



E.ON AG Conference Call -
Investment Plan 2005 - 2007

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Presentation:

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Please check against delivery

Good morning ladies and gentlemen,

and thank you for taking the time to join us this morning.

On our most recent conference call of November 11th, we presented our 9month results, which clearly demonstrated the strong operational performance that continues to flow from our "on.top" project.

Today's call is designed to complement that message and to take it further by outlining our investment plans between 2005 and 2007. I want to explain how these plans aim to underpin continuing improvements in our operational performance in the future, and thus increase the value of the business over time.

More specifically, I want to cover three main points on today's conference call:

First, I want to set out our investment plans between 2005 and 2007 and explain how our planned investments over this period break down between:

- a) Fixed-asset investments, and
- b) Financial investments

Second, I want to re-iterate our commitment to strict financial criteria for all our investments, with reference to both:

- a) The investments we have actually made in the last 18 months, and
- b) Some of the opportunities we have rejected because they did not meet our financial criteria at the prices others were willing to pay for them

Third, I want to re-iterate our commitment to total shareholder returns, a commitment which actually follows from the first two points above.

Let me talk first of all, then, about our investment plan itself.

1. Our Investment plan for 2005 to 2007

As with the plan we announced last year, our mid-term investment plan for the period 2005 to 2007 sets ambitious but realistic targets designed to enhance our operational and financial performance.

The E.ON Group plans to invest 18.7 billion Euros in the medium term between 2005 and 2007, nearly 5 billion Euros more than the 13.8 billion Euros we announced last year for the period 2004 to 2006. This breaks down into 12.6 billion Euros for fixed-asset investments, and 6.1 billion Euros for financial investments. However, I would like to emphasize from the outset that despite this increase in projected fixed-asset investments, our free-cash flow targets under the "on.top" plan are unchanged.

I would like now to highlight the main points of our investment programme.

First, Fixed-asset investments

Between 2005 and 2007 we plan to invest 12.6 billion Euros in fixed assets, of which 8.4 billion Euros is earmarked for so-called maintenance investment, and 4.2 billion Euros for growth investments. Regarding so-called maintenance capex, we will invest everything necessary to retain our strong competitive position in our power-generation and network businesses, but we do not envisage having to increase expenditure on our existing asset base over the mid-term. As a result, the figure of 8.4 billion Euros that we have set aside for this purpose is very similar to the 8.7 billion Euros included in last year's plan.

However, where we do see scope to increase our fixed-asset investments is with regard to clearly defined growth opportunities in our target markets, and here I would like to highlight three areas in particular:

First, New power-generation plant in attractive markets, where we plan to spend 1.3 billion Euros in total. Here Italy is the best example of an attractive market where we plan to expand. Pending final approvals from the Italian authorities, we plan to invest 800 million Euros for two new power plants in Italy.

Second, new power-generation plant where clear public-policy incentives exist, such as in the field of renewable energy. In total we plan to spend 1.1 billion Euros on renewable energy over the next three years, of which 800 million Euros is set aside for the U.K. for both offshore and onshore wind power plants, as well as for bio-mass plants. These opportunities offer attractive returns.

Third, the expansion of network infrastructure for both power and gas, where we plan to spend 1.4 billion Euros. For example, grid connections are required by new wind-powered generation plant in Germany, and network enhancements for the transportation of gas into western European markets will also be required. Both these areas offer interesting opportunities.

Most of the remaining 400 million Euros of planned expenditure is earmarked for increasing our gas-storage capacity.

Together, the central Europe and UK Market Units account for over two thirds of the total 4.2 billion Euros.

Let me now turn to our planned financial investments.

In our new mid-term plan, we expect to spend 6.1 billion Euros on financial investments. Again, I would like to highlight three areas in particular:

First, the strengthening of our equity position in upstream gas. We have set aside 2 billion Euros for investments in upstream gas, as a clear demonstration of our intention to cover 15 to 20 per cent of our gas requirements from own sources by 2010. In keeping with this goal, we aim to broaden our holdings in the British and Norwegian North Sea, and to evaluate opportunities in Russia.

Second, the consolidation of our position in targeted central and eastern European power and gas markets, particularly Hungary and Bulgaria. In particular, we expect to spend a total of 730 million Euros on acquiring equity stakes of 75 per cent minus one share of MOL's gas-trading-and-storage business, and 75 per cent of MOL's gas-transport business. Approximately 300 million Euros of this amount is in the form of a put option for MOL's transport business.

Third, the assumed exercise of put options held by third parties. Approximately 2.2 billion Euros are reserved for the Put-Option on Sydkraft, a further 300 million Euros for acquiring a majority stake in the Slovakian distribution company ZSE, and the above mentioned 300 million Euros for MOL's transport business.

The 18.7 billion Euro Investment Plan does not include any additional investment opportunities that might present themselves in the mid-term. Nevertheless, the excellent financial standing of the E.ON Group – which we plan to maintain over the mid-term planning period --- gives us the flexibility to consider any additional opportunities that may occasionally arise over this timeframe and that are consistent with our previously explained strategic criteria.

As a reminder, however, I would like to emphasize again that we will not make any large-scale acquisitions, nor will we make any investments in oil assets.

This brings me to the second main point I would like to highlight on this call, namely our commitment to strict financial criteria for all investments.

2. Our commitment to strict financial criteria for investments

As we look at the development of new markets, we will continue to exercise prudent judgement and review any potential investments on a case-by-case basis under our strict financial criteria.

External growth opportunities will only be followed when these are met, otherwise we will walk away.

We have made a number of successful acquisitions in the past 18 months.

The integration of Grange and Midlands are well on track. The performance of both businesses exceed our original expectations. Already this year E.ON Nordic has realized higher than expected synergies from the Grange acquisition, while the Midlands distribution business shows a strong earnings development.

Our most recent acquisition – and the largest we have announced in 2004 in terms of total future outlay – is the gas business of the Hungarian company MOL.

The MOL deal is earnings enhancing in the first year and will achieve its ROCE over its cost of capital within three years.

I can also give you examples where we have walked away from investment opportunities where our criteria have not been met:

- a gas distribution company in Greece,
- a number of power distribution companies in Poland
- and, a number of projects in the Nordic region where the prices requested were incompatible with our return criteria

Following on from these two points, I would like to re-iterate a third point that is very important to us:

we remain committed to maximising total shareholder returns.

In this respect there are two key messages that follow from what I have said above.

Firstly, we are convinced that there are value-creating investment opportunities in our target markets that we, with our existing asset base and expertise, are uniquely positioned to exploit to the benefit of our shareholders in the long term.

Secondly, through strict adherence to our financial criteria we have a strong balance sheet, and with our commitment to at least a strong single-'A' credit rating we plan to maintain this over our investment-planning period. This means that we remain absolutely committed to studying all options for returning value to shareholders.

In conclusion, let me summarize.

We are committed to consolidating and enhancing E.ON's existing market positions over the next three years, and our Investment Plan for 2005 to 2007 shows our strict and disciplined approach towards potential future investments.

We are committed to growing the value of the business over time while at the same time retaining the financial flexibility to consider all options for returning value to shareholders.

E.ON is very well positioned in all its key markets and the most recent set of results presented to you on the 11th November confirmed how the group's operational strengths are being enhanced by the actions we have taken as a result of the "on.top" project. Above all, we remain focused on enhancing performance through our integrated business model, and our clear focus on power and gas in our clearly defined target markets.

Finally, let me take this opportunity to wish you all a very happy holiday season and a prosperous new year. We have greatly enjoyed working with the capital markets in 2004 and are looking forward to keeping you regularly updated on the E.ON story in 2005.

And with that, Mr. Schipporeit and I will now be happy to answer your questions.

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