Contents

1 Objectives and Background

The objective of this Group Guideline is to establish a standardized procedure and criteria to evaluate investments and divestments. In doing so, it ensures that the same and recognized principles are observed for the assessment of all investments and divestments and secures the optimal application of resources. It also reflects features that are specific to individual companies.

Additionally, the Group Guideline applies to the cooperation between E.ON Energie AG, its Business Units and the Corporate Center of E.ON AG in the conduct of investment projects. It defines the reporting lines and describes the internal information and approval processes.

A detailed and binding description of the procedure and criteria to evaluate investments and divestments as well as the approval process are set out in the current version of the E.ON Energie AG Planning & Controlling Manual. The Manual is issued by EA-CKE and is available via intranet.

2 Scope

This Group Guideline applies to E.ON Energie AG and the domestic and foreign companies included in the consolidation group of E.ON Energie AG. The Group Guideline also serves as a recommendation for the formulation of the companies' internal regulations.

3 Definitions

For the purpose of this Group Guideline, projects are defined as follows:

Investment in fixed assets/ Divestments:	Investments which include the acquisition, production, rental or leasing of tangible fixed assets and intangible assets. Exploration projects (expenditure for the extraction of raw materials) and

development projects (development of real estate projects for subsequent resale) are included as investments in fixed assets.

Other cash payments for investment purposes, which are part of the operating business (e.g., shareholder loans, silent partnership investments).

By analogy to the definition of investments, divestments are defined as the disposal of intangible assets, fixed assets or equity holdings.

M&A projects: Acquisitions and divestments of companies or stakes in companies (other than financial assets), irrespective of whether it is a participation purchase agreement/ share purchase agreement, that is, the purchase/ sale of individual assets, a transaction via or off the public capital market or a private transaction;

Creation and dissolution of joint ventures with the exception of joint ventures clearly only driven by operational criteria, e.g. generation joint ventures;

Capital increases in affiliated and associated companies, as well as contributions, mergers, and share swaps.

Within the context of projects undertaken in accordance with the present guidelines, a variable purchase price may be agreed in the form of put or call options.

In the case of a put option, the seller of the investment object acquires the right, but not the obligation, to sell further shares in the investment object at predefined terms either during or at the end of the period.

In the case of a call option, the buyer of the investment object acquires the right, but not the obligation, to acquire further shares in the investment object at predefined terms either during or at the end of the period.

4 Approval requirements

A project requires approval when the transaction volume (overall project or sum total of sub-projects) exceeds the limit established in the internal regulations of the company or the corresponding internal regulations of the Management Board, Management Committee or Supervisory Board, or is established by agreement between the corresponding parent company (E.ON AG/E.ON Energie AG) and the subsidiary. In case of doubt, EA-ZK of E.ON Energie AG should be consulted to clarify what, if any, approval requirements must be met. The transaction volume is defined in the E.ON Energie AG Planning & Controlling Manual.

4.1 Appraisal method

The Planning & Controlling Manual contains exact descriptions of the appraisal method as well as the criteria for evaluation of the economics of the project. These descriptions are binding for all investments and divestments.

4.2 Projects of E.ON Energie AG

4.2.1 Projects in conjunction with put/call options

Projects in conjunction with which put/call options are agreed require the approval of the full Board of Management of E.ON Energie AG, irrespective of the size of the project. To this end, a formless appraisal of the potential risks arising from the respective option must first be created in collaboration with EA-CK, whereby the possibilities for limiting risk by concluding hedges should be discussed in particular. The principles set forth in sections 4.2.2 through 4.2.7 are not affected by this.

4.2.2 Projects over €10 million

Projects with a transaction volume exceeding a threshold value of €10 million must be coordinated with that member of the E.ON Energie AG Board of Management who holds functional authority for the project in question.

4.2.3 Projects over €25 million

Projects with a transaction volume exceeding a threshold value of €25 million must be coordinated with that member of the E.ON Energie AG Board of Management who holds functional authority for the project in question. This board member will report on the progress of the project to the full Board of Management on a regular basis. Furthermore, the Corporate Controlling Department of E.ON AG (O/CP) must be informed about the project as well.

4.2.4 Projects higher than Threshold 1

Threshold 1 is established through regular consultations between E.ON AG and E.ON Energie AG. It is currently €50 million.

Projects with a transaction volume exceeding Threshold 1 require the approval of the full Board of Management of E.ON Energie AG.

Furthermore, the so-called Gate 1 and Gate 2 approvals must be obtained from E.ON AG. This refers to a two-stage approval process, to ensure the early involvement of E.ON AG, see also E.ON Energie AG Planning & Controlling Manual.

Gate 1:

To obtain a Gate 1 approval, a brief, informal description of the proposed investment (e.g., written request for approval or presentation) must be submitted to the Corporate Center of E.ON AG, in the case of investments in property, plant and equipment, to the Corporate Controlling Department (O/CP), for equity investments to Mergers & Acquisitions Department (M/MA). The written request for approval should also describe the strategic relevance of the proposed project within the framework of the E.ON Group strategy, and must be coordinated with the E.ON Energie department that is responsible for the project in question. It should also contain a preliminary financial assessment of the transaction, the structure of the transaction and the proposed project organization (see also Appendix “Gate 1 information M&A projects” under 7.) . By way of exception, Gate 1 approval is not required for pure maintenance investments. The gate 1-clearance has to be obtained before the engagement of external advisors for detailed project planning.

Gate 1 approvals are granted jointly by the Corporate Center departments of Mergers & Acquisitions (M/MA), Corporate Development (M/CD) and Corporate Planning/Controlling (O/CP) and one of the departments Upstream/Generation (O/UG), Infrastructure Management (O/IM) or Marketing & Sales (O/MK), together known as the “Clearance Committee”. For M&A-projects Corporate Center M&A (M/MA) will determine the responsibility for the project management (see 4.4. below)
E.ON Energie AG will be informed immediately of the decision by the Clearance Committee.

Gate 2:
For Gate 2 approvals, E.ON Energie AG will draw up a two-part project proposal containing a purely descriptive section and a section devoted to analysis and evaluation. The project proposal must contain all the basic information required for a decision, including a description and justification of the project, information on the strategic background, information concerning legal, tax and economic ramifications and an assessment of the profitability of the project and its impact on the company’s profitability. Above all, the investment proposal must describe the opportunities and threats associated with the project. The scope of the project proposal depends on the significance of the project for E.ON Energie AG (in terms of the transaction volume and strategic importance). Before submitting the project proposal to E.ON AG, the project should be discussed again by the full Board of Management of E.ON Energie AG.

The Gate 2 clearance is issued by the E.ON Management Board. As in the case of Gate 1, the Gate 2 project presentation for equity investments is forwarded to the Mergers & Acquisitions Department and in the case of investments in property, plant and equipment, it is forwarded to Corporate Controlling Department.

In connection with the Gate 2 approval, the project manager should obtain and keep on file the Gate 2 documentation of E.ON AG (including, in particular, the draft Board of Management proposal and an excerpt of the meeting minutes of the E.ON AG Board of Management).

A detailed description of the required contents of project proposals can be found in the current version of the Planning and Controlling Manual of E.ON Energie AG.

4.2.5 Projects over €75 million

Projects with a transaction volume exceeding the threshold value of €75 million require, in addition to the approvals described under Section 4.2.4 above, also the approval of the Supervisory Board of E.ON Energie AG. This approval must be obtained after the Gate 2 approval is granted, in a process of in-depth consultation with EA-ZK of E.ON Energie AG.

4.2.6 Projects over Threshold 2

Threshold 2 represents 1% of the equity capital of E.ON AG according to the most recent published consolidated financial statements of E.ON AG. Currently, it amounts to €494 million. The threshold value in effect at any given time can be found in the current version of the Planning and Controlling Manual of E.ON Energie AG.

Projects with a transaction volume exceeding Threshold 2 require, in addition to the approvals described under Section 4.2.5 above, also the approval of the Finance and Investment Committee of E.ON AG. This approval must be obtained after the Gate 2 approval is granted and before the approval of the Supervisory Board of E.ON Energie AG is obtained.

4.2.7 Projects over Threshold 3

Threshold 3 represents 2.5% of the equity capital of E.ON AG according to the most recent published consolidated financial statements of E.ON AG. Currently, it amounts to €1,234 million. The threshold value in effect at any given time can be found in the current version of the Planning and Controlling Manual of E.ON Energie AG.

Projects with a transaction volume exceeding Threshold 3 require, in addition to the approvals described under Section 4.2.5 above, also the approval of the Supervisory Board of E.ON AG. This approval is obtained after the Gate 2 approval is granted and before the approval of the Supervisory Board of E.ON Energie AG is obtained.

4.3 Projects of the Business Units of the E.ON Energie Group

The need to obtain Supervisory Board approval for investment projects of the Business Units is determined by the threshold values established in the respective internal regulations of the company or the respective internal regulations of the Management Board, Management Committee or Supervisory Board.

Independently of the foregoing, projects of the Business Units must meet the following reporting and approval requirements before they can be resolved by the Supervisory Board of the Business Unit in question:

4.3.1 Projects in conjunction with put/call options

Projects in conjunction with which put/call options are agreed require the approval of the full Board of Management of E.ON Energie AG, irrespective of the size of the project. To this end, a formless appraisal of the potential risks arising from the respective option must first be created in collaboration with EA-CK, whereby the possibilities for limiting risk by concluding hedges should be discussed in particular. The principles set forth in sections 4.3.2 through 4.3.8 are not affected by this.

4.3.2 Projects over €10 million

Projects with a transaction volume exceeding a threshold value of €10 million must be coordinated with the Supervisory Board Chairman of the Business Unit in question.

4.3.3 Projects over €25 million

Projects with a transaction volume exceeding a threshold value of €25 million require the approval of the full Board of Management of E.ON Energie AG. Furthermore, the C/CP department of E.ON AG must be informed of such projects. The project proposal and information for the full Board of Management of E.ON Energie AG and for the C/CP department of E.ON AG must be coordinated with the E.ON Energie department that is responsible for the project in question.

4.3.4 Projects over Threshold 1

Projects with a transaction volume exceeding Threshold 1 (see Section 4.2.4 above) require, in addition to the approval described under Section 4.3.3 above, also the Gate 1 and Gate 2 approvals by the Board of Management of E.ON AG. The requirements stated under Section 4.2.4 apply accordingly.

4.3.5 Projects over €75 million

The Management Board of E.ON Energie AG must shortly inform the Vice Chairman of the Supervisory Board of E.ON Energie AG of any projects exceeding the threshold value of €75 million and must inform the total Supervisory Board in the next Supervisory Board meeting. EA-ZK of E.ON Energie AG will take all the necessary steps to this end.

4.3.6 Projects over Threshold 2

Projects with a transaction value exceeding Threshold 2 (see Section 4.2.6 above) require, in addition to the approvals described under Section 4.3.4 above, also the approvals of the Finance and Investment Committee of E.ON AG and the Supervisory Board of E.ON Energie AG, if a member of the Supervisory Board of E.ON Energie AG demands a resolution by the Supervisory Board of E.ON Energie AG. This is assumed to be the normal case whenever Threshold 2 is exceeded.

4.3.7 Projects over Threshold 3

Projects with a transaction value exceeding Threshold 3 (see Section 4.2.7 above) require, in addition to the approvals described under Section 4.3.4 above, also the approvals of the Supervisory Board of E.ON AG and the Supervisory Board of E.ON Energie AG, if a member of the Supervisory Board of E.ON Energie AG demands a resolution by the Supervisory Board of E.ON Energie AG. This is assumed to be the normal case whenever the Threshold 3 is exceeded.

4.3.8 Coordination and implementation steps for the adoption of a resolution by the Supervisory Board of E.ON Energie AG

The coordination and consultations to the end of determining whether a resolution by the Supervisory Board of E.ON Energie AG is required for the projects of the Business Units are conducted in advance by EA-ZK of E.ON Energie AG. Due to the considerable lead time required to bring about Supervisory Board resolutions, the Management Board department should be consulted at the earliest possible time, but no later than four weeks before the anticipated Gate 2 approval, regarding all projects that exceed Threshold 2.

If a resolution by the Supervisory Board of E.ON Energie AG is required, the Business Unit will draw up a project proposal to serve as a decision-making basis. The project proposal for the Supervisory Board of E.ON Energie AG must contain all the information needed to evaluate the project and reach a decision. In particular, it will contain a description and justification of the project, with information on the strategic background and on the legal, tax and economic ramifications of the project, as well as an assessment of the profitability of the project and its impact on the company's profitability, and an evaluation of the associated risks. The scope of such a proposal will depend on the significance of the proposal for the E.ON Energie Group (in terms of the transaction value and strategic importance). The requirements for project proposals in the Gate 1 and Gate 2 approval process that are contained in the Planning and Control Manual apply accordingly. Projects of a similar nature can be covered by a single project proposal.

4.4 M&A processes

Responsibility for M&A project management

Corporate Center M&A (M/MA) has got the overall responsibility for all M&A-projects of the E.ON group, regardless of the transaction value and the relevance of the project to the E.ON group. In a regular, monthly Jour Fixe of Corporate Center M&A (M/MA) and EA-U Department of E.ON Energie AG all M&A-projects are reported. This also includes projects which are below the Threshold or such which only are at a preliminary stage, in order to assure the early involvement of Corporate Center M&A (M/MA) as well as, in cases of projects initialized by Corporate Center M&A (M/MA), the early involvement of EA-U Department of

E.ON Energie AG. Corporate Center M&A (M/MA) is responsible for the organization of the Jour Fixe. The attached charts (see appendix 2: “Template M&A Jour Fixe”) provide a basis for the project presentation.

All M&A-projects with a transaction value below the specific Threshold are carried out with the sole project management of E.ON Energie AG reporting directly to the Corporate Center. E.ON Energie AG informs Corporate Center M&A (M/MA) regularly about the current status of these projects. For all projects with an overall transaction value exceeding the Threshold Corporate Center M&A (M/MA) will decide on the project management responsibility within the scope of the Gate 1 process. Resources for the projects will be determined together with EA-U Department of E.ON Energie AG as part of the Gate 1 approval process. In case of project management by E.ON Energie AG a continuous reporting to Corporate Center M&A (M/MA) is to be carried out.

In case of project management by Corporate Center M&A (M/MA) the corresponding M&A experts of E.ON Energie AG are included in the project management. In order to adjust and implement the respective project-cooperation and to integrate E.ON Energie AG into the project organization, E.ON Energie AG will nominate a responsible contact person. This will assure that E.ON Energie AG are kept informed about the current status of the projects. For those specific projects a dotted line will be created between Corporate Center M&A (M/MA) and E.ON Energie AG.

5 Post Completion Audits

Post-Completion Audits (PCA) are conducted of individual investments that require approval whenever one of the following criteria is met:

- The project was approved by the Finance and Investment Committee or the E.ON Supervisory Board; or
- Larger deviations from the original budgets are noted in the project; a significant deviation is defined as when the Adjusted EBIT varies from the budget figure by more than 10% over a three-year period; or
- Significant deviations from the original valuation assumptions arise prior to the commissioning of an item of plant and equipment, which all together amount to a value change of more than 10%, or
- A PCA would have been agreed for certain projects when they were approved.

The PCA is handled by the unit that was or is operationally responsible for executing the investment, that being the executing Business Unit or even E.ON Energie AG itself. The PCA is submitted to the Controlling Department of E.ON Energie AG.

In the event of an impairment, a PCA must always be conducted without exception. Otherwise, a PCA will usually be conducted whenever one of the above-mentioned criteria is met three years after completion of the project, such as

- Three years after the acquisition of a company, power plant, etc.,
- Up to no later than three years after the construction and commissioning of a power plant.

As part of the end-of-fiscal year meetings, E.ON Energie AG will determine, in coordination with the Business Units, for which projects the Business Units will conduct a PCA dur-ing the course of the year, to be submitted to E.ON Energie AG in the course of the following year.

E.ON Energie AG itself will submit a PCA to E.ON AG, at the latter’s request.

The principles of the appraisal method described in Chapter 4.1 apply to the subsequent profitability analysis of capital expenditures. The Planning & Controlling Manual contains exact descriptions of the appraisal method as well as the criteria for evaluation of the economics that has to applied for a PCA.

The scope of a Post-Completion Audit comprises:

1) A comparison of the planned and realized acquisition expenditures, as well as the ongoing cash inflows and outflows;
2) The subsequent profitability analysis on the basis of the cash flows effected to date and the cash flow projects of the up-dated plan data;
3) As in the case of the investment decision, the effects on selected financial key indicators of the E.ON Energie Group (e.g., Adjusted EBIT, ROCE, Operating Cash Flow, Free Cash Flow), along with a comparison of the original plan at the time of the investment and the actually realized results or the current plan;
4) A deviation analysis related to the dynamic profitability assessment, the key indicators and the static performance measurement, including commentary on the deviations and the identification of the planned measures to achieve the original value or return expectations. In addition to quantitative indicators, qualitative information such as the implementation of the organizational restructuring, the development of profit margins and the integration success should also be included in the analysis;
5) Information as to whether the planned deadlines were met in the investment phase;
6) A summary of the learning effects/insights, which already have been or should be taken into consideration with regard to future investment projects ("lessons learned").
7) (APPENDIX) A comparison of the valuation assumptions at the time when the investment was approved and at the time when the PCA is being conducted. The assumptions and changes in assumptions should be presented in their entirety in an appendix to the PCA. Changes in assumptions could relate to tax rates, for example, or the valuation of non-current assets.

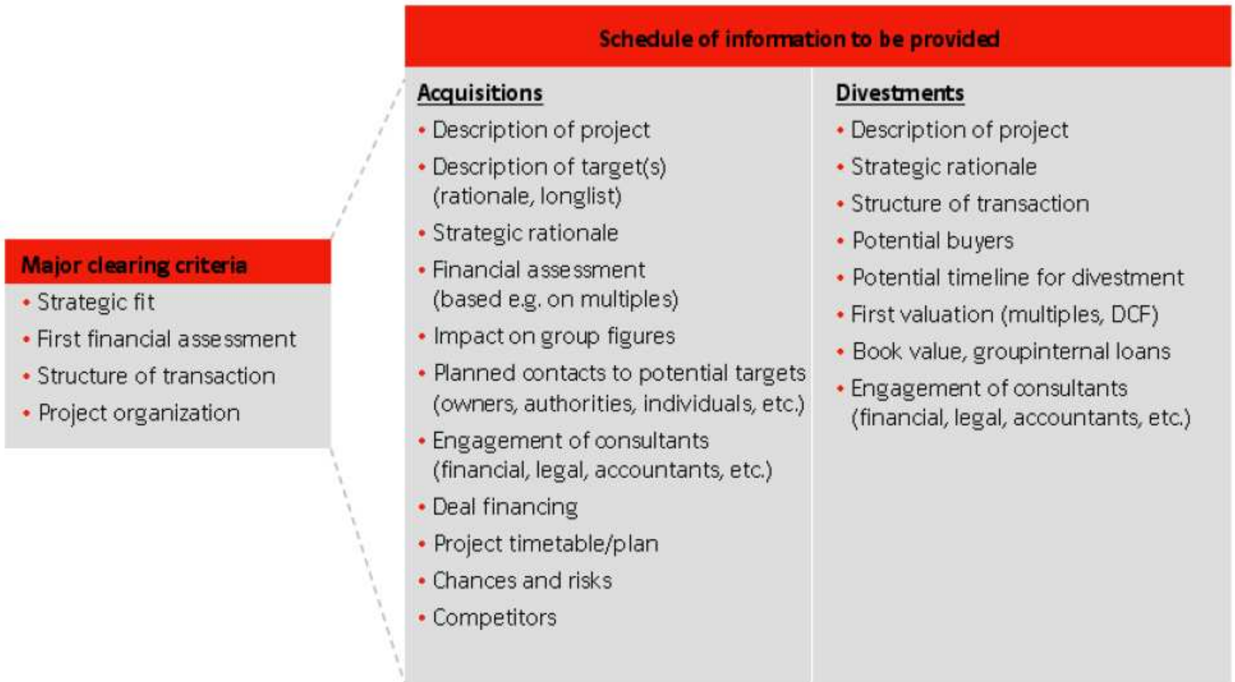
6 Effective date

This Group Guideline enters into effect on December 1, 2008 and supersedes the previous version dated March 20, 2007/3.

7 Appendices: Gate 1 information M&A projects and Template Jour Fixe M&A

The scope of information required for "Gate 1" depends on the individual project.

The approval is mainly based on four different criteria:



- Scope and level of detail are variable depending on the project
- Further information may also be required

Template Jour Fixe M&A (Microsoft Power Point)

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MU XXX: Project XXX

Scope and description of the project	XXX
Counterparty	XXX
Valuation/Pricing	XXX
Project lead	XXX
Advisors	• X • X
Budget/Costs	XXX

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MU XXX: Project XXX

Time table	• X • X • X • X
Status	• X • X • X
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