



**Telephone Conference on the Release of  
E.ON AG's Interim Report for January 1 – September 30, 2009**

**Düsseldorf, November 11, 2009**

**Statement by:**

**Dr. Marcus Schenck**

**Member of the E.ON AG Board of Management and CFO**

**Please check against delivery**

Hello everyone. Before I talk to you in detail about our nine-month numbers, I'd like to start with the key message about our earnings situation. Despite the economic crisis, our adjusted EBIT of roughly €7.7 billion was essentially unchanged from the solid prior-year figure and is in line with our expectations. This was made possible by our hedging activities, ongoing efficiency enhancements, and the first earnings effects from our growth investments of the past two years.

But this success shouldn't blind us to the fact that the global economic crisis continues to have a substantial impact on the overall economy and thus on E.ON. Although many indicators suggest that the worst part of the crisis is behind us - and I hope that these indicators prove to be reliable - we can be certain that the economic crisis will continue to create a difficult business environment, particularly in the gas market, and will tangibly affect our business over the medium term.

For E.ON, this difficult business environment is mainly reflected in lower sales volumes in our gas and power business. The nine-month decline in power sales volume was less severe than the half-year figure, and gas sales volumes stabilized, albeit at a lower level than in the prior year. Overall, we sold 5 percent less power and 4 percent less gas. Across all our market units, the biggest volume decline was among industrial customers. Compared with the first-half numbers, however, this segment did show the first signs of a recovery, with slightly improved power and gas sales volumes. It's important to note that these numbers vary significantly by region. Spain in particular shows no signs of a recovery. The German market has stagnated: the slight uptick we saw in June through August didn't continue in September and October.

Overall, this situation reduced our nine-month adjusted EBIT by about €360 million. This was due to effects from the reductions in gas and power consumption but also to effects from unpaid receivables from insolvent customers.

Turning to our numbers, our **sales** were down by 2 percent to €9.3 billion. The key factors were lower gas sales volume and lower sales prices for oil and gas at Pan-European Gas and lower nuclear and hydro production at Nordic.

Our adjusted EBITDA was up by 2 percent, while our **adjusted EBIT** of €7.7 billion came just €45 million shy of the prior-year level. If you factor out the currency-translation effects, our adjusted EBIT was actually above the prior-year figure.

- The **Central Europe market unit's** adjusted EBIT rose by about 1 percent, or €1 million, to €3.7 billion. The adverse impact of the economic crisis, outages at nuclear power stations, the absence of earnings resulting from the sale of generation capacity, and a narrowing

of retail electricity margins were more than offset by the inclusion of new operations in France since the second half of 2008, the inclusion of E.ON Gaz România since the start of 2009, higher network charges, and efficiency enhancements.

- Adjusted EBIT at **Pan European Gas** was down substantially—33 percent—to €1.4 billion. The decline resulted from the overall negative development of the upstream business, a recession-driven decline in sales volume, lower transport charges, and narrower margins in E.ON Ruhrgas AG's gas-trading business. In addition, the dividend on our Gazprom stake was about €100 million lower than in the prior year.
- At roughly €75 million, **U.K.'s** adjusted EBIT was also lower. Here, the decline is mainly attributable to the internal transfer of activities, including gas contracts, to Energy Trading, along with negative currency-translation effects and narrower margins in the generation business.
- In local currency, **Nordic's** adjusted EBIT fell by about 30 percent, mainly due to planned outages at nuclear power stations and the sale of hydro capacity as part of the Statkraft transaction, both of which led to lower generation and lower sales volume. The weak Swedish Kroner was a further adverse factor. On balance, Nordic's adjusted EBIT declined by €251 million, or 38 percent, to €403 million. But if you factor out the first two effects—the scheduled outages to overhaul nuclear power stations and the sale of hydro capacity to Statkraft—Nordic actually would've surpassed its prior-year adjusted EBIT in local currency.
- **U.S. Midwest** benefited from currency-translation effects. Its adjusted EBIT rose by 4 percent in local currency and by 16 percent, or €45 million, to €318 million in reporting currency. Fuel cost recoveries from end-customers constituted the main positive factor.
- **Energy Trading**, which has managed our trading activities since 2008, again substantially increased adjusted EBIT, which rose to €803 million. Most of this figure—€740 million—is attributable to the optimization segment, particularly to the marketing of our available generating capacity. The proprietary trading segment, in which our trading isn't asset-backed, contributed €63 million, down from the exceptionally high prior-year figure.
- The **New Markets** segment consists of our operations in Russia, Italy, Spain, and renewables. Each of these operations recorded significant earnings increases. One key factor is the inclusion of new businesses at Italy, Spain, and Climate & Renewables since the second half of 2008. Other important factors include the ongoing liberalization of the Russian electricity market, cost-cutting measures, the renegotiation of power

contracts, and wider margins in Spain's generation business. New Markets contributed a total of €732 million to our adjusted EBIT. It should be noted that the prior-year figure includes a non-recurring adverse effect relating to carbon allowances allocated at no cost which in 2008 were recorded as an expense at their then market value.

Our **adjusted net income** of €4.5 billion was at the prior-year level. The main positive factors were our adjusted EBIT (which was down only slightly relative to the prior-year period), a lower tax expense on operating earnings, and lower minority interests. The main negative factor was the roughly €150 million increase in our interest expense, which is primarily attributable to the increase in our net debt resulting from our continued investment activity.

**Net income attributable to shareholders of E.ON AG** rose significantly to about €6.1 billion

This mainly reflects net book gains, the marking to market of commodity derivatives, and a number of other non-operating effects. All of these effects are reported as **non-operating earnings**, which rose by about €4.4 billion year on year. The following factors played a role:

- First, we recorded **book gains** of approximately €2.1 billion on the disposal of power plants in line with our commitment to the European Commission and on a number of other, smaller disposals.
- Second, the non-cash-effective marking to market of **derivatives** resulted in a positive non-operating effect of about €1.2 billion and by itself accounted for about €2.6 billion of the difference from the prior-year figure. As I did last quarter, I'd again like to emphasize that we use derivatives to hedge underlying gas, power, and oil transactions and to profitably fulfill our contracts. Marking to market on the balance-sheet date has no informational value and can't be planned in advance: in future periods it will continue to fluctuate along with the market. What's decisive is the future effect on our adjusted EBIT that results when these underlying transactions come due or are fulfilled.
- Furthermore, there were a number of other **non-operating items** which, on balance, were on par with the prior-year figure. They include writedowns on securities and fixed assets, positive effects from reorganization measures in connection with corporate law, and the negative effect of the €53 million fine imposed on E.ON for alleged market sharing.

These overall positive non-operating effects were partially mitigated by the resulting higher **tax expense**.

We **invested** about €6.5 billion in the first nine months of 2009, about €8.8 billion less than the prior-year figure, which of course reflects our

acquisition of significant operations in Italy, Spain, and France. Our 2009 investments mainly went towards power generation, power networks, gas infrastructure and exploration costs, and projects in our renewables business.

**Cash provided by operating activities** rose by 13 percent to approximately €7.1 billion. The main positive factors were improvements in working capital in the U.K., the sale of part of the supply of carbon allowances acquired in late 2008, and predominantly volume-related effects in gas storage. The main negative factors were higher interest payments and our adjusted EBITDA performance after adjustment for non-cash-effective valuation effects, particularly at Italy. In addition, it should be noted that the payment of the fine imposed by the EU falls in the fourth quarter and therefore didn't affect cash provided by operating activities in the third quarter.

Our **economic net debt** rose by about €1.2 billion to about €46.2 billion, mainly because our dividend payout and investments exceeded our strong cash provided by operating activities and the cash inflow from disposals.

Now for our **forecast**: we continue to expect the E.ON Group's 2009 adjusted EBIT to match the high prior-year figure, although we do not expect all of our market units to contribute equally to this target. We now expect the decline in 2009 **adjusted net income** to be just 3 to 5 percent relative to the prior year instead of the 5 to 10 percent previously forecast. The main reasons for this improvement in our outlook are a lower increase in adjusted interest expense (net) resulting from slightly lower interest rates. The year-on-year increase in interest expenditures results primarily from the planned increase in our debt, which we have taken on in part to tap growth markets.

This presentation may contain forward-looking statements based on current assumptions and forecasts made by E.ON Group management and other information currently available to E.ON. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. E.ON AG does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to conform them to future events or developments.