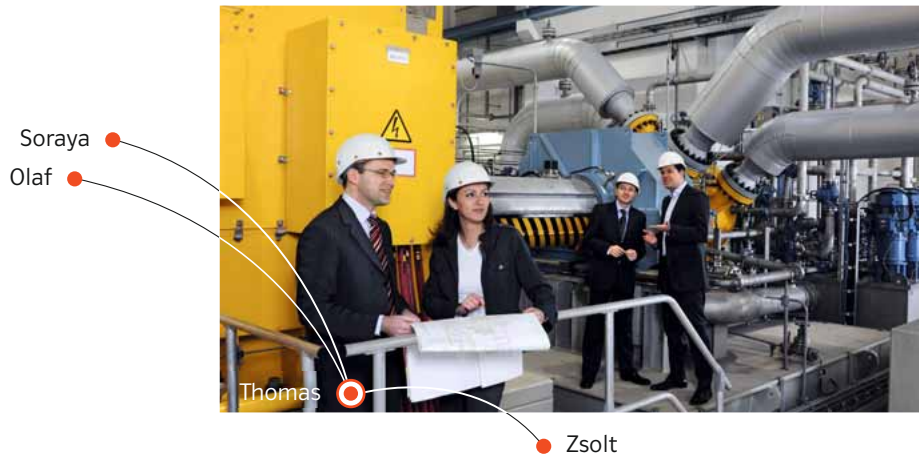
to be built in Rotterdam. The arrangement will give us the opportunity to supply Northwestern Europe with natural gas sourced from LNG.

**Exploration and Production**

To mitigate increasing supply dependence, our medium- to long-term objective is to source at least 10 bcm of natural gas annually from our own production assets. In 2008, we again expanded our exploration and production business, increasing our gas production to 1.4 bcm, 76 percent more than in 2007. The increase is largely attributable to the start of production in Njord field in the Norwegian Sea. Production of liquids and condensates rose by 18 percent to about 6 million barrels.



**35 Years of Russian Natural Gas**  
 Russian gas has been an integral part of E.ON Ruhrgas’s supply portfolio since deliveries began in 1973. Altogether, E.ON Ruhrgas has procured 520 bcm of natural gas from Gazprom for a total of about €55 billion. Russia, the world’s largest natural gas producer, has more than 57 trillion cubic meters of reserves and 150,000 kilometers (93,000 miles) of pipeline. This gas giant will long remain one of the European Union’s key suppliers.



## Production Secured

To help us achieve our long-term production objective, we reached an agreement with Russia's Gazprom in October 2008 for E.ON Ruhrgas to acquire a 25-percent stake (less one share) in Yuzhno Russkoye, a natural gas field in Siberia. Yuzhno Russkoye's reserves total more than 600 bcm, making it one of the world's largest gas fields. The operator and owner of the production license for the field is OAO Severneftegazprom. In the future, this Russian company will be owned by Gazprom (slightly less than 51 percent), E.ON Ruhrgas (25 percent less one share), and BASF-Wintershall, a German oil and gas company (25 percent less one share). Production at Yuzhno Russkoye started in 2008 and is expected to reach 25 bcm of natural gas per year in 2009. In 2008, we conducted successful exploration drilling in U.K. and Norwegian waters. In addition, we were awarded new operating licenses in Norway, the United Kingdom, Algeria, and Egypt. This long-term, foresightful approach to exploration and production helps E.ON Ruhrgas diversify its supply portfolio and ensure supply security for its customers.

## Transport and Storage

Our gas pipeline system in Germany has a total length of 11,552 kilometers (6,800 miles) and includes 70 compressor units in 22 technologically advanced compressor stations. We also operate underground storage facilities with a total working gas capacity of 5.6 bcm.

## Gas Network Expansion

We're involved in Nord Stream AG, an international joint venture to build a natural-gas pipeline across the Baltic Sea. The pipeline, which will have a total length of 1,220 kilometers, will provide an additional link between Russia and the European Union. We're also involved in a joint venture to plan Skanled, a new offshore pipeline to transport natural gas from Norway to Sweden and Denmark.

## Gas Storage Company Founded

We reorganized our gas storage business in 2008 by creating a new subsidiary, Essen-based E.ON Gas Storage GmbH, to manage the E.ON Group's storage operations throughout Europe. As part of the reorganization, E.ON Ruhrgas transferred to E.ON Gas Storage the ownership of its storage facilities in Germany along with the storage contracts for these facilities. E.ON Gas Storage also took over ownership of E.ON Földgáz Storage in Hungary and the storage contracts of E.ON D-Gas Storage in the Netherlands. E.ON UK's stakes in the Holford and Whitehill gas storage projects along with two long-term storage contracts were transferred to E.ON Gas Storage UK LTD., a newly created E.ON Gas Storage subsidiary.

### Major New Contracts

E.ON Ruhrgas will supply 10 billion kWh of natural gas annually to Swissgas, a Swiss gas buyers' consortium, for the period 2010-2015. The deliveries will cover nearly one third of Switzerland's annual gas needs. In another major sales success, E.ON Ruhrgas will supply 3.7 billion kWh of gas per year to Gas Intensive, an Italian industrial association, for the period 2008-2013. It also concluded large contracts with other customers in Italy and France.

## Actively Promoting Competition

Europe's natural gas market remains in a state of transition, due in part to the EU-mandated unbundling of gas transport and trading. We've seized the initiative and systematically implemented unbundling. In 2008, E.ON Ruhrgas transferred ownership of its gas transport pipeline system in Germany to E.ON Gastransport, which was created in 2004. E.ON Gastransport is now the operator—and owner—of the pipelines.

Effective October 1, 2008, E.ON Gastransport and Munich-based bayernets established—together with the consolidation of their H-Gas regions—Germany's first joint market area for gas transport. It will be managed by a newly founded company called NetConnect Germany, in which bayernets holds a 25.1-percent stake and E.ON Gastransport a 74.9-percent stake. Registered gas suppliers can use this network to move gas to their customers. NetConnct Germany is open to further partners or shareholders.





**Baumgarten Gas Trading Point.** Baumgarten in eastern Austria is a major pipeline junction for natural gas movements in Central Europe. It now intends to become a centralized gas trading point for Central and Eastern Europe, as well. In April 2008, we formed a working group (consisting of experts from E.ON Ruhrgas, some of its subsidiaries in Central Europe, E.ON Energy Trading, and E.ON Földgáz Trade of Hungary) to study what advantages the new trading point could offer our gas business.

In 2008, E.ON Ruhrgas also held the sixth and final auction of the Gas Release Program, thus successfully completing the program. In 2002, E.ON Ruhrgas had agreed to hold six annual auctions offering a total of 200 billion kWh of natural gas from its long-term import contracts. The Gas Release Program was part of the ministerial approval of E.ON's acquisition of Ruhrgas AG. The annual auctions have helped increase liquidity and stimulate competition in Germany's gas market.

You'll find E.ON's consolidated financial statements and related commentary in our 2008 Financial Report.

Want to know more about our Pan-European Gas market unit?  
[eon-ruhrgas.com](http://eon-ruhrgas.com)



Elisabeth  
Bárd



**Expansion of Zsana Storage Facility.** In late August 2008, E.ON Földgáz Storage began work to expand the capacity of its underground gas storage facility in Zsana in southern Hungary. The project will increase Zsana's gas storage capacity from 1.5 billion cubic meters (bcm) to 2.1 bcm, giving E.ON Földgáz Storage a total storage capacity in Hungary of 4.3 bcm—enough to meet nearly one third of the country's annual gas needs.

The aim of the capacity increase is to secure Hungary's gas supply from import bottlenecks and from demand spikes during severely cold weather and to give E.ON Földgáz Storage the capability of marketing storage capacity to gas companies in neighboring countries like Romania. Working to ensure the project's success are an interdisciplinary project team and steering committee consisting of experts from E.ON Földgáz Storage, E.ON Gas Storage, E.ON Ruhrgas's Center of Competence for Gas Technology, E.ON Ruhrgas's procurement department, and E.ON Engineering.



# U.K.

## Market Unit

- Moving towards a low-carbon future
- Carbon emissions per kilowatt-hour reduced by 20 percent since 1990
- Helping our customers become more energy efficient

### Owned generation of 40.4 billion kWh by energy source



Information about our renewables operations is in the section of this report on our Climate & Renewables market unit on page 70.

**2008 power sales**  
92.8 billion kWh

**2008 gas sales**  
112.4 billion kWh

**2008 sales**  
€11,051 million

**2008 adjusted EBITDA**  
€1,396 million

**2008 adjusted EBIT**  
€922 million

**2008 cash-effective investments**  
€1,162 million

**Employees at year-end 2008**  
17,480

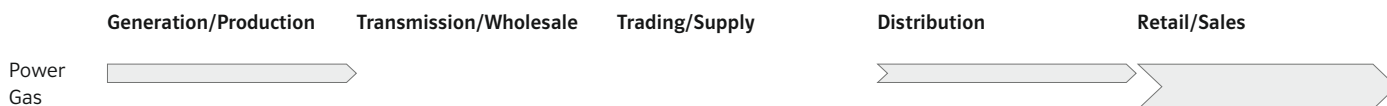


"Our goal is to change energy; doing the right thing for our customers, the wider society, and colleagues, and attracting the best people to join us. We pool expertise and best practice from across the E.ON Group and coordinate it locally to optimize our shared strengths. Two good examples are building a gas storage facility, essential to maintain supplies as North Sea reserves decline, and secondly our recently announced cooperation to build new nuclear power stations in the United Kingdom."

**Dr. Paul Golby**  
CEO, E.ON UK



## Operations along the Value Chain



E.ON UK is one of the U.K.'s leading integrated power and gas companies and one of the top three power generators with 10.3 GW of generating capacity. It's also the second-largest power distributor with over 133,000 kilometers of overhead and underground cables, and a leading supplier of power and gas with 8.1 million customers accounts.

E.ON UK owns and operates a diverse generation portfolio of world-class natural gas, coal, and oil power stations. It's also the U.K. market leader in large-scale combined heat and power (CHP), with 0.6 GW of electric and 1 GW of heat capacity.

### U.K. Energy Market

Electricity consumption in England, Wales, and Scotland was 315 billion kWh in 2008, which is slightly lower than in 2007. Natural gas consumption was 1,097 billion kWh compared with 1,053 billion kWh in 2007. The increase is mainly attributable to higher demand from gas-fired power stations in response to the Large Combustion Plant Directive (LCPD). The directive introduces new rules governing fossil-fired power stations and came into effect in 2008 causing a shift in generation away from coal towards natural gas.

As with many other countries, the U.K.'s central energy policy issue is how to satisfy its energy demand while ensuring security of supply in a way that reduces emissions and keeps energy affordable for customers. The critical issue for the U.K. is that soon it must retire many of its older coal-fired and nuclear power plants and it needs to replace this generation urgently in a way that satisfies the issues of carbon reduction and affordability.

The choices made now will determine the U.K.'s power generation landscape for the next 40 to 50 years, the lifespan of a typical large-scale power station.

The U.K. is committed to becoming a low-carbon economy. The U.K. government's short-term goal is to cut CO<sub>2</sub> emissions by 26 percent by 2020; its long-term goal is to cut emissions by 80 percent by 2050. The U.K. must also achieve a number of legally binding EU targets, including the generation of 15 percent of its total energy needs (electricity, heat, and transport) from renewable sources by 2020. However, the scope for using renewables for heat and transport is limited. According to a realistic estimate, this means that to achieve the 15 percent EU target at least 30 percent of U.K. electricity may need to be renewable by 2020.

Consequently, much of the responsibility for reducing emissions and expanding renewables will fall on the energy supply industry and therefore on E.ON UK.

### Generation

To meet these challenges within the E.ON Group, we're convinced that we need an energy mix that's diverse in terms of source (fossil, renewable, and nuclear) and in terms of scale (large-scale technologies like nuclear, fossil, and offshore wind, as well as small-scale technologies like biomass boilers and micro CHP units). Diversity is, we believe, the best way to reduce our exposure to the price volatility and supply limitations of individual energy sources and to ensure that we meet the demands of the U.K. population in a secure, safe, and affordable way.

**We're fully committed to clean, low carbon energy generation.**

### Modernizing Our Generation Portfolio

Over the next decade, around one third (23.5 GW) of the U.K.'s generating capacity is due to be retired. E.ON UK alone is closing about 40 percent (4.2 GW) of its capacity, entirely oil and coal plants.

The transition to a low-carbon future will cost a considerable amount of money and result in many changes in the U.K. economy and also potentially in people's behavior. In the future, the rapid growth of the U.K.'s renewables capacity will create significant challenges. Consumers rightly expect the lights to stay on regardless of the weather or other factors. Yet much of the U.K.'s current and future renewable capacity will come from wind power, and wind is an intermittent energy source. The more electricity that comes from wind, the greater the need for flexible fossil-fired back-up capacity that's ready to step in on days when the wind is insufficient. Estimates suggest that this could require an increase in the U.K.'s installed generating capacity from today's 76 GW to more than 120 GW by 2020. E.ON operates a biomass-fired power station and a number of onshore and offshore wind farms in the United Kingdom. These assets are managed by our Climate & Renewables market unit (see page 70).

**23.5 GW**

of U.K. generating capacity must be replaced over the next decade.

Dave  
Nigel

Another key technology will be nuclear power. E.ON has announced a joint venture with RWE npower to develop new nuclear power stations in the U.K. The aim is to develop at least 6 GW of capacity in the U.K., which will be a vital part in the country's future energy mix.

**Cleaner Coal, Lower Emissions**

A capacity increase on the scale required can only be achieved by using all available generating technologies: renewables, nuclear, natural gas and coal. Although it may sound paradoxical, coal—or to be more exact, cleaner coal—could play an important role in the transition to a low-carbon economy. That's why, in the U.K. and in other countries, we're conducting and supporting the research and development of carbon capture. If carbon capture and storage (CCS) is proven on a commercial scale, it will enable us to continue to use coal—an abundant and relatively cheap energy source—to generate electricity while considerably reducing its carbon emissions and keeping energy affordable.

On page 14, you'll find detailed information about CCS and other new technologies.

E.ON UK plans to build a technologically advanced 1.6 GW cleaner coal power station at Kingsnorth in southeast England. The new station is designed to be carbon-capture-ready, and we intend to retrofit it with CCS as soon as this technology is proven and economic on a commercial scale. The Kingsnorth project is also short listed for a competition launched by the U.K. Government to fund a CCS large-scale demonstration. E.ON UK is also studying a process called oxyfuel combustion at a 1 MW test unit at its Technology Center in central England.

**Other Technologies**

Until CCS technology is proven on a commercial scale, coal remains twice as carbon intensive as natural gas. That's why it's important that we continue to use all available generating technologies, including nuclear (which provides a very reliable, and zero-carbon source of baseload electricity) and combined-cycle gas turbines (which achieve impressive levels of thermal efficiency, particularly when their waste heat is used).

We also believe that microgeneration has a bright future. Microgeneration refers to small-scale power and heat technologies like micro wind turbines, biomass boilers, micro CHP units, heat pumps, solar thermal heating, and solar power. E.ON UK has formed partnerships with leading manufacturers to develop these technologies.

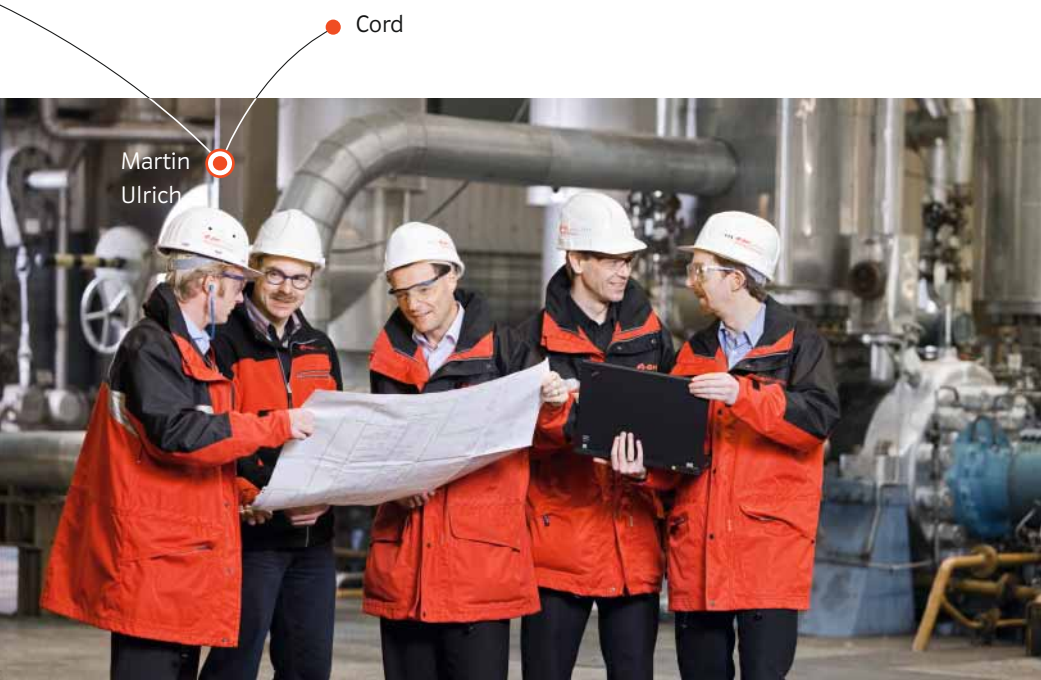


Robin

Martin



**Making Oxyfuel Combustion More Efficient.** E.ON experts from Germany and the U.K. are using our 1 MW combustion test facility at Ratcliffe-on-Soar, in the U.K. to study a carbon-capture process called oxyfuel combustion. They're working together to measure the performance of this new technology, maximize its efficiency, and minimize its environmental impact. By sharing our expertise, we're making it easier and more cost-effective to capture and store CO<sub>2</sub>. And moving the world closer to a lower-carbon future.



**AERO.** A pilot project is under way to apply the AERO approach at Scholven, an E.ON coal-fired power station in western Germany. AERO, which stands for asset engineering risks and opportunities, is already a proven success at E.ON UK. Its purpose is to identify risks across the generation portfolio and assess their severity using a standardized scale. Risks are evaluated in terms of their impact on safety, the environment, costs, customer relations, and our reputation. Based on these evaluations, investments are targeted to individual power stations to eliminate the risks. The AERO program has enabled E.ON UK to allocate investments across its portfolio with significantly greater precision.

### Distribution

Through its subsidiary Central Networks, E.ON UK owns and operates the electricity distribution system for central England, providing a reliable supply of electricity to 9.4 million people in an area that extends from the Lincolnshire coast in the east to the Welsh borders in the west and from Derbyshire in the north to Bristol in the south.

Central Network's vision is to be recognized as the best electricity distributor in the U.K. Its key task going forward is to modernize and adapt its network to meet the needs of a changing energy industry. This includes deploying state-of-the-art technology to make the network even safer, more efficient, and more reliable.

### Retail

E.ON UK tailors a wide range of products and services to meet its customers' individual energy requirements. We're committed to helping our U.K. customers improve the energy efficiency of their homes, communities and businesses. Fuel poverty remains a key issue and is something we take extremely seriously, which is why, in the past 12 months, E.ON UK has doubled the number of vulnerable customers it helps. We have also invested £100 million in energy efficiency since 2006. This includes insulation, energy-efficient boilers, and smart metering—a technology we've already committed £12 million to.

Every energy-efficient home takes us one step closer to a low-carbon future.

You'll find E.ON's consolidated financial statements and related commentary in our 2008 Financial Report.

Want to know more about our U.K. market unit?  
[eon-uk.com](http://eon-uk.com)

Europe



Malmö

# Nordic

## Market Unit

- E.ON now sole owner of E.ON Sverige
- €6 billion of investments planned for the period 2006-2013
- Cogeneration capacity to triple

**2008 power sales**  
54.7 billion kWh

**2008 gas sales**  
5.1 billion kWh

**2008 sales**  
€3,877 million

**2008 adjusted EBITDA**  
€1,112 million

**2008 adjusted EBIT**  
€770 million

**2008 cash-effective investments**  
€939 million

**Employees at year-end 2008**  
5,826

### Owned generation of 28.3 billion kWh by energy source



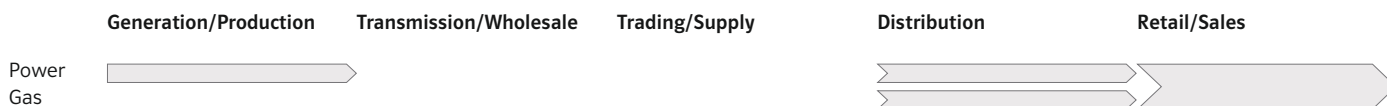
Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 70.



"E.ON plans to invest €6 billion for the period 2006-2013 to add 10 billion kWh of climate-friendly electricity and heat production to the Nordic energy system. When completed, this program will displace 4 to 5 million metric tons of CO<sub>2</sub> emissions each year. Our generation portfolio is already 90 percent emission-free. In the Nordic region, we benefit from the E.ON Group's energy expertise and are building a sustainable business to meet the challenges of tomorrow's market."

**Håkan Buskhe**  
President and CEO, E.ON Nordic

## Operations along the Value Chain



E.ON Nordic is a leading energy company in the Nordic market and drives our business in the region. Our integrated energy business in Northern Europe encompasses power and heat generation; power, gas, and heat distribution; power, gas, and heat marketing; and a wide range of energy services. Malmö-based E.ON Sverige oversees our operating businesses in the Nordic countries.

On December 31, 2008, E.ON and Statkraft, a Norwegian energy utility, completed an asset swap under which E.ON acquired Statkraft's 44.6-percent stake in E.ON Sverige. In return, Statkraft acquired about €2.2 billion in E.ON stock and generation assets in Sweden, Germany, and the United Kingdom. This strategically important transaction gives E.ON, after compulsory redemption, the sole ownership of E.ON Sverige (with the exception of 0.05 percent minority shareholders), establishing a superb platform from which to create value and to grow our business in Northern Europe.

### Nordic Energy Market

The Nordic energy market is going through a period of profound change. As in many areas of the world, concern about climate change is increasing. Sweden's current government has enacted several measures to reduce the country's CO<sub>2</sub> emissions and to end its dependence on fossil fuels by 2020. Although E.ON Nordic's generation portfolio is 90 percent carbon-free, there are still ways we can help cut emissions. One of them is by increasing our cogeneration capacity.

As in other parts of Europe, the energy markets of the Nordic countries are becoming increasingly integrated. This trend is giving E.ON Nordic access to new markets with considerable growth opportunities across the entire Nordic and Baltic region. Our objective is to achieve sustainable, profitable growth in the Nordic countries. We're starting from an excellent position, one we intend to improve by focusing on organic growth: expanding our generating capacity, reducing costs, and optimizing our business processes. We will also observe the Nordic market and assess its opportunities there. To get there, E.ON Nordic is investing €6 billion for the period 2006-2013, about €1 billion of which is to enlarge and update its generating capacity, primarily with nuclear upgrades and high-efficiency combined heat and power (CHP) plants.

Energy gases—natural gas, biogas, biomethane, and, in the future, hydrogen—constitute another important growth market. Right now, natural gas meets just 2 percent of Sweden's energy needs compared with 20 to 25 percent in the rest of Europe. We see considerable growth potential here, particularly for providing gas-powered vehicles with regenerative, locally produced, climate-neutral alternatives like biogas, biomethane, and, in a long run, hydrogen. This will expand our position in these markets and also help reduce CO<sub>2</sub> emissions and Sweden's dependence on fossil fuels.

### Generation

Thanks to Sweden's topography and rich water resources, hydropower is a mainstay of our Nordic generation business. Together with our nuclear assets, our strong hydro position makes our Nordic portfolio largely emission-free. E.ON Vattenkraft owns or has stakes in more than 100 hydro plants in Sweden with a total attributable generating capacity of 2.8 GW (before the Statkraft transaction). Our Swedish hydro subsidiary is also the home of our Center of Competence for Hydro Generation, which is responsible for knowledge management, operational excellence, and new projects for the E.ON Group's entire European hydropower fleet.

Our other main generation resource in the Nordic countries is nuclear power. Through E.ON Kärnkraft, we have stakes in all nuclear power stations in Sweden. Our attributable generating capacity from these assets totals 2.6 GW. We're actively exploring opportunities to build new nuclear power stations in the Nordic region.

#### Fennovoima Project

E.ON Kärnkraft aims to continue playing a key role in helping the E.ON Group meet its emission-reduction targets. Under the direction of the Center of Competence Nuclear at E.ON Kernkraft and in collaboration with a team of 40 experts from around E.ON, our Swedish nuclear power subsidiary is participating in a new-build nuclear project in Finland. E.ON Nordic is a minority shareholder with a share of 34 percent in Fennovoima, which involves 63 shareholders from Finnish industry. In January 2009, Fennovoima applied to the Finnish government for a Decision-in-Principle for the licensing of a new, state-of-the-art, third-generation nuclear power plant. The Fennovoima project is an important milestone on the road towards the development of Europe's next generation of nuclear power plants. A final decision on the site for the plant will be made after the Finnish parliament gives its approval for the project, presumably in 2010.





Arne  
Maria  
Thomas

Josef  
Detlef



**Center of Competence (CoC) Hydro.** Based in Malmö, the newly established CoC Hydro began operations on January 1, 2008. It utilizes the knowledge of experts not only from E.ON Vattenkraft and E.ON Wasserkraft but also from the new Italy and Spain market units.

CoC Hydro's primary objective is to propose areas of improvement, define suitable objectives, and transfer best practices between our market units. Another important task is to identify options for hydro growth. For the continuous improvement of our hydro fleet, four working groups were established. They focus on basic definitions, operations, maintenance, and standards for plant set-up, which are the main areas in which to find additional value by coordinating our hydro business groupwide.

Our operations in the Nordic countries play a big role in helping us meet our groupwide emission-reduction targets.

### Diversifying Our Generation Portfolio

We're enlarging and diversifying our generation portfolio so that we can continue to provide our customers in Northern Europe with a secure, affordable, and climate-friendly supply of energy. A key focus in Sweden is the construction of high-efficiency CHP plants. Our flagship project is a technologically advanced 440 MW gas-fired CHP plant under construction in Malmö. With total investments of €300 million, it's Sweden's biggest new-build project of the past 20 years. When the Malmö CHP enters service in mid-2009, it will produce 3 billion kWh of electricity for the southern Swedish market and 1 billion kWh of district heat for Malmö, meeting 40 percent of the city's heat needs.

We began construction of another CHP plant in September 2008. Located in Norrköping, Sweden, the new plant will burn municipal and industrial waste and generate 65 million kWh of electricity and 550 million kWh of heat each year. We're also planning to build three more CHP plants (in Örebro, in Kalmar, and near Stockholm). Together with the Malmö CHP, the four new CHP plants would triple our cogeneration production from 0.8 to 2.4 billion kWh, making E.ON the cogeneration market leader in Sweden.

In October 2008, E.ON Climate & Renewables and Falkenberg Energi signed a cooperative agreement with Uppsala-based Vertical Wind, a brand new start-up company founded at Uppsala University that has developed a design for a particularly robust, low-maintenance wind turbine. Under the agreement, E.ON Climate & Renewables will purchase, in cooperation with E.ON Nordic and Falkenberg Energi, four turbines to be sited in Falkenberg on Sweden's southwest coast, helping both to support the commercialization of innovative technology and to diversify the town's energy mix.



## Carbon Capture in Karlshamn

In partnership with Alstom, a global leader in equipment and services for power generation, we began constructing a pilot unit for post-combustion carbon capture during 2008. The unit, a 5 MW oil-fired auxiliary unit, is at E.ON Sverige's Karlshamn power station on the southeast coast of Sweden. Tests indicate that the system can capture up to 90 percent of the CO<sub>2</sub> from the unit's flue gas. The advantage of the process being tested in Karlshamn, which uses chilled ammonia to separate CO<sub>2</sub>, is that it requires a relatively modest 10 percent additional energy, rendering it more efficient than some other carbon-capture methods. The tests at Karlshamn will start in 2009 and are part of E.ON's major groupwide push to identify promising carbon-capture technologies and speed their development to commercial-scale viability.

## Biogas

Biogas, a renewable resource, is an increasingly important part of our energy mix in Sweden. Biogas can be used in a variety of applications, is climate-neutral, and is produced locally. It can be produced from sewage, manure, municipal waste, and plant waste. It therefore can help solve Sweden's waste problem at the same time that it helps cut CO<sub>2</sub> emissions and reduce the country's dependence on fossil fuels.

E.ON Nordic and E.ON Climate & Renewables will cooperate to develop the biogas market in Sweden. The long-term potential for biogas in Sweden is estimated at 70,000 GWh per year, which is enough to power all of the country's gas-powered vehicles. The newest biogas plant presently under construction in Falkenberg will produce 40 GWh of biogas annually, expanding E.ON Climate & Renewables' generating capacity in Sweden to 120 GWh.

Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 70.

## Distribution

We're active in three energy distribution markets in Northern Europe: electricity, gas, and heat. E.ON Elnät operates a power distribution system with a total length of 124,000 kilometers (77,050 miles), delivering electricity safely and reliably to 1 million customers, mainly in southern and east-central Sweden. E.ON Gas, Sweden's leading gas system operator, owns and maintains 1,800 kilometers (1,120 miles) of pipeline, delivering several different fuel types (natural gas, biogas, biomethane, hydrogen, and LPG) to more than 25,000 customers, also mainly in southern Sweden. E.ON Värme provides district heating to 35,000 customers and is Sweden's leading investor-owned player in this market.

The Nordic climate is harsh, and storms there can be severe. As a result, energy infrastructure needs to be particularly robust in order to minimize outages caused by snow, ice, and high winds and to make power restoration as fast and efficient as possible.

## Krafttag

That's why E.ON Sverige launched a major network upgrade program in Sweden. Called Krafttag, the program calls for 17,000 kilometers (10,500 miles) of overhead lines to be replaced by underground cables or more robust insulated overhead lines. In 2008, we made 3,700 kilometers (2,200 miles) of our Swedish network more weather-resistant. The new underground cables are not only more reliable, they're also equipped with remote monitoring equipment that enables us to pinpoint faults so that we can dispatch a repair crew to the precise location, reducing outage times for our customers. If there is an outage, the E.ON Elnät website now tells customers how long the outage will last in their area, information that can be particularly important for commercial and industrial customers.

Krafttag has helped reduce weather-driven outages by 45 percent. Its success lowers our costs and increases customer satisfaction.

### Smart Meters

By mid-2009, we'll have installed nearly 1 million new meters at customer premises. The new meters can be read remotely, making meter reading less intrusive to our customers and the billing process faster, simpler, and more accurate.

## Sales

Making its electricity system even more reliable and its metering and billing processes more efficient are some of the ways E.ON Sverige is working hard to become the Nordic market leader in customer satisfaction.

By 2010 we aim to have the highest customer-satisfaction ratings of any Northern European energy company.

You'll find E.ON's consolidated financial statements and related commentary in our 2008 Financial Report.

Want to know more about our Nordic market unit?  
eon.se



# U.S. Midwest

## Market Unit

- FutureGen: Near-zero-emissions power plant
- Funding for energy-efficiency programs more than tripled

### Owned generation of 35.4 billion kWh by energy source



Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 70.

**2008 power sales**  
36.4 billion kWh

**2008 gas sales**  
13.9 billion kWh

**2008 sales**  
€1,880 million

**2008 adjusted EBITDA**  
€549 million

**2008 adjusted EBIT**  
€395 million

**2008 cash-effective investments**  
€650 million

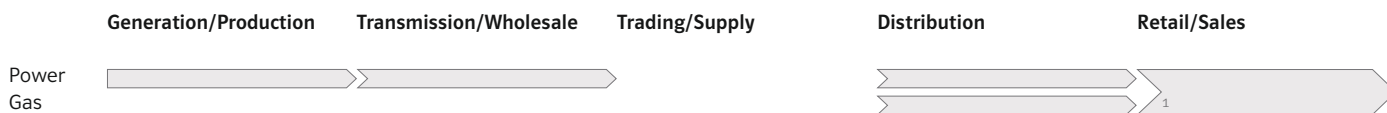
**Employees at year-end 2008**  
3,110



“Positioned in the world’s largest energy market, E.ON U.S. is a top performer in the areas of safety, reliability, customer satisfaction, and value. Sharing best practices on an international scale with all other members of the E.ON family has allowed all of us to enhance our operations for the benefit of customers everywhere.”

**Vic Staffieri**  
Chairman, CEO, and President, E.ON U.S.

## Operations along the Value Chain



<sup>1</sup>Regulated.

Louisville-based E.ON U.S., the lead company of the U.S. Midwest market unit, is a diversified energy services provider with operations primarily in Kentucky. Its operations extend from generation to retail. E.ON U.S.'s two operating subsidiaries, Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU), are principally engaged in the regulated electric and gas utility business in Kentucky. These businesses give us a significant generation portfolio in Kentucky and supply about 927,000 customers with electricity and about 314,000 with natural gas.

### Kentucky Energy Market

Kentucky is America's third-largest coal producer. Coal-fired power plants generate about 95 percent of the state's electricity. Electricity demand in Kentucky is projected to grow, while natural gas consumption is expected to remain relatively stable.

Across the United States, the energy industry faces enormous challenges. Kentucky is no different. Energy demand is rising, resources are becoming scarcer, and action needs to be taken to tackle climate change. In November 2008, the governor of Kentucky released a seven-point integrated energy plan whose proposals range from improving energy efficiency and increasing renewables and biofuels to promoting carbon capture and storage (CCS) and exploring the use of nuclear power. E.ON U.S. supports the plan's objectives and will work with the state government to implement those strategies that have the biggest potential to make a difference: energy efficiency, renewable energy, CCS, and nuclear power.

America needs a national greenhouse gas emissions policy, but one that is gradual and reasonable. That's why E.ON U.S. favors the introduction of a carbon emissions cap-and-trade program. This would enable E.ON U.S. to benefit from its new and efficient generating capacity while still using older plants to ensure reliable and affordable electric service for its customers. The industry needs time to systematically replace existing capacity in a way that doesn't lead to supply shortages.

### Cap and Trade to Protect the Climate

Cap and trade is a market-based climate-protection mechanism that sets binding national caps for CO<sub>2</sub> emissions and allocates a corresponding number of tradable emission allowances. As the caps decline going forward, allowances will become scarcer (and thus more expensive), creating an incentive to reduce emissions. Cap and trade promotes climate protection but doesn't undercut economic growth. Moreover, it rewards innovation, efficiency, and early movers.

### Generation

E.ON U.S. is Kentucky's largest electricity producer. Its ten generation facilities have an aggregate installed capacity of approximately 7.5 GW, of which 5.3 GW is coal-fired, 2.2 GW gas-fired, and 0.08 GW hydro. E.ON U.S. predominantly uses coal-fired generating capacity; its gas-fired capacity is primarily to provide peackload electricity.

### New Capacity and Infrastructure

E.ON U.S. is investing \$3 billion to build new generating capacity and improve its energy infrastructure. Its largest single investment is a \$1.2 billion coal-fired generating unit at Trimble County station located northeast of Louisville. When it enters service in 2010, the technologically advanced 750 MW unit will be one of the cleanest of its kind in the United States.

### Clean Coal

Regardless of what other measures are taken, coal will remain America's main source of electricity for decades to come, particularly in Kentucky. That's why clean coal will be a key component of our effort to ensure that we continue to provide millions of people and our industrial customers with reliable and affordable electric service. Although coal is one of the lowest-cost generation technologies, it's also one of the largest sources of man-made carbon emissions. That's why we're investing in promising technologies and projects that will help make our coal-fired generation fleet more efficient and reduce its carbon emissions.

Although it's a huge challenge, we're confident that we can meet it. In Kentucky, E.ON U.S. has already successfully dealt with sulfur dioxide and nitrogen oxide emissions, substantially reducing these emissions by using technology that represents a small fraction of the cost of electricity. Currently, however, there's no commercially viable engineering solutions for CCS, which is why we're actively developing such solutions in a variety of projects.

### FutureGen

One of these projects is the FutureGen Alliance, a public-private partnership involving E.ON U.S., 12 other utility and coal companies, and the U.S. Department of Energy. Its purpose is to build a commercial-scale coal-fired near-zero-emissions power plant in Mattoon, Illinois. The plant will use cutting-edge technology to generate electricity while capturing and permanently storing CO<sub>2</sub>. We believe this technology could play an important role in reducing carbon emissions.



#### Powering through the Storms

On September 14, 2008, Hurricane Ike cut a path of devastation across Kentucky, downing nearly 700 electricity poles and thousands of lines. It left more than 376,000 E.ON U.S. customers without power. Working tirelessly, almost 3,000 people—E.ON U.S. employees and contractors—succeeded in restoring service to all E.ON U.S. customers within ten days.

At the end of January 2009, Mother Nature showed her devastating power once more, sending severe winter weather to Europe and the U.S. that wreaked havoc on an unprecedented scale. Now, E.ON U.S. faced an even bigger challenge: to restore power to more than 404,000 customers in the aftermath of a crippling ice storm. In its wake, the ice storm broke more than 1,100 transmission and distribution poles and caused more than 20,000 downed wires. LG&E and KU employees worked around the clock to restore customers' power as quickly and safely as possible. Call center staff handled more than 650,000 customer calls.

### Other Research Projects

Additionally, E.ON U.S. has invested \$1.5 million in the University of Kentucky's Center for Applied Energy Research to study clean-coal technology. E.ON U.S. has also partnered with other energy companies to form the Western Kentucky Carbon Storage Foundation to advance the science of large-scale permanent carbon storage opportunities in Kentucky. Continued research and development, which we support through our groupwide innovate.on initiative, is vital to helping us meet the huge challenges facing our industry.

### Retail

E.ON U.S. reached a settlement in the rate cases of its operating subsidiaries, LG&E and KU. As approved on February 5, 2009, by the Kentucky Public Service Commission (KPSC), the state's utility regulator, the settlement foresees a roughly \$1 monthly rate reduction for a typical residential electricity customer and a roughly \$5 monthly rate increase for a typical residential natural gas customer.

## 500 MW

of generating capacity is what E.ON U.S. expects its energy-efficiency programs to save by 2015 if customers take advantage of new and enhanced programs.

### Energy Efficiency and Climate Protection

Along with expanding its generation fleet, E.ON U.S. is taking other action to ensure that its customers continue to enjoy reliable and affordable electric service. Last year, the KPSC approved E.ON U.S.'s request to more than triple the amount of money it dedicates to these efforts, which consist of a variety of initiatives to increase customers' awareness of their energy consumption and its impact on the earth's climate. Among them are technical devices like smart meters, programmable thermostats, and load-control switches that help customers manage their electricity use and shift it to non-peak hours. E.ON U.S.'s current programs are scheduled to run through 2014. If customers take advantage of them, we expect to reduce the need for additional generating capacity by more than 500 MW. That's the difference between building a large coal-fired baseload unit and building a smaller combined-cycle gas turbine.

You'll find E.ON's consolidated financial statements and related commentary in our 2008 Financial Report.

Want to know more about our U.S. Midwest market unit?  
[eon-us.com](http://eon-us.com)



# Energy Trading

## Market Unit

- E.ON's strategically focused European trading unit
- More than 800 experts at a single location
- Leading portfolio-management services

### Trading volume by commodity

878.47 bn kWh  
Electricity

937.78 bn kWh  
Natural gas

103.06 mmt  
Carbon allowances

45.96 mmt  
Oil

107.15 mmt  
Coal

mmt = million metric tons

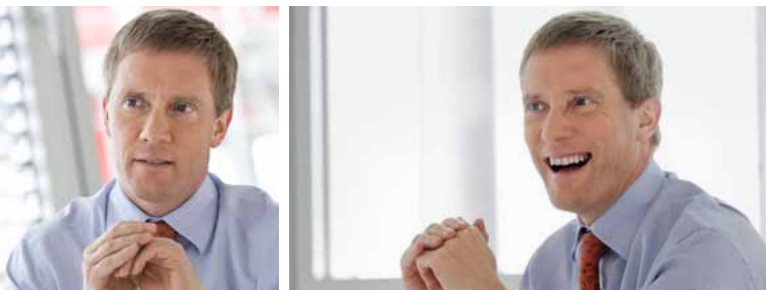
**2008 sales**  
€31,760 million

**2008 adjusted EBITDA**  
€649 million

**2008 adjusted EBIT**  
€645 million

**2008 cash-effective investments**  
€8 million

**Employees at year-end 2008**  
885



“Energy markets have become more dynamic and more international. We recognized this as the perfect time to unite our European trading talent and develop a fully integrated view of risk across the E.ON Group. We’re already seeing the benefits of working across international borders from a central office and we’ll continue to actively push for more integrated, liberalized energy markets, which will benefit both the European economy and the consumer.”

**Tony Cocker**  
CEO, E.ON Energy Trading



## Operations along the Value Chain



<sup>1</sup>Other commodities traded: carbon allowances, oil, and coal.

Düsseldorf-based E.ON Energy Trading began operations in January 2008. As a functionally segmented market unit, it combines all of our European trading activities, including electricity, gas, coal, oil, and CO<sub>2</sub> allowances. The company is responsible for commodity risk management and the optimization of E.ON's assets three years prior to delivery. Combining integration and optimization with innovative new business generation, E.ON Energy Trading helps to achieve a better return for the E.ON Group than the other market units could do on their stand-alone assets.

E.ON Energy Trading operates across Europe's liquid energy markets and is responsible for managing the E.ON Group's commodity position in these markets. It also conducts optimization (fuel procurement, generation fleet and gas portfolio management, and sales procurement) and, within clearly defined limits, proprietary trading. As an asset-backed trader, E.ON Energy Trading commercializes E.ON's European asset position consisting of more than 60 GW of electric generating capacity and more than 1,000 TWh of natural gas.

This centralized approach enables us to combine E.ON Energy Trading's outstanding market expertise with the E.ON Group's presence along the entire energy value chain in order to leverage synergies and create additional growth.

### Market Liberalization

Europe's national energy markets have become less insular and are coalescing into multi-country regional markets. Ongoing liberalization is making markets more liquid, prices more transparent, risks more quantifiable, and is helping to ensure Europe's long-term energy security. As old market structures become obsolete, new earnings and growth opportunities are emerging.

By creating a single, strategically focused European trading unit, E.ON took the decisive step to capitalize on these developments.

### International Collaboration

E.ON Energy Trading's traders, analysts, and risk managers are seasoned, internationally recognized experts in Europe's energy industry and have a comprehensive understanding of their markets. More than 800 specialists from 45 nations work in the company's headquarters in Düsseldorf.

E.ON Energy Trading aims to be faster, more profitable and to manage risk better than other asset-backed traders and to participate in the future development of Europe's energy markets.

### Sharing Knowledge

Specialists from different disciplines share their analysis of developments on global energy and commodity markets. Systematic knowledge transfer gives our traders an edge, since they follow their own market as well as those markets that directly or indirectly influence it. Benefiting from each other's knowledge helps E.ON Energy Trading experts achieve the company's primary objective: to create value for E.ON.

E.ON Energy Trading is active in more than 40 countries and at numerous energy exchanges. In each of these markets, we leverage our asset knowledge and position to deliver strong commercial returns and achieve sustained profit growth.

**E.ON Energy Trading is active on European energy exchanges and in 40 countries.**



E.ON Energy Trading is well positioned to achieve this. Its broad market presence and centralized trading model enable it to respond rapidly to changing market conditions, to minimize price risks, and to maximize the profitability of E.ON's assets. E.ON Energy Trading also capitalizes on these strengths to engage in proprietary trading, which involves intentionally utilizing changes in market prices and risk positions. Proprietary trading is conducted in accordance with the highest standard of risk-management systems and within preset trading limits.

### Analyzing Markets, Managing Risks

On the European energy market, commodities are traded in multiple time frames (for delivery anywhere from the next day to three years forward), and prices can be highly volatile (Brent crude oil went from \$90 a barrel in January 2008 to \$145 in July and back down to \$40 at year-end). The combination of these factors creates earnings opportunities as well as risks.

E.ON Energy Trading's analysis team supports its expert traders by providing them with accurate and timely information on Europe's fast-changing energy markets. The team uses a range of models for each market and commodity to provide detailed information when it counts. This information helps E.ON Energy Trading optimize its purchase and sales strategy for each commodity and efficiently allocate risk capital.

Every transaction E.ON Energy Trading makes is subject to systematic and rigorous:

- financial control mechanisms
- financial reporting
- performance evaluation
- price and counterparty risk analysis
- optimal back-office support

E.ON Energy Trading also markets this outstanding expertise to outside clients through its subsidiary, E.ON Portfolio Solution. Bringing our experts' skills to bear for new clients maximizes the value they add—to our own business and to our customers'.

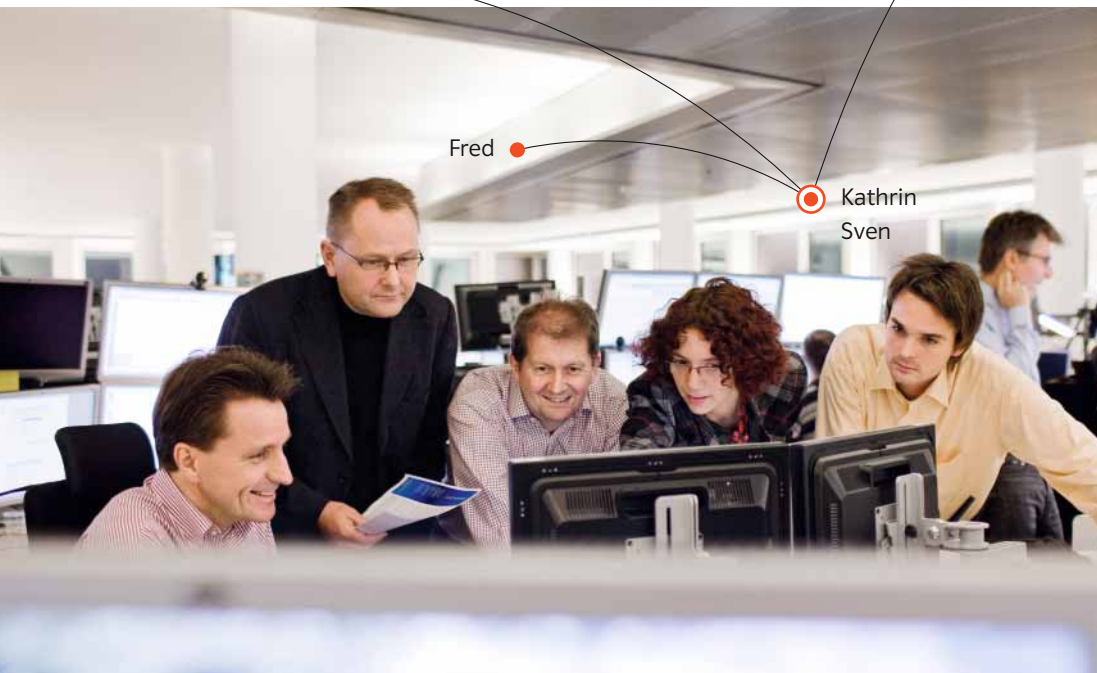
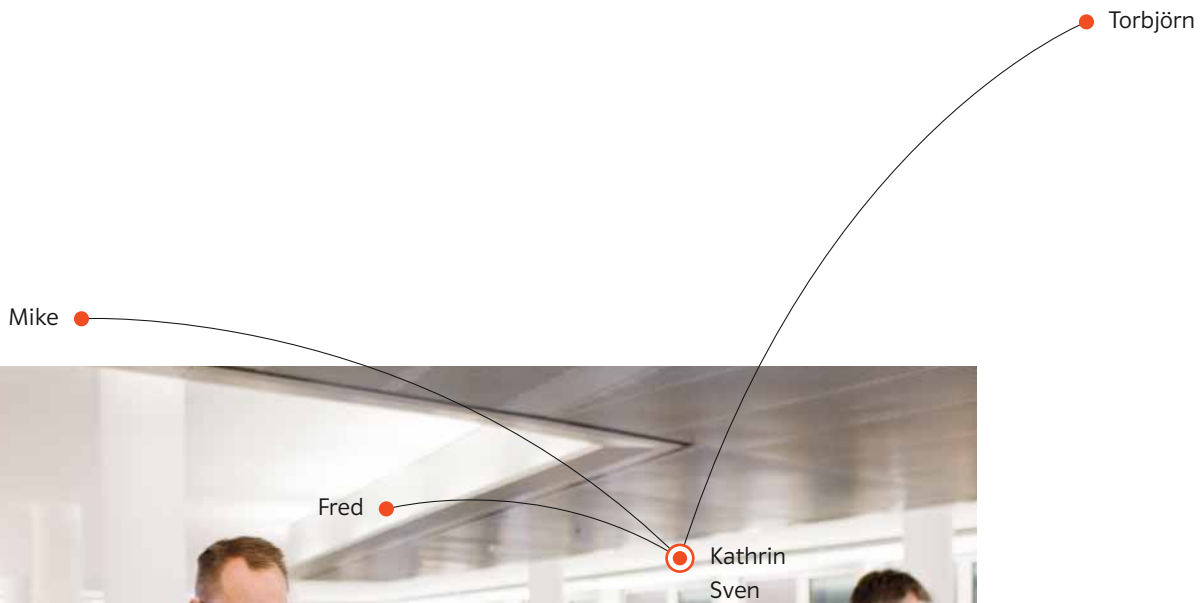


#### Feeling at Home from the Start

E.ON Energy Trading employees have come to Düsseldorf from E.ON offices in cities around Germany (Munich, Essen, Hanover) and around Europe (Coventry, Malmö, The Hague, and Rotterdam). E.ON Energy Trading worked hard to make the relocation as smooth as possible for them and their families. The aim was to make employees feel at home right from the start, supporting their well-being so that they can deliver a top performance.

You'll find E.ON's consolidated financial statements and related commentary in our 2008 Financial Report.

Want to know more about our Energy Trading market unit?  
[eon-energy-trading.com](http://eon-energy-trading.com)



**Dispatch Team.** Since the creation of E.ON Energy Trading, one team has overseen the dispatch of our entire generation fleet in Europe on a day-to-day basis. From this transnational perspective, our power stations constitute a single, European portfolio.

The dispatch team has 24/7 responsibility for determining which of our European power plants run and for how long. It works closely with the generation businesses at the Central Europe, U.K., and Nordic market units and with the gas dispatch team at Pan-European Gas. Each day, it analyzes the market conditions (load and weather forecasts), the technical status of our fleet, and our next-day sales position at each of the European power exchanges. Using this information, it dispatches gas contracts and power stations, coal and gas, nuclear and hydro. This is a vital element of liberalized energy markets. By doing so, E.ON Energy Trading contributes to fair market prices for all our customers and ensures the best use of resources.



# New members of our team.

Along with combining all of our European energy trading operations into a single market unit, in 2008 we created four other market units to manage our business in our new markets: Climate & Renewables, Russia, Italy, and Spain. For reasons of materiality and, in some cases, due to the absence of prior-year figures, their results are combined in a single reporting segment called New Markets.

## Climate & Renewables Market Unit

Effective January 1, 2008, E.ON Climate & Renewables is responsible for managing and expanding our global renewables business (excluding large-scale hydroelectricity) and carbon-sourcing business with the aim of becoming a leading player in this growth market.

## Russia Market Unit

Our acquisition of OGK-4 marked our entry into Russia's high-growth energy market. The Russia market unit became operational on January 1, 2008.

## Italy Market Unit

Our Italy market unit began operations on January 1, 2008. Effective the second half 2008, it also includes operations in Italy we acquired from Endesa Europa.

## Spain Market Unit

Our Spain market unit has been operational since late June 2008 and consists of operations obtained through our acquisition of Endesa Europa, EnelViesgo, and other Endesa generation assets in Spain.

## New Markets (aggregate):

**2008 power sales**  
93.1 billion kWh

**2008 gas sales**  
32.6 billion kWh

**2008 sales**  
€5,862 million

**2008 adjusted EBITDA**  
€510 million

**2008 adjusted EBIT**  
€90 million

**2008 cash-effective investments**  
€3,305 million

**Employees at year-end 2008**  
9,214



# Climate & Renewables

## Market Unit

- 10 GW of renewables capacity by 2015
- Building one of the world's largest wind farms
- Strategic partnership with Masdar (Abu Dhabi)

### Owned generation of 3.2 billion kWh by energy source<sup>1</sup>



<sup>1</sup>Climate & Renewables does not operate large-scale hydroelectric plants.

**2008 power sales**  
4.7 billion kWh

**2008 sales**  
€439 million

**2008 adjusted EBITDA**  
€152 million

**2008 adjusted EBIT**  
€66 million

**2008 cash-effective investments**  
€1,484 million

**Employees at year-end 2008**  
519

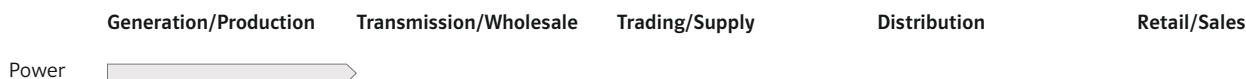


"With core operations in Europe and the United States, we enjoy the combined benefits of our agile, decentralized organization and the E.ON Group's international experience, capabilities, and excellent reputation. As a result, we're one of the world's fastest-growing renewables players and are well placed to follow our strategic imperative of driving renewables from boutique to industrial."

**Frank Mastiaux**  
CEO, E.ON Climate & Renewables



## Operations along the Value Chain



Created in January 2008, E.ON Climate & Renewables is responsible for planning, operating, and expanding our global renewables business and our carbon-sourcing business. E.ON Climate & Renewables already ranks among the world's leading renewable energy producers. Over the next few years, it aims to be a premier player in this important, fast-growing market through a combination of organic growth, acquisitions, and systematic research and development. Renewables will be an integral part of the energy mix of the future. They'll help protect the earth's climate and enhance security of supply. But to realize their full potential, renewables need to make the transition from boutique to industrial scale. This transition will take financial strength and extensive knowledge, particularly in running large-scale facilities and managing grid infrastructure issues. E.ON has both. E.ON is investing about €6 billion for the period 2007-2010, primarily in wind, biomass, and solar energy projects. E.ON Climate & Renewables is also working with manufacturers from around the world to develop new and promising technologies, including large-scale solar and marine energy. Based on our significant development potential, our objective is to have about 4 GW of renewables capacity by 2010 and 10 GW by 2015. This excludes large-scale hydro.

### Pioneering Wind Farm Projects

Two of the four phases of our 627-turbine wind farm in Roscoe, Texas, are now operational, giving the facility a capacity of 381.5 MW. When the final two phases enter service during 2009, Roscoe will have a capacity of 781.5 MW, making it one of the world's largest onshore wind farms. It will produce enough electricity to power 265,000 Texan homes.

In partnership with DONG Energy of Denmark and Masdar of Abu Dhabi, E.ON Climate & Renewables plans to build London Array, which, when completed, will be the world's largest offshore wind farm.

For E.ON Climate & Renewables and Masdar, London Array is only the first step of a strategic partnership. Both companies intend to collaborate worldwide in order to combine their resources, capabilities, and experience to carry out large-scale renewables projects.

We're also active in offshore development in Germany. E.ON Climate & Renewables' involvement in alpha ventus, Germany's first offshore wind farm, puts it at the cutting edge of deep-water offshore wind-power engineering. Wind farms off Germany's North Sea coast must be sited well out to sea in deep water to protect the sensitive ecosystems of the Watten Sea. This creates huge technical challenges for construction and for operations. In partnership with other industry partners, E.ON Climate & Renewables is meeting these challenges and is building alpha ventus 45 kilometers (28 miles) off the Island of Borkum at water depths of about 30 meters (100 feet). This pioneering wind farm will have 12 turbines with a total capacity of 60 MW and will enter service in 2009.

### Carbon-Neutral Generation from Biomass

The second key component of E.ON Climate & Renewables' generation portfolio is carbon-neutral power generation from biomass and the production of biomethane. Our biomethane production plant in Schwandorf in southeast Germany, which became operational in 2008, is the largest in Europe. We have high hopes for this innovative technology by which biogas is upgraded to pipeline quality and injected into the local natural gas network where it serves as a carbon-neutral replacement for fossil fuel. The Schwandorf plant produces enough biomethane to meet the annual heating needs of 5,000 homes. E.ON Climate & Renewables is also a leader in biomass power generation. It owns and operates Steven's Croft, a 44 MW wood-burning power plant in Lockerbie, Scotland. The facility, which entered service in March 2008, is the United Kingdom's largest dedicated operational wood-burning biomass plant. E.ON Climate & Renewables is pursuing plans to build several other biomass plants around Europe.

E.ON Climate & Renewables is also actively involved in the development of other promising technologies like photovoltaic, solar-thermal, and wave and tidal energy so that these technologies can also contribute to our renewables portfolio and to climate protection.



### Promoting Sustainable Development

In addition to expanding our global renewables portfolio and promoting the development of new renewables technologies, E.ON Climate & Renewables is responsible for ramping up E.ON's carbon-sourcing business. The framework for these activities is the Kyoto Protocol's two flexible mechanisms: Clean Development Mechanism (CDM) and Joint Implementation (JI) projects. Companies can use both to obtain carbon credits. The difference between these two mechanisms is that CDM projects are undertaken between an industrialized country and a developing or emerging country, while JI projects are undertaken by two industrialized countries.

E.ON Climate & Renewables is pursuing carbon sourcing opportunities through a diversified approach that encompasses traditional credit origination as well as project investment and development. The company is currently focusing its JI/CDM activities on developing and emerging countries that offer the greatest potential to implement projects that reduce greenhouse-gas emissions.

Through these projects, E.ON Climate & Renewables is already making a significant contribution to the low-carbon energy generation of the future. We're convinced that economic growth and climate protection—far from being mutually exclusive—are actually complementary.

Our investment focus on the most attractive markets and technologies, our experience in operating large-scale facilities, and our comprehensive understanding of infrastructure (from planning to construction and operations) will enable us to take renewables to a new industrial level.

An industrialized world needs energy on an industrial scale. We're doing our part to make sure it's climate-friendlier energy.

You'll find E.ON's consolidated financial statements and related commentary in our 2008 Financial Report.

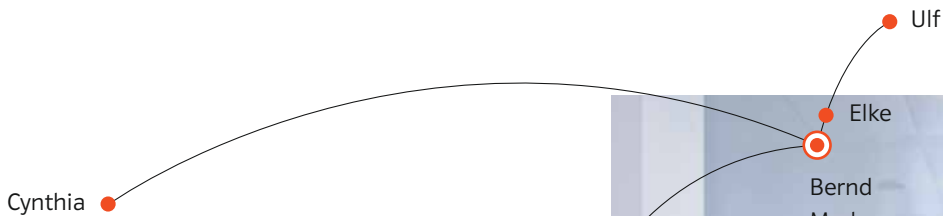
## 265,000

homes can be powered by our wind farm in Roscoe, Texas, when it becomes operational.

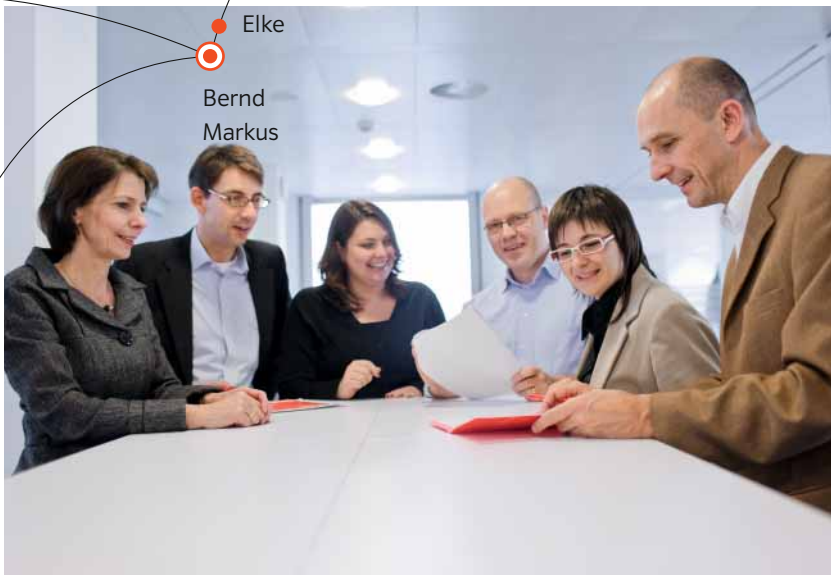
#### E.ON Climate & Renewables in Texas

Wind power is booming in Texas. If the Lone Star State were a country, it would have the sixth-most installed wind capacity in the world behind Germany, Spain, China, India and the rest of the USA. E.ON has been a key part of this growth. We've been Texas's biggest builder of new wind projects for each of the last three years. E.ON Climate & Renewables' flagship facility is located outside the small West Texas town of Roscoe. At year-end 2008, it had 381.5 MW of installed capacity. When its final two phases become operational, this onshore wind farm will have 781.5 MW of capacity, making it the largest in Texas and one of the largest in the world.

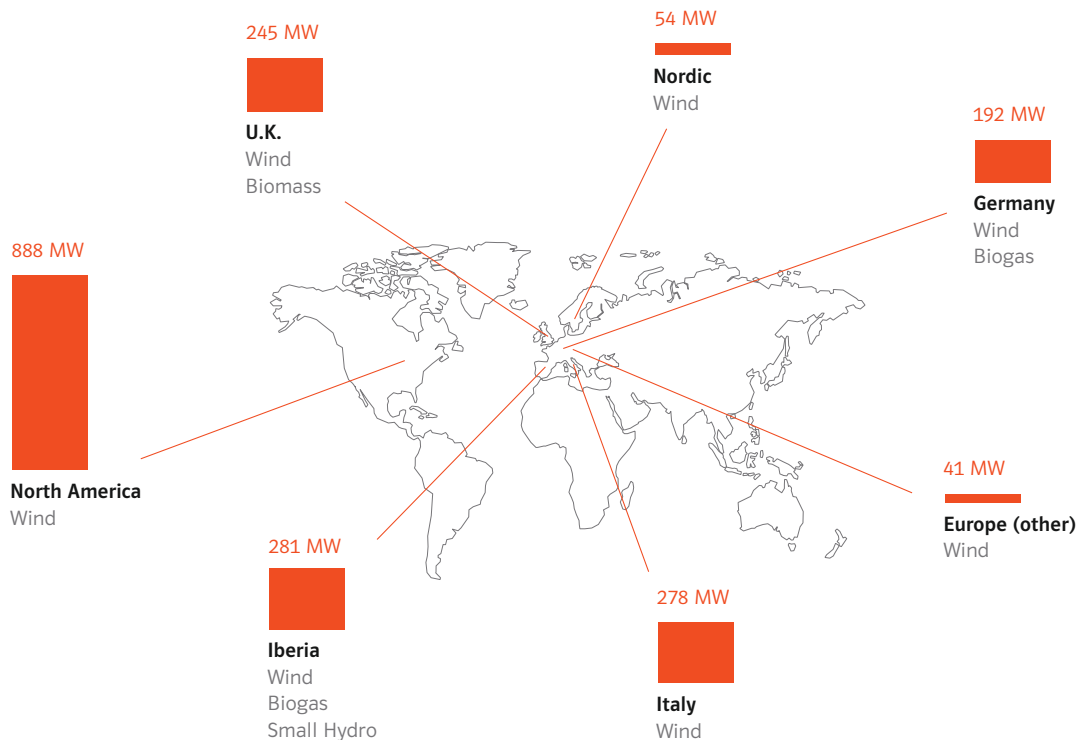




**Risk Management at E.ON Climate & Renewables.**  
 E.ON Climate & Renewables established the Insurance Management Team in July 2008. The team's mission is to address all of E.ON Climate & Renewables' insurance issues and to develop and implement global insurance standards for all of the company's assets. The purpose of taking a global approach is to increase transparency and process reliability, to improve risk management, and to minimize costs. In order to make this happen, insurance managers from all relevant E.ON market units and departments meet regularly at events like this workshop in Düsseldorf. This is an excellent example of how E.ON Climate & Renewables systematically utilizes the E.ON Group's international resources.



**Climate & Renewables Market Unit: Generation Assets**



Want to know more about our Climate & Renewables market unit?  
[eon.com/renewables](http://eon.com/renewables)



# Russia

## Market Unit

- Strategic focus on generation
- 2.3 GW of additional generating capacity
- Market liberalization progressing according to plan

### Owned generation of 56.7 billion kWh by energy source



**2008 power sales**  
58.3 billion kWh

**2008 sales**  
€1,044 million

**2008 adjusted EBITDA**  
€171 million

**2008 adjusted EBIT**  
€41 million

**2008 cash-effective investments**  
€644 million

**Employees at year-end 2008**  
5,735



"E.ON's energy partnership with Russia goes back more than 35 years. This long-standing relationship is certainly one of the reasons E.ON was successful in entering Russia's fast-growing electricity market. OGK-4 has a modern, efficient generation fleet. And we're expanding it. We're currently implementing an ambitious new-build program: four new generating projects totaling 2.3 GW. When the program is completed, E.ON Russia Power will have 11 GW of generating capacity, putting us in a leading position to help meet Russia's electricity demand."

**Sergei A. Tazin**  
CEO, E.ON Russia Power

## Operations along the Value Chain



<sup>1</sup>Wholesale only.

Moscow-based E.ON Russia Power is the lead company of the Russia market unit and responsible for managing our operations in Russia, which encompass power generation, power sales to large industrial customers, and wholesale power marketing.

### Russian Energy Market

E.ON's entry into the Russian electricity market—the world's fourth largest—is another important milestone on our path to becoming the world's leading power and gas company.

E.ON Russia Power is well positioned for the ongoing liberalization of Russia's electricity market. Liberalization is on schedule. As of January 1, 2009, approximately 30 percent of Russia's wholesale power market is open to competition, a figure that will gradually increase to 100 percent by 2011 (excluding power sold to residential customers).

### Generation

Through OGK-4, E.ON Russia Power has 8.3 GW of installed generating capacity. About 70 percent of this capacity is relatively new and modern and has a high capacity factor. It ranks among the best and most efficient in Russia. For these reasons, we expect our investment in OGK-4 to create significant value.

OGK-4's current generating capacity accounts for about 6 percent of Russia's total thermal capacity. A key focus is to enlarge OGK's capacity through organic growth.

#### SOBRA

OGK-4 is currently implementing a major project called SOBRA involving the installation of new IT systems for price forecasting, portfolio management, and risk management for sales performance. SOBRA's purpose is to give OGK-4 the advanced IT tools it needs to be a leading player in Russia's liberalized wholesale electricity market.

### New-Build Projects

We're building four high-efficiency combined-cycle gas turbines (CCGTs) and one technologically advanced lignite-fired generating unit at our existing power stations Surgutskaya 2, Shaturskaya, Berezovskaya and Yaivinskaya. The new units are scheduled to enter service successively starting in mid-2010. Investments in the projects will total about €2.3 billion.

Construction of all the new units is already under way. With 4.7 GW of capacity, Surgutskaya 2 is already one of the world's largest power stations. The new CCGT will increase Surgutskaya 2's capacity to 5.5 GW, moving it even further up the ranking.

Our new-build projects in Russia are benefiting from the E.ON Group's industry-leading experience in fossil generation. Engineers and project managers from the Corporate Center and the New Build Unit at E.ON Kraftwerke are working closely with their Russian colleagues, helping them find technical solutions, and sharing best practices for each phase of the project cycle, from planning and construction to fuel procurement and operations.

#### Community Working Group

The Community Working Group brings together staff from OGK-4 and from E.ON companies in Europe with the aim of developing corporate responsibility (CR) objectives, policies, and projects for our business in Russia. The group creates an opportunity for staff to share best practices and lessons learned from successful CR activities around our organization.

### Wholesale Marketing

Russia's wholesale power market is divided into two separate markets: the electricity market and the capacity market. The progressive liberalization of the electricity market began in 2007 and will be completed by 2011. At year-end 2008, 25 percent of the market was liberalized. The progressive liberalization of the capacity market began in July 2008 and is now synchronized with that of the electricity market.

You'll find E.ON's consolidated financial statements and related commentary in our 2008 Financial Report.

Want to know more about our Russia market unit?  
[eon-russia.com](http://eon-russia.com)



### **Smolenskaya**

Gas-fired power station

Location: Ozerny, Smolensk Region/Central Russia

Capacity: 0.6 GW



### **Shaturskaya**

Gas-fired power station

Location: Shatura, Moscow Region/Central Russia

Capacity: 1.0 GW

Capacity increase: 0.4 GW



### **Yaivinskaya**

Gas-fired power station

Location: Yaiva, Perm Region/Urals

Capacity: 0.6 GW

Capacity increase: 0.4 GW



### **Surgutskaya 2**

Gas-fired power station

Location: Surgut, Tyumen Region/Western Siberia

Capacity: 4.7 GW

Capacity increase: 0.8 GW



### **Berezovskaya**

Coal-fired power station

Location: Sharypovo, Krasnoyarsk Territory/Siberia

Capacity: 1.4 GW

Capacity increase: 0.8 GW



### Russia Market Unit: Generation Assets



Europe



# Italy

## Market Unit

- E.ON Italia now ranks among Italy's leading energy companies
- Ambitious sales growth plan
- Efficiency of generation portfolio to be further enhanced

### Owned generation of 11.4 billion kWh by energy source<sup>1</sup>



Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 70.

<sup>1</sup>Includes Monfalcone and Calabria power stations (aggregate generation: about 1.5 billion kWh), which will be divested to A2A in 2009.

**2008 power sales**  
24.7 billion kWh

**2008 gas sales**  
32.6 billion kWh

**2008 sales**  
€3,828 million

**2008 adjusted EBITDA**  
€157 million

**2008 adjusted EBIT**  
€0 million

**2008 cash-effective investments**  
€860 million

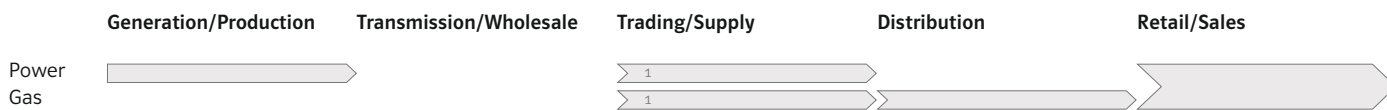
**Employees at year-end 2008**  
1,711



"Italy is one of Europe's most important energy markets. Following the integration of Endesa Italia and the reorganization of our existing operations, E.ON Italia ranks among the country's leading energy companies. With its energy expertise and competitiveness, E.ON has a lot to offer Italian customers."

**Klaus Schäfer**  
CEO, E.ON Italia

## Operations along the Value Chain



<sup>1</sup>To be transferred to Energy Trading.

Headquartered in Milan, E.ON Italia is the lead company of the Italy market unit. It manages our power generation, natural-gas distribution, and power and gas marketing businesses in Italy and provides centralized functions and services to its operating subsidiaries.

E.ON has been active in the Italian energy market for more than a decade. E.ON's operations there date back to the 1990s, when it acquired its first gas distribution companies in Italy. In the years that followed, we systematically grew our downstream business by developing E.ON Energy Solutions (formerly E.ON Italia) and Thüga Italia and by acquiring Dalmine Energie in 2006. We also began to establish a generation position in Italy by building a power plant in Livorno Ferraris. Our acquisition of Endesa Italia in June 2008 represented another decisive step. We're now Italy's fourth-largest energy company. It's a position we aim to strengthen and build on.

### Italian Energy Market

Italy is Europe's fourth-largest electricity market and third-largest gas market. Unlike a number of other European countries, Italy phased out nuclear power in the late 1980s. It—and its electricity industry—is now highly dependent on natural gas. As a result, electricity prices in Italy are significantly higher than in a country like Germany, which derives over two thirds of its electricity from coal and nuclear.

### Debate on Italy's Energy Mix

The debate on nuclear energy is currently experiencing a revival in Italy. Nuclear energy could provide Italy with favorably priced electricity, reduce its greenhouse-gas emissions, and enhance its security of supply. As Europe's second-largest operator of nuclear power stations, we would welcome the opportunity to contribute our experience to this process and demonstrate our interest in supporting Italy's return to nuclear energy.

### Regulatory Environment

In 2008, the Italian government imposed the so-called Robin Hood tax, raising the corporate tax rate for utility companies in Italy from 27.5 to 33 percent. It also passed an anti-crisis law in January 2009, which includes measures that could affect the market structure of the energy sector. E.ON, which is actively involved in this debate, emphasizes the need for a stable policy and regulatory environment to ensure that necessary investments are made in Italy's energy infrastructure.

### Generation

E.ON Italia's most recent projects are aimed at making its generation fleet more efficient through the use of advanced technology. After just two years of construction, E.ON Italia's combined-cycle gas turbine (CCGT) in Livorno Ferraris in northwest Italy entered service in October 2008. The new unit is one of the most efficient in the world.

### Generation Fleet Upgrade

We plan to implement a major program to further modernize our Italian generation fleet and improve its operating and environmental performance. Over the next several years E.ON Italia plans to replace its oil-fired generating units with new gas-fired or coal-fired units. When completed, the program will raise our Italian fleet's average thermal efficiency to 50 percent, significantly reduce its carbon emissions, and add 1.4 GW of technologically advanced generating capacity.

E.ON Italia is building a second high-efficiency CCGT in Scandale near the southwest tip of mainland Italy in a partnership with A2A, a Milan-based energy company. The Scandale unit is at an advanced stage of construction.

## Gas Distribution

Our local distribution companies (LDCs)—E.ON Rete Mediterranea, E.ON Rete Laghi, E.ON Rete Padana, E.ON Rete Triveneto, and E.ON Rete Orobica—deliver natural gas safely and reliably to 618,000 customer accounts. They operate 9,500 kilometers of pipeline in 303 concession districts, primarily in northern Italy. Our LDCs are legally and organizationally independent entities that provide gas distribution services on an open-access basis to a number of energy marketing organizations, including our own. By providing all suppliers and customers with the same reliable service, our LDCs help promote energy-market competition in Italy.

### Securing Italy's Gas Supply

E.ON is working to make Italy's supply of natural gas even more secure. Construction of an LNG terminal off Italy's northwest coast near Livorno is already at an advanced stage. We're also exploring whether to build a new gas pipeline between Germany and Italy. For more information about these important projects, which are managed by our Pan-European Gas market unit, go to page 48.

## Energy Marketing

E.ON Italia also ranks among Italy's leading energy marketing companies. The company is Italy's fourth-biggest power marketer and sixth-biggest gas marketer.

## Sales Offensive

E.ON Italia is committed to expanding its market share in key customer segments. One of its focuses will be on small and medium-sized enterprises (SMEs).

E.ON Italia is working hard to improve customer loyalty. Its initiatives include a rebate offer, an innovative dual-fuel product, and a loyalty program that rewards customers for consuming less electricity, the first program of its kind in Italy.

To optimize our marketing business and enable us to better leverage synergies, we merged our three marketing companies in Italy (Dalmine Energie, E.ON Energy Solutions, E.ON Vendita) effective January 1, 2009. The combined entity is called E.ON Energia and markets energy products to all customer segments.

### Rapid Integration in Two Stages

Endesa Italia became an E.ON company on the very first day after we acquired it. At the power stations of E.ON Produzione, the name given to the Italy market unit's generation business, the E.ON logo was already present on signage, hard hats, company vehicles, and work clothing. It was a promising start for the integration process and one that attracted attention in the industry. The rapid integration was made possible by E.ON's extensive experience in Italy and by thorough preparation. Our existing Italian operations were already migrated to the new market unit structure in the first months of 2008, paving the way for the addition of E.ON Produzione. The setup of the Italy market unit is now complete, from generation to energy marketing.

You'll find E.ON's consolidated financial statements and related commentary in our 2008 Financial Report.

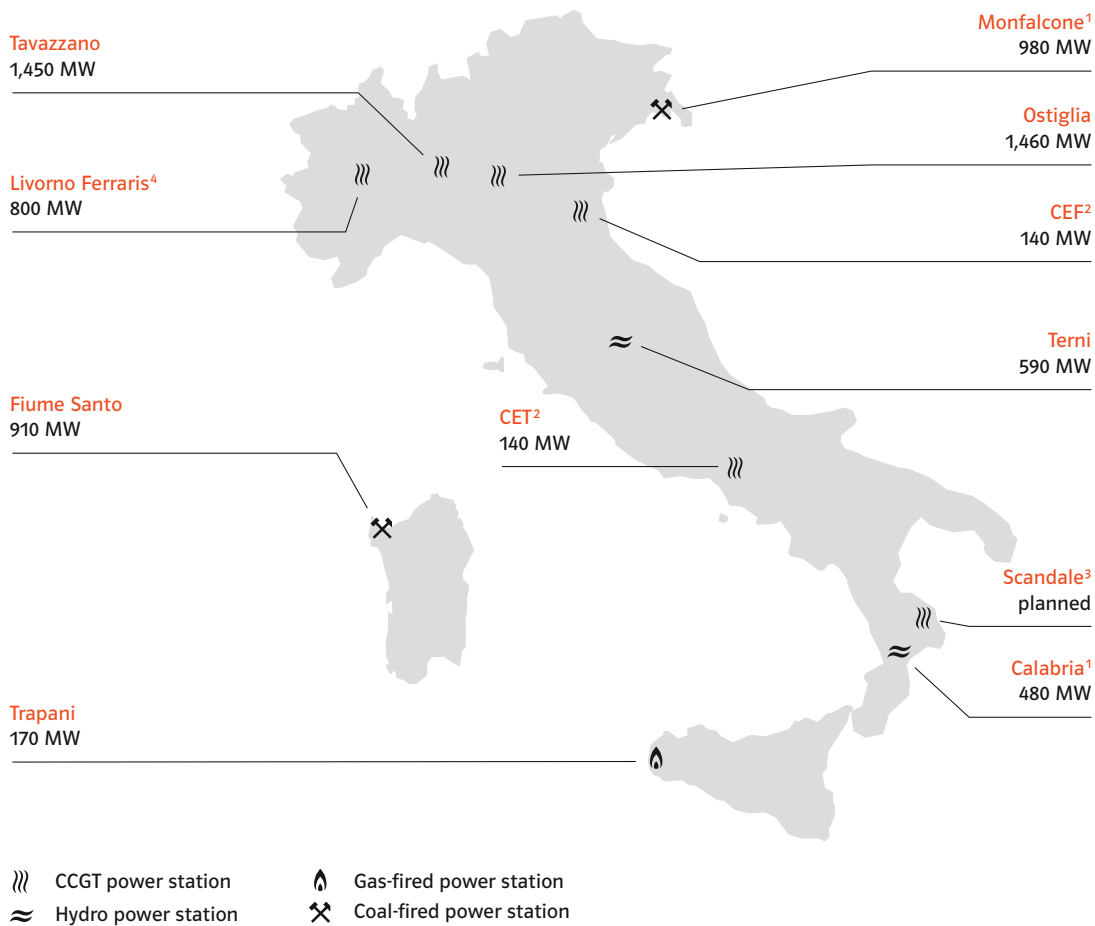
Want to know more about our Italy market unit?  
[eon-italia.com](http://eon-italia.com)

# 20%

**of Italians now know E.ON.**

We launched an image campaign to accompany our acquisition of Endesa Italia. Its purpose was to raise the awareness of E.ON—which was largely unknown in Italy—and to communicate our key strengths to consumers. And it was a real success. According to a survey conducted at the end of 2008, every fifth Italian knows about E.ON and sees us as fair, competent, and customer-oriented energy company.

### Italy Market Unit: Generation Assets



<sup>1</sup>To be divested to A2A in 2009.  
<sup>2</sup>E.ON's stake: 58.4 percent, accounted for as an associated company.  
<sup>3</sup>E.ON's stake: 50 percent, accounted for as an associated company.  
<sup>4</sup>E.ON's stake: 75 percent.

Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 70.



#### Livorno Ferraris

E.ON Italia's CCGT in Livorno Ferraris, which entered service in 2008, has a thermal efficiency of 58 percent, making it one of the world's most efficient power plants. With a capacity of 800 MW, it generates enough electricity to power about 1 million Italian homes. Livorno Ferraris expands our position in Italy's electricity market and, thanks to its industry-leading efficiency, improves our generation portfolio's environmental performance. Its planning and construction benefited from our ability to share engineering expertise and best practices across the E.ON Group.

Europe



# Spain

## Market Unit

- Creation of new market unit successfully completed
- Increase in generating capacity planned
- Best practice in smart-metering technology

### Owned generation of 3.9 billion kWh by energy source



Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 70.

**2008 power sales**  
5.4 billion kWh

**2008 sales**  
€551 million

**2008 adjusted EBITDA**  
€30 million

**2008 adjusted EBIT**  
-€17 million

**2008 cash-effective investments**  
€317 million

**Employees at year-end 2008**  
1,218

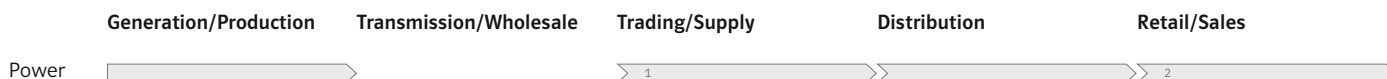


"E.ON España gives the E.ON Group superb access to the Spanish market through a proven business organization with a track record dating back over 100 years. We've already successfully concluded our integration into the E.ON Group and are fully operational. We're ready for the further development of E.ON's business in Spain. And we're ready to promote competition in the Spanish energy market."

**Miguel Antoñanzas**  
Chairman and CEO, E.ON España



## Operations along the Value Chain



<sup>1</sup>To be transferred to Energy Trading. <sup>2</sup>Regulated.

E.ON España is the lead company of our Spain market unit. It manages our operations in Spain, which extend along the entire electricity value chain, from generation and distribution to retail.

E.ON España was created in June 2008 by E.ON's acquisition of Viesgo, a local electric utility, and additional Endesa generation assets in Spain. With a market share of approximately 5 percent, the company occupies a solid position in the Spanish energy market. And with about 660,000 customers, it also has a strong position in the power distribution business in northern Spain.

E.ON España's ambition is to become one of Spain's leading energy players.

### Spanish Energy Market

Spain is Europe's fifth-largest power market. A major challenge is the government's tight National Allocation Plan for carbon allowances. To operate in this environment, E.ON España relies on a balanced generation mix which will be further improved by new-built generating capacity. Together with the Spanish activities of our Climate & Renewables market unit, E.ON is a forerunner in building new renewables capacity and increasing the efficiency and reducing the carbon emissions of its existing generation portfolio.

E.ON España has an excellent reputation among consumers and among key stakeholders, such as the government, regulatory agencies, and the financial community.

Our task is to pool our strengths—E.ON España's local expertise and the E.ON Group's international experience—to seize the opportunities created by changes in the Spanish energy market.

### Generation

E.ON España's fossil generation portfolio consists of 3.3 GW of capacity at facilities in many regions across the country. Over the next few years, its new-build projects will increase our total capacity to approximately 5.3 GW (including Climate & Renewables' assets in Spain). All our renewables operations are managed by Climate & Renewables.

For more information about our renewables activities, go to page 70 of this report.

### Escatrón Enters Service

Our first new Spanish power plant, a technologically advanced 800 MW combined-cycle gas turbine (CCGT), entered service in 2008. Located in Aragón, the new Escatrón CCGT boasts a thermal efficiency of 57 percent, making it one of the most efficient in the world.

### Other New-Build Projects

An 800 MW CCGT is under construction in Bahía de Algeciras on Spain's southern coast. Plans call for it to enter service in 2010. Solvay, a 400 MW CCGT to be located in the northern Spanish province of Cantabria, is undergoing licensing and is expected to become operational in 2012.

### Puente Nuevo, Los Barrios

E.ON España's existing coal-fired power plants in Puente Nuevo and Los Barrios returned to service in the beginning of 2009 after being retrofitted with the latest desulfurization equipment. The equipment removes about 95 percent of the sulfur dioxide from the plants' flue gas.

### Distribution

E.ON España operates a technologically up-to-date electric distribution system with a total system length of 30,300 kilometers (18,825 miles) in the northern Spanish provinces of Asturias, Castilla-León, Galicia, and Cantabria. It's also the main shareholder of Begasa, which delivers electricity to 160,000 customers in the northwest province of Galicia.

E.ON España's distribution systems are extremely reliable and consistently have significantly fewer and shorter outages than the Spanish industry average. In 2008, we achieved a lowest-ever average annual outage duration rating of 64 minutes, surpassing our previous best-ever performance from 2007 of 95 minutes.

### Smart Meter Leader

If their home or business is equipped with a smart meter, customers can track their electricity usage on the internet in real time, making it easier to identify energy-hungry appliances and equipment and to play a more active role in shaping their usage. E.ON España is an E.ON Group leader in smart meters. With over 130,000 smart meters already installed and a detailed plan for a complete rollout of 752,000 smart meters by 2014, the company will meet government requirements well ahead of the legal deadline. This will enable it to fully realize the benefits of smart-metering technology and share its experience across E.ON.

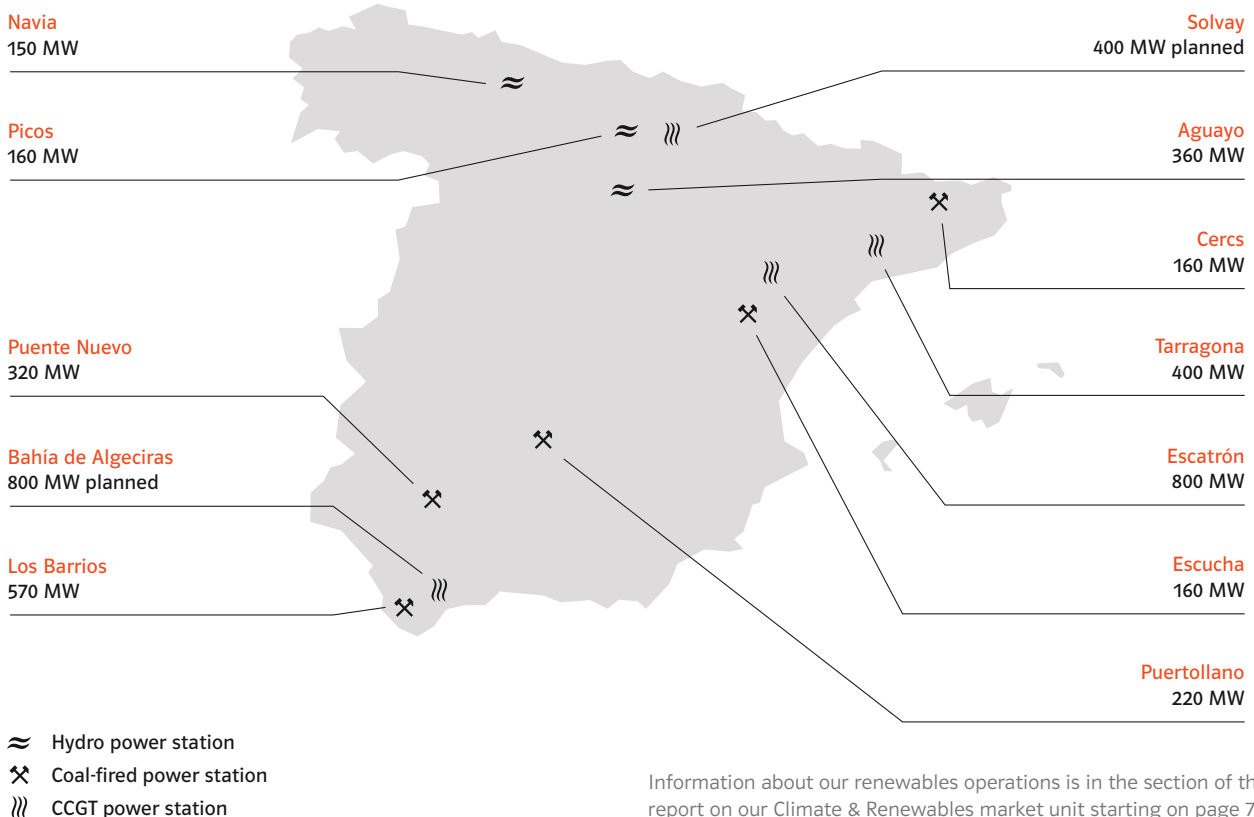
### Retail

The recent improvements in Spain’s regulatory regime will have a positive effect on our Spanish sales business. The 3.4-percent increase in residential electricity prices was a necessary first step towards bringing Spanish electricity prices more closely in line with underlying commodity costs (like coal, oil, and natural gas) and the corresponding prices in the wholesale market.

You’ll find E.ON’s consolidated financial statements and related commentary in our 2008 Financial Report.

Want to know more about our Spain market unit?  
[eon-espana.com](http://eon-espana.com)

### Spain Market Unit: Generation Assets



Information about our renewables operations is in the section of this report on our Climate & Renewables market unit starting on page 70.



**Integration of Spanish Operations.** The integration of our new markets—Russia, Italy, France and Spain—was an important focus of our work in 2008. We organize and implement all of our integration projects using a standardized roadmap called Integration@E.ON, which brings together in a systematic way our comprehensive experience in integrating new companies.

The members of the team that coordinates and facilitates the change management and integration process draw on their considerable international experience to find successful solutions for the multifaceted and complex challenges that arise. The key tasks are to harmonize the new company's business processes with our own, to optimize its operating business, and to foster its cultural integration into our group. Our approach ensures that we set and achieve clear targets as we systematically address all the main issues of the integration.

Integration@E.ON again proved its worth in Spain, where the successful integration of our new market was already completed by December 2008.



## Page references in our Company Report

## Page references in our Financial Report

**A**

## Adjusted EBIT

5, 44, 48, 52, 56, 60, 64, 69, 70, 74, 78, 82  
20, 23-26, 29-31, 49-50, 135, 140-141, 150, 167-168

## Adjusted EBITDA

5, 44, 48, 52, 56, 60, 64, 69, 70, 74, 78, 82  
35, 72, 140-141, 167-168

## Adjusted net income

5  
27, 168

## American Depositary Receipts (ADRs)

28  
168

**B**

## Biogas

16, 57, 59, 71, 73  
9

## Biomass

9, 39, 41, 53-54, 71, 73  
16, 20

## Biomethane

15-16, 57, 59, 71

## Bond

18-19, 31  
34, 36-37, 50-51, 111-112, 118-120, 130-134, 138, 162,  
168

## Business unit

5  
2

**C**

## Cap and trade

61

## Carbon capture and storage (CCS)

3, 14-16, 41, 46, 54, 59, 61-62

## Carbon-capture ready

14, 16, 39

## Career

26-27  
41

## Cash-effective investments

5, 44, 48, 52, 56, 60, 64, 69, 70, 74, 78, 82  
32, 167, 170

## Climate protection

3, 6-7, 9, 12, 14-15, 37-38, 41, 43-45, 47, 61, 63, 69,  
70-73  
2, 8-9, 43, 48, 154

CO<sub>2</sub> allowances/emission trading

7, 38, 43, 61, 65, 72  
4, 9, 12-14, 20, 24, 26, 34, 44, 48, 50, 60, 65, 67, 100,  
117, 125, 128-129, 135-137, 139

## Coal-fired power plants

9, 14-15, 39, 41, 44-46, 52-54, 60-62, 74-84

## Center of Competence (CoC) Fossil

41, 45-46

## Center of Competence (CoC) Hydro

58

## Center of Competence (CoC) Nuclear

45, 57

## Combined cycle gas turbine (CCGT)

18-19, 54, 63, 79, 81, 83-84  
14

## Combined heat and power (CHP)

3, 53-54, 57-58  
3, 8, 48

## Commercial Paper Program (CP)

19, 31  
36-37, 119-120, 130-133, 134, 169

## Company history

4

## Competition

2-3, 5-8, 19, 35-36, 38, 45-46, 50-51, 65, 80  
2, 7-9, 17, 21, 24, 44-49, 51, 124

## Corporate Center

4, 26, 33, 42-43  
2-3, 6, 21-23, 30-31, 32-34, 40, 43, 50, 60, 94, 99, 108,  
118, 120-121, 135, 139-141, 166

## Corporate culture

10

## Corporate responsibility

12-13, 75  
43

## Creditor Relations

32, imprint

**D**

## DAX

4, 28-30  
19

## Dispatch

68

## Dividends

28-30, financial calendar  
2, 19, 34-35, 39-40, 57-58, 63, 71, 73, 75, 88, 91, 93,  
108, 142, 148-149, 156, 167-168

## Dual-fuel products

34

**E**

## E WIE EINFACH (E as in Easy)

46  
164

## Electricity network

3, 8-9, 19, 34, 38-39, 46-47, 53, 55, 59, 83  
3, 8-9, 20-21, 23-25, 32-33, 45-47, 49, 79, 154

## Electromobility

47  
9

## Employee opinion survey

10-11

## Employees

4-6, 10-13, 23-27, 33, 44, 46, 48, 52, 56, 60, 62, 64, 67,  
69, 70, 74, 78, 82, 85  
2, 38, 40-43, 46, 49, 90, 94, 106, 109-111, 115, 138,  
160, 167

## Energy efficiency

3, 15-16, 35-36, 38-39, 45, 47, 52, 54-55, 61, 63  
8, 25, 48

## Energy for Children

12-13

## Energy markets

65-66  
9, 17, 44, 46

## Energy mix/generation mix

3, 7, 9, 15-16, 18, 34-35, 39, 41, 44-45, 48-49, 52-54,  
56, 58, 60, 70-74, 77-79, 81-84  
3-5, 8-9, 11-18, 32, 48-50

## Environmental Champions

12

## Expatriates

24

- G**  
 Gas heat pumps  
 15-16
- Gas production  
 9, 49-50  
 3, 16
- Gas sales  
 5, 44, 48, 52, 56, 60, 69, 78  
 17-19
- Gas storage  
 5, 9, 39, 41, 49-51, 54  
 3
- Generation III+  
 15-16, 41, 57  
 43
- GLOBE  
 37
- H**  
 Hydroelectricity  
 5, 9, 19, 36, 41, 45, 56-58, 61, 73, 81, 84  
 2-3, 5, 11-16, 20, 25, 47, 50
- I**  
 innovate.on  
 15-16, 63  
 43
- Investor Relations  
 20, 32, imprint
- K**  
 Kyoto protocol  
 71-72
- L**  
 Liquefied natural gas (LNG)  
 35, 41, 49, 80  
 18
- M**  
 Marine energy  
 15, 71
- Market environment  
 18, 36-37  
 8, 44-45, 100, 112, 154
- Market unit  
 2-5, 9, 13, 15, 18, 24, 26, 32-33, 37, 42-85  
 2-7, 14-28, 30-34, 39-41, 44, 47, 49-51, 60,  
 66, 79, 100, 104, 108-112, 116-117, 123-125, 134-136,  
 138-141, 146-147, 164-166
- N**  
 New Build Unit  
 45-46, 75  
 51
- Nord Stream  
 18, 50
- Nuclear power  
 3, 9, 15-16, 18, 36, 41, 44-46, 52-54, 56-57, 61, 79  
 8-9, 11, 15, 24-25, 33, 43, 49-50, 70, 103, 115-117,  
 122-123, 154
- O**  
 Occupational safety  
 12, 24-25  
 43
- Offshore wind farm  
 15-16, 18-19, 39, 41, 54, 70-71, 73  
 9, 32, 123
- OneE.ON  
 10-11
- Onshore wind farm  
 19, 39, 41, 54, 70-73
- Oxyfuel combustion  
 54
- P**  
 Perform-to-Win  
 3, 7, 40  
 48-49
- Post-combustion capture  
 15-16, 54
- Power sales  
 5, 44, 52, 56, 60, 69, 70, 74, 78, 82  
 16-18
- R**  
 Renewables  
 2-5, 7, 9, 15-16, 19, 34-35, 37-41, 43, 45, 47, 54, 57-58,  
 69-73, 83  
 5-9, 11-18, 20-22, 32, 40, 48
- Research and development (R&D)  
 14-17, 41, 54, 63, 71  
 42-43, 65, 101
- S**  
 Sales  
 4-5, 44, 48, 52, 56, 60, 64, 69, 70, 74, 78, 82  
 2, 21-22, 47, 53, 63, 78-79, 84, 121, 140-142, 164-165
- Security of supply  
 3, 12, 19, 35, 38-39, 45, 48-49, 71  
 8-9, 43
- Smart meter  
 6, 47, 55, 59, 63, 84
- Solar power, solar energy  
 9, 37, 71
- Solar-thermal energy  
 41, 54, 71
- Stock  
 19, 28-32  
 19-21, 26, 33-36, 38-40, 42, 53, 63, 69, 74, 79-80, 83,  
 90-93, 95, 106-108, 112, 114, 125-126, 128-130, 136,  
 138-139, 142, 147-148, 150, 153, 156, 160-162, 167-169
- Stock split  
 19, 30  
 19, 39, 148, 167-168
- Strategy  
 34-41  
 8, 35, 43-45, 72
- Structure  
 3-5, 42-43  
 2-7, 21-22, 26-27, 40, 140
- T**  
 Talent management  
 24, 26  
 41
- Thermal efficiency  
 15, 45-46, 54, 79, 81, 83
- V**  
 Value chain  
 9, 34-35, 45, 49, 53, 57, 61, 65, 71, 75, 79, 83  
 2-3, 48
- W**  
 Wind power  
 9, 16, 18-19, 39, 41, 43, 53-54, 58, 70-73  
 2, 7, 9, 11, 14-16, 32-33, 123
- You'll find a glossary of energy and financial terms at [eon.com/glossary](http://eon.com/glossary).

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## Financial Calendar

May 6, 2009	2009 Annual Shareholders Meeting
May 7, 2009	Dividend Payout
May 13, 2009	Interim Report: January - March 2009
August 12, 2009	Interim Report: January - June 2009
November 11, 2009	Interim Report: January - September 2009
March 10, 2010	Release of 2009 Annual Report
May 6, 2010	2010 Annual Shareholders Meeting
May 7, 2010	Dividend Payout
May 11, 2010	Interim Report: January - March 2010
August 11, 2010	Interim Report: January - June 2010
November 10, 2010	Interim Report: January - September 2010

