



E.ON AG Conference Call -
Investment Plan 2006 - 2008

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Presentation:

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Please check against delivery

Good afternoon ladies and gentlemen, and thank you for taking the time to join us today.

During today's call, I would first and foremost like to outline the investment plan for the period 2006 to 2008.

The investment plan only includes those projects which are relatively well-defined at this stage, and which have a high probability of effectively being carried out. However, additional investment opportunities are likely to materialize over the next few years, on top of the investment plan. I will therefore also make a few comments on these potential additional investments.

I will conclude today's call with some comments regarding the disposal of our Degussa stake, and the resulting return of cash to shareholders.

Following two successful years of integration and performance improvements, E.ON is now shifting again towards growth.

Over the span of this investment plan, investments in power generation and in network infrastructures will be relatively high.

In power generation, growing demand, replacement needs and environmental considerations are the drivers of investment spending.

Substantial investments in the network infrastructure are required to safeguard reliable operations.

In the natural gas market, sustained growth of demand leads to opportunities for organic investments in production and infrastructure.

1. The 2006-2008 Investment Plan

These major trends show up clearly in our investment plan for the period 2006 to 2008.

We plan to invest 18.6 billion Euros, almost the same amount as in the 2005 to 2007 investment plan. However, investments in fixed assets now make up 16.3 billion Euros of the total, 3.7 billion Euros more than in the previous plan. We have provided for only 2.3 billion Euros of investments in financial assets, compared to 6.1 billion Euros in the 2005 to 2007 plan.

Fixed-asset investments

I would first like to discuss our fixed asset investments in more detail.

Of the 16.3 billion Euros we plan to spend between 2006 and 2008, 7.2 billion Euros will be spent on power generation assets, 7.6 billion Euros on network infrastructure, and 1.5 billion Euros on other assets.

In **generation** for the **Central Europe** market unit, we plan to invest 2.6 billion Euros between 2006 and 2008.

As announced earlier, we plan to build three major power plants in Germany: a 1100 MW coal-fired power plant in Datteln in North-Rhine-Westphalia, and two CCGT's in Irsching in Bavaria, one 800 MW unit and a 530 MW unit. The second CCGT will be built in partnership with Siemens and will pave the way for the next generation of CCGT's. It is designed to achieve an efficiency rate of 60 percent, no less than two percent more than the current level.

In the Netherlands, we will invest 240 million Euros, mainly to extend the life of the Maasvlakte coal-fired power station by ten years to 2022 and at the same time improve its environmental performance.

In Italy, the construction of the 800 MW Livorno Ferraris CCGT is part of our strategy to expand in countries with stronger growth rates than in our core markets.

In Eastern Europe, we have already achieved very strong positions in the downstream part of the business. We now want to complement our downstream presence with power generation capacity.

In the **United Kingdom**, we have set aside two billion Euros for power generation investments. We plan to invest 600 million Euros in renewable power, and 460 million Euros to build 1200 MW of new CCGT capacity. Finally, we have started to look at the possibility of building a new 450 MW coal-fired power plant, for which we have allocated 200 million Euros in this investment plan.

In the **Nordic** region, the largest investment project is the upgrade of reactor three of the Oskarshamn nuclear power plant. This will make it technically possible to run the plant for up to 60 years. We have also planned 260 million Euros for a combined heat and power plant in Malmö, and 200 million Euros for wind energy. Total investments in power generation amount to 1.4 billion Euros.

Finally, we plan to invest 1.2 billion Euros in the **US-Midwest**. A substantial part of that amount will be used to fit FGD's on some of our existing power stations. The other major project is the construction of the 750 MW Trimble County 2 coal-fired power plant, which is part of our organic growth strategy.

Let me conclude this list of specific projects with three more general remarks.

First, investments in power generation are **1.9 billion Euros higher** than in the 2005 to 2007 investment plan. Part of this increase comes from the addition of a few projects, such as the new coal plant in the UK. However, most of the increase comes from simply rolling forward the investment plan by one year.

Second, we prefer to maintain and develop a **diversified generation mix**. We have planned investments in CCGT's, in coal-fired power plants, in renewables, and in nuclear power.

We believe indeed that a diversified generation mix makes the most sense both from an economic point of view and in terms of security of supply.

Last but not least, **investments in renewable energy** remain strong. We are working on large wind power projects in the UK and Nordic. We already have four stand-alone biomass facilities in Germany, and will build a large one in the UK.

I would finally like to signal that, group-wide, no less than ten of our coal-fired power plants can now handle biomass.

Let me now turn to the investments in **network assets**. For the group as a whole, these investments represent 7.6 billion Euros over the 2006 to 2008 period.

In the **Central Europe** market unit, we expect to invest a total of 3.7 billion Euros on network assets over the next three years. Of that amount, 1.2 billion Euros will be used to ensure that the existing power networks in Germany continue to operate smoothly. Another 1.5 billion Euros will be spent in Germany to strengthen and enhance the network infrastructure, especially to cope with the unrelenting growth of wind power.

Outside Central Europe, our power and gas networks will require total investments of 3.9 billion Euros between 2006 and 2008. You will find a break-down of this amount in the handouts.

These sums are predominantly investments in existing assets. In the Pan-European Gas market unit however, two-thirds of the 1.2 billion Euros of network investments will be used to expand the transport infrastructure, for example the transport capacities towards the UK. The LNG import terminal at Wilhelmshafen on the North Sea and the construction of the Northern European Gas Pipeline represent only limited amounts in this investment plan.

Finally, the main items of the 1.5 billion Euros we plan to invest in **fixed assets outside generation and networks** are expansion of our gas storage capacities and gas field developments in Pan-European Gas.

Investments in financial assets

Let's now proceed with the investments in financial assets.

In our new mid-term plan, we expect to spend 2.3 billion Euros on financial investments over the next three years. This is a significant decline compared to the 6.1 billion Euros in last year's investment plan. This development can be explained by two main factors.

First, we have removed the two billion Euro lump sum that we had set aside last year for investments in upstream gas. The idea is to remain consistent with the rest of our investment plan, and therefore only include well-defined projects with a relatively high probability of completion.

However, our strategic objective to cover 15 to 20 percent of our gas requirements from own sources remains unchanged. The acquisition of Caledonia Oil & Gas for example will allow us to cover up to 5 percent of our gas requirements.

The second reason for the decline of investments in financial assets is that we no longer include Statkraft's put-option on E.ON Sverige. We do not assume anymore that the 2.2 billion Euro option will be exercised.

Therefore, the planned financial investments largely limit themselves to the acquisition of MOL's gas supply and storage businesses, the final phase of the Caledonia Oil and Gas acquisition, and some increases of our stakes in Central European distribution companies. The Slovakian government for example has decided to exercise its put-option on its shares in distribution company ZSE.

I would now like to switch to the second topic of today's conference call, the other potential investment opportunities.

2. Additional investment opportunities

The 18.6 billion Euro investment plan does not include potential investment opportunities that might emerge at a later stage during the 2006 to 2008 period.

Obviously, the financial strength of the E.ON Group gives us the flexibility to consider additional investments, even large ones, on top of our investment plan.

The recent developments regarding Scottish Power demonstrate that we are clearly willing to look at such opportunities when they present a strong strategic fit. But we are not willing to pursue even strategically attractive projects at any price. We remain committed to strict financial criteria for all our investments.

As I already mentioned many times in the past, we continue to seek opportunities among others in the areas of LNG, upstream gas, in Poland, in the Netherlands and in the Russian electricity market. In addition, we have started considering whether to enter the Turkish power and gas market.

3. Degussa disposal

Finally, I would like to briefly comment on yesterday's announcement regarding our stake in Degussa.

At our last annual results conference, we had promised that we would return the full value of the divestment of our 42.86 percent stake in Degussa to our shareholders.

With the conclusion of yesterday's framework agreement with RAG, we have taken the first step towards the sale of our participation.

The agreement opens up the chance – depending on the progress of the negotiations – to propose to the Annual Shareholders Meeting the payment of a special dividend of 4.25 Euros per share already in May next year.

This would mean that E.ON would reward its shareholders with 2.8 billion Euros on top of the normal dividend.

For all practical purposes, this transaction concludes a long process of transforming E.ON into a group fully focused on power and gas activities.

In conclusion, let me summarize.

Our 2006 to 2008 investment plan prepares the ground for further development of the E.ON group towards the end of this decade. In the shorter term, the 'on.top' project will further improve our operational performance.

The 2006 to 2008 investment plan is clearly oriented towards long-term growth of the business. Fortunately, today's sector conditions allow us to expand the business in a more organic way than in the recent past. We do not rule out, however, that we will make selective acquisitions to bring our strategy forward.

Nevertheless, we will continue to seek the appropriate balance between growing the business and returning value to shareholders. The key to success in this respect is a strict adherence to our financial criteria for investments.

Finally, let me take this opportunity to wish you all a very happy holiday season and a prosperous new year.

And with that, Mr. Schipporeit and I will now be happy to answer your questions.

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