

A PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION
of
E.ON ENERGY LIMITED¹

MONDAY
WEC



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PRELIMINARY

- 1 The regulations contained in Table A in the schedule to the Companies (Tables A to F) Regulations 1985 as amended by the Companies (Tables A to F) (Amendment) Regulations 1985 (hereinafter called "Table A") shall apply to the company save insofar as they are excluded or varied by these articles and such regulations (save as so excluded or varied) and these articles shall be the regulations of the company

2 **SHARE CAPITAL²**

- 2 1 The share capital of the Company as at the date of the latest amendment to these Articles of Association is £771,000,000 divided into

2 1 1 765,000,000 ordinary shares of £1 each (the "**Ordinary Shares**"), and

2 1 2 60,000,000 irredeemable preference shares of £0 10 each (the "**Irredeemable Preference Shares**"),

¹ The Company was incorporated on 17 July 1997 as Statco Eight Limited. The Company changed its name on 29 July 1997 to Sterling Gas Limited, on 12 July 1999 to Powergen Retail Gas Limited, on 1 October 2001 to Powergen Retail Limited and on 3 December 2007 to E.ON Energy Limited.

² The Company was incorporated on 17 July 1997 with share capital of £1,000 divided into 1,000 ordinary shares of £1 each. On 22 January 1998, the authorised share capital of the Company was increased from £1,000 to £3,000,000 by the creation of an additional 2,999,000 ordinary shares of £1 each. On 14 September 2001, the authorised share capital of the Company was increased from £3,000,000 to £15,000,000 by the creation of an additional 12,000,000 ordinary shares of £1 each. On 28 February 2003, the authorised share capital of the Company was increased from £15,000,000 to £515,000,000 by the creation of an additional 500,000,000 ordinary shares of £1 each. On 7 March 2003, the authorised share capital of the Company was increased from £515,000,000 to £521,000,000 by the creation of an additional 60,000,000 irredeemable preference shares of £0 10 each and a new article 2 was inserted and the subsequent articles (and references thereto contained in these articles) were renumbered accordingly. On 30 April 2004, the authorised share capital of the Company was increased from £521,000,000 to £771,000,000 by the creation of an additional 250,000,000 ordinary shares of £1 each.

3 RIGHTS ATTACHING TO IRREDEEMABLE PREFERENCE SHARES³

3 1 The Ordinary Shares and the Irredeemable Preference Shares shall rank pari passu in all respects save as set out below

3 1.1 Dividends

(a) As to income, the Irredeemable Preference Shares shall confer upon the holders thereof the right in priority to any payment by way of dividend of the Company to receive a cumulative preferential dividend (the "**Preferential Dividend**")

(b) The Preferential Dividend shall for every twelve month period in respect of each Irredeemable Preference Share from time to time in issue be

$$((A + 2.97\%) \times 10 \times £0.10)$$

where A is as defined in 3 1 1(d) below

(c) Subject to Part VIII of the Companies Act 1985, the Preferential Dividend shall

(i) be paid in arrears at twelve monthly intervals on each anniversary of the date of the first issue by the Company of any Irredeemable Preference Shares (the "**Dividend Reference Date**"), and

(ii) without any resolution of the Directors or the Company in General Meeting (and notwithstanding anything contained in Regulations 102 to 108 (inclusive) of Table A) accrue from day to day and on each such Dividend Reference Date become a debt due from and immediately payable by the Company to the holders of the Irredeemable Preference Shares pro rata according to the number of Irredeemable Preference Shares held by each such shareholder, as the case may be

(d) For the purpose of article 3 1 1(b) above 'A' shall be equal to twelve month sterling LIBOR expressed as a percentage, being

(i) the rate per annum of the offered quotation for twelve month sterling deposits of and in an amount equal or comparable to the aggregate market value on the date of issue of all of the issued Irredeemable Preference Shares in the capital of the Company as at the date falling thirty days prior to the date of first issue by the Company of any Irredeemable Preference Shares (for the period from such

³ On 7 March 2003, a new article 3 was inserted and the subsequent articles (and references thereto contained in these articles) were renumbered accordingly

date until the day before the first Dividend Reference Date) or the relevant Dividend Reference Date (for all subsequent periods beginning on such Dividend Reference Date and ending on the day before the next following Dividend Reference Date), which appears on Telerate Page 3740 or 3750 (or any replacement page on the Telerate service) at or about 11 00am on the relevant date, or

- (ii) if no such display rate is then available for such sterling deposits, then the arithmetic mean (rounded up, if necessary, to the nearest four decimal places with the mid-point rounded up) of the rates notified to the Company at the Company's request by each of two Clearing Banks to leading banks in the London interbank market at or about 11 00am (London time) thirty days prior to the relevant Dividend Reference Date (or the date of first issue by the Company of any Irredeemable Preference Shares, as the case may be) for twelve month sterling deposits in an amount equal or comparable to the aggregate market value on the date of issue of all of the issued Irredeemable Preference Shares in the capital of the Company as at the relevant Dividend Reference Date, and for the purposes of this article a "Clearing Bank" shall be any of Royal Bank of Scotland plc, Lloyds TSB plc, Barclays Bank plc and HSBC plc,
- (iii) if, in respect of any Dividend Reference Date (or the date of first issue by the Company of any Irredeemable Preference Shares, as the case may be)
 - (a) no (or only one) Clearing Bank notifies a rate to the Company in response to the Company's request as contemplated by paragraph (ii) above, or
 - (b) on the basis of notification from one or more Clearing Banks, the Company determines that either twelve month sterling deposits are not available in the London Inter-Bank Market at or about 11 00am (London time) thirty days prior to the relevant Dividend Reference Date (or the date of first issue by the Company of any Irredeemable Preference Shares, as the case may be) in an amount equal or comparable to the aggregate market value on the date of issue of all of the issued Irredeemable Preference Shares in the capital of the Company as at the relevant Dividend Reference Date or the rates notified by the Clearing Banks do not accurately reflect the cost to such Clearing Banks of obtaining such deposits, or

- (c) the Company determines that, by reason of circumstances affecting the London Inter-Bank Market, adequate or fair means do not or will not exist for determining the rate applicable for twelve month sterling deposits, the Company shall promptly notify every holder of Irredeemable Preference Shares and negotiate with the holders of Irredeemable Preference Shares an alternative basis for calculating the value of 'A'
- (iv) If an alternative basis for calculating the value of 'A' is not agreed among the Company and the holders of Irredeemable Preference Shares within 10 days of the Company becoming aware that the conditions in (iii) above are satisfied, the value of 'A' shall be determined by an independent bank appointed by agreement between the Company and the holders of Irredeemable Preference Shares or, in the event of a failure to reach such an agreement, appointed on the application of the Company or any holder of Irredeemable Preference Shares by the President for the time being of the Law Society of England and Wales
- (e) The Irredeemable Preference Shares shall not confer upon the holders thereof any right to participate in the profits of the Company beyond the Preferential Dividend.

3 1 2 Capital

- (a) On a distribution of assets on a winding up or other return of capital, the surplus assets of the Company remaining after payment of its liabilities shall be paid in the following order of priority
 - (i) first, in repaying to the holders of Irredeemable Preference Shares the nominal value paid up on each such Irredeemable Preference Share held by them on the date of the distribution or other return,
 - (ii) secondly, in paying to the holders of Irredeemable Preference Shares any amount of the Preferential Dividend due but unpaid on the date of the distribution or other return,
 - (iii) thirdly, in paying to the holders of Irredeemable Preference Shares £0 90 per each Irredeemable Preference Share held by them on the date of the distribution or other return, and
 - (iv) thereafter, any surplus shall be paid to the holders of Ordinary Shares pro rata
- (b) The Irredeemable Preference Shares shall not confer upon the holders thereof any further right to participate in the assets of the

Company available for distribution among the members of the Company

3 1 3 Voting

The Irredeemable Preference Shares shall not confer upon the holder thereof any right to receive notice of, attend or vote at a General Meeting

- 4 Subject to the provisions of the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the company may by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the directors may decide. Regulation 2 in Table A shall not apply to the company
- 5 Subject to the Act and to these articles, any unissued shares of the company (whether forming part of the original or any increased capital) shall be at the disposal of the directors who may offer, allot, grant options over or otherwise dispose of them to such persons at such times for such consideration and generally on such terms and conditions as they may determine
- 6 Subject to any direction to the contrary which may be given by the company in general meeting, the directors are generally and unconditionally authorised for the purpose of section 80 of the Act to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount equal to the amount of the authorised but unissued share capital of the company at the date of the adoption of these articles provided that this authority shall expire on the date five years from the date of the adoption of these articles unless renewed, varied or revoked by the company in general meeting save that the directors may before such expiry make an offer or agreement with would or might require relevant securities to be offered after such expiry⁴
- 7 Unless otherwise provided by the rights attaching to any shares, those rights shall be deemed to be varied by the reduction of the capital paid up on the shares and by the allotment of further shares ranking in priority for the payment of dividends or other distributions or in respect of capital or which confer on the holders voting rights more favourable than those conferred by such first mentioned shares, but shall not otherwise be deemed to be varied by the creation or issue of further shares
- 8 In accordance with Section 91(1) of the Act Sections 89(1) and 90(1) to (6) (inclusive) of the Act shall not apply to the Company.⁵

CALLS ON SHARES AND FORFEITURE

- 9 There shall be added to the end of the first sentence of regulation 18 in Table A the

⁴ By written resolutions passed on 22 January 1998, 14 September 2001, 28 February 2003, 7 March 2003 and 30 April 2004, the authority of the directors to exercise all the powers of the Company to allot relevant securities was extended to expire five years from the date of the passing of the respective resolutions

⁵ On 7 March 2003, a new article 8 was inserted and the subsequent articles (and references thereto contained in these articles) were renumbered accordingly

words "and any costs and expenses incurred by the directors as a result of such non payment"

TRANSFER OF SHARES

- 10 The instrument of transfer of a subscriber's Share which is not fully paid need not be executed by or on behalf of the transferee. Regulation 23 in Table A shall be varied accordingly
- 11 The directors may, in their absolute discretion and without giving any reason, decline to register any transfer of any share, whether or not it is a fully paid share. Accordingly the first sentence of regulation 24 in Table A shall not apply to the company

NOTICE OF GENERAL MEETINGS

- 12 In regulation 38 in Table A the words "or a resolution appointing a person as a director" shall not apply to the company
- 13 Notice of every general meeting shall be given to all members (whether situated in the United Kingdom or not) other than any who, under the provisions of these articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the company, and also to the auditors or, if more than one, each of them. The last sentence of regulation 38 in Table A shall not apply to the company

PROCEEDINGS AT GENERAL MEETINGS

- 14 A general meeting of the company or a meeting of the holders of any class of its shares shall be quorate and shall be valid and effective for all purposes if there is present one person being either
- (1) a member himself and a proxy for another member or members,
 - (2) a member himself and a duly authorised representative of one or more corporations, each of which is a member,
 - (3) a proxy for two or more members
 - (4) a duly authorised representative of two or more corporations each of which is a member,
 - (5) a proxy for one or more members and a duly authorised representative of one or more corporations, each of which is a member, or
 - (6) the sole member or the corporate representative or proxy of the sole member

The second sentence of regulation 40 in Table A shall not apply to the company.

- 15 A resolution in writing signed or approved by notice, letter, telex, fax, telemessage or cable by or on behalf of the requisite majority of the members who would have been entitled to vote upon it if it had been proposed at a general meeting or at a meeting of

any class of members at which they were present shall be as valid and effectual as if it had been passed at a general meeting or at such class meeting (as the case may be) duly convened and held Any such resolution or approval may consist of several documents each signed by or on behalf of one or more of the members Regulation 53 in Table A shall not apply to the company

VOTES OF MEMBERS

- 16 At a general meeting, but subject to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and every proxy for any member (regardless of the number of members for whom he is a proxy or their holdings) shall have one vote, and on a poll every member who is present in person, by a duly authorised representative, or by proxy shall have one vote for every share of which he is the holder Regulation 54 in Table A shall not apply to the company
- 17 Regulation 57 in Table A shall not apply to the company.
- 18 The instrument appointing a proxy and (if required by the directors) any authority under which it is executed or a copy of the authority, certified notarially or in some other way approved by the directors, may be delivered to the office (or to such other place or to such person as may be specified or agreed by the directors) before the taking of the vote at the meeting or adjourned meeting at which the person named in the instrument proposes to act or, in case of a poll taken subsequently to the date of the meeting or adjourned meeting, before the time appointed for the taking of the poll, and an instrument of proxy which is not so delivered shall be invalid The directors may at their discretion treat a faxed or other machine made copy of an instrument appointing a proxy as such an instrument for the purpose of this article Regulation 62 in Table A shall not apply to the company

NUMBER OF DIRECTORS

- 19 Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be subject to any maximum and the minimum number of directors shall be one A sole director shall have authority to exercise all the powers and discretions vested in the directors generally and shall alone constitute a quorum for the transaction of business Regulation 64 in Table A shall not apply to the company and regulation 89 shall be varied accordingly

ALTERNATE DIRECTORS

- 20 Any director (other than an alternate director) may appoint any other director, or any other person who is willing to act, to be an alternate director and may remove from office an alternate director so appointed by him Regulation 65 in Table A shall not apply to the company

DELEGATION OF DIRECTORS' POWERS

- 21 The directors may delegate any of their powers (with power to sub-delegate) to any

committee consisting of such person or persons (whether directors or not) as they think fit. The first sentence of regulation 72 in Table A shall not apply to the company and references in Table A and these articles to a committee of directors or to a director as a member of such a committee shall include a committee established under this article or such person or persons.

APPOINTMENT AND RETIREMENT OF DIRECTORS

- 22 Any member holding, or any members holding in aggregate, a majority in nominal value of such of the issued share capital for the time being of the company as carries the right of attending and voting at general meetings of the company may by notice in writing signed by or on behalf of him or them and delivered to the office or tendered at a meeting of the directors or at a general meeting of the company at any time and from time to time appoint any person to be a director (either to fill a vacancy or as an additional director) or remove any director from office (no matter how he was appointed).
- 23 Without prejudice to the powers conferred by any other article, any person may be appointed a director by the directors, either to fill a vacancy or as an additional director.
- 24 No director shall be required to retire or vacate his office, and no person shall be ineligible for appointment as a director, by reason of his having attained any particular age. No notice of any resolution appointing or approving the appointment of any director shall be required to state the age of the person to whom such resolution relates. No shareholding qualification for directors shall be required.
- 25 Directors shall not be required to retire by rotation. Regulations 73 to 80 (inclusive) and the last sentence of regulation 84 in Table A shall not apply to the company and regulation 67 in Table A shall be varied accordingly.

DISQUALIFICATION AND REMOVAL OF DIRECTORS

- 26 The office of a director shall be vacated not only upon the happening of any of the events mentioned in regulation 81 in Table A but also if he is removed from office pursuant to these articles or becomes incapable by reason of illness or injury of managing and administering his property and affairs. Regulation 81 in Table A shall be varied accordingly.

PROCEEDINGS OF DIRECTORS

- 27 Notice of a meeting of the directors shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the company for this purpose, or by any other means authorised by the director concerned. A director absent or intending to be absent from the United Kingdom may request the directors that notices of meetings of the directors shall during his absence be sent in writing to him at an address or to a fax or telex number given by him to the company for this purpose, but if no request is made to the directors it shall not be necessary to give notice of a

meeting of the directors to any director who is for the time being absent from the United Kingdom Where only one director is present within the United Kingdom and, under the provisions of these articles, it is not necessary to give notice of a meeting of directors to any other director, that one director shall alone constitute a quorum for the transaction of the business of the directors A director may waive notice of any meeting either prospectively or retrospectively Regulation 88 in Table A shall be varied accordingly

- 28 All or any of the members of the board or any committee of the board may participate in a meeting thereof by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the chairman of the meeting then is
- 29 A resolution in writing signed or approved by notice, letter, telex, fax, telemessage or cable by a majority of the directors entitled to receive notice of a board meeting or by a majority of the persons entitled to receive notice of a meeting of a committee of the board shall be as valid and effectual as if it had been passed at a board meeting or (as the case may be) a meeting of a committee of the board duly convened and held and may consist of several documents each signed by one or more persons A resolution of the board or any committee of the board may be passed by accepting the vote of any director who is absent from the relevant meeting but who has communicated his vote by means of a resolution or approval in writing in accordance with this article and any such absent director shall be deemed to be present at the meeting and shall be counted in ascertaining whether a quorum is present A resolution or approval signed pursuant to this article by an alternate director need not also be signed by his appointor and, if it is signed by a director who has appointed an alternate director, it need not be signed by the alternate director in that capacity Regulation 93 in Table A shall not apply to the company
- 30 Provided that he has disclosed any interest which he may have therein in accordance with the Act, a director shall be entitled to vote in respect of any resolution in which he is interested and if he shall do so his vote shall be counted and he shall be taken into account in ascertaining whether a quorum is present Regulations 94 and 95 in Table A shall not apply to the company

NOTICES

- 31 The company may give any notice to a member either personally, or by sending it by post in a prepaid envelope addressed to the member at his registered address or by fax or telex to a number provided by the member for this purpose, or by leaving it at his registered address, or by any other means authorised in writing by the member concerned In the case of joint holders of a share, notice given to any one of the joint holders shall for all purposes be deemed a sufficient service on all the joint holders Regulation 112 in Table A shall not apply to the company

TIME OF SERVICE

- 32 Any notice, if sent by post, shall be deemed to have been served or delivered twenty four hours after posting and, in proving such service, it shall be sufficient to prove that the notice was properly addressed, stamped and put in the post. Any notice left at a registered address otherwise than by post, or sent by fax or telex or other instantaneous means of transmission, shall be deemed to have been served when it was so left or sent. Regulation 115 in Table A shall not apply to the company.

DOCUMENTS RELATING TO THE COMPANY

- 33 Save as may be required by law, the directors may at their discretion accept, authorise or approve a faxed or other machine made copy of any application, instrument, authority, consent, notice or other document produced to or served on the company, the directors or the members.