



Ordinary Annual Shareholders Meeting of E.ON AG

May 3, 2007

Presentation by:

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Member of the E.ON AG Board of Management and CEO

Please check against delivery

Ladies and gentlemen, on behalf of the other members of the Board of Management, I'd like to welcome you to the 2007 E.ON Annual Shareholders Meeting.

The takeover process surrounding Endesa was the dominant theme of last year. As you know, it was an exciting, suspenseful chapter of E.ON's history. The entire E.ON team followed the events with great interest. I'm sure you, our shareholders, did too. Politically, it was a complex situation. And although this chapter didn't have a happy ending, we did achieve a reasonable compromise that moves us forward strategically in Europe and that will create value.

The transaction, which will give us a portfolio of assets that includes nearly one third of Endesa's global generating capacity, has a total value of about €10 billion and is thus roughly the size of our takeover of Ruhrgas.

The transaction will give us a platform in Spain that we can build on, significantly improve our position in Italy, and provide us with a very interesting position in power generation in France. Once the transaction is completed, our position in Spain and Italy will be about as strong as our position in Northern Europe.

After establishing a strong presence in Northern, Western, and Eastern Europe, we'll now have a similarly strong position in Southern Europe. We've thus achieved our strategic objective, albeit not to the degree we'd have wished. We operate in the Europe's major markets—Germany, the United Kingdom, France, Italy, Scandinavia, and Spain—as well as in numerous medium-sized and smaller markets in Central and Eastern Europe. This gives us a broader geographic footprint than any other European energy company.

Our task going forward will be to systematically seize the competitive advantages that our unique pan-European position gives us.

Although Endesa required a great deal of concentration, our focus was always squarely on our operating business, as is reflected in the E.ON Group's impressive earnings performance in 2006. We delivered another increase in adjusted EBIT, which rose by 12 percent to €8.2 billion. As you can see, we're working systematically and successfully to enhance your company's profitability. We're proud that E.ON has delivered consecutive earnings increases ever since it was created. Adjusted EBIT, our key operating metric, has increased by more than 90 percent since 2002.

We offset the considerable adverse effects of the new regulation of network charges in Germany by achieving higher earnings in other areas. On balance, the Central Europe market unit's adjusted EBIT rose by 6 percent to €4.2 billion.

Pan-European Gas's adjusted EBIT improved by 37 percent to €2.1 billion. In 2005, oil prices rose continually, which had a substantial adverse effect on earnings. But in 2006, we were able to adjust natural gas prices to reflect continued high oil prices. This factor, in conjunction with volume growth outside Germany, led to a positive adjusted EBIT performance.

Our U.K. business made an impressive turnaround since the first quarter of the year, in which adjusted EBIT declined considerably due to higher gas procurement costs. During the remaining three quarters we more than compensated for the decline through better margins in the generation business, cost reductions, and earnings and price increases. For the year as a whole, U.K.'s adjusted EBIT rose by 28 percent to €1.2 billion

The adjusted EBIT of our Scandinavian business declined by €147 million to €19 million, primarily because of lower generation from hydro and nuclear assets in conjunction with higher taxes on installed hydro and nuclear capacity.

Our U.S. business increased its adjusted EBIT by €26 million year on year. The main factors were successful restructuring measures and cost savings following the exit from the Midwest Independent Transmission System Operator.

We further enhanced the profitability of our businesses across the E.ON Group. With a return on capital employed (ROCE) of 13.2 percent, we substantially exceeded both our cost of capital of 9 percent and our ROCE target of at least 10.5 percent by 2006. E.ON keeps its promises. In 2006 we added €2.6 billion of value to your company. That's why we, the Board of Management and Supervisory Board, today propose to you that the dividend be increased by 22 percent to €3.35 per share.

The dividend payout of €2.2 billion would again make us one of the top dividend performers in Germany's DAX index. E.ON's stock performance in 2006 is just one of the indications that you've invested well. The value of an E.ON stock portfolio rose by 26.6 percent in 2006, outperforming both the DAX and the EURO STOXX. E.ON's stock price has continued to move upward in 2007.

It's important to us that we create value for our shareholders. But because we're successful, we also want to create jobs. I'm pleased to report that we added 12,000 employees in 2006. I'd like to draw particular attention to the fact that we hired 800 trainees. I might add that it's a tradition at E.ON that some of our trainees help out at our Annual Shareholders Meeting. Welcome to the E.ON Group, and thank you so much for your support.

E.ON's success would be unimaginable without our employees' hard work and dedication. We have a great team across the entire company. Their drive and ability to deliver a superb performance are the foundation of our commercial success. I'm therefore certain that I

speak on your behalf when I express our very sincere thanks to all our employees.

Our employee opinion survey offers another indication that the various parts of E.ON are becoming increasingly integrated and that our people like to work together. More than 75 percent of our employees are proud to work for E.ON. That's a top showing, even among DAX companies.

In part, it's a testimony to the employee representatives across the group that our employees feel at home at E.ON. I'd therefore like to thank our employee representatives for their continued trust and cooperation in the company's interest.

E.ON already has a very good position in Europe. Our future assets in Italy, France, and Spain will make our position superb. This leads to an important question, one you've often asked us recently. What are we going to do with this unique pan-European position? And how do we intend to manage these businesses and our capital structure?

On May 31—one month earlier than planned—we'll provide you with answers to these questions. We'll present a comprehensive package of measures regarding the following key issues.

First, managing our business: We'll describe to you precisely which parts of our business we will on a European scale and thus increase our profitability. The focus will be on enhancing our power generation business throughout Europe but also on climate protection.

Second, achieving growth: On May 31 we'll also explain to you how we plan to design our investment program to enable us to build up new positions in our core European market but also in other growth regions. Our industry is about to enter a huge capital investment cycle, mainly in power generation and the modernization of energy

infrastructure. This will lead to a reshuffling of market share in a number of Europe's regional markets. We believe that our

- broad European footprint
- outstanding technological capabilities in generation and infrastructure
- oft-proven ability to act swiftly

will enable us to play a leading role and seize growth opportunities. The competition for market position will be tough. But I'm convinced that we'll prevail.

Third, enhancing our profitability: Because of our opportunities to take action across Europe's regional boundaries, we intend to set ambitious new targets for our operating performance. And as you know, we keep our word.

And finally, managing our capital structure: In the future, we want to actively manage our balance sheet. We intend to establish clear and quantifiable targets in order to systematically ensure that we use our investors' and creditors' money prudently and efficiently. We'll also set a timeline for achieving these targets.

As part of this effort, we're not only looking at how our investment program affects our capital structure but also at issues like our dividend policy and share repurchasing. I'd like to say very clearly that we're not interested in isolated, short-term measures but rather in an ongoing process to deliver sustained value growth.

We intend to demonstrate to you that our presence in more than 20 countries will put us in a better position than any other energy company to optimize our investments on a European scale, establish efficient organizational structures that span national boundaries, and

improve market integration. Rest assured that we intend to make the best-possible use of the trans-national value-creation leverage our new strategic position gives us.

The current year already suggests that we're starting from a solid position. And we want you to be the first to hear the good news. We've again had a very successful start to the year. Based on our positive business performance, we're raising the E.ON Group's earnings forecast. We now expect adjusted EBIT to again surpass the high prior-year figure. Until now, our forecast was only for a slight increase. On balance, we're now exceeds the capital market's expectations.

As you can see, our presence in nearly all European countries and our broad expertise from production to distribution in both power and gas can create substantial entrepreneurial opportunities for us. That's why E.ON has always supported the policy objective of creating a large, internal European market for energy.

But it has become clear—you only have to look at our attempt to acquire Endesa—that new impetus is needed for Europe's markets to come together to form an internal market for energy. From a policymaking standpoint, this is an critical phase in the transition to an internal market, a phase in which competitive and pan-European companies like E.ON have the opportunity to accelerate and help shape the process.

We've therefore proposed to the EU Commission to create a core energy market in Continental Europe. The core market would initially consist of the Benelux countries, France, Austria, Switzerland, and Germany and gradually be expanded into an EU-wide energy market. We're discussing with the Commission how to coordinate cross-border transfers between transmission system operators and what the regulatory framework for this would look like.

We're working to increase cross-border power and gas trading in order to take real action to bring about the internal market. Our first step will be to expand, in the current year, the capacity of Germany's cross-border interchange points by about 1,000 megawatts, which is roughly the output of a nuclear power station. We also intend to further expand our transmission system to create considerable additional capacity for cross-border power transfer and also to play an active role in bringing together Europe's predominantly national power exchanges to form a Europe-wide power trading marketplace.

A core European market for energy would spur competition swiftly and effectively. The ownership unbundling of energy networks recommended by the EU Commission is unsuited to this purpose. Proponents of this approach want us to surrender ownership of our networks without demonstrating the merits of such a grave infringement of property rights. Even Ulrich Di Fabio, one of the justices on Germany's Federal Constitutional Court, cautioned not to constrain the energy industry too much and warned that the regulation of networks ought not to lead to the loss of assets.

The fact is, if you look around Europe you'll see that network charges aren't lower and network investment isn't higher in countries that have unbundled the ownership of networks compared with countries, like Germany, that have integrated networks. Besides, the EU Commission's recommendation is old hat. Back in the 1970s, American academics proposed network unbundling as a tool to enhance competition. The proposal was thoroughly discussed but in the end not pursued. Europe would be ill advised to become a test patient for treatments that have been abandoned as ineffective in other countries. E.ON will defend its rights and exhaust all legal options.

We're often accused of preventing competition. The opposite is true: we're providing new impetus to competition.

For example, we've pledged to swiftly connect every new power plant competitors build in E.ON's network territory in Germany. We've taken action to significantly enhance the transparency of power trading. We've considerably simplified access to our natural gas pipeline system in Germany by dividing that system into just two market areas. We also support the creation of a natural gas exchange.

Competition is about choices. We intend to ensure that customers can choose. We've already begun this process in Germany through the launch of E WIE EINFACH ("E as in Easy"). We're the first company to market both electricity and gas throughout Germany. Residential and small-business customers can now simply switch their energy supplier and save money. I recommend that you stop by the E WIE EINFACH information stand in the foyer. Calculate what your rate would be. It may very well be worth it for you to switch suppliers.

As you can see, we want consumers to experience for themselves the opportunities created by competition. And we want policymakers to understand that customers and the economy as whole benefit when markets are allowed to function.

Regrettably, there often seems to be little grasp of the way markets work, of the interdependencies of energy markets, and of the fact that market prices move in both directions. Instead, if power or natural gas prices go up, energy companies immediately get the blame.

This view ignores a number of key facts. First, energy prices have risen across Europe and around the world in the wake of dramatic increases in oil prices. Second, companies need to earn a profit in order to invest in new power plants, electricity networks, and pipelines. Third, German wholesale electricity prices are among Europe's lowest, but residential customers don't benefit from them because 40 percent of the retail price of electricity consists of taxes and other government surcharges. And if prices go down—as they

currently are across Germany—people complain that they aren't falling enough.

For example, last week a German trade association caused a stir with a statement published in the *BILD-Zeitung*, the country's largest-circulation daily newspaper: "Customers pay €10 billion too much for electricity." The story cites a study that claims that power companies purposely withheld generating capacity from the market—pumped-storage hydroelectric plants and nuclear power stations—in order to drive up electricity prices.

That's completely absurd. Pumped-storage hydroelectric plants can only operate for short periods to help meet peak demand for electricity. And because nuclear power stations generate the cheapest electricity, electric companies would be foolish not to operate their nuclear power stations around the clock. I might add that anyone can go online and check the availability of all our power plants in Germany. People are using false assumptions to extrapolate numbers designed to shock the public. It's pure demagoguery.

These mistaken views of the realities of Europe's energy markets are resulting in arbitrary, unfounded accusations and bad energy policies. For example, the German federal government intends to massively broaden the Federal Cartel Office's oversight over anticompetitive behavior, effectively establishing government price controls in Germany's electricity market. The proposed legislation has met with unprecedented opposition among economic and legal scholars. The Monopoly Commission fears "a high degree of legal uncertainty and grave economic inefficiencies and risks." The Federal Ministry of Economics' own advisory panel strongly opposed it.

The critics are absolutely right. If enacted, the legislation would level off wholesale electricity prices, render Germany's energy exchange

superfluous, and scare off new entrants. It will hinder—not foster—energy competition in Europe.

Increasingly, a broad segment of policymakers and the general public has expectations of energy utilities that essentially go like this: We're supposed to invest billions in climate protection and security of supply, yet at the same time reduce power and gas prices, and not earn a bigger return than treasury notes.

Germany's political leaders need to ask themselves who in the future is going to invest billions in a secure and environmentally friendly energy supply if there's no guarantee that they can ever use the new power plants, electricity networks, or pipelines in a way that makes business sense or even retain ownership of them?

Of course, it's right and necessary that the German federal government wants to use its presidency of the European Council to make progress on the internal market for energy. However, market integration requires a fair and consistent regulatory environment. We're still a long way from that.

A few examples make this clear: Europe's electricity taxes range from a half cent per kilowatt-hour in the United Kingdom to about 7.5 cents in Germany and nearly 14 cents in Denmark. Each member country has a different set of programs to support renewable energy. The allowances for the EU emissions trading scheme continue to be allocated in accordance with national rules; we need uniform rules for the period after 2012.

If we're going to have an internal market, member countries need to stop being concerned only with their own energy mix. Security of supply and climate protection are European matters. The European Commission says that the EU will only be able to meet its ambitious climate targets with the help of nuclear energy.

We wholeheartedly agree with this assessment. Germany's phaseout of nuclear energy isn't compatible with Europe's climate policy. There's no climate-neutral replacement for nuclear power. This is clear to anyone in Germany who can add kilowatts together. Despite more ambitious climate targets, the German federal government hasn't yet changed its position on nuclear energy, although everyone knows that each year nuclear energy prevents 150 million metric tons of CO₂ from being released into the atmosphere.

Of course, we'll abide by the consensus agreement on nuclear energy. But that can't prevent us, in view of the fundamental challenges of climate protection and global energy supply, from fostering a realistic, open, and honest debate about the future role of nuclear energy. It's wrong to treat some ideas as taboo.

For it's clear that climate change is a reality. The solutions we adopt now must continue to make sense in the future. After all, the climate doesn't benefit when we lose sight of the cost and reliability of energy supply. That's why at E.ON we're improving mature technologies and at the same time fostering new technologies.

We're building new power plants that have the world's highest thermal efficiency. They use less coal or gas to generate a kilowatt-hour of electricity and consequently have lower greenhouse-gas emissions. Our new coal-fired generating unit in Datteln, Germany, will have thermal efficiency of more than 45 percent, the highest in the world. With a thermal efficiency of 60 percent, our new gas-fired generating unit in Irsching also sets a new global standard.

But we're also already at work to develop innovative fossil-fuel-fired generating units with even higher thermal efficiencies. The next technological step is carbon capture and storage (CCS). E.ON is involved in a variety of CCS projects in Germany, the United Kingdom, and the United States.

We plan to participate in the expansion of nuclear energy in Europe and are examining various projects in England, Finland, Romania, and Bulgaria. These countries are very interested in expanding nuclear energy because they believe it will make an important contribution to security of supply and especially to climate protection.

Of course, climate-friendly natural gas also plays an important role in an environmentally friendly energy supply that's also secure and cost-effective. However, Europe's natural gas needs will increase significantly in the years ahead. Our long-term supply contracts with a number of source countries make an important contribution to the security of gas supplies. Last year we reached agreements with Russia on gas deliveries through 2036 that correspond to about one third of E.ON's procurement needs. The Nord Stream gas pipeline across the Baltic Sea, which we're building with Gazprom and other project partners, will help further diversify supply pathways.

We're also in negotiations with numerous suppliers of liquefied natural gas (LNG), which is transported by ship. For example, last November we concluded a memorandum of understanding with Algeria's Sonatrach to work together in the LNG business. In Wilhelmshaven we plan to build Germany's first LNG terminal and expect it to become operational in 2010. Our agreement to acquire Endesa's operations in Italy will give us access to LNG terminals currently under construction. We're pursuing other LNG terminal projects in the United Kingdom and in the northern Adriatic. LNG is the only way to close Europe's anticipated supply gap.

We're also continuing to developing renewables and have a solid starting position. Renewables already account to 11 percent of the electricity we generate. We're Europe's largest investor-owned operator of hydroelectric plants. One of the focuses of our technology offensive is offshore wind power. We think it offers the greatest potential and are pursuing a number of significant projects in this area.

We're working with our consortium partners to plan the world's largest offshore wind farm, to be sited in the Thames estuary. We're building another wind farm off the coast of Scotland. We're working with project partners to build Germany's first large-scale offshore wind farm, which will have a capacity of 60 megawatts and be sited off the island of Borkum in the North Sea. In Germany, such facilities must be sited further out to sea and in much deeper water than in the United Kingdom. The technical challenges and the construction and operating costs of such wind farms are thus particularly high. In other words, a great deal of effort is still required in this area.

Between now and 2012, we plan to invest several billion euros in renewables and in enhancing energy efficiency. This effort will benefit from the fact that we can choose which of our many locations in Europe is the most efficient for particular project. Our latest corporate social responsibility report offers detailed information about these and other projects. You can pick up a copy in the foyer. It's worth taking a look at.

Our objective is to make E.ON Europe's top energy company in all respects. We intend to pursue this objective with great determination. We have the courage to question the energy industry's accepted wisdom.

We're spurring competition because we know what E.ON can achieve and will focus the group's energies even further to enhance efficiency and reduce costs.

We're still on course for growth, whether by expanding our existing businesses or making targeted acquisitions. The decisive factor will be that we grow profitably so that we create value for you, E.ON's owners. And that's what we will do.

This document may contain forward-looking statements based on current assumptions and forecasts made by E.ON Group management. 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. These factors include those discussed in our public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including our Annual Report on Form 20-F, in particular to the discussion included in the sections entitled "Item 3. Key Information: Risk Factors", "Item 5. Operating and Financial Review and Prospects", "Item 11. Quantitative and Qualitative Disclosures about Market Risk"). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Through the fiscal year ending December 31, 2006, E.ON prepared its consolidated financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), but has adopted International Financial Reporting Standards ("IFRS") as its primary set of accounting principles as of January 1, 2007. Unless otherwise indicated, the financial data for periods beginning after January 1, 2007 reflected in this document has been prepared in accordance with IFRS, while that for prior periods has been prepared in accordance with U.S. GAAP. This document may contain references to certain financial measures (including forward-looking measures) that are not calculated in accordance with either IFRS or U.S. GAAP and are therefore considered "Non-GAAP financial measures" within the meaning of the U.S. federal securities laws. E.ON presents a reconciliation of these Non-GAAP financial Measures to the most comparable US-GAAP measure or target, in this document or on the website under www.eon.com. Management believes that the Non-GAAP financial measures used by E.ON, when considered in conjunction with (but not in lieu of) other measures that are computed in accordance with IFRS or U.S. GAAP, enhance an understanding of E.ON's results of operations. A number of these Non-GAAP financial measures are also commonly used by securities analysts, credit rating agencies and investors to evaluate and compare the periodic and future operating performance and value of E.ON and other companies with which E.ON competes. These Non-GAAP financial measures should not be considered in isolation as a measure of E.ON's profitability or liquidity, and should be considered in addition to, rather than as a substitute for, net income, cash provided by operating activities and the other income or cash flow data prepared in accordance with IFRS or U.S. GAAP. In particular, there are material limitations associated with our use of Non-GAAP financial measures, including the limitations inherent in our determination of each of the relevant adjustments. The Non-GAAP financial measures used by E.ON may differ from, and not be comparable to, similarly-titled measures used by other companies.