



**Conference Call for Analysts and Investors  
First Nine Months Results 2007**

**Düsseldorf, November 13, 2007**

**Presentation by:**

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**Member of the E.ON AG Board of Management and CFO**

**Please check against delivery**

Thank you Wulf.

Good afternoon ladies and gentlemen.

As you have already seen in our First Nine Months Results 2007 published earlier today, all our key figures show again a positive performance.

With 7.1 billion Euros in the First Nine Months 2007 **Group adjusted EBIT** improved by 12 percent compared to the prior-year period.

Let me now detail the main developments of the adjusted EBIT by market unit:

**Central Europe's** adjusted EBIT increased by 5 percent to 3.5 billion Euros.

**Central Europe West Power** was again the major contributor with an improvement of about 13 percent. The main effects were:

- a higher net wholesale margin of 596 million Euros as a consequence from slightly improved proprietary trading results and higher power prices, which were offset by higher procurement costs and higher feed-in of renewables,
- the absence of the sale of shareholdings in the prior year amounting to 129 million Euros,
- the burden from the outages of the jointly-owned nuclear power plants Krümmel and Brunsbüttel totaling 64 million Euros, and finally
- a lower result from network activities of 25 million Euros.

Additionally, Central Europe's adjusted EBIT was also affected by:

- The decline in the **gas business** by 24 percent due to mild weather conditions, and
- Consolidation issues totaling 70 million Euros and other effects amounting to 77 million Euros.

**Pan-European Gas'** adjusted EBIT improved by 10 percent on a year-to-year basis to 2.0 billion Euros after a decline by 4 percent in the First Half 2007.

The main reason for this turnaround was the strong increase of the adjusted EBIT in the **Downstream** business from 389 million Euros to 730 million Euros. This was mainly caused by:

- First, the absence of last year's impairment charges from the regulation of network fees at Thüga which affected the adjusted EBIT in the Third Quarter 2006 by 188 million Euros, and
- Second, the better performance of E.ON Földgaz in Hungary due to an improved regulatory environment.

The **Upstream** business declined by 33 million Euros as a consequence of lower prices.

The **Midstream** business recorded a decrease of 144 million Euros. This resulted from lower volumes due to the mild weather conditions and lower results from the use of storage facilities. These effects were partially offset by the absence of the adverse earnings effect recorded in the prior year resulting from the fact that procurement prices are adjusted more rapidly than sales prices.

The adjusted EBIT of the market unit **U.K.** increased by 38 percent to almost 1 billion Euros.

The **regulated business** benefited from the tariff increases planned in the last distribution review.

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After a strong first quarter in the **non-regulated business**, the significant reduction of power prices announced in April this year led to a declining adjusted EBIT in the second and third quarter compared to last year's earnings performance respectively.

**Nordic's** adjusted EBIT increased by 38 percent to 594 million Euros. The non-regulated business was the main contributor thanks to increased hydropower volumes and higher achieved wholesale power prices.

The adjusted EBIT of **U.S. Midwest** decreased by 6 percent to 292 million Euros, driven by a weaker U.S. dollar.

Let me continue with the **net income attributable to shareholders of E.ON AG**. Following factors contributed to increase to 5.3 billion Euros:

- **Net book gains** increased from 443 million Euros to 990 million Euros, mainly due to the divestments of securities at Central Europe which we reported already in the First Quarter.
- **Other non-operating income** showed a significant change of approximately 2.3 billion Euros. The main effect is attributable to the change of mark-to-market valuation of derivatives and the nonrecurrence of prior year's regulation impairments, which together led to an increase of 2 billion Euros.
- The decline in **discontinued operations** of about 873 million Euros was mainly related to the Degussa transaction which resulted in a gain of 638 million Euros in the First Nine Months of 2006.

In this context we would like to remind you that, related to the sale of our stake in RAG, we will realize in the fourth quarter a deferred book gain from the Degussa transaction. Since we will finalize the sale as of November 2007 the book gain of 418 million Euros will be recorded in the fourth quarter.

**Adjusted net income** increased by 22 percent to 4.2 billion Euros, mainly as a consequence of the positive operational developments in adjusted EBIT.

Now, I will refer to the development of **Group cash flow**. The cash flow provided by operating activities rose by 2.7 billion Euros to 7.2 billion Euros. The major positive contributors to this increase were the following:

- **Central Europe's** rise of 830 million Euros was mainly due to improved working capital of about 550 million Euros and higher power margins of about 700 million Euros. These factors were partially offset mainly by regulatory effects of about 500 million Euros.
- **Pan-European Gas'** remarkable increase of 1.8 billion Euros resulted mainly from:
  - E.ON Földgaz with a positive effect of about 1.1 billion Euros. This was due to the absence in 2006 of the high seasonal contribution of the First Quarter, as it was consolidated as of April 1<sup>st</sup> last year. Besides earnings developed positively in the First Nine Months of 2007.
  - In addition, E.ON Ruhrgas contributed about 500 million Euros thanks to the improved working capital related mainly to higher withdrawals from gas storage, and finally
  - **U.K.'s** increase of 839 million Euros was related to working capital improvements with about 600 million Euros and avoidance of higher gas supply prices in the first quarter 2006 costing about 200 million Euros.

Here, I would like to clarify further:

We have started to more actively manage our working capital in the different market units. However, the huge swing in the First Nine months of this year is also heavily influenced by the direction that commodity and power prices took.

**Investments in property, plant and equipment and intangible assets** increased by 60 percent to 4.1 billion Euros, mainly as a consequence of higher investments in power generation all over our market units.

Nevertheless, **free cash flow** improved from 1.9 billion Euros to 3.1 billion Euros thanks to the strong improvement of our operating cash flow.

Our **economic net debt** fell slightly in the first nine months of 2007 by 258 million Euros to almost 18 billion Euros. The main reasons were:

- The net financial position decreased by 1.2 billion Euros due to strong investments expenditures and share buy backs.
- This effect was slightly overcompensated by the reduction of pension obligations of 1.6 billion Euros. This mainly resulted from a lower valuation of the benefit obligations mainly at the Market Unit Central Europe, resulting from market driven increases in the discount rates, e.g. for Germany from 4.5 to 5.5 percent used in calculating the liabilities.

At this point I would like to mention, that we increased our discount rate for Germany from 5.25 percent in the First Half of this year to currently 5.5 percent. The further increase is due to a widening in credit spreads as we use a AA corporate bond rate to discount the liabilities.

Given our recent investment activity in particular as it relates to acquisitions that may close in the Fourth Quarter 2007 as economic net debt will clearly increase until the end of the fiscal year.

Ladies and gentlemen,

Let me now discuss the **outlook** for the full year 2007.

Based on the developments of the First Nine Months results, we continue to expect **Group adjusted EBIT** to be 5 – 10 percent higher than in 2006 as announced in the First Half of this year.

Given that we are approaching year-end quickly, we have sufficient visibility to believe we will come out around the upper end of the above mentioned range for the Group.

The **outlook by market unit** is as follows:

For **Central Europe** we have revised our outlook upwards expecting now an adjusted EBIT significantly above the prior-year level.

The change in our outlook compared to the previous quarter results mainly from an anticipated change in estimates associated with our nuclear obligations. We are still reviewing the situation, but we see a need to harmonize the assumptions for our nuclear provisions in particular with regard to the capital structure targets for the whole Group.

Regarding the outages of the nuclear power plants Krümmel and Brunsbüttel, we expect that both will be back on stream early 2008. The total negative impact for the full year 2007 from both outages is expected to be about 150 million Euros.

As far as the **Pan-European Gas** outlook is concerned, based on the development of the First Nine months of this year, we now expect an adjusted EBIT to be above the 2006 level. Earlier this year we had announced adjusted EBIT to be on par with 2006 figure.

In the **Midstream** business we expect the decline in margins to continue for the rest of the year, due to increased competition and price developments.

The **Downstream** business will see a strong improvement, thanks to the absence of prior year's negative regulatory effects and the higher contribution from E.ON Földgaz.

In the **U.K.** we now expect a significant decline in the adjusted EBIT. In the First Half we announced the adjusted EBIT to be broadly in line with 2006 level.

We have lowered our earnings forecast for the U.K. Market Unit, which is now expected to be significantly below 2006. The development in the remainder of the year will be characterized by a marked decrease in retail margins following the announced price reductions earlier this year. In addition, we will incur a charge in relation to balancing our retail sales revenues with energy

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purchases from the national transmission network. These adverse effects can only partially be offset by operational improvements.

For **Nordic's** adjusted EBIT we continue to expect a significant increase compared to 2006 as a result of higher hydro and nuclear generation volumes as well as higher achieved wholesale power prices.

However, we do not expect to maintain the strong increase on a full year basis due to an anticipated increase in nuclear decommissioning obligations. The calculation of our obligations is based on valuations which are calculated by the Swedish nuclear authorities and are to be approved by the Swedish government in the fourth quarter 2007. The initial published estimates provide an indication that the costs have increased significantly in Sweden and upon approval would be reflected in our accounts.

Finally, for **U.S. Midwest** we revised the outlook downwards, expecting now an adjusted EBIT significantly below 2006, mainly because of the continued deterioration in the US-Dollar against the Euro.

To emphasize the development of the underlying business, we are now switching our guidance from the net income attributable to shareholders of E.ON AG to **adjusted net income**. For the full year 2007, we expect the adjusted net income to be above the 2006 level with a growth rate in line with the adjusted EBIT.

Ladies and Gentlemen,

this concludes my remarks about the First Nine Months Results.

At this point I would like to update you on our **share buyback** program announced on May 31<sup>st</sup> of this year. Up until now, we have bought back shares worth approximately 3 billion Euros or 3.5 percent of the total capital.

In addition, we have sold put options on 10 million of our own shares. The exercise price is between 112 and 117 Euro per share.

We would like to remind you, that we will have bought back an equivalent of 3.5 billion Euros by year-end. The bought-back shares will be cancelled.

A last topic I would like to mention is our recent **bond issues**.

In order to finance the investment expenditures, we are looking to fund around 30 billion Euros from various sources until the end of 2010. In this regard, to finance the acquisitions of OGK-4 in Russia and Airtricity in the U.S., we have successfully issued so far two bonds and with different currencies and various maturities:

- A 3.5 billion Euro bond with maturities of 5 and 10 years in volumes of 1.75 billion each, and
- A 1.5 billion GBP bond with maturities of 12 and 30 years for 600 million and 900 million, respectively.

Both bonds were very well received in the markets, providing a clear demonstration of the support for E.ON's strategy from our investors.

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