Conference Call for Analysts and Investors
First Half Results 2007

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Presentation by:

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Please check against delivery

Thank you Wulf.

Good afternoon ladies and gentlemen.

As you all will have seen in the charts we have provided, the First Half Results 2007 were again characterized by a further improvement of all our key performance indicators.

Compared with the first six months 2006**, Group adjusted EBIT** in the First Half 2007 increased by 7 percent to 5.4 billion Euros. While positive contributions came from Central Europe, U.K. and Nordic, Pan-European Gas and U.S.-Midwest showed slight declines.

Let me detail the main developments of the adjusted EBIT for each market unit:

Central Europe achieved a 2 percent increase of adjusted EBIT to 2.5 billion Euros.

Central Europe West Power was the main positive contributor with an improvement of 17 percent. Effects from higher power prices contributed 751 million Euros. This was partly offset by

- higher power procurement costs of 207 million Euros,
- higher feed-in of renewable energy into our networks of 98 million Euros,
- lower results from trading of 55 million Euros as well as lower results from network activities of 57 million Euros.
- The effects regarding our network activities split up as follows:
- A positive impact from the absence of provisions for regulatory risks in the power business in the First Half 2007, which were built in the Second Quarter 2006 amounting to 325 million Euros (including provisions for December and November 2005)
- Reduced income from network charges of 273 million Euros for the first half of 2007, as a consequence of tariff reductions required by the German regulator, and
- Further negative effects from lower network sales, higher expenses for system optimization and lower auctioning results adding up to 109 million Euros.

Additionally, Central Europe’s adjusted EBIT was also affected by:

- The gas business, which suffered from mild weather conditions resulting in a decline of 38 percent in adjusted EBIT.

- Others like consolidation issues and exchange rate effects totaling 147 million Euros.

Pan-European Gas’ adjusted EBIT declined as expected by 4 percent to 1.6 billion Euros.

The **Upstream** business posted a decline of 51 million Euros as a consequence of lower sales prices.

The **Midstream** business decreased by 76 million Euros, as a result of lower volumes due to the mild weather conditions and lower results from storage valuation. These effects were partially offset by the faster reduction of procurement costs as opposed to sales prices.

Despite weak gas volumes, the adjusted EBIT in the **Downstream** business improved by 54 million Euros. The main reason was the remarkable contribution of E.ON Földgaz with a turnaround from losses of 21 million Euros last year to a gain of 80 million Euros this year.

The adjusted EBIT of the market unit **U.K.** continued to show a strong improvement of 63 percent to 741 million Euros.

The **regulated business** benefited from the tariff increases planned in the last distribution review.

In the **non-regulated business**, lower gas input costs as well as higher retail prices compared to the prior year have caused the significant improvement.

Let me remind you, that we have already seen several price cuts in the U.K. retail market this year, including a significant decrease by E.ON U.K., effective since April 30th of this year. This will inevitably reduce our retail margin in the second half of this year.

Nordic’s adjusted EBIT improved by 12 percent to 475 million Euros. The positive impact came from the non-regulated business due to increased hydropower volumes and successful price hedging for the generation output. This was to some extent offset by the decline in spot power prices.

The adjusted EBIT of **U.S. Midwest** declined by 7 percent to 176 million Euros, as a consequence of a weaker U.S. dollar as well as slightly lower gas margins.

Before I conclude on adjusted EBIT, and as I have been frequently asked this question, I would like to remind you that the income from share investments reported in our consolidated income statement, such as the dividend from Gazprom, is included in our adjusted EBIT .

Let me now discuss the **net income attributable to shareholders of E.ON AG**, which increased by 26 percent to almost 4 billion Euros. The main developments were as follows:

- Net book gains increased from 230 million Euros to 963 million Euros, mainly due to divestments of securities at Central Europe, which we spoke about already last quarter,

- Other non-operating income showed a significant change by approximately 800 million Euros. The main effect stems from the unwinding as well as the mark-to-market valuation of derivatives, which together led to an increase of about 1 billion Euros to a net gain of 245 million Euros compared to net losses of about 800 million Euros in the First Half of 2006.

Other main items included under other non-operating earnings were linked to costs incurred for the Endesa offer amounting to 301 million Euros, as well as from the storm in Sweden with 95 million Euros.

- The decline in discontinued operations by about 800 million Euros was mainly related to the Degussa transaction amounting to 633 million Euros included in the First Half of 2006.

In that context we would like to inform you that, related to the sale of our stake in RAG, we will realize our deferred book gains from the Degussa transaction. The book gain amounts to 418 million Euros and will probably be recorded within Q4 2007.

Adjusted net income recorded an improvement of 9 percent to 3.1 billion Euros resulting from the positive operational developments in adjusted EBIT.

Now, I would like to discuss the development of Group cash flow. The **Group cash provided by operating activities** rose by 2 billion Euros to 4.8 billion Euros. The major positive contributors to this increase were the following:

- Central Europe's significant increase of 700 million Euros was mainly due to improved working capital of 0.4 billion Euros, group internal tax allocations of 0.2 billion Euros and the consolidation of the German pension scheme VKE of 0.1 billion Euros,

- Pan-European Gas' strong rise of 1.3 billion Euros. This resulted mainly from:

- E.ON Földgaz with a positive effect of 0.8 billion Euros. This was due to the absence in 2006 of the high seasonal contribution of the First Quarter, as it was consolidated as of April 1st last year. Besides earnings developed positively in the First Half 2007.

- In addition E.ON Ruhrgas contributed 0.6 billion Euros thanks to the improved working capital related mainly to higher withdrawals from gas storage, and finally

- U.K.'s increase of 730 million Euros was related to working capital improvements with 0.4 billion Euros and increased earnings with 0.3 billion Euros.

Cash used in **investments in property, plant and equipment and intangible assets** increased by 71 percent to 2.6 billion Euros. This increase was mainly related to ongoing generation projects in Germany and Italy, development of new generation capacity and gas storage in the U.K., maintenance and expansion of existing production plants and upgrade of networks in the Nordic region as well as environmental equipment and the costruction of Trimble County 2 plant in the U.S.

Our **economic net debt** reduced over the first six months of the year from 18.2 billion to 16.4 billion Euros. The main reasons were:

- The substantial improvement in operating cash flow as mentioned before,

- The sale of several smaller participations and fixed assets amounting to 600 million Euros, and

- The pension obligations reduced by 1.3 billion Euros, due to:

  - Contributions of approximately 384 million Euros to plan assets, and

  - A lower valuation of the benefit obligations mainly at the Market Units Central Europe and U.K. resulting from market driven increases in the discount rates, e.g. for Germany from 4.5 to 5.25 percent used to calculate the liabilities. The discount rate assumptions used by E.ON reflect the rates for high-quality (AA-rated) fixed-income investments. These interest rates have significantly increased during the First Half of 2007.

Ladies and gentlemen,

now I would like to refer to the **outlook** for the full year 2007.

Before I go into detail, I would like to mention that starting this quarter, we will be giving you a specific range for the Group adjusted EBIT, rather than just a general outlook. At this point in time, we have, however, refrained from giving specific range for adjusted EBIT by market unit, because of the potentially high volatility in a segment, especially in the market units Pan-European Gas and Nordic.

Based on the developments of the First Half results, we continue to expect **Group adjusted EBIT** to be 5 – 10 percent higher than in 2006.

The **outlook by market unit** is as follows:

For **Central Europe**, we still anticipate adjusted EBIT to be above the prior-year level. We expect to offset lower gas volumes and higher feed-in of renewable energy in our own networks with higher margins in the power business.

As already known, the nuclear power plants Krümmel (our share 50 percent) and Brunsbüttel (our share 33 percent) were closed on June 28th of this year:

- Krümmel is expected to be back on line at the beginning of September 2007. The total expected loss in adjusted EBIT from the outage amounts to 30 million Euros.

- For Brunsbüttel it is not yet possible to foresee when it will come back on line. The outage has a monthly negative impact of 8 million Euros on our adjusted EBIT.

These effects for both power plants will be fully considered in the Second Half of this year.

We now expect **Pan-European Gas** adjusted EBIT to be on par with the 2006 level. Here, we have changed our outlook upwards compared to the First Quarter results, where we had announced to be slightly below the figure of 2006.

In the **Midstream** business we expect for the rest of the year a continuous decline in earnings, due to increased competition and regulatory effects.

This will be offset by higher expected earnings from the **Downstream** business, due to the absence of prior year’s negative regulatory effects and the higher contribution from E.ON Földgaz.

In the **U.K.** we still expect adjusted EBIT to be broadly in line with 2006 level, despite the strong performance in the First Half. This will depend upon further development of retail prices, weather conditions affecting volumes and prices as well as availability of power plants.

For **Nordic's** adjusted EBIT we still expect a significant increase compared to 2006, as a result of higher hydro and nuclear generation volumes as well as higher achieved wholesale power prices.

Finally, the expected adjusted EBIT for **U.S. Midwest** will still be below 2006. We expect lower margins as a result of the timing of gas cost recoveries from customers.

For the **net income attributable to shareholders of E.ON AG** we still expect to be above the 2006 level. However, the development of the net income attributable to shareholders is in particular contingent on the valuation of derivatives at the year-end 2007.

Ladies and Gentlemen,

this concludes my remarks about the First Half Results.

At this point I would like to update you on our **share buyback** program of 7 billion Euros announced on May 31st of this year. Up until now, we have bought back shares worth approximately 1.1 billion Euros or 1.3 percent of the total capital.

We will have bought back an equivalent of 3.5 billion Euros by year-end and the remainder next year, at the latest by November 3rd, 2008. The bought back shares will be cancelled.

Before I conclude, let me reiterate our commitment to provide more **transparency**, wherever possible and meaningful, on our operations as well as on financial numbers.

Starting in the second quarter 2007 we have added the following information for you:

First, we have included a new chart in our handout, showing the **hedge ratios** of our economic generation for each market unit. To remind you, economic generation is the planned generation output based on today's market prices. The hedge ratios will from now on be provided every quarter.

Regarding this topic, I would like to give you some more details.

In our European Market Units, we are fully hedged in the current year and largely hedged in 2008. For 2009, we have to balance out the interest of securing results against the opportunities which lie in future price movements. Therefore, we are only little to fairly hedged in that year. In the United States, we are fully hedged as the main part of our US business is regulated.

Our fuel purchases, e.g. for coal, reflect the progress in the hedging of our electricity generation capacity in order to secure the generation margins.

Generally, we are purchasing CO2 certificates in a broadly similar way. Our expectation is that over the Kyoto phase (2008-2012), we need to buy EU emission allowances after first estimates in a range of 20 to 30 million tons of CO2 per year.

Finally, the high degree of hedging for the current and next year translates into a reduced exposure of our EBIT to commodity price changes. For the year 2009, the EBIT exposure is still higher.

We are looking actively at market fundamentals and current market prices to assess when to best hedge our assets and sales position in order to achieve the best balance between risk and return for our shareholders.

We have furthermore added a new table in our interim report on page 50, showing a breakdown of intangible assets and property, plant and equipment by market unit.

Ladies and Gentlemen,

to conclude, we are fully convinced that the strategic and financial initiatives we announced on May 31st, will unlock substantial value for the Group. Of course, we will continue to keep you informed about the progress in all these areas.

This concludes my remarks. Wulf and I are now ready to answer your questions.