

E.ON Group

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Strategy & Investment Plan

Strategic Direction

E.ON key beliefs about sustainable success in the energy industry

1. Presence along the entire value chain

We're active along the entire value chain in power and gas, with operations upstream (power generation and natural gas production), midstream (energy imports and wholesale), and downstream (end customer supply). This enables us to operate efficiently and to capitalize on our comprehensive market knowledge, in turn creating value across our businesses.

2. Power and gas convergence

Power and gas markets are converging upstream (more gas-fired generation), midstream (cross-commodity energy trading), and downstream (increasing popularity of dual-fuel products). Our superb position in all three segments provides us with synergy and growth potential.

3. Strong market positions

In liberalized markets, scale and strong market positions give us a key competitive edge and create a solid foundation for ensuring security of supply.

4. Growth

In the future, our markets in Northwestern Europe will grow at moderate pace. That's why we're seizing opportunities for above-average growth in Southern Europe and adjacent regions like Russia.

5. Value from experience

Our extensive expertise in all facets of the energy business is an invaluable competitive advantage, one that we leverage fully by sharing best practices across our organization.

6. Market and competition

Open, competitive markets are the best guarantee for energy security and efficiency. An integrated European energy market offers E.ON the best environment for expanding our market positions and achieving organic growth in new regions.

For all our operations, we focus on selective investments and acquisitions that meet our strict strategic and financial criteria. We believe that you need a clear idea of where you're going in order to get there.

In line with these beliefs, E.ON pursues a clear and focused business model

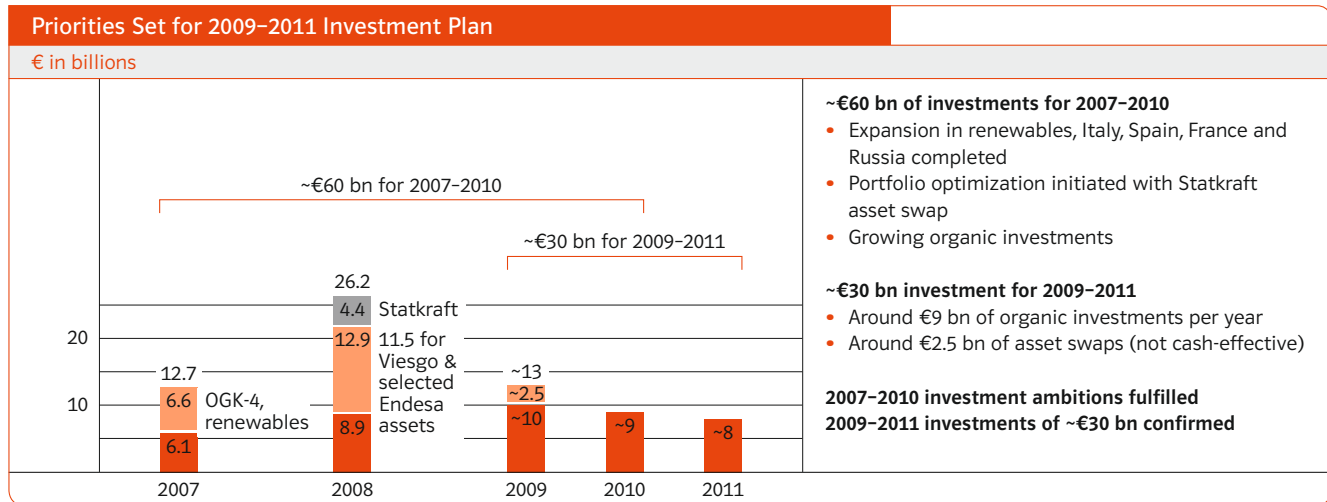
Focus on:

- Power and gas.
- Presence along the entire value chain up-, mid- and downstream.
- Geographic focus on Europe and the U.S.

E.ON's short- and mid-term focus

E.ON has completed a phase of significant external growth. Consequently, the current priorities lie with performance, portfolio streamlining and an investment plan strongly focused on organic growth. Our group-wide performance project PerformtoWin will deliver up to €1.5 billion EBIT by 2011. Portfolio streamlining measures are expected to generate at least €10 billion of divestment proceeds in 2009-2010. From 2009-2011, €30 billion investments are foreseen, of which about two thirds are for growth, in particular generation, renewables as well as gas upstream and supply.

2009–2011 Investment Plan



Strict Strategic and Acquisition Criteria

Strategic criteria

- Market attractiveness (returns, growth, regulation, country risk).
- Target attractiveness (asset quality, market position, management quality).
- Value creation potential (cost reduction, integration benefits, transfer of best practice).

Acquisition criteria

- Value enhancing over project lifetime.
- Earnings enhancing in the first full year after acquisition.¹

E.ON's commitment

If individual assets do not contribute in line with financial and strategic expectations, E.ON will take concrete portfolio measures by 2010.

¹Applicable to acquisitions of companies with relatively mature/stable business.

Key Figures

Consolidated Balance Sheets

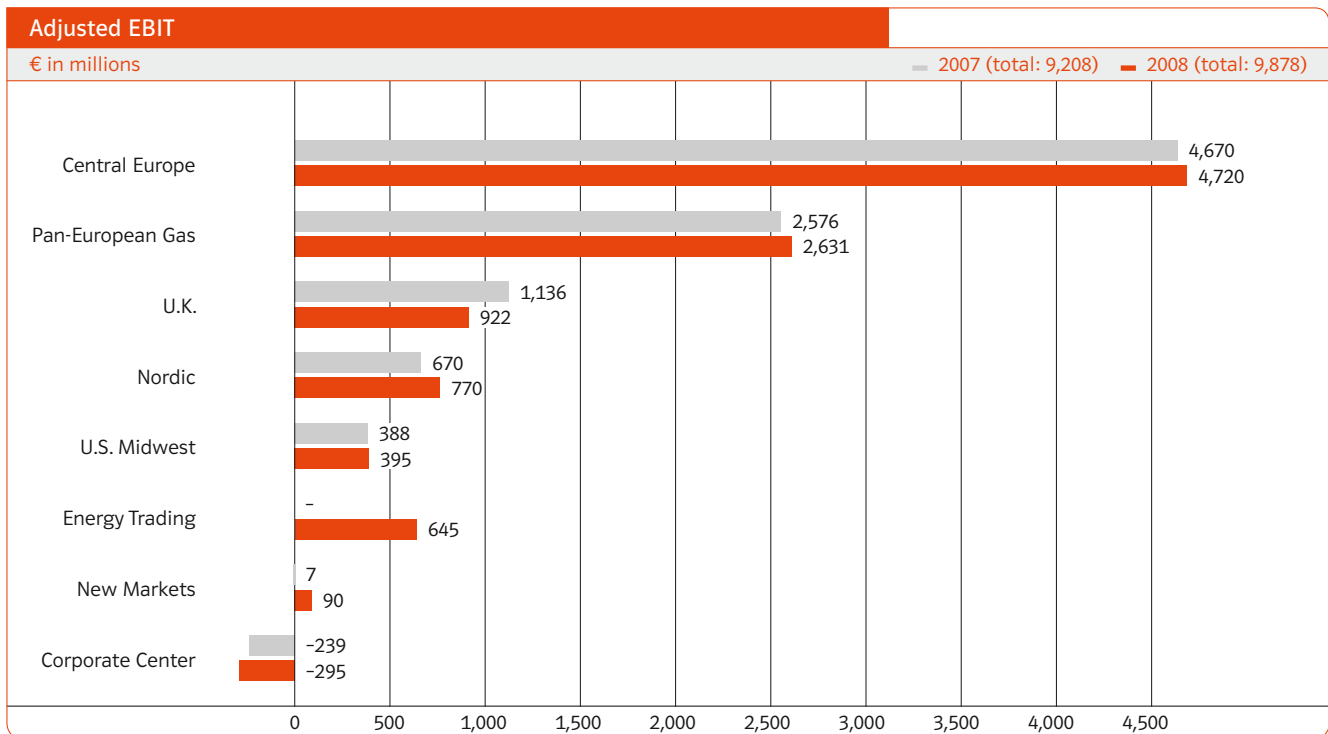
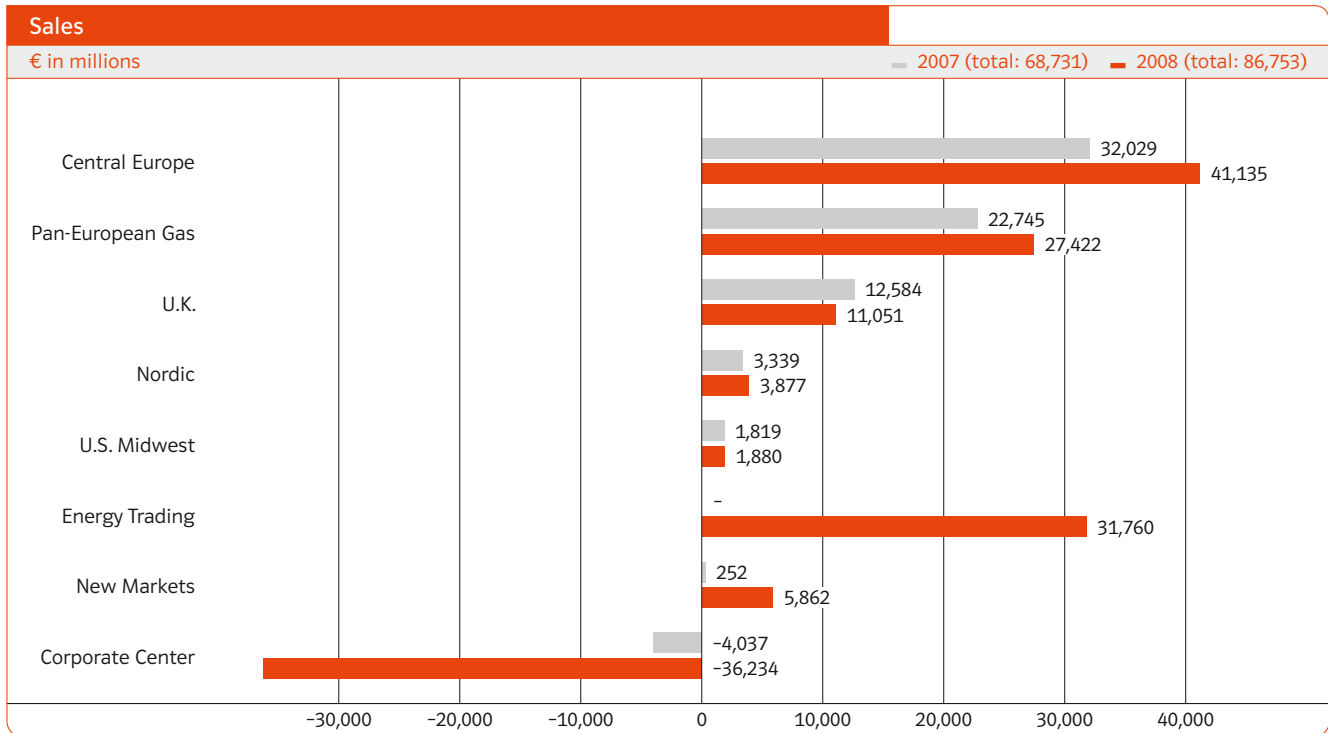
E.ON AG and Subsidiaries Consolidated Balance Sheets—Assets		
€ in millions	December 31	
	2008	2007
Goodwill	17,166	16,761
Intangible assets	6,749	4,284
Property, plant and equipment	56,526	48,552
Companies accounted for under the equity method	8,981	8,411
Other financial assets	8,823	21,478
<i>Equity investments</i>	3,806	14,583
<i>Non-current securities</i>	5,017	6,895
Financial receivables and other financial assets	2,451	2,449
Operating receivables and other operating assets	1,295	680
Income tax assets	1,988	2,034
Deferred tax assets	2,457	1,155
Non-current assets	106,436	105,804
Inventories	4,774	3,811
Financial receivables and other financial assets	2,101	1,515
Trade receivables and other operating assets	31,342	17,973
Income tax assets	1,515	539
Liquid funds	6,348	7,075
<i>Securities and fixed-term deposits</i>	2,125	3,888
<i>Restricted cash and cash equivalents</i>	552	300
<i>Cash and cash equivalents</i>	3,671	2,887
Assets held for sale	4,529	577
Current assets	50,609	31,490
Total assets	157,045	137,294

E.ON AG and Subsidiaries Consolidated Balance Sheets—Equity and Liabilities		
€ in millions	December 31	
	2008	2007
Capital stock	2,001	1,734
Additional paid-in capital	13,741	11,825
Retained earnings	22,164	26,828
Accumulated other comprehensive income	110	10,656
Treasury shares	-3,549	-616
Reclassification related to put options on treasury shares	-	-1,053
Equity attributable to shareholders of E.ON AG	34,467	49,374
Minority interests (before reclassification)	4,538	6,281
Reclassification related to put options	-578	-525
Minority interests	3,960	5,756
Equity	38,427	55,130
Financial liabilities	25,036	15,915
Operating liabilities	6,063	5,432
Income taxes	2,602	2,537
Provisions for pensions and similar obligations	3,559	2,890
Miscellaneous provisions	19,198	18,037
Deferred tax liabilities	6,515	7,555
Non-current liabilities	62,973	52,402
Financial liabilities	16,022	5,549
Trade payables and other operating liabilities	32,060	18,254
Income taxes	2,153	1,354
Miscellaneous provisions	4,260	3,992
Liabilities associated with assets held for sale	1,150	613
Current liabilities	55,645	29,762
Total equity and liabilities	157,045	137,294

Consolidated Statements of Income

E.ON AG and Subsidiaries Consolidated Statements of Income		
€ in millions	2008	2007
Sales including electricity and energy taxes	88,885	70,761
Electricity and energy taxes	-2,132	-2,030
Sales	86,753	68,731
Changes in inventories (finished goods and work in progress)	27	22
Own work capitalized	526	517
Other operating income	15,454	7,776
Cost of materials	-66,419	-50,223
Personnel costs	-5,130	-4,597
Depreciation, amortization and impairment charges	-6,890	-3,194
Other operating expenses	-20,337	-9,724
Income/Loss (-) from companies accounted for under the equity method	962	1,147
Income/Loss (-) from continuing operations before financial results and income taxes	4,946	10,455
Financial results	-2,351	-772
<i>Income from equity investments</i>	-458	179
<i>Income from other securities, interest and similar income</i>	1,159	1,035
<i>Interest and similar expenses</i>	-3,052	-1,986
Income taxes	-863	-2,289
Income/Loss (-) from continuing operations	1,732	7,394
Income/Loss (-) from discontinued operations, net	-128	330
Net income	1,604	7,724
<i>Attributable to shareholders of E.ON AG</i>	1,266	7,204
<i>Attributable to minority interests</i>	338	520
Adjusted net income	5,598	5,115

Sales and Adjusted EBIT



Return on Capital Employed (ROCE) and Value Added

E.ON Group ROCE and Value Added		
€ in millions	2008	2007
Adjusted EBIT	9,878	9,208
Goodwill, intangible assets, and property, plant, and equipment	80,441	69,597
+ Shares in affiliated and associated companies and other share investments	12,787	22,994
+ Inventories	4,774	3,811
+ Accounts receivable	13,599	9,064
+ Other non-interest-bearing current assets, including deferred income and deferred tax assets	29,527	13,317
- Non-interest-bearing provisions ¹	7,784	9,807
- Non-interest-bearing liabilities, including deferred expenses and deferred tax liabilities	50,543	31,349
- Adjustments ²	1,664	9,692
Capital employed in continuing operations (at year-end)	81,137	67,935
Capital employed in continuing operations (annual average)³	76,363	63,287
ROCE	12.9%	14.5%
Cost of capital	9.1%	9.1%
Value added	2,902	3,417

¹Non-interest-bearing provisions mainly include current provisions, such as those relating to sales and procurement market obligations. They do not include provisions for pensions or for nuclear-waste management.

²Capital employed is adjusted to exclude the mark-to-market valuation of other share investments (including related deferred tax effects) and operating liabilities for certain purchase obligations to minority shareholdings pursuant to IAS 32. The adjustment to exclude the mark-to-market valuation of other share investments applies primarily to our shares in Gazprom.

³In order to better depict intraperiod fluctuations in capital employed, annual average capital employed is calculated as the arithmetic average of the amounts at the beginning of the year, the end of the year, and the balance-sheet dates of the three interim reports. Capital employed in continuing operations amounted to €68,046 million, €80,949 million, and €83,746 million at March 31, June 30, and September 30, 2008, respectively.

ROCE and Value Added by Segment

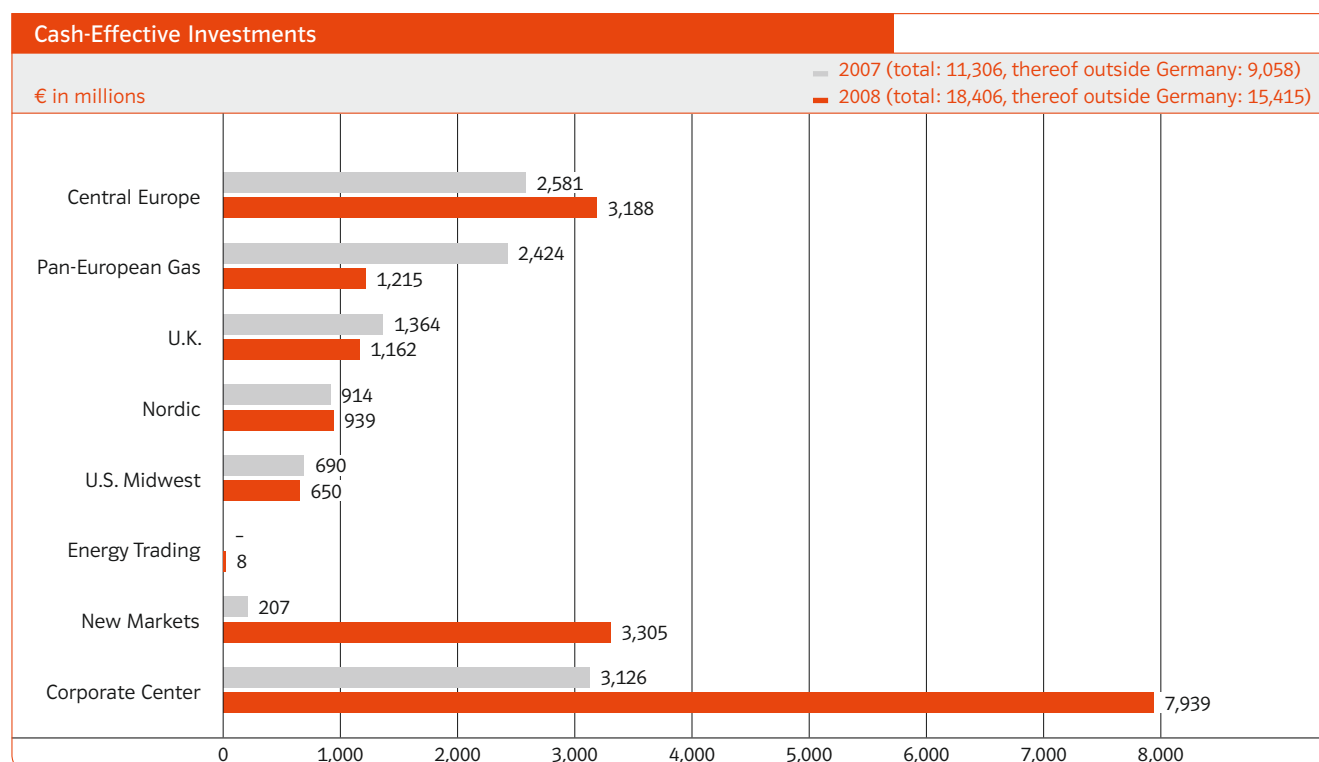
ROCE and Value Added by Segment								
€ in millions	Central Europe		Pan-European Gas ¹		U.K.		Nordic	
	2008	2007	2008	2007	2008	2007	2008	2007
Adjusted EBIT	4,720	4,670	2,631	2,576	922	1,136	770	670
+ Capital employed	19,310	18,943	17,594	17,130	10,101	12,368	6,948	6,886
= ROCE	24.4%	24.7%	15.0%	15.0%	9.1%	9.2%	11.1%	9.7%
Cost of capital	9.2%	9.3%	8.8%	8.8%	9.8%	9.5%	9.3%	8.8%
Value added	2,935	2,917	1,091	1,062	-71	-37	125	62

¹Capital employed is adjusted to exclude the mark-to-market valuation of other share investments. This applies primarily to our shares in Gazprom.

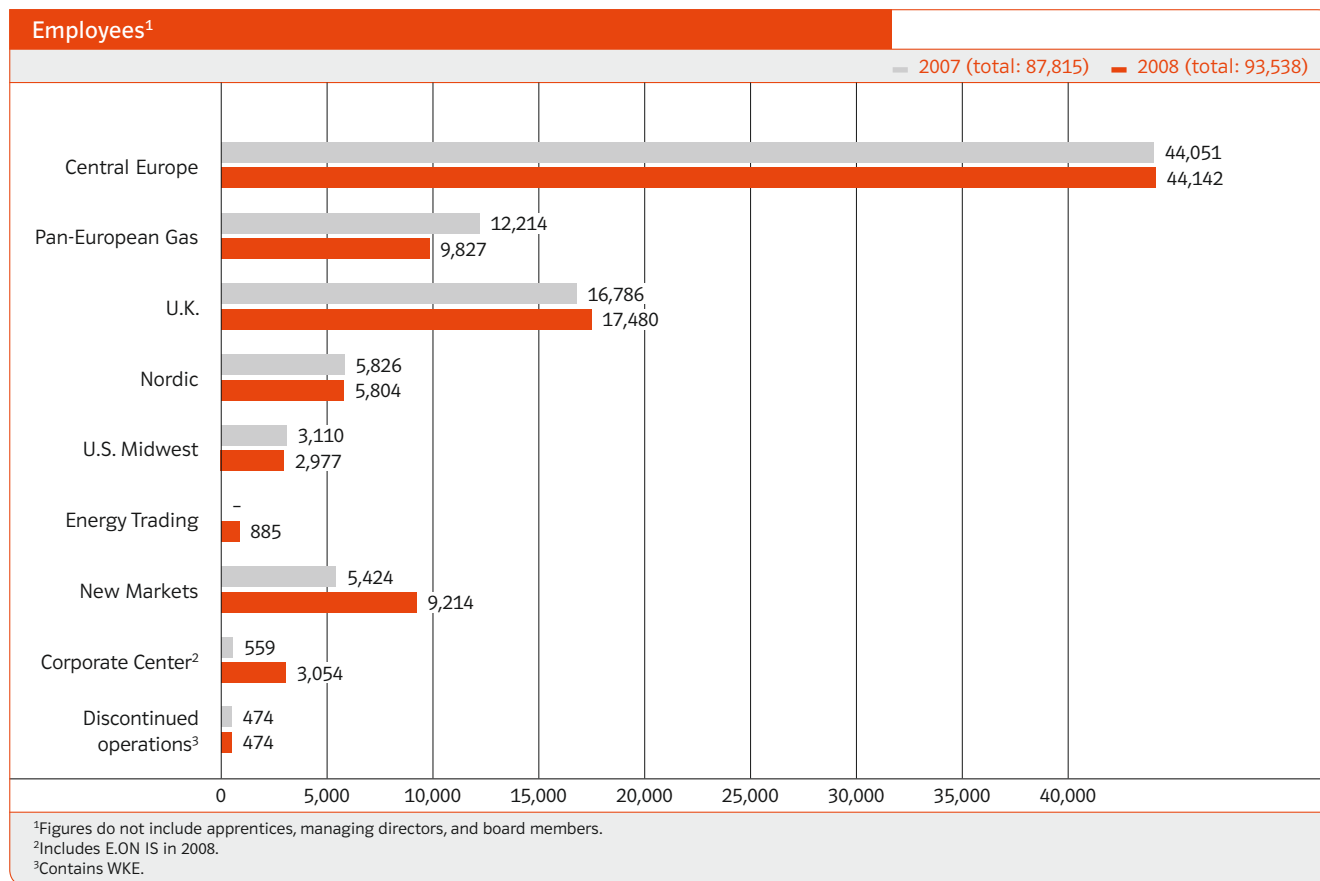
ROCE and Value Added by Segment (continued)										
€ in millions	U.S. Midwest		Energy Trading		New Markets		Corporate Center		E.ON Group	
	2008	2007	2008	2007	2008	2007	2008	2007 ²	2008	2007
Adjusted EBIT	395	388	645	-	90	-	-295	-232	9,878	9,208
÷ Capital employed	6,537	6,780	868	-	15,596	-	-591	1,180	76,363	63,287
= ROCE	6.0%	5.7%	74.3%	-	0.6%	-	-	-	12.9%	14.5%
Cost of capital	8.7%	7.8%	9.2%	-	10.4%	-	-	-	9.1%	9.1%
Value added	-176	-142	565	-	-1,528	-	-	-	2,902	3,417

²For 2007, the Corporate Center segment also includes the New Markets segment.

Investments by Segment

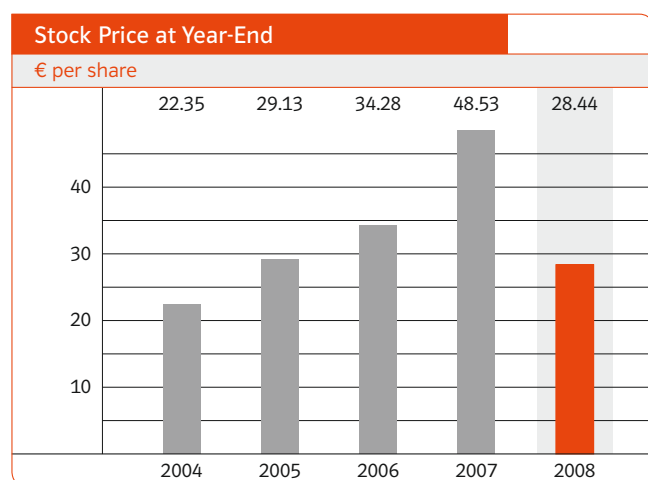


Employees by Segment



E.ON Stock Information

Weighting of E.ON Stock in Major Indices	
As of December 30, 2008	
	%
DAX	10.38
Dow Jones EURO STOXX 50	4.14
Dow Jones STOXX Utilities	17.58



Type of shares Ordinary shares with no par value/Registered shares

Stock codes Germany WKN ENAG99 ISIN DE000ENAG999 USA¹ Cusip No. 268 780 103

Stock symbols Reuters FSE EONGn.F Xetra EONGn.DE ADR² EONGY.PK Bloomberg FSE EOAN GF Xetra EOAN GY ADR EONGY US

¹In the United States, E.ON shares trade in the over-the-counter market (OTC market) via ADR.
²OTC code.

E.ON Stock Key Figures ¹					
€ per share	2004	2005	2006	2007	2008
Earnings attributable to the shareholders of E.ON AG	2.20	3.75	2.82	3.69	0.68
Earnings from adjusted net income	-	1.84	2.22	2.82	3.01
Dividend	0.78	0.92	1.12	1.37	1.50
Dividend payout (€ in millions)	1,549	4,614 ²	2,210	2,560	2,857
Twelve-month high	22.35	29.64	34.80	48.69	50.93
Twelve-month low	16.42	21.50	27.37	32.02	23.50
Year-end closing price	22.35	29.13	34.28	48.53	28.44
Number of shares outstanding (in millions)	1,977	1,977	1,979	1,895	1,905
Market capitalization ³ (€ in billions)	44.2	57.6	67.6	92.0	54.2
Book value ⁴	16.97	22.50	24.62	26.06	18.10
Market-to-book ratio ⁵ (percentage)	132	129	139	186	157
E.ON stock trading volume ⁶ (€ in billions)	46.1	62.5	92.5	136.2	119.2
Trading volume of all German stocks (€ in billions)	877.7	1,095.8	1,539.3	2,350.9	2,029.6
<i>E.ON stock's share of German trading volume (percentage)</i>	<i>5.3</i>	<i>5.7</i>	<i>6.0</i>	<i>5.8</i>	<i>5.9</i>

¹Adjusted for discontinued operations; figures prior to 2006 calculated according to U.S. GAAP.

²Includes special dividend of €1.42 per share.

³Based on ordinary shares outstanding.

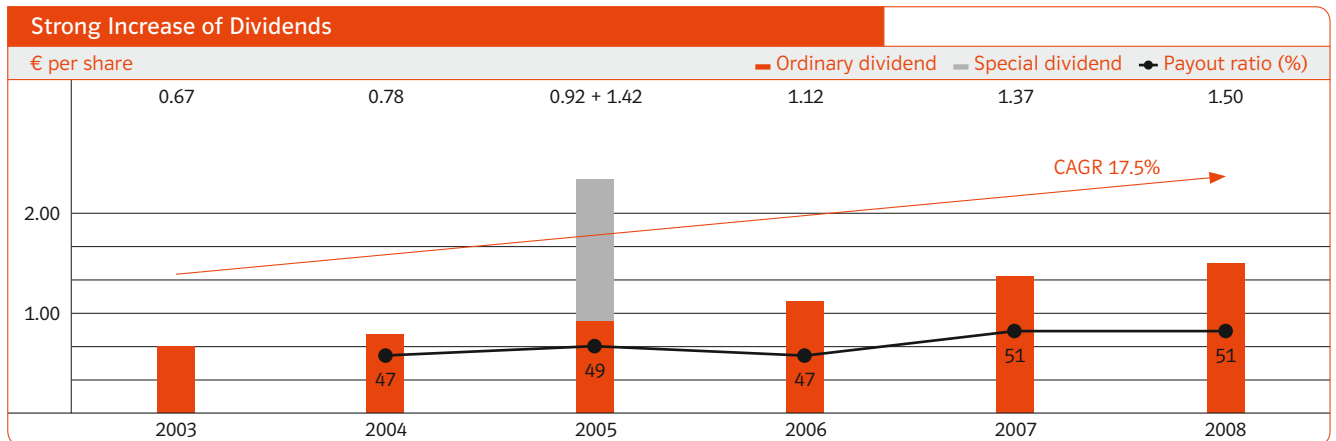
⁴Shares attributable to the shareholders of E.ON AG.

⁵Year-end stock price expressed as a percentage of book value per share (excluding minority interests).

⁶On all German stock exchanges, including Xetra.

Dividend Policy

Commitment to payout ratio between 50 percent and 60 percent of adjusted net income

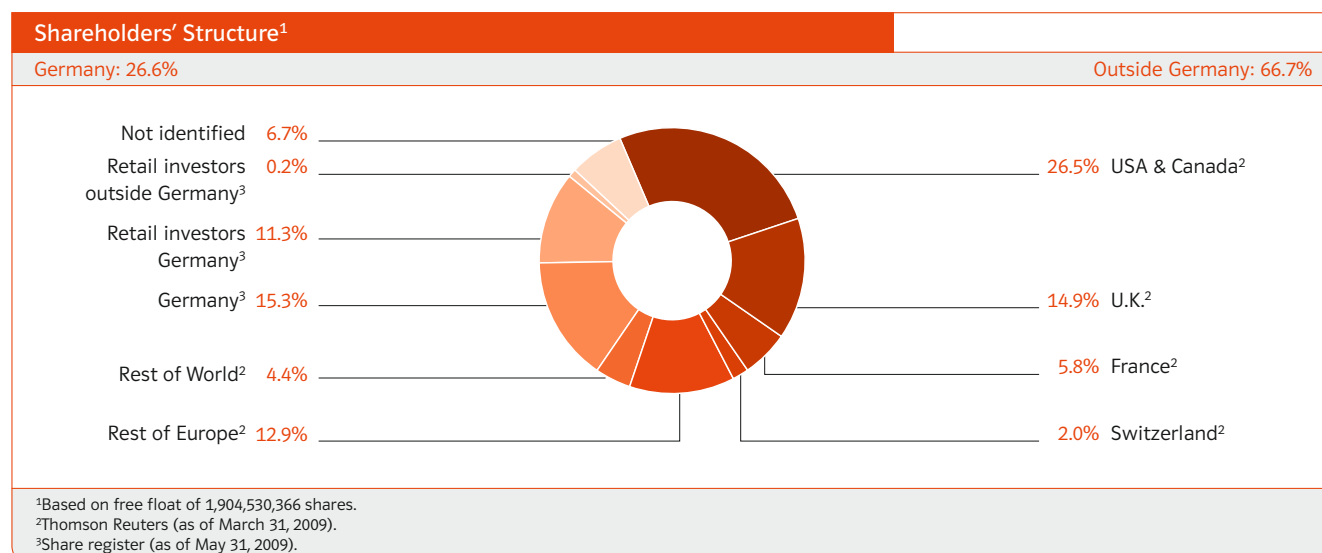


- Ordinary dividend increased by 9.5 percent to €1.50 per share for 2008.
- Since 2003 the dividend has increased by 17.5 percent per year on average.
- Payout ratio 2008: 51 percent.

Share Buyback Program

In June 2007, E.ON began a €7 billion share buyback program with the aim of making E.ON's capital structure more efficient. E.ON repurchased about €3.5 billion worth of E.ON shares in 2007 and another €3 billion between January 1 and December 3, 2008. Due to the ongoing financial crisis, E.ON decided to suspend the share buyback to maintain the highest degree of flexibility.

Shareholders' Structure



A current survey identified 93.3 percent of the free float. According to the survey, institutional investors of 40 countries hold 81.8 percent; retail shareholders hold 11.5 percent.

ADR Program

E.ON shares trade in the United States in the over-the-counter market (OTC market) via ADR. The OTC code is EONGY.

E.ON's ADR program gives U.S. investors the opportunity to buy E.ON shares and hold share certificates that are essentially like American shares. ADR are quoted in dollars, a significant advantage for U.S. investors. Dividends are also paid in dollars. ADR holders have the same rights and obligations as ordinary shareowners. They can attend and vote at Shareholders Meetings, participate in profits, and receive information.

The price of one E.ON ADR matches that of one E.ON share.

Detailed information on E.ON's ADR program is available from JPMorgan at www.adr.com.

Operating Cash Flow and Funds from Operations

Strong operating cash flow generation

- The core energy business generates a strong and stable cash flow.
- Cash provided by operating activities was 23 percent lower in 2008 than in 2007. The decrease was due to the accumulation of emission rights positions at the Group's trading operations, and to negative effects from the gas storage usage at the Pan-European Gas market unit, amongst other things.

E.ON Operating Cash Flow and Funds from Operations 2008	
€ in millions	2008
Net income	1,604
Income from discontinued operations, net	128
Depreciation, amortization and impairment of intangible assets and of property, plant and equipment	6,890
Changes in provisions	635
Changes in deferred taxes	-1,056
Other non-cash income and expenses	229
Gain/Loss on disposal of	-1,407
<i>Intangible assets and property, plant and equipment</i>	-362
<i>Equity investments</i>	-877
<i>Securities (-3 months)</i>	-168
Changes in operating assets and liabilities and in income taxes	-285
<i>Inventories</i>	-1,454
<i>Trade receivables</i>	-4,616
<i>Other operating receivables and income tax assets</i>	-10,172
<i>Trade payables</i>	515
<i>Other operating liabilities and income taxes</i>	15,442
Cash provided by operating activities of continuing operations (operating cash flow)	6,738
Changes in operating assets and liabilities and in income taxes	285
thereof changes in mark-to-market valuation of commodity derivatives (used to protect operating business, included mainly in "other operating liabilities and income taxes")	2,176
Funds from Operations (FFO)	9,199

Financial Strategy

The E.ON Group's financial strategy has four key elements:

- E.ON's target rating is single A flat/A2. This target rating allows for an efficient capital structure while ensuring our access to financing.
- To manage our capital structure we use a steering metric called debt factor. Debt factor is our economic net debt divided by adjusted EBITDA. Economic net debt includes not only our financial liabilities but also our provisions for pensions and asset retirement obligations. We have defined 3 as our target debt factor, which is derived from our target rating.
- We actively manage E.ON's capital structure. We use debt factor to continually monitor—and if necessary, adjust—our capital structure. If our debt factor is significantly above 3, strict investment discipline will be called for. In the case of strategically important investments, we would have to utilize alternative funding concepts in the form of portfolio measures or capital increases. If it becomes apparent that our debt factor will fall and remain significantly below 3, we will return more capital to our shareholders, for example through higher dividend payments or share buybacks. But we will always give priority to value-enhancing investments.
- Our target dividend payout ratio remains at between 50 and 60 percent of adjusted net income.

Economic Net Debt		
€ in millions	December 31	
	2008	2007
Liquid funds	6,348	7,075
Non-current securities	5,017	6,895
Total liquid funds and non-current securities	11,365	13,970
Financial liabilities to banks and third parties	-39,095	-19,357
Financial liabilities to Group companies	-1,963	-2,107
Total financial liabilities	-41,058	-21,464
Net financial position	-29,693	-7,494
Fair value (net) of currency derivatives used for financing transactions ¹	1,988	706
Provisions for pensions	-3,559	-2,890
Asset retirement obligations	-14,839	-15,034
Less prepayments to Swedish nuclear funds	1,157	1,280
Economic net debt	-44,946	-23,432
Adjusted EBITDA	13,385	12,450
Debt factor	3.4	1.9
Pro forma debt factor	3.2	1.9

¹Does not include transactions relating to our operating business or asset management.

Funding Policy and Access to Debt Capital Markets

Funding policy

- Our funding policy is designed to give E.ON access to a variety of funding resources at any time.
- Generally, external funding is carried out by E.ON AG or via our Dutch finance subsidiary E.ON International Finance B.V. under guarantee of E.ON AG, and the funds are on-lent as needed within the Group.
- The funding policy is based on the following principles:
 - Using a variety of markets and debt instruments to maximize the diversity of our investor base.
 - Issuing bonds with terms that give our debt portfolio a broadly balanced maturity profile.
 - Combining large-volume benchmark issues with smaller issues, promissory notes ("Schuldscheindarlehen") or private placements that take advantage of market opportunities as they arise.

Ready access to banks and debt capital markets

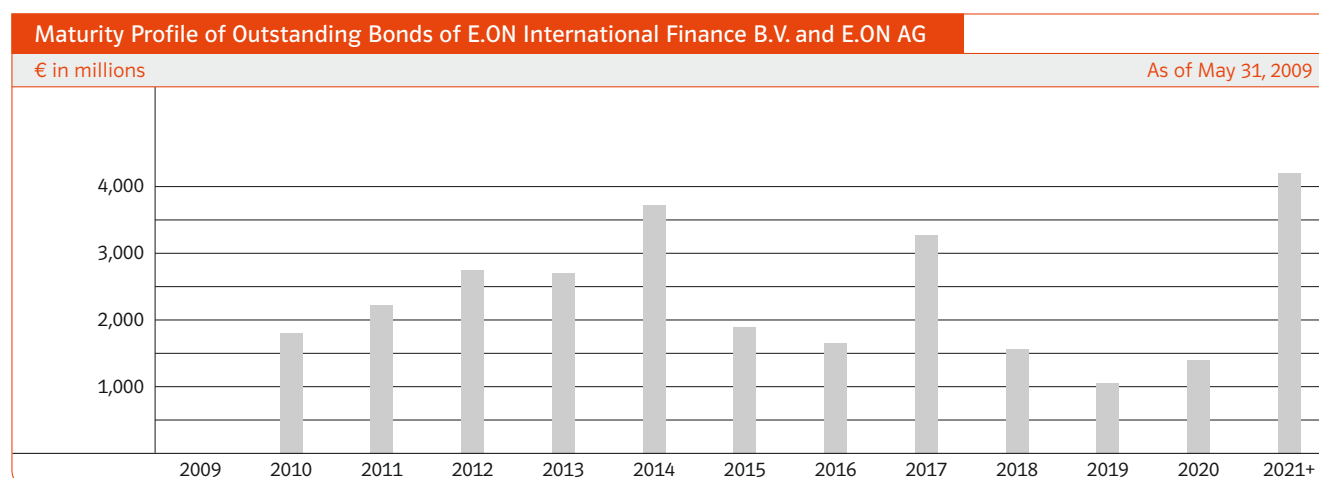
- Committed syndicated credit line
 - €7.5 billion, 364 days tranche, for general corporate purposes (as of year-end 2008: no amounts outstanding).
 - €5.0 billion, 5 years tranche (maturing in 2011), for general corporate purposes (as of year-end 2008: no amounts outstanding).
- Existing capital market programs
 - €10 billion commercial paper program and US\$10 billion commercial paper program (as of year-end 2008: €7.3 billion equivalent outstanding under both programs).
 - €30 billion debt issuance program (as of year-end 2008: €23.1 billion outstanding).
- In the first quarter of 2009 E.ON issued €6.1 billion in new bonds denominated in euros, sterling, and Swiss francs.

Debt Profile

Financial Liabilities to Banks and Third Parties				
As of December 31, 2008	E.ON AG & E.ON International Finance B.V.		Market units & other	E.ON Group
€ in billions				
Bonds		24.0	1.3	25.3
Commercial paper		7.3	-	7.3
Bank loans/others		2.8	3.7	6.5
Total		34.1	5.0	39.1

E.ON Bond Maturity Profile

The graph below shows the maturity profile of all bonds of E.ON International Finance B.V. and E.ON AG.



E.ON Bonds

The following table gives an overview of all bonds issued or guaranteed by E.ON AG. Typically E.ON International Finance B.V. issues bonds, guaranteed by E.ON AG.

Issuer: E.ON International Finance B.V. ¹					
Currency	Volume in original currency (millions)	Term in years	Maturity	Coupon (%)	
EUR	1,000	2	25.11.2010	4.750	
CHF	200	3	17.12.2010	3.000	
CHF	500	2	25.02.2011	2.000	
EUR	750	3	08.09.2011	5.000	
EUR	750	2.5	30.11.2011	2,500	
GBP	500	10	29.05.2012	6.375	
CHF	250 ²	4	24.09.2012	3.250	
EUR	1,750	5	02.10.2012	5.125	
CHF	250	4	11.12.2012	3.875	
EUR	750	4	26.03.2013	4.125	
EUR	1,500	5	07.05.2013	5.125	
CHF	300	5	07.05.2013	3.625	
GBP	350	5	27.01.2014	5.125	
EUR	1,750	5	28.01.2014	4.875	
CHF	525 ³	5	11.02.2014	3.375	
EUR	1,000	6	06.06.2014	5.250	
CHF	225	7	17.12.2014	3.250	
EUR	1,250	7	08.09.2015	5.250	
EUR	1,500	7	19.01.2016	5.500	
EUR	900	15	29.05.2017	6.375	
EUR	2,375 ⁴	10	02.10.2017	5.500	
USD	2,000	10	30.04.2018	5.800	
GBP	600	12	30.10.2019	6.000	
GBP	250	~10.5	30.10.2019	6.000	
EUR	1,400 ⁵	12	07.05.2020	5.750	
GBP	975 ⁶	30	07.06.2032	6.375	
GBP	900	30	30.10.2037	5.875	
USD	1,000	30	30.04.2038	6.650	
GBP	700	30	27.01.2039	6.750	

¹Listing: All bonds are listed in Luxembourg, except for CHF bonds which are listed at the SWX Swiss Exchange.
²The bond was increased from an initial CHF200 million to CHF250 million.
³The bond was increased from an initial CHF400 million to CHF525 million.
⁴The bond was increased in two steps from an initial EUR1,750 million to EUR2,375 million.
⁵The bond was increased from an initial EUR1,000 million to EUR1,400 million.
⁶The bond was increased from an initial GBP850 million to GBP975 million.

In addition, E.ON AG and E.ON International Finance B.V. have issued private placements with a total volume of approximately €2.3 billion as well as promissory notes

("Schuldscheindarlehen") with a total volume of nearly €1.4 billion. Furthermore, E.ON AG issues commercial paper on a regular basis.