Telephone Conference on the Release of
E.ON AG's Interim Report for January 1 – September 30, 2005

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Presentation by:
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Thank you, Mr. Bernotat. Ladies and gentlemen, I'd also like to welcome you to our telephone conference.

In the first nine months of the year, E.ON again increased sales, adjusted EBIT, and net income. This positive development results from further improvements in our performance and the strengthening of our market positions in our core power and gas business. Here, synergies from the integration of our power and gas businesses and further efficiency enhancements in our operating business were among the contributing factors.

We increased sales by 18 percent year-on-year to €39.9 billion. All market units contributed to the advance. Adjusted EBIT improved by 7 percent to about €5.5 billion.

Our Central Europe market unit grew adjusted EBIT by 9 percent to approximately €2.9 billion. The key factor was higher wholesale electricity prices at our Central Europe West business unit. This was adversely affected by higher fuel costs and the costs of CO_2 certificates, since our allocation was insufficient.

At approximately €1.1 billion, adjusted EBIT at Pan-European Gas was nearly unchanged from the prior-year figure. Adjusted EBIT improved at our upstream business. On balance, though, this market unit's adjusted EBIT suffered from lower earnings in the gas wholesale business, and, as in the previous quarters, from sharply higher gas procurement costs. Initially, higher procurement prices have an adverse affect on earnings because there is a time lag between increases on the procurement side and our ability to pass these along to our customers in the form of higher sales prices.

The picture was similar at our U.K. market unit, whose adjusted EBIT was nearly on par with the prior-year figure. Key positive factors were higher retail prices and the integration of customer service activities that had formerly been outsourced. These were entirely counteracted by higher fuel and CO_2 certificate costs, which particularly impacted third-quarter earnings. This effect is evident when you compare the year-on-year adjusted EBIT growth rate for the first half of the year (+ 18 percent) to the nine-month figure (-1 percent).

Our U.S. business also showed stabile development. U.S. Midwest's adjusted EBIT of €278 million was essentially unchanged from the prior-year figure. Here, too, higher electricity and gas revenues were counteracted by higher fuel costs. This market unit's adjusted EBIT was actually 4 percent higher in local currency, but this increase was eliminated at the group level by the U.S. dollar's deterioration against the euro.

Our Scandinavian business developed very positively. Power production in Scandinavia is less dependent on fossil fuels, since hydropower accounts for nearly half of this region's generating capacity. As a result, our Nordic market unit improved adjusted EBIT an impressive 23 percent to €600 million.

By contrast, other nonoperating earnings fell from €772 million in the prior-year period to €50 million this year. The decline results from an impairment charge at Degussa's Fine Chemicals division (our share of which was €356 million), storm damage in Sweden (€140 million), and lower positive effects from derivatives at the U.K. market unit (€856 million in 2004 versus €561 million this year). However, this decline of other nonoperating earnings was more than offset by the substantial €3 billion in book gains we recorded on the sale of Viterra and Ruhrgas Industries. As a result, net income was up 61 percent year-on-year to €6.4 billion.

Despite substantial one-off payments, cash provided by operating activities of €4.8 billion was nearly at last year's level. Improvements at Central Europe, Pan-European Gas, and U.S. Midwest were not enough to fully offset the declines at U.K. and Nordic. U.K.'s cash provided by operating activities declined because in the second quarter we made a payment of €629 million into this market unit's pension fund. At Nordic, the already mentioned storm damage was responsible for the decline. Despite higher investments in property, plant, and equipment, free cash flow also remained at a very high level.

Strong cash provided by operating activities and the exceptionally high gains on the disposal of Viterra and Ruhrgas Industries enabled us to improve our net financial position by a substantial €8.7 billion. As of year end 2004, our net financial position was -€5.5 billion. By the end of the third quarter of this year, it had improved to +€3.2 billion.

In light of these results, it won’t surprise you to learn that we’re issuing a positive earnings forecast for full year 2005.

For 2005 we expect the E.ON Group’s adjusted EBIT to exceed the results posted in 2004. Thanks to the successful divestment of Viterra and Ruhrgas Industries, we expect net income for 2005 to substantially surpass the prior-year figure.

In summary, there is no doubt that E.ON has the financial flexibility to continue on its course of profitable growth and to do its part to ensure that Europe has a sustainable supply of energy.

Thank you for your attention. Mr. Bernotat and I would now be happy to take questions.