



Ordinary Annual Shareholders Meeting of E.ON AG

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Presentation by:

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Please check against delivery

Hello, ladies and gentlemen. I'd like to welcome all of you—our shareholders, our guests, and media representatives—to our Annual Shareholders Meeting. Obviously, this year's meeting can't overlook the catastrophe in Japan and the subsequent public debate about energy policy and nuclear energy, particularly here in Germany. We'll be talking about these issues today. It's important to me that all sides have their views heard.

The events of March 11 caused great suffering in Japan. From the first day forward, we at E.ON have demonstrated our compassion and eagerness to help the people affected by the disaster. Naturally, your company provided assistance in the area of nuclear technology. In addition, E.ON employees have so far contributed roughly €40,000 of their own money to support children in the region. I think it's a great example of international solidarity.

The main cause of the terrible damage at Fukushima nuclear power station was the destruction of the region's power supply system and, following the tsunami, at the power station itself. If you look at the data on tsunami waves that have hit Japan in the last 100 years, you have to wonder whether there was a failure to take necessary and appropriate precautions for events of this kind, events that can hardly be described as inconceivable. In other words, you have to wonder whether this was not at all an example of the so-called residual risk of a nuclear catastrophe but rather an example of inadequate precautions. We're studying the events in Japan very carefully. And we're working with the agencies responsible for the stress tests of European nuclear power stations, with Germany's Reactor Safety Commission, and with Germany's state-level regulatory agencies to discuss possible consequences.

In the interest of the Japanese people, though, our greatest hope is that they can limit the effects of the accident to the smallest area possible and quickly find solutions for the people who live in the region. Düsseldorf is home to Germany's largest Japanese community. As a Düsseldorf-based company, this is one of the reasons why—regardless of Germany's energy-policy debate—solidarity with Japan is very important to us.

Even without this terrible event and its aftermath, the past 12 months have brought many profound changes to your company, changes that have received extensive media coverage. This time last year, I stood here and introduced myself to you as E.ON's new CEO and announced a number of changes for the year ahead. Naturally, that's something else we're going to talk about in detail today.

I'd like to briefly remind you of these changes.

In the weeks following the leadership change, we worked with the Supervisory Board to put together the right Board of Management and senior leadership team for the challenges ahead and to put into place an

organizational setup that gives greater degree of operational oversight to Group Management in Düsseldorf.

Late last summer, we agreed on our new corporate strategy for the years ahead. Along with its four main components, our strategy includes financial targets and performance commitments to you, our shareholders, for our other investors, and for our employees.

Since presenting our strategy, we've already achieved important milestones in implementing it.

1. In Europe, we're focusing on businesses that enable us to benefit from converging markets and to add value by optimizing operations across our organization. Going forward, our business in Europe won't be driven by our size or the breadth of our footprint but rather by our ability to closely coordinate our operations across national boundaries. Because not all our operations fit with this strategy, we swiftly disposed of our power network in the United Kingdom, our gas network in Italy, and a number of equity stakes in Germany and Switzerland. Key growth areas in Europe are renewables (where we're now the global market leader in offshore wind) and gas (where, in particular, we want to further expand our gas-fired generation fleet and our gas storage capacity).
2. We're strengthening our businesses outside Europe so that we can benefit from growth in new markets. Alongside conventional power generation in Russia and our renewables business in North America, we intend to establish platforms in two other regions. Last year, Russia's most technologically advanced gas-fired generating unit entered service at an E.ON power station outside Moscow. Next month, another new unit will come online at our power station in Surgut in Siberia. In the United States, we commissioned our tenth large-scale wind farm. We now operate a total of 84 onshore and offshore wind farms worldwide consisting of 2,900 turbines with an aggregate capacity of 3,600 MW. We installed almost half of the world's offshore wind turbines last year. We'll communicate our decisions about our new growth regions at the appropriate time.
3. E.ON is enhancing its operational excellence by fostering a performance culture. Over the long term, we'll only retain operations and businesses that rank in the top quartile of their segment.
4. We're not going to achieve growth primarily by deploying more capital and taking on more debt but rather by efficiently deploying our operating and technical skills and by forging partnerships that give us a high degree of flexibility.

The motto for our strategy is "cleaner & better energy." It expresses a commitment to our customers and business partners that all our operations—

in and outside Europe—will improve the relative quality of energy systems and deliver a superior performance. We intend to make energy systems cleaner and more efficient wherever we operate. We're going to do it focusing on the things we do better than our competitors. It's an ambitious objective. But it's one that's necessary. And one that your company can achieve. As at last year's meeting, the foyer of the auditorium contain exhibits that highlight many examples of our capabilities and our investment projects. We invite you to take a moment to talk to the employees at these exhibits. They'll be happy to answer your questions.

Our corporate strategy is supported by a no less ambitious finance strategy, whose key components are as follows:

1. In addition to the €1.5 billion in earnings improvements we pledged to achieve by the end of 2011, we're going to achieve an additional €600 million by increasing the efficiency of our businesses and processes. In 2010 alone, we enhanced our earnings by €1.1 billion through performance improvements. In addition to the outsourcing of our IT infrastructure, I could cite many examples from our operations in and outside Germany. All this could only be achieved with the hard work and dedication of our more than 80,000 employees. I'm sure that I speak on your behalf when I take this opportunity to thank all of our people here in Germany, in more than 20 countries across Europe, and around the world.
2. An ambitious strategy needs a solid balance sheet as its foundation. That's why we pledged to reduce our debt and maintain a strong rating. We'll achieve this in part by means of our stable operating cash flow and the proceeds—roughly €5 billion by the end of 2013—from strategically sensible divestments. In fact, since the fall of 2010 we've already divested businesses worth more than €9 billion. Last year we reduced our net debt by €7 billion. Our net financial position—the debt metric used by most of our competitors—stood at -€20 billion at year-end 2010, a €10 billion improvement from our debt peak in mid-2009.
3. The 2011 and 2012 financial years will be significantly impacted by the challenges we currently face in our markets, in our regulatory environment, and because of Germany's fiscal policies. You're all familiar with the most important issues: lower wholesale power prices across Europe as a result of reduced demand in the wake of the global economic crisis, the threat of massive losses in our gas wholesale business because of an oversupply of gas, and billions of euros in new taxes relating to the lifetime extensions for nuclear power stations in Germany. Of course, we're working on the right business response to these issues and have made important progress. But it's important to remember that it takes time to adjust our business to these challenges. And it's not exactly easy to deal with an unforeseeable additional billion-euro tax during a period of the most significant market

dislocations in more than ten years. Nevertheless, starting in 2013 we expect our earnings to again be at the 2010 level on a like-for-like basis. By the time, our many new investments and new markets will be delivering their full earnings contribution, which will even enable us to offset the additional adverse impact of the full auctioning of emission allowances starting in 2013.

4. Even though we divested many operations, our 2010 operating earnings were up by 2 percent, setting a new company record. Adjusted for these divestments, our underlying earnings growth was actually 10 percent. We owe this performance in particular to wider margins in our energy-trading business, performance improvements in our U.K. retail business, strong growth in the profitability of our power generation business in Russia, and the rapid expansion of our renewables business. Our adjusted net income declined slightly to around €4.9 billion, in particular because of the adverse impact of government regulations relating to the lifetime extension of nuclear power stations in Germany.

We want you, our shareholders, to have an appropriate share of these earnings. Despite the many challenges in our markets, we're standing by our payout ratio of 50 to 60 percent of adjusted net income. That's why for the 2010 financial year we'll again be paying out our top dividend of €1.50 per share. This puts our payout ratio at 58.5 percent, which is at the upper end of our target range. Based on our stock price—which neither you nor we find satisfactory—our dividend yield is 6.5 percent. We aim to pay out a dividend of at least €1.30 per share for the 2011 and 2012 financial years, which will be something of a transition period. I'll say more about this in a moment when I present our forecast.

You can see that your company has responded swiftly and decisively to its altered market and competitive environment and set the right course for the future.

Our organizational setup and reporting reflect these strategic changes. My Norwegian colleague Jørgen Kildahl, who has more than 10 years of experience in the European energy business, oversees all our operations relating to power and gas production as well as wholesale marketing and energy trading across all products. Bernhard Reutersberg has more than 10 years of experience at the E.ON Group in a wide range of business areas and also broad professional experience in a number of consumer product segments in and outside Germany. He steers our national sales organizations and regional energy networks across Europe. We now segment our reporting into these two types of entities: global units overseen by Jørgen and regional units overseen by Bernhard. Our key metrics for internal management are EBITDA and return on average capital employed (ROACE).

My colleague Regine Stachelhaus, who had a 25-year career at Hewlett-Packard and a short but successful stint as head of Unicef in Germany, is responsible for all functions that support our core operating businesses. These range from HR, procurement, and IT to legal affairs and compliance. Klaus-Dieter Maubach, who earned a doctorate in electrical engineering with a dissertation on optimizing the dispatch of combined-heat-and-power systems, has more than 15 years of professional experience in Germany's energy industry. For some time now, he has been responsible for driving E.ON's ambitious effort to research and develop the energy technology of tomorrow. He oversees all our major investment projects and all R&D issues. Some of the exhibits here today highlight your company's activities in these areas, particularly in power and gas technology. Marcus Schenk has brought deep experience in international capital markets to the E.ON Board of Management since 2007. His main responsibilities are finance, controlling, and M&A.

E.ON's new organizational setup, which is significantly more operational and functional, will make it easier for us to achieve our strategic and performance targets.

Of course, our business continues to be profoundly influenced by policy decisions. Since our last Annual Shareholders Meeting, the EU held its first-ever energy summit and adjusted its Europe-wide targets. Based on these targets, all the countries where E.ON has significant operations revised their own national energy policies.

Everyone here is very familiar with the discussion last fall that led to Germany's energy strategy for the period through 2050 and the related lifetime extensions for nuclear power stations. And we all know that this strategy needs to be revised as a result of Fukushima and the subsequent energy-policy debate.

But in view of the continuing public and media debate, I'd like to say a few brief words about this issue. Germany's energy strategy called for transforming the country's energy system—within just a single generation—from conventional (nuclear, coal, gas) to almost entirely renewable. It was also designed to achieve rapid progress in climate protection by avoiding the large-scale construction of new fossil-fueled power plants. Finally, it sought the creation of a large, pan-European system of wind and solar farms that could optimally harness the forces of nature to meet the needs of Europe's industrial societies. The only way Germany can get from a conventional energy world to a renewable energy world is by making use of a bridge. We believe that the roughly 12-year lifetime extension for nuclear power stations provides such a bridge. Germany's energy strategy remains visionary and ambitious. And it harbors enormous opportunities for industry and individuals. But the price is extending the use of the country's existing nuclear power stations.

Policymakers, the Ethics Commission, the media, and the general public are now discussing other energy strategies. I want to state clearly that it would be a mistake to shorten or narrow the bridge represented by nuclear energy. The essence of bridge is not that it's short or long, narrow or wide. Rather, its essence is that it spans a gap and links the two sides. The transformation of the energy world can't be accelerated or shortened at will. Even people who support other energy strategies concede that substantially curtailing the operating lifetimes of nuclear power stations would make it necessary for Germany to build more fossil-fueled capacity, import a lot of power (and non-renewable power at that), and accelerate the construction of smart energy networks. They also concede that an integrated European system of wind power in northern European countries and solar power in southern European countries and North Africa can't be established within a decade.

I know that many people in Germany—including many of you—have concerns about nuclear technology. But it's a simple fact that each alternative strategy has its own ethical, economic, and social disadvantages compared with the German federal government's bridge plan from last fall. I've pointed this out in recent weeks in the media and last Thursday at the Ethics Commission in Berlin, where I was invited to provide expert testimony. You were given a copy of my opening statement to the commission. As for Germany's future energy policy, we'll have to wait and see what decisions are made this summer.

We at E.ON are participating in the public debate during the three-month moratorium. And we're not threatening to take legal action. We can understand that Germany's political leadership felt that a moratorium was necessary to give people time to think things through, even though the shutdown of older nuclear power stations has, at best, improved the perceived level of safety. This also explains why we haven't taken legal action against the order to shut down our plants. In addition to the legal uncertainties, we had to weigh the other potential advantages and disadvantages for you, our shareowners, and for your company. Your Board of Management based its decision on the principle that if there's nothing to gain we can only lose. We wanted to avoid that.

But you can be sure that as Germany adjusts its long-term energy policy that we'll fulfill our obligation to protect your investment. Today, we're discussing these issues publicly, calmly, seriously, and with respect for the needs of policymakers and the general public. Naturally, we'll remind people that our nuclear power stations remain safe and meet the world's most stringent standards, even in light of what we've learned so far from Japan. Naturally, like all nuclear operators in Europe, we expect to be measured against demanding criteria. I'll even dare to predict that Germany's nuclear power stations will tend to score better than those in other European countries. And allow me to point out that from where we are here today in Essen the closest nuclear power station is actually in Belgium. Safety simply doesn't stop at borders. We stand behind our highly capable colleagues at our

nuclear power stations who are fully aware of their responsibility for our power supply and of their responsibility for the safety of their neighbors, their families, and the general public.

Germany's energy policy will always have a significant impact on our company. Germany is our home and remains our most important market. We're aware that every business must continually make adjustments to align itself with the needs of individuals and of society as a whole. But it's also our duty to tell people in Germany about the advantages and disadvantages of all imaginable alternatives. It's even more important that everyone understands that E.ON does a lot—and has a lot to offer—in all facets of energy. If, as it should, natural gas is to play a bigger role in the energy system of the future, E.ON is there as Europe's largest gas wholesaler and as operator of its most modern gas-fired generation fleet. If renewables growth is to be accelerated in a way that makes economic sense, your company is ready. Our total renewables capacity of 8,400 MW—with includes a substantial offshore wind position as well as large-scale solar plants—makes us Germany's national champion in renewables. And if greater international integration is important for Germany's energy future, then here, too, we're ready and able to offer our capabilities as the European energy company with the broadest geographic footprint. For a considerable time to come, our nuclear power stations and our fossil-fueled fleet (including the world's most technologically advanced coal-fired generating unit currently under construction in Datteln in west-central Germany) will also be part of any solution for Germany to have a secure, environmentally friendly, and affordable energy supply. In other words, you, our shareowners, our customers, and the public as a whole can count on E.ON under any future scenario.

The ongoing energy-policy debate renders our current-year earnings forecast difficult. For now, all our statements must be based on the assumption that our demonstrably safe nuclear power stations will be allowed to return to service after the moratorium. If this was to change, it could have considerable consequences; however, from today's perspective it's impossible to quantify these consequences. In any case, we'll do everything we can to ensure that if lifetime extensions yield no positive effects there won't be any adverse tax effects.

With the caveat that new policy decisions could result in a reevaluation that would encompass all our performance figures and targets, we therefore stand by the earning forecast you're already familiar with; namely, that our 2011 adjusted EBITDA will be between €1.2 and €1.9 billion, significantly below the prior-year level. We expect our adjusted net income to be between €3.3 and €4 billion. These figures don't factor in divestments that may occur during the year. By itself, however, the absence of earnings from the three-month shutdown of our reactors in Landshut and Nordenham would not, from today's perspective, alter our earnings forecast.

E.ON's second decade has had a particularly stormy and challenging start. But we remain convinced that with our new strategy, new organizational setup, and new leadership we're on the right course and that this course is sustainable. We're working hard for you, our shareowners, to make E.ON's future as profitable as possible, in part so that our stock price again performs positively. Alongside macro-economic developments in Europe and around the world, this will depend on the development of energy markets (which will certainly be positive over the long term), our own performance, and your trust in us. I promise you that under my leadership your company is doing everything it can to continue to earn your trust and the trust of our markets.

Thank you for listening. I'd look forward to your questions and an interesting discussion. My remarks today have been considerably more concise than in years past. That's because I see the Annual Shareholders Meeting less as an opportunity for the Board of Management and Supervisory Board to present their views than as an opportunity for our owners to ask us questions.

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