



**Ordinary Annual Shareholders Meeting of E.ON AG**

**April 30, 2008**

**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 my colleagues on the Board of Management I'd like to welcome you to E.ON's 2008 Annual Shareholders Meeting.

A year ago, at our 2007 Annual Shareholders Meeting, I talked to you about the main principles of our business and financial strategy for the years ahead. Just four weeks later, we presented a comprehensive package of initiatives to the capital market and the public. Since then, our entire company has been working with great energy and dedication to systematically implement these initiatives. And as I'll show you today, we've been doing it extremely successfully. We've achieved—and in some cases surpassed—the targets we set for the first year of our program. I'm sure you didn't expect anything less of us.

A central element of our package of strategic initiatives is an investment program the size of which—€3 billion—is likely unprecedented in Europe. Its purpose is to strengthen our businesses in our core European market and to seize growth opportunities in other regions, primarily through organic growth but also through selective acquisitions. Last year we began implementing this program for 2007-2010 by taking a number of decisive steps. I'd like to take a moment to review some of our most important accomplishments.

We successfully entered Russia's fast-growing electricity market by acquiring a majority stake in OGK-4, a Russian power producer. OGK-4 operates four gas-fired power stations and one coal-fired power station with an aggregate capacity of about 8,600 megawatts (MW), giving it one of the most powerful and efficient generation fleets in Russia. Over the next few years, we intend to increase the existing capacity at four of OGK-4's facilities by a total of 2,400 MW.

We'll strengthen our position in Southern Europe by acquiring an extensive portfolio of power plants and other assets under the

agreement we reached last April with Enel and Acciona. The final purchase price has been set at roughly €8.9 billion plus about €2.9 billion in debt acquired for a total of €11.8 billion. This transaction will considerably expand our position in Spain and Italy and give us a very promising position in France's highly interesting generation market. When the transaction is complete, our businesses in Spain and in Italy will each be about the size of our Nordic business.

We're obtaining full control of our Nordic business, which decisively strengthens our position in Northern Europe. Last year, we reached an agreement with Statkraft, which holds a minority stake in E.ON Sverige, to acquire all of its E.ON Sverige shares. This will give us sole responsibility for this business, enabling us to develop it rapidly and ensure that it has better prospects for the future. In return, Statkraft will receive stakes in E.ON power stations in Germany and the United Kingdom and E.ON stock totaling just over 2 percent of our equity. I'm looking forward to welcoming Statkraft as another significant E.ON shareholder.

We added new natural gas production assets to our European gas business. In October, we acquired a stake in Skarv and Idun gas fields in the northern Norwegian Sea. Together with other satellite fields, the area ranks among Norway's largest and most attractive undeveloped gas fields.

The global renewables business is experiencing robust growth. In just a few months, we've become one of the world's leading wind-farm operators. In fact, we're already the world's seventh largest. In August, we bought ENERGI E2 Renovables Ibéricas, which has wind-power operations in Spain and Portugal. We followed this up in December with the acquisition of Airtricity in the United States and Canada. In addition to the capacity we acquired, a number of new wind farms have entered service. Since May 2007, our renewable-source generating capacity has tripled from 420 MW to 1,350 MW. In

other words, we're adding nearly 100 MW of wind capacity per month.

Our objective is to rank among the top five wind-power operators. In view of this objective and our success so far, we've decided to double our renewables investments to €6 billion for the period 2007-2010.

Through 2010, E.ON will invest around €38 billion in conventional power generation and in power supply in Europe, Russia, and the United States. In these regions, we're pursuing numerous power plant projects, five of them in Germany. Our domestic investments will total approximately €11 billion through 2010, a clear demonstration of our strong commitment to Germany.

We aim to increase the E.ON Group's generating capacity by 50 percent to 90 gigawatts by 2015. We're also investing around €6 billion to secure and expand the supply of natural gas. Our upstream objective remains to source 10 billion cubic meters of natural gas each year from our own production assets.

If you consider our investment program and what we've already accomplished, then I think you'll agree with me that in 2007 we again demonstrated our decisiveness and our determination to seize growth opportunities.

Our investments in renewables, in particular, are clear evidence that climate protection is an integral part of our growth strategy.

I believe there are three important things to remember about renewables.

First, renewables are good for the earth's climate *and* for our business. Renewables are the fastest-growing segment of the utility business. In other words, we're not only creating value for the environment and for society as a whole but also for our company and thus for you, our

shareholders. This isn't about winning points with policymakers. It's about opportunities in a very interesting business area.

Second, renewables can only make a lasting contribution to the energy supply when they're developed enough to compete on a level playing field with other energy sources. That means: without substantial government subsidies. For this to happen, we need to transform renewables from a boutique business to a big business, one conducted on an industrial scale. This won't happen overnight. Large energy companies like E.ON can play a decisive role by using their knowledge of the utility business, their technological expertise, and their financial strength to develop renewables on such a scale. It's also important that our broad international presence enables us to deploy new technologies across our markets.

Third, it's important to state clearly that wind, solar, and biomass won't be enough. Decades from now, we'll still be burning coal and natural gas to generate electricity. And I believe we'll also need nuclear energy. We need a broad energy mix, one that enables us to balance the cost risks of the various energy sources and to minimize our import dependence. Coal will have a place in this energy mix. Anything else would be illusory and irresponsible. That's why it's important to continually increase the efficiency of coal-fired generation and to develop carbon capture and storage (CCS) technology. E.ON is actively involved several CCS projects around the world. We're working hard to make this technology commercial viable by 2020. All of our new coal-fired generating units are being built capture ready; that is, they're designed for subsequent retrofitting with carbon-capture equipment.

E.ON is aiming for an energy mix that enables us to help protect the earth's climate and to ensure security of supply by spreading risk among a variety of energy sources. By 2030, we intend to reduce our specific CO<sub>2</sub> emissions by at least 50 percent compared with 1990.

This target makes excellent business sense, since it will reduce our exposure to rising carbon prices. By 2030, we intend that more than half of our energy mix will consist of zero-emission generation technologies (nuclear, coal with CCS, and renewables), with the other half consisting of low-emission technologies (highly efficient coal-fired and gas-fired units). We know that these are ambitious targets.

Our package of strategic initiatives included changes to our organizational structure in areas where it makes sense for our business to be pan-European. In these areas—energy trading, climate protection and renewables, and the construction of new power plants—a pan-European structure will enable us to be even more successful at seizing the new earnings and growth opportunities created by the increasing integration of European energy markets. We're systematically leveraging the competitive advantages of being the energy company with the broadest European footprint.

Our new Energy Trading market unit, which began operations in January 2008, is responsible for managing all of our European energy trading operations. The company's headquarters is in Düsseldorf. Here, up to 800 employees will combine their trading expertise with our presence in all relevant European markets to leverage synergies and seize new earnings opportunities.

Our new Climate & Renewables market unit, which is responsible for managing and expanding our global business in the fast-growing renewables segment, also got off to a flying start in January 2008. In just a short time, we've achieved the smooth integration of our renewables operations and employees worldwide and, as I've already mentioned, considerably expanded our renewables generating capacity. And I'd like to add that these two new companies bring to North Rhine-Westphalia a large number of jobs for highly qualified employees in industries of the future

The construction of new power plants is one of the central challenges E.ON faces in its generation business. We currently have 18 coal-fired and gas-fired generating units under construction or in planning. Our excellent knowledge base in the construction of conventional generating units was previously dispersed across our organization. We've now brought it together in a New Build unit based in Hanover, Germany. This will enhance our ability to achieve cost advantages in the procurement of components and in the construction of new plants.

On the operational side, we've also established competence centers for three generating technologies. The centers will have a permanent staff of top experts who come from our different subsidiaries. The competence centers for fossil generation and for nuclear power are based in Hanover, the center for hydroelectricity in Malmö, Sweden. The experts at the competence centers will be responsible for defining groupwide operating and efficiency standards for coal-fired, gas-fired, nuclear, and hydroelectric power stations and will actively support the implementation of these standards. For nuclear and hydro, they'll also manage any new builds. These new organizational entities will enable us to set the standards for our industry in terms of investment costs and the operating costs of our existing power plants.

Finally, we've also responded to market developments in the natural gas business and have combined our gas storage operations in a new unit called E.ON Gas Storage. The new unit will be responsible for planning and expanding our gas storage operations and for developing new projects.

Last year, I also promised you that we intended to actively manage our capital structure by setting clear, measurable targets and establishing a time frame. And that's precisely what we've done by designing and now implementing a new financial strategy for the E.ON Group.

It has the following key elements:

Going forward, we will continue to aim for a stable, solid rating. Our target rating is single A.

We translated our target rating into a new steering measure—debt factor—which is our economic net debt divided by our adjusted EBITDA. Our target debt factor is three. That is, we want our economic net debt to be three times our adjusted EBITDA.

We've made good progress implementing our financial strategy. In connection with our investment offensive and share buyback program, E.ON is, as planned, taking on more debt.

Despite these far-reaching strategic and structural changes, we haven't lost sight of our operating business. In 2007, we not only began to implement our ambitious strategy but also significantly improved our earnings figures.

The E.ON Group's adjusted EBIT increased by 10 percent to €9.2 billion, with the positive performance in our Western, Central and Northern European markets and in our European gas business more than offsetting the earnings declines in the United Kingdom and the United States.

- The Central Europe market unit's adjusted EBIT of €4.7 billion exceeded the prior-year figure by 10 percent. The positive effects included higher gross margins on wholesale electricity products and the necessary revaluation of provisions for nuclear waste management. These effects were partially mitigated by higher electricity procurement costs and higher expenditures resulting in particular from an increase in the amount of renewable-source electricity delivered onto the network. Our operations in Eastern Europe again recorded an increase in adjusted EBIT, and we expect the harmonization of processes at these operations to continue to deliver substantial cost savings.

- Pan-European Gas improved its adjusted EBIT to about €2.6 billion, which was also 10 percent above the prior-year figure. The increase is attributable to the downstream business, where the earnings performance of the E.ON Földgáz Group in Hungary was the main positive factor. The midstream and upstream businesses recorded lower earnings, primarily due to price factors. We're particularly pleased with the 13-percent growth in our business outside Germany. Our exports to 14 foreign markets now account for one fourth of our total sales volume.
- U.K.'s adjusted EBIT for 2007 declined by 8 percent to roughly €1.1 billion. A weather-driven decline in sales volumes as well as lower customer numbers and lower retail margins, primarily in the second half of the year, were the main factors in this slight earnings decline. E.ON UK is holding its own in one of Europe's most competitive energy markets where customer switching continues to be particularly high.
- Nordic's adjusted EBIT climbed by 31 percent to €70 million. Higher hydro production and higher wholesale prices were the main factors. Unlike in Germany, in Sweden provisions for nuclear waste management had an adverse effect on earnings. A change in the Swedish regulatory agency's estimate for future nuclear decommissioning costs made it necessary to create additional provisions, which had a negative effect on adjusted EBIT.
- In local currency, U.S. Midwest's adjusted EBIT was on par with the prior-year figure. The weak dollar, however, served to reduce adjusted EBIT in reporting currency to €380 million.

You can see that the geographic diversification of our business enables us to offset different developments in individual markets.

We of course want you, our shareholders, to benefit from this solid performance. That's why the Board of Management and Supervisory Board are proposing that the dividend be increased by 22 percent to €4.10 per ordinary share qualifying for a dividend. This would again make E.ON one of Germany's top dividend performers.

E.ON stock again performed extremely well in 2007, closing the year 42 percent higher. Including the dividend, E.ON stock rose by about 46 percent in 2007, significantly outperforming not only Germany's DAX 30 index but also the EURO STOXX 50 and our peer index, the STOXX Utilities. In 2008, stock prices have been generally lower, but E.ON stock has also put in an above-average performance in this difficult market environment.

At all levels, our company has worked with impressive energy and dedication to meet the strategic, structural, and operational challenges we face. I'm sure that I also speak for you when I express our sincere thanks to our employees. I'd also like to thank our employee representatives for the open and constructive way they approach their duties.

I've always been firmly convinced that our company's success benefits everyone, particularly our employees. One example of this is that across E.ON we added 8,900 new employees last year. Believe me, nothing is more fun in business than transforming strategic and operating success into higher dividends *and* new jobs. I'm particularly pleased that we added 800 trainees in Germany, which served to increase the percentage of trainees in our workforce to more than 7 percent, a very good figure among German companies. The situation on Germany's trainee market has improved markedly. I'm very pleased that we were able to play our part.

The implementation of our package of strategic initiatives and the related steps we took to promote profitable growth and the further

internationalization of the E.ON Group were only possible thanks to the close cooperation and advice—and sometimes critical advice—of the Supervisory Board.

Often, as with the acquisition of OGK-4 and the agreement with Enel and Acciona, the Supervisory Board's decisions had to be made on extremely short notice and extraordinary meetings on weekends were necessary.

The successful conclusion of these significant projects in 2007 required a high degree of business acumen, close cooperation, and mutual trust between the Supervisory Board and the Board of Management. At E.ON, all of these things have a long tradition.

On behalf of my colleagues on the Board of Management, I'd like to take this opportunity to express our sincere thanks to our Supervisory Board and its Chairman, Ulrich Hartmann.

How will the E.ON story continue? As you know, our focus in the years ahead will be on organic growth. Our investment program sets our course through 2010. We'll continue to implement this program purposefully and prudently and, by doing so, cement and expand our market positions.

One of our main tasks in the immediate future will be to integrate newly acquired companies, leverage synergies, and consolidate the group. I'd like to emphasize that this is a hugely important task. It involves not only the complex work of redesigning and harmonizing a wide variety of business processes. Above all, in the spirit of OneE.ON, we need to make our new colleagues from countries like Spain, Italy, France, and Russia part of the E.ON corporate culture.

A review of last year must include not only the solid improvement of our earnings strength and competitiveness and the value we added for you, our shareholders. It must also include the realistic and self-

critical observation that we continued to have strained relations with large segments of the political community, the general public, and our customers. Recently, however, we've begun to make progress in our dialog with policymakers.

Last year, the European Commission adopted a package of liberalization legislation designed to move systematically forward with the integration of European energy markets. Although we disagree with some aspects of this legislation, we believe that, on balance, it's the right approach and support the Commission's energy-policy agenda wherever we can. For example, we're expanding our cross-border power transfer capacity. The faster the remaining market barriers, regulatory restrictions, and stubborn protectionism of some member states are eliminated, the better the conditions will be for our European strategy. We also support the Commission's climate-protection policies through, for example, our investments in renewables. It's obvious that it's of great strategic importance that we have a constructive working relationship with the Commission, which is, after all, *the* political force behind the internal market for energy.

As you know, we've held discussions with the Commission regarding structural measures to promote competition in the German electricity market. These measures consist mainly of the sale of our ultrahigh-voltage electric transmission network and of 4,800 MW of generating capacity in Germany that, ideally, we'd like to swap for capacity in other European markets.

The measures we've agreed to are designed to end, in a constructive way, the electricity-market issues between E.ON and the Commission, issues that relate entirely to the past. Our aim is to focus our attention on the future and all our energies on the challenges ahead: making Europe's energy supply secure, climate-friendly, and competitive and achieving further growth for our company in European markets.

Please understand that at this time it's too early for me to present you any additional details. The Commission must first carefully examine the measures we agreed to before it can make a legally binding decision. We should wait for this process to be completed.

It's my impression that we're heading in a good direction with the Commission. But I'm also actively involved in Germany in gradually reducing the tension in our industry's relations with policymakers and the public. I know that in Brussels the German federal government argued against the ownership unbundling of network assets, and I'm grateful for its efforts. I'm therefore also well aware of the fact that the agreement we seek to reach with the Commission has irritated some of Germany's political leaders. But I'd like them to consider that the sale of our electric transport system and one fifth of our generating capacity in Germany is welcomed by many of our critics in this country, although we continue to disagree with their criticisms. In any case, we can no longer be accused of being part of an oligopoly. So I think the chances are good that we'll be able together to address the energy-policy challenges our country will face in the future. And they're huge challenges.

Germany has arrived at a critical juncture. It hasn't just decided to phase out nuclear power. There's more opposition here to the construction of new coal-fired power plants than anywhere else in Europe. There's even opposition to the construction of the power lines necessary to connect offshore wind farms to the transmission system. For one thing, jobs are at stake. Directly and indirectly, E.ON construction projects are creating 15,000 jobs in Germany and 30,000 jobs in Europe. But a leading industrial country like Germany simply can't afford to block urgently needed investments in its energy infrastructure. In my opinion, this also applies to our plan to build a new generating unit at Staudinger power station in the German state of

Hesse. I continue to believe that this project makes energy-policy sense and is necessary.

The German Federal Network Agency has stated clearly that Germany isn't experiencing an investment bottleneck. Companies want to invest. We're experiencing a regulatory approvals bottleneck for new construction projects.

The German Energy Agency has studied the risks we'd face if current trends continue. It concludes that in 2020 Germany will have a shortfall of about 12,000 MW of generating capacity. That's about 15 large-scale generating units. And we'll face this capacity shortfall even if the federal government achieves its extremely ambitious energy-policy objectives:

- Although in the past electricity demand has always increased, the aim is to reduce it by 11 percent by compared with current demand. But even if electricity demand at least remains constant through 2010, the capacity shortfall will actually increase to 16,000 MW.
- Renewables are supposed to meet 25 to 30 percent of Germany's electricity needs, about twice as much as today. This will require the construction of many wind farms, including offshore facilities in the North Sea and Baltic Sea. In Germany, offshore facilities must be sited further out to sea in deep water. These difficult conditions create enormous technical challenges. And with the market for wind-power equipment getting tighter and the price of components increasing perceptibly, it's uncertain whether Germany will be able to achieve this objective by 2020. Moreover, who will want to invest in offshore wind farms if they risk not being able to generate electricity because the necessary power lines haven't been approved?

- The federal government also wants to expand Germany's combined heat and power generating capacity so that it will meet 25 percent of electricity demand, although it's unclear whether in all cases there's a use for the heat generated by the plant.
- The government's intention to go forward with phasing out nuclear power also must be viewed skeptically. It's clear that there's replacement on offer that's as cost effective and climate friendly as nuclear power and also reduces Germany's dependence on imports. People across Europe are realizing that nuclear power can make a huge contribution to climate protection. Why not in Germany? Because we're convinced that nuclear power will play an increasingly important role in a balanced energy mix, we recently signed a Letter of Intent with AREVA and Siemens concerning cooperation on the construction of new nuclear power stations and the further development of nuclear technology.

The energy supply system is very complex. Imprudent intervention can have unintended—and undesirable—consequences. These consequences sometimes don't appear immediately but over time can lead to risky distortions that can't be corrected or can only be corrected at a significant cost. That's why a far-sighted and responsible energy policy should draw on energy companies' wealth of expertise and experience. E.ON is always ready to play a constructive role in this process. And that's why I'm actively involved in trying to achieve a consensus on key energy-policy issues. From the many discussions I've had with policymakers, it's my impression that a new round of energy-policy talks would have a good chance of success. I'll do everything I can to ensure that this chance isn't missed.

As you know, I believe strongly that our business can only achieve lasting success if we earn and retain the public's trust and support. That's why corporate responsibility (CR) is firmly embedded in all our

decision-making and business processes. We're also proud of our CR activities and accomplishments, which we document in an annual report. Our new CR report will be available on May 8. You can read it online or order a print copy. I encourage you to take a look at it. It's definitely worth reading.

Over the last several years, rising energy prices have seriously strained our relations with our customers, mainly in Germany but also in Sweden, the United Kingdom, and other countries. Their feelings are completely understandable. What's less understandable, in my opinion, are the misleading and often polemical statements about energy prices made by some policymakers and members of the media. At times, their statements completely ignore the economic forces and energy policies that were actually driving the price increases. It's now a well-known fact, however, that in Germany government policies are responsible for much of what we pay not only for gasoline but also for electricity. Market processes determine barely one third of the price residential customers pay for electricity. Two thirds of the price consists of taxes, fees, and apportionments or is regulated. People increasingly realize that Germany and Europe aren't immune to the global increases in fossil-fuel prices. To put this into numbers, between 2003 and the start of 2008 the price of oil almost quadrupled, the import prices for natural gas and coal essentially doubled. By contrast, residential gas prices in Germany rose by 40 percent and electricity prices by 25 percent.

In the public debate about energy prices, I think it's important to continually point out the real reasons behind price increases. But that's not enough. We need to look very carefully at what we as an energy supplier can do for our customers. That's why it's important to me that we do a better job of offering customers attractive products and services that differentiate us from the competition. In recent years, the customers in our European markets have become more willing to

switch suppliers or at least to switch to a different product offered by their current supplier. We welcome this trend. We want informed customers who make their own choices. And we want them to choose us for our competitive products, excellent service, and reliability. That's why we've actively promoted competition. In Germany, we created a new retail subsidiary, E WIE EINFACH ("E as in Easy"). Perhaps you've seen its information stands here at our Annual Shareholder Meeting. If you haven't switched suppliers yet, today's a good opportunity to do so. E WIE EINFACH offers both power and natural gas service nationwide at very favorable terms. It's been a huge success. Our initial target for the first year was to acquire about 100,000 new customers. Since E WIE EINFACH was launched, we've actually gained about 500,000 new electricity customers and 250,000 new gas customers. Obviously, we've also lost customers during this period. Nevertheless, about one fourth of the customers in Germany who've switched suppliers have chosen E.ON. On balance, our customer numbers are up by about 200,000. What's more, in July 2007 [verivox.de](http://www.verivox.de), a consumer testing website, named E WIE EINFACH Germany's top electricity supplier in terms of service quality and customer friendliness. That's an impressive success in a keenly competitive marketplace, and one that we're proud of.

But we don't just want to attract new customers. We also want to offer our current customers new products and services. One step we've taken in this direction is our special rate for vulnerable customers. We're the first energy company to offer such a rate across Germany. And there's no red tape. To qualify, customers simply have to show that they're exempted from paying the mandatory fees for public television and radio service. You can't make it easier than that. In the United Kingdom, we've had programs in place for several years to offer vulnerable free energy-saving advice and price discounts.

In addition, we'll do more to respond to our customers' individual needs and desires. Some customers are interested in a long-term price guarantee, others in green power products, others in rewards for customer loyalty. In all of our markets, we're noticing that residential and industrial customers are increasingly interested in individually tailored products and consulting services. We intend to do a better job of meeting these needs. In the German market, we can draw on our experience in places like the United Kingdom and Sweden. Finally, we've pledged to make our bills much simpler. Former German chancellor Helmut Schmidt once said that he couldn't understand his electricity bill. At E.ON, this will no longer be possible.

For me, customer satisfaction is the most important pillar of our success and the public's trust in our company. That's why I'll be personally involved in this issue.

I've never believed in chasing trends. You have to recognize trends early, analyze them thoroughly, shape them, and stay ahead of them. The first company to go beyond the accepted norm of its industry has the opportunity to rewrite the rules of the game and to shape the conditions for success.

That's why we moved early to expand into the European market. Today, no other energy company has a broader European footprint. We also entered the Russian electricity market early so that we're there from the beginning when, after the privatization process, this huge market unfolds its enormous potential. We're no longer a purely German company. Moreover, we took action more decisively and earlier than many other companies to open ourselves to competition and to systematically organize our entire company along competitive lines. Although we perhaps weren't the first company to see climate protection as a strategic issue, our actions have been more decisive. Today, we know the opportunities and risks of global carbon trading and are better positioned in this volatile marketplace than many of our

competitors. We're one of the first European energy companies to establish a separate subsidiary for climate protection and renewables. Today, we rank among the world's leading wind-power operators and have many good projects in the pipeline.

I can assure you, E.ON's owners, that in the future we'll continue to resolutely seize every opportunity to create value.

I hope that you'll continue to accompany us on this journey. I'm certain that it will be worth it.

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