



Press Release

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E.ON making rapid progress implementing new strategy

- 2010 results: adjusted EBIT up 2 percent to €0.5 billion, adjusted net income down 4 percent to €4.9 billion
- Debt reduced by €7 billion
- Dividend of €1.50 per share to be proposed for 2010 financial year
- 2011 forecast: adjusted EBITDA of €1.2 to €1.9 billion and adjusted net income of €3.3 to €4 billion

At the presentation of E.ON's 2010 results, E.ON CEO Johannes Teysen announced that the company has already reached several milestones in implementing its new strategy. By selling its Gazprom stake, gas network in Italy, and power network in United Kingdom and by concluding other transactions, E.ON has, since November 2010, already achieved almost €1 billion of its €15 billion divestment target. These funds are available for debt reduction and investments. E.ON also made progress in its ongoing internationalization. It commissioned a new gas-fired generating unit in Russia and its tenth wind farm in just three years in the United States.

E.ON's 2010 adjusted EBIT was up by 2 percent to €0.5 billion, fully in line with the company's forecast. Its sales were also higher, rising by 16 percent to €2.9 billion. E.ON achieved these increases even though in 2010 it divested assets with earnings of roughly €800 million.

E.ON's solid earnings performance was driven in part by an improvement in its U.K. retail business, higher wholesale prices locked in in prior years, higher earnings in its network business in Germany, and efficiency enhancements achieved under its PerformtoWin program. The main negative factor was the disposal of power capacity and other assets in Germany. Wider margins enabled E.ON's generation business in Russia to post significantly higher earnings. A further increase in generating capacity was responsible for the earnings growth at E.ON's renewables business.

E.ON's adjusted net income declined by 4 percent to €4.9 billion. Its cash provided by operating activities rose by 24 percent to €10.6 billion. E.ON has made rapid progress reducing its debt. Its economic net debt of €37.7 billion at year-end 2010 was €7 billion below the figure at year-end 2009. As a result, E.ON's debt factor—the ratio of its economic net debt to adjusted EBITDA—declined significantly as planned, from 3.4 to 2.8.

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When it presented its new strategy last November, E.ON announced that its 2011 earnings would not match the 2010 level. A key factor is that Germany's nuclear-fuel tax, whose purpose is to help consolidate the country's budget, takes effect in 2011. It will adversely impact E.ON's earnings by just under €1 billion in 2011. Another factor is that in 2011 the company's power business will feel the delayed impact of the lower prices locked in when power was sold forward during the economic crisis. E.ON's gas wholesale business remains under margin pressure because the procurement prices under its long-term supply contracts are currently above achievable sales prices. Overall, E.ON anticipates a significant earnings decline in 2011, with adjusted EBITDA of €1.2 to €1.9 billion and adjusted net income of €3.3 to €4 billion. E.ON plans to pay a dividend of at least €1.30 per share for the 2011 financial year.

E.ON anticipates that its 2012 earnings will also be affected by these extraordinary factors, though to a lesser degree than in 2011. By the end of 2012, E.ON's new corporate strategy and planned additional efficiency enhancements will enable it to address these adverse factors. As a result, E.ON expects—despite the additional adverse impact of carbon-allowance auctioning—that in 2013 the adjusted EBITDA of its current business portfolio will return to roughly the 2010 level of at least €3 billion.

E.ON has already made good progress in the past four months implementing its strategy. This includes expanding its core generation business. In Malzenice, Slovakia, E.ON commissioned a 430 MW combined-cycle gas turbine (CCGT) with a thermal efficiency of more than 58 percent. With the laying of first foundation, offshore construction recently began on London Array, the world's largest wind project. In Spain, E.ON and Abengoa Solar are close to completing and beginning operational testing of two concentrated solar power plants with a combined capacity of 100 MW. E.ON plans to increase the capacity of pumped-storage hydroelectric stations in Germany (Waldeck on Lake Eder) and Spain (San Miguel de Aguayo) by 300 MW and 1,000 MW, respectively. These investments are part of E.ON's program to reduce its generation portfolio's carbon intensity. This will enable E.ON to halve, by 2020, its European generation portfolio's specific carbon emissions from a 1990 baseline, ten years earlier than previously planned. These efforts will also further reduce the adverse financial impact of carbon-allowance auctioning which starts in 2013.

The expansion of E.ON's business outside Europe is also on schedule. Papalote Creek 2, another large E.ON wind farm, entered service at the end of 2010 in the United States, a target region where E.ON now has nearly 2 GW of installed wind capacity. In Russia, E.ON's second target region outside Europe, a new 400 MW CCGT entered service in November 2010 at an E.ON power station outside Moscow. Three other CCGTs with an aggregate capacity of 1,200 MW are almost ready to become operational in Russia. These efficient, technologically advanced generating units will enable E.ON to benefit from Russia's rising energy demand and electricity-market liberalization. The process of analyzing and defining two additional E.ON growth regions outside Europe is also on schedule.



E.ON intends to divest about €15 billion in assets by the end of 2013. In 2010, E.ON sold its Gazprom stake for a total of €3.4 billion and divested its gas network in Italy, which has an enterprise value of roughly €290 million. And, just a few days ago, E.ON sold Central Networks, its U.K. power network operator, to Pennsylvania-based PPL Corporation for the equivalent of €4.9 billion. In just a view months, these and a number of other, smaller transactions have already enabled E.ON to achieve almost €9 billion of its €15 billion divestment target.

E.ON will use a portion of these proceeds to reduce its debt. An example of this was the company's offer—well received by the capital market—to repurchase bonds ahead of schedule; under this offer E.ON repurchased bonds with a total nominal value of more than €1.8 billion, thereby reducing its gross debt accordingly.

E.ON's PerformtoWin program delivered more than €1.1 billion in permanent savings by year-end 2010 and will achieve the full €1.5 target by year-end 2011, thanks in part to the successful outsourcing of its IT infrastructure under an agreement reached in late 2010 with Hewlett-Packard and T-Systems. Going forward, E.ON will put even greater emphasis on the profitability of its existing and new businesses and deliver an additional €600 million in annual efficiency enhancements by the end of 2013.

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