Ordinary Annual Shareholders Meeting of E.ON AG

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Presentation by:

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Please check against delivery

On behalf of my colleagues on the Board of Management, I'd like to welcome you to the 2009 E.ON annual shareholders meeting.

Your company's annual shareholders meeting has probably never been held at time when the global economy looked as bleak as it does now. And if you look outside the energy industry to other industries, things look even bleaker.

We're currently in the biggest economic crisis since the 1930s. No company is unaffected by a crisis of this magnitude. The "island of the blessed" that some people have talked about, doesn't really exist. But it's also true that the crisis affects some companies more, some companies less. Your company, E.ON, is one of the latter.

I'm therefore very pleased to tell you today how well your company has performed so far in the crisis. We not only continue to make huge investments in growth. We're also creating jobs. In times like these, I'm particularly pleased to mention that we hired about

13,000 new employees in Europe in 2008, 5,000 of them in Germany. Our ongoing investments also create jobs outside E.ON: 30,000 across Europe, more than half of them in Germany. Vocational trainees account for about 7 percent of E.ON's workforce in Germany. It's very important to me, particularly in an economic crisis, that E.ON will maintain this percentage and continue to hire 800 trainees each year. We'll also continue our special training programs designed for young people who, for a variety of reasons, have found it difficult to enter the labor market. For me, all of this is part of our social responsibility, which is especially important in times like these.

But I also see it as a signal against the growing pessimism in Germany. This crisis is severe, but we'll overcome it. We'll overcome it if policymakers and business leaders stay calm and continue to act pragmatically. Financially successful companies that invest billions even in times of crisis can make a decisive contribution. E.ON is one of them.

2008 was a financially successful year for E.ON. In a very difficult environment, we grew our sales by 26 percent to about €87 billion. Our acquisitions played an important role in the increase. We increased adjusted EBIT by 7.3 percent to €9.9 billion. This puts us within the range of the earnings forecast we issued before the economic crisis began. In the current economic environment, that's the exception, not the rule. Right now, meeting a forecast that was issued a year ago is no easy thing.

We expect our 2009 adjusted EBIT to match the high prior-year figure. We expect our 2009 adjusted net income to decline by around 10 percent, mainly due to higher interest expenditures to fund our growth program. We intend to stand by our dividend payout ratio of 50 to 60 percent of adjusted net income.

For now, no one can say when there will be an economic upturn. That's why our planning for 2010 doesn't assume any significant improvement in underlying economic indicators. From today's perspective and on the basis of our current portfolio, we consider it possible that in this environment we could increase adjusted EBIT by 10 percent to about €11 billion in 2010. In other words, E.ON will record solid earnings in 2009 and in 2010, which will likely continue to be difficult years. I might add that this again makes us one of the few DAX companies to issue a forecast for 2010. Most are reluctant to look beyond the next quarter.

How did our market units perform in 2008?

Central Europe's adjusted EBIT of €4.7 billion is roughly on par with the prior-year figure. The main positive factors were price effects in the power generation business, the inclusion of our French operations for the first time, and positive price and regulatory effects in Hungary. But we also had higher expenditures for fuel and carbon allowances. Krümmel and Brunsbüttel nuclear power stations, in which we have ownership interests, did not operate, which was another negative factor, as was the capacity reduction at Unterweser nuclear power station. Negative regulatory effects in the electricity network also had an adverse effect on earnings.

Pan-European Gas recorded a slight increase in adjusted EBIT, which rose to about €2.6 billion. The exploration business expanded production and benefited from higher oil and gas prices. On the other hand, competitive pressure on sales prices is increasing. Our gas business in Hungary recorded a sharp decline in earnings because the forint lost considerable value and because the regulator didn't grant sufficient price increases.

In addition, Pan-European Gas's prior-year earnings figure contains non-recurring effects from the disposal of shareholdings at Thüga.

U.K.'s adjusted EBIT declined by just under 20 percent to €920 million, mainly due to the weaker pound. Also, parts of its business were transferred to other market units. In local currency and on a like-for-like basis, U.K.'s earnings were roughly on par with the prior-year figure.

Nordic's adjusted EBIT rose by 15 percent to just under €800 million. Lower hydro production was more than offset by higher market prices.

U.S. Midwest's adjusted EBIT increased slightly to just under €400 million. Higher operating expenses and the effects of the strong euro were more than offset by increased cost recoveries on environmental projects and the timing of cost recoveries for fuel and gas.

Energy Trading recorded an adjusted EBIT of about €650 million. This strong performance mainly reflects optimal power procurement operations along with favorable price movements.

At €90 million, the adjusted EBIT contributed by our New Markets segments is still comparatively small. Russia posted an adjusted EBIT of €41 million, Climate & Renewables €66 million. The Italy and Spain market units came in below our expectations, recording an aggregate adjusted EBIT of -€17 million. The main negative factor was a non-recurring effect of -€220 million relating to the accounting treatment of carbon allowances allocated at no cost. Another factor is that Spain and the former Endesa operations in Italy have only been consolidated since mid-2008.

Although these new businesses are currently making only a small contribution to our earnings, they're very significant for our long-term growth prospects. Our successful entry into the markets of Southern Europe, which were closed to us for a long time, is a strategic breakthrough. No other energy company can match our broad

European presence. Added to this are our operations in Russia's huge electricity market, which give us a great opportunity to be one of the first western companies to be part of the privatization of Russia's electricity industry. Prime Minister Putin has left no doubt that there will be no turning back from energy-market liberalization. And through E.ON Climate & Renewables, we're establishing a leading position in the global energy industry's fastest-growing segment. At the same time, we're preparing our company for a future in which renewables and decentralized energy structures will play increasingly important roles. Not getting involved in shaping these developments would mean missing out on the future trends of our industry.

You can see that our broad international platform performed well overall. Nevertheless, we had to record two impairment charges in 2008. The effects of the financial and economic crisis in the United States made it necessary to adjust the business prospects of our U.S. Midwest market unit and, consequently, to record an impairment charge. We also recorded an impairment charge on our Endesa assets, primarily due to developments in Italy that we couldn't have foreseen at the time of the acquisition. These consist mainly of regulatory and political intervention that negatively impacts the energy business, for example in the form of higher taxes.

These impairment charges affect our Consolidated Financial Statements for 2008 but not our dividend payout, since our 2008 adjusted net income increased by 9 percent to €5.6 billion. This year, we're therefore again able to propose a higher dividend, which will increase to €1.50 per registered share. This corresponds to a payout ratio of about 50 percent.

As you can see, you can count on E.ON, even in difficult times. This is one of the foundations of the great trust that the capital market places in E.ON. We're happy to see that E.ON's stock price has bounced back a little in recent weeks. Regrettably, however, we're not immune to the general decline of the stock market, which leads me to the next section of my remarks.

Although the economic crisis affects E.ON less than other industries and companies, its impact is now being felt in the energy business. Prices for oil, natural gas, and coal—and also for wholesale electricity—have declined sharply since mid-2008. This will, with a time delay, be reflected in consumer prices for electricity and gas. We’ve reduced our gas prices in Germany by up to 24 percent since the start of the year. That will save a household €400 a year, which is a pretty good form of economic stimulus. It also demonstrates that the indexing of gas prices to oil prices works. As a result of the economic crisis, energy consumption is declining, particularly among industrial customers. In Germany, for example, electricity consumption declined by over 2 percent in the fourth quarter of 2008. At the same time, corporate financing costs are increasing, even though our solid creditworthiness enables us to continue to obtain financing at favorable terms. On the currency side, we’re affected by changes to the U.S. dollar, the British pound, the Russian ruble, the Swedish krona, and the Hungarian forint.

In this difficult environment, we’re managing the company cautiously, though without becoming short-sighted. We’ve therefore extended the timeline of the remaining projects in our investment program. We implemented most of our investment program—€37 billion—in 2007 and 2008. As things currently stand, we intend to invest about €30 billion during 2009-2011, €6 billion less than originally planned, but still an average of €10 billion per year. Do you know of another company in Germany that can say the same thing? The *Frankfurter Allgemeine Zeitung*, a major daily newspaper, was therefore right to call E.ON one of the “few sources of real stimulus in a sluggish economy.”

But we believe that prudent and responsible management requires us to increase our financial flexibility in the current environment.

At the same time, we’re enhancing our competitiveness. That’s the purpose of our efficiency program called Perform-to-Win. In all areas of the company and along the entire energy value chain, we’re improving our efficiency and productivity, cutting costs in specific areas, optimizing its organizational structures and business processes, and eliminating redundant tasks and unnecessary bureaucracy.

We began Perform-to-Win before the outbreak of the financial and economic crisis. But there’s no doubt that now it’s all the more necessary for us to implement this program rapidly and resolutely. The measures identified so far have a permanent improvement potential of up to €1.5 billion, which we intend to realize by 2011.

Some of the measures are already sufficiently specific that they can be factored into our medium-term plan. When it comes to eliminating bureaucracy and redundant tasks, no one can rule out the possibility that jobs may be eliminated, employees transferred, and entities restructured. But that's not the main purpose of Perform-to-Win and will be handled in a socially responsible manner. After the relevant works councils are informed about the measures, they'll discuss them with their respective employee representatives. The measures will then be negotiated as part of a balance of interests. In addition, we want to reach an agreement on the main points of implementing measures that affect jobs and will soon enter into discussions on this matter with the Group Works Council.

Social partnership has a long and proven tradition at E.ON. We uphold this tradition, even in times like these. We want to work with our social partners to reach internal solutions to the upcoming changes.

With the objective of becoming even more competitive and enhancing our earnings power, we're also fine-tuning our portfolio. We're reviewing the growth and earnings potential of all our businesses. By divesting operations that no longer fit with us, we'll be unlocking value and simplifying the structure of our company.

Under our commitment to the European Commission, we must divest our high-voltage and ultrahigh-voltage transmission system in Germany and about 5,000 megawatts (MW) of generating capacity in Germany (about one fifth of our German capacity). In return, we'll receive generating capacity in other European countries. To implement this commitment, we've concluded asset-swap agreements with Statkraft and Electrabel. Others will follow. These transactions will broaden our position in the European internal market and mainly in countries where, unlike in Germany, our growth isn't limited by antitrust considerations.

Altogether, we're working on disposals worth about €10 billion which will make our portfolio leaner and continue the focus on our core business.

In recent years, we've grown mainly through acquisitions. We've rapidly and efficiently entered the markets of Spain, Italy, France, and Russia. In the future, we'll expand mainly through organic growth. Our investments in power plants, networks, and pipelines enable us to seize the opportunities created by the necessary modernization of Europe's energy structures. In short, in the years ahead we intend to create value by building new assets and by expanding our existing ones.

Of the €10 billion that we intend to invest each year through 2011, about one third will go towards comprehensively updating our generation and network assets. The focus is on the construction of new, highly efficient coal-fired and gas-fired power plants in Germany and the United Kingdom which will replace older facilities. But this also includes maintenance investments in our electricity distribution networks, particularly in the United Kingdom, Sweden, and Germany.

Two thirds of planned investments are for growth, about 80 percent of which represents organic growth. Here, our main focus—along with continuing to strengthen our renewables position—is on expanding its conventional generating capacity in the Netherlands, Belgium, Slovakia, Hungary, and Russia.

On the gas side, the main growth will be in the upstream business. We want to produce more natural gas ourselves in order to access even more supply sources. That's why we're increasing production at Skarv/Idun and Njord gas fields in the Norway. With six supply countries, we're already more geographically diversified than any of our European competitors. In the future, we intend to expand our business in liquefied natural gas (LNG), which can be transported by ship. We intend to expand this business by tapping sources in the Middle East, North Africa, and West Africa and by building and acquiring stakes in LNG terminals in Europe. The considerable capacity of our gas storage and pipeline infrastructure also enhances security of supply. We plan to invest €2 billion in this infrastructure.

Our discussions with Gazprom regarding our acquisition of a stake in Yuzhno Russkoye, a Russian natural gas field, are nearly completed. As you know, we concluded a memorandum of understanding with Gazprom under which we'd acquire a roughly 25-percent stake in this gas field in exchange for a portion of our Gazprom stock. The detailed contracts for the transaction have, for the most part, been worked out. We expect them to be signed in June. You've followed the ups and downs of these negotiations in recent years. We didn't allow the sometimes sharp increases in natural gas prices to deter us from concluding a transaction that will deliver lasting value. The solution we reached meets this criterion.

The natural gas crisis at the start of this year clearly demonstrated the importance of strong companies that have a broad European presence, a robust infrastructure, and a variety of sourcing options. When Russian gas supplies via Ukraine were interrupted for two weeks, our customers could sit in a warm kitchen and calmly read about the events in the morning newspaper. Together with other European gas companies, we bridged the supply interruption and were even able to help other countries.

It was big achievement, one that the employees in our gas business can be proud of.

The gas crisis in January—which wasn't the first—showed again that our energy security is becoming an increasingly hot topic. That's why it's right for energy issues to be addressed at a European level and for energy companies to be part of this process. When you realize the kind of global and geopolitical challenges we're facing, it makes some aspects of the energy-policy debate in Germany seem a bit provincial.

Our investments shape the structure of tomorrow's energy world. They secure the future supply of energy and the future profitability of our company. All of the projects we plan must meet our strict investment criteria. But in the energy industry, capital investments don't typically generate earnings streams until the medium or long term. As all of you know, the energy business is a long-term business.

We invest in assets that operate for decades, and we don't change our strategy with every economic upturn or downturn. It's precisely this long-term orientation that makes us a valuable pillar of consistency and calm in anxious times like these. To ensure that it stays this way in the future, we're researching and developing new, climate-friendly energy technologies. As part of this effort, we've launched an international research initiative with an initial budget of €100 million. We've also founded the E.ON Energy Research Center at RWTH Aachen University. The center is researching, and studying the practicality of, complex solutions for tomorrow's energy supply.

Our corporate strategy takes a long-term view. But for this we need a reasonable energy-policy and regulatory environment that also takes a long-term view. We invest in power plants, networks, and pipelines. But when we make these investments we expect to be given a fair chance to earn—in a competitive marketplace—a reasonable return on your capital. For this, we need a stable, reliable energy policy.

One example is our network business in Germany. We need a fair, transparent, and reliable regulatory framework so that we can make accurate calculations on our long-term investments. It can't be the case that we must negotiate each year with Germany's regulator, the Federal Network Agency, whether our network operations will be granted a competitive return on investments and whether all our costs will approved.

The Federal Network Agency has a responsibility to ensure sufficient investments. These investments are necessary to update and expand Germany's electricity networks. Without them, the networks won't be able to handle the increasing volume of power trading and offshore wind farms won't be connected to the network so that the electricity they produce is transported to consumers on land.

Energy supply is a complex system. If you intervene in one part, you need to be aware of what the consequences will be elsewhere.

Nevertheless, Germany and Europe continue to lack a holistic energy strategy. Cost-effectiveness, climate friendliness, and supply security are equally important energy-policy objectives. But they have not been combined in a balanced plan for the future. Depending on the current mood, sometimes energy prices are at the top of the agenda, sometimes climate protection, and sometimes security of supply. But we can't alter the main components of our corporate strategy to suit the whims of the energy-policy debate. We have a responsibility to our shareholders, our customers, and society as a whole. We can't and won't participate in frivolous energy-supply experiments in order to placate policymakers.

That's why we're going to maintain our broad energy mix. Every energy source has advantages and disadvantages which need to be optimized and balanced as part of an overall system.

This also applies to renewables, which protect the earth's climate but which are not yet reliable enough to plan their output as part of the power supply, to say nothing of the substantial subsidiaries they still need. Nevertheless, the future clearly belongs to renewables, which will likely equal or surpass the contribution of fossil fuels by the middle of the century. That's why we're investing in wind, biomass, biomethane, and solar. We're involved in nearly all renewables technologies. We still intend to invest the €6 billion earmarked for renewables for the period 2007-2010.

Our current focus is on onshore and offshore wind farms in the United States, the United Kingdom, Denmark, and Germany. We'll reach important milestones in 2009. Our Alpha Ventus, Robin Rigg, and Rödsand offshore wind farms are under construction. You may have heard the media reports from a few days ago that the U.K. government has proposed to increase subsidies, which will make it considerably easier for us to make an investment decision about London Array, the world's largest offshore wind project, in which we have a 30-percent stake. We're already one of the world's top three offshore wind-power companies.

In less than two years, we've increased our renewables capacity to about 2,300 MW. We plan to have about 4,000 MW by 2010 and about 10,000 MW—the capacity of more than ten large-scale power stations—by 2015. These figures don't even include our 5,300 MW of large-scale hydroelectric capacity.

As these investments demonstrate, we're doing a lot to help the German federal government reach its target of doubling renewables' share of power generation to 25 to 30 percent by 2020. But it's important to remember that even if this target is met—which will be hard enough—that still leaves 70 percent which can only be provided by coal-fired, gas-fired, or nuclear power stations.

But apparently many people in Germany have a different opinion:

- They don't want any new coal-fired power stations (because they're bad for the climate)
- or any new gas-fired power stations (because they increase our dependence on Russia).
- But they still want nuclear power stations to be shut down before they reach the end of their operating lives.

But then where's the electricity supposed to come from?

If we don't want the lights to go out in Germany, then policymakers finally need to tell people honestly which energy scenarios are realistic and which aren't, or at least not yet.

As an energy company, we're helping reduce the anxiety level of many people.

One way we're doing this is to make coal technology more ecological.

First, we work to get more electricity out of every ton of coal we burn. In other words, we work to increase the thermal efficiency of our power plants. The next generation of technologically advanced coal-fired power plants which we're currently building is more than 20 percent more efficient than older power plants. The new plants therefore release 20 percent less carbon into the atmosphere. We also use the waste heat from these plants, which means that we get even more energy out of coal. Our new projects in Datteln and Staudinger are the largest combined-heat-and-power plants planned for Germany.

The next step towards clean coal is carbon capture and storage (CCS). We're hard at work developing this new technology—in which the carbon dioxide released by the combustion of coal is captured and then stored underground—in a number of projects across Europe. If CCS can be made commercially viable on an industrial scale, coal will have almost no impact on the earth's climate.

CCS is necessary for global climate protection and an export opportunity for Germany: fast-growing countries like China and India mainly use coal to satisfy their enormous energy appetites, and there's enough coal to last several hundred years.

Regrettably, Germany doesn't yet sufficiently support the development of CCS technology or have the necessary regulatory framework for carbon storage. CCS is an opportunity that Germany can't afford to miss.

I firmly believe that nuclear energy is also a technology of the future with significant innovation potential. Others think so, too: the United Kingdom, Sweden, Italy, the Netherlands. All around Germany, other European countries aren't phasing out nuclear energy; they're phasing it in. The European Commission and the European Parliament have both stated their clear support for nuclear energy. They know that without nuclear energy—in particular, without German nuclear energy—Europe won't be able to reach its ambitious climate-protection targets. Germany, too, finally needs to have an open, pragmatic debate about nuclear energy.

At E.ON, nuclear energy is part of our European growth strategy.

We're involved in a project in Finland and are working with RWE to build nuclear power stations in the United Kingdom. Last week we received approval for two sites that are among the best in the U.K. for building nuclear power stations. We'll now pursue our plans to build nuclear power stations with an aggregate capacity of at least 6,000 MW in the U.K. We're also interested in partnerships to build new nuclear plants in France and Italy.

Our operating environment has changed dramatically since our last annual shareholders meeting. The global recession calls for new answers, including from us.

Times like these test a company's spirit, its shared understanding of responsible management, its shared commitment to meet and overcome challenges. I can tell you that I'm proud of the way our company and our entire team have performed during the economic crisis. I'd to express my sincere thanks to all of our employees for

their hard work and dedication during this extraordinary period.
I’d also like to thank the employee representatives for working with us in the company’s interest in what are clearly not the easiest of times.

We’ve given E.ON a broad, international footprint. We’re making substantial investments in the earnings opportunities of the future. We’re streamlining our business portfolio und making ourselves even more competitive.

You, our shareholders, can count on us to draw new momentum from the economic crisis because we’re experienced and agile enough to view times like these as opportunities to gather strength to meet future challenges.