



“Delivering Profitable Growth and Performance”

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Highlights

- 2004 was an excellent year for E.ON
- Major "on.top" financial targets achieved or even surpassed two years ahead of schedule
- With its focus on "performance," the implementation of the "on.top" project has been a great success
- Next phase of development at E.ON: profitable growth for future value creation
- This new phase will build upon the success of the "on.top" project and will be guided by our strategic principles and strict financial criteria



Developing E.ON's new vision

1. "On.top" targets achieved

2. Rewarding our shareholders

3. Achieving profitable growth and creating long-term value

"The world's leading power and gas company"

2006 major "on.top" targets achieved or even surpassed ahead of schedule

- **Adjusted EBIT** of the energy business of at least 6.7 billion Euros achieved two years ahead of schedule
- Achieved **operational improvements** of 590 million Euros out of the target of 1 billion Euros
- **Free cash flow** for 2004 exceeded significantly the target of at least 2.4 billion Euros per annum
- Our core energy business achieved a pre-tax **ROCE** of 11.5% in 2004, already well above our 2006 goal of at least 10.5%

Strategic positions in key markets improved while lowering net debt

- **U.K.:** Acquisition of Midlands Electricity makes us the second-largest distribution-network operator, complementing our position as number two in power generation and retail energy supply
- **Central and Eastern Europe:** Market share of approx. 30% in the power and gas markets of the Czech Republic, Slovakia, and Hungary, which will be enhanced by our acquisitions in Hungary, Romania, and Bulgaria
- **Improvement in net debt** to 5.5 billion Euros in 2004 despite investing 10.4 billion Euros since August 2003

In short: We have more than delivered on our promises while actually improving our financial flexibility

Returning value to shareholders

- **Proposal to pay an ordinary dividend of 2.35 Euros per share for 2004**
 - Representing a 17.5% year-on-year increase, thus keeping our "on.top" commitment to double-digit dividend growth to 2006
 - Reinforcing our position as a leading dividend payer amongst DAX-listed companies in Germany
- **Intention to return the full value of our stake in Degussa to our shareholders**
 - Precise timing and manner of disposal remain to be determined
- **New commitment to achieving a payout ratio of between 50% and 60% of net income excluding exceptional items by 2007**
 - Confident of delivering further earnings growth in the future

Our core strategic principles

Five guiding strategic principles to determine the shape of our business in the future:

- 1. Integration:** Presence across the entire energy value chain is the key to maximizing value
- 2. Market-leading positions:** Maximize economies of scale
- 3. Convergence:** The convergence of power and gas is a key value driver for energy markets
- 4. Value from experience:** Our long and broad experience enables us to deliver superior operational excellence and market-management capabilities
- 5. Growth:** Commitment to organic and selective external growth as prerequisite of further value creation

E.ON' s strategic direction for the coming years

- Focus on value-enhancing opportunities in Europe as our first priority
- Retain position in the US, with a long-term option for growth. Organic growth remains the priority
- Committed to strengthening our gas-supply position, which could include investments e.g. in Russia and LNG in the future

German market remains a top investment priority

- Provide customers with the most cost-efficient power and gas supplies
- Dedicated investments into infrastructure over the next three years to enhance our competitiveness and to ensure reliability of supply
- Support sustainable-energy development
- Responsible long-term partner in all the communities in which we operate

Investing for profitable growth

- Contemplate all suitable external-growth opportunities for enhancing the group's long-term value that meet our strict financial criteria:
 - Earnings enhancing in the first full year after acquisition
 - Return exceeding cost of capital three years after acquisition in general
 - Not endanger overall group performance targets
- Potential for value creation rather than scale determines the selection of our acquisition targets
- No longer necessarily limit ourselves to small or medium-sized acquisitions in the future



“OneE.ON” as the platform to successfully deliver on our vision

- A single company vision with a common set of values
- Shared brand across all our markets
- Committed people throughout the E.ON group

“The world’s leading power and gas company”



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