



Conference Call, August 12, 2004

Interim Report January 1 – June 30, 2004

Presentation

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Member of the Board of Management

Please check against delivery

Thank you, Mr. Bernotat

Good afternoon ladies and gentlemen,

I would also like to welcome you to E.ON's First Half Results 2004.

You have probably had enough time to review in detail the First Half Report as well as the complementary charts supplied to you earlier. Therefore, I will only concentrate on the main drivers of our results.

E.ON's First Half Results 2004 showed again a very strong performance:

- positive earnings trend continued in all our market units,
- we achieved solid double-digit growth in adjusted EBIT,
- our Net income reached the prior-year level, and
- we have improved our outlook for the full-year.

E.ON's Group sales increased by 6 percent to 25.6 billion Euros, with sales in our Core Energy Business rising by 11 percent. The increase is mainly due to the first time full consolidation of JME, JCE, Midlands Electricity and Grange as well as six month consolidation of Ruhrgas compared to five month in 2003.

Group adjusted EBIT showed a strong increase of 21 percent to 4.2 billion Euros, while the improvement of our Core Energy Business was an even higher 25 percent. A significant earnings increase was recorded in our international business.

Almost half of the increase in the Core Energy Business came from first time full-year consolidation effects. Operational improvements from all market units as well as the reversal of provisions in our Central Europe market unit also contributed strongly to the adjusted EBIT increase.

The adjusted EBIT of the Central Europe market unit rose by 17 percent to 2.2 billion Euros.

Let me remark that the adjusted EBIT improvement includes 110 million Euros from the reversal of provisions as a result of favourable court decisions regarding CHP and Renewable Energy taxes as well as grid access fees.

Without these effects, the adjusted EBIT of the Central Europe market unit would have increased by 11 percent.

Further positive contributions to earnings in this market unit came mainly from:

- improved margins resulting in 100 million Euros due to higher electricity prices (+80 million Euros) and higher availability of nuclear power plants (+60 million Euros) which were partly offset by higher fuel costs (-40 million Euros),
- first time consolidation of JME and JCE contributing 30 million Euros, and
- lower burdens from nuclear fuel management amounting to 80 million Euros.

The adjusted EBIT of the Pan-European Gas market unit increased by 20 percent to 909 million Euros.

The main reason for this improvement was the first time inclusion of the month of January. Taking into account approximately 180 million Euros result from January 2003, First Half year adjusted EBIT would have been slightly below last year's extraordinarily high level.

The U.K. market unit recorded an increase of 42 percent to an adjusted EBIT of 520 million Euros.

The main drivers were:

- the acquisition of Midlands Electricity in January 2004, which effectively doubled the size of E.ON U.K.'s distribution business and contributed approx. 100 million Euros, and
- higher retail earnings and TXU integration cost savings which were partly offset by higher fuel and gas purchase costs in the

non-regulated business resulting in a net contribution of 66 million Euros.

The Nordic market unit recorded a rise in adjusted EBIT of 46 percent to 393 million Euros. The major factors of this important increase were:

- the first time consolidation of Graninge contributing 45 million Euros,
- better margins in the electricity retail segment amounting to approx. 30 million Euros and
- increased nuclear and hydroelectric output resulting in approx. 30 million Euros.

The U.S. Midwest market unit showed an adjusted EBIT increase of 46 percent to 168 million Euros compared to the First Half of 2003.

Both regulated and non-regulated businesses contributed to this improvement:

- in the regulated business, higher retail sales as a result of warmer weather and higher off system sales margins due to increased market prices led to an improvement of 44 million Euros, and
- in the non-regulated business the increase of 9 million Euros came from better sales as a result of enhanced plant performance.

Group pre-tax profit increased by 20 percent to 4.3 billion Euros. In addition to operational improvements, pre-tax profit was also positively influenced by higher adjusted interest income.

The higher adjusted interest income, in the second quarter was partly a result of the amendment to Germany's ordinance related to final storage for radioactive waste.

Under this amendment issued on June 16, 2004, two changes were implemented:

First, the construction costs for final nuclear storage facilities will now be shared more diversely by power plant operators and other users such as research institutes. As a consequence, this will lower E.ON's share of the costs and thereby reduce past provisions for nuclear waste management.

The positive contribution of this change, was almost compensated by the extension in the post-operating phase of the cooling period for nuclear fuel elements from 5 to 7 years. Overall, there was no material impact on Group EBIT.

The second change is related to the calculation of interest. This resulted in a one time increase to adjusted interest income of 270 million Euros.

Consolidated Net Income rose by 2 percent to 2.8 billion Euros, despite lower book gains from continued and discontinued activities compared to the First Half 2003. Consequently, Earnings per Share also increased by 2 percent to 4.29 Euros.

The strong operational improvements and the consolidation effects are also reflected in the significant increase of the Group's operating cash flow by 37 percent to 2.8 billion Euros.

The increase in Group's Cash Flow and stable investments in fixed and intangible assets also led to a strong increase of E.ON's Free Cash Flow by 69 percent to 1.7 billion Euros.

Based on the positive cash flow development in the First Half 2004, we are confident, that we can exceed our "on.top" target of an annual average Free Cash Flow of 2.4 billion Euros in 2004.

Let me now add one remark to our Net Financial Position. Compared to year-end 2003, our net debt position remained almost unchanged from 7.9 billion to 8 billion Euros. For the full year we expect our Net Financial Position to be similar to year-end 2003.

Before I come to the 2004 outlook, for transparency reasons, I would like to inform you, that the SEC has initiated an inquiry requesting information mainly related to the preparation of our 2002 Form 20-F. We are in close contact with the SEC and we fully cooperate with them. For further details, I would like to refer you to page 18 of our Interim Report.

Now, let me proceed to our 2004 Outlook.

Based on the strong developments in our Core Energy Business during the First Half, we have revised our outlook upwards. We now expect double-digit growth for the entire Group rather than just for our core business as announced along with the First Quarter Results.

By market unit, the Outlook is as follows:

For Central Europe we expect adjusted EBIT to markedly surpass last year's level due to:

- the reversal of provisions related to the Cogeneration Protection Law, Renewable Energy Law, and transmission fee refunds,
- operational improvements in Central Europe West,
- lower burdens for nuclear fuel management, and
- first-time full consolidation effects in Central Europe East.

Regarding the Pan-European Gas market unit we expect to be nearly on par with the prior-year's extraordinarily high adjusted EBIT figure. It should be taken into account that E.ON Ruhrgas was only consolidated as of February last year.

For the U.K. market unit we expect adjusted EBIT to be significantly above the prior-year level. We intend to achieve this by means of the successful integration of Midlands Electricity and margin improvements in the non-regulated business.

The Nordic market unit is expected to benefit from the first-time full-year consolidation of Grange, better margins and increased

hydroelectric output. As a result, we expect adjusted EBIT to be up markedly from the prior-year figure.

We expect 2004 adjusted EBIT for the U.S. Midwest market unit to be ahead of 2003 in both local and reporting currency. The increase should occur as a result of favorable year-to-date performance as well as the new retail electric rates valid as of July 1st. This improvement is expected to be partially offset by costs from damages caused to the network by a severe storm in mid July.

As far as our Other Activities are concerned, for Viterra we anticipate that adjusted EBIT will not reach the 2003 high level due to an expected decrease in the sale of housing units.

Finally, despite our strong operational performance Consolidated Net Income for 2004 is not expected to reach last year's level, due to a decrease in book gains compared to 2003.

To summarize, the First Half Results show that we are well on track towards realizing our on.top financial goals. This once more confirms our commitment to further improving our operational excellence as well as strengthening our financial position.

As Wulf Bernotat mentioned before, our top priority is and will remain delivering performance.

This concludes my remarks and we are now ready to answer your questions.