Conference Call for Analysts and Investors
Acquisition of OGK-4

Düsseldorf, Septemeber 17, 2007

Presentation by:

Dr. Wulf H. Bernotat

Chairman of the E.ON AG Board of Management and CEO

Please check against delivery

Good afternoon ladies and gentlemen. Let me welcome you to this presentation of the envisaged investment of E.ON in OGK-4 and our strategic step into the Russian power market.

During today’s conference call, I will

- **first** give an overview of the transaction;
- **second**, explain our view of the development of the Russian power market;
- **third**, present OGK-4 in more detail;
- **and finally**, demonstrate how this investment fits with our financial criteria

Transaction overview

Last Friday, we participated in the bidding process for the acquisition of approximately 29 billion OGK-4 shares put for sale by RAO UES. RAO UES has informed us that we have been selected as the winning bidder, with an offer of approximately 3.9 billion US Dollar.

We also understand that the Board of Directors of OGK-4 has set the purchase price for the upcoming capital increase of about 23 percent of the capital. The purchase price is equivalent to the price per share E.ON offered for the stake put for sale by RAO UES. During the next days, E.ON intends to submit a binding offer for the shares issued in the capital increase for an amount of approximately 1.8 billion US Dollars.

If we are successful, E.ON would acquire roughly 70 percent of the share capital of OGK-4 for a total purchase price of 5.7 billion US Dollars, or 4.1 billion Euros.

RAO UES is currently the main shareholder of OGK-4 with approximately 90 percent of the capital, while the remaining 10 percent are in the hands of minority shareholders. After closing of the above mentioned two steps, RAO UES would retain about 23 percent of OGK-4, while minority shareholders would hold around 7 percent of the capital.

According to Russian law, E.ON would then be obliged to launch a mandatory offer to the minority shareholders of OGK-4. RAO UES has declared that it would not tender its remaining 23 percent stake in OKG-4 in the course of such a mandatory offer.

As part of the foreseen transaction, E.ON will make a commitment for executing the investment program of OGK-4 for 2,400 MW of new build capacity at the existing sites by 2011. The majority of this investment program will be financed with the proceeds of the capital increase.

The Russian power market

With the acquisition of OGK-4, E.ON will enter one of the world’s most attractive power markets. Power production amounts to approximately 1,000 TWh, making Russia the fourth largest power market in the world after the US, China and Japan. Russia’s 220 GW of installed capacity is twice as large as Germany and three times larger than the UK.

However, after nearly two decades of underinvestment, the Russian power sector is under pressure. Reserve margins are low, and power shortages prevalent. Power supply has become a bottleneck for further economic progress.

The privatization and liberalization of a large part of the Russian Power sector is expected to remove this bottleneck and to unleash the growth potential of Russia’s economy. Key to this development will be significant investments in new power generation capacity.

Power production in Russia is forecasted to grow from 1,000 TWh in 2007 to approximatively 1,400 TWh in 2015, i.e. 4 to 5 percent growth per year. But 40 GW of new capacity will have to be commissioned between 2006 and 2011 to achieve this growth. In light of the need to invest up to 120 billion US Dollars in the sector until 2010, the Russian government has decided to attract private investors through power market reforms – liberalizing power prices and privatizing thermal power generation companies.

The Russian power sector is indeed in the final stage of a significant restructuring initiated by Anatoly Chubais, CEO of RAO UES, shortly after he took up his position in 1999. The whole thermal generation portfolio of RAO UES was restructured into six wholesale generating companies -OGK’s- and 14 territorial generation companies –TGK’s– which should be privatized by the end of 2008. Nuclear and hydro-electric power plants will remain state-owned or at least state-controlled.

One of the milestones of the reform of the power market is the proposed introduction of the new capacity market model from 2008 onwards. The power market will be divided into an electricity market and a capacity market. The variable costs of generators will be covered by the electricity price, while their fixed costs will be covered by capacity payments. The capacity tariff will be determined in a yearly centralized auction mechanism organized by the system operator. It should cover operations & maintenance and capital cost and provide a floor price protection for all the capacity selected. In addition, more efficient generators like OGK-4 will have the option to enter into free bilateral contracts with customers.

Last year, power prices were as low as 20 Euros per MWh. As you can see from the financials of OGK-4, even efficient generators were just breaking even at these levels. No generator had the financial capacity to fund large-scale investments. That is what the reform of the power market is all about. Full liberalization is expected to be completed by 2012. We believe that the new market model will progressively push power prices to levels comparable with our core markets. A confidence-building step proving the willingness of the Russian government to pursue this road is the significant uptake in power prices this year.

OGK-4

Let me now present OGK-4 in more detail.

OGK-4, or Wholesale Generating Company Number 4, is one of six wholesale thermal generation companies which were formed as a result of the ongoing electricity sector reform. It has a total installed capacity of 8,630 MW and produced last year 51 TWh of electricity and 2.2 Gcal/h of heat. The company employs approximately 5,500 people. Under IFRS, revenues amounted last year to 766 million Euros, EBITDA to 64 million Euros, and net income to 154 million Euros, including the reversal of an impairment loss of 147 million Euros.

OGK-4’s power generation capacity is spread out over 5 sites, four gas-fired and one coal-fired. 4,000 kilometers separate the Shaturskaya site close to the border with Belarus, and the Berezovskaya site in East-Siberia. Four of the five sites are located in the faster growing Europe-and Urals-region, including Surgutskaya, by far the largest one with 60 percent of total capacity. Coal makes up for 28 percent of total capacity.

OGK-4 is committed to commissioning 2,400 GW of new gas-fired capacity, which will increase the total capacity to more than 11,000 MW by the end of 2010. This is more than our Market Unit Nordic for example.

We consider that OGK-4 has the most attractive generation portfolio of the six wholesale generation companies to be privatized.

The average age of its plants is thirty years, clearly younger than the other OGK's which are between 36 and 44 years old on average. The two major plants Surgutskaya and Berezovskaya, which account for 73% of total capacity, are on average only 20 years old. As a result, the plants consume comparatively less fuel and achieve the highest load factors. At 68 percent, capacity utilization of all OGK-4 sites is well ahead of the others which range between 38 and 63 percent.

All in all, OGK-4 has the best operational metrics of the six OGK's, with more than 80 percent of capacity in the Europe/Urals region, a good balance between coal and gas, the lowest fuel costs and the highest capacity utilization.

OGK-4 is also very well positioned with regard to fuel supply. Of its five production sites, three are multi-fuel and two have direct access to primary fuels.

The three multi-fuel sites are currently predominantly using gas. However, the Russian government plans to progressively bring domestic gas prices in line with export markets. We therefore expect coal to become increasingly competitive over time compared to gas. The option to switch part of the generation portfolio between gas and coal could thus prove extremely valuable.

The other two sites have direct access to primary fuels. They are in fact located in the middle of the fuel production facilities. Berezovskaya is getting its coal from a open pit mine nearby, while Surgutskaya obtains associated gas from surrounding oil fields of the Russian oil and gas company Surgutneftegaz.

The relationships between OGK-4 and these two fuel suppliers are of mutual benefit. E.ON’s good relationship with key fuel suppliers such as Gazprom could further enhance security of primary fuel supplies.

Financial investment criteria

The entry into a market like Russia clearly has long-term strategic implications for EON. However, we are not loosing sight of our financial investment criteria.

Our ambitious investment program presented to you at the end of May requires us to assess all investment proposals according to the same principles. This also applies for Russia.

We are convinced that the acquisition of OGK-4 will meet our financial criteria. We have applied a hurdle rate of more than 10 percent after tax, compared to the overall Group cost of capital of 6.3 percent. This reflects among others the risks of the large-scale reform of the Russian power market. Nevertheless, the liberalization of the wholesale market combined with the most efficient asset base of all the OGK`s in Russia is a promising basis to start from. Furthermore, we see possibilities to increase the operational performance and improve the fuel supply of the Berezovskaya coal plant.

We are therefore confident that the return on capital employed will exceed the cost of capital by 2011, after completion of the investment program and full market liberalization.

Conclusion

Let me conclude my remarks for today.

The Russian power market, one of the largest in the world, is at a turning point. Demand is growing rapidly and now requires a lot of new capacity. A thorough transformation of the industry has been initiated. By 2011, the new market model will bring Russian power prices close to levels comparable to our core markets, making investments in power generation financially attractive. Looking further ahead, Russia might qualify for E.ON’s integrated power and gas business model.

Together with our joint venture with the West-Siberian company STS, OGK-4 will provide E.ON with an excellent platform for growth in the Russian power market. Its generation portfolio is to a large extent located in the most attractive regions. Its comparatively young generation fleet achieves high load factors and should be very well placed in the upcoming capacity market. Its fuel mix flexibility could prove very valuable in the future. Moreover, OGK-4 has an experienced management team and committed employees which we will be happy to welcome in the E.ON family and look forward to working with.

This concludes my remarks for today. We are now available to answer your questions.