



Yearly Closing BU France – IFRS

Paris, February 2nd, 2009
EFR, Dr. Philipp Ulbrich

Agenda

1. Legal setup and tax qualification
2. P&L, Balance-Sheet, Cash Flow Statement BU France as of Dec 31th, 2008
3. Changes in result compared with FC 4
4. Material transactions booked in 2008
5. Statement of Auditors
 - Summary of unadjusted differences (SUD)
 - Summary of adjusted differences (SAD)
6. Impact of PPA
7. Outlook on 2009
 - Changes in economics – cutting in free EUA-free allocation
 - Changes in legal setup – acquisition of 35%

Backup: IFRS-Balance Sheet, IFRS-P&L, Provisions-grid

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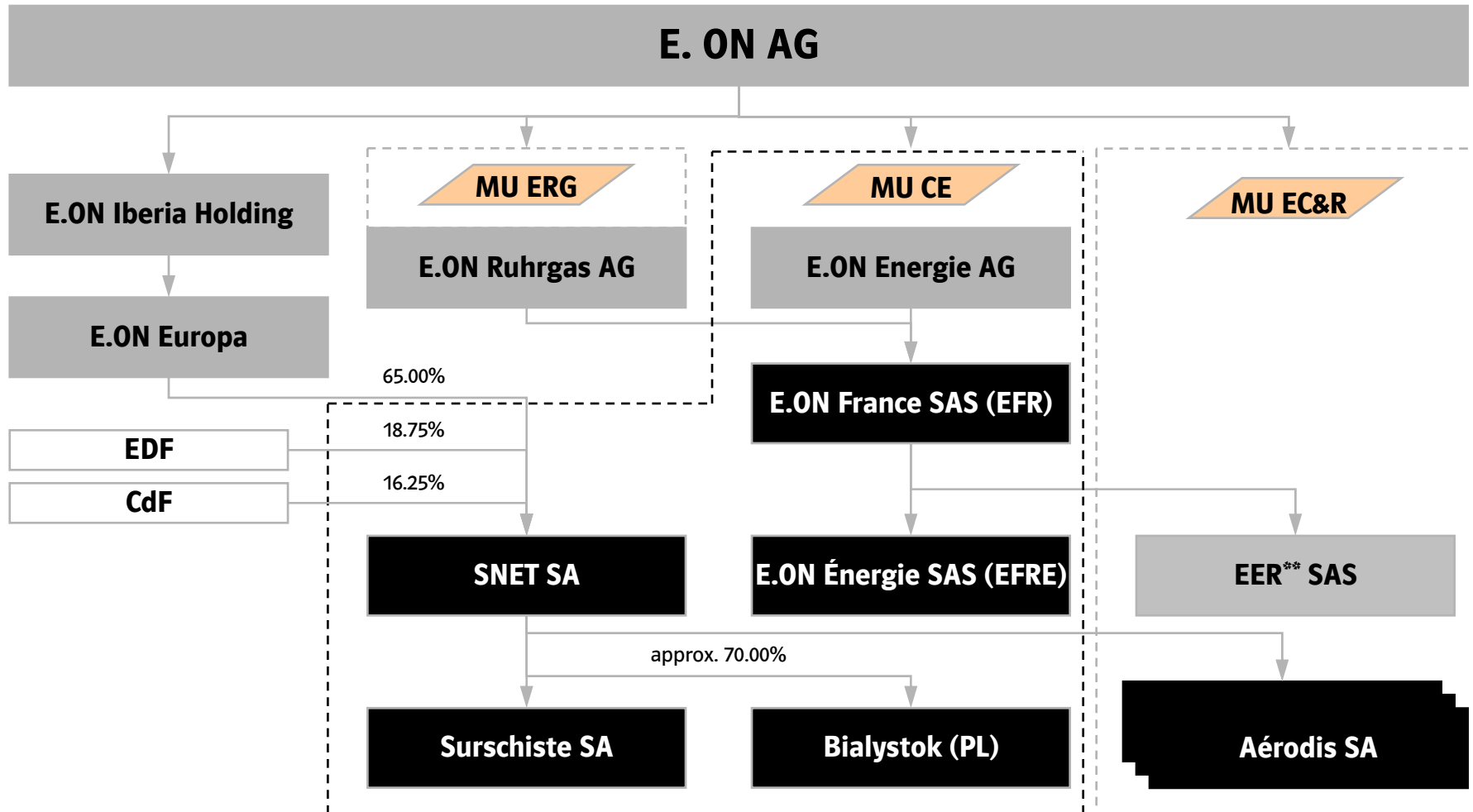
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Legal Setup of BU France as of December 31st, 2008*



*All participations not mentioned are 100,0 % / **EER = E.ON Énergie Renouvelables SAS

Notes on legal structure BU France with focus on accounting

- **E.ON Energie Renouveables SAS (EER)** will be consolidated via EC&R following the virtual reporting approach. This approach will also be followed for SNET's wind park-activities organized in **Aérodís SA and its participations**. In order to simplify the reporting and to cut costs for accounting and auditing all participations with a shareholding of 100.0 % will be merged into Aérodís.
- **Surschiste SA** might not be consolidated in the future due to the fact that it has to be considered as immaterial regarding E.ON's standards. The decision will be taken within the period foreseen to settle the PPA, i.e. one year after the acquisition. Actual figures for the MTP are
- **Soprolif SAS**, another 100.0 %-affiliate of SNET has been merged with SNET at the end of 2008 and therefore does not need to be consolidated separately anymore.
- The bookkeeping for **EFR and EFRE** is provided by EEA-CCR. ECR&CE has entered into talks with EEA-CCR as there is the wish to follow this model also for EER.

Notes on tax structure BU France

- Under the French tax law a tax grouping is only possible when the participation is at least 95.0 %. A tax grouping is only possible for taxes on earnings, not for VAT.
- Due to the fact that the participation in SNET has not yet been transferred to EFR and E.ON has acquired only 65.0% in SNET an all-inclusive tax-grouping is not possible so far.
- However
 - a **tax grouping** exists on the level of SNET comprehensing **SNET SA, Surschiste SA, Les Vents de Cernon SCS, Muzillac Énergies EURL, Ambon Énergies EuRL et Aérodis SA.**
 - another tax grouping is intended to be set up as of January 1st, 2009, including **EFR and EFRE.**

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BU France - P&L for 2008*

in € Mio.	SNET	EFR SAS	EFRE SAS	TOTAL
Sales net	739,2	0,0	347,6	1086,8
Cost of materials	-607,3	0,0	-327,8	-935,1
Gross margin	131,9	0,0	19,8	151,7
Own work capitalized	0,4	0,0	0,0	0,4
Personnel expenses	-38,5	-0,1	-1,0	-39,6
Depreciation / Amortisation	-49,8	0,0	-0,1	-49,9
Other operating income	7,5	0,0	0,0	7,5
Other operating expenses	-25,7	-0,3	-2,4	-28,4
Result from participations	2,9	0,0	0,0	2,9
EBIT	28,7	-0,4	16,2	44,6
Non-operating result	-94,5	0,0	0,0	-94,5
Financial Result	-1,0	0,5	-0,2	-0,8
Taxes on Income	37,0	0,0	-4,8	32,2
Net Result (incl. Minorities)	-29,9	0,1	11,3	-18,5
Interest of Minorities	-0,7	0,0	0,0	-0,7
Net Result (incl. Minorities)	-30,6	0,1	11,3	-19,2

*Including all data on posting levels 00 and 01 / all values in € Mio. if not stated otherwise.

BU France – Balance sheet as of December 31st, 2008*

assets	31.12.2008
intangible assets	111,1
goodwill	46,3
tangible assets	1229,7
financial assets	64,5
noncurrent assets	1451,6
inventories	167,3
receivables and other current assets	604,2
cash and cash equivalents	28,6
current assets	800,2
deferred taxes	0,9
Sum of assets	2252,7

liabilities	31.12.2008
nominal capital	579,0
capital reserve	67,5
retained earnings	277,7
other comprehensive income	-78,5
minority interests	33,0
equity	878,7
provisions for pensions and similar liab.	41,1
provisions for taxes	4,4
other provisions	238,2
provisions	283,7
financial liabilities	335,0
operating liabilities	718,0
debt	1053,0
deferred taxes	37,2
Sum of liabilities	2252,7

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BU France – Cash Flow statement for 2008*

in € Mio.		TOTAL
Net Result including non operating result	with minorities	-19,3
minority interest in result		0,7
Net Result including non operating result	w/o minorities	-18,5
Depreciations		49,9
Changes in Provisions		168,2
Changes in Inventories		-57,2
Changes in deferred taxes		-10,2
Changes in receivables		-97,4
Changes in liabilities		-163,9
Other corrections		-2,9
Cash Flow from operating activities		-132,0
cash inflows from disposals		5,1
investments in tangible and intangible assets		-147,1
changes in financial assets		-6,6
Cash Flow from investing activities		-148,6
payment of dividends and other changes in equity		0,2
extension of borrowings		256,7
repayments		-21,7
Cash Flow from financing activities		235,2
Sum of Cash Flows		-45,4
Cash & Cash Equivalents at the beginning of the year		95,5
Cash & Cash Equivalents at the end of the year		50,0

Comments

BU France shows a negative operating cash flow of **-132 Mio.€**. This is due to several reasons:

- Rise in the stock, i.e. coal, in France and in Poland explaining - **58 Mio.€**.
- CRE, the French power tariffs regulator announced in late November that part of the compensation for Q3 is not paid. Impact on BU France (SNET and EFRE) is approx. **-39 Mio.€**.
- SNET had to answer margin calls from Powernext due to the rising mtm of its power short position of approx. **-35 Mio.€** in November and December 2008.

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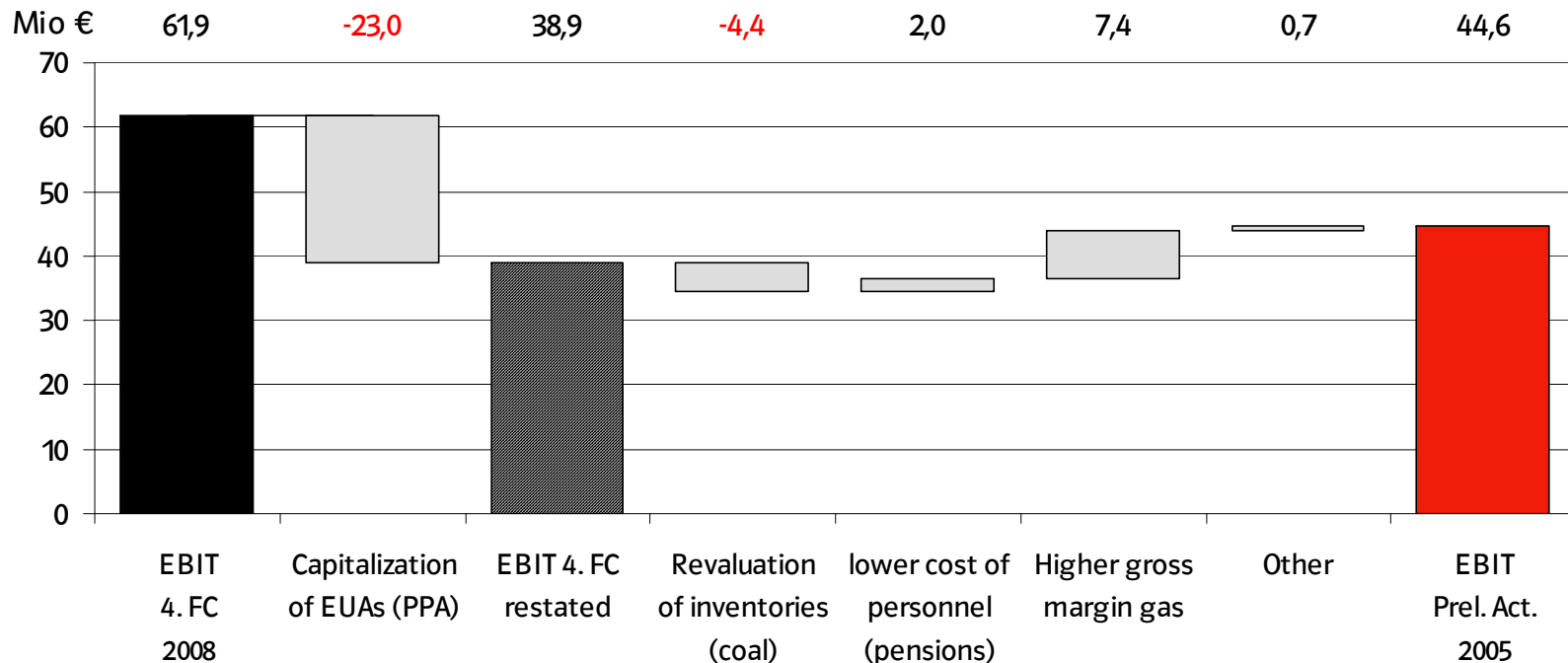
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Changes in result compared with FC 4/2008



The capitalization of the EUAs, i.e. the share of the free allocation for SNET for the 2nd semester 2008, can not be considered as operative as it is due to the PPA and was booked in the same way already in the FC 4, however on consolidated level.

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Material transactions booked in 2008

- **Merger between Soprolif and SNET:** Not shown in SAP SEM-package as SNET was reported in a consolidated form.
- **Activation of SNET's free allocation of EUAs**
- **Non-payments of CRE for TaRTAM-compensation in Q3:** Receivables have been capitalized as only delayed payment can be expected. This is due to the fact that CRE, i.e. the French regulator, decided to raise the contribution by more 100 % that power producers (nuclear and hydro) have to pay into the fund serving to fulfill the compensation obligations.

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Summary of adjusted / unadjusted differences (SAD / SUD)

IFRS-Package	EFR	EFRE	SNET
Summary of adjusted differences (SAD)	None	None	None
Summary of unadjusted differences (SUD)	None	None	None

The auditors approved the packages prepared by BU France, i.e.

- E.ON France SAS (EFR)
- E.ON Énergie SAS (EFRE)
- SNET group (SNET)

units without any material observations.

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Vertices of the SNET Purchase Price Allocation (PPA)

- **SNET was acquired via a package** with Endesa activities in Spain and in Italy – therefore no explicit purchase price for SNET does exist. Instead a value has to be determined in the course of the PPA.
- Closing date was June 26th, 2008. Therefore the PPA has **to be finished by the end of Q2/2009** as IFRS 3 allows one year to finish the process.
- E.ON AG mandated **kpmg to perform the PPA** already before the closing. Due to the complexity of the acquired assets, the PPA has not been finished so far.
- No **PPA-values have been pushed down to BU France** so far. However bookings have been made on the level of E.ON Energie AG (MU Central Europe) allowing a first insight in the possible outcome of the PPA:
 - No major changes in future depreciations as **value of the tangible assets stays almost stable**.
 - Due to the **passivation of contingent liabilities**, e.g. forward sales, as of acquisition date, positive effects will emerge on the result due to their amortization.

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Changes in economics: Reduction of free allocation EUAs in France

Issue

On December 31st 2008 the annual French financial law (loi de finance rectificative – LFR 2008) was distributed constituting the distribution of the free allocation in the NAP II-period. It stipulates that the cutback can amount to

- 10.0 % in 2009,
- 20.0% in 2010,
- 35.0 % in 2011 and
- 60.0 % in 2012.

The shortening will be applicable as well for existing as for new installations.

As the BU France set up its MTP based on the with EEA coordinated assumption of a free allocation amounting to 100.0 % the cut-back will have a significant impact on the MTP.

Therefore already at the time the final proposal for LFR became obvious EFR provided EEA with notice on the risk for the MTP-period complying with KonTraG estimated at a probability of 75.0%. In that Ad-hoc report the risk for the coal-fired portfolio was evaluated.

[In the MTP the risk of a 10.0 % reduction (= -27.0 Mio. €) was valued with 60.0 %.]

Risk-Assessment Reduction of EUA-free allocation France

		2009	2010	2011	TOTAL
Reduction in %		10,0%	20,0%	35,0%	
Coal fired portfolio	reduction in Mio. to.	-0,22	-0,70	-1,36	
	price €/to as of MTP	25,90 €	26,60 €	27,30 €	
	subtotal (in € Mio.)	-5,8	-18,6	-37,1	-61,5
Gas fired portfolio (only EH 7&8)	reduction in to.	0	-0,3396	-0,5943	
	price €/to as of MTP	25,90 €	26,60 €	27,30 €	
	subtotal	0,0	-9,0	-16,2	-25,3
	higher production base for CCGT (in Mio. to.)	0,000	0,401	0,401	
	price €/to as of MTP	25,90 €	26,60 €	27,30 €	
	subtotal	0,0	10,7	10,9	21,6
TOTAL		-5,8	-17,0	-42,4	-65,1

Explications:

- A worst case-view is taken as asked by KonTraG. The cut-back to the maximum foreseen by the law is currently also BU France's best estimate. The probability is estimated to reach 100%.
- The overall impact on the EUAs attributed to the CCGTs is partly offset by the fact that the basis for free allocation has been elevated from 4,200 to 5,500 hours of full production. The positive effect valued at MTP-prices is of 21.6 Mio.€ for the years 2010 and 2011.
- All positions are valued at MTP-prices in order to explain the volume effect imposed by LFR 2008.

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Changes in legal setup – two main issues

- **Transfer of 65,0 % held by E.ON Europa – former Endesa Europa, Spain, to E.ON France (EFR), France**, currently on hold due to tax questions not settled:
 - taxation of possible gain on book value in Spain – issue treated by E.ON Europa / request for a tax ruling has been forwarded to Spanish tax authorities by E.ON Europa / answer is still outstanding / transfer might happen in April 2009.
 - Treatment of cost for financing the acquisition price for 65,0 % on the level of EFR in a possible tax grouping with SNET as transfer couldn't be proceeded immediately after acquisition of E.ON Europa (amendment "rule de charasse") / request for a tax ruling has been forwarded to French tax authorities by EFR in December 2008 / answer is outstanding.
- **Possible acquisition of outstanding 35.00 % in SNET** held by
 - Electricité de France - EDF (18.75 %) and
 - Charbonnages de France – CdF (16.25 %).

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Provision-grid as of December 31st, 2008

Provisions in € Mio.	beginning of year	additions	releases	changes in consolidation / reclassification	utilization	end of year
Pensions and similar obligations	40,2	0,0	0,9	0,0	0,0	41,1
Provisions for emission rights						141,6
Tax provisions	0,0	4,8	-8,9	8,9	-0,4	4,4
Other Provisions	75,3	29,7	-3,0	-4,5	0,2	97,7
- thereof personnel	0,0	2,0	0,0	0,1	-0,2	1,9
- thereof dismantling	52,9	3,1	0,0	0,0	0,4	56,4
- thereof litigations	0,0	0,0	0,0	31,6	0,0	31,6
TOTAL	115,5	34,4	-11,0	4,4	-0,2	284,8



Backup

Yearly Closing BU France – IFRS

Paris, February 2nd, 2009
EFR, Dr. Philipp Ulbrich

Risk-Assessment Reduction of EUA-free allocation France (II/II)

Other possible effects:

- The change in free allocation will have an impact on SNET's production costs as those serve as a cap for TaRTAM-compensation, i.e. higher production costs might expand the cap. However the second cap (the average market prices) did not reach SNET's production costs in the past and therefore it cannot be said before the end of the year if an impact exists. Currently this is not likely to happen.
- The French law stipulates that the free allocation serves also as the basis for the usage of CER, i.e. the obligation to render emission certificates can be fulfilled by CER amounting to 13.5 % of EUA-free allocation. Therefore a cut in the free allocation will also lower the amount of CERs that can be used. However it is likely that this cap will be enlarged in the light of the reduction imposed by LFR 2008.

The amount for 2009 (-5.8 Mio. €) was taken into account when providing the FC 0 (as of Jan. 20th).