



**Telephone Conference on the Release of
E.ON AG's Interim Report for January 1 – March 31, 2008**

Düsseldorf, May 14, 2008

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E.ON's business continued its positive development in the first quarter of 2008. We increased important financial figures like sales and cash flow, while our key performance metric—adjusted EBIT—was at the high prior-year level.

Sales rose by 8 percent year on year, from €1.1 billion to €2.8 billion. Our recent acquisitions—OGK-4, E2-I, and Airtricity—accounted for about €70 million of the increase. Positive effects, mainly at the Central Europe and Nordic market units, also constituted a key factor. Pan-European Gas contributed to our sales increase through higher wholesale prices in its upstream business and higher sales volumes in its midstream business.

E.ON's **adjusted EBIT** of €3.3 billion is at the prior-year level.

Before I talk about our market units' respective earnings performance, I'd like to say a few words about the E.ON Group's **new organizational structure** and its effect on our segmented reporting. As at year end 2007, the Corporate Center/New Markets segment includes our electricity business in Russia and our renewables operations (E2-I and Airtricity and now also the operations we had prior to these acquisitions). In addition, our operations in Italy that were formerly part of Central Europe and Pan-European Gas have been transferred to our new Italy market unit, which is also included under Corporate Center/New Markets. Effective January 1, 2008, we combined our European energy trading activities in the new Energy Trading market unit. Due to its size, Energy Trading is a reportable segment and its results are disclosed separately. I'd like to emphasize that this isn't a new business area; it combines our existing operations in a single unit. This will lastingly enhance the efficiency and performance of our trading operations and already enables us to better gauge our overall risk position and, if necessary, take countermeasures. The E.ON Group's various restructuring measures make a segmented comparison with the prior year difficult.

Nevertheless, I'll give you an overview of the main developments beyond these structural effects.

- **Central Europe's** adjusted EBIT rose by 12 percent to about €1.6 billion. The increase is primarily attributable to positive effects on gross margins, particularly from the transfer prices to the Energy Trading market unit. The increase was partially mitigated by the substantial adverse effects of the shutdowns at Krümmel and Brünsbittel nuclear power stations and higher fuel costs.
- **Pan-European Gas's** adjusted EBIT declined by 10 percent to about €1 billion. The main negative effect was the development of commodity prices in the midstream business where procurement costs increased substantially. We could not yet pass these higher procurement costs through to customers in the first quarter. A substantial volume of natural gas is currently available in the market, which continues to put pressure on margins. In the downstream business, the absence of income from disposals and lower equity earnings had an adverse impact on adjusted EBIT. Higher earnings in Hungary and in the upstream business were insufficient to fully offset Pan-European Gas's overall development.
- **U.K.'s** adjusted EBIT declined by 38 percent to about €270 million. A key factor was the transfer of U.K.'s trading and renewables activities to our new market units. Also, U.K. recorded extraordinarily high retail margins in the prior-year quarter.
- **Nordic's** adjusted EBIT climbed by 23 percent, from about €290 million a year ago to about €350 million this year. Adjusted EBIT at the non-regulated business was positively impacted by rising internal transfer prices and a slight increase in available generation volumes. The retail business performed better than last year due mainly to weather-driven procurement costs in 2007, whereas the

heat business performed worse due to the absence of a book gain on an asset sale recorded last year and to slightly higher production costs in the first quarter of 2008. Adjusted EBIT at the regulated business was slightly above the prior-year level due to higher network tariffs. This effect was partly offset by higher costs for line loss and increased depreciation.

- **U.S. Midwest's** adjusted EBIT rose by 5 percent to €8 million. The increase is attributable to slightly higher margins, an effect partially offset by higher operating costs and the strong euro.
- Our new **Energy Trading** market unit recorded an adjusted EBIT of -€80 million. This resulted mainly from seasonal fluctuations in the optimization portfolio for Germany. Due to our transfer price system, these fluctuations will have an adverse impact on Energy Trading's earnings in the first and fourth quarters of each year. Margins for these quarters reflect higher winter prices on the procurement side and average annual prices on the sales side. We therefore anticipate an earnings improvement in the summer months. The proprietary trading segment posted an adjusted EBIT of € million.
- Adjusted EBIT shown under **Corporate Center/New Markets** amounted to €19 million. Adjusted EBIT at the Climate & Renewables, Italy, and Russia market units was €6 million, €8 million, and -€ million, respectively

At about €2.1 billion, **net income attributable to shareholders of E.ON AG** was significantly below the prior-year figure. Lower nonoperating earnings constituted the main factor, with net book gains down by just under €600 million and positive effects from the market to market of derivatives down by about €430 million. In addition, adjusted interest expense (net) declined by €100 million to about -€80 million. This was due mainly to the development of our net

financial position, which in 2007 became a debt position through our share buyback and investment programs, resulting in higher interest expenses compared with the year-earlier quarter.

This decline had only a limited impact on **adjusted net income**, which is more relevant to us. This figure declined by 7 percent to about €1.8 billion. Unlike adjusted EBIT, which was at the prior-year level, adjusted net income was lower because of the increase in our interest expense that I just mentioned. I'd like to take this opportunity to again emphasize that our investments, particularly our organic investments, create interest expense before they generate income. This time lag is unavoidable. Nevertheless, we expect these investments to enhance our earnings in the future.

The E.ON Group's cash provided by operating activities for the first three months of 2008 rose by 8 percent year on year to about €2.6 billion. Cash flow performance varied by market unit. Excluding the effects of structural changes, Central Europe increased its cash flow due to a reduction in working capital and a higher cash-effective electricity margin. By contrast, Pan-European Gas's cash flow declined, mainly due to lower storage usage. U.K. increased its cash provided by operating activities, in particular due to improved billing processes. Nordic's cash provided by operating activities was also higher, mainly owing to higher operating earnings and lower costs relating to winter storms compared with the prior year. Cash provided by operating activities at U.S. Midwest was higher mainly due to pension contributions made in 2007. The inclusion of our new Russia market unit also had a positive impact.

I'd now like to turn to the E.ON Group's financial situation. The implementation of our far-reaching investment program is proceeding according to plan. Our first-quarter investments increased by 72 percent year on year to roughly €2 billion. The increase was mainly in the Corporate Center/New Markets segment and reflects the

acquisition of an additional 3.4 percent of OGK-4 and investments in wind farms projects.

Our economic net debt of €23.7 billion at March 31, 2008, was about at the same level as the figure as of December 31, 2007 (€24.1 billion). Cash provided by operating activities and changes in pension obligations were more than offset by cash outflow for investments and for the continuation of our share buyback program. At this point, I'd like to speak briefly about our bond issues, which took place after the first quarter. In April, we issued a €2.5 billion benchmark bond which was significantly oversubscribed. We also had our first major financing initiative in the United States by issuing a \$3 billion bond. Despite a difficult market environment, both transactions were highly successful and, along with the expansion of our commercial paper program and other financing measures conducted in the first quarter, have already enabled us make decisive progress meeting our funding needs for 2008.

As for our **outlook**, when we released our results for 2007 we announced that because of the substantial changes to our organizational structure a segmented comparison would have limited informational value and that we wouldn't be issuing earnings forecasts for each market unit. For the E.ON Group as a whole, however, we stand by the targets for 2008 we issued with our 2007 results. We expect our adjusted EBIT for 2008 to surpass the 2007 figure by 5 to 10 percent. We also stand by the targets for 2010 that we issued last May and are on the right course to get there.

We anticipate a slight increase in adjusted net income for 2008.

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