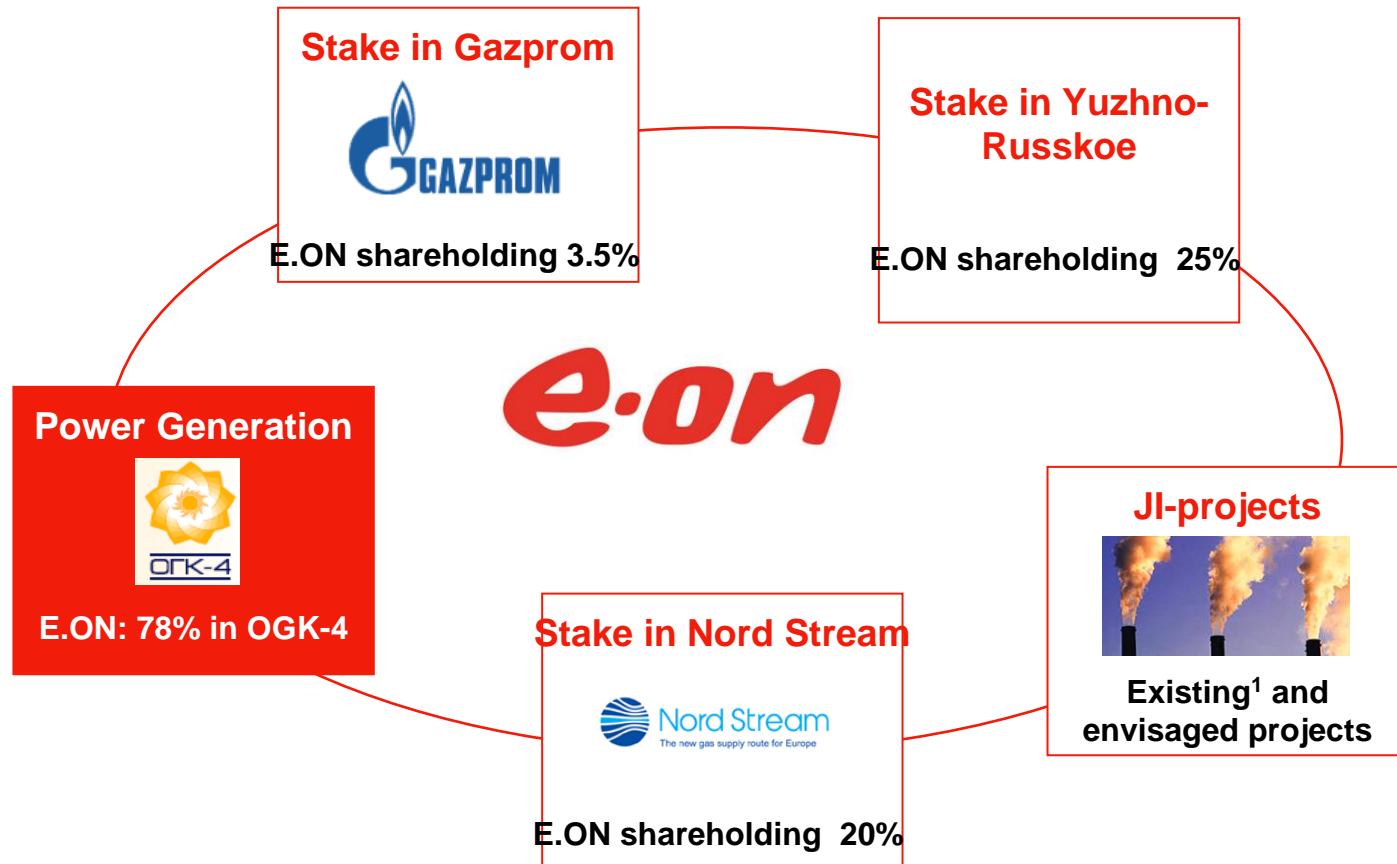




Investing in Russian power sector

28 October 2009

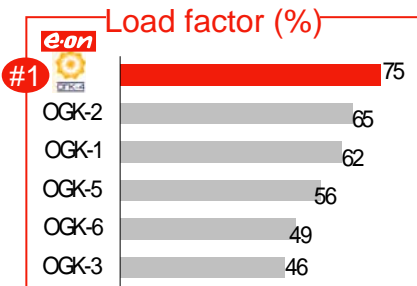
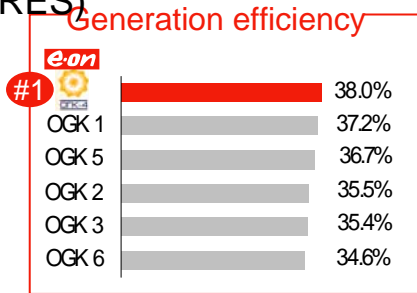
E.ON in Russia



1. 'Sustainable management of gas transportation system' - joint project of E.ON and Gazprom

OGK-4

- E.ON/OGK-4 has one of the largest investment programs
- CAPEX - €2.3 bln.
- Capacity expansion - 2,400MW
- Additional 100 MW – repowering (Beryozovskaya GRES)



Note: companies' reports for 2008

Smolenskaya GRES
Smolensk region

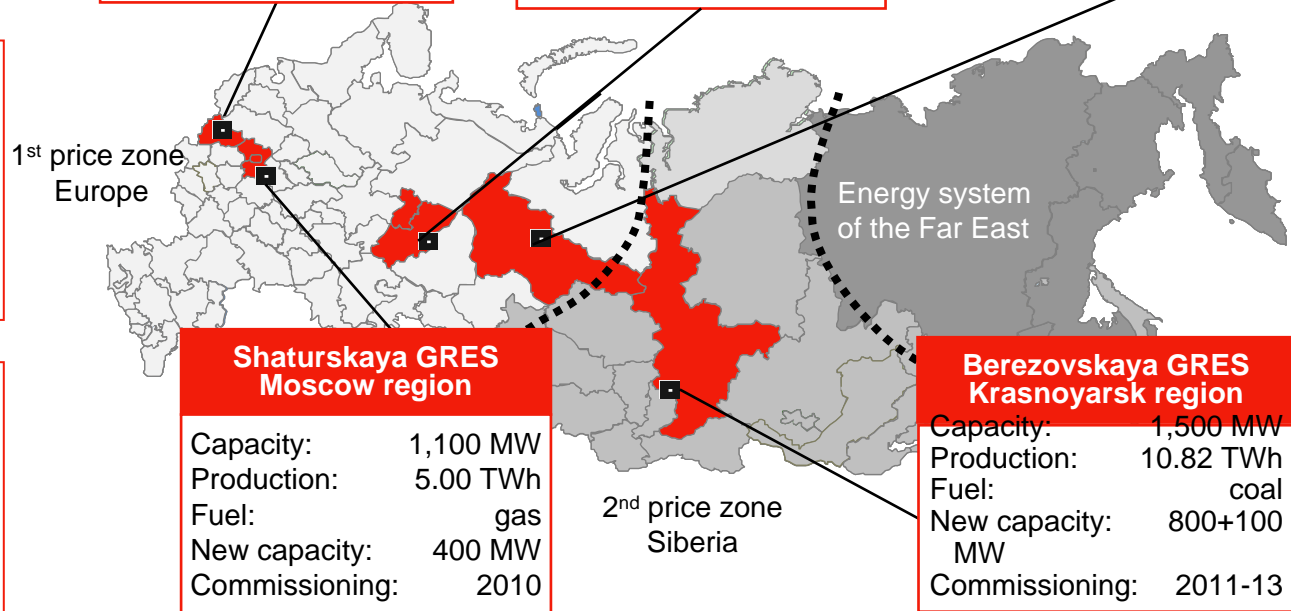
Capacity: 630 MW
Production: 2.21 TWh
Fuel: gas

Yaivinskaya GRES
Perm region

Capacity: 600 MW
Production: 4.23 TWh
Fuel: gas
New capacity: 400 MW
Commissioning: 2011

Surgutskaya GRES-2
Tyumen region

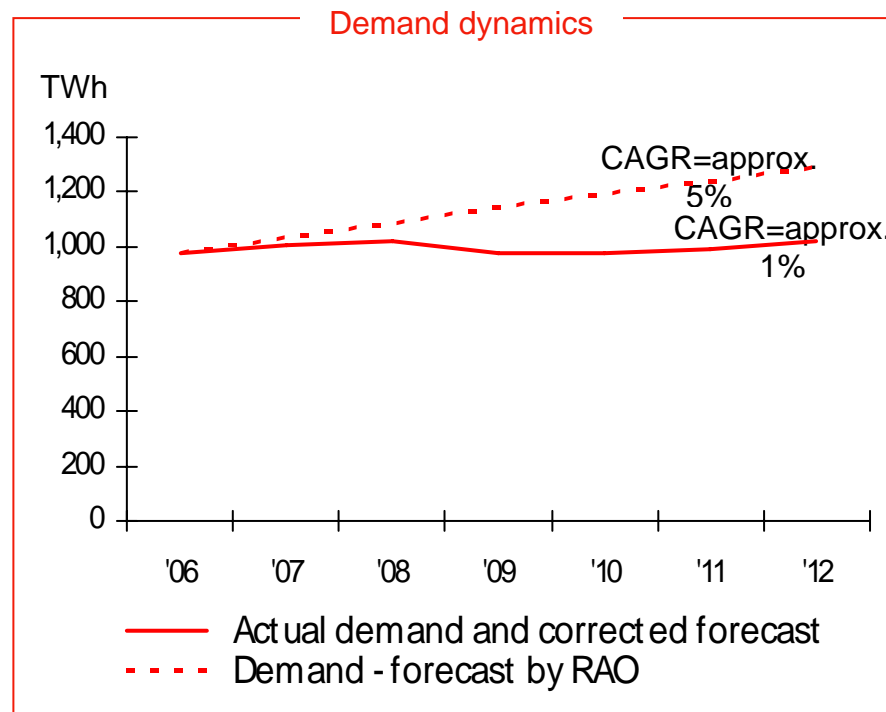
Capacity: 4,800 MW
Production: 34.40 TWh
Fuel: gas
New capacity: 800 MW
Commissioning: 2011



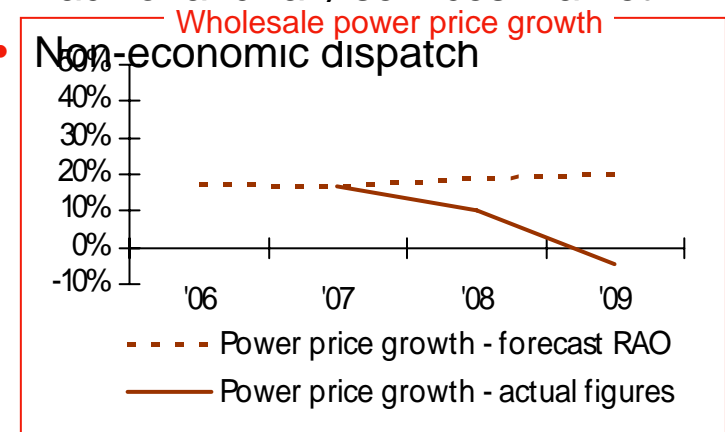
Note: OGK-4 data 2008

Russian power sector – key trends and issues

Russian power sector still goes through major restructuring and development



- Demand decreased in 2009; lower growth rates are expected in the mid-term
- Energy price are down in 2009 but may recover next year
- Capacity market development is yet unclear
- Lack of ancillary services market
- Non-economic dispatch

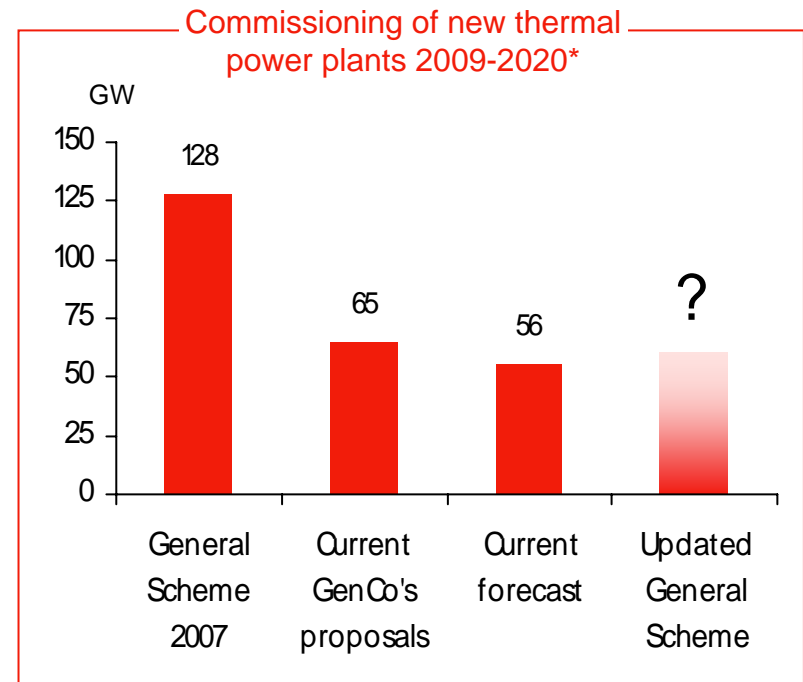


Source: General Scheme, APBE

Source: RAO EES, Rosstat, ATS

Mandatory investment program

- As a part of privatization program managed by RAO UES, generators signed obligation to build new plants
- Generators' investment programs are not optimal (in terms of geography and capacity structure)
- New plant commissioning is not synchronized with required infrastructure development (power transmission and fuel transportation)
- Funding has become almost unavailable as result of economic crisis



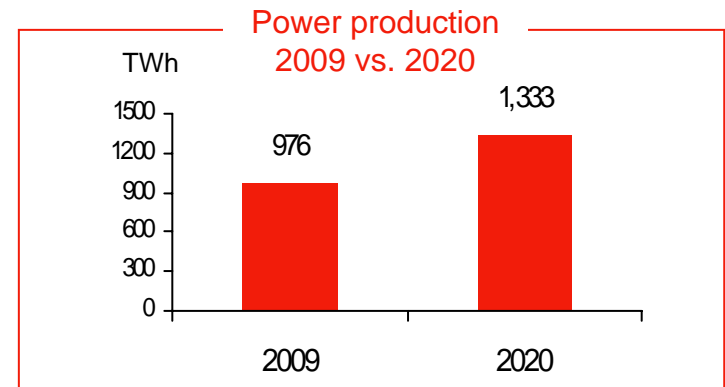
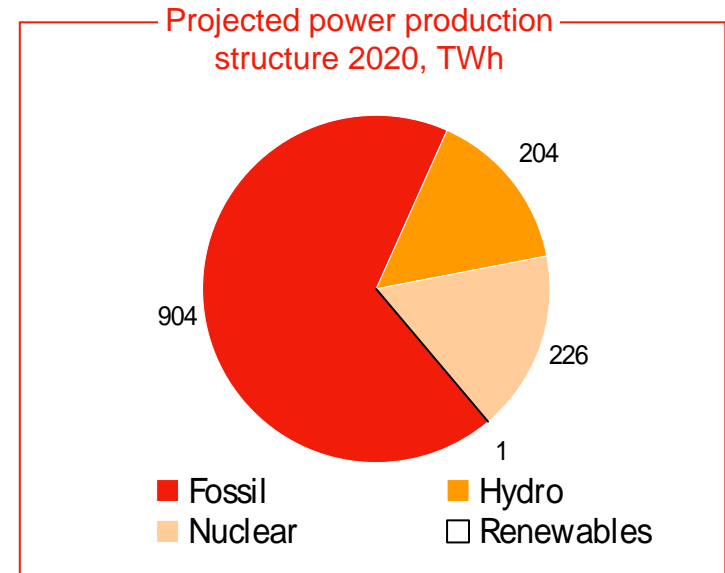
Source: General Scheme, APBE
 * - excluding decommissioning



Generators are forced to review their investment programs due to economic factors as well as lack of clear market rules

Key steps going forward

- **Long-term capacity market** – investors expect adequate rules and investment return provisions
 - E.ON believes that Long-term capacity market rules development is on the right track but significantly delayed
 - Mechanisms of Long-term capacity market should be based on market prices with reasonable capping rules
 - Capacity market should be launched in 2009
- **Free access for independent gas producers to Gazprom transportation system**
- Infrastructure companies (FSK/MRSK, Gazprom) should provide timely **connection for new-built power plants**



Source: APBE (conservative scenario)