



## Press Release

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### “Cleaner & Better Energy”: E.ON defines new strategic focus

- **Focus on competitive markets in Europe and growth outside Europe**
- **Business outside Europe to deliver 25 percent of total earnings by 2015**
- **€15 billion in divestments by year-end 2013**
- **Further €600 million through efficiency enhancements and performance culture by 2013**
- **Less capital, more value**
- **Dividend of €1.50 per share anticipated for 2010 financial year, at least €1.30 for 2011 and 2012**

E.ON will focus in the future on competitive businesses in Europe and enhance its efforts to leverage synergies across its businesses and business areas in Europe’s converging energy markets. E.ON is systematically implementing its new-build projects in Russia and will further expand its renewables capacity in North America. In addition, E.ON intends to leverage its expertise in power generation and renewables in two other regions outside Europe and to expand its trading business on a global scale. By achieving a broader international footprint, E.ON plans for its businesses outside Europe to deliver one quarter of its total earnings by 2015. Going forward, E.ON will put even greater emphasis on the profitability of its existing and new businesses. E.ON aims to further enhance its performance through a new, simplified organizational setup and renewed efforts to enhance efficiency.

This new strategic focus will enable E.ON to achieve less capital-intensive growth and to address the business challenges it expects in the years ahead, resulting from public-policy decisions and an altered market environment.

The E.ON Supervisory Board thoroughly discussed the new strategic course on several occasions and fully supports it. Supervisory Board Chairman Ulrich Hartmann said: “Corporate strategy must be swiftly and resolutely adjusted to fit with the altered business environment. The strategic plan presented by the E.ON Board of Management is exactly the right answer to this challenge. It gives our company a clear, ambitious profile.”

E.ON will accelerate its climate-protection efforts: it now plans to halve the specific carbon emissions of its power generation in Europe by 2020 from a 1990 baseline, ten years earlier than previously planned. “We have the climate-policy objectives of the

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European Union and the German federal government firmly in view. By systematically decarbonizing our power generation and by offering customers energy-efficient products and services, E.ON will make a very substantial contribution to bringing about the transition to a climate-friendly energy supply and to reducing carbon emissions. Our motto at home and abroad is: Cleaner & Better Energy,” E.ON CEO Johannes Teysen explained.

“E.ON will become more focused and at the same time more international. In Europe, we’re going to concentrate on what we can do best and on areas where we see the biggest opportunities for profitable growth. Outside Europe, we’re going to achieve additional business growth by deploying our expertise in areas where we’re a true outperformer. This approach will enable us to become an international energy specialist,” Teysen said.

### **Focused positions in Europe**

Europe is and will remain the main focus of E.ON’s operations. Going forward, E.ON will focus more on competitive businesses in which it has advantages of scale and that can be optimized together. It will concentrate primarily on converging energy markets in order to optimally leverage synergies across businesses and national boundaries.

E.ON will work systematically to further reduce the carbon intensity of its power generation in Europe. The main focus will be on substantially expanding its renewables capacity by deploying advanced, cost-effective technologies on an industrial scale, such as large onshore or offshore wind farms. E.ON will also make selective investments in flexible, low-carbon conventional generating units as well as pumped-storage and run-of-river hydroelectric plants.

E.ON’s international gas business, which is managed by E.ON Ruhrgas, will remain an important part of E.ON’s portfolio going forward. The primary objective is to adjust long-term supply contracts to reflect the new market realities. E.ON has already entered into discussions with producers to address this issue. E.ON also intends to do more to seize opportunities through integrated optimization on a European scale.

E.ON intends to expand and further optimize its international trading business managed by E.ON Energy Trading. This will enable it to seize opportunities created by the ongoing globalization of commodity markets.

In its energy sales business in Europe, E.ON will aim to achieve greater differentiation from its competitors by offering intelligent products for residential customers (such as micro CHP units for single-family homes) and efficient energy solutions for business customers. In this way, E.ON’s sales business will also be geared towards greater energy efficiency and sustainability.



E.ON will study how best, depending on the respective regulatory environment, to further develop its regulated power and gas networks. At its distribution networks in Germany, E.ON intends to continue its tradition of close partnerships with municipalities and, where possible, to expand these arrangements.

### **Targeted growth outside Europe**

Outside Europe, E.ON will aim to tap the global growth in energy demand. “Europe’s main priority is to make its energy supply more efficient and climate friendlier. But other parts of the world still have a lot of catching up to do in terms of expanding their generation capacity,” Teyssen said. “E.ON is a leading expert in building conventional and renewable generating facilities. Going forward, we intend to leverage our experience and expertise not only in Russia and North America but also in two other regions. In this effort, we’ll focus exclusively on offering solutions that significantly improve the energy supplies in these regions,” Teyssen emphasized.

E.ON has already laid the foundation for new businesses outside Europe by forming a new business unit and management team under the leadership of Frank Mastiaux, who until now has been CEO of E.ON Climate & Renewables. Mastiaux has many years of international management experience, including in regions like Asia, South America, and the Middle East.

### **Quicker and more efficient under new organizational setup**

E.ON will execute its new strategy supported by a new, leaner organizational setup. Group Management in Düsseldorf will oversee and coordinate operations, which will be segmented into global, functional units and regional country units. Five global units will be responsible for managing power generation, new build and technology, renewables, energy trading, and the global gas business. Twelve regional units will manage E.ON’s national sales operations, regional networks, and distributed generation. E.ON’s Russia business will also be managed as a regional unit. Group-wide entities will deliver support functions like IT and procurement. “Our new setup will make us leaner, quicker, and more efficient,” Teyssen said.

E.ON will no longer make efficiency enhancement the focus of special programs or projects but instead seek to firmly embed it in the company’s performance culture. The E.ON Board of Management aims for the company to deliver an additional €500 million in annual earnings improvements by 2013. If such measures should require the approval of employee representatives, approval can only be obtained after the measures have been planned in detail. The Board of Management supports the company’s proven policy of working closely and constructively with employee representatives to address such issues. E.ON is well on the way to achieving most of the €1.5 billion in annual earnings improvements under the PerformtoWin program it launched in 2007.



## **Divestments and portfolio optimization will reduce debt and increase scope for investments**

Despite the efficiency enhancements E.ON has already achieved and those additionally planned, the company will face considerable business challenges in the years ahead. In particular, Germany's decision to institute a nuclear-fuel tax, the full auctioning of EU carbon allowances, the altered market environment in the gas business, and narrower wholesale margins will put considerable pressure on E.ON's earnings. Despite these challenges, from today's perspective E.ON expects that its adjusted EBITDA in 2013 will again be at roughly the 2010 level, without factoring in portfolio measures.

E.ON intends to generate about €15 billion through further portfolio measures by the end of 2013 to further reduce its debt and increase its scope for investments.

E.ON's existing dividend policy, which calls for a payout ratio of 50 to 60 percent of adjusted net income, will remain unchanged. Nevertheless, E.ON anticipates paying out a minimum dividend of €1.30 per share for the 2011 and 2012 financial years. It will aim for a dividend of €1.50 per share for the 2010 financial year, unchanged from the prior-year dividend.

“Our business will face considerable business challenges in the years ahead as we transform our company into a top-performing provider of outstanding energy solutions. These challenges will require extraordinary efforts from our managers and employees. But with our new strategy, a markedly leaner organization, and a new performance culture, we'll work hard to add new chapters to E.ON's success story, even in this difficult environment. The focus of the next two years will mainly be on financial consolidation, although we also want to begin achieving our planned growth outside Europe. E.ON's strategy for cleaner and better energy will win over employees, customers, and investors,” Teysen said.

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