



E.ON AG Conference Call -
Nine Months Results 2005

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Presentation:

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Please check against delivery

Good afternoon ladies and gentlemen, and welcome to the call on our 2005 Nine Months results.

First of all, as I realize that many of you may be anticipating an update on our position in relation to Scottish Power, I would like to make it clear right at the beginning of my presentation that I am not in a position to add anything to the statement we issued on September 5th.

Having got that out of the way, I would now like to turn to the purpose of today's call, namely our excellent nine months results. I am very pleased to report that since our last conference call of August 10, we have delivered a further strong improvement in our operating performance.

As Mr. Schipporeit will explain in more detail in a few moments, E.ON's adjusted EBIT rose by 7 percent to 5.5 billion Euros year on year. Once again, these results demonstrate our commitment to delivering solid improvement in operational performance. Indeed, our aggregate operational improvement since 2003 now amount to 810 million Euros, with a further improvement of 130 million Euros in the last quarter alone. As a consequence, we remain well on target to deliver the full 1 billion Euro operational improvement which I pledged to deliver following the on.top project in August 2003.

In addition to our excellent operating performance, I can also report that since our last first half results we have reached closure on both the Viterra and Ruhrgas Industries disposals, from which, I am pleased to say, we achieved an aggregate book gain of approximately 3 billion Euros. Again, this demonstrates our on-going commitment to delivering shareholder value in all aspects of our business.

Similarly, the further strategic progress we have made since our August meeting demonstrates that we remain committed to delivering financially disciplined growth to create additional value for our shareholders.

I would therefore like to elaborate briefly on some of these strategic developments before Mr. Schipporeit gives you further details on our financial performance. In particular,

- I would **firstly** like to explain how the incremental investments we have made to strengthen and develop our market positions in Europe during the past quarter and
- **secondly**, I would like to update you on how we have developed our strategic thinking in relation to the LNG business, and how this thinking has been reflected in some of our recent activities and announcements.

1. Strategic Progress: Power & Gas Investments

Turning first to our investments across our core European markets, I am pleased to say that we have again made further solid progress on a number of important projects since August.

In the **power** segment, for example, we announced in October our intention to build the UK's largest dedicated biomass power station at **Lockerbie** in Scotland. This 44 MW plant will make an important contribution to our renewable strategy both in the UK market – where we are intending to deliver significant growth in line with our consumer business renewable obligation – and in the wider E.ON context, where we intend to build on our existing 6 GW renewable energy portfolio to deliver further profitable growth.

In addition, in Italy we recently announced that we have finalized the approval process to go ahead with the building of a modern and environmentally friendly gas-fired power station in **Livorno Ferraris** near Turin. The 800 MW CCGT plant should be in operation by the end of 2007 and will amount to a total investment of approximately 400 million Euros. The gas for this project is planned to be supplied by E.ON Ruhrgas, thus making full use of the group's power and gas expertise. This project marks our first entry into the attractive Italian power market and we remain committed, if and when possible, to growing our position further in both the power and gas sectors.

In the Netherlands, meanwhile, we have also recently announced our intention to invest 240 million Euros in modernizing the 1000 MW coal-fired power station **Maasvlakte** near Rotterdam. This follows our recent entry into the Dutch retail business with the acquisition of NRE Energie - which closed in September - and marks a further step towards building our business model in the Benelux market.

In Eastern Europe, we have also made significant progress over the past few months by building on our existing portfolio of power and gas distribution companies. The latest example was the approval of **Electrica Moldova** in Romania, which closed on September 27th. This has now been rebranded as E.ON Moldova, and with its portfolio of 1.3 million customers and electricity sales of around four TWh, this further enhances our position in the higher growth Eastern European power and gas markets.

In **gas**, we have also made an important strategic progress since August. In September of this year we announced the acquisition of **Caledonia Oil and Gas Limited** for approx. 690 Mio Euros and we received all necessary regulatory approvals yesterday. This is a U.K. based gas production company with interests in a total of 15 gas fields in the UK North Sea. This provides us with an additional volume of approximately 14 bcm gas reserves and has a remaining production life of 10 years. This takes our equity gas production to around 4 % of total supply of 56 bcm post 2009. Clearly, we still have some way to go to achieve our ultimate objective of 15-20% equity gas, but our aim is to continue to evaluate potentially attractive upstream investments in line with this goal. Nevertheless, I would again like to emphasize that we will not seek to deliver upstream growth at any price.

We also continue to make progress in our talks with Gazprom. As announced in September, a basic agreement has been reached between Gazprom, BASF AG and ourselves on the construction of the **North European Gas Pipeline (NEGP)** through the Baltic Sea. Under the agreement, Gazprom will own 51 percent of the project, and BASF and E.ON will each hold 24.5 percent.

The pipeline is planned to be commissioned in 2010, and will initially comprise a single pipeline with a capacity of 27.5 bcm, and investment of 2 to 2.4 billion Euros. Ultimately, it will be possible to double this capacity.

2. LNG: strategic progress

I would now like to turn to the fastest growing part of the global gas business, namely **Liquefied Natural Gas (LNG)**, which we see as a very interesting opportunity to complement and grow our existing integrated gas business. The global LNG business is expected to grow on average at around 9 percent per annum over the next 5-10 years, and this growth is expected to be focused in the Atlantic basin. Both the US and Europe are building up their LNG import infrastructure, given the now favorable economics of LNG supply to these markets. In our view, this is a major opportunity for E.ON to both further diversify our gas supply portfolio, and ultimately to develop a vertically integrated position with equity gas.

We believe our strong customer relationships make us an attractive partner for a number of upstream players, and we are therefore talking to several potential LNG suppliers in Africa and the Middle East to determine whether, and how, we can co-operate productively. At this stage I am not in a position to give any indication of the progress of these discussions, but what I can say is that I am confident that long term co-operation between E.ON and an upstream partner would make commercial sense for both parties.

This is one of the reasons why we recently announced our intention to undertake a study of the feasibility to construct the first LNG terminal at **Wilhelmshaven** in the northern part of Germany. This shall ultimately result in a total investment of approximately 500 million Euros, and a capacity of around 10 bcm per annum on completion at the end of the decade. In addition, given the plant's location, it could provide an important source of flexibility in gas supply for the continental market, as well as the potential opportunity to divert LNG shipments to the U.K. market during periods of high demand.

This shows potential upstream partners that we are serious about seeking to build up our LNG business as an integrated part of our European gas supply business. Moreover, this project will be a major step to further diversify the E.ON group's gas supply portfolio, as well as that of the German market as a whole. In summary, LNG gives us an excellent opportunity to both diversify our gas supply portfolio and to grow our integrated gas business, and I look forward to being able to update you on the further progress as and when it occurs.

Conclusion

In conclusion I would like to emphasize once more that E.ON is a business that remains absolutely committed to delivering long term shareholder value - both through disciplined management of our existing operations, and through pursuing strategically and financially disciplined growth opportunities. Indeed I, my Board colleagues, and my colleagues across the wider E.ON Group, are proud of our track record for delivering on what we promise.

As these results clearly demonstrate, we fully intend to maintain this track record going forward.

I will now hand over to Mr. Schipporeit, who will give a more detailed explanation of our operating results. I will, of course, remain on the call to answer your questions later on.

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