



E.ON AG Capital Market Day

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Presentation

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Chairman of the Board of Management and CEO

Please check against delivery

Good morning ladies and gentlemen, and welcome to our 2003 annual results and capital markets day, where we will be presenting you with the first Annual Results of the new E.ON Group.

This is a very special and unique day, as we will not only be presenting our results, but providing, for the first time, a learning forum to investors and analysts alike.

Before Mr. Schipporeit provides a detailed look at our 2003 financial performance, I would like to concentrate on three main issues:

- our financial performance in 2003
- the past year's strategic achievements, and finally
- our challenges going forward.

In terms of our 2003 **financial performance**, I would like to just briefly touch on some key figures.

- Group EBIT rose 34 percent from 4.6 to 6.2 billion Euros
- Internal Operating Profit increased by 20 percent from 3.8 to 4.6 billion Euros
- Group net income rose 67 percent from 2.8 to 4.6 billion Euros
- Free cash flow which we had targeted for an average growth of at least 2.4 billion Euros per annum in our medium-term plan, grew to 2.9 billion Euros and finally,
- Our value indicator ROCE improved to 9.9 percent, which is above our cost-of-capital of 9.5 percent before taxes.

In light of our 2003 financial performance and in line with our stated goal of increasing our dividend by double-digit growth rates on average, we will propose paying a dividend of 2.00 Euros per share at our Annual Shareholder's Meeting on April 28th.

This equates to a 14 percent increase over 2002 and a total payment of 1.3 billion Euros, once again placing us in the top tier of German companies.

Thus, our 2003 financial performance demonstrates that E.ON, with its clear concentration on the electricity and gas business and selective acquisitions in core markets is now bearing fruits.

Now, let's talk about our **strategic achievements** in 2003.

In 2003, E.ON realized a key step towards our successful transformation from a conglomerate to a focused power and gas company.

Through the acquisition of Ruhrgas, we strengthened our position in the European gas market and found a partner to complement our existing downstream activities. As in our traditional power business, we now cover all segments of the natural gas value chain.

Based on this foundation, we started the on.top project to give the Group a coherent strategy and structure and set new mid-term performance targets.

It was only 10 months ago that I first spoke to you about the start of this new period at E.ON. Our presentation back on May 15th was titled "New Energy – off to a flying start", and that is exactly what we did.

We defined a new framework which:

- confirmed our strategy,
- set ambitious performance targets,
- redefined our organizational structure through integration, and
- developed new leadership initiatives.

Under the on.top project, we continued to make progress on our focus and growth strategy. We successfully and rapidly divested non-core assets as well as assets associated with our Ruhrgas acquisition. We achieved proceeds from all these disposals in 2003 amounting to approximately 4.6 billion Euros with substantial book gains of around 2.2 billion Euros.

The only non-core assets left in our portfolio now are the remaining shares in both Degussa and telecom company One in Austria, and Viterra.

While we continued to divest our non-core assets, we were watchful not to lose sight of our focus to strengthen our positions in our core markets.

The past year saw E.ON Energie successfully expand its presence in Central European downstream markets. In addition to our already respectable share of power and gas distribution in Hungary, E.ON Energie was able to expand its presence in the Czech Republic by gaining majority shareholdings in two regional distributors JME and JCE.

In the UK market, Powergen announced the acquisition of Midlands Electricity last year, which was recently finalized. On the back of Powergen's successful integration of TXU, we implemented the rapid merger and realization of operational synergies between Midlands and East Midlands which will operate under the name Central Networks.

In the Nordic market, Sydkraft was able to increase its shareholding in Gräninge, the fourth biggest utility in Sweden. Sydkraft now holds 97.5 percent of Gräninge and has commenced the squeeze out process.

These acquisitions clearly show the future direction of our growth strategy. More specifically – we will only make acquisitions that will complement our existing activities and/or expand our market positions and offer synergy potentials.

Now I would like to turn to what lies ahead for the E.ON Group in 2004 and **going forward**.

We will undoubtedly be faced with a number of challenges which will be:

- First, pursuing selective acquisitions in core markets within our strict financial criteria
- Second, developing new potentials in Italy and Russia
- Third, conforming to regulatory issues in the electricity and gas sectors as well as National allocation Plans for CO2 requirements, and
- Fourth, creating a new groupwide E.ON Identity.

As you already know, in our core markets, we have already achieved leading positions. As such, big acquisitions are not on the agenda. The priorities lie fully on organic growth, growth through selective small and medium-sized acquisitions in our core markets and more importantly – on performance.

To improve performance, E.ON Energie has initiated a new optimization program under the "best practice" umbrella, in which all East European subsidiaries are taking part. This program aims to realize further efficiency gains within individual domestic markets as well as cross-border activities and will be supported by the exchange of experiences in market liberalization.

In Eastern European markets, using our widespread distribution activities in Hungary and the Czech and Slovak Republics as a base, we are moving forward in the privatization process in the Bulgarian electricity sector as well as for gas distribution in Romania.

In the UK market, we have important strategic challenges driven by tightening environmental controls and the decline in UK gas production. We will therefore seek to rebalance our power portfolio towards lower carbon intense generation and secure access to flexible gas supplies.

The expected rebalancing of the UK gas market opens opportunities for Ruhrgas to increase its gas supply in the UK. Working together with Powergen, we plan to make investments in storage facilities, as well as in the interconnection capacity between Belgium and the UK. In addition, Ruhrgas is also reviewing how a stake in the planned import pipeline (BBL) between the UK and the Netherlands may compliment this.

Turning to the Nordic market, Sydkraft's priority lies on integrating the recent acquisition of Graninge. Also, we are keeping our eyes open for potential acquisitions in production and distribution in the Nordic region as we strive to further strengthen our market position over the long-term.

Furthermore, Ruhrgas and Sydkraft are already evaluating opportunities to supply gas to Sweden which at present is predominantly supplied by Denmark.

In the US market, the priority lies in improving performance at LG&E and Kentucky Utilities, partially through the recently applied for rate case increases.

Alongside our on.top target markets, we named Russia and Italy as potential new markets.

Based on more than 30 years of excellent relations with Gazprom, we are already active in long-term gas supplies from Russia. In general, we view an increase in our Russian activities positively, due to the strategic relevance of this market and see growth opportunities in both the power and gas sectors.

Here we will primarily focus on commercially viable upstream projects since downstream business is characterized by low domestic prices. We have started the process to concretely evaluate a number of projects. We will keep you informed of the outcome and our strategy going forward for Russia within the next few months.

As far as Italy is concerned, we already have a 5 percent market share in retail gas distribution. We are planning further expansion of our position not only in the gas distribution business, but also in power production and gas imports as well.

We have already taken several steps to acquire small gas distribution companies in the northern part of Italy and will continue to seek expansion to increase our retail gas distribution market share.

Ruhrgas is also building-up its gas portfolio to supply its subsidiary Thüga-Italia as well as possible power plants, using imports via Austria and Switzerland or LNG from Italy itself for these purposes.

While we continue to shape our Group through various activities in the European market, there are other issues in 2004 that will present new challenges.

This includes the plans for the regulation of the German power and gas markets and the National Allocation Plan for emission certificates. On both issues, we are working close with the respective Governmental bodies to finalize the legislation for a functioning regulatory framework.

At this moment, I will not go into details as my colleagues Mr. Bergmann and Mr. Elsässer, who are personally involved in this process, will further highlight these important issues later this morning.

Finally, I would like to mention another important challenge for our continued success, namely creating a new groupwide E.ON Identity, to carry our company message both inside and outside the E.ON Group.

The cornerstones of this identity are our vision, mission, values and behaviors along with our company strategy.

We will be implementing these various elements of the new E.ON Identity by integrating all employees within our market units. We expect this process to be rolled out this summer.

To sum up,

2003 was a year of great progress in achieving strategic and financial objectives supported by our on.top agenda.

We showed strong financial performance in our 2003 results by achieving a ROCE of 9.9 percent, well above our cost of capital and an EBIT of 6.2 billion Euros. Bearing in mind, that our adjusted EBIT target of 6.7 billion Euros in 2006 does not include any contributions from Degussa and Viterra, we still have an ambitious target of achieving further 1.1 billion Euros by 2006, compared to 2003.

As far as our operational improvement program of 1.0 billion Euros is concerned, we are ahead of the schedule by already achieving 270 million Euros in cost saving in 2003.

As part of this savings program, we estimated one-off costs of 430 million Euros over a three year period. In 2003, we already realized 239 million Euros of this amount. In addition, E.ON Energie took additional early retirement measures at E.ON Grid and E.ON Kraftwerke amounting to 240 million Euros, bringing total one-off costs of 479 million Euros for the year.

These restructuring measures form the basis for operational improvements. Therefore, we are convinced we will reach our target in operational improvements of at least 1 billion Euros by 2006.

This, combined with cost-cutting programs well on course, gives us confidence that we will achieve our 2006 targets of a ROCE of at least 10.5 percent and an adjusted EBIT of 6.7 billion Euros by 2006.

The expected strong financial performance means that our shareholders will benefit from the commitments we have made regarding the dividend, and that is, double-digit growth rates on average per annum, and an increase in our payout ratio to about 50 percent of net income by 2006.

Ladies and Gentlemen,

In short - we have delivered what we promised and look forward to continuing on this path in 2004 and beyond!

Thank you for your attention.

I would now like to pass the microphone to my colleague Mr. Schipporeit.

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