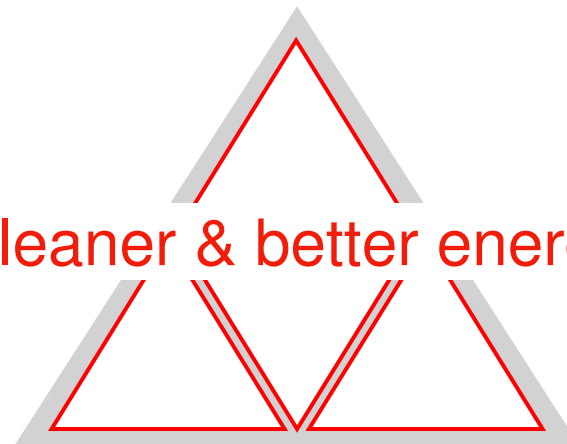


# E.ON Debt Investor Update Call

Dr. Marcus Schenck, CFO  
May 21, 2012

Cleaner & better energy

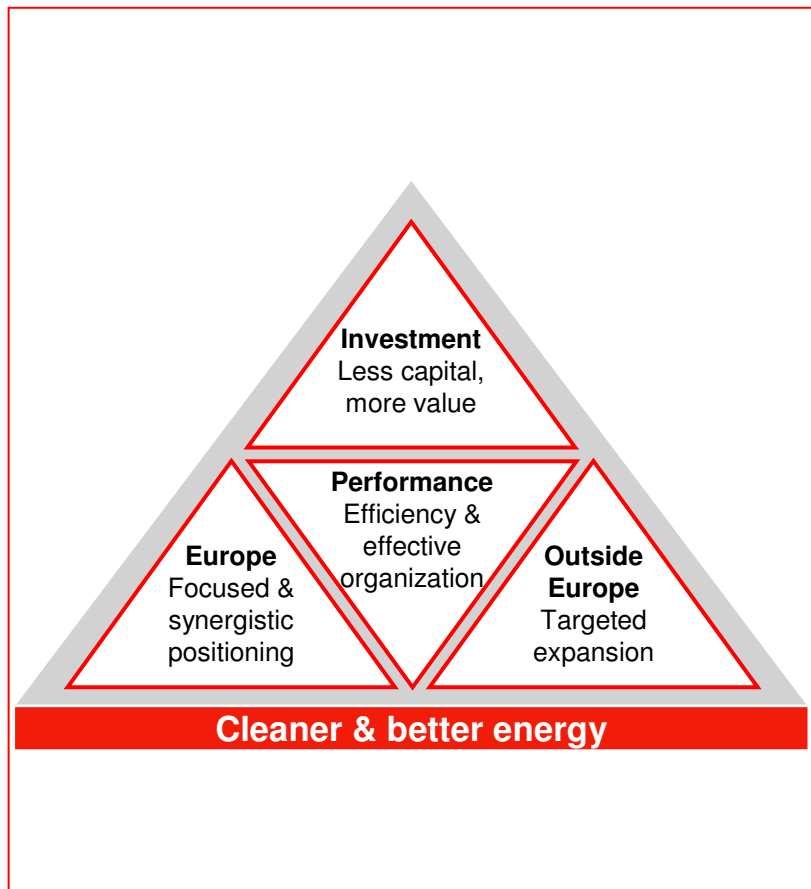


# Agenda

**Update on strategy**

**Financial update**

# Key drivers of E.ON's transformation



## Five key drivers

- 1 Divest non-core assets
- 2 Safeguard financial strength
- 3 Expand in targeted growth areas
- 4 Increase efficiency, improve organization
- 5 Improve capital management

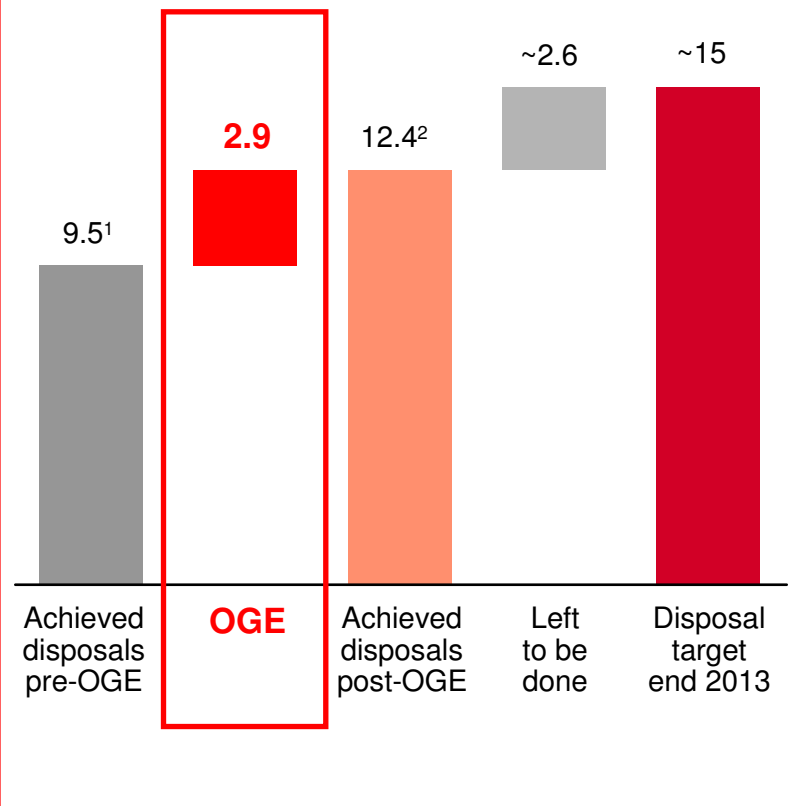
Position E.ON for the future

**e-on**

# 1

## Divest non-core assets

### Disposal target and delivery



1. Thereof €0.4bn signed but not yet closed

2. Thereof €3.3bn signed but not yet closed

3. Assuming an interest rate of 4.5%

### Transactions

#### Recently signed

- OGE for € 2.9 bn EV

#### Other key transactions

- Central Networks for €4.8bn EV
- 3.5% stake in Gazprom for €3.4bn
- Italian gas distribution network for €0.3bn EV
- 40% stake in HSE for €0.3bn
- 10 other transactions for ~€0.7bn: 10% in Stadtwerke Karlsruhe, 20% in Stadtwerke Duisburg, Robin Rigg OFTO, E.ON Bulgaria, etc

#### Potential disposal candidates

- E.ON Energy from Waste
- E.ON Westfalen Weser

More than 80% of €15bn disposal target already achieved

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# 1

## Disposal of Open Grid Europe

### Key transaction parameters

#### Rationale of transaction for E.ON

- Focus on businesses in Europe with synergy potential across businesses and regions
- Very limited control over OGE due to ITO<sup>1</sup> requirements of third EU energy directive
- High investment obligations

#### Buyer

- Consortium with experience of German regulated assets - stakes in Amprion and Thyssengas
- 24.11% Macquarie, 18.75% MEAG, 32.15% British Columbia Investment Management Corp, 24.99% Infinity investments (ADIA subsidiary)

#### Closing

- Expected in Q3 2012

1. Independent Transmission Operator

### Valuation

#### Transaction price

- ~€2.9bn consideration which, including adjustments for pensions and other assets, will result in a purchase price at closing of ~€3.2bn<sup>2</sup>
- ~€2.9bn enterprise value

#### Transaction multiples

- 2013E EBITDA = €0.3bn ➔ EV/EBITDA = 10x
- Book value = €3.2bn ➔ P/B = 1.0x

#### Planned contribution of OGE to E.ON

€bn	2011A	2012E	2013E
<b>Net sales</b>	1.2	0.9	0.9
<b>EBITDA</b>	0.4	0.3	0.3
<b>EBIT</b>	0.2	0.2	0.1

2. Purchase price could be adjusted depending on date of closing

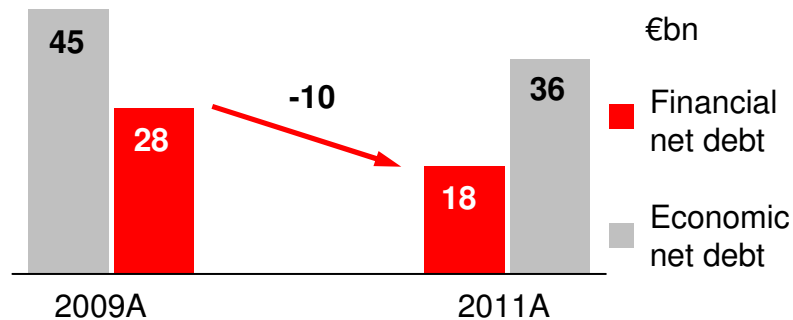
Attractive disposal to experienced buyer



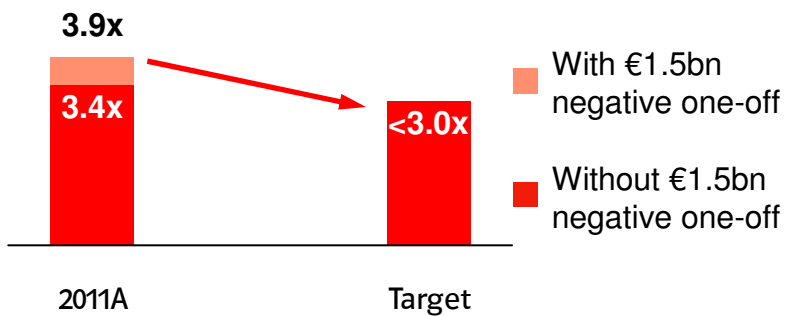
## 2

# Safeguard financial strength

### Debt significantly reduced



### Debt factor



### Comfortable liquidity position<sup>1</sup>

- Strong liquidity position
  - €10.6bn of liquid funds & non-current securities
  - Undrawn €6.0bn revolving credit facility
  - €10bn + \$10bn commercial paper programs
- No near-term refinancing needs: upcoming bond maturities do not require funding activities in 2012
- Long-term and well-balanced debt maturity profile
- Effective duration of issued bonds: 6.8 years

Regaining financial flexibility

e-on

1. Data as per Q1 2012

### 3 Expand in targeted growth areas

#### Entry strategy

Focus on conventional and on renewable generation

Highly disciplined investment approach focused on organic development

Cooperate with blue chip local partner to combine own expertise with local market know-how

Limit commodity exposure through business model design

#### Agreement with MPX

- Economic interest in **3.7 GW of conventional power plant projects**
- Clear ambition to expand in **renewables**
- Limited upfront investment to acquire 10% of MPX
- **Large project pipeline** in JV
- MPX is a division of the **Eike Batista's EBX Group**, with businesses in power generation, coal mining and natural gas E&P in South America
- In PPA framework, system carries commodity price and volume risks
- Generator manages remaining operational risks



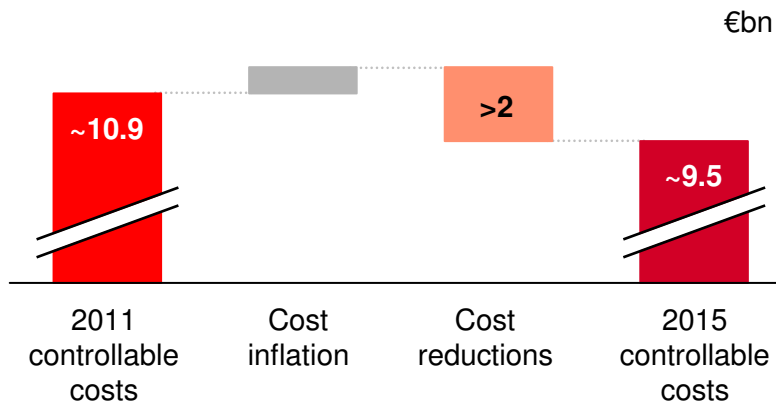
Agreement with MPX fulfills all criteria of announced entry strategy

e-on

# 4

## Increase efficiency, improve organization

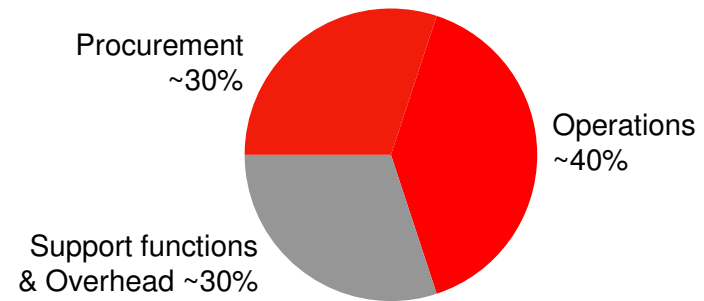
### Controllable cost target



- Target of reducing controllable costs to €9.5bn in 2015
- Cost reductions to also compensate for cost inflation

### Progress

#### Breakdown of cost reductions



- 50+ individual projects launched
- Not only cost savings, but also better and faster decision making
- Framework agreement with German labor unions reached in January

E.ON 2.0 program: implementation now in full swing

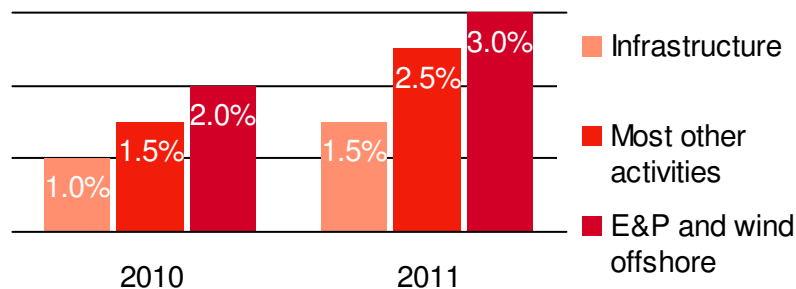




# 5 Improve capital management

## Increase return requirements

Spread between hurdle rates and cost of capital



## Change business approach

### Renewables: 'Build Operate Share' approach

- Rotate capital faster
- Offer world-class O&M services

### Outside Europe: Partnering

- Combine know-how of both partners
- Expand investment opportunities by sharing capex

## Disciplined capital management

- Higher hurdle rates will make approval of investment projects more selective
- Build-Operate-Share approach to offer interested outside investors a stake in renewable projects to mitigate capital intensity
- Full ownership not necessarily aspired
  - ➔ However, low risk income from operation targeted
- Partnering outside Europe to de-risk market entry and benefit from local know-how

Disciplined capital management drives long term performance

# Agenda

**Update on strategy**

**Financial update**

# E.ON Group – FY2011 financial highlights recap

In € million

	2011	2010	+/- %
Sales	112,954	92,863	+22
EBITDA <sup>1</sup>	9,293	13,346	-30
EBIT <sup>1</sup>	5,438	9,454	-42
Underlying net income <sup>1</sup>	2,501	4,882	-49
Operating cash flow	6,610	10,614	-38
Investments	6,524	8,286	-21
Economic net debt <sup>2</sup>	-36,385	-37,701	+1,316

2011 marked earnings trough after hits from nuclear shut-down and LTC losses



1. Adjusted for extraordinary effects
2. Change in absolute terms

# Update on first quarter 2012 financials

## Q1 2012 Financial highlights

- EBITDA<sup>1</sup>: +9% to €3.8bn
- EBIT<sup>1</sup>: +10% to €2.8bn
- Underlying net income<sup>1</sup>: +27% to €1.7bn
- Underlying EPS<sup>1 2</sup>: 0.87 €/share
- Operating cash flow: -51% to €0.4bn
- Economic net debt: €-1.2bn to €-37.6bn (heavily impacted by increase in pension provisions from discount rate changes and e.o. tax effects)

## Outlook

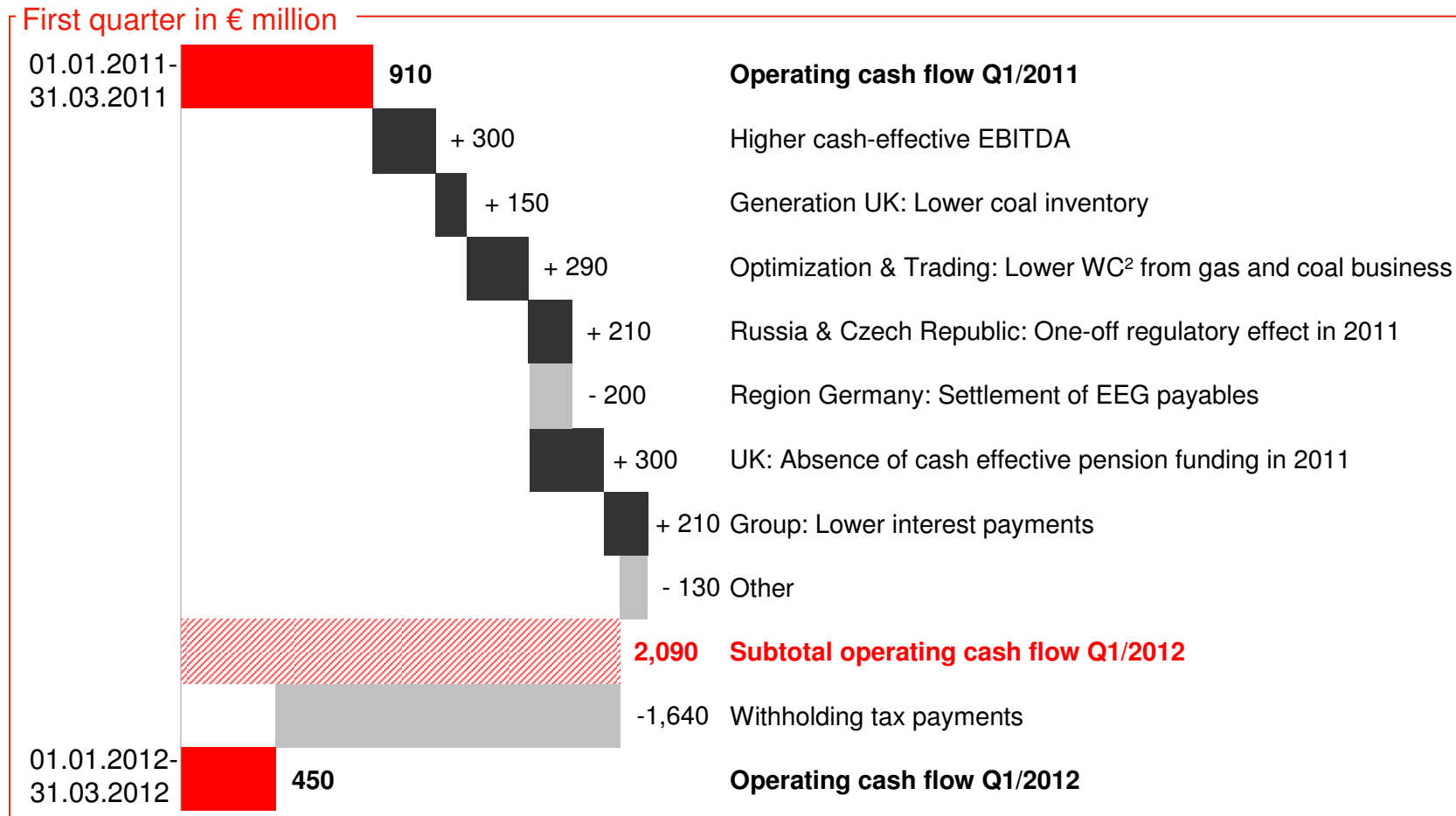
- Outlook 2012:
  - EBITDA<sup>1</sup>: €9.6bn – €10.2bn (unchanged)
  - Underlying net income<sup>1</sup>: €2.3bn – €2.7bn (unchanged)
- 2013 & 2015: Unchanged

**Positive start into 2012**

1. Adjusted for extraordinary effects

2. Based on number of shares outstanding (1.905 billion)

# Operating cash flow – Reconciliation<sup>1</sup>



**Impact of withholding tax payment to be fully recouped in H2**



1. Individual effects rounded  
2. Working capital

# Recap on recent achievements on Gas LTCs

## Status of LTC renegotiations

- ~2/3 of LTC volumes now renegotiated
  - Statoil: structural solution reached in March 2012
  - Other: aim to convert 'quick fixes' (substantial price reduction, but new price mechanism not finalized) into structural solutions
- Arbitration with Gazprom proceeding as planned - commercial discussions continue in parallel

## Outlook Supply & Sales

### 2011 results

- EBITDA loss of ~€0.7bn
- Includes ~€0.3bn optimization gains and some retroactive compensation for Q4 2010

### 2012 outlook

- Assumption of an EBITDA loss similar to 2011
- Upside potential if there is any further renegotiation progress

### 2013 target

- Return to normal level assumed for operational Supply & Sales business
- Upside potential if retroactive compensation for previous periods

**~2/3 of LTC volumes already renegotiated**

The logo for E.ON, consisting of the lowercase letters 'e-on' in a white, sans-serif font on a red rectangular background.

# 2012/2013 Outlook overview

In € billion

2012	2013
<ul style="list-style-type: none"> <li>• EBITDA<sup>1</sup>: <b>9.6 – 10.2</b></li> <li>• Underlying net income<sup>1</sup>: <b>2.3 – 2.7</b></li> <li>• Underlying EPS<sup>1</sup>: <b>1.2 – 1.4 €/share</b></li> <li>• Dividend: <b>1.10 €/share</b></li> </ul>	<ul style="list-style-type: none"> <li>• EBITDA<sup>1</sup>: <b>11.6 – 12.3</b></li> <li>• Underlying net income<sup>1</sup>: <b>3.2 – 3.7</b></li> <li>• Underlying EPS<sup>1</sup>: <b>1.7 – 2.0 €/share</b></li> <li>• Dividend: <b>≥1.10 €/share</b></li> </ul>

Scope basis for 2012/2013

	Planned (as per Nov. 2010)	Achieved (as per Aug. 2011)	Open (as per Aug. 2011)
<b>Disposal proceeds</b>	15.0	~9.1	~5.9
<b>2013 EBITDA dilution</b>	1.5 – 2.0	~0.9	~0.8

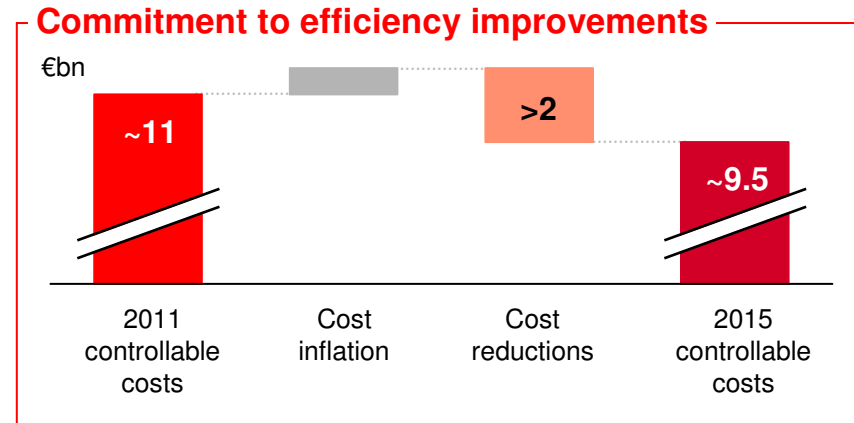
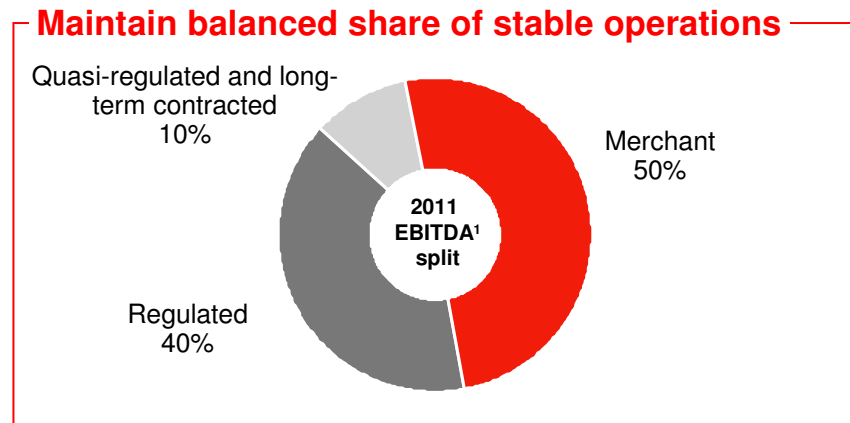
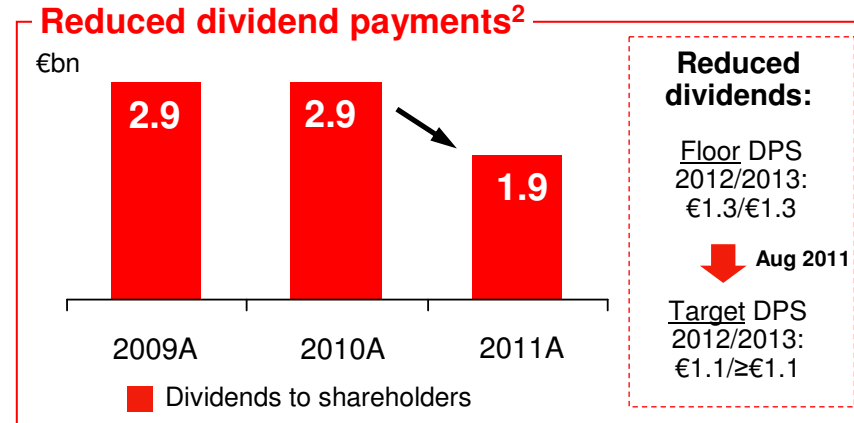
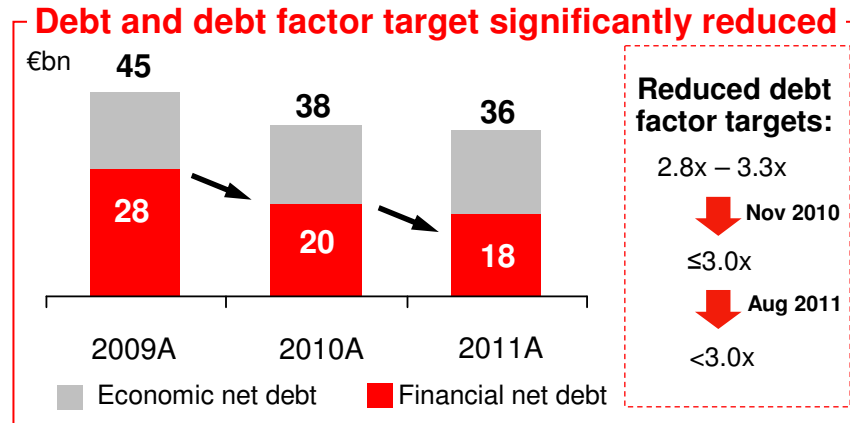
- Current guidance contains scope for achieved disposal as per August 2011
- Scope adjustment planned in due course

1. Adjusted for extraordinary effects

**Full dilution impact of ~€0.8bn from remaining disposals does not consider reinvestments**



# E.ON has taken massive efforts to support financial strength and...



...remains committed to a solid single A rating



1. Adjusted for extraordinary effects  
 2. For the respective financial year; 2011 as per management's proposal

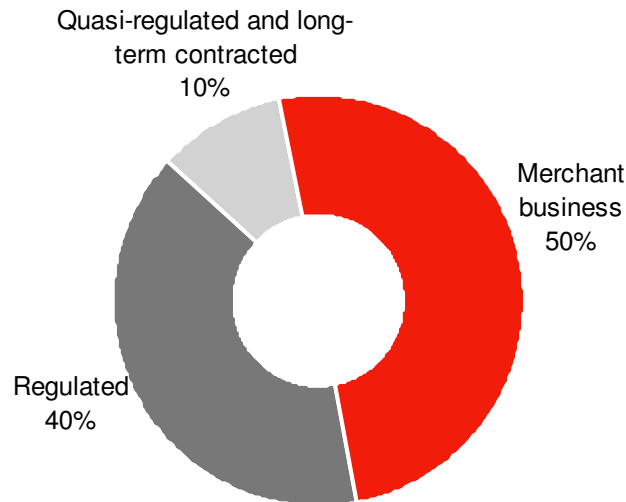


# Appendix



# Alternative EBITDA<sup>1</sup> split

## 2011 EBITDA<sup>1</sup> split



## Description

### Regulated :

- Revenues set by law and based on costs plus a reasonable return on capital employed
- Therefore extremely stable and predictable

### Quasi-regulated and long-term contracted:

- Revenues with high degree of predictability
- Price and/or volume largely set by law or individual contractual arrangements for the medium- to long-term
- Examples: Renewables with highly supportive incentive mechanisms; generating capacity sold under long-term PPAs

### Merchant:

- All of which does not fall under other two categories

Half of E.ON's 2011 EBITDA<sup>1</sup> derived from stable business

# E.ON Group –EBITDA<sup>1</sup> and EBIT<sup>1</sup> by segments

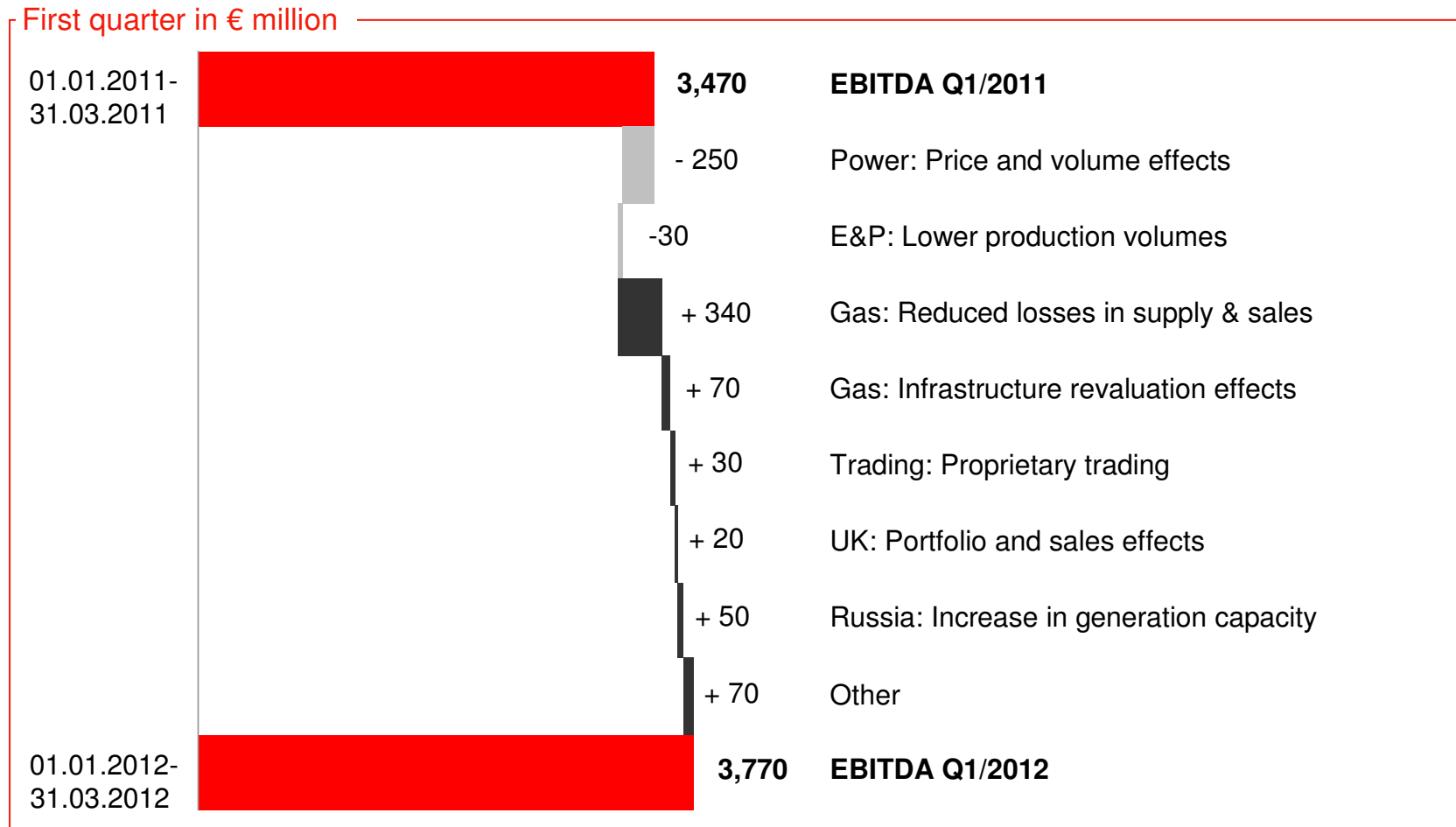
First quarter in € million

	EBITDA <sup>1</sup>			EBIT <sup>1</sup>		
	2012	2011	+/-%	2012	2011	+/- %
Generation	1,131	1,460	-23	916	1,250	-27
Renewables	379	396	-4	283	308	-8
Optimization & Trading	197	-369	-	125	-434	-
Exploration & Production	228	258	-12	134	186	-28
Germany	741	768	-4	519	549	-5
Other EU countries	911	941	-3	744	738	+1
Russia	200	153	+31	145	124	+17
Group Management / Other	-17	-137	-	-35	-153	-
<b>Group total</b>	<b>3,770</b>	<b>3,470</b>	<b>+9</b>	<b>2,831</b>	<b>2,568</b>	<b>+10</b>



1. Adjusted for extraordinary effects

# Key drivers of group EBITDA<sup>1,2</sup> Q1 2012 vs. Q1 2011



**Gas renegotiations with substantial positive impact**

1. Adjusted for extraordinary effects  
2. Individual effects rounded



# Ongoing reduction of financial liabilities

€ bn

	Q1 2012	2011	2010
<b>Reduction of total financial liabilities per period</b>	<b>1.0</b>	<b>2.6</b>	<b>5.3</b>
Regular repayments	0.1	2.1	3.5
Repayments prior to maturity <sup>1</sup>	-	2.4	1.1
Commercial paper	0.7	-0.9	-
Changes of financial liabilities to related companies	-	-0.7	1.5
Other effects <sup>2</sup>	0.2	-0.3	-0.8

- Significant reduction of financial liabilities achieved over recent years mainly stemming from regular as well as early repayments
- Reduction of gross financial debt continues in 2012



1. Includes bond repurchases (€1.8 bn) and repayment of promissory notes (€0.6 bn)  
 2. Including effects from disposals and currency effects

# E.ON Group – Economic net debt

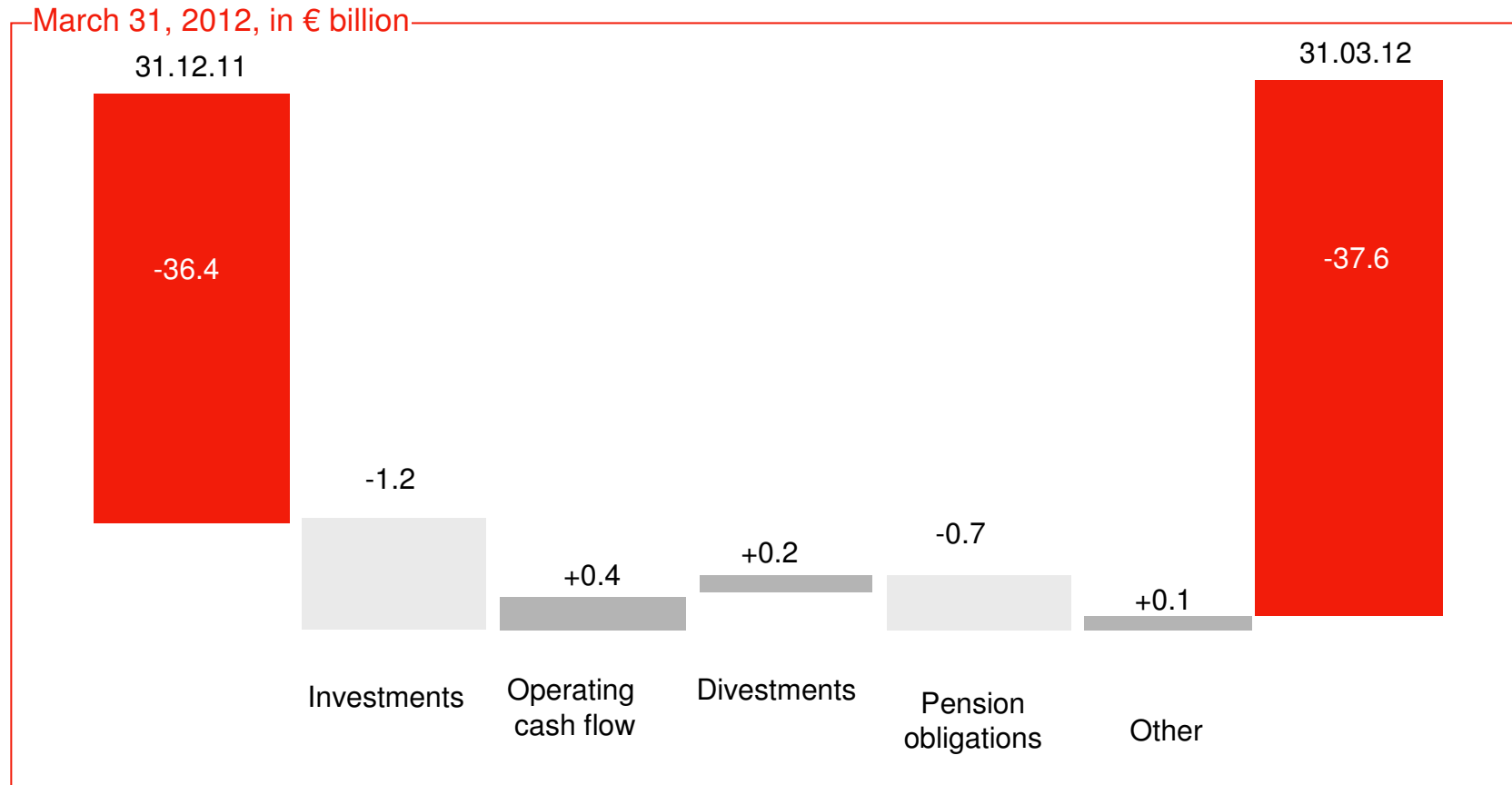
First quarter in € million

	Mar 31, 2012	Dec 31, 2011
Liquid funds	5,448	7,020
Non-current securities	5,165	4,904
<b>Total liquid funds and non-current securities</b>	<b>10,613</b>	<b>11,924</b>
Financial liabilities to banks and third parties	-27,484	-28,490
Financial liabilities resulting from interests in associated companies and other shareholdings	-1,451	-1,424
<b>Total financial liabilities</b>	<b>-28,935</b>	<b>-29,914</b>
<b>Net financial position</b>	<b>-18,322</b>	<b>-17,990</b>
Fair value of currency derivatives used for financing transactions <sup>1</sup>	364	524
Provisions for pensions	-3,921	-3,245
Asset retirement obligations	-17,359	-17,269
Less prepayments to Swedish nuclear fund	1,640	1,595
<b>Economic net debt</b>	<b>-37,598</b>	<b>-36,385</b>



1. Net figure; does not include transactions relating to our operating business or asset management

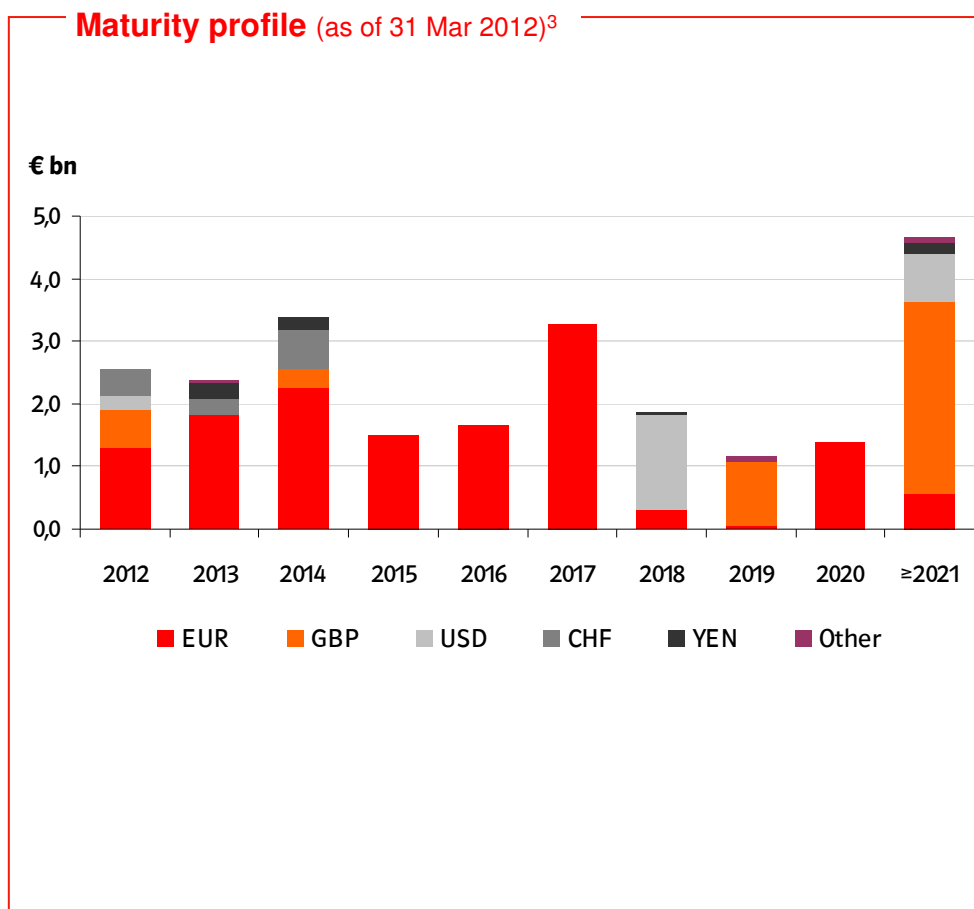
# E.ON Group – Economic net debt



# Financial liabilities of the E.ON Group

in € billion

	31 Mar 2012	31 Dec 2011
<b>Bonds<sup>1</sup></b>	<b>23.2</b>	<b>23.4</b>
in EUR	13.3	13.3
in GBP	5.0	5.0
in USD	2.5	2.6
in CHF	1.3	1.3
in SEK	0.3	0.3
in JPY	0.7	0.8
other currencies	0.1	0.1
<b>Promissory notes</b>	<b>0.8</b>	<b>0.8</b>
<b>Commercial Paper</b>	<b>0.2</b>	<b>0.9</b>
<b>Other liabilities<sup>2</sup></b>	<b>4.7</b>	<b>4.8</b>
<b>Total</b>	<b>28.9</b>	<b>29.9</b>



- 1) Thereof bonds issued by segments: March 31, 2012: €0.3bn; Dec 31, 2011: €0.3bn
- 2) Thereof other financial liabilities of segments: March 31, 2012: €3.2bn; Dec 31, 2011: €3.2bn
- 3) Bonds and promissory notes issued by E.ON AG or E.ON International Finance B.V. (fully guaranteed by E.ON AG)

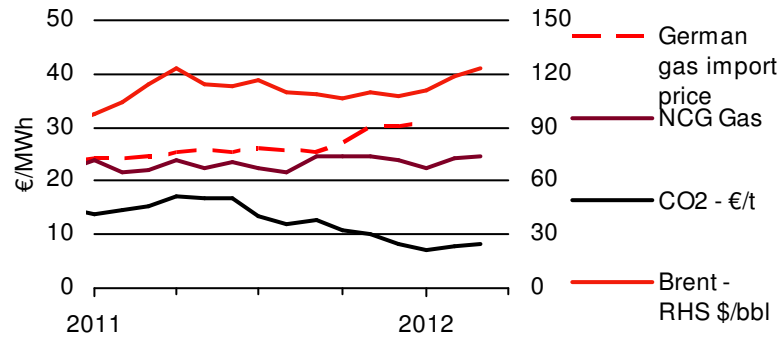




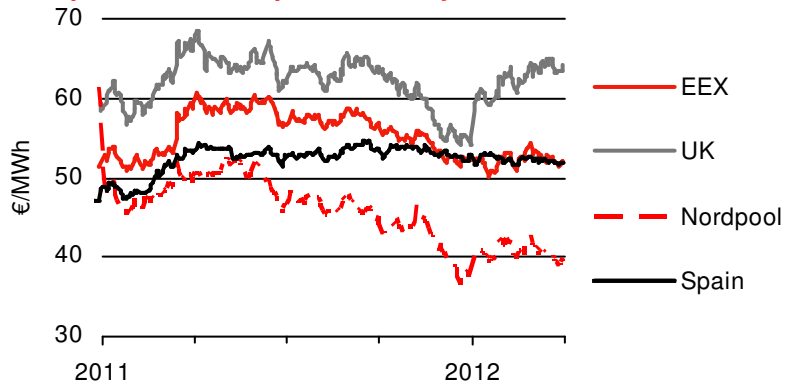
# Markets

## Energy markets

### Oil price and European gas prices

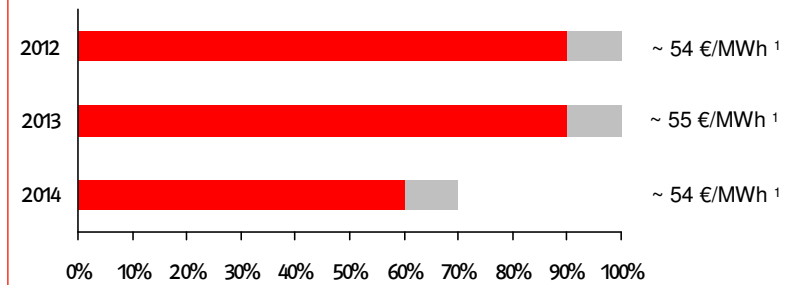


### European wholesale power - next-year baseload forwards

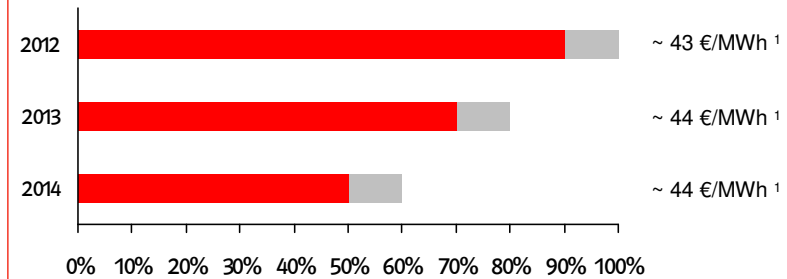


## Hedging (as per end March, 2012)

### Central Europe: Outright power hedging



### Nordic: Outright power hedging



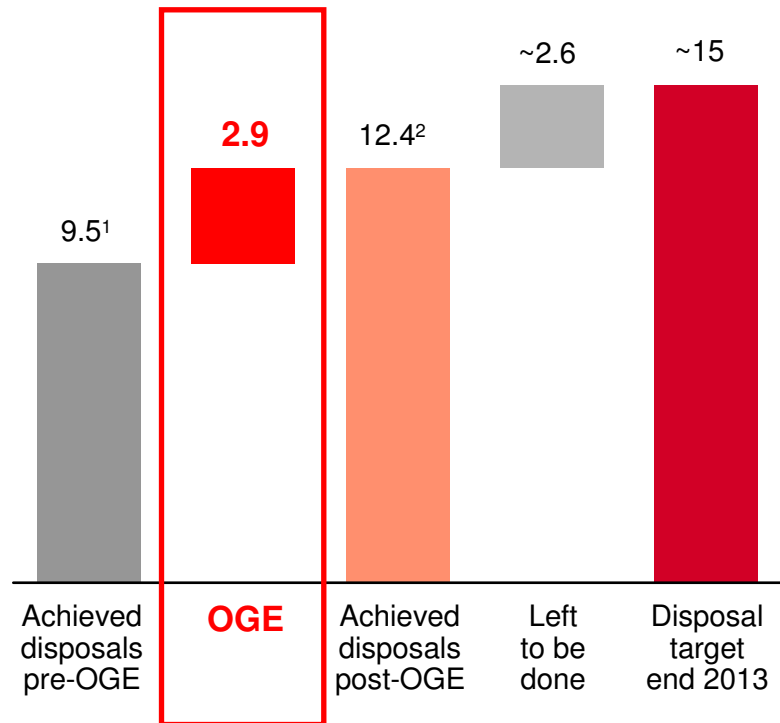
Legend: [Red bar] [Grey bar] = percentage band of generation hedged

Sideways development of commodities and power prices



# Progress of €15bn disposal program

## Disposal target and delivery



1. Thereof €0.4bn signed but not yet closed

2. Thereof €3.3bn signed but not yet closed

## Transactions

### OGE third largest transaction so far

- Central Networks: €4.8bn EV
- 3.5% stake in Gazprom: €3.4bn
- OGE: €2.9bn EV

### Financial impact of OGE disposal

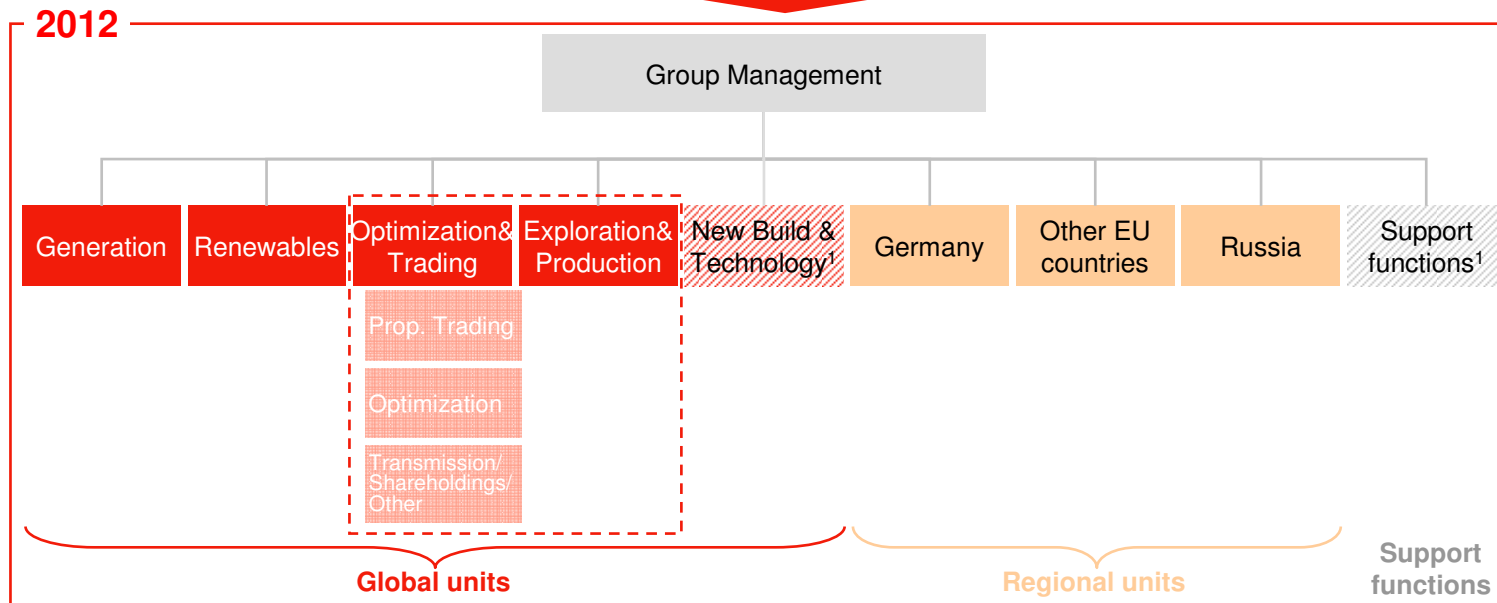
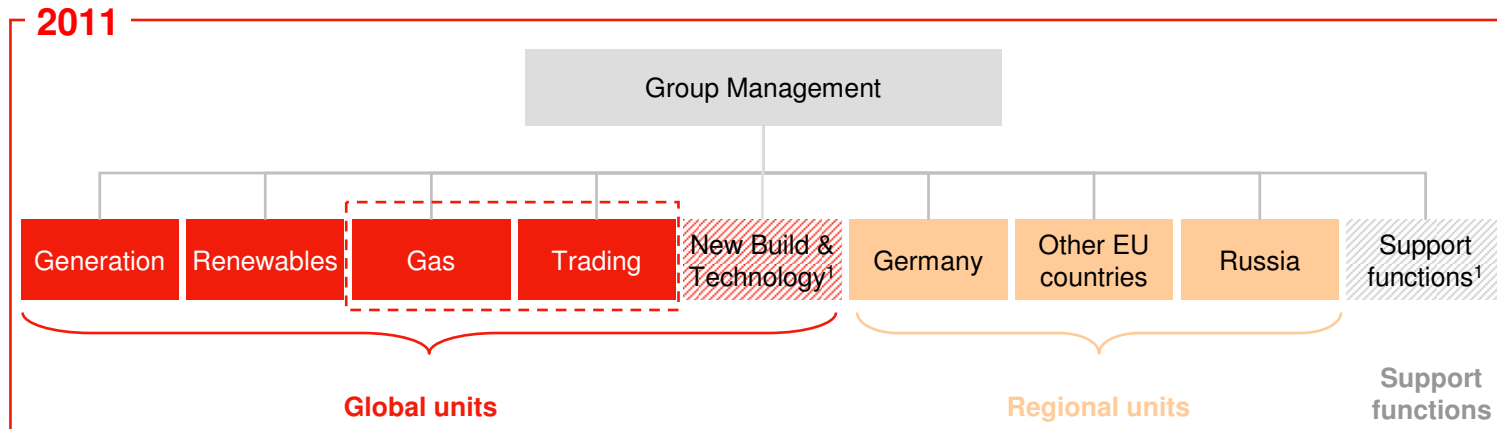
- 2013E EBITDA reduced by ~€0.3bn
- 2013E underlying EPS reduced by ~€0.01<sup>3</sup>
- 2013E debt factor reduced by ~0.2x
- No material book gain
- €9.1bn of disposals with €0.9bn EBITDA contribution already reflected in 2013E EBITDA target

3. Assuming an interest rate of 4.5%

**More than 80% of €15bn disposal target already achieved**

**e-on**

# Change in group structure as per Q1 2012



1. Not a reporting segment.

# E.ON Investor & Creditor relations

## Reporting calendar & important links

### Reporting calendar

<b>Date</b>	<b>Event</b>
August 13, 2012	Interim Report II: January – June 2012
November 13, 2012	Interim Report III: January – September 2012
March 13, 2013	Annual report 2012
May 3, 2013	2013 Annual Shareholders Meeting
May 6, 2013	Dividend Payment
May 8, 2013	Interim Report I: January – March 2013

### Important links

<b>Content</b>	<b>Link</b>
E.ON Creditor Relations Website	<a href="http://www.eon.com/en/investors/bonds.html">http://www.eon.com/en/investors/bonds.html</a>
E.ON Investor Relations Website	<a href="http://www.eon.com/en/investors/stock.html">http://www.eon.com/en/investors/stock.html</a>
Capital Market Stories	<a href="http://www.eon.com/en/investors/stock/capital-market-story.html">http://www.eon.com/en/investors/stock/capital-market-story.html</a>
Annual Report	<a href="http://www.eon.com/en/corporate/19886.jsp">http://www.eon.com/en/corporate/19886.jsp</a>
Interim Reports	<a href="http://www.eon.com/en/corporate/1022.jsp">http://www.eon.com/en/corporate/1022.jsp</a>
Facts & Figures	<a href="http://www.eon.com/en/corporate/1029.jsp">http://www.eon.com/en/corporate/1029.jsp</a>

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