



**Conference Call for Analysts and Investors
First Quarter Results 2008**

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Presentation by:

Dr. Marcus Schenck

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

Please check against delivery

Thank you Wulf.

Good afternoon ladies and gentlemen.

As you have already received our First Quarter Results 2008 earlier today, I will now only refer to the main developments.

The highlights of the First Quarter's performance were:

- Group sales increased by 8 percent to 23 billion Euros,
- Group adjusted EBIT remained almost flat at 3.3 billion Euros,
- Group adjusted net income decreased by 7 percent to 1.8 billion Euros, and
- Group cash provided by operating activities increased by 8 percent to 2.6 billion Euros.

Before I explain the main developments of the First Quarter Results, I would like to refer to the changes in our Group structure and give you a brief insight into our new market unit Energy Trading.

Since the beginning of 2008 we have added the two new geographical market units **Russia and Italy** to our already existing market units. A third one, namely Spain, will follow in the second half of this year.

In addition, we also created two new functional market units, which are:

- First, **Climate & Renewables** comprising our worldwide renewables activities and climate projects, with the exception of hydropower and

- Second, **Energy Trading** where we are bundling all our groupwide trading activities in power, gas, coal, oil and CO2 certificates.

As shown on Chart 2, starting this year, all trading, renewables and Italian activities that have so far been part of the traditional market units in 2007 were transferred to those new market units.

In 2008 Energy Trading is the only new market unit which will be shown as a segment. For materiality reasons the other new units will at this stage still be reported within Corporate Center / New Markets.

As a consequence, this year's figures are not fully comparable on a market unit level with last year's figures.

Ladies and Gentlemen,

let me now briefly explain our E.ON Energy Trading.

As you remember, we announced on our Analysts and Investors Conference on May 31st, 2007 that we would bundle the already existing groupwide trading activities under one new market unit Energy Trading.

With this measure we target an additional value up to 400 million Euros from all our trading activities by 2010.

Since January 1st, 2008 E.ON Energy Trading has been established in Düsseldorf and the migration of existing activities across Europe is underway.

I would like to emphasize, that the reorganization of our trading activities has no impact as far our general hedging strategy is concerned. As before, any changes of the hedging strategy are decided in conjunction with the Corporate Center and are reviewed on a periodical basis.

What has changed is the assignment of internal responsibilities as shown on Chart 4.

The entire commodity price risk for the hedged positions as well as the open positions within 3 years – current year and the following two years – are now transferred to Energy Trading. The only risk which remains at the respective market units is the asset availability, for example the reliability of the power plants.

Furthermore, responsibility for risks related to asset investments and long term commodity price risk management as part of long term contracts beyond the 3 year period still remains with the respective market units as was the case before.

Because the short term commodity price risk is transferred to Energy Trading from the market units via an internal transfer pricing mechanism, all EBIT volatility as a result of changes in commodity prices is now transparent within Energy Trading and no longer included within the other market units.

In short, the overall impact on the Group's adjusted EBIT remains the same.

On Chart 5 we show with an example how the commodity risk is transferred from the market units to Energy Trading.

The transfer price is basically determined on a yearly average generation price based on expected price curves and volumes. These price curves are calibrated to observable market developments.

Once the transfer is done, Energy Trading takes the whole commodity risk within the next three years.

Energy Trading therefore centralizes the vast majority of the Group's commodity price risk. This enables Energy Trading to develop an optimized risk / reward strategy for the E.ON European commodity portfolio. I would like to stress that this clearly improves the transparency we have on the group's risk position and it has already allowed us to actually tighten some of the risk limits we had allocated before, in particular as it relates to proprietary trading.

Chart 6 evidences the seasonality effects within a year and shows how the imbalances between the internal transfers and sales into the wholesale market affect the Energy Trading's adjusted EBIT .

E.ON Energy Trading compensates via the transfer pricing mechanism the other market units on the basis of calculated hourly prices for power. In the winter months these purchases as well as other purchases from the wholesale market are typically higher than in the summer months. On the other hand forward hedging contracts are typically full year contracts at one flat price. This squeezes Energy Trading's margins in the first and last months of the year, while we see an offsetting increase in earnings during the second and third quarter.

This explains the loss of 80 million Euros shown by Energy Trading in the First Quarter of this year.

In the past these seasonality effects were only seen internally within the respective market units. However these effects are now visible externally. I would like to point out, that during the course of the year these mismatches should balance out.

To summarize, we have already begun to work on implementing changes that will release future additional value and synergies brought about by the creation of the new unit Energy Trading.

Let me now come back to the First Quarter Results.

Group adjusted EBIT reported a slight decline by 36 million Euros to 3.3 billion Euros.

The main developments by market unit were as follows:

Central Europe's adjusted EBIT increased by 12 percent to 1.6 billion Euros.

At this point, I would like to emphasize that for further transparency in **Central Europe West** we now disclose by non-regulated and regulated business.

Whilst the **non-regulated business** includes the power generation and power and gas sales activities, the **regulated business** comprises power transmission, as well as power and gas distribution networks.

Central Europe West Non-regulated was the major contributor with an improvement of about 9 percent. The main items were:

- Positive power transfer price effects of 281 million Euros, of which only about 80 million Euros are effective at Group level,
- The transfer of activities to the new market units Energy Trading, Climate & Renewables and Italy had a positive net effect of 127 million Euros.

These effects were partially compensated by

- The burden from the continuing outages of the jointly-owned nuclear power plants Krümmel and Brunsbüttel totalling 116 million Euros, and
- Higher fuel and power procurement costs of 89 million Euros.

Further positive contributions to Central Europe's adjusted EBIT came from:

- **Central Europe West Regulated**, due to higher contribution from the gas business as a result of colder weather conditions compared to last year contributing with 10 million Euros, and from
- **Central Europe East**, related to higher power gross margins in Hungary mainly due to higher electricity prices and positive regulatory effects amounting to 44 million Euros.

Pan-European Gas adjusted EBIT decreased by 10 percent on a year-to-year basis to 1.0 billion Euros.

The main reasons for this decline were as follows:

- the downstream business was adversely affected by the absence of book gains from the divestments of Thüga's participations in 2007 of 55 million Euros.

Another adverse effect was the transfer of the Thüga Italy Group to the new market unit Italy this year amounting to 23 million Euros.

- The midstream business was affected by the unfavourable gas procurement cost development due to the correlation with increasing oil prices. Any pass-through into the downstream market will come with a time delay given how the purchase and sales contracts are structured. In addition, intense market competition led to negative price effects. These together had a negative impact of 130 million Euros.

These effects were mitigated by:

- Firstly, 63 million Euros higher contributions from the expansion of oil and gas production in the upstream segment, and
- Secondly, 24 million Euros contribution from the favourable storage valuation due to lower average gas prices for storage withdrawal compared to higher gas procurement prices in the midstream business.

The adjusted EBIT of the market unit **U.K.** decreased by 38 percent to 269 million Euros.

The decline, which is related to the non-regulated business, is caused by:

- Lower retail power and gas margins compared to the exceptionally high First Quarter 2007 margins. This causes a decline by 139 million Euros. In this context we would like to remind you that our recent announced prices have not been effective for the full quarter.

- Hence, this effect should be mitigated over the rest of the year after the price increase of 15% for gas and 9.7% for power effective as of February 8th, 2008 driven by a sharp rise in energy wholesale costs.
- Wholesale costs have gone up by 60 percent for gas and 88 percent for electricity since February 2007, when E.ON announced the lowering of prices for its residential customers.
- Another negative impact was the appreciation of the Euro against British Pound amounting to 18 million Euros.

The transfer of activities to the new market units Energy Trading and Climate & Renewables had a positive net effect of 21 million Euros.

Nordic's adjusted EBIT increased by 23 percent to 353 million Euros. The main contribution came from non-regulated business due to increased market-based transfer prices for generation volumes.

The adjusted EBIT of **U.S. Midwest** increased by 5 percent to 98 million Euros. This increase is attributable to higher retail power and gas margins due to the timing of fuel and gas cost recoveries from customers, partially offset by the stronger Euro.

The new market unit **Energy Trading** reported a loss of 80 million Euros.

As explained earlier this is fully in line with our expectations and primarily due to the seasonal earnings development.

Now I will refer to the **net income attributable to shareholders of E.ON AG**, which decreased by 32 percent to 2.1 billion Euros. These are the main changes:

- **Adjusted net interest income** declined by 100 million Euros reflecting the increase in financial indebtedness of the Group, resulting from the share buyback and implementation of the investment programs.

- **Net book gains** decrease from 885 million Euros to 294 million Euros, mainly due to the higher divestments of securities at Central Europe in the First Quarter 2007.
- **Other non-operating income** showed a significant decline from 471 million Euros to 33 million Euros. The main effect was attributable to the lower result of the positive mark-to-market valuation of derivatives of 433 million Euros as of March 31st, 2007.

Adjusted net income decreased by 7 percent to 1.8 billion Euros due to the lower net interest income. However, our extensive investment pipeline will improve earnings over time.

Now, I will refer to the development of **Group cash flow**. The cash flow provided by operating activities reported an increase by 8 percent to 2.6 billion Euros. The main developments on a market unit level are in several cases of limited comparability but can be summarized as follows:

- **Central Europe's** rise by 1.4 billion Euros to 1.9 billion Euros was mainly attributable to outstanding payments to E.ON Energy Trading of 1.1 billion Euros. Hence, this is just an internal effect. Improved working capital and higher power margins, however, also contributed positively. These factors were partially offset by the outages of the nuclear power plants.
- **Pan-European Gas** decreased significantly by 619 million Euros to 1.2 billion Euros, which was mainly related to lower withdrawals from gas storage and higher internal tax allocations.
- **U.K.** increased by 353 million Euros to 384 million Euros mainly due to improvements in debtor days in the retail business by 175 million Euros and seasonal effects from commodity purchasing contributed with 186 million Euros.
- **Energy Trading** showed a negative cash flow of 1.5 billion Euros. The reason is a temporary effect related to internal payments from the other market units, mainly Central Europe as I mentioned before.

Investments increased by 72 percent to 2.0 billion Euros, mainly due to higher investments in power generation across the Group. The total share investments amounted to 445 million Euros.

Our **economic net debt** slightly improved in the First Quarter of 2008 by 410 million Euros to 23.7 billion Euros: Investments of 2.1 billion Euros and share buybacks of 0.7 billion Euros were slightly overcompensated by cash provided from operating activities of 2.6 billion Euros and changes in pension provisions of 600 million Euros.

The change in provisions resulted from a lower valuation of the benefit obligations as a consequence from an increase of the discount rates in Germany from 5.5 to 6 percent and in U.K. from 5.8 to 6.7 percent.

Given our significant investments in organic growth as well as the acquisition of Enel and Acciona participations, the economic net debt will clearly increase until the end of the fiscal year.

Ladies and gentlemen,

Let me now discuss the **outlook** for the full year 2008.

As I mentioned on our last conference call, our outlook for this year remains unchanged. We continue to expect **Group adjusted EBIT** to be 5 – 10 percent higher than in 2007. The consolidation of Enel and Acciona participations, operational improvements from the power business, and ongoing implementation of efficiency measures will lead to this expected increase.

At this point I would also like to remark, that our target to achieve an adjusted EBIT of 12.4 billion Euros in 2010 remains unchanged.

For the full year 2008, we expect the adjusted net income to be slightly above the 2007 level: Higher operating results will be partially compensated by higher interest expenses.

Ladies and Gentlemen,

at this point let me update you on our **share buyback** program announced on May 31st of last year. Up until now, we have bought back **36** million shares worth approximately **4.5** billion Euros of which **25** million shares have already been cancelled.

In addition, we have sold put options on **13.5** million of our own shares. The exercise price is between 108 and 117 Euro per share.

We would like to remind you, that we will have bought back an equivalent of additional 3.5 billion Euros in 2008 completing our 7 billion Euros program by November 3rd, 2008. These additional bought-back shares will also be cancelled.

Finally, I would like to give you an update on our **funding program** which we started last autumn. After we had already issued an equivalent of nearly 6 billion Euros by the end of 2007, we successfully pursued our funding program in 2008. We placed to date an additional total amount of nearly 6.5 billion Euros of bonds and promissory notes in the international capital markets, raising the overall volume we issued since October last year to approximately 12.5 billion Euros. In addition, our financing activities are complemented by an increasing use of commercial paper.

Two prominent transactions that were both carried out in April 2008 were our debut transaction in the US debt capital markets with an overall amount of 3 billion USD as well as the launch of another Euro benchmark bond which had a total volume of 2.5 billion Euros.

Throughout our funding program we received a high demand for our bonds and promissory notes, which demonstrates that we are seen as an attractive and reliable issuer among investors.

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