



**Conference Call for Analysts and Investors
Nine Months Results 2008**

Düsseldorf, November 12, 2008

Presentation by:

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Please check against delivery

Thank you Wulf.

Good afternoon ladies and gentlemen.

Before I comment on our results, I would like to adhere to a subject which Wulf has already touched on.

The global financial crisis has clearly changed the world around us - at least for the time being. I would like to highlight, that E.ON is flexible enough to adapt to this more challenging environment.

Since the peak of the financial crisis in the aftermath of September 15th we – like many others - are noticing an increased concern from our analysts and investors on the refinancing and funding situation at E.ON. I want to be very clear on this now.

We are very confident that we will meet our funding and refinancing requirements. An example for E.ON's financial stability is the extension of the so called Tranche A of our syndicated revolving credit facility.

As you may be aware, we are currently in the process of renewing this. We have asked our banks for their commitments for another period of 364 days. The process is still ongoing so we cannot make a final statement yet. However, the 9 billion Euro commitments we have received from our banks exceed the total volume of 7.5 billion Euros that we set as target. Taking into account the difficult situation in the financial markets and with banks in particular, this is a great success, underpinning the trust of the financial community in E.ON. I would like to use the opportunity to thank our banking partners for their continuing support which is highly appreciated in this difficult period for the financial sector.

Furthermore, we have been very active on the bond market in the past 15 months issuing a total volume of 17 billion Euros. Despite the already tougher environment we have been able to do this at adequate price levels. Regarding further details on our funding program you may consult the backup of this presentation.

We are aware that the pricing situation has changed since September – recent larger bond placements indicate this. We all observe that spreads over government bonds have widened. At the same time, however, government bond yields have been coming down and may continue to come down. We firmly believe that there will be windows of opportunity for us to further access the bond markets. In doing so we will stick to our policy strive for adequate pricing and we will continue to diversify our funding sources as far as possible. Furthermore, we will constantly seek for attractive funding alternatives. One prominent example here is a loan that we are currently negotiating with the European Investment Bank and that has a volume of 500 million Euros we are expecting to receive by the end of 2008. We have furthermore executed a smaller private placement last week. In a nutshell: The markets remain open for E.ON.

This is also evidenced by our activities in the commercial paper market. Even during most difficult market circumstances we got good demand for our CP, even with larger tenors, at quite attractive rates. Out of the total outstanding amount of 7 billion Euros more than 4 billion has a maturity that is beyond year end 2008.

Let me also highlight the sound liquidity position of E.ON. On September 30, 2008, we record 10.1 billion Euros of liquid funds and non-current securities of which only 2.3 billion Euros is on balance sheet funding of pension obligations. At the moment we have even higher liquid funds due to the increase of commercial paper.

I hope I have sufficiently addressed your concerns regarding E.ON's financing situation. Now I will as usual run you through the Nine Month Results in detail:

- Group sales increased by 22 percent to 60.5 billion Euros,
- Group adjusted EBIT rose by 8 percent to 7.7 billion Euros,
- Group adjusted net income improved by 6 percent to 4.5 billion Euros, and
- Group cash provided by operating activities decreased by 13 percent to 6.3 billion Euros.

The 8 percent increase of Group **adjusted EBIT** to 7.7 billion Euros breaks down into the following main developments by market unit:

Central Europe's adjusted EBIT increased by 5 percent to 3.7 billion Euros.

Central Europe West Non-regulated was the major contributor with an improvement of 9 percent to 2.8 billion Euros. The important positive items were:

- Positive power transfer price effects of 977 million Euros,
- Higher power sales margin in Germany of 84 million Euros,

These positives were partially offset by

- Higher CO₂, fuel and power procurement costs of 453 million Euros,
- The burden from lower generation volumes, mainly the ongoing outage of the jointly-owned nuclear power plants Krümmel and Brunsbüttel totalling 289 million Euros, and
- The transfer of activities to other market units of 103 million Euros.

Central Europe West Regulated declined by 20 percent to 546 million Euros. This was induced by regulatory burdens in the network business of 150 million Euros. The decline has accelerated compared to the Half Year stage due to the fact that the pricing decisions by the regulator were only effective from the Second Quarter onwards.

At **Pan-European Gas**, adjusted EBIT increased slightly to around 2 billion Euros.

The trend visible already at the Half Year results with a growing EBIT at Up-/Midstream and a decreasing EBIT at our downstream participations has been manifested. In the third quarter it was even more pronounced. These are the main drivers:

- Firstly, in the **Upstream business**, we made an adjusted EBIT of 270 million Euros on the back of production volumes being up by 17 percent in terms of oil output and 83 percent in terms of gas production. The main driver behind this was the Njord gas field. The combined effect of higher volumes and prices delivered a positive adjusted EBIT contribution compared to last year of 221 million Euros. This was partly offset by higher OPEX and depreciation of 62 million Euros.
- Secondly, our **Midstream business**' adjusted EBIT is slightly up by 31 million Euros, which is an improvement on the Half Year reporting. There is a bit of a push and pull in this business between positive and negative factors: On the one hand, as per end of September, sales volumes were up due to colder weather, and storage valuation yielded favourable results. On the other hand, the time lag between rising purchasing costs and the pass-through to sales prices has a temporary negative effect. Additionally the pressure on sales prices increased due to tightening competition. Unlike last year, we could not benefit from significant differences in the development of wholesale prices between the UK and continental Europe.
- Finally, in our **Downstream activities**, the adjusted EBIT was down by 117 million Euros. The single most important factor for this was the Thüga business. Here the absence of book gains lead to a reduction of EBIT of 86 million Euros.

The adjusted EBIT of the market unit **U.K.** declined by 25 percent to 745 million Euros.

Similar to the situation when we reported First Half results, the adjusted EBIT in the **regulated business** was stable in local currency. On a Euro-basis it lost 47 million Euros. In the **non-regulated business**, the strong EBIT decline continued in Q3. In addition to negative currency translation effects of 70 million Euros there were also the following other effects with a significant impact:

- Lower retail power and gas margins impacted the adjusted EBIT negatively with 221 million Euros. The announced price increases in February and August could not offset the higher procurement costs.
- This was in part compensated by an improved performance in Generation arising mainly from increased spreads. This positively contributed 84 million Euros to the adjusted EBIT.

Nordic's adjusted EBIT reported an increase of 10 percent to 654 million Euros. The main factor behind this increase were the increased market-based transfer prices for power generation in the non-regulated business, which accounted for a positive contribution of 172 million Euros. This was partly mitigated by lower available generation volumes and a higher taxation on nuclear respectively hydro generation.

The adjusted EBIT of **U.S. Midwest** decreased by 7 percent to 273 million Euros. The decline is entirely attributable to the currency translation effects. In local currency terms, the adjusted EBIT was even up on last year's level thanks to an increase of margins in the retail business.

The new market unit **Energy Trading** achieved an adjusted EBIT of 407 million Euros. Of this impressive figure 309 million Euros were contributed by asset optimization exceeding our expectations. 98 million Euros were contributed by the proprietary trading.

The strong performance of the Unit in the summer months is more than in line with the expected seasonal earnings development. We have highlighted the seasonality of the business to you in the past two results presentations. You may refer to the chart on this pattern in the backup of this presentation.

Last but not least I would like to draw your attention to our New Market Units Climate and Renewables, Italy, Russia and Spain. We are showing you this chart, because it highlights the big difference between adjusted EBITDA and adjusted EBIT. This is important as a large part of this delta is attributable to the purchase price allocation.

A second effect depresses the adjusted EBIT of Spain and Italy by 126 million Euros in the third quarter alone and lets it look lower than it fundamentally is. The reason is an accounting method used for acquired and freely allocated CO₂ on the balance sheets of these businesses. This is a non-cash effect which is burdening our results in these businesses only in 2008.

Adjusted net income grew by 6 percent to 4.5 billion Euros. The growth of Group adjusted EBIT and lower taxes have offset the higher net interest cost.

Now I will comment on the **net income attributable to shareholders of E.ON AG**, which decreased by 42 percent to almost 3.1 billion Euros. The main effects were:

- **Adjusted net interest income** declined from minus 694 million Euros to minus 1.4 billion Euros - a consequence of the planned increase in the Group's financial indebtedness due to our investment programme.
- **Net book gains** were significantly reduced by 756 million Euros to 234 million Euros. The main reason were reduced results from divestments of securities at Central Europe compared to the First Nine Months of 2007.
- In the **other non-operating income** the high negative contribution of almost 2 billion Euros was mainly attributable to the lower result of the mark-to-market valuation of derivatives. Coming from a positive effect of 433 million Euros in the previous year's First Nine Months, this accounted for a loss of approximately 1.5 billion Euros.

Let me now move to the **Group cash flow**. The cash flow provided by operating activities declined 973 million Euros to 6.3 billion Euros. The movements within each market unit are partially impacted by intercompany effects, in particular in relation to EET. One important factor responsible for the decline in operating cash flow is the utilization of our storage facilities within our Pan European Gas business. We have seen a huge year on year swing leading to a significant working capital increase. Last year we used much more gas from the storage which was filled up in 2006 at significantly lower prices. In the First Nine Months of 2008 the change of the gas value in our gas storage facilities increased by approximately 700 million Euros compared to the same period last year.

Let me also point out a detail related to the reported operating cash flow for the UK. Here we have reclassified cash flow during Q1 and Q2 of 2008 from operating cash flow into financing cash flow. This was necessary to properly reflect the carving out of the trading and renewables activities from Market Unit UK but it is now reflected in the Q3 numbers.

Our **economic investments** totaled 18.8 billion Euros until end of September, 2008 coming from 5 billion Euros in the First Nine Months of 2007. This is mainly related to the acquisition of Viesgo and the Endesa assets as well as investments in our new market units.

Our **economic net debt** increased in the course of the first nine months of 2008 by 17.8 billion Euros from 24.1 billion Euros to 41.9 billion Euros. The main factors were: Economic value of investments of 18.8 billion Euros, dividend payments of 2.9 billion Euros and share buybacks amounting to 2.6 billion Euros. These factors were partially offset by cash provided from operating activities of 6.3 billion Euros.

Ladies and gentlemen,

Let me now discuss the **outlook** for the full year 2008.

Our outlook for both Group adjusted EBIT and Adjusted Net income for this year remains unchanged. We continue to expect both metrics to be 5 to 10 percent higher than in 2007.

I would like to emphasise here that we stick to our guidance although a few negative factors have appeared unexpectedly in the fourth quarter. The two nuclear power stations Krümmel and Brunsbüttel are staying off line for longer than previously expected. On top of that we had an unplanned short-term outage at the Unterweser power plant.

In Sweden, the unplanned outages of Oskarshamn and Forsmark are probably going to cost us several millions of Euros in the fourth quarter.

Also, certain currency movements in Eastern Europe, where the financial crisis has led to a decline of some of the local currencies, will cost us money.

Finally, as Wulf mentioned before I would like to reiterate our commitment to our **2010 adjusted EBIT target of 12.4 billion Euros**. We will give the market a detailed update on the 10th of March.

This concludes my remarks. Wulf and I are now happy to answer all your questions.