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For the attention of Mr Marius Kohl

Administration des Contributions Directes
Bureau d'imposition Sociétés VI
18, Rue du Fort Wedell
L-2982 Luxembourg

June 24, 2009

References: CDT/TSAZ/P127r09002M-FYHS

Dutchdelta Finance S.àr.l ("Dutchdelta") – Fiscal number: 2004 2401 596
Powergen Luxembourg Holding Sàrl ("PLHS") – Fiscal number: 2000 2419 476

Ergon Restructuring

Dear Mr Kohl,

Further to our meeting dated 10 June and at the request of the above mentioned client, we are pleased to submit for your review and approval, an analysis of the transactions described below. Alternatively, we would be pleased to receive your written comments on this restructuring.

A Facts

1 Within the framework of the second phase of the E.ON Group' restructuring "TK 14 (Phase 2)" described in our letter referred CDT/TSAZ/P127c09001M-FYHS dated 14 January 2009 (our "Letter"), Dutchdelta acquired, on 8 September 2008, a participation in Ergon Holdings (a Malta company) for an amount of around GBP 4,5Bn (equivalent to EUR 5,58Bn).

Before the transfer of Ergon Holdings to Dutchdelta, Ergon Financial Management and Ergon Holdings had distributed all their available profits up to August 2008. Ergon Holdings' sole activity consists indeed in holding another Malta company, Ergon Financial Management, whose only activity is to grant loans to group companies.

2 For your information, you will find attached to this letter a brief description of the E.ON Group, to which Dutchdelta and PLHS are affiliated (**Appendix 1**), a simplified chart reflecting the situation further to the aforementioned TK 14 (Phase 2) structuring (Initial situation – **Appendix 2**), a description of the transaction steps in relation to the "Ergon Restructuring" (**Appendix 3**), and a simplified chart reflecting the final situation (**Appendix 4**).

B Applicable tax regime

B.1 Change of the accounting year of Dutchdelta (Step 1)

3 Within the framework of the TK14 (Phase 2) restructuring and, as mentioned in our letter referred CDT/TSAZ/P127c09001M-FYHS dated 14 January 2009, it has been resolved to change the accounting year of Dutchdelta from 31 December to 9 June. Therefore, the current accounting year having started on 1 January 2009 will close on 9 June 2009. Accordingly, the accounting period of Dutchdelta shall start on 10 June of each year and shall terminate on 9 June of the following year.

B.2 Dividend distribution from Ergon Holdings to Dutchdelta (Step 2)

4 After 9 June 2009, Ergon Financial Management will distribute its final 2008 and first 2009 interim dividend (representing all profits up to 31 May 2009) to Ergon Holdings. Ergon Holdings will then distribute the amounts received, of which about EUR 127mio will represent a dividend distribution to Dutchdelta (N.B. there is also a dividend to the other shareholder, i.e. E.ON Nordic AB).

5 Based on Article 166 of the Luxembourg Income Tax Law (hereafter referred to as "LITL"), any dividend received by Dutchdelta from Ergon Holdings should benefit from the Luxembourg participation exemption regime on dividends provided Dutchdelta undertakes to hold a qualifying participation in Ergon Holdings during at least 12 months (i.e. until at least 8 September 2009).

6 According to Article 166 (5) LITL however, expenses in a direct economic relation to an exempt dividend occurred during the year in which the dividend is received and any value adjustment applied on a qualifying participation following a dividend distribution are both not deductible from a tax point of view up to the amount of the exempt dividend.

7 Accordingly, any interest expenses on debt financing Ergon Holdings shares and deducted during the year in which the dividend is received will not be deductible.

8 At a later stage, it is anticipated that Dutchdelta realizes a forex loss upon Ergon Holdings's capital reduction (step 3) and upon disposal of Ergon Holdings shares (step 4), due to foreign exchange variation between acquisition date and disposal date.

ADMINISTRATION DES CONTRIBUTIONS SERVICE D'IMPOSITION BUREAU SOCIETES 6

9 Should it be the case, the foreign exchange loss will be deductible and not recaptured on the dividend distribution since :

- the dividend distribution made by Ergon Holdings did not entail any value adjustment on the Ergon Holdings' shares in the hands of Dutchdelta.;
- the foreign exchange loss is not an expense in a direct economic relation to the dividend, according to article 166 (5) LITL mentioned above, but relates to a variation in the EUR value of the shares.

B.3 Start of the capital reduction process of Ergon Holdings – Loan between Ergon Holdings and Dutchdelta (Steps 3a)

10 On 25 or 26 June 2009, Ergon Holdings Ltd will begin the process of reducing its capital to Dutchdelta only, by repurchasing part of its own shares. The repurchase will consist of approximately 40% of Ergon Holdings Ltd's shares, reducing Dutchdelta's % shareholding in the Maltese company from over 70% to just above 50%. The amount of the capital reduction will be equivalent to the EUR loan note towards Dutchdelta transferred by Powergen Ltd to Ergon Holdings via Ergon Financial Management ("DD Loan Note"). The capital reduction will effectively be settled three to four months later.

11 As part of the capital reduction process, Ergon Holdings Ltd will assign to Dutchdelta the DD Loan Note in consideration to an interest bearing loan denominated in GBP ("GBP Loan Note) issued by Dutchdelta for the GBP equivalent of the DD Loan Note. As a result, the DD Loan Note assigned to Dutchdelta will offset against Dutchdelta corresponding liability.

12 The replacement of the EUR denominated DD Loan Note by the GBP Loan Note will not trigger any adverse Luxembourg tax consequences.

13 However, given the EUR tax functional currency of Dutchdelta, forex exchange gain on the GBP Loan Note would in principle be taxable whereas foreign exchange loss will be tax deductible. However, see below regarding hedge on this operation.

B.4. Hedge (Step 3b)

14 Dutchdelta will enter into a cash flow hedge agreement in order to cover the foreign exchange exposure in respect of the GBP Loan Note. Moreover it will also enter into a hedge of net investment in order to secure the current value of Ergon Holdings.

15 No withholding tax will apply on the payments made by Dutchdelta with respect to the two hedge agreements as these can neither be considered as "dividends" nor as "part of profit" in the sense of article 146 (2) LITL.

16 For tax purposes, amounts received under the hedge agreements by Dutchdelta are fully taxable in Luxembourg, while the payments or any provisions or expenses booked in its accounts and in connection with amounts due under the hedge agreements are fully deductible.

17 The respective two hedge operations (covering both the hedges and the loan repayment on one hand/share capital reduction on the other hand) will then each give rise to a net result, fully taxable or fully deductible in the hands of Dutchdelta based on value transactions at the time the hedge agreements are entered into. In the present case, the operations will give rise to a loss of about EUR 170 million.

B.5 Dutchdelta contributes the Ergon Holdings' shares to PLHS (Step 4)

18 After 25/26 June 2009, Dutchdelta will contribute to PLHS all the shares it holds in Ergon Holdings, except for the ones to be disposed off within the share capital reduction process and for some with an aggregate acquisition price of at least EUR 6mio. Given the previous dividend distribution, the increase in value of the Ergon Holdings' shares should not be significant.

19 Based on the Grand-Ducal decree of 21 December 2001 in execution to article 166 LITL, any capital gain capital gains realized by Dutchdelta upon Ergon Holdings' contribution should benefit from the Luxembourg participation exemption regime on capital gain provided Dutchdelta undertakes to hold a qualifying participation in Ergon Holdings with an acquisition price of at least EUR 6mio during at least 12 months (i.e. until 8 September 2009 at least)

20 According to paragraph 2 of the Grand-Ducal decree of 21 December 2001 in execution to article 166 of LITL the income obtained from the transfer of the participation is taxable to the extent that it corresponds to a value adjustment previously made in respect of the participation, and to the algebraic sum of the income from the participation that has reduced the tax base of this period or previous periods.

21 The negative net result deriving from the disposal of the shares, including any foreign exchange loss, will be fully tax deductible.

B.6 Settlement of Ergon Holdings' capital reduction (Step 5)

22 Three to four months after Step 3, Ergon Holdings will effectively buy back about 40% of its own shares from Dutchdelta in the view of cancelling them.

23 Based on the Grand-Ducal decree of 21 December 2001 in execution to article 166 LITL, any capital gain realized by Dutchdelta upon Ergon Holdings' capital reduction will benefit from the Luxembourg participation exemption regime on capital gain provided Dutchdelta holds or undertakes to hold a qualifying participation in Ergon Holdings with an acquisition price of at least EUR 6mio during at least 12 months (i.e. until 8 September 2009 at least).

24 According to paragraph 2 of the Grand-Ducal decree of 21 December 2001 in execution to article 166 of LITL the income obtained from the transfer of the participation is taxable to the extent that it corresponds to a value adjustment previously made in respect of the participation, and to the algebraic sum of the income from the participation that has reduced the tax base of this period or previous periods.

25 The negative net result (taking into consideration hedging – see above B.4.) deriving from the share capital reduction, including any foreign exchange loss will be fully tax deductible.

B.7 Migration of PUSSL back to UK

26 We refer to point B.5 of our (previous) Letter which relates to the envisaged migration of PUSSL back to UK.

27 As mentioned previously PUSSL is a company incorporated in the UK with its effective place of management in Luxembourg since June 2005. PUSSL never registered to the Chamber of Commerce in Luxembourg and will migrate on 24 June 2009 its effective place of management from Luxembourg to the UK.

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We remain at your disposal should you need any further information and would like to thank you for the attention that you will give to our request.

Yours sincerely,

Catherine Dupont
Partner

Frederique-Audrey Hakkens
Senior advisor

Enclosures:

Enclosure 1:	Description of the E.ON Group
Enclosure 2:	Simplified chart structure prior the restructuring
Enclosure 3:	Description of the transactions in relation to Ergon Restructuring
Enclosure 4:	Simplified chart structure after the restructuring
Enclosure 5:	Our letter of 14 January 2009 - CDT/TSAZ/P127c09001M-FYHS

For approval

Le préposé du bureau d'imposition Sociétés 6
Marius Kohl

Luxembourg, le 15 JUIL. 2009

This tax agreement is based on the facts as presented to PricewaterhouseCoopers Sàrl as at the date the advice was given. The agreement is dependent on specific facts and circumstances and may not be appropriate to another party than the one for which it was prepared. This tax agreement was prepared with only the interests of E.ON Group in mind, and was not planned or carried out in contemplation of any use by any other party. PricewaterhouseCoopers Sàrl, its partners, employees and or agents, neither owe nor accept any duty of care or any responsibility to any other party, whether in contract or in tort (including without limitation, negligence or breach of statutory duty) however arising, and shall not be liable in respect of any loss, damage or expense of whatever nature which is caused to any other party.

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Enclosure 1

Description of the E.ON Group

Powergen was created from the privatisation of the Central Electricity Generating Board (CEGB) in 1990 and grew from being an electricity generator to being the UK's largest integrated power and Gas Company, generating and distributing electricity, and retailing power and gas.

In April 2001 the German utility company E.ON AG announced a pre-conditional offer for the purchase of Powergen. This purchase was completed on 1st July 2002.

E.ON has become the world's largest privately-owned electricity and gas company, in line with its strategy of focused growth in the energy sector. The Powergen UK group has now been renamed E.ON UK and operates as a subsidiary of E.ON AG to help achieve its aim of leadership across the European energy market : Powergen's US Operations - initially held via Luxembourg – were sold to E.ON AG and continue to be used as a platform for expansion in the American energy market.

Nowadays, the E.ON UK Group is a leading energy supplier, with around nine million electricity and gas customer accounts. E.ON UK also produces electricity from a portfolio of world-class power stations and is one of the leading names in green generation.

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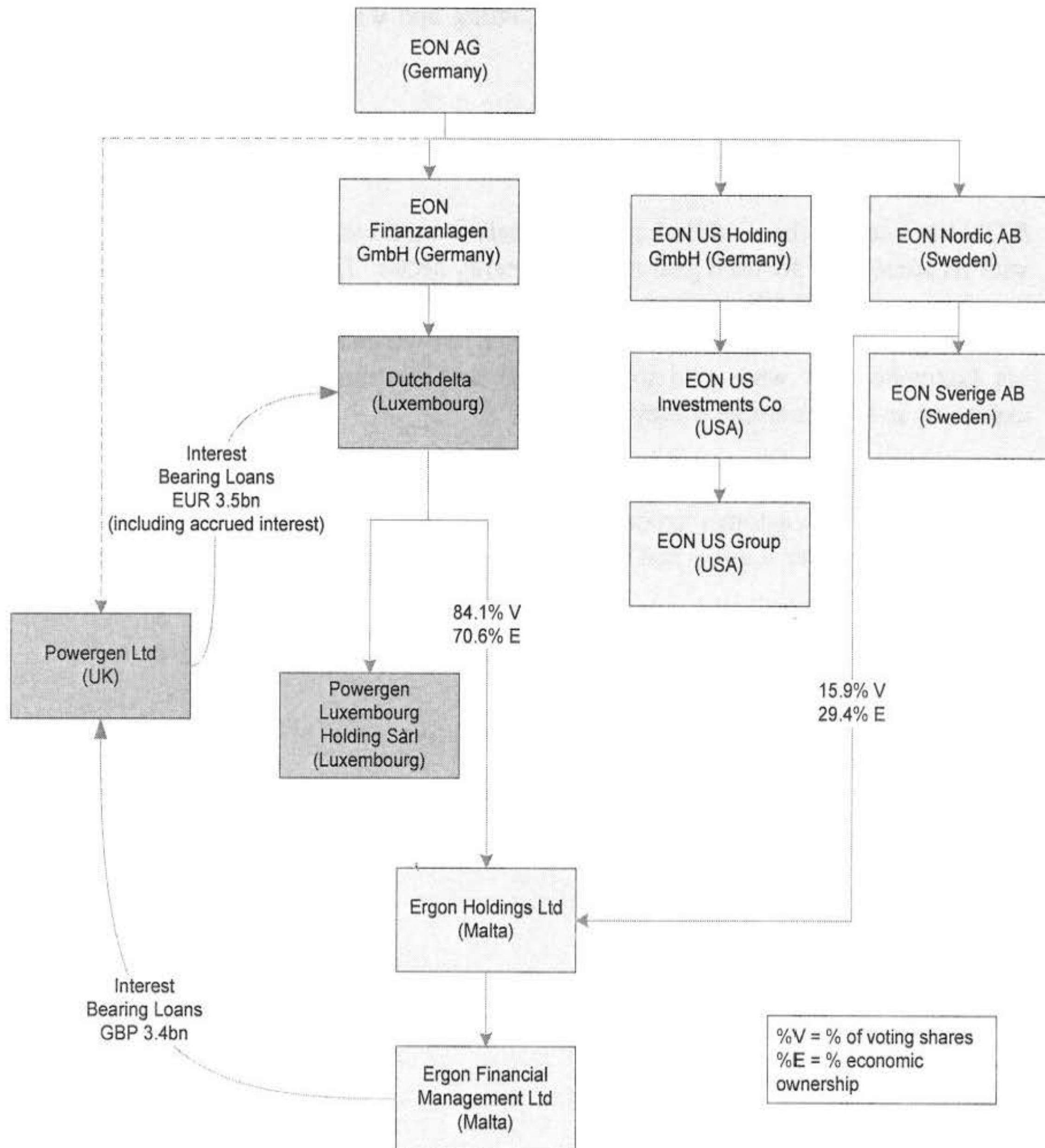
Enclosure 2

Simplified chart structure prior the restructuring



Enclosure 3

Description of the transactions in relation to Ergon Restructuring that are relevant for Luxembourg tax purposes

Step 1

On 9 June 2009, Dutchdelta closes its accounting period to change its accounting year from 31 December to 9 June,

Step 2

After 9 June 2009, Ergon Financial Management distributes its final 2008 and first 2009 interim dividend (representing all profits up to 31 May 2009) to Ergon Holdings. Ergon Holdings distributes the amount received to Dutchdelta.

Step 3

On 25 or 26 June 2009, Ergon Holdings Ltd will begin the process of reducing its capital to Dutchdelta (only - no capital repayment is made to E.ON Nordic AB, the other shareholder) by repurchasing part of its own shares by an amount equivalent to the EUR loan note transferred by Powergen Ltd to Ergon Holdings via Ergon Financial Management ("DD Loan Note") which will be settled three to four months later.

As part of the capital reduction process, Ergon Holdings Ltd assign to Dutchdelta the DD Loan Note in consideration to an interest bearing loan denominated in GBP ("GBP Loan Note) issued by Dutchdelta for the GBP equivalent of the DD Loan Note. As a result, the DD Loan Note assigned to Dutchdelta will be cancelled. The GBP Loan Note will be repayable on demand by either party (Step 3a).

The foreign exchange exposure in relation to the GBP Loan Note and to the current value of Ergon Holdings are hedged at the level of Dutchdelta (Step 3b).

Step 4

After 25 or 26 June 2009, Dutchdelta will contribute its Ergon Holdings' shares to PLHS, except for those covered by the buy-back foreseen in Step 3 and except as well for a small part of its participation having an aggregate acquisition price of EUR 6mio.

Step 5

4 months later as from the beginning of the capital reduction procedures, the Ergon Holdings Ltd capital reduction is settled by the elimination of the GBP Loan Note.

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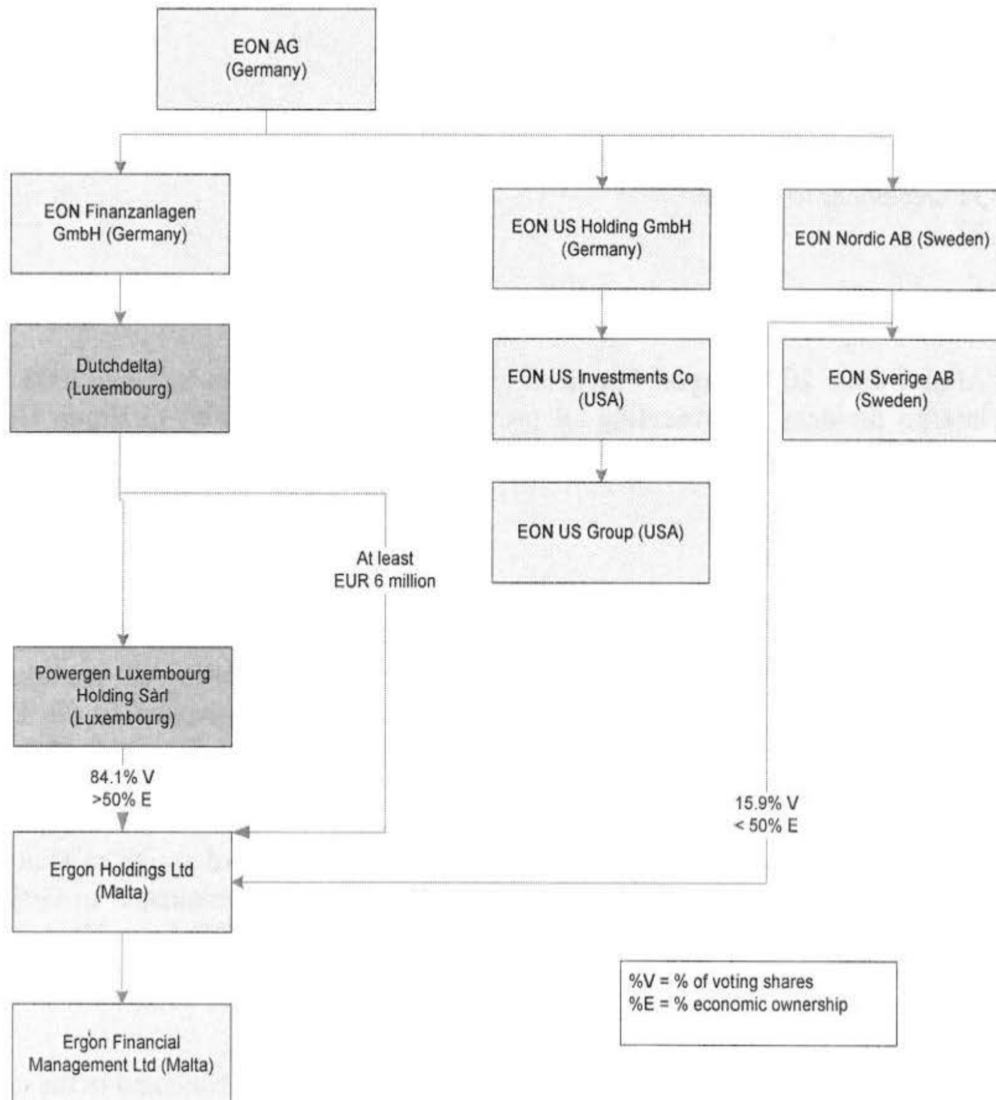
Enclosure 4

Simplified chart structure after the restructuring



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Enclosure 5

Our letter of 14 January 2009 – CDT/TSAZ/P127c09001M-FYHS

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For the attention of Mr Marius Kohl

Administration des Contributions Directes
Bureau d'imposition Sociétés VI
18, Rue du Fort Wedell
L-2982 Luxembourg

January 14, 2008

References: CDT/TSAZ/P127c09001M-FYHS

Powergen Luxembourg S.àr.l ("PLS") – tax number: 2000 2419 468
Dutchdelta Finance S.àr.l ("Dutchdelta") – tax number: 2004 2401 596
Powergen US Securities Limited ("PUSSL") – tax number: 1600 3208 471
Powergen Luxembourg Holding Sàrl ("PLHS") – tax number: 2000 2419 476
Powergen Holding Sàrl ("PHS") – tax number: 2004 2418 723

Dear Mr Kohl,

Further to our meetings dated 17 September and 28 November and at the request of the above mentioned client, we are pleased to submit for your review and approval, an analysis of the transactions described below. Alternatively, we would be pleased to receive your written comments on this restructuring.

A Facts

1 Within the framework of a restructuring of the E.ON Group and further to the implementation of a first Phase "TK 14 (Phase 1)" described in our letter referred RBS/FYHS/P127c08001M-CACI, several operations impacting the Luxembourg companies of the group, i.e. PLS, Dutchdelta, PUSSL, PLHS and PHS have been carried out. For your information, you will find attached to this letter a chart reflecting the initial situation (**Appendix 2**), a description of the transactions in relation to this reorganisation "TK 14 (Phase 2)" (**Appendix 3**), a chart reflecting the final situation (**Appendix 4**) and a brief description of the E.ON Group, to which PLS, Dutchdelta, PUSSL, PLHS and PHS are affiliated (**Appendix 1**).

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For the attention of Mr Marius Kohl

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January 14, 2008

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B Applicable tax regime

B.1 Change of legal form of PLS (Steps 1-2 and 3-3)

2 The transformation of PLS into an SA and then into an SE has been carried out in accordance with Article 170 (2) of the Luxembourg Income Tax Law (hereafter referred as "LITL"). Accordingly, assets and liabilities have been taken over at book value by the transformed company without any tax consequences. This should then not challenge the possibility for PLS to carry forward its tax losses in accordance with article 172bis (1) LITL (**Appendix 5**).

B.2 Transfer of Ergon Holdings Ltd by PLS to Dutchdelta (Step 6)

3 In June and in August 2008, Ergon Holdings Ltd distributed dividends to PLS of a total amount of GBP 386,227,685.

4 On September 9, 2008, PLS disposed of Ergon Holdings Ltd by transferring it to Dutchdelta for market consideration.

5 According to Article 1 (2) of the Grand Ducal Decree dated 21 December 2001, the exempt amount of the gain is reduced by the algebraic sum of income (mainly derived from the interest expense and potential write-downs in the value of the participation), to the extent that they have reduced the taxable base of that year or previous years.

6 Should PLS realize a forex loss upon the disposal of Ergon Holdings shares, this potential loss will not be considered as linked with the dividend distribution made in June and August and would therefore be deductible (and not subject to recapture) to the extent that the loss is due to a foreign exchange rate variation upon disposal of the Ergon Holding shares.

7 In this respect, the potential foreign exchange loss realized by PLS would equal the negative difference between the GBP denominated acquisition price converted into EUR at historical rate and the said acquisition price converted into EUR at the rate applicable on the date of the transfer from PLS to Dutchdelta.

B.3 Thin-capitalization (step 6)

8 Based on the developments detailed in **Appendix 7** and given the majority shareholding of Dutchdelta in its subsidiary PLS, no debt-to-equity ratio will apply in the hands of Dutchdelta for financing granted by PLS. Accordingly, the tax treatment will follow the accounting treatment.

B.4 Set up of Irish Branch by PLS (Step 7)

9 Based on the developments detailed in **Appendix 6**, the Irish branch should be treated as a "permanent establishment" of PLS in Ireland.

10 The EUR 22bn receivable recorded in the commercial accounts of PLS will be offset for determining the unitary value of the Luxembourg company, by the EUR 22 bn (less EUR 10 million) non-interest bearing debt owed to the Irish non-trading branch. The tax treatment will follow the accounting treatment.

11 Accordingly, approximately EUR 10 million of the total of the net taxable assets of PLS will remain subject to Luxembourg net wealth tax.

B.5 Migration of PLS SE and PUSSL to UK (Step 10.3)

12 PUSSL, a company incorporated in the UK with its effective place of management in Luxembourg, and PLS SE, a Luxembourg tax resident company, will migrate their effective place of management, and legal seat as regard PLS, from Luxembourg to the UK.

13 According to Article 172 (1) LITL, the migration of a resident company involves the liquidation of said entities (i.e. PUSSL and PLS SE). In this respect, Article 169 LITL will apply in order to determine the taxable basis of the transferred entities. This involves in practice that the migration of these entities will trigger the realization of the latent gains (if any).

14 However, any gain on shareholdings should be exempt provided conditions of the Grand Ducal decree of 21 December 2001 in execution to Article 166 LITL (hereafter referred to as "Grand Ducal decree") are met.

15 From a Luxembourg tax point of view, the liquidation proceeds received by Dutchdelta upon migration of PUSSL and PLS SE will be considered as a dividend distribution. It should be tax exempt in Luxembourg under article 166 LITL, as both companies are covered by article 2 of the EU Parent – Subsidiary Directive, and since, at the time of receiving the liquidation proceeds, Dutchdelta has continuously held a participation in PUSSL and PLS SE representing more than 10% of their share capital for more than 12 months.

16 Potential recapture in the hands of Dutchdelta on interest expenses in relation to those shareholdings will be limited to interest deducted in the accounting year in which the liquidation proceed has been received. The change of Dutchdelta's accounting year should not challenge this rule.

B.6 Foreign currency rate

17 Consistent with internal policy of the group, the foreign exchange rate used by the Luxembourg entities of the Group to record the transactions of the restructuring will be that of the working day preceding the effective date of the transaction.

We remain at your disposal should you need any further information and would like to thank you for the attention that you will give to our request.

Yours sincerely,

Catherine Dupont
Partner

Frederique-Audrey Hakkens
Senior advisor

Enclosures:

Enclosure 1:	Description of the E.ON Group
Enclosure 2:	Initial chart structure
Enclosure 3:	Description of the transactions in relation to TK14 (Phase 2)
Enclosure 4:	Description of the final structure
Enclosure 5:	Detailed tax analysis of the change in the legal form of PLS
Enclosure 6:	Detailed tax analysis of the tax treatment applicable to PLS's Irish Branch
Enclosure 7:	Thin-capitalization analysis
Enclosure 8:	Our letter of 11 June 2008 - RBS/FYHS/P127c08001M-CACI

For approval

Le préposé du bureau d'imposition Sociétés 6
Marius Kohl

Luxembourg, 14 January 2009

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Enclosure 1

Description of the E.ON Group

Powergen was created from the privatisation of the Central Electricity Generating Board (CEGB) in 1990 and grew from being an electricity generator to being the UK's largest integrated power and Gas Company, generating and distributing electricity, and retailing power and gas.

In April 2001 the German utility company E.ON AG announced a pre-conditional offer for the purchase of Powergen. This purchase was completed on 1st July 2002.

E.ON has become the world's largest privately-owned electricity and gas company, in line with its strategy of focused growth in the energy sector. The Powergen UK group has now been renamed E.ON UK and operates as a subsidiary of E.ON AG to help achieve its aim of leadership across the European energy market : Powergen's US Operations - initially held via Luxembourg – were sold to E.ON AG and continue to be used as a platform for expansion in the American energy market.

Nowadays, the E.ON UK Group is a leading energy supplier, with around nine million electricity and gas customer accounts. E.ON UK also produces electricity from a portfolio of world-class power stations and is one of the leading names in green generation. Its trading business is also a major player in the UK's electricity and gas markets.

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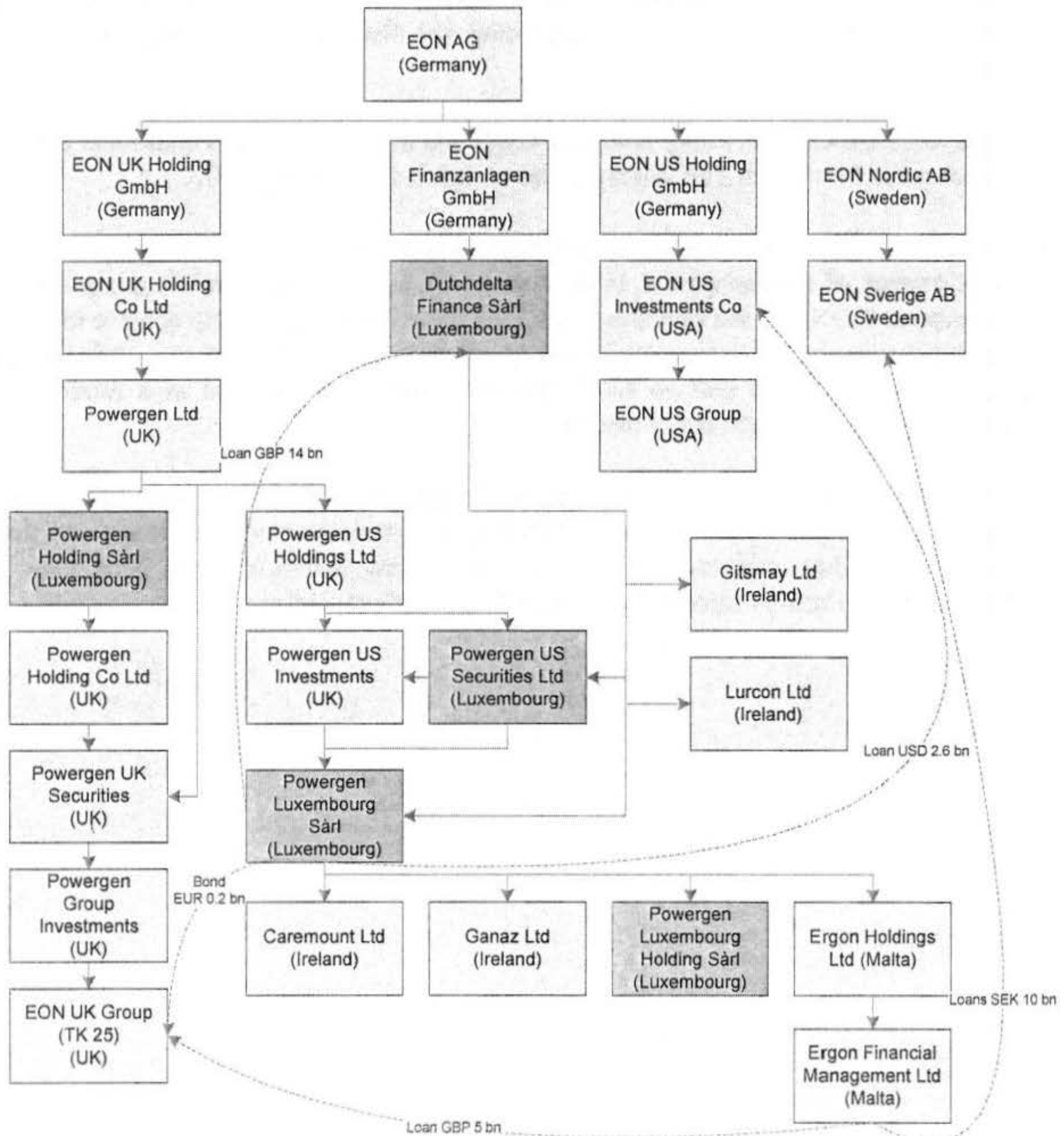
Enclosure 2

Initial chart structure

The initial structure is as follows:



Enclosure 3

Description of the transactions in relation to TK 14 (Phase 2)

Step 1

On May 29, 2008, PLS reduced its ordinary share capital to EUR 122,960 crediting EUR 15,247,114 to the share premium account (Step 1.1).

At the same time, PLS converted into a *Société Anonyme* (Step 1.2).

Step 2

On June 18, 2008, Ergon Financial Management Ltd ("Ergon FM"), Ergon Insurance Ltd and Ergon Holdings Ltd declared and paid dividends of all of their profits available for distribution (Step 2.1).

PLS and E.ON Nordic AB ("Nordic") used the dividends received to subscribe for new Ergon Holdings Ltd "B" shares. In addition, Nordic subscribed for further shares by assigning a SEK 2.36 billion loan note issued by E.ON Sverige AB (Step 2.2).

Step 3

On June 30, 2008, the various loans from Ergon FM to E.ON UK group companies and Powergen US Holdings Ltd ("PUSHL") were redirected via Powergen Ltd (Step 3.1)

On July 30, 2008, PLS converted its share premium account and legal and statutory reserves into distributable reserves (Step 3.2).

On July 31, 2008, PLS completed the process of converting into a *Société Européenne* (Step 3.3).

Step 4

On August 26, 2008, Ergon Financial Management Ltd ("Ergon FM") (Step 4.1) and Ergon Holdings Ltd (Step 4.2) declared and paid a further dividend of all of their profits available for distribution as at the end of August.

Step 5

On September 1, 2008, Nordic transferred its entire holding of Ergon Holdings Ltd "A" shares to Dutchdelta on an ex-dividend basis for market value cash consideration of GBP 5 million (Step 5.1).

On September 3, 2008, the dividends declared at Step 4.1 were settled, and used by PLS and Nordic to subscribe for new Ergon Holdings Ltd "B" shares (Step 5.2).

Step 6

On September 9, 2008, PLS transferred:
- its shareholdings in Ergon Holdings Ltd and PLHS;
- its income-generating monetary assets (i.e. loans to E.ON US Investments Corp, bond and cash deposited with E.ON AG) to Dutchdelta for market value cash consideration (Step 6.1).

On September 9, 2008, PLS used the entire proceeds to acquire two interest-bearing loan notes issued by Dutchdelta. The loan notes are freely assignable within the E.ON group (Step 6.2).

Step 7

In the course of December 2008, PLS set up an Irish non-trading branch and allocated the receivable it held toward Dutchdelta up to an amount of EUR 22,682,000,000.

Step 8

On 16th December 2008, Lurcon Ltd and Gistmay Ltd were sold outside the E.ON group

Step 9

In the first quarter of 2009, E.ON UK Holding GmbH will merge into E.ON Finanzanlagen GmbH (Step 9.1).

E.ON Finanzanlagen GmbH will contribute E.ON UK Holding Company Ltd ("EUKHC") to Dutchdelta (Step 9.2).

Dutchdelta will be renamed E.ON International Holdings Sarl ("EIH") (Step 9.3) and will change its accounting year from 31 December to a date in February/March.

Step 10

In the first quarter of 2009, PUSSL, Powergen US Investments ("PUSI") and PUSHL will reduce their share capital to a minimal level thereby creating distributable reserves (Step 10.1).

E.ON AG will grant a loan facility to Powergen US Securities Ltd ("PUSSL") equivalent to the amount of its distributable reserves (Step 10.2).

One day after the new Dutchdelta year-end, PUSSL and PLS will migrate from Luxembourg to the UK (Step 10.3).

Step 11

Shortly after Step 10.3 above, PLS and PUSSL will distribute materially all of their assets.

Step 12

On the same day as Step 11, Powergen Ltd will distribute the EUR 8.4bn loan to EIH (the "EIH Loan") to EUKHC (Step 12.1).

On the same day, EUKHC will make a EUR 8.4bn distribution to EIH resulting in the elimination of the EIH Loan (Step 12.2).

Step 13

Later in 2009, Powergen Group Investments, Powergen Group Holdings Ltd, Powergen UK Securities and Powergen UK Holding Company Ltd will reduce their capital to create distributable reserves (Step 13.1).

PUSI, PUSHL, PUSSL, Powergen Group Investments, Powergen Group Holdings Ltd, Powergen UK Securities and/or Powergen UK Holding Company Ltd will reduce their capital to create distributable reserves, and will distribute out materially all of their assets and will be placed into liquidation (Step 13.2)

Powergen Ltd will distribute its shareholdings in PHS and Powergen UK Securities to EUKHC for market value consideration (Step 13.3)

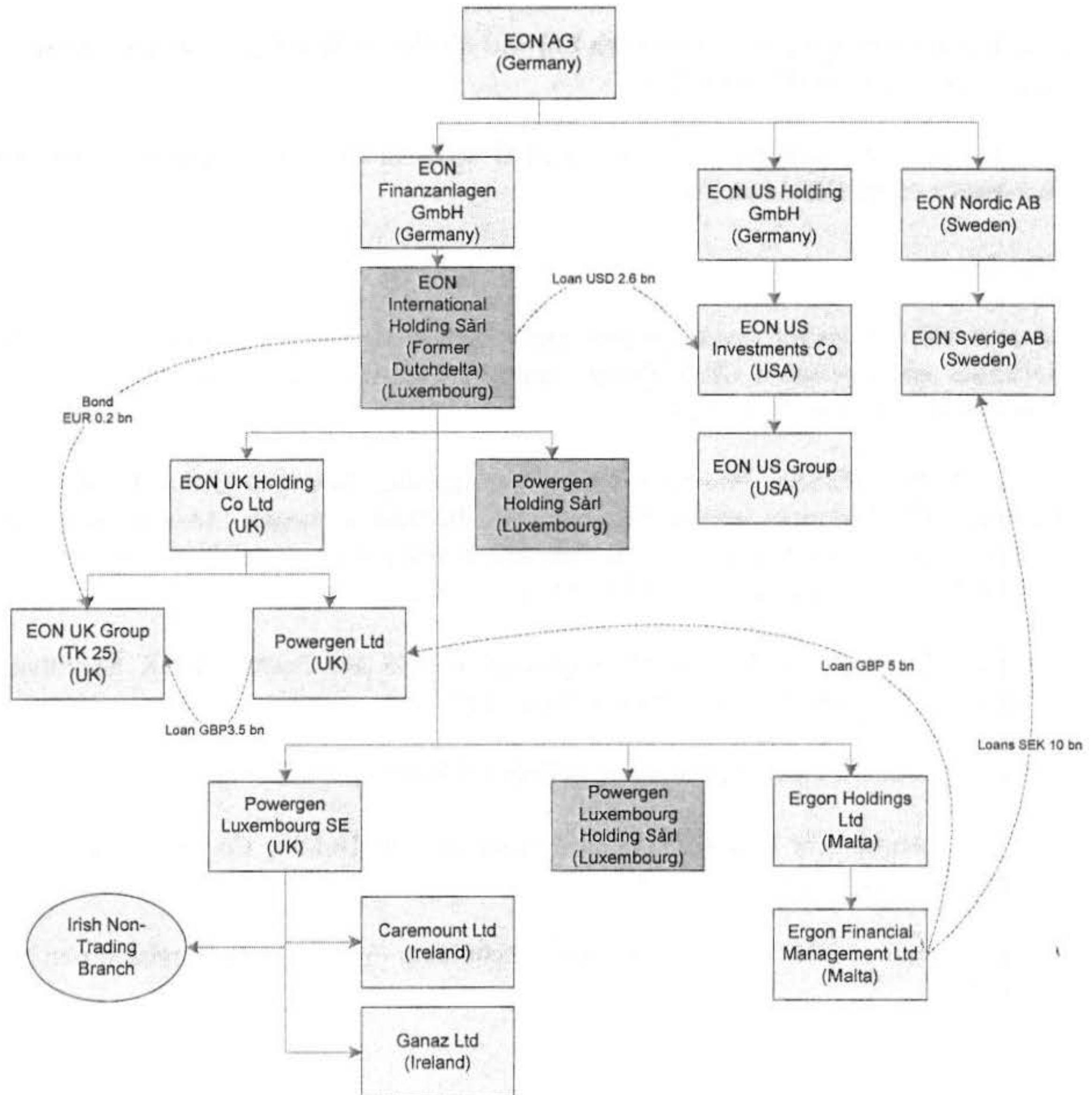
EUKHC will distribute its shareholding in PHS to EIH (Step 13.4).

PHS will then transfer its shareholding in Powergen UK Holding Co Ltd to EUKHC for market value consideration (Step 13.5).

Before the end of 2009, EIH will sell its shareholding in PLS to an unrelated purchaser (Step 13.6).

Enclosure 4

Final chart structure



Enclosure 5

Detailed tax analysis of the change in the legal form of PLS

According to Article 170 (1) LITL, when the assets and liabilities of a fully taxable joint-stock company are transferred to another person, whether upon liquidation or not, the operation is regarded as a liquidation for tax purposes. The note 5 to the article further mentions that in case of transformation, the change of legal form is assimilated, from a tax point of view, to the dissolution of the company followed by the creation of a new company.

However, under Article 170 (2) LITL, when the assets and liabilities of a fully taxable resident joint-stock company are transferred as a whole to another fully taxable resident company, the profit resulting from the transfer of the assets is tax exempt provided that:

a) The transfer has to be carried out either by means of the issue of shares by the receiving company to the shareholders of the transferring company and, if this be the case, of a cash payment not exceeding 10% of the nominal value (or, if no nominal value exists, the accounting par value of the securities issued), or by the cancellation of a participation held by the receiving company in the transferring company;

b) The transfer has to be carried out in such a way that the profit will be taxable in Luxembourg at a later date when, if no such provision existed, it would have been taxable there.

Given that the aforementioned requirements are met, the transformation of PLS into a SA and then to a SE should be tax neutral.

Furthermore, Article 172bis (1) LITL states that when a joint-stock company is transformed into another joint-stock company within the framework of a tax neutral operation according to Article 170 (2) LITL, the carry forward losses according to Article 114 LITL are continued in the same conditions that those applicable in the hands of the transformed company.

Accordingly, the transformation of PLS into a SA and then to a SE should be fully tax neutral and should not challenge the possibility given to PLS to carry forward its losses.

Enclosure 6

Detailed tax analysis applicable to PLS' Irish Branch ("Irish Branch")

A Double tax treaty concluded between Luxembourg and Ireland

PLS is a Luxembourg tax resident company according to article 159 LITL and according to article 3§1 (g) and (h) of the tax treaty concluded between Luxembourg and Ireland (hereafter referred to as "the Treaty").

From a Luxembourg tax perspective, the tax treatment of Irish Branch will depend on its substance. The Irish branch should be considered to be a non-trading branch in Ireland.

In this respect, the branch will have:

- an office space and an Irish address;
- all necessary material to carry out its activities (i.e., desk, fax, etc.);
- a company name which will be displayed at the premises;
- a telephone number which will be made available to the public;
- its own bank account;
- separate accounting records.

One manager will be appointed. This manager will be in charge of the daily management of the Irish branch.

The branch will be managed and controlled only in Ireland by its own Irish manager. All decisions pertaining to the business of the branch will be taken in Ireland. The permanent establishment will have the authority to conclude contracts in the name of the company and the signatory authority on the bank account of the company.

Moreover, the following documents will be retained in Ireland and made available upon request:

- the minutes of the board meeting of PLS creating the Irish branch and allocating funds to the Irish branch;
- the minutes of the board meeting of PLS appointing the Irish branch manager and any subsequent minutes of board meeting in relation with the branch;
- a copy of the management services agreement covering the branch manager;
- a copy of the licence agreement covering the provision of office space and services;
- a copy of a contract for an own telephone number;
- a copy of the registration deed in Ireland;
- a copy of the payrolls of the branch;
- a copy of the contract for a local Irish bank account;
- a copy of the employment contract of the branch's employee;
- a copy of the registration deed in Ireland (or a substitute).

In view of the aforementioned local substance in Ireland, the Irish branch will be qualified as a "*permanent establishment*" of PLS in Ireland, as defined in article 4 of the Treaty.

B Tax treatment of income realized by the Irish permanent establishment

According to article 6§1 of the Luxembourg-Irish Treaty (in this section referred to as "the Treaty"), the business profits attributable to an Irish permanent establishment of a Luxembourg company may be taxed in Ireland.

Moreover, article 23 of the Treaty provides for methods to eliminate double taxation. Article 23§3 (a) of the Treaty stipulates that where a Luxembourg resident derives income, which in accordance with the Treaty may be taxed in Ireland, such income shall be exempt from tax in Luxembourg. Article 23§1 of the Treaty, however, subjects the exemption provided by article 23§3 (a) to the condition that the income to be exempted in Luxembourg has been "*subject to tax*" in Ireland (French wording: "*passible de l'impôt*").

Article 23§1 of the Treaty in its French version does not provide for a subject to tax condition but merely to a "*may be subject to tax*" condition. Indeed, the French version[1] of the Treaty is clear concerning article 23§1 of the Treaty, whereas the English version[2] could give rise to some doubts concerning the notion of "*subject to tax*".

Since, in case of doubt, both texts are equally authoritative, reference should be made to other sources. Article 23 of the Treaty is based on the OECD Model Convention[3] ("the Convention"). As a consequence the interpretation in case of doubt should be inspired by the Convention and its official comments[4].

In this respect, it should be noted that the Convention in French is similar to the French version of the Treaty[5], whereas the English version of the Treaty does not use the same wording as the Convention[6]. The comments of the draft bill do not mention an intention of the parties not to follow the Convention, whereas it is mentioned for other articles when it is the case[7].

Furthermore, the Convention does not usually require "*an effective taxation*" of the income as a condition for the application of an exemption. As a consequence, article 23§1 of the Treaty should not be viewed as requiring an effective taxation but rather and only as referring to the right to tax that both countries have[8]. Moreover, this analysis of article 23§1 is consistent with all paragraphs of article 23.

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[1] The French version lays down that "*lorsqu'un revenu est passible de l'impôt dans les deux états contractants...*", which can be translated by "*where an income may be taxed*".
[2] The English version lays down that "*where income is subject to tax*".
[3] Preparatory works n°1679, pages 34, 1933 and 1950
[4] Preparatory works n°1679, pages 34 and 1933
[5] The French version of the Treaty uses "*passible de l'impôt*" and the French version of the Convention uses "*imposable*".
[6] The Treaty mentions "*subject to tax*", whereas the Convention mentions "*may be taxable*".
[7] E.g articles 18 and 20, cf page 1935 of the Preparatory work n° 1679.
[8] Cf. comments on Article 23 A of the OECD Model Convention

Notwithstanding the above analysis, and complementarily, even in case a doubt would remain with respect to the interpretation of the English version of article 23§1 of the Treaty, such doubt would disappear in the light of the general interpretation of the Convention and official commentaries thereof.

As mentioned above, the comments of the draft bill [9]do mention that the Treaty follows in principle the Convention.

For the purpose of this interpretation, it has to be noted that a new anti-abuse provision was included in the Convention in 2000. New article 23 A paragraph 4 of the Convention provides that the exemption method for elimination of double taxation, provided by article 23 A paragraph 1, will not apply if the income is exempt from tax in the source country by application of the provisions of the Convention itself. In the case at hand, this would mean that Luxembourg could not exempt the income from tax if Ireland exempts this income from tax by application of the Convention.

The official commentaries to the Convention (Comment C(23) (24) point 56.2) expressly provide for the following: « *Such provision (article 23 (A) 4) would therefore not apply where the state of source considers that it may tax an item of income or capital in accordance with the provisions of the Convention but where no tax is actually payable on such income or capital under the provisions of the domestic laws of the state of source. In such a case, the state of residence must exempt that item of income under the provisions of §1 because the exemption in the state of source does not result from the application of the provisions of the convention but rather from the domestic law of the state of source* ».

Thus, article 23§1 of the Treaty may not be considered as exhaustive and as a consequence the Treaty therefore allows the application of the method to eliminate double taxation under article 23 §3a either in case of double taxation or in case of single taxation in the state of residence when the source country is entitled to levy tax in accordance with the Treaty but does not tax the income by application of its domestic law.

As a consequence of the above, based on the conclusion that the Irish branch constitutes a permanent establishment and on the understanding of article 23§1 of the Treaty set out above, the right to tax the profits deriving from the activities of the Irish branch will be granted to Ireland by virtue of article 6§1 of the Treaty and such profits will be exempt from any Luxembourg corporate tax and municipal business tax in Luxembourg by application of article 23§3a of the Treaty. Profits include any possible foreign exchange profits (or losses).

Consequently, corporate income tax and municipal business tax can only be levied on profits attributable to the Luxembourg company, since profits attributable to the Irish branch should be taxable in Ireland.

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[9] Preparatory works n°1679, pages 34, 1933 and 1950

C Net wealth tax

For net wealth tax purposes, article 22§2 of the Treaty states that assets consisting of movable property being part of a permanent establishment may only be taxed in the state where this permanent establishment is located. According to article 23§3a of the Treaty, those assets will be exempt in Luxembourg from net wealth tax. Consequently, no net wealth tax will be levied in Luxembourg on the Irish branch assets.

PRICEWATERHOUSECOOPERS

Enclosure 7

Thin-capitalization analysis (step 6)

Background

Further to Project TK 14 (Phase 1), Dutchdelta's participation in PLS is substantially financed by a debt of EUR 14 billion granted by PLS, a subsidiary of Dutchdelta. It has been agreed that no adverse tax consequence would arise in relation to the non-compliance with the debt-to-equity ratio to the extent the debt-to-equity ratio was respected at the closing of financial year 2008 (see Appendix 8 – our letter of 11 June 2008 referenced RBS/FYHS/P127c08001M-CACI).

An additional debt of around EUR 9 billion granted by PLS on September 9, 2008 financing the participation in PLHS and in Ergon Holdings Ltd (hereafter referred to as "Ergon Holdings") was transferred to Dutchdelta on Step 6.

As a result, Dutchdelta has financed its shareholdings in PLS, PLHS and Ergon Holdings Ltd by debt granted by its subsidiary, PLS.

Luxembourg practice

Based on a Luxembourg practice, companies have to meet a 85/15 debt/equity ratio for participations financed by loan granted by their group companies. The application of this practice entails that 15% of the interest expenses would be re-classified as a dividend and would then not be tax deductible and subject to withholding tax. This requalification is based on article 164al3LITL, i.e. interest paid is considered as hidden dividend distribution since a third party would not have granted such a loan in the same situation.

It has to be noted that the requalification of the interest into a dividend, based on article 164al3 LITL, is part of a more general theory regarding freedom of the taxpayer in the choice of form that he considers the most appropriate and the less costly from a tax point of view.[10] In this respect, some authors[11] consider that if the lender is not also a shareholder, the juridical and economical qualification of the loan could not be challenged from a tax point of view.

Luxembourg practice adapted to financing from a subsidiary

In the case of a wholly owned subsidiary, there is no decrease in value of the company and no advantage is granted to the shareholders of the company. Accordingly, there should be no requalification of the interest expense into dividend. The debt-to-equity ratio is not applicable.

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[10] Steichen, Manuel de Droit Fiscal, Tome 1, n°553.

[11] Steichen, *ibidem* ; Elvinger, Aspects internationaux de la sous-capitalisation, IFA, CDFI, vol 8Ib, Deventer, 1996, p.559 et svt.

In the case at hand, Dutchdelta owns 100% of Ergon Holdings Ltd, 100% of PLHS and around 64 % of PLS shares (directly 63,3% and indirectly 0,7%). The remaining 36% shareholding in PLS is held indirectly by Powergen US Holdings Limited UK (hereafter referred to as "PUSHL") a sister company of Dutchdelta.

Considering in the present case, the majority shareholding of Dutchdelta in PLS, no debt/equity ratio should apply. Accordingly, the tax treatment will follow the accounting treatment.

PRICEWATERHOUSECOOPERS

Enclosure 8

Our letter of 11 June 2008 – RBS/FYHS/P127c08001M-CACI