



Communication package #3

PerformtoWin:

Functional empowerment in
Generation

Dusseldorf, April 23, 2009, Project team

Contents

- **Functional fleet management**
 - NBU and EEN: Steps to a new setup
 - Change management
 - Lighthouse Generation: Mission and structure of the project

E.ON generation business with untapped potential

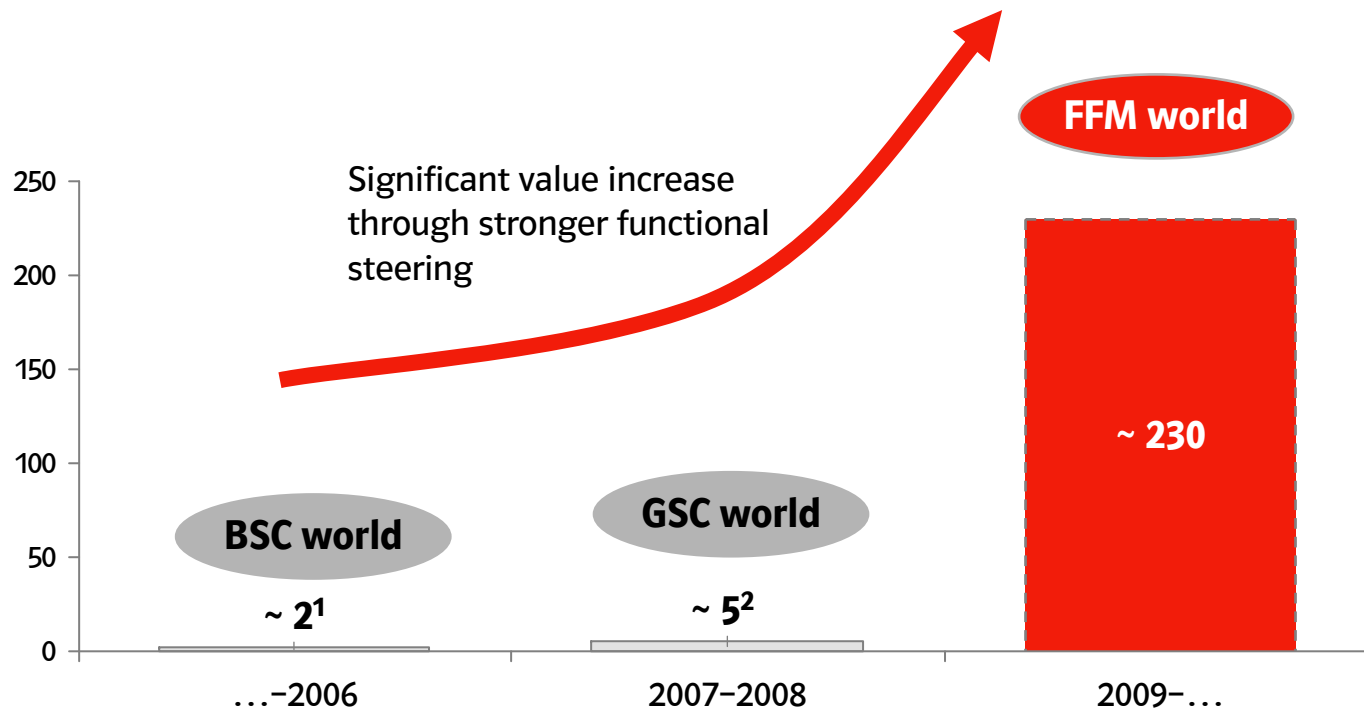
Our biggest value source...

- 320 TWh
- 19,000 employees
- € 5.3 bn EBIT from Generation
- € 1.5 bn for maintenance & refurbishment investment
- € ~1 bn for running maintenance (tbc)

... shows distinct improvement need

-  **Advantages from fleet not realized**
 - Consensus driven decisions
 - No clear accountabilities for fleet targets
-  **CoC lacks impact beyond transparency**
 - Detached from local asset mgmt.
 - No cross MU management support
 - Little/slow implementation
-  **Vague functional reporting lines**
 - No dedicated heads of committees
 - Reporting via MU participants

Functional empowerment in generation is the next step of change for value creation



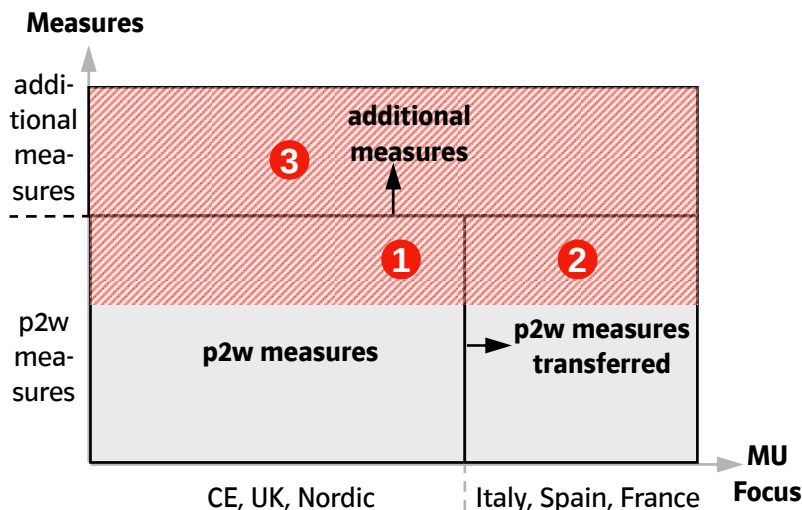
¹ €0.75m cost reduction SCR catalyst procurement (fossil) & €1m cost saving in-house waste management (nuclear)

² €2.7m SCR catalyst management on existing fleet & €2m assumed annual savings from New Build Units SCR catalyst procurement ³ per year

Source: ¹ BSC chairman presentation Nov 2005 and Vorstandsvorlage 5.12.06 from Oliver Kasper ² GSC presentation 17.02.2009

Three blocks of potential from functional empowerment

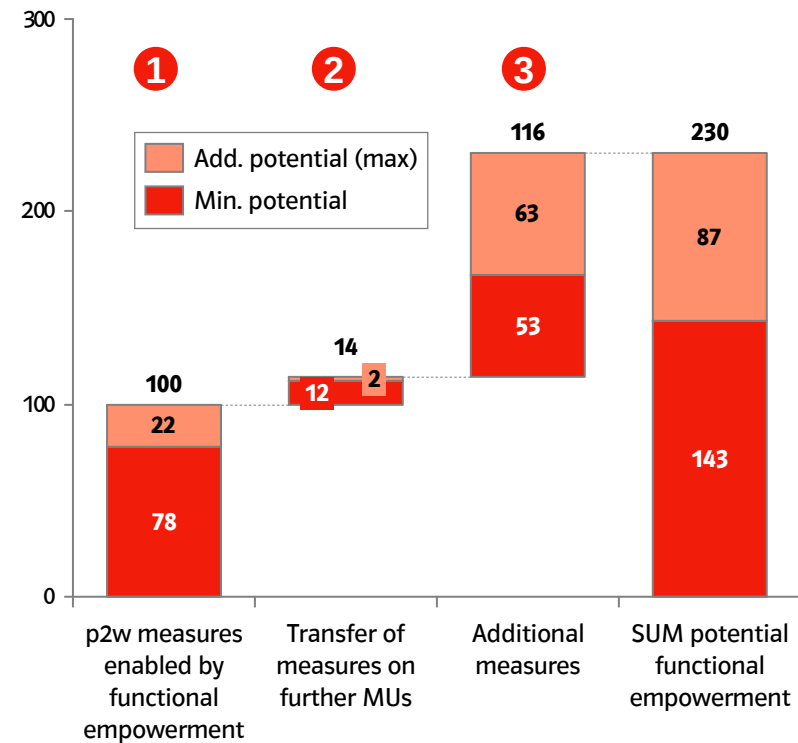
Logic of potentials due to functional empowerment Generation



- 1** Functional empowerment is partially prerequisite for identified p2w measures
- 2** Identified measures can be assigned to MUs which were not in focus in p2w phase I
- 3** Additional potential due to functional empowerment across all relevant MUs

Value generation by functional empowerment (Min and Max)

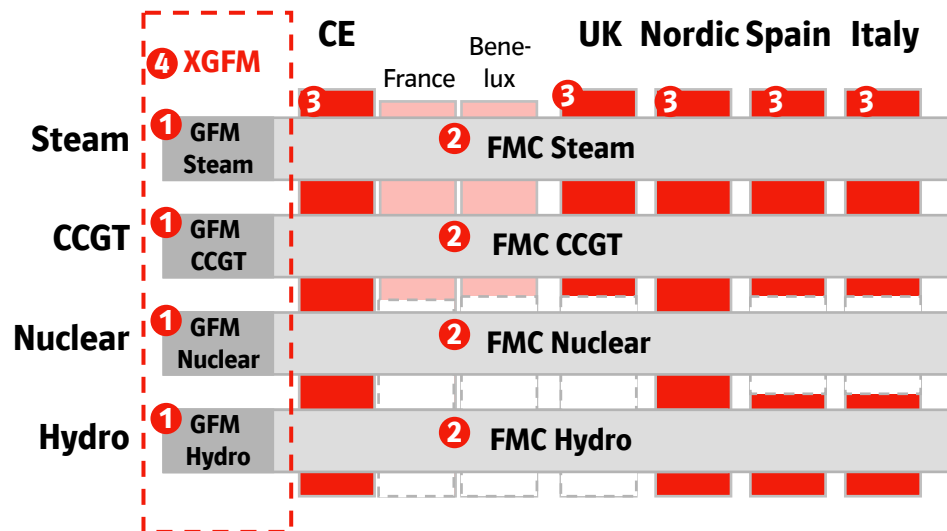
Value generation (Mio. €)



Potential blocks

Roles of key functions in functional fleet management

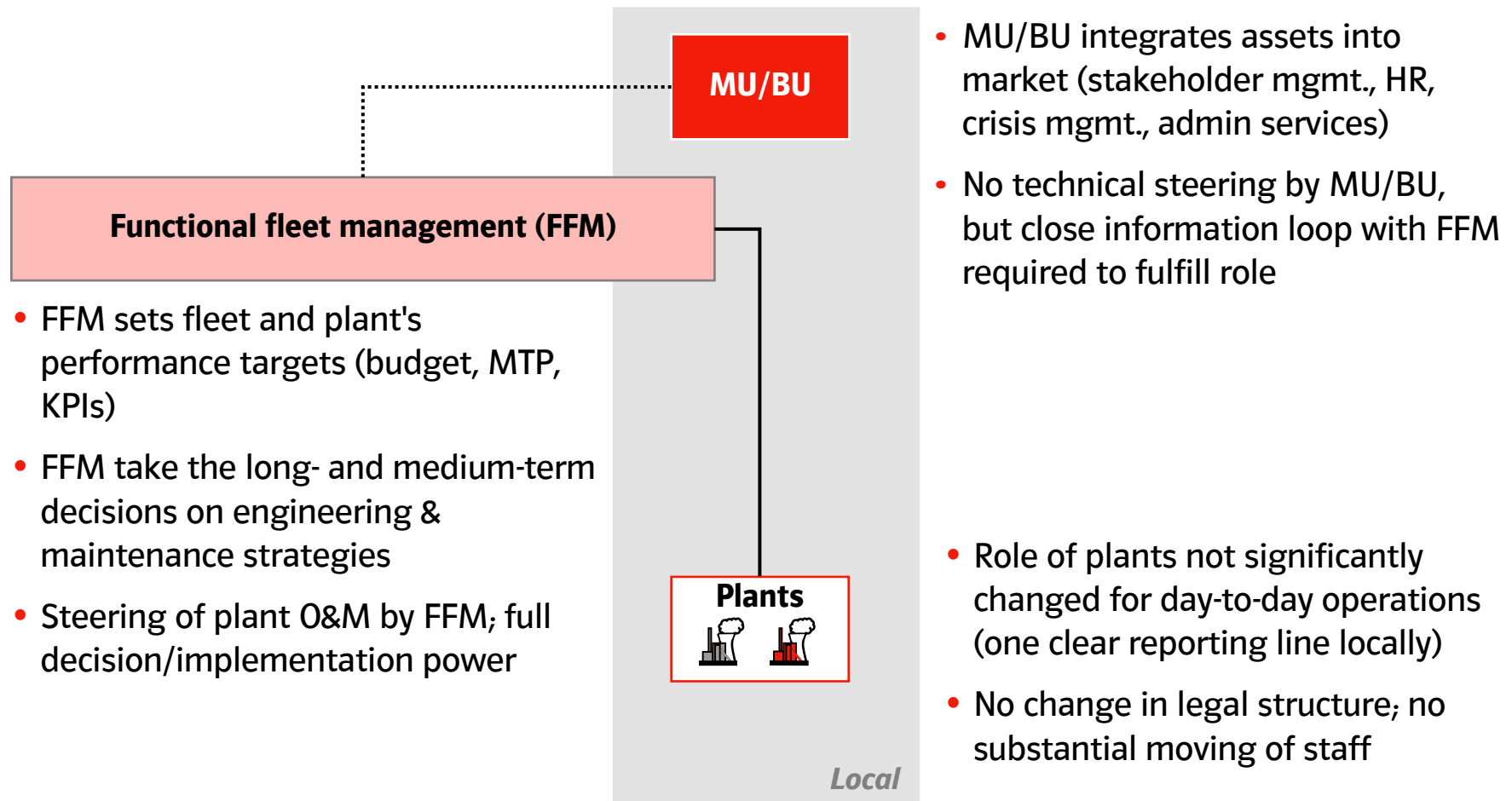
Basic structure new Functional Fleet Management



Basic roles

- 1 GFM: Accountable for the success of a technology-specific fleet across MUs.
- 2 FMC: Responsible for the success of a technology fleet across MU and BU. Creating value added through increased cross MU synergies and continuous improvement within the technology.
- 3 MU/BU: Key role for securing operational success and development (e.g., Country specific guidance and service provision, stakeholder management and project development)
- 4 XGFM: Ensuring that cross technology synergies are achieved (e.g., common maintenance contracts and cross technology development of senior managers)

Clear role distinction between GFM and MU defined



Next steps for functional fleet management

Based on an approval of main directives from the ExCo, team will continue with phase II of concept detailing:

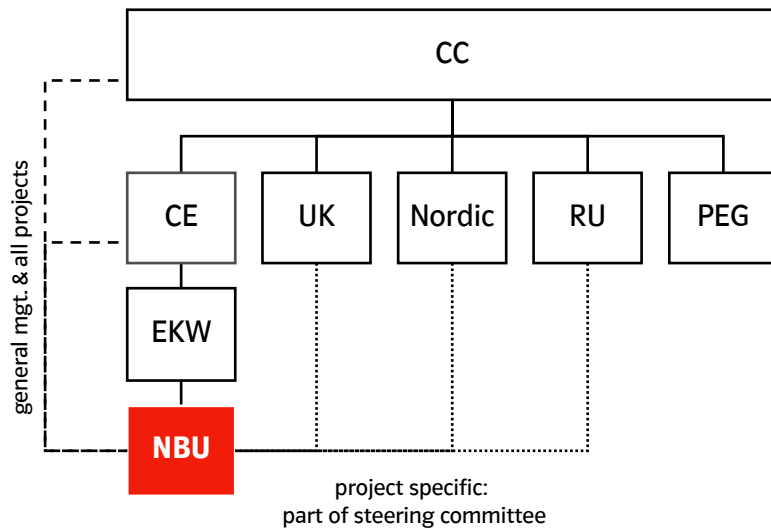
- Review each MU/BU against the functional blueprint to understand the speed and implementation path, identify potential risks and mitigation actions
- Define future interfaces between market units and GFM
- Engage with generation business around suggested changes to get feedback on issues/problems, and potential solutions
- Continue to build momentum for change, ongoing change mgmt. process
- Return to the ExCo with detailed results of implementation review for final detailing of functional empowerment structure, organization, value and implementation plans

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NBU: Further empowerment of NBU promises synergies across MUs and technology types

New build unit installed in europe.on



----- Functional report

Benefits through further empowerment

First experience gained:

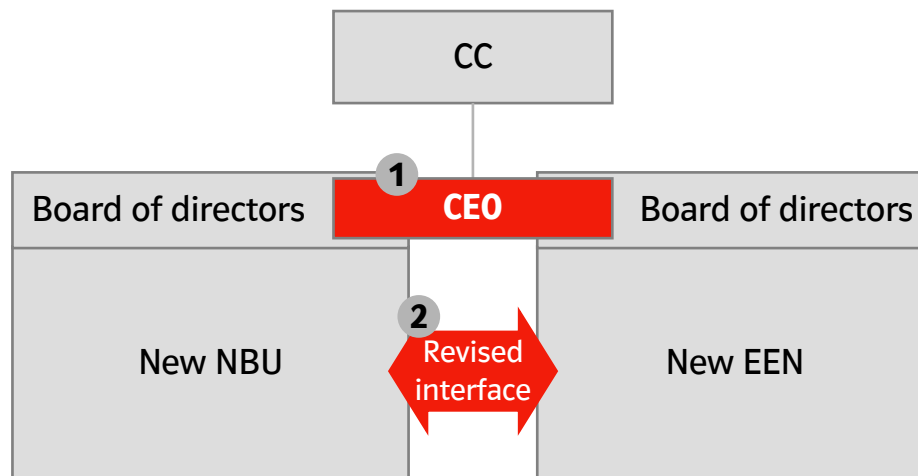
- NBU established as competent partner for fossil new build
- Successful knowledge transfer, based on operational experience of EKW

Further empowerment of NBU:

- Leverage synergies and utilize scale effects between project organizations across all MUs and technology types
- Foster even stronger cooperation with EEN to profit from operational view and expertise

Two major changes for NBU and EEN: Joint steering by CC and revised interface

Organizational setup



Description

- 1 Joint steering by CC by dedicated executive as CEO of both units (with operative responsibilities)
- 2 Revised interface between project management and engineering service
 - New NBU as flexible provider of new build project management services¹, with clear focus on owner's perspective, and potentially wider range of technologies
 - New EEN with clear focus as engineering service provider, ensuring synergies between engineering of new build, O&M support, and R&D

New new build unit: Integration of nuclear and large hydro new build activities planned

Function Project type		New build project- mgmt.	Engineering functions New Build Operations		R & D ¹
Generation	Fossil	Joint steering of NBU and EEN			Analysis post- poned ⁴
	Nuclear	Integration depending on status of projects ; implementation plan '09			
	Large hydro	Integration when large-scale project is to be realized			
	Offshore wind/ CSP	Analysis ongoing			
Gas	Large-scale projects (e.g. LNG)	Analysis postponed ⁴			
Generation	Waste	No integration			
	CHP ³	Analysis ongoing			
	Small hydro/ Onshore wind	No integration			

Level of relevance for new NBU:

-  High immediate potential to profit from synergies by integration in new NBU
-  High potential to profit from synergies on medium time-scale
-  Expected synergies smaller than disadvantages

1. No new-build project development 2. Mainly Offshore wind parks – early discussion with ECR needed
3. Heat production leading 4. Assessment starts in next project phase

Next steps for NBU/EEN setup

- Based on an approval of main directives from the ExCo, team will continue with phase II of concept detailing:
- Detail revision of interface NBU/EEN and discuss with managing directors of NBU/EEN
- Define measure for internationalization of new NBU
- Analyze integration time lines for other technologies (nuclear, offshore wind/CSP, large hydro)
- Present new NBU concept to important stakeholders in MUs
- Return to the ExCo with detailed results of structure, organization, value and implementation plans

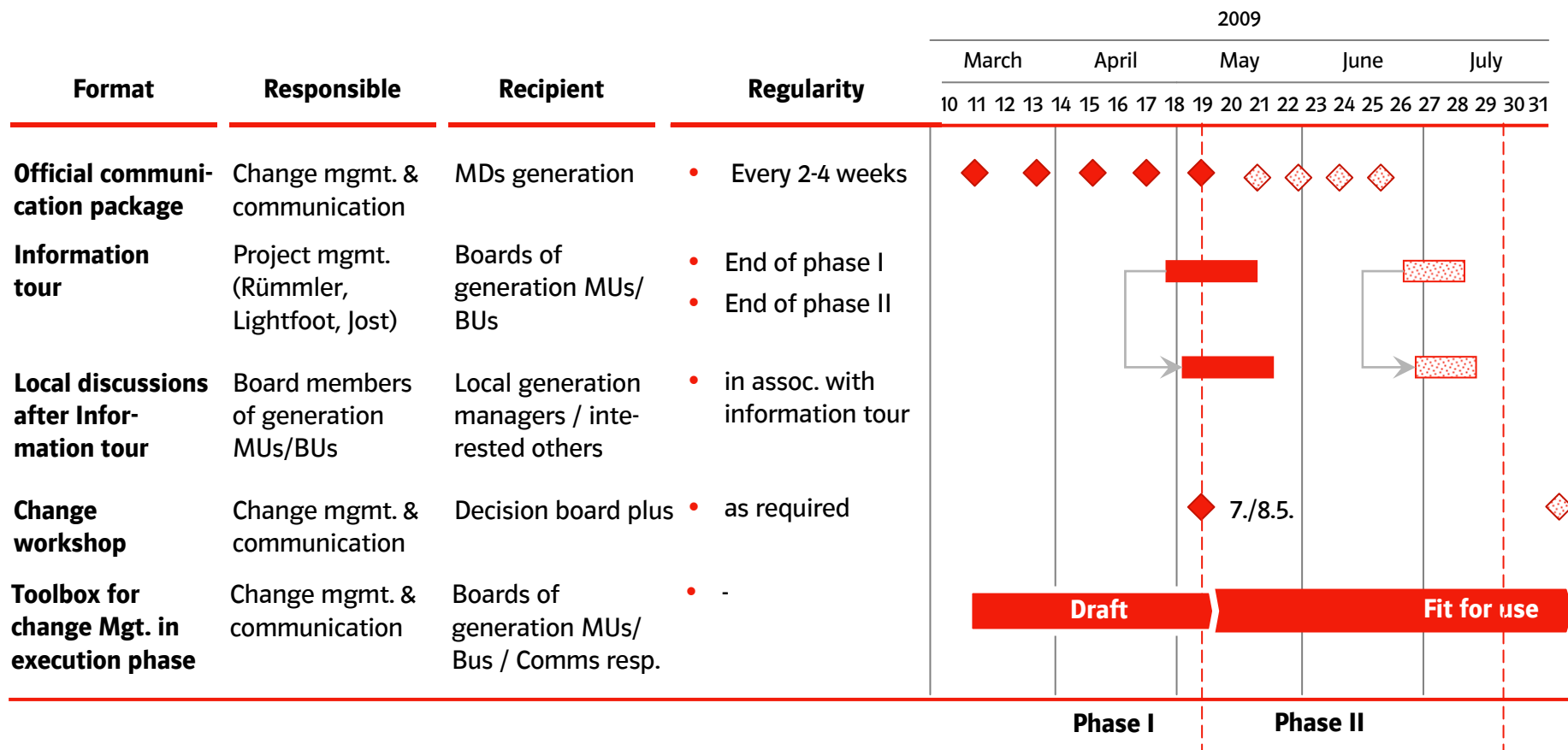
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Functional empowerment Generation: Managing the change

- Interviews with most impacted MDs (8) before project start
- First communication package distributed March 10
- Second communication package distributed March 25
- More than 30 individual talks with managers of companies in the scope of the generation project
- Third communication package distributed April 23
- Change workshop "Leading generation" May 7 and 8 (invitation to leading generation managers in the whole group - no participant without individual discussion with project lead before workshop)

Change Management: Communication plan*



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In January, E.ON AG Board decided validation of functional empowerment within dedicated project team

Adjustment of generation organization recommended, yet a full functional organization seems currently not to be the appropriate step

- Strengthen of management structures and extension of decision power in functional dimension of matrix currently are most appropriate
- Stringent central management of NBU by CC to be tackled, interface to EEN to be reviewed

Structural changes need further detailing and assessment along three core questions

- How to allocate tasks to functional- and MU-dimension (e.g. capex allocation)?
- How to organize the functional dimension accordingly (e.g. fleet management center)?
- What are the organizational and reporting-model for the NBU?

E.ON board agrees to a project group for validating the empowerment and NBU/EEN

- Project group will be lead by Mr. Rümmler
- Project group will include members from MUs
- p2w supports project group in further analysis



Project organization and roles in concept phase

