Conference Call for Analysts and Investors
Annual Results 2006

Düsseldorf, May 9, 2007

Presentation by:

Dr. Marcus Schenck
Member of the E.ON AG Board of Management and CFO

Please check against delivery

Thank you Mr. Bernotat.

Good afternoon ladies and gentlemen. Let me also welcome you to our 2007 First Quarter Results conference call.

I would like to point out, that our financial statements are reported under IFRS for the first time. I will come back to this topic later.

As Wulf pointed out, our key indicators such as adjusted EBIT, adjusted net income, and cash provided by operating activities showed again a strong increase, despite the milder weather conditions during the First Quarter 2007.

During this conference call I will refer to following topics:

- First, the development of our key financial indicators, with focus on the adjusted EBIT by each market unit,

- Second, the change in cash provided by our operating activities and impact on our newly defined economic net debt position,

- Third, I will give you more details on the outlook for the year 2007, and

- Finally, the most important effects on our 2006 financial statements resulting from the conversion from U.S. GAAP to IFRS.

Let me begin with an overview of the performance of our **key financial indicators** in the First Quarter 2007.

Group sales increased by 6 percent to 21 billion Euros due to the following reasons:

- Higher average prices for both power and gas in the market units Central Europe and U.K. as well as higher sales volumes in Nordic,
- Expansion of the Central Europe's business, especially in Italy, and
- The effects of the first time consolidation of E.ON Földgaz within Pan-European Gas market unit.

Comparing the First Quarter 2007 with the First Quarter 2006**, Group adjusted EBIT** improved by 21 percent to 3.3 billion Euros. The positive contributions from U.K. and Pan-European Gas largely offset the decline in the market units Nordic and U.S.-Midwest. Central Europe remained almost stable.

Let us review in more detail the operating performance by market unit to give you more transparency.

Central Europe reported an adjusted EBIT of 1.4 billion Euros, 1 percent higher than last year's level.

Our power business contributed positively thanks to:

- Increased power prices by 477 million Euros, which were partially offset by
- Higher power procurement costs by 124 million Euros,

- Higher feed-in of renewable energy into our networks by 54 million Euros,

- Lower own generation output by 61 million Euros, and

- Lower grid fees by 173 million Euros. I would like to remind you, that the reduction of grid fees was not recognized in the First Quarter 2006, but only later in the year as part of our provision for regulatory risks.

- The positive development in the power business was negatively affected by Central Europe's gas unit, as the mild weather conditions in the first quarter of this year led to a significant decline of gas sales volumes by 16 percent causing a negative impact of 105 million Euros.

Pan-European Gas showed an adjusted EBIT increase of 18 percent to 1.1 billion Euros.

While the **Upstream** business was negatively affected by lower energy prices, the **Midstream** business benefited from a faster reduction in procurement costs as opposed to sales prices. This effect more than compensated for the lower volumes due to the warm winter.

The **Downstream** business saw a major earnings increase thanks to:

- the contribution of E.ON Földgaz, which added 40 million Euros in adjusted EBIT for the first quarter, as well as

- the higher contributions from share investments, such as SPP totaling 56 million Euros.

These positive effects again more than compensated for the weak gas volumes in the first quarter.

The **U.K.** market unit achieved a clear recovery, with an adjusted EBIT of 436 million Euros in the First Quarter 2007 compared to 43 million Euros last year.

The increase came entirely from the non-regulated business due to:

- lower gas input costs than in the First Quarter 2006, in which extraordinary high costs had been caused by gas supply constraints and the cold weather, as well as

- higher retail prices compared to the prior year's first quarter. As you are aware, we have seen several price cuts in the U.K. retail market already this year including a significant decrease announced by E.ON U.K. to date. This will clearly reduce our retail margin in the coming quarters.

The adjusted EBIT of the market unit **Nordic** declined by 4 percent to 287 million Euros. The non-regulated business was impacted by lower spot power prices, which was mainly offset by successful hedging activities and to some extent by higher volumes.

The estimated damages caused by the January storm of 95 million Euros are included in nonoperating earnings.

The **U.S. Midwest** market unit reported a 17 percent decline in adjusted EBIT to 93 million Euros. The main reasons were the strengthening of the Euro as well as lower gas margins.

Let me now turn to the **net income attributable to shareholders of E.ON AG.**

The net income attributable to shareholders of E.ON AG increased by 50 percent to 3.1 billion Euros. The main developments were as follows:

- **Net book gains** increased from 143 million Euros to 885 million Euros, mainly due to divestments of securities at Central Europe,

- **Other nonoperating earnings** showed a significant turnaround by approximately 900 million Euros to 471 million Euros, as the mark-to-market valuation of **derivatives** reversed from net losses of 196 million Euros in 2006 to net gains of 566 million Euros in 2007.

- **Discontinued operations** decreased from a gain of 713 million Euros to a loss of 73 million Euros. The Degussa transaction amounting to 633 million Euros is included in the First Quarter of 2006.

Adjusted net income recorded an improvement of 33 percent to 2.0 billion Euros resulting from the positive developments in both adjusted EBIT and adjusted interest expense.

I would like to remind you, that a reconciliation of this figure is available in our handout.

Now, I will discuss the development of Group cash flow.

The **Group cash provided by operating activities** improved by 24 percent to 2.4 billion Euros. The main developments by market unit were as follows:

- The increase in cash flow from operating activities of the **Central Europe** market unit resulted mainly from Group internal tax payments. Without this effect, Central Europe's cash flow remained at prior year's level,

- In the **Pan-European Gas** market unit, the cash provided by operating activities showed a significant increase as a consequence of the first time consolidation of the Hungarian company E.ON Földgaz, which was acquired on March 31, 2006. This development was partially offset by negative effects in the up-/ and midstream business.

- The significant improvement of cash provided by operating activities in the **U.K.** was due to the absence of gas supply problems in the First Quarter 2006, recovery of aged debt, and retail price rises.

- In the **Nordic** market unit the cash provided by operating activities improved slightly. The negative effect from lower power prices was compensated by an improved working capital and lower tax payments.

- The lower cash provided by operating activities in the **U.S. Midwest** market unit was a consequence of increased payments to the pension fund amounting to 62 million Euros.

Cash used for **investments** amounted to 1.1 billion Euros, which is in line with our investment plans communicated last December. While we increased our investments in property, plant, and intangible assets from 0.6 billion Euros last year to current 1.1 billion Euros, at the same time the investments in financial assets reduced from 0.6 billion Euros to 0.1 billion Euros.

Mainly as a result of our free cash flow as well as from divestments of approximately 400 million Euros, our **net financial position** improved from a net debt position of 137 million Euros as of year-end 2006 to a net cash position of 1.8 billion Euros.

In order to improve our transparency, we are publishing for the first time a new financial measure that will play an important role in our capital structure management going forward. We call it **economic net debt**. This new indicator adds provisions for pensions and asset retirement obligations. This measure represents a more accurate picture of E.ON's financial situation, as these provisions have to be regarded as debt equivalent. Furthermore, the liquid funds and securities enclose assets, that are internally earmarked for these provisions.

Taking into account these provisions our economic net debt as of March 31st, 2007 amounted to 16 billion Euros compared to 18 billion Euros at last year's end.

I know you all would appreciate to hear more about how we plan to manage our capital structure going forward. As Wulf has mentioned in his earlier remarks as well as during our shareholders meeting, we will only do so on May 31st when we will present a more comprehensive view on both our overall strategy as well as operational and capital structure measures. This is all we can say today!

Ladies and gentlemen, now I would like to comment on the **Outlook for 2007.**

Based on the developments of the First Quarter results, we have improved our outlook for the full year 2007. While we previously expected a **Group adjusted EBIT** slightly higher than in 2006, now we are expecting a higher increase.

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

- For **Central Europe**, we now anticipate adjusted EBIT to be above the prior-year level. We expect to offset lower gas volumes and higher feed-in of renewable energy in our own networks with higher margins in the power business.

- We expect **Pan-European Gas** adjusted EBIT to be now slightly below the 2006 level.

In the Midstream business, despite the positive development in the First Quarter, we expect for the rest of the year a substantial decline in earnings in particular in our German business, due to increased competition and regulatory effects.

This will be partially offset by higher expected earnings from the non-German **Downstream** businesses, due to the absence of prior year’s negative regulatory effects and the higher contribution from E.ON Földgaz.

- In the **U.K.** we still expect adjusted EBIT to remain at last year's level, despite the strong performance in the First Quarter.

E.ON U.K. has indeed, as I mentioned before, already announced in February that it will reduce the retail power and gas prices due to lower wholesale prices.

- For **Nordic's** adjusted EBIT we 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.

- Finally, the expected adjusted EBIT for **U.S. Midwest** will be below 2006. We expect lower margins as a result of the timing of gas cost recoveries from customers.

For the **net income attributable to shareholders of E.ON AG** we now expect to be above 2006 level. However, the development of the net income attributable to shareholders is in particular contingent on the valuation of derivatives at the year-end 2007.

Ladies and gentlemen, let me now briefly comment on the **conversion from U.S. GAAP to IFRS** of our 2006 financial statements.

As you know, beginning in 2007, E.ON prepares financial statements in accordance with IFRS. The figures for 2006 have also been converted to IFRS for comparative purposes.

You will find detailed explanations as well as a summary of the effects from the conversion in the current interim report as well as in our additional handout which were both distributed this morning and are available on our website.

In general, the conversion to IFRS had no major impact on E.ON's 2006 key performance indicators.

I will now highlight only the most significant impacts of the IFRS conversion:

- **Adjusted EBIT** and **adjusted net income** under IFRS for 2006 slightly increased by 206 million Euros and 296 million Euros, respectively. This results mainly from the required change in measurement of our gas inventories from LIFO under U.S. GAAP to the average-cost method under IFRS as well as differences in the accounting for provisions.

- **Net income** under IFRS increased by 499 million Euros to 6 billion Euros. The difference is mainly due to the different scope of the accounting standards for derivatives and the treatment of contracts with embedded derivatives.

Under U.S. GAAP, the entire contract, including the non-derivative portion, is required to be marked to market.

Under IFRS, only the embedded derivative, for example a price indexation, must be marked to market, while the non-derivative component is valued at cost. Consequently, the impact of the mark-to market valuation of derivatives based on the market price situation as of the end of 2006 was lower under IFRS than U.S. GAAP.

- In addition to the effects on the profit and loss statement, our **equity** slightly reduced by 1.5 billion Euros to 51 billion Euros, mainly due to reclasification of put options for shares held by minorities, e.g. Statkraft options. Other key performance indicators including cash provided by operating activities remain nearly unchanged from the amounts previously presented under U.S. GAAP.

Let me remind you, as currently still required by the SEC, E.ON will continue to publish a reconciliation from IFRS to U.S. GAAP for equity and net income at year-end within the Form 20-F.

This concludes my remarks. Wulf Bernotat and I are now ready to answer your questions. Please understand that we are not in a position to answer today detailed questions regarding the topics which we will present to you on May 31st.