

E.ON UK plc Group Consolidated Segmental Report for the twelve month period ending 31 December 2009

In accordance with the Electricity Generation Licence Condition 16 - Financial Information Reporting and the Electricity Supply and Gas Supply Licence Conditions 19A - Financial Information Reporting, the companies (Relevant Licensees) listed below have prepared this E.ON UK plc Group Consolidated Segmental Report in respect of information relating to the revenues, costs and profits of the licensees' activities in the generation and supply of electricity and the supply of gas to any premises. The E.ON UK plc Group Consolidated Segmental Report takes into account the Guidelines prepared by the Authority.

Relevant Licensees

- 1, The E.ON UK plc Group's electricity supply licensees
 - Citigen (London) Limited - LIC/ELEC/SUP/13
 - E.ON Energy Limited - LIC/ELEC/SUP/191
 - E.ON UK plc - LIC/ELEC/SUP/53
 - Economy Power Limited - LIC/ELEC/SUP/78

- 2, The E.ON UK plc Group's gas supply licensees
 - E.ON Energy Gas (Eastern) Limited - LIC/SUP/158
 - E.ON Energy Gas (North West) Limited - LIC/SUP/71
 - E.ON Energy Limited - LIC/SUP/187
 - E.ON UK Gas Limited - LIC/SUP/13
 - E.ON UK plc - LIC/SUP/30
 - TXU Europe (AHG) Limited - LIC/SUP/106

- 3, The E.ON UK plc Group's generation licensees
 - Citigen (London) Limited - LIC/ELEC/GEN/22
 - Enfield Energy Centre Limited - LIC/ELEC/GEN/31
 - E.ON UK plc - LIC/ELEC/GEN/58

- 4, Corby Power Ltd - LIC/ELEC/GEN/23 is also included in the Consolidated Segmental Statement. E.ON UK owns 50% of Corby Power Ltd but is deemed to control Corby Power Ltd. Consequently E.ON UK is required to consolidate Corby Power Ltd's full results.

Each of these licensees' Statutory Accounts individually form part of the E.ON UK plc Group Statutory Accounts. Table 1 below sets out the Consolidated Segmental Statement, which includes a full reconciliation of revenues, costs and profits to the E.ON UK plc Annual Report and Accounts.

The [E.ON UK plc Annual Report and Accounts](#) set out the Group's principal activities, a review of its business and future developments together with a segmental analysis of its UK operations.

E.ON Energy Trading SE (EET) is a wholly owned subsidiary of E.ON AG and as such is not included in the Consolidated Segmental Statement. EET sells all of the E.ON UK plc Group's licensed generation output and provides electricity and gas for E.ON UK plc Group's licensed supply activities.

Table 1 E.ON UK plc Group Consolidated Segmental Statement

	Generation	Supply ⁹					Other	E.ON UK plc Group
		Total	Supply Electricity		Supply Gas			
			Domestic	Non Domestic	Domestic	Non Domestic		
Revenues from sales of electricity and gas ¹ £m	1,546.5	6,657.2	2,287.4	2,149.8	1,520.8	699.2	366.6	8,570.3
Other Revenues ² £m	35.8	-	-	-	-	-	621.5	657.3
Total Revenues £m	1,582.3	6,657.2	2,287.4	2,149.8	1,520.8	699.2	988.1	9,227.6
Direct Costs Fuel £m	-770.1	-4,486.0	-1,376.0	-1,613.7	-975.4	-520.9	-254.1	-5,510.2
Other Direct Costs ³ £m	-324.4	-1,436.1	-539.8	-335.0	-443.1	-118.2	-228.6	-1,989.1
Indirect Costs ⁴ £m	-188.4	-704.9	-360.4	-97.0	-213.4	-34.1	12.0	-881.3
Total Costs £m	-1,282.9	-6,627.0	-2,276.2	-2,045.7	-1,631.9	-673.2	-470.7	-8,380.6
EBIT⁵ £m	299.4	30.2	11.2	104.1	-111.1	26.0	517.4	847.0
<i>EBITDA⁶ (memorandum only) £m</i>	<i>472.9</i>	<i>104.8</i>	<i>54.6</i>	<i>108.2</i>	<i>-85.5</i>	<i>27.5</i>	<i>630.9</i>	1,208.6
Net Finance Costs £m								-99.1
Taxation £m								-192.7
Profit from continuing operations £m								555.2
Fuel cost/unit of Energy p/kWh ⁷	2.3		6.1	6.6	2.1	2.1		
Volumes ⁸ TWh	33.5		22.4	24.5	46.6	25.2		

Notes to Table 1

1 For the Generation business segment this means revenue from sales of electricity output generated by holders of generation licences and includes revenues received from capability payments. For the respective Supply segments this means electricity and gas sales by electricity and gas supply licensees.

2 This means other respective segmental revenues not covered in revenues from sales of electricity and gas.

3 For the Generation business this includes use of system charges, carbon emission certificates, ash disposal costs, personnel costs, depreciation, amortisation and the change in value of derivative contracts. For the Supply business this includes use of system charges, transportation costs and other costs directly attributable to the supply of electricity and gas.

4 For the Generation business this includes general office costs, repairs and maintenance. For the Supply business this includes customer loyalty schemes, personnel costs, amortisation and general administrative costs. An element of Corporate overheads has been allocated to both the Generation and Supply business for the purposes of this report.

5 EBIT means earnings before interest and tax. EBIT includes adjustments for the impacts of restructuring in the business and the change in value of derivative contracts as described in the [E.ON UK plc Annual Report and Accounts](#). EBIT of £517m disclosed in "Other" consists mainly of Central Networks (£363m), EC&R UK (adjusted £73m), profit on disposal of investments (£56m) and other central items (£25m).

6 EBITDA means earnings before interest, tax, depreciation and amortisation.

7 For Generation this means the weighted average input cost of fuel (e.g. gas and coal) used by the Generation business, shown as p/kWh. For electricity and gas supply this means the weighted average cost of electricity or gas used by the business, shown as p/kWh.

8 Volumes are metered corrected to as traded.

9 The table includes a domestic and non domestic supply market breakdown. The split between the two has been made on a reasonable endeavours basis.

Information relating to Table 1 and the corresponding Transfer Pricing arrangements

The values presented in Table 1 are based upon and reconcile to the E.ON UK plc Annual Report and Accounts for the year ended 31 December 2009. The allocation between Generation, Supply and Other in the Consolidated Segmental Report adopts the segmentation within the [E.ON UK plc Annual Report and Accounts](#) but has been adjusted as shown in Table 2 below.

Table 2

E.ON UK plc Group Consolidated Segmental Statement	Reconciliation to the E.ON UK plc Annual Report and Accounts
Generation	Generation in the E.ON UK plc Annual Report and Accounts less the activities of E.ON UK CHP Limited and E.ON UK Cogeneration Limited, plus activities within the E.ON UK plc Company attributed to E.ON Climate & Renewables UK (EC&R UK) in the E.ON UK plc Annual Report and Accounts.
Supply	Retail in the E.ON UK plc Annual Report and Accounts.
Other	EC&R UK less the generation activities of E.ON UK plc Company mentioned above, Central Networks, Energy Services and Central items in the E.ON UK plc Annual Report and Accounts, plus the activities of E.ON UK CHP Limited and E.ON UK Cogeneration Limited
E.ON UK plc Group	The consolidated UK Group in the E.ON UK plc Annual Report and Accounts.

Generation

Generation in the Consolidated Segmental Statement is the consolidated generation activities of the E.ON UK plc Group's electricity generation licensees. Generation by other E.ON UK plc subsidiaries is generation exempt from the requirements for a licence and is accounted for under "Other" in Table 1. Volumes of generation exempt from the requirements for a licence are not reported in Table 1.

Generation business plant accounted for within the E.ON UK plc Company

The Transfer Pricing arrangements used by the Generation business, for selling an option of the right to purchase electricity and the processing of fuel into electricity, is an arm's length contract between the Generation business and EET.

In relation to Table 1

"Revenues from sales of electricity and gas" – under the Transfer Pricing arrangements the Generation business does not receive any revenue from external sales of electricity. The whole production volume is exclusively transferred to EET. The Transfer Pricing arrangements cover capacity payments and fuel sales.

The Generation business receives a performance related capacity price for each of its power stations, which is based on the capacity element of wholesale price at each time the transfer of rights to purchase electricity was done.

The Generation business receives payment for the fuel and value of emission allowances used to generate. The price paid for the fuel is the corresponding market price for the fuel at the time the fuel is used.

"Other Revenues" – this includes ancillary services and other income received by the Generation business. Ancillary services are covered by the Transfer Pricing arrangements.

"Direct Costs Fuel" – this is fuel consumed during the financial year.

Under the Transfer Pricing arrangements, EET provides the fuel for the Generation business. The price paid by the Generation business for the fuel is the corresponding market price at the time the fuel is delivered to the power station.

"Other Direct Costs" and *"Indirect Costs"* - there are no costs relating to the Transfer Pricing arrangements with EET included in these categories.

Generation Business Plant operated by Citigen (London) Limited

The Transfer Pricing arrangements used by Citigen (London) Limited for its delivery of power and the purchasing of fuel is an arm's length contract with EET.

In relation to Table 1

"Revenues from sales of electricity and gas" – Under the Transfer Pricing arrangements Citigen (London) Limited receives payment for electricity not supplied direct to customers' premises. The price paid for the energy is based on the price of the wholesale market's forward curve for the product shape over the contract period being entered at the time that the energy is contracted by EET. Variations between contract commitments and outturn are settled using the price agreed for the contracted energy less an imbalance fee.

"Other Revenues" – This includes energy sales other than electricity. Other revenues are not covered by the Transfer Pricing arrangements.

"Direct Costs Fuel" – Under the Transfer Pricing arrangements EET provides the fuel for Citigen (London) Limited. The price paid for the fuel is based on the price of the wholesale market's forward curve for contract period being entered at the time that the fuel is contracted by Citigen (London) Limited. Variations between contract commitments and outturn are settled using current wholesale market prices subject to an imbalance fee.

"Other Direct Costs" and *"Indirect Costs"* – There are no costs relating to the Transfer Pricing arrangements with EET included in these categories.

Generation Business Plant accounted for within EC&R UK

The Transfer Pricing arrangements used by EC&R UK for its delivery of power and associated contracts is an arm's length contract with EET. The price is market based. Imbalances between contracted and outturn are covered by a balancing fee.

Supply

E.ON UK's Supply business (the Supply business) in the Consolidated Segmental Statement is the consolidated supply activities of the E.ON UK plc Group's electricity and gas supply licensees. Supply by other E.ON UK plc subsidiaries, which do not have supply licences, is accounted for under "Other" in Table 1. Supply volumes that are exempt from the requirements for a licence are not reported in Table 1.

The Transfer Pricing arrangements used by the Supply business for securing electricity and gas to back its sales to customers is an arm's length contract between EET and the Supply business.

In relation to Table1

"Revenues from sales of electricity and gas" – The Transfer Pricing arrangements do not cover revenues from sales of electricity and gas. The revenues from sales of electricity and gas do not form part of the arm's length contract between EET and the Supply business.

"Direct Costs Fuel" - Values for Electricity Domestic and Electricity Non Domestic are the costs of electricity purchases incurred under the Transfer Pricing arrangements. Values for Gas Domestic and Gas Non Domestic are the costs of gas purchases incurred under these Transfer Pricing arrangements.

Under the Transfer Pricing arrangements all of the Supply business's energy is purchased from EET. The price the Supply business contracts reflects the forward curve price prevailing for the time of purchase. Variations between final contract commitments and outturn customer demand are settled using the corresponding short term prices in the electricity and gas markets.

A number of purchasing strategies are operated to address the various characteristics and requirements of our customers and reflect the competitive market conditions. These strategies range from flexible purchase arrangements for some large corporate customers to longer term hedges for most tariff customers.

"Other Direct Costs" and *"Indirect Costs"* - There are no costs relating to the Transfer Pricing arrangements with EET included in these categories. Where a direct allocation cannot be made to a particular customer group, the allocation between electricity and gas, and within the domestic and non-domestic sub-groups, is based on the number of accounts in each category.