



UNECE Working Party Gas -  
E.ON

Geneva, 24 January 2006

# The E.ON Strategy – an overview

- 1. Three principles that guarantee success**
- 2. An eye on future markets**

# 1. Three principles that guarantee success

- A) Focus on power and gas
- B) Focus on target markets
- C) Integrated business model

## A) Focus on power and gas

We focus exclusively on power and gas, which are both:

- infrastructure industries that require complex networks
- Growing convergence in the markets  
(gas-fired power production increases)
- and have the same customer base

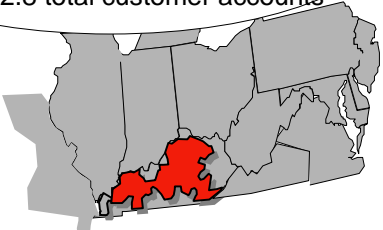
 **If it isn't about power and gas  
it isn't part of our core business.**

## B) Focus on target markets

We aim to strengthen and extend our leading position in our five target markets, while focusing primarily on Europe.

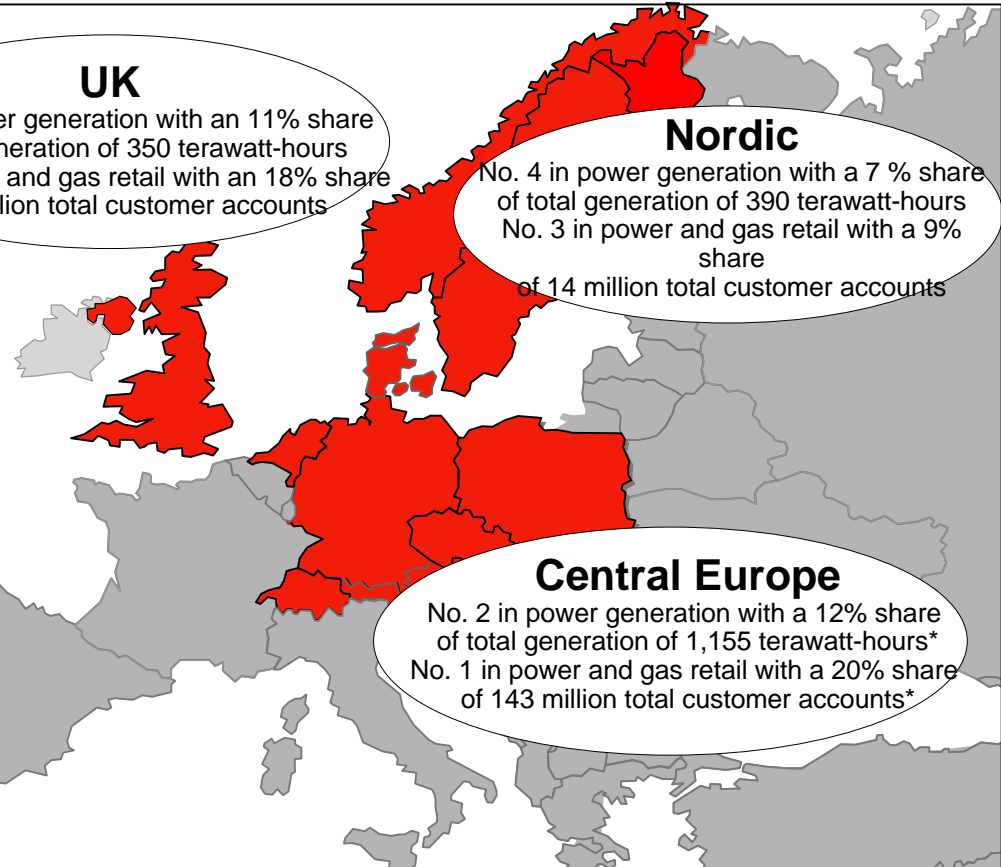
### US-Midwest

No. 1 in power generation with a 47% share of total generation of 95 terawatt-hours  
 No. 1 in power and gas retail with a 42% share of 2.8 total customer accounts



### UK

No. 2 in power generation with an 11% share of total generation of 350 terawatt-hours  
 No. 2 in power and gas retail with an 18% share of 49 million total customer accounts

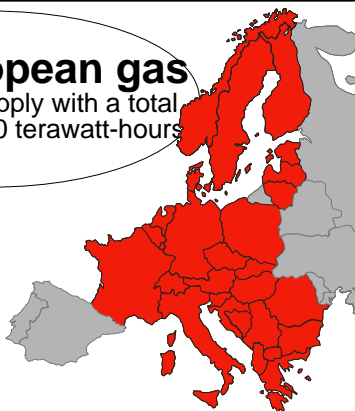


### Nordic

No. 4 in power generation with a 7 % share of total generation of 390 terawatt-hours  
 No. 3 in power and gas retail with a 9% share of 14 million total customer accounts

### Pan-European gas

No. 1 in gas supply with a total volume of 4,740 terawatt-hours



### Central Europe

No. 2 in power generation with a 12% share of total generation of 1,155 terawatt-hours\*  
 No. 1 in power and gas retail with a 20% share of 143 million total customer accounts\*

\* Germany, Netherlands, Austria, Switzerland, Hungary, Slovakia, Czech Republic, Poland, Romania,

and Bulgaria; includes subsidiaries in which E.ON Energia owns less than 20 percent

## B) Focus on target markets

The new E.ON Group has three organizational levels:

- Business units
- Market units
- Corporate Center

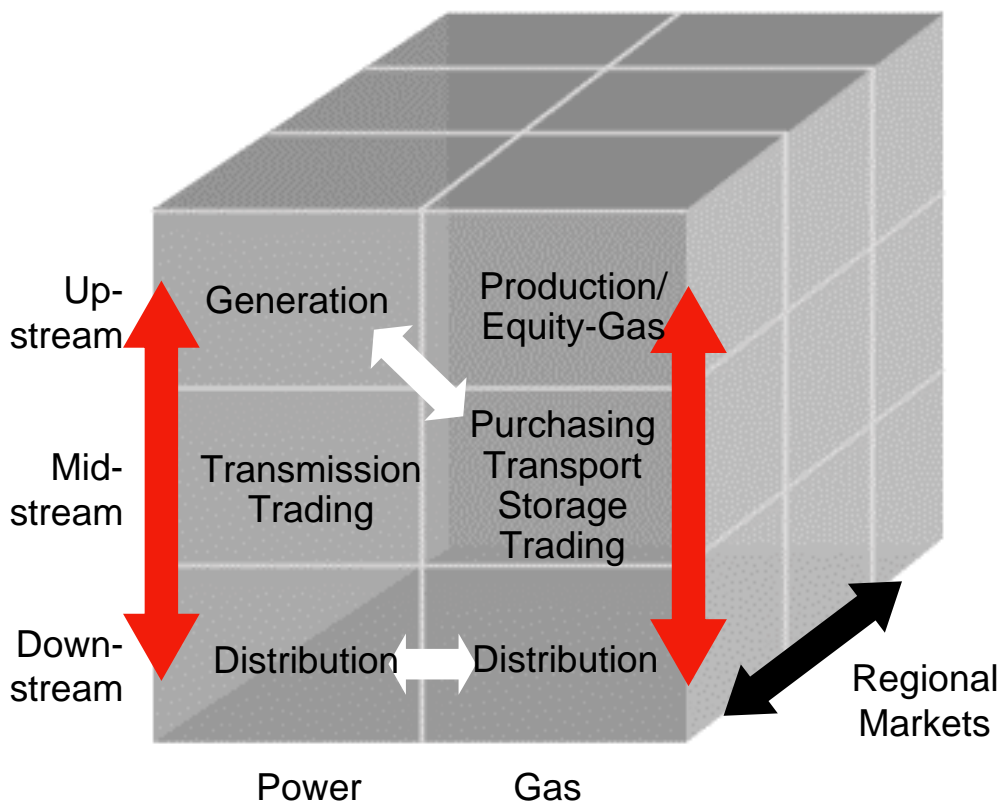
Clear roles and responsibilities:

- Business units are in charge of the operational side
- Each of the market units is responsible for managing one of our target markets
- The Corporate Center will manage the strategic aspects of our business that transcend individual markets



## C) Integrated business model

We are a vertically and horizontally integrated company



### ↑ Vertical integration (value chain)

- Operations along the entire value chain through optimization of shareholdings
- Effective risk management by means an integrated business model

### ↔ Horizontal integration (power - gas)

- Integration of downstream operations
- Strategic gas procurement and risk management for both power and gas

### ↔ Regional markets

- Risk and asset optimization in related markets
- Organizational efficiency through advantages of scale

## **2. Planning for tomorrow: an eye on future markets**

- A) New markets: Russia and Italy
- B) Criteria for acquisitions
- C) Investment plan 2005-2007

## A) New markets: Russia and Italy

### Growth potential at power and gas

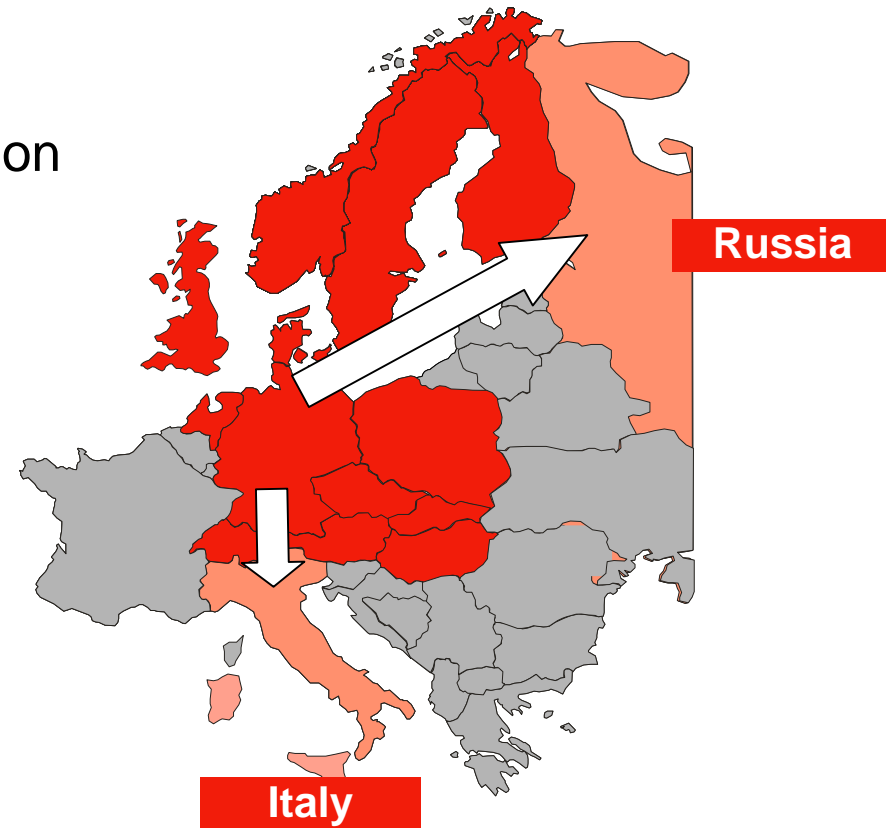
#### Russia:

Detailed evaluation of future cooperation in strategic projects dealing with :

- gas production in Russia
- gas transportation to Europe
- electricity generation in Russia

#### Italy:

- construction of two gas-fired power plants fueled with natural gas
- doubling our share of Italy's gas end-customer market to 10 percent



## B) Acquisition targets must meet stringent criteria

### Strategic Criteria

- Market attractiveness  
(returns, growth, regulation, country risk)
- Target attractiveness  
(asset quality, market position, management quality)
- Value creation potential  
(cost reduction, integration benefits, transfer of best practice)

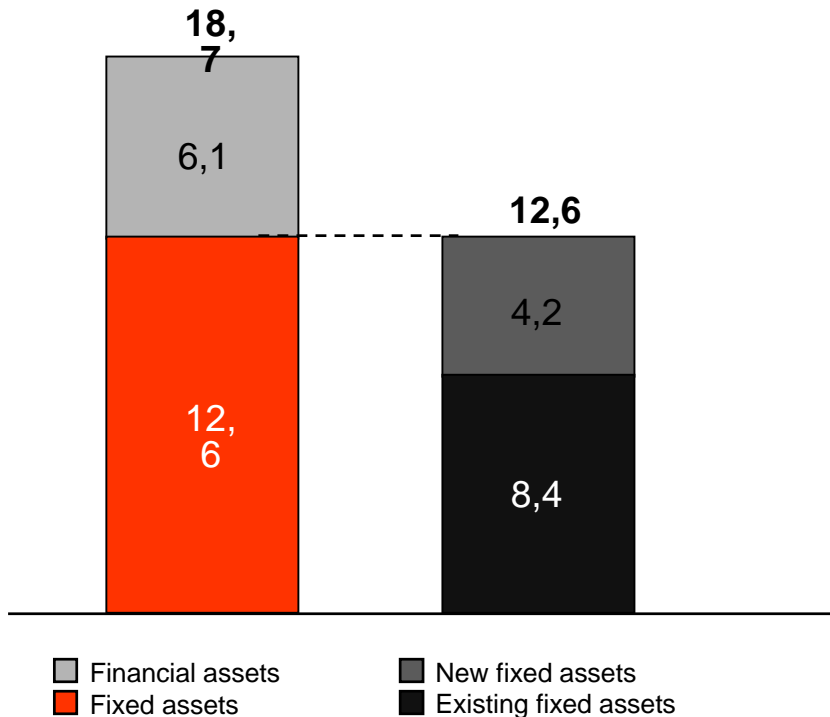
### Financial Criteria

- Earnings enhancing in the first full year after acquisition.
- Returns exceeding cost of capital three years after acquisition in general.

## C) Investment plan 2005-2007

### Targeted investments in the future

#### Investments (bio. €)



#### Key investment areas

##### Financial Assets:

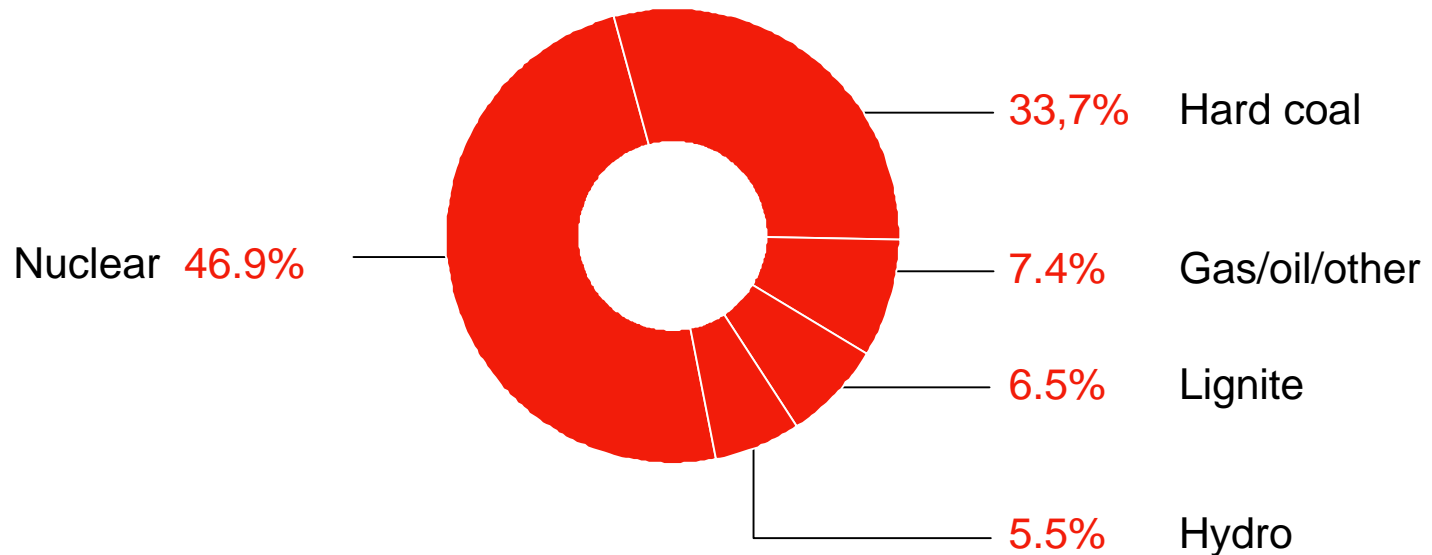
- increasing E.ON's interests in existing shareholdings in its target markets
- enlarging its shareholdings in natural gas production in order to further enhance security of supply

##### Fixed Assets:

- modernizing and maintaining power and gas networks
- building environmentally friendly power generating facilities

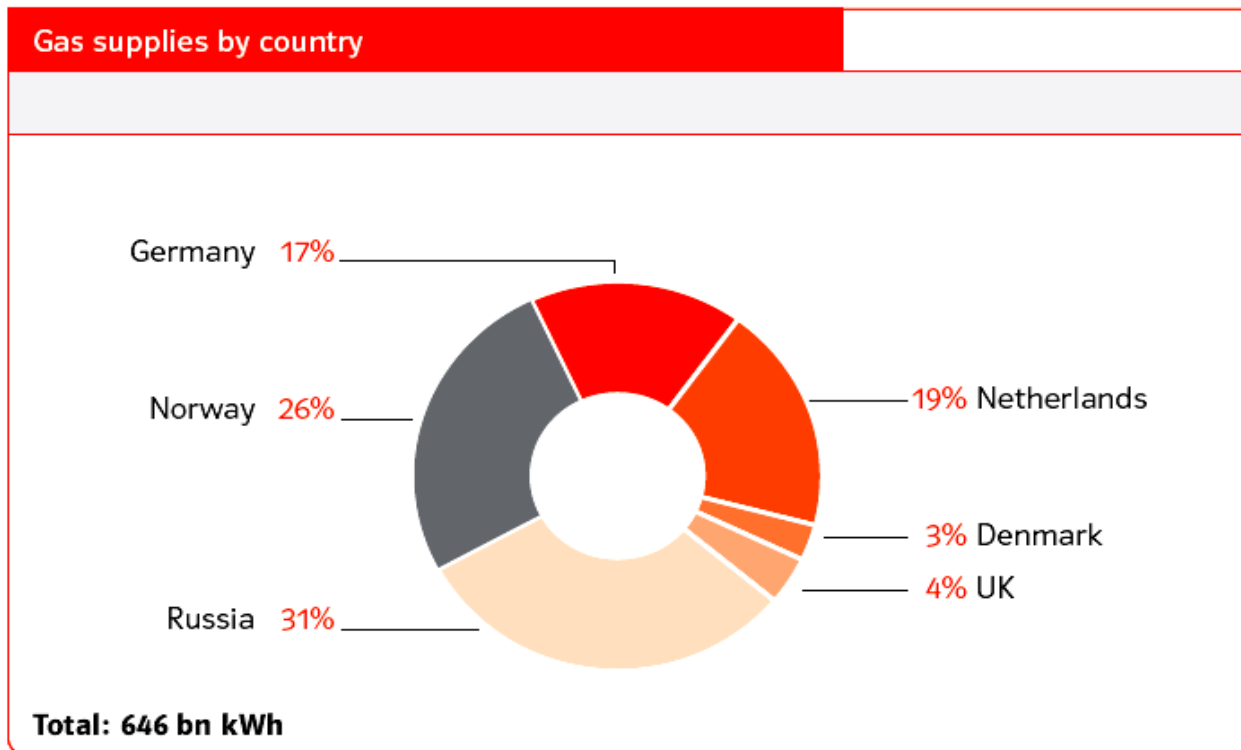
# E.ON Energie - Power Generation by Energy Source<sup>1</sup>

**131 billion kWh**  
(proprietary generation)



<sup>1</sup> According to the 2004 financial statements

# E.ON Ruhrgas - 2004 Purchasing Structure



## Gas to Power – Major political uncertainties

- Emissions Trading
- Nuclear phase-out
- Promotion of alternative fuels (RES)
- Taxation