



IFRS Conversion – Impact for E.ON

May 9, 2007

Introduction

E.ON will prepare its first consolidated IFRS financial statements as defined by IFRS 1 as of December 31, 2007.

In accordance with IFRS 1, all information presented herein is in line with the relevant IFRS standards, for which compliance is mandatory as of December 31, 2007, the date on which the first full set of consolidated financial statements is prepared, to the extent the standards have to be applied and are effective on March 31, 2007.

Until the first full set of consolidated financial statements as of December 31, 2007 is presented, the financial statements remain preliminary and are subject to change because of potential new pronouncements by the IASB as well as ongoing endorsement decisions by the EU Commission.

The information contained in this presentation should only be read in conjunction with the interim report as of March 31, 2007.

All reconciling items (beside taxes) are presented as pre-tax amounts.

Agenda

1. Background information
2. Management summary
3. Explanation of major reconciling items
4. Summary of key figures

Background information

- With EU Regulation 1606/2002 dated July 19, 2002, the European Parliament and the European Council mandated the adoption of IFRS into EU law governing the consolidated financial statements of publicly traded companies beginning in 2005.
- As a SEC registrant, IFRS application is mandatory in E.ON's consolidated financial statements as of December 31, 2007.
- The effective date of the E.ON Group's IFRS consolidated opening balance sheet is January 1, 2006 (date of transition).
- First quarter 2007 is the first published interim report in accordance with IFRS.
- As currently still required by the SEC, a reconciliation from IFRS to U.S. GAAP will continue only at year end within E.ON's Form 20-F.

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2. Management summary
3. Explanation of major reconciling items
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IFRS on one slide

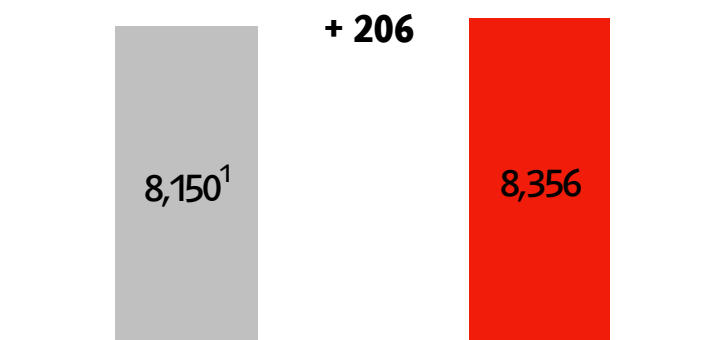
- No material impact on E.ON's 2006 key performance indicators due to the conversion from U.S. GAAP to IFRS

- Slight increase of **adjusted EBIT** and **adjusted net income** due to required change in inventory measurement as well as differences in the accounting for provisions,
- Slight increase of **net income** due to different treatment of derivatives,
- Slight decrease in **equity** mainly due to reclassification of put options for shares held by minorities (e.g. Statkraft option)
- **Other** key performance indicators, e.g. Cash provided by operating activities nearly unchanged

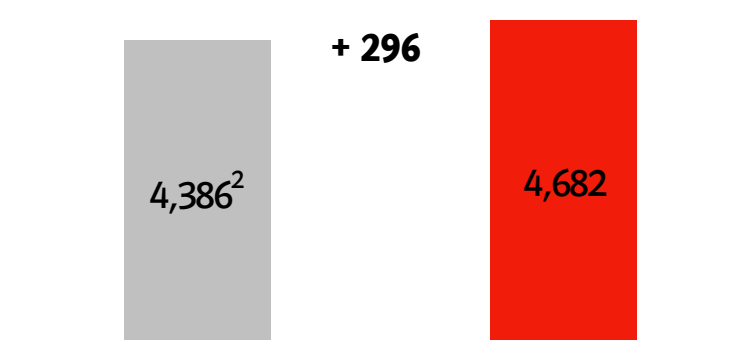
Effects on main key performance indicators

€ in million

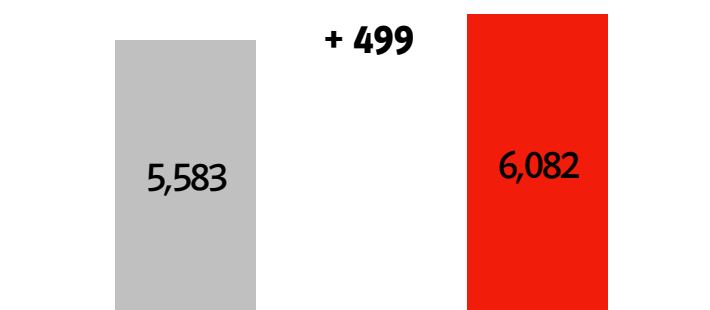
Adjusted EBIT 2006



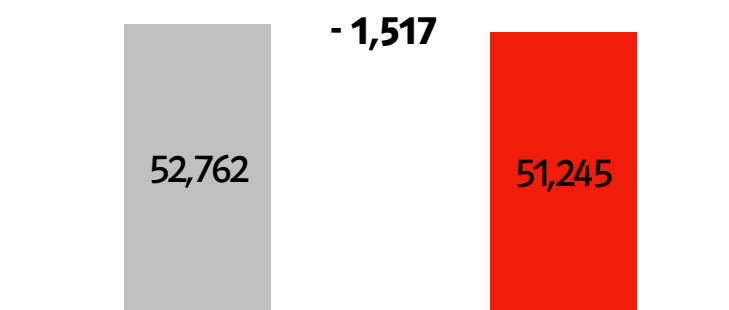
Adjusted net income 2006



Net income (incl. minorities) 2006



Equity (incl. minorities) as of Dec. 31, 2006

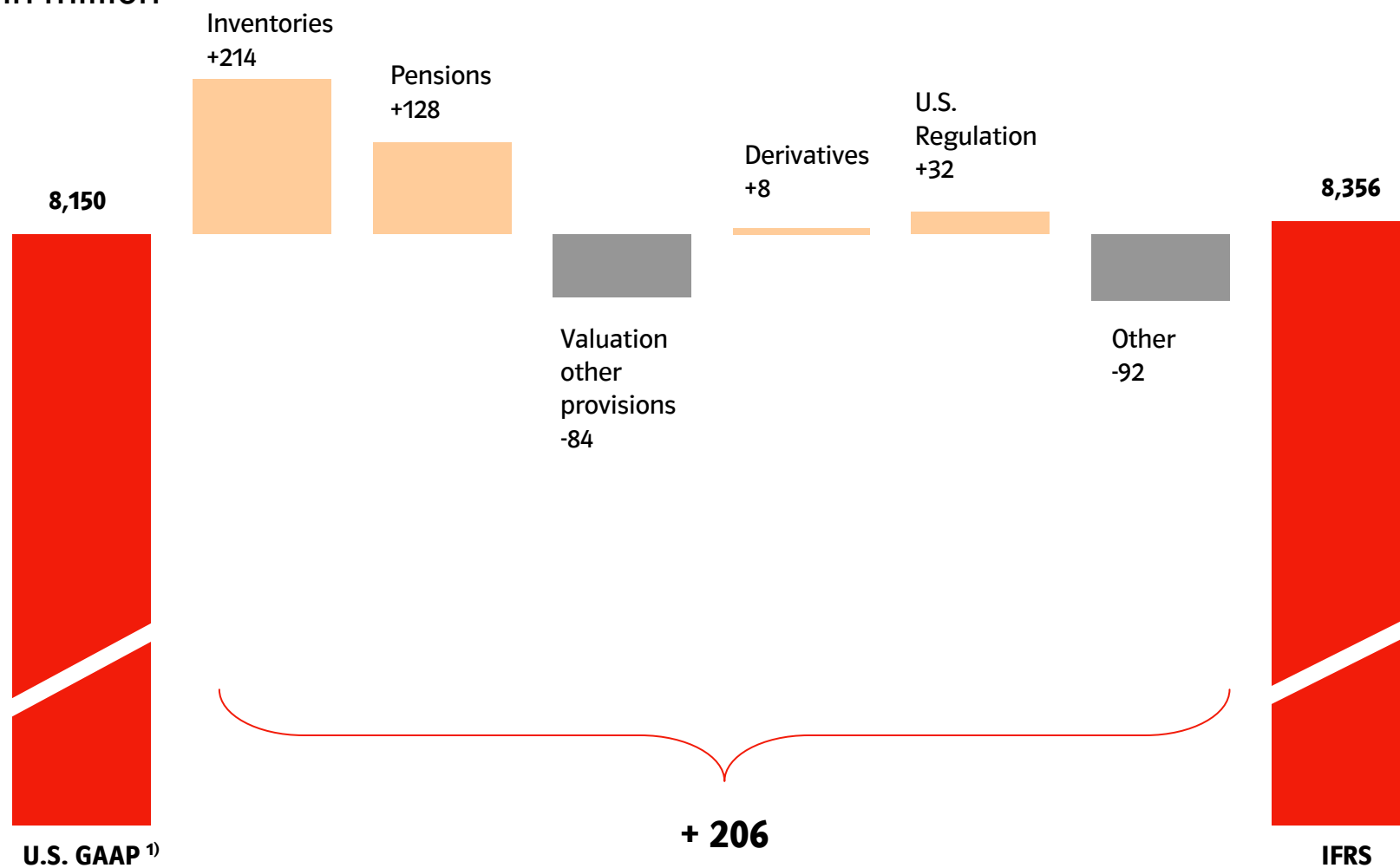


U.S. GAAP
 IFRS

1) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 36
 2) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 37

Reconciliation of Adjusted EBIT for 2006

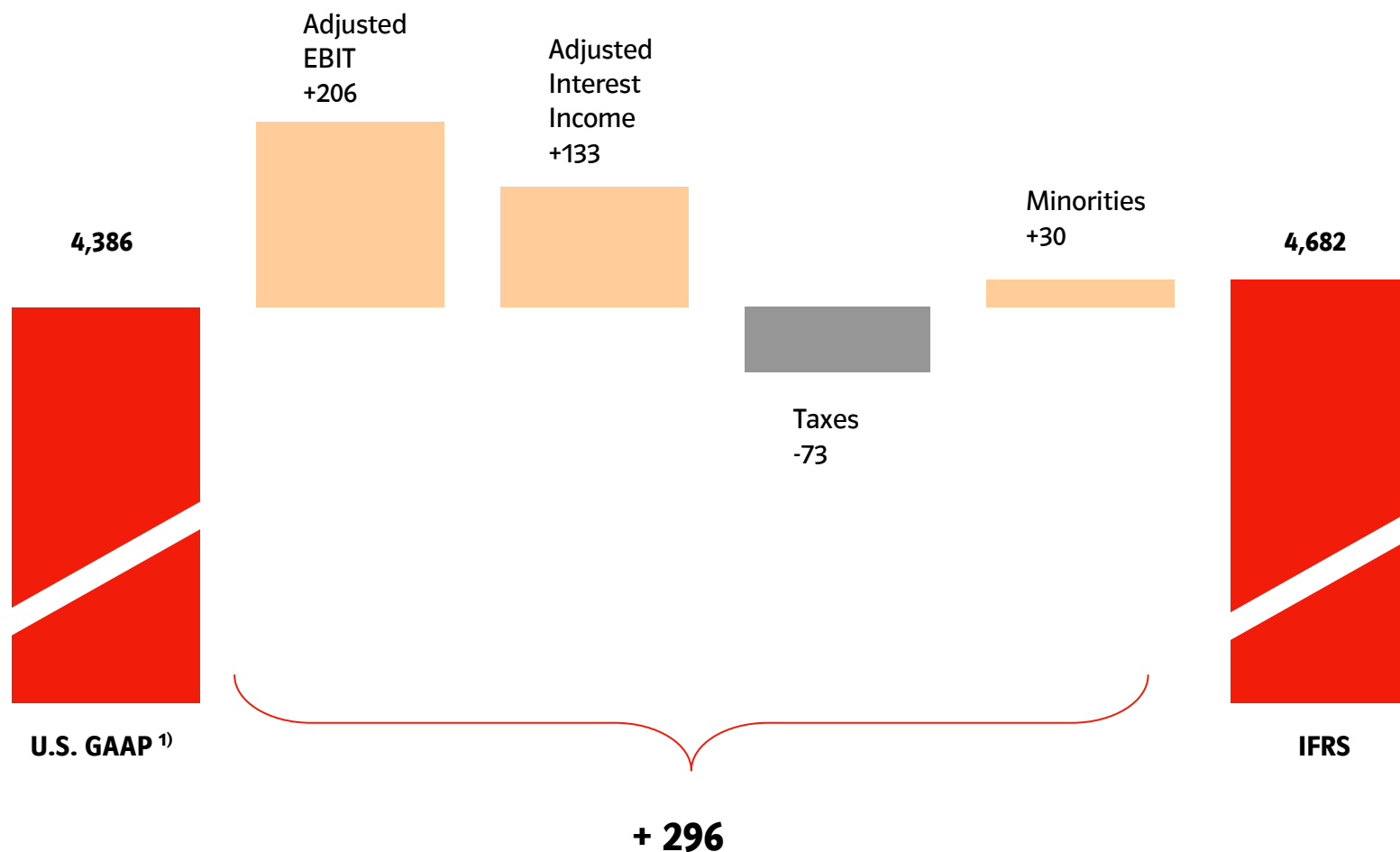
€ in million



1) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 36

Reconciliation of Adjusted Net Income for 2006

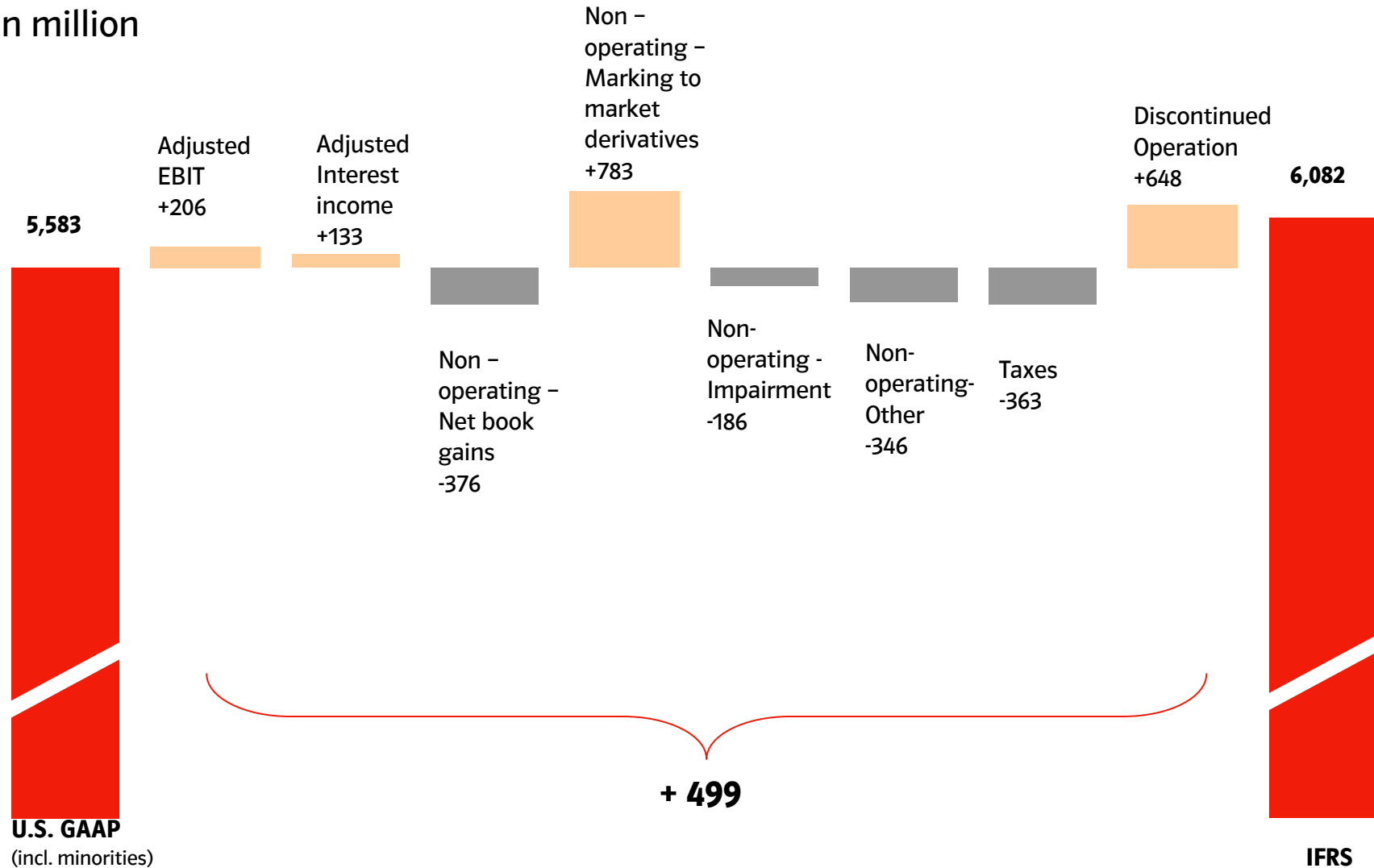
€ in million



1) Non-GAAP financial measure; see reconciliation in Annual Report, p. 37

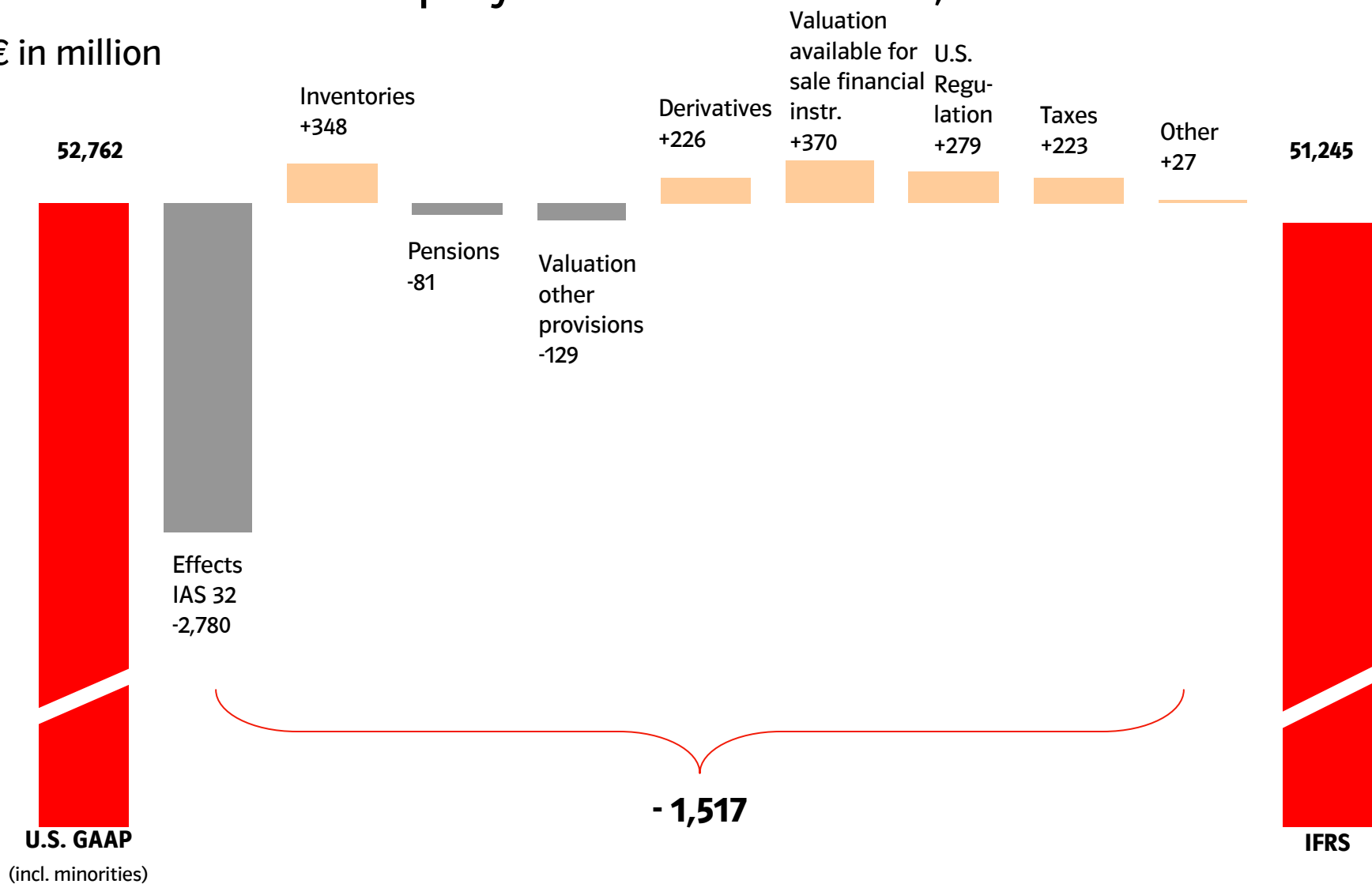
Reconciliation of Net Income for 2006

€ in million



Reconciliation of Equity as of December 31, 2006

€ in million



Major Reconciling Items U.S. GAAP/IFRS

- **Effects IAS 32 :**
 - Reclassification of conditional obligations to acquire shares held by minorities, for example Statkraft option, as well as investments in German partnerships from minority interests to liabilities

Adjusted EBIT 2006: € 0 mio

Adjusted Net Income 2006: € 0 mio

Net Income 2006: € - 121 mio

Equity as of December 31, 2006: € - 2,780 mio

Major Reconciling Items U.S. GAAP/IFRS

- **Inventories:**
 - Adjustments due to required changeover from LIFO to average-cost measurement of gas inventories.

Adjusted EBIT 2006: € + 214 mio

Adjusted Net Income 2006: € + 214 mio

Net Income 2006: € + 214 mio

Equity as of December 31, 2006: € + 348 mio

Major Reconciling Items U.S. GAAP/IFRS

- **Pensions:**

- Main effect due to the election to recognize all cumulative actuarial gains and losses directly in equity.

Adjusted EBIT 2006: € + 128 mio

Adjusted Net Income 2006: € + 118 mio

Net Income 2006: € + 118 mio

Equity as of December 31, 2006: € - 81 mio

- **Valuation of other provisions:**

- Discounting of all long-term accruals / updated discount rate from historical to market rates.

Adjusted EBIT 2006: € - 84 mio

Adjusted Net Income 2006: € + 5 mio

Net Income 2006: € - 78 mio

Equity as of December 31, 2006: € - 129 mio

Major Reconciling Items U.S. GAAP/IFRS

- **Derivatives:**
 - Adjustments due to different scope of IAS 39 in comparison to SFAS 133 and treatment of derivatives embedded in other contracts.

Adjusted EBIT 2006: € + 8 mio

Adjusted Net Income 2006: € + 8 mio

Net Income 2006: € + 791 mio

Equity as of December 31, 2006: € + 226 mio

Major Reconciling Items U.S. GAAP/IFRS

- **Valuation of available-for-sale financial instruments:**
 - Fair value measurement of non-marketable investments under IAS 39 (e.g. non observable market-price).
 - Foreign currency translation effects from monetary financial instruments (debt securities) classified as available-for-sale.

Adjusted EBIT 2006: € - 31 mio

Adjusted Net Income: € - 5 mio

Net Income 2006: € - 55 mio

Equity as of December 31, 2006: € + 370 mio

Major Reconciling Items U.S. GAAP/IFRS

- **U.S. Regulation:**

- Regulatory assets and liabilities are not recognized under IFRS.

Adjusted EBIT 2006: € + 32 mio

Adjusted Net Income 2006: € + 35 mio

Net Income 2006: € + 9 mio

Equity as of December 31, 2006: € + 279 mio

- **Taxes:**

- Tax effects on U.S. GAAP/IFRS differences
- Outside basis differences

Adjusted EBIT 2006: € 0 mio

Adjusted Net Income 2006: € -73 mio

Net Income 2006: € - 363 mio

Equity as of December 31, 2006: € + 223 mio

Major Reconciling Items U.S. GAAP/IFRS

- **Other:**
 - Change in scope of consolidation
 - Leasing
 - Impairment
 - Treatment of Degussa

Adjusted EBIT 2006: € - 61 mio

Adjusted Net Income 2006: € + 55 mio

Net Income 2006: € - 16 mio

Equity as of December 31, 2006: € + 27 mio

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Effects IAS 32

- Instruments for which a right of repayment exists do not constitute equity under the IFRS definition of equity.
- E.ON has made conditional and unconditional commitments to certain minority shareholders to acquire the outstanding shares, e.g. Statkraft option.
- A liability in the amount of the present value of the future exercise price must be reported separately within minority interests, irrespective of the probability of exercise.
- In addition, minority interests in German Partnerships have to be shown as liabilities because of the statutory, non-excludable right of termination.

• Impact:

Effects IAS 32			
€ in millions	2006	Q1/2006	
	Dec. 31, 2006	March 31, 2006	Jan. 01, 2006
Adjusted EBIT	0	0	
Adjusted Net Income	0	0	
Net Income	-121	-25	
Equity	-2,780	-3,277	-3,249

Inventories

- Adjustment to average-cost measurement of gas inventories as the LIFO method is not allowed under IAS 2.
- Net income effect in 2006 due to lower procurement costs based on the average-cost method in comparison with the price level of gas inventories that were stored most recently (LIFO).
- The future effects depend on the gas price development.
- Impact:

Inventories			
	2006	Q1/2006	
€ in millions	Dec. 31, 2006	March 31, 2006	Jan. 01, 2006
Adjusted EBIT	214	197	
Adjusted Net Income	214	197	
Net Income	214	197	
Equity	348	331	134

Pensions

- As a result of the recognition of the cumulative gains and losses, provisions for pensions increased to the extent that losses had not already been recognized as part of the additional minimum liability under U.S. GAAP.
- The lower difference in equity at year end is predominantly due to the first time application of SFAS 158 which also requires recognition of actuarial gains and losses within equity.
- Impact:

Pensions			
	2006	Q1/2006	
€ in millions	Dec. 31, 2006	March 31, 2006	Jan. 01, 2006
Adjusted EBIT	128	36	
Adjusted Net Income	118	34	
Net Income	118	34	
Equity	-81	-756	-1,391

Valuation of other provisions

- Under IFRS non-current provisions are reported at the present value of their expected settlement amounts as of the balance sheet date.
- Under IFRS the discount rates are regularly adjusted to current market interest rates.
- Impact:

Valuation of other provisions			
	2006	Q1/2006	
€ in millions	Dec. 31, 2006	March 31, 2006	Jan. 01, 2006
Adjusted EBIT	-84	1	
Adjusted Net Income	5	-8	
Net Income	-78	-8	
Equity	-129	-51	-43

Derivatives

- Adjustment due to different scope and treatment of derivatives embedded in other contracts :
 - Under U.S. GAAP, industry-specific exceptions for power-plant-related supply contracts exist that are not allowed under IFRS. This means that the definition of a derivative encompasses more contracts under IFRS.
 - In the case of embedded derivatives (e.g. price indexations) in certain supply and sales contracts, IFRS provides for the possibility of measuring only the embedded derivative, while reporting the non-derivative portion as a pending transaction.
Under U.S. GAAP, the existence of an embedded derivative in these contracts gives rise to fair-value reporting with recognition in net income.

Derivatives (2)

- Further effects arise from the definition of a derivative with regard to net settlement and market liquidity criteria.

- Impact:

Derivatives			
€ in millions	2006 Dec. 31, 2006	Q1/2006 March 31, 2006	Jan. 01, 2006
Adjusted EBIT	8	4	
Adjusted Net Income	8	4	
Net Income	791	-5	
Equity	226	-562	-566

Valuation of available-for-sale financial instruments

- Under IFRS, non-marketable equity investments are in scope of IAS 39 and must be reported at fair value. The unrealized gains and losses are reported in equity.
- Under IFRS, the foreign currency translation effects from monetary financial instruments (debt securities) classified as available-for-sale are recognized in income.
Under U.S. GAAP, these effects are classified as other comprehensive income.

- Impact:

Valuation of available for sale financial instrument			
	2006 Dec. 31, 2006	Q1/2006 March 31, 2006	Jan. 01, 2006
€ in millions			
Adjusted EBIT	-31	0	
Adjusted Net Income	-5	0	
Net Income	-55	-12	
Equity	370	382	377

U.S. Regulation

- Regulatory assets and liabilities under SFAS 71 do not fulfill the recognition criteria for assets and liabilities under IFRS.
- Under SFAS 71, certain costs that would otherwise be charged to expense are deferred as regulatory assets based on expected recovery of such costs from customers in future rates. Likewise, certain credits that would otherwise be reflected as income are deferred as regulatory provisions.
- In the IFRS opening balance sheet, regulatory assets and liabilities were offset against retained earnings.
- In the future, the resulting income and expenses will immediately be recognized in the income statement under IFRS.
- Impact:

U.S. Regulation	2006		Q1/2006
	Dec. 31, 2006	March 31, 2006	Jan. 01, 2006
€ in millions			
Adjusted EBIT	32	19	
Adjusted Net Income	35	19	
Net Income	9	19	
Equity	279	410	403

Taxes

- Deferred tax adjustments arise from U.S. GAAP/IFRS differences described above, especially from pension accounting.
- Additionally, under IAS 12 an entity shall not recognize deferred taxes for taxable temporary differences associated with investments in subsidiaries and associates („outside basis differences”) if the investor is able to control the timing of the reversal of the temporary differences and the reversal of the difference is not probable in the foreseeable future.
- Under U.S. GAAP this exception only exists for foreign subsidiaries or associates held by companies in third countries.
- Impact:

Taxes			
	2006	Q1/2006	
€ in millions	Dec. 31, 2006	March 31, 2006	Jan. 01, 2006
Adjusted EBIT	0	0	
Adjusted Net Income	-73	-76	
Net Income	-363	-72	
Equity	223	491	800

Other Effects

Change in scope of consolidation

- One gas storage company in the Pan-European Gas market unit must be additionally consolidated under IFRS.

Leasing

- Different effective dates for the accounting of „embedded leases“ under IFRS and U.S. GAAP:

U.S. GAAP: prospectively as of May 28, 2003

IFRS: retrospective application

Other Effects (2)

Impairment

- Under U.S. GAAP: two step approach for impairment testing
 - 1 - Determine whether the carrying amount of the asset or group of assets exceeds the estimated future undiscounted cash flows.
 - 2 - Recognition of an impairment charge in the amount of the difference between the carrying amount and the estimated future discounted cash flows.
- Under IFRS the carrying amount of the asset being tested is compared with its recoverable amount , which is the higher of the assets´ s value in use and its fair value less costs to sell.

Other Effects (3)

Impairment

- Recognition of an impairment charge in the amount of the difference between the carrying amount and the lower recoverable amount.
- In the fourth quarter 2006, impairment charges in the amount of 186 Mio € were recognized in accordance with IFRS on non-current assets at the U.K. market unit.
- Under U.S. GAAP, no impairment was necessary because the undiscounted cash flows exceeded the carrying amounts of the assets.

Other Effects (4)

Degussa

- Under U.S. GAAP, investments in companies accounted for under the equity-method are not shown as discontinued operations.
- The income from companies accounted for under the equity method is therefore shown in Adjusted EBIT while the book gain is part of the non-operating earnings.
- Under IFRS, investments in companies accounted for under the equity method are in the scope of IFRS 5 and have to be shown as discontinued operations if the criteria are fulfilled.
- All income components (income from companies accounted for under the equity method as well as book gains) are reclassified as discontinued operations.
- In addition, the conversion to IFRS of our interest in Degussa has an impact on our key figures

Other Effects (5)

- Impact:

Other			
	2006	Q1/2006	
€ in millions	Dec. 31, 2006	March 31, 2006	Jan. 01, 2006
Adjusted EBIT	-61	-61	
Adjusted Net Income	55	15	
Net Income	-16	196	
Equity	27	-554	286

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Summary of key figures

E.ON Group Financial Highlights						
€ in millions						
	2006			1Q 2006		
	US GAAP	IFRS	Difference	US GAAP	IFRS	Difference
Sales	64,197	64,091	-106	19,882	19,852	-30
Adjusted EBITDA ¹⁾	11,353	11,789	436	3,252	3,496	244
Adjusted EBIT ¹⁾	8,150	8,356	206	2,534	2,730	196
Income/Loss (-) from continuing operations before income taxes	5,133	5,347	214	2,369	2,140	-229
Income/Loss (-) from continuing operations	5,456	5,307	-149	1,842	1,541	-301
Income/Loss (-) from discontinued operations, net	127	775	648	88	713	625
Net income (including minorities)	5,583	6,082	499	1,930	2,254	324
Earnings per share from net income attributable to shareholders of E.ON AG (in €)	7.67	8.48	1.25	2.61	3.10	0.49
Adjusted net income ²⁾	4,386	4,682	296	1,357	1,481	124
Cash provided by operating activities	7,194	7,161	-33	1,942	1,935	-7
Free cash flow ⁴⁾	3,111	3,065	-46	1,320	1,313	-7
Net financial position ⁵⁾	-268	-137	131	-370	-341	29
Economic net debt	-18,325	-18,231	94	-20,090	-20,761	-671
Total assets	127,232	127,575	343	133,654	132,754	-900
Stockholders' equity (including minorities)	52,762	51,245	-1,517	52,573	48,987	-3,586
ROCE (in %) ³⁾	13.2	13.7	0.5			
Value added	2,586	2,860	274			

1) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 36

2) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 37

3) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 39

4) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 47

5) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 49

Summary of key figures

E.ON Group Financial Highlights						
€ in millions						
	2006			1Q 2006		
	US GAAP	IFRS	Difference	US GAAP	IFRS	Difference
Adjusted EBITDA ¹⁾	11,353	11,789	436	3,252	3,496	244
Depreciation, amortization, and impairments affecting adjusted EBIT	3,203	3,433	230	718	766	48
Adjusted EBIT ¹⁾	8,150	8,356	206	2,534	2,730	196
Adjusted interest expense (net) ³⁾	-1,081	-948	133	-328	-331	-3
Net book gains	1,205	829	-376	519	143	-376
Restructuring expenses	0	0	0	0	0	0
Other nonoperating earnings	-3,141	-2,890	251	-356	-402	-46
Income/Loss (-) from continuing operations before income taxes	5,133	5,347	214	2,369	2,140	-229
Income taxes	323	-40	-363	-527	-599	-72
Income/Loss (-) from continuing operations	5,456	5,307	-149	1,842	1,541	-301
Income/Loss (-) from discontinued operations, net	127	775	648	88	713	625
Income/Loss (-) from cumulative effect of changes in accounting principles, net	0	0	0	0	0	0
Net income	5,583	6,082	499	1,930	2,254	324
Minority interests	-526	-496	30	-212	-209	3
Net income attributable to shareholders of E.ON AG	5,057	5,586	529	1,718	2,045	327
Nonoperating earnings, net, and extraordinary tax effects	-544	-139	405	-273	144	417
Income /Loss (-) from discontinued operations, net, and from the cumulative changes in accounting principles, net.	-127	-765	-638	-88	-708	-620
Adjusted net income ²⁾	4,386	4,682	296	1,357	1,481	124

1) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 36

2) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 37

3) Non-GAAP financial measure; see reconciliation in 2006 Annual Report, p. 182



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Through the fiscal year ending December 31, 2006, E.ON prepared its consolidated financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), but has adopted International Financial Reporting Standards ("IFRS") as its primary set of accounting principles as of January 1, 2007. Unless otherwise indicated, the financial data for periods beginning after January 1, 2007 reflected in this document has been prepared in accordance with IFRS, while that for prior periods has been prepared in accordance with U.S. GAAP. This document may contain references to certain financial measures (including forward-looking measures) that are not calculated in accordance with either IFRS or U.S. GAAP and are therefore considered "Non-GAAP financial measures" within the meaning of the U.S. federal securities laws. E.ON presents a reconciliation of these Non-GAAP financial Measures to the most comparable U.S. GAAP measure or target, in this document or on the website under www.eon.com. Management believes that the Non-GAAP financial measures used by E.ON, when considered in conjunction with (but not in lieu of) other measures that are computed in accordance with IFRS or U.S. GAAP, enhance an understanding of E.ON's results of operations. A number of these Non-GAAP financial measures are also commonly used by securities analysts, credit rating agencies and investors to evaluate and compare the periodic and future operating performance and value of E.ON and other companies with which E.ON competes. These Non-GAAP financial measures should not be considered in isolation as a measure of E.ON's profitability or liquidity, and should be considered in addition to, rather than as a substitute for, net income, cash provided by operating activities and the other income or cash flow data prepared in accordance with IFRS or U.S. GAAP. In particular, there are material limitations associated with our use of Non-GAAP financial measures, including the limitations inherent in our determination of each of the relevant adjustments. The Non-GAAP financial measures used by E.ON may differ from, and not be comparable to, similarly-titled measures used by other companies.