



**E.ON AG Annual Results Press Conference
March 10, 2010**

Statement by:

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Hello everyone. 2009 was an eventful and also difficult year. To cite one brief example, in some months of 2009 power demand from industrial customers in Germany was nearly 20 percent below the prior-year level. The trend was similar—and in some cases even more pronounced—in other markets like Spain and Italy. Demand from industrial customers in Spain was at times down more than 40 percent.

I'll turn now to our 2009 key figures.

Our **sales** were down by 6 percent to just under €2 billion. The key factors were lower prices in the gas wholesale business and lower gas sales volume at Pan-European Gas, along with currency-translation effects at U.K. and Nordic as well as lower generation from nuclear and hydro assets at Nordic.

Our key earnings metrics—**adjusted EBIT** and **adjusted net income**—were just under the prior-year level. Adjusted EBIT was down by 2.3 percent to €6 billion, while adjusted net income declined by 4.8 percent, in line with the targets we set for 2009.

Our **return on capital employed (ROCE)** of 11.7 percent was below the prior-year figure but was again significantly above our cost of capital. Next to our stable adjusted EBIT and unchanged cost of capital, we saw an investment-driven increase in our capital employed. Averaged over the course of the year, our capital employed was about 8 percent higher than in the prior year and stood at €3.8 billion at year-end 2009. As I pointed out a year ago, it will take several years for capital invested in long-term growth businesses and particularly in new assets to make a noteworthy contribution to our EBIT.

Now for our results by market unit.

- **Central Europe's** adjusted EBIT rose by €7 million to €4.8 billion. The positive factors included a regulation-driven increase in network charges, the inclusion for the entire year of operations in France acquired in 2008, and the consolidation of all our Romanian operations at Central Europe. Earnings were adversely impacted by the economic crisis, outages at nuclear power stations, the continued narrowing of retail electricity margins, and the absence of earnings streams due to the disposal of power capacity.

- Adjusted EBIT at **Pan European Gas** was down substantially—33 percent—to €1.8 billion. While the regulated business posted a slight increase in earnings, the non-regulated business recorded a sharp decline. This was primarily due to lower earnings at E.ON Ruhrgas AG's gas wholesale business. Wholesale gas prices were significantly below the prices in E.ON Ruhrgas's long-term gas supply contracts. With competition in the sales segment, this led to lower sales volume and narrower margins in 2009. Lower wholesale prices also had an adverse effect on our upstream earnings in Britain and Norway. In addition, we had a significantly lower dividend on our Gazprom stake. The addition of Yuzhno Russkoye gas field had a positive effect of roughly €100 million.
- **U.K.'s** adjusted EBIT was down by about 30 percent to roughly €649 million. Although earnings were stable in the regulated business in local currency, earnings in the non-regulated business were lower, predominantly due to the transfer of activities (primarily gas contracts) to Energy Trading and to lower market-based transfer prices. Adjusted for these intragroup transfers, U.K.'s earnings were actually slightly above the prior-year figure in local currency.
- **Nordic's** adjusted EBIT fell by 31 percent to €535 million. Alongside currency-translation effects, the main negative factor was lower sales volume from nuclear and hydro assets. This resulted in part from the sale of hydro capacity to Statkraft and in part from the planned outage of unit 3 at Oskerkshamn nuclear power station. As part of an overhaul, we increased this unit's capacity by a total of 251 MW, which will have a positive impact on earnings in 2010.
- **U.S. Midwest's** adjusted EBIT of €384 million was only slightly below the prior-year level. The decrease is attributable to lower sales volumes and lower wholesale prices.
- **Energy Trading** recorded an adjusted EBIT of just under €50 million. This strong development validates our decision to combine our trading operations in a single entity. The optimization segment, whose main purpose is to limit risks and optimize the deployment of the E.ON Group's generation and production assets, contributed €25 million and thus most of this market unit's earnings. Energy Trading's overall

positive earnings performance in part reflects the already-mentioned addition of trading activities formerly at the U.K. market unit.

- **New Markets'** adjusted EBIT rose considerably to €62 million. **Climate & Renewables'** adjusted EBIT climbed to €46 million, primarily due to a significant increase in installed capacity. Thanks mainly to ongoing market liberalization and cost-optimization measures, **Russia's** adjusted EBIT of €73 million also contributed to New Markets' overall positive earnings performance. But this segment's main earnings contributions came from the **Italy and Spain market units**. Italy's sharp increase resulted mainly from the inclusion of E.ON Produzione's generation capacity for all of 2009 and the successful renegotiation of power supply contracts in Italy. The latter had a non-recurring positive effect in the amount of roughly €10 million which won't be repeated in 2010. At Spain, operations were, unlike in 2008, consolidated for the entire year in 2009.

Net income attributable to shareholders of E.ON AG rose to about €8.6 billion, due to a number of extraordinary effects.

- Adjusted interest expense (net) increased to -€2.2 billion, mainly because our net debt was, on average, higher in 2009 than in 2008. Here, the key factor was the continuation of our investment program and the resulting increase in our debt. During the course of the year, we largely replaced short-term funding through commercial paper with long-term funding.
- **Non-operating earnings** improved by just under €9.8 billion to about €4.3 billion.
 - **Net book gains** were about €3.5 billion higher than the prior-year figure. They resulted mainly from the disposal of power capacity in line with our commitment to the European Commission, the sale of Thüga, and capital gains on the swap of Gazprom stock for our stake in Yuzhno Russkoye gas field.
 - The **marking to market of derivatives** led to an increase of about €3.3 billion compared with 2008. As I've often explained, this isn't cash-effective and merely depicts fair value at the balance-sheet date.

- **Restructuring and cost-management expenses** of roughly €440 million were at the prior-year level.
- Other non-operating earnings in 2008 were adversely affected by aggregate impairment charges of €3.3 billion on goodwill at U.S. Midwest and on goodwill and other assets in Italy.
- -€1.1 million of **other non-operating earnings** primarily reflect the €53 million fine for alleged market sharing between E.ON Ruhrgas and GdF Suez as well as write-downs on securities, financial investments, and other assets.

On balance, these effects (which are either non-recurring or non-cash-effective) result in **income from continuing operations before income taxes** of about €1.8 billion.

- The sharp increase in our **tax expense** to just under €3 billion is principally attributable to an increase in deferred taxes on our derivative earnings.
- **Income/loss from discontinued operations, net**, consists primarily of Western Kentucky Energy, which was sold in 2009.

After minority interests, this results in **net income attributable to shareholders of E.ON AG** of €3.4 billion.

Adjusted net income is—along with adjusted EBIT—our key earnings metric for reporting purposes and particularly for determining our dividend. This figure adjusts our net income for non-operating earnings after taxes, special tax effects, and income/loss from discontinued operations. This yields a sustainable net income of about €3.3 billion, which is 4.8 percent below the prior-year figure.

Based on these results, at E.ON's Annual Shareholders Meeting on May 6, 2010, the Board of Management and Supervisory Board will propose a **dividend** of €1.50 per ordinary share. The stable development of our operating earnings is the main factor enabling us to maintain the dividend at the prior-year level. We believe that in this way E.ON stock remains attractive to investors, particularly in times of significant economic uncertainty.

Cash provided by operating activities rose by 34 percent to about €9.1 billion. I'll now briefly explain the main effects at the Group level.

- The adjusted EBITDA saw a slight increase of €140 million compared to the prior-year figure. This must be adjusted by several non-cash-effective EBITDA effects. The positive effects included the renegotiation of power supply contracts in Italy; the negative effects included higher provisions for pensions in 2009.
- This cash-effective EBITDA was adversely impacted by the special effect of the European Commission's roughly €550 million fine for alleged market sharing and by higher interest payments.
- These effects were partially offset by a roughly €1 billion reduction in Central Europe's working capital.
- Inventory factors at Central Europe and Pan-European Gas had an aggregate positive impact of €800 million. At Central Europe, this consisted primarily of a price- and volume-driven decline in coal and gas inventories; at Pan-European Gas, it consisted of positive storage effects resulting from price movements. There was an increase in injections into storage in the fourth quarter of 2009, in part due to take-or-pay contracts.
- Another positive effect consisted of roughly €700 million in improvements in working capital at U.K. and the reduction of inventories at Energy Trading, which had built up a considerable inventory of carbon allowances in 2008, primarily in the fourth quarter.

I'd now like to turn to our **investments**.

Following on our significant investment activity in 2007 and 2008, in 2009 we again made substantial investments. As planned, however, we deliberately reduced these investments compared with the prior year to €9.2 billion. We invested €8.4 billion in property, plant, and equipment and intangible assets, while share investments totaled €0.8 billion. Our economic investments, which are equal to our cash-effective investments plus the value of debt acquired and asset swaps, totaled €12 billion, 50 percent lower than in 2008. However, the 2008 figure includes a significant item, namely our acquisition of assets from Endesa and Enel.

Our **economic net debt** declined, albeit slightly, to €44.7 billion.

Our strong cash provided by operating activities and the proceeds from disposals more than offset our significant investments in property, plant, and equipment and E.ON AG's dividend payout.

As a result, our **debt factor** declined from 3.4 to 3.3.

Our **total assets** declined from €157 billion to €153 billion in the period under review. I'd like to emphasize that our **equity ratio** of 29 percent is 4 percentage points above the figure recorded at year-end 2008, mainly due to our solid earnings. Non-current liabilities increased by €4.4 billion, primarily because of the successful placement of long-term bonds; these funds were used in part to redeem short-term debt.

I'll turn now to our **forecast**. As in 2009, our forecast for 2010 is subject to significantly more uncertainty than forecasts in the years before the economic crisis. A reliable forecast is only possible to a limited degree, mainly due to uncertainty regarding further development of Europe's gas market as well as possible regulatory initiatives along with uncertainty regarding the impact and the further course of the global economic crisis. I'd also like to remind you that through the transactions Wulf talked about we've disposed of about €1 billion in 2009 earnings.

Nevertheless, from today's perspective we expect our 2010 adjusted EBIT to be 0 to 3 percent above prior-year level. We anticipate that 2010 adjusted net income will be in line with 2009. We expect to record slightly higher interest and tax expense relative to the prior year.

We intend to continue to stand by our **dividend policy** of paying out **50 to 60 percent** of adjusted net income.

That concludes my remarks about our results and forecast.

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