



E.ON AG Analyst Conference

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Presentation

Ulrich Hartmann

Chairman of the Board of Management and CEO

Please check against delivery

Good morning, ladies and gentlemen,

My colleagues on the Board of Management and I would like to welcome you very cordially to our analysts' meeting. And if I say "my colleagues", I am pleased to extend a particularly warm welcome to Mr. Bergmann. At its meeting yesterday, the Supervisory Board appointed Mr. Bergmann to the Board of Management of our company, effective immediately.

As usual, today we will present the figures for the past fiscal year, describe the most important events and venture a look at our Group's future.

Ladies and gentlemen,

Fiscal 2002 was a landmark year that was particularly exciting for the E.ON Group.

With the acquisition of Powergen and TXU and – if we also include January of this year – with the clearance for our acquisition of Ruhrgas, we have taken a quantum leap in our core business – energy. At the same time, we have made substantial progress in our divestment program with the sale of Veba Oel, VAW, Stinnes and Schmalbach-Lubeca. Today, we can say that the vision we had when we launched E.ON nearly 3 years ago has become reality.

This is also demonstrated by our financials:

At € 37.1 billion, our sales were only 1 percent lower than in the previous year when calculated on a comparable basis. In energy, our core business, sales increased by 50 percent, from over € 16 billion in 2001 to € 24 billion in 2002.

In terms of our consolidated internal operating profit, we set a new record last year: we achieved an increase of 23 percent to € 3.9 billion. We are particularly pleased about the fact that this increase was mainly due to operational improvements in our core energy business .

Owing to this high internal operating profit and substantial book gains on our divestments, we were able to effectively absorb high special charges due to, in particular, write-downs of equity interests and write-offs of securities. Relative to the previous year, we thus increased our consolidated net income by 8 percent to € 2.8 billion.

As you all know, this is not something that you can take for granted in view of the difficult current environment. E.ON has thus proven once again that it is a highly profitable company.

Against this background, we will propose to our annual shareholders meeting on April 30 that a dividend of € 1.75 per share should be distributed for fiscal 2002. This dividend is over nine percent higher than in the previous year. With a dividend yield of 4.6 percent, E.ON is one of the top quoted securities among the DAX companies.

Our consistently strong performance last year clearly demonstrates one thing:

E.ON has successfully coped with the challenges posed by the liberalized market. If I may briefly recall the situation we were confronted with a few years ago: New and established contenders from Germany and abroad were eager to enter our markets, and prices fell across the board. At the same time, completely new opportunities emerged with the liberalization of the international markets. And we have consistently seized these opportunities:

- With the merger of Bayernwerk and PreussenElektra, we made our Electricity Division fit for the tough competition in Germany.
- Acquisitions of stakes in the Nordic countries and in central Europe have taken E.ON Energie to a new European dimension.
- With the acquisition of Powergen, LG&E and TXU, we have opened up new markets for E.ON.

- And with Ruhrgas, we have gained a strong platform in the gas business, which sits well alongside our position in electricity. As a result we have become a leading international utility based on the two pillars of gas and electricity

With these acquisitions, E.ON has created a very strong platform for its future growth and considerable scope for further increasing efficiency and profitability throughout the Group.

In Germany, E.ON Energie is continuing to round off its portfolio of equity interests: It has increased its minority stake in Energie-Aktiengesellschaft Mitteldeutschland (EAM) and now holds a majority interest. Its affiliates Elektrizitätswerk Minden-Ravensberg (EMR), Wesertal and Pesag are being merged to form an efficient regional utility in the Ostwestfalen-Lippe region. In Germany's northern region, Schleswig and Heingas are joining forces. And E.ON Energie is also consolidating its strong positions in Eastern Europe, especially in Hungary and the Czech Republic. In addition, E.ON Energie is not relaxing in its successful efforts to increase efficiency.

With the acquisition of TXU, Powergen has responded specifically to the difficult market conditions prevailing in the U.K. The integration of the TXU activities will help cut costs, especially in the fields of marketing, sales and customer service. This year, we already expect to achieve savings of approximately € 100 million in the U.K. As the market leader in electricity and number two in the gas business, Powergen is one of the most competitive energy service providers in the British market. The company now has the best possible chance to emerge much stronger from the current process of market consolidation.

And finally, with Ruhrgas, we have acquired one of the top players in the growing gas market. In the next few decades, the share of gas in European primary energy supply will increase by approximately 50 percent to over one-third. No other source of energy is expected to achieve similarly high growth rates.

As in electricity, E.ON is already well positioned in the gas business through the value chain, from procurement and wholesaling to distribution and retailing. The integration of Ruhrgas will be of growing importance because of the increasing convergence of the electricity and gas markets. In the medium term, we expect that natural gas will also be used increasingly for electricity generation.

As you know, Ruhrgas joined the E.ON family just recently. We are currently in the process of completing the full acquisition of the shares of ExxonMobil and Shell. When this is done, we will be the sole owner of Ruhrgas. We realize that you are itching to ask many questions about the common future of E.ON and Ruhrgas. However, we would like to ask you to bear with us because we cannot provide much by way of concrete information today, because the integration of Ruhrgas into our Group's structure and into our system of figures is a complex process. First of all, we have to get the Ruhrgas figures in line with US-GAAP, and we have to complete the purchase price allocation, including the revaluation of the assets acquired and the debt assumed. Ruhrgas will be included for the first time as a member of the E.ON Group in our first-quarter interim report.

With Powergen and Ruhrgas, we have implemented two major acquisitions within a short period of time. Through Powergen's subsidiary LG & E, E.ON has also gained access to the US energy market. As you know, we have seen this acquisition from the very beginning as a first step in this attractive market. However, even we cannot do everything all at once. At present, we are not planning any additional major projects. Our top priority is to make full use of the potential of Powergen, and now also of Ruhrgas. This certainly does not preclude further expansion steps in the future. If attractive opportunities arise, we will seize them.

However, we are not under any time pressure because today E.ON is already a player to be reckoned with in the global energy business. This expansion would not have been possible without the liberalization of the energy markets. Full liberalization by the middle of 2007 at the latest will now create additional momentum in the European energy market.

Germany can serve as a model for this process. For five years, we have had unhampered competition in our electricity market. There is hardly another country in which competition works as effectively as it does here – and without a regulator.

The key objective of competition has been fully attained: Electricity prices fell by up to 40 percent in the first two years after the introduction of competition. Only the U.K. has experienced a similarly rapid decline to date. In the U.K., however, the price paid for this development was overregulation, as a result of which even large companies are now in a skewed position that threatens their survival.

The fact that electricity prices are on the rise again in Germany is not due to a lack of dynamic competition. Instead, the government is skimming off the liberalization dividend by means of the eco-tax and the charges imposed to subsidize renewables and combined heat and power. The government's share in the electricity price for residential customers has gradually climbed to about 45 percent – and this upward trend is likely to continue. One is inclined to say: what the government giveth, the government taketh away.

As if this were not enough, the German Cartel Office in a case brought against our subsidiary TEAG has now also fundamentally challenged the *"Verbändevereinbarung"*, i.e. the agreement on network access concluded among Germany's energy suppliers and consumer associations.

According to the standards set by the German Cartel Office, all network operators in Germany should considerably reduce their charges. This is not a case specifically related to TEAG. Instead, the Cartel Office challenges the principles applied by all network operators in calculating their transmission charges. If this view were to prevail in a court of law, this would thwart key elements of the *"Verbändevereinbarung"*. This makes it all the more important that legal certainty is at long last created by final approval of the government backed amendments to the German Energy Management Act.

In the current fiscal year, we want to continue to increase the internal operating profit in our core energy business. In view of our strong operational performance, we expect that the internal operating profit of E.ON Energie will be at least at the level of the previous year, even though higher-than-average transfers to nuclear provisions will be required because of changes in US-GAAP rules.

We expect Powergen to provide a positive profit contribution in the current year, even after financing interest. And as I already pointed out, we are not yet able to provide a sound forecast of the performance of Ruhrgas this year. However, we do expect a clearly positive profit contribution from Ruhrgas.

In spite of operational improvements in all business segments, our consolidated Group internal operating profit will probably not quite reach the 2002 level because it will no longer include Degussa's full internal operating profit but, instead, only our share of Degussa's after-tax profit.

Our consolidated net income will probably continue to increase, especially due to high gains on disposals. From today's perspective, we do not anticipate special charges comparable to those in the year 2002.

After its radical structural change in the past few years, E.ON is optimally positioned today to face the tough competition: with a strong operational performance, a unique combination of electricity and gas business, a broadly based international presence and – last but not least – an excellent team.

In the next few years, E.ON will systematically make use of the enormous opportunities that this position provides to further increase Group profitability. In addition, E.ON will continue to have the strength for further targeted growth.

In a nutshell:

E.ON is a company with excellent prospects for the future.