



**Analyst and Investor Conference
E.ON Group and Finance Strategy and Targets**

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Presentation by:

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Updated investment & growth plan

Thank you Wulf. It is already some time since I had the opportunity to make a presentation to the capital market in Munich. I am thus delighted to present the second aspect of our comprehensive package of measures, our new investment and growth plan.

In the coming years, we will further expand our business mainly through organic growth and with selective acquisitions in Europe and in growth markets close to Europe. Between 2007 and 2010, we plan to initiate 60 billion Euros of investments, 70 percent of which for growth.

Let me first explain how we go from the 25 billion Euro investment plan that we announced in December last year, to the 60 billion Euros of this new plan.

- First, we have included 10 billion Euros for the **acquisition of Viesgo and the Endesa assets**.
- **Follow-up investments** will require another 11.7 billion Euros. These follow-up investments relate strictly to the projects which were already included in our initial investment plan, and to the development projects included in the Viesgo and Endesa assets.
- Next comes 10 billion Euros for **new projects**: 3 billion Euros for upstream and LNG, another 3 billion Euros for a possible entry in Russia and in Turkey, and an additional 2 billion Euros for renewable energy projects.
- Finally, one more year of **maintenance and replacement investment** adds about 3 billion Euros.

Of the 60 billion Euro investment plan, we anticipate that around 30 billion Euros will have been spent by 2008, among others as a result of the acquisition of the Viesgo and Endesa assets. Another 24 billion Euros will follow in 2009-and in 2010, while 6 billion Euros will be invested later on for completion of the projects initiated before 2010.

All in all, 42 billion Euros, or 70% of the total, are earmarked for growth. And of these growth investments, 85 percent are targeted for non-regulated activities.

- **Power generation** takes up the bulk of the growth investments: 12 billion Euros for organic growth in power generation excluding renewables, 3 billion Euros for renewables, and also much of the 10 billion Euros acquisition of the Endesa/Viesgo assets.
- With 10 billion Euros of growth investments, the **gas value chain** is clearly a second area of focus.
- Finally, 6 billion Euros have been allocated to selective investments in **neighboring markets**, mainly Russia and Turkey.

Ambitious operational targets

Together with our investment and growth plan, we have set ourselves ambitious operational targets for the coming years.

First, we want to grow our installed power generation capacity across Europe by approximately 50 percent until 2010.

In practice, this means increasing installed capacity by 23 GW from 46 to 69 GW. Approximately 70 percent of this increase will come from the agreement with Enel and Acciona, while the remaining 30 percent will be the result of organic growth.

We do not want to achieve growth for the sake of growth. We are setting challenging requirements on the economic attractiveness of our new-build program. It will have to achieve an internal rate of return of at least 100 basis points above the cost of capital.

Furthermore, our new-build program has to be able to withstand adverse commodity price scenarios. Our investments have for example to remain economically viable at long-term nominal CO₂ prices of up to 40 Euro per tonne.

I would like to underline once again that this is a good time to make investments in power generation. As Wulf Bernotat has already mentioned, Europe is entering a major phase of renewal of its power generation fleet. Together with steady demand growth, the supply-demand balance in many European countries will remain tight. Furthermore, a number of generators, especially in Eastern Europe and in the UK, have no intention to renew their generation portfolio. Other players, and E.ON will be among them, will have to take up the slack.

Finally, with the new units for fossil-fired new builds and for renewables and climate protection, E.ON has taken the necessary steps to carry out a large generation investment program in a highly efficient way.

The assets that we will acquire as a result of the agreement with Enel and Acciona represent a large part of the expansion of our generation portfolio. These good quality assets will ideally complement E.ON's existing asset base and provide the group with solid platforms for further expansion in Spain, Italy and France. Several new CCGTs and wind projects will be commissioned in the coming years and will significantly enhance the existing portfolio.

We also want to couple the growth of our power generation portfolio with an ambitious goal for the reduction of greenhouse gas emissions. The goal by 2030 is to halve specific CO₂ emissions compared to the 1990 level.

To achieve this goal, we will pursue a variety of measures. We have already made clear that we will strongly expand our renewable energy portfolio. Nuclear power will remain a must for reliable carbon-free baseload generation. We are already preparing the construction of new power plants, and continue to promote the extension of the lifetime of our existing nuclear plants.

Fossil-fired power will remain part of the energy mix. But our fossil-fired new-build program will have specific emissions below current EU benchmarks. And all our new coal-fired power plants will be ready for carbon capture. Finally, we are speeding up research in cutting-edge technologies such as clean coal.

I would like to detail further our objectives for renewable energy. The fact that we have increased planned investments from 1 billion to 3 billion Euros until 2010 and that we have created a new unit to develop this activity clearly signals the importance that we attach to its development.

By 2010, we will commission more than 500 MW of new capacity, mainly offshore wind, and therefore more than double our existing installed capacity. Our pipeline already contains more than 2000 MW of projects for beyond 2010. We also look at supplementing our organic growth in this area with selective external growth.

As far as the gas business is concerned, we are already well on the way of reaching our target of producing 10 billion cubic meters of gas per year from our own upstream sources. Our North Sea fields will produce up to 3 billion cubic meters of gas in the near future, while our 25 percent share in Yushno Russkoje should yield 6 billion cubic meters of gas per year. The additional investments for the upstream in our new plan should allow us to produce 10 billion cubic meters per year.

The steady decline of domestic gas production in Europe also calls for a clear strengthening of Europe's gas import and transmission infrastructure. As you know, E.ON already participates in many project in this area, such as the Nord Stream pipeline through the Baltic Sea, and LNG import terminals in Germany, Croatia and Italy. We are studying other strategic projects, such as an interconnection with Italy.

The decline of domestic production also means that Europe is losing swing capacity, an important tool to match supply to the seasonal variations of demand. As a result, the need for storage capacity is growing rapidly. We therefore plan to at least double our gas storage capacity by 2015, and see room to do more in this area.

We also want to participate in a number of forthcoming privatizations. On the one hand, we see a number of possibilities in South East Europe, more specifically in Romania and in the Balkans. On the other hand, you know our interest for the Russian and Turkish markets, two countries with strong growth potential but still close to the EU.

As far as Russia is concerned, we agreed last week to found a joint venture with STS, a Russian company which owns interests in power generation and distribution in Western Siberia. The joint venture, E.ON-STS Energia, will participate in the privatization of power producer TKG-10.

E.ON has also filed a bid for power generator OKG-5. The result of the auction will be announced on June 6th.

I would like to conclude on our operational targets with our customer orientation. We expect that the competition for end customers will intensify in the coming years. Supply remains at the core of our business. E.ON will not satisfy itself with merely defending its 30 million customer base. We also want to grow it organically. Customer satisfaction is the key success factor in this respect. We therefore want by 2010 to achieve one of the highest levels of customer satisfaction among the large European energy suppliers. Areas of focus are outstanding customer service, innovative products and service tailored to customer needs, individual advice on energy use, and corporate responsibility for the climate and the environment.

Before handing over to Marcus Schenck, who will discuss our financial and capital structure targets, I would like to highlight the integrated nature of our package: an overall context which is at times challenging but clearly favorable to organic investments, an outstanding platform to base these investments on, and an optimized organization to efficiently carry them out and achieve our ambitious operational targets.

Marcus, over to you.

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