



## „Delivering Profitable Growth and Performance“

May 2005

2006 major “on.top” targets achieved or even surpassed ahead of schedule

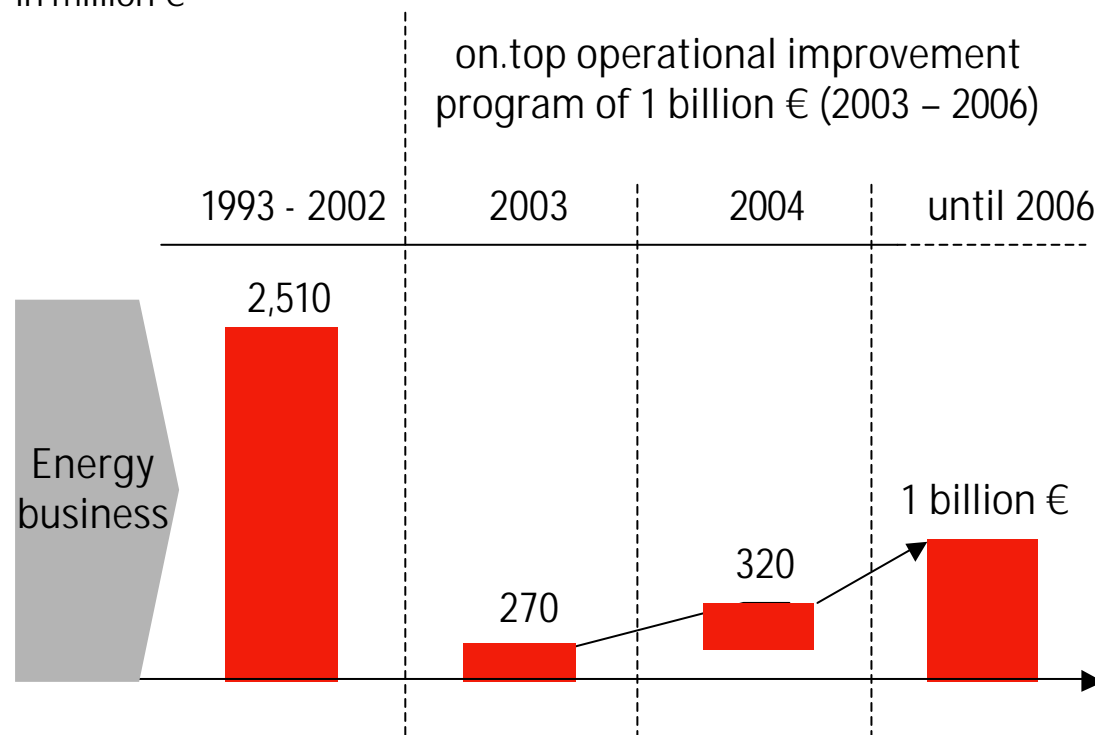
**2004 was an excellent year for E.ON**

- Adjusted EBIT of the energy business of at least 6.7 billion Euros achieved two years ahead of schedule
- Achieved operational improvements of 590 million Euros out of the target of 1 billion Euros
- Free cash flow for 2004 exceeded significantly the target of at least 2.4 billion Euros per annum
- Our core energy business achieved a pre-tax ROCE of 11.5% in 2004, already well above our 2006 goal of at least 10.5%

**With its focus on “performance,” the implementation of the “on.top” project has been a great success**

# Operational improvement in the energy business – A continuing group-wide process to create further value

in million €



- Operational improvements of 1bn€<sup>1</sup> through:
  - Operational excellence (e.g. best practice transfer in generation, trading and retail, interface optimization in overhead)
  - Integration synergies (e.g. TXU, E.ON Ruhrgas)
  - Further cost savings (e.g. procurement savings, contract re-negotiations)

➔ **Realized 590m €<sup>2</sup> until December 31, 2004**

- One-off costs of 430m €<sup>3</sup> over 3 years to achieve operational improvement

1) Equivalent U.S.-GAAP target: Net income of 650m €

2) Non-GAAP financial measure; cost reductions led to a roughly 380m € increase in consolidated net income (after taxes and minority interests)

3) Equivalent U.S.-GAAP target: Net income of 280m €

➔ **In addition to the successful operational improvement program in the past, within only four years (2003 – 2006) E.ON will realize another 1 billion € in its core business energy**

## Conclusions of the strategic review 2005 for further value creation

### Overall direction unchanged

We will maintain the overall direction set by “on.top”

- Continue to deliver performance
- Maintain focus on core European markets
- Stay in the USA, organic growth as a top priority
- LNG as a possible opportunity to diversify gas supply to existing markets
- Retain strict financial investment criteria

### Enhanced financial flexibility

We have the financial strength to pursue the full range of external growth options, as and when attractive opportunities arise

### Flexibility on timing

Due to the excellent position we have built in our core markets we are under no pressure to make hasty investment decisions – we can wait for the right opportunities to arise at the right price

**Where we expect growth to come from . . .**

. . . core existing markets

. . . and potential new markets

## Core principles drive clear strategic direction and business model

### 1. Integrated power & gas business

- Pursue a clear focus on integrated power and gas with leading market positions over the long-term
- Total value chain management; positions in infrastructure, where it enhances market and customer access

### 2. Clear geographic focus

- In existing market units, maintain and extend leading position and performance
- Focused steps into Italy, Eastern Europe, and Russia

### 3. Clear strategic priorities

- First priority: strengthen and grow E.ON's position in European markets
- Maintain strong, diversified generation portfolio; strengthen gas supply position through equity gas and potentially LNG
- USA as long-term growth opportunity

### 4. Strict investment criteria

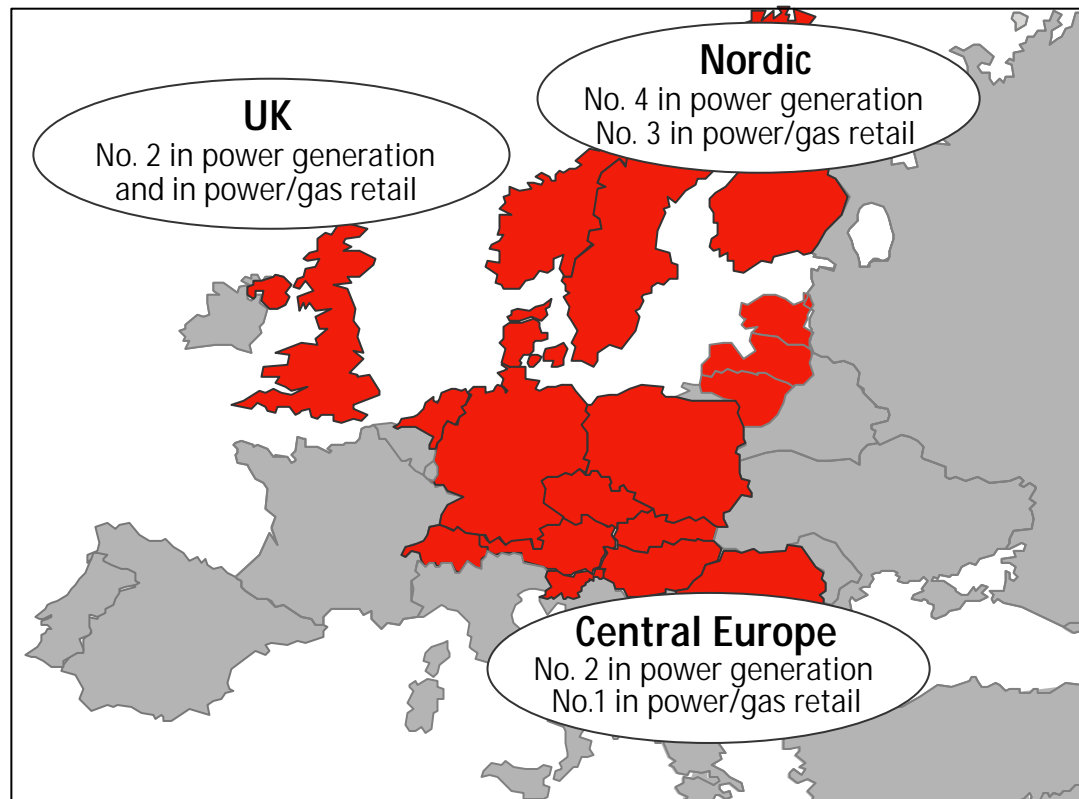
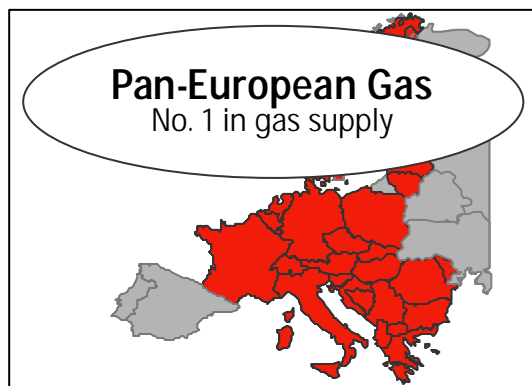
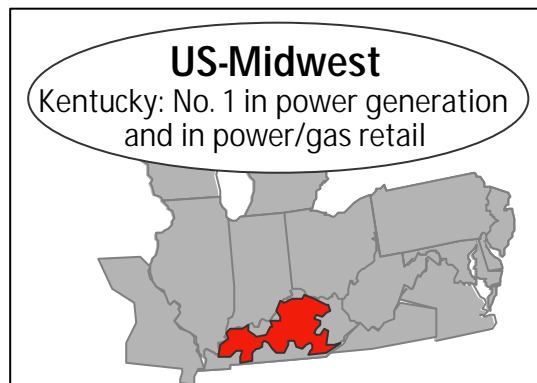
- Focus on selected acquisitions and investments with material value creation potential
- Strict strategic and financial investment criteria

## Opportunity to extend vertically integrated gas business in UK and Nordic markets



- Construction of the BBL Pipeline from Balgzand to Bacton with a capacity of 16.5 bcm (20% E.ON's share, total investment roughly € 100 m)
- Upgrade of the existing interconnector for reverse flow (11.1% share)
- Potential long term development of Nordic gas supply business

We focus on five core markets with strong positions in power and gas



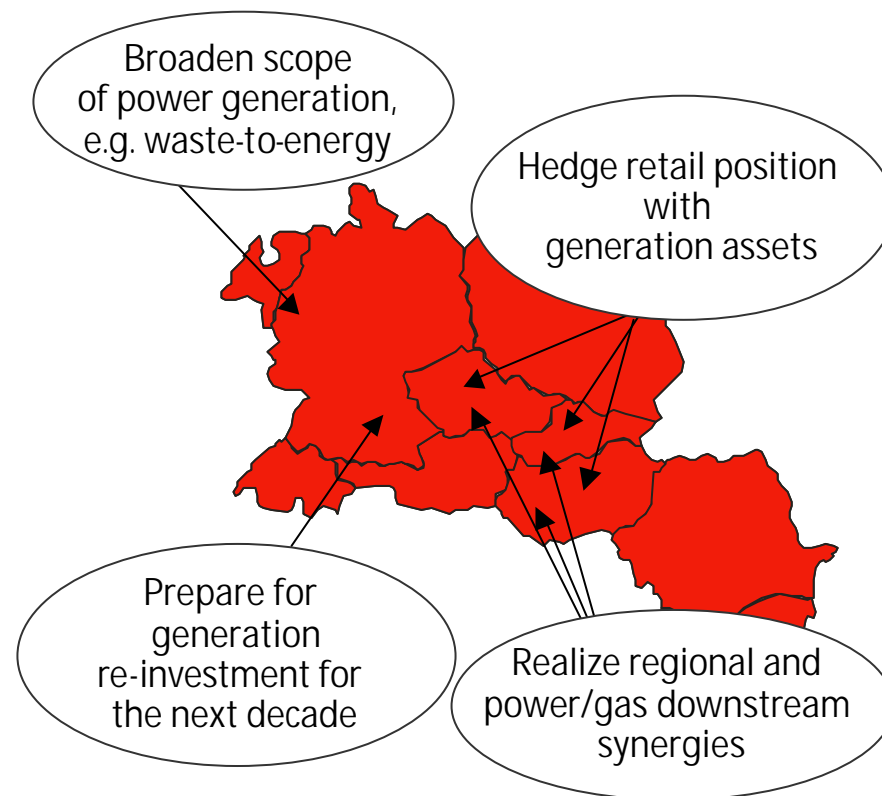


## Central Europe – Fortify strong market position in power and downstream gas

### Key issues

- Downstream participations partially fragmented
- Partially unbalanced portfolio remaining in some sub-markets
- Managing regulatory changes in the power and gas markets in Germany
- Longer term re-investment needed in generation and distribution

### E.ON's strategic direction

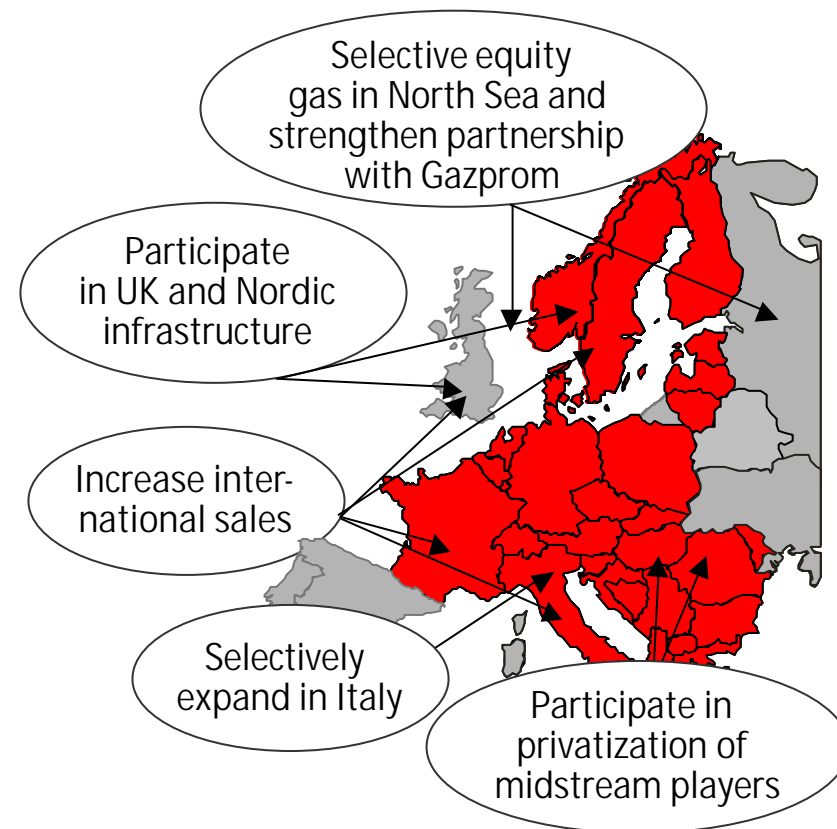


## Pan-European gas – Strengthen and diversify

### Key issues

- Break-up of traditional roles, regional production and import regimes within Europe
- Increased opening of European gas markets creates new challenges, but also provides opportunities to profitably increase international sales
- UK's increasing import dependence provides opportunities in supply and infrastructure
- Privatization of Eastern European midstream players offers opportunities for gas supply and investments

### E.ON's strategic direction



## UK – Optimize existing strong market position

### Key issues

#### Power generation

- Environmental policy driving economics of power generation
- Increasing volatility of commodity prices

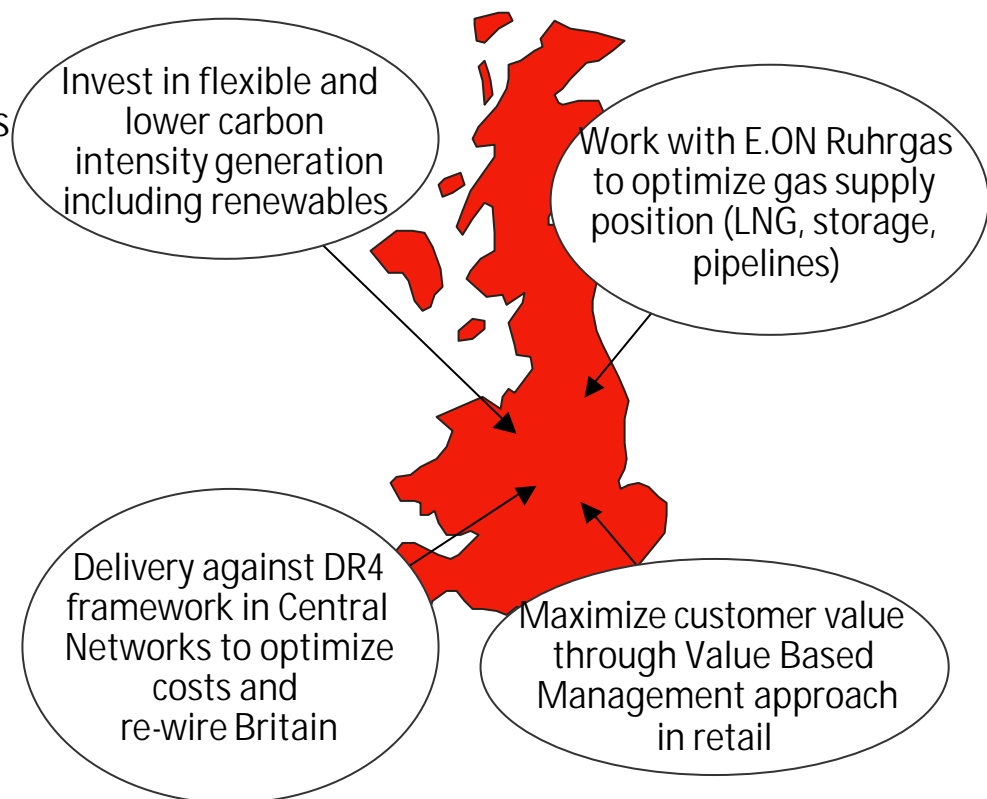
Gas supply - UK expected to become a net importer of gas 2005-2008

Power distribution – Following DR4<sup>1</sup> review, major investment required in electricity distribution networks:

- Replacing existing infrastructure
- Expanding network to cope with renewable build

Energy retail – Challenge of passing through rising costs in a competitive market

### E.ON's strategic direction



## Nordic – Stable position in consolidating market

### Key issues

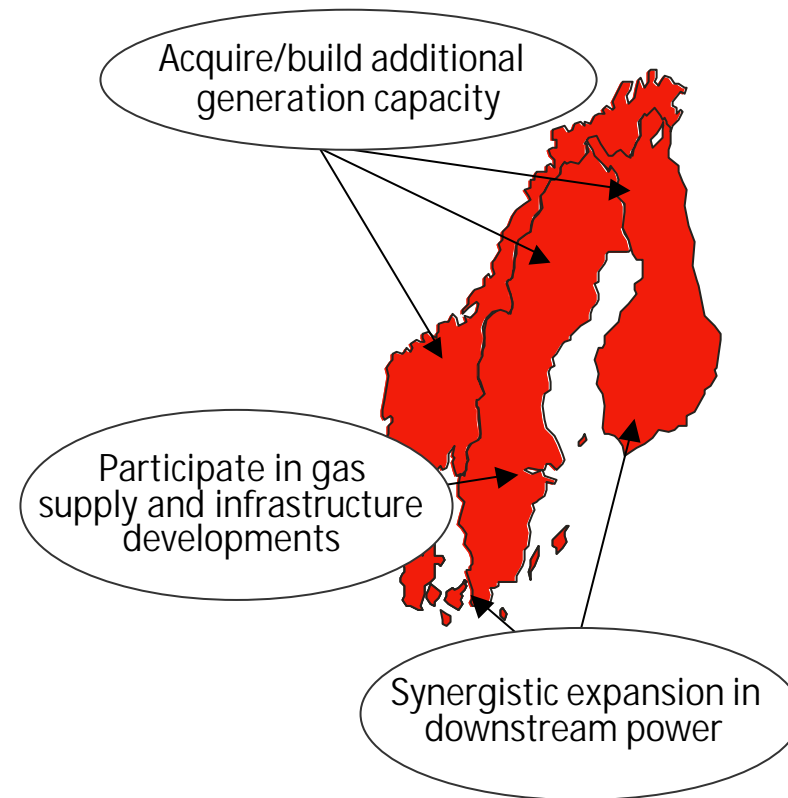
Power generation – Stabilized market due to normalization of hydropower reservoirs and high availability of nuclear power but volatility will remain high and may be reinforced by the closure of Barsebäck 2

- Planning of CHP-plant in Malmö
- Planning of increased capacity in all nuclear power stations

Gas supply – Potential for oil-to-gas substitution

- Opportunities for growth in industrial and CHP-generation segments
- Opportunity for gas infrastructure development

### E.ON's strategic direction



## US-Midwest – E.ON confirms long-term commitment

### Key issues

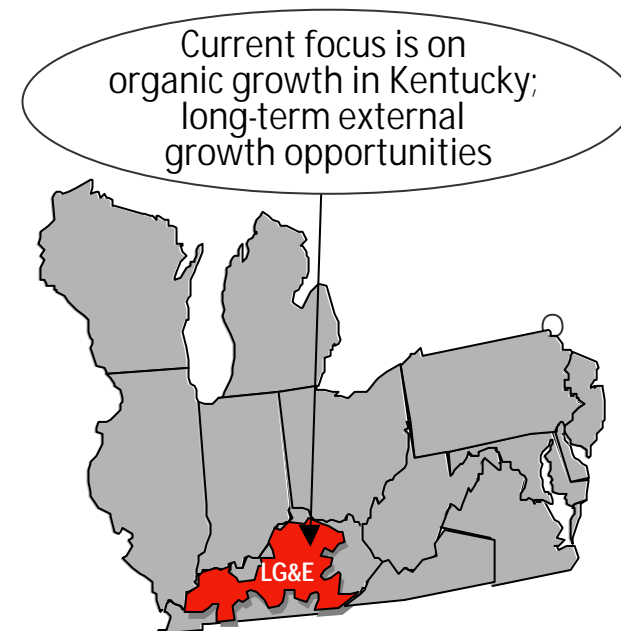
Stable regulatory environment in Kentucky and strong local market coverage

- Provides sustainable competitive position
- Drives future profitability of US-Midwest market unit

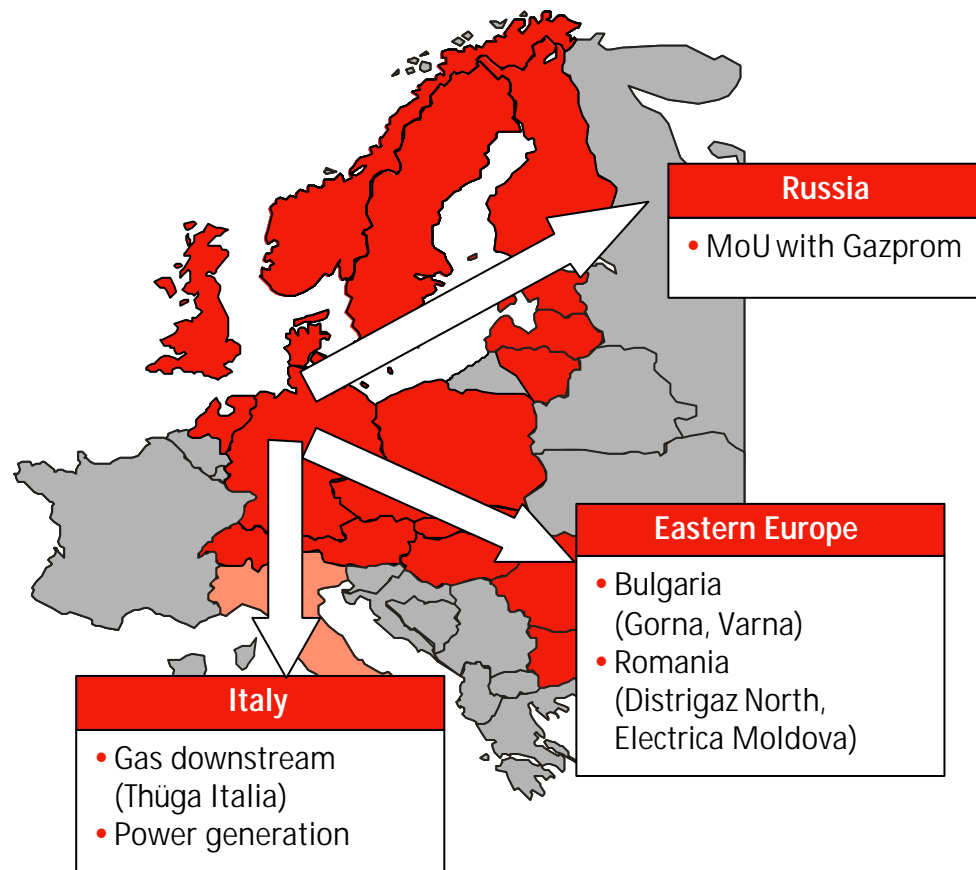
Organic growth through focused capital investment

- Trimble County 2 – USD 885 mn in 2005 to 2010
- Environmental Spend on FGD's – USD 678 mn in 2005 to 2009 (immediately recoverable through cost recovery mechanism)

### E.ON's strategic direction



## Expansion into potential new markets

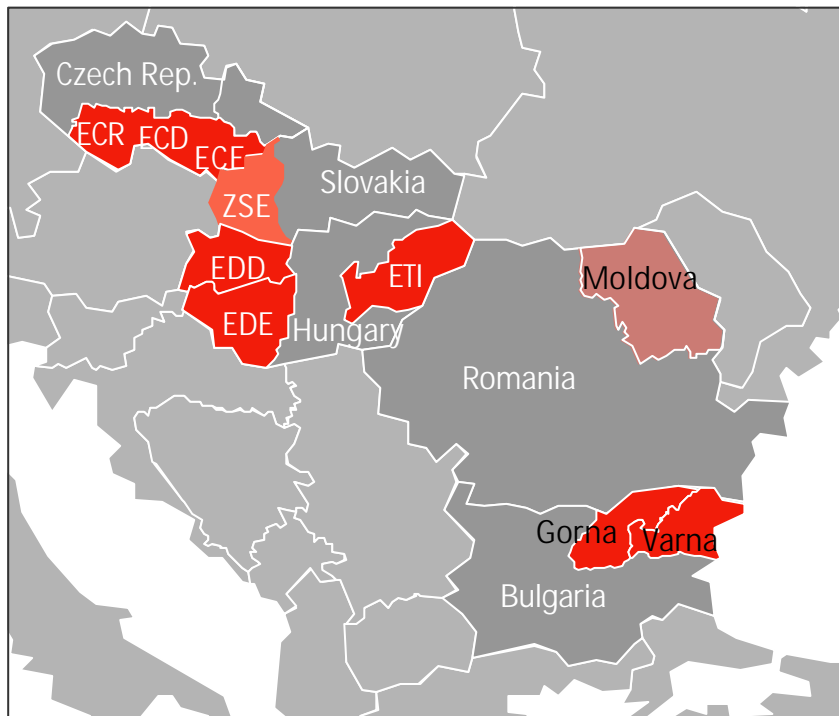


### Rationale

- Southern and Eastern Europe as attractive potential new markets for E.ON to expand its business model

## E.ON continues to extend its strong integrated position in Eastern Europe

### E.ON involvements in power



### E.ON involvements in gas



Majority shareholding

Minority stake (with management control)

Closing expected in 2005

Minority stake

<sup>1</sup> Subject to relevant Hungarian authority approval

## In Italy E.ON pursues growth activities in both power and gas

### Italian power market

- Europe's 5th largest power market (290 TWh) offering potential to reach significant scale in operations
- One of the fastest growing market in Europe after Spain

### E.ON's strategic moves in power

#### Investments in power generation

- Build 800 MW CCGT power plant in Livorno Ferraris
- Total investment appr. 420 m€

### Italian gas market

- Europe's 3rd largest gas market (740 TWh) offering potential for scale downstream
- Among the fastest growing markets in Europe

### E.ON's strategic moves in gas

#### Extend gas downstream activities via Thüga Italia

- Current market share app. 5% in gas downstream
- Targeted market share up to 10%



**We care about our customers . . .**

. . . security of supply

E.ON's gas supply position is planned to be further strengthened through equity gas and, potentially, LNG

### Equity gas

Extend E.ON's current small equity gas position in the North Sea

Long-term target: Cover up to 15-20% of gas supply from equity gas

Target regions

- North Sea (UK, Norway)
- Russia

### Potential LNG options

Strong projected growth in global LNG demand of 9.1% to 2010<sup>1</sup> which gives E.ON opportunity to:

- Diversify gas supply portfolio through long-term LNG-supply contracts and share in re-gasification capacity in E.ON's target markets
- Potentially build up an integrated LNG position including upstream

 **High returns available in upstream business**

## E.ON has identified various cooperation areas with Gazprom

**Memorandum of Understanding – July 8, 2004**

### **Upstream Russia**

Joint development of the gas field Yushno Russkoje (Western Siberia):  
Estimated start of production 2008, proven reserves of at least 25 years

### **Infrastructure to Europe**

Joint construction of the North European Gas Pipeline (NEGP)

### **Downstream Europe**

Joint Ventures in downstream cooperation in Europe  
(still to be defined)

### **Power Russia**

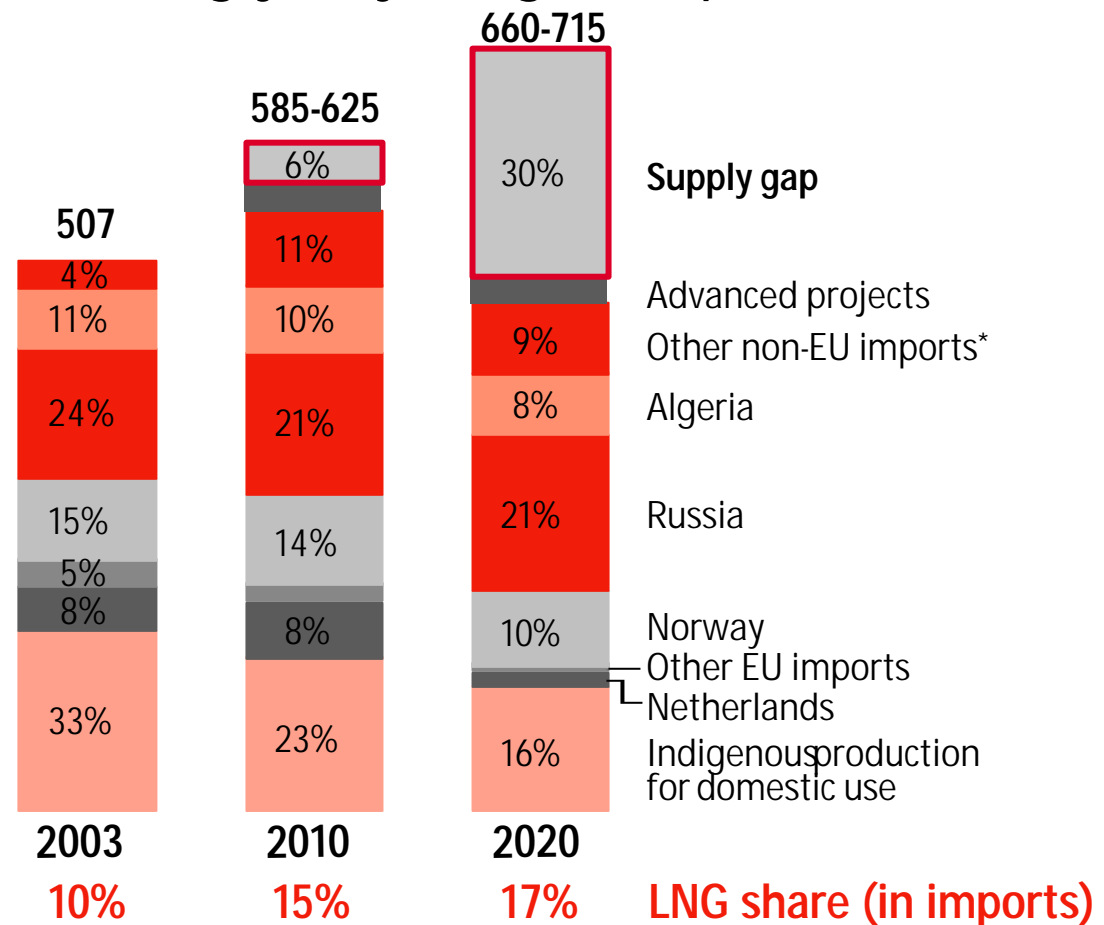
Cooperation in the Russian power sector: One of the fastest growing markets in Europe with a growth rate of 6% and significant expected capacity shortages

# Western Europe will increasingly rely on gas imports

in bcm



Provisional data for 2003  
 \*) of which: 2010 / 2020: Nigeria 3%, Qatar 2%  
 Basis for imports: Contracted volumes and  
 prospective contract prolongations



- Increasing supply gap driven by growing demand (almost 60% of total growth comes from power sector), reduced indigenous production and expiry of supply contracts
- Norwegian gas, Russian gas (e.g. via NEGP) and LNG will compete to fill that gap

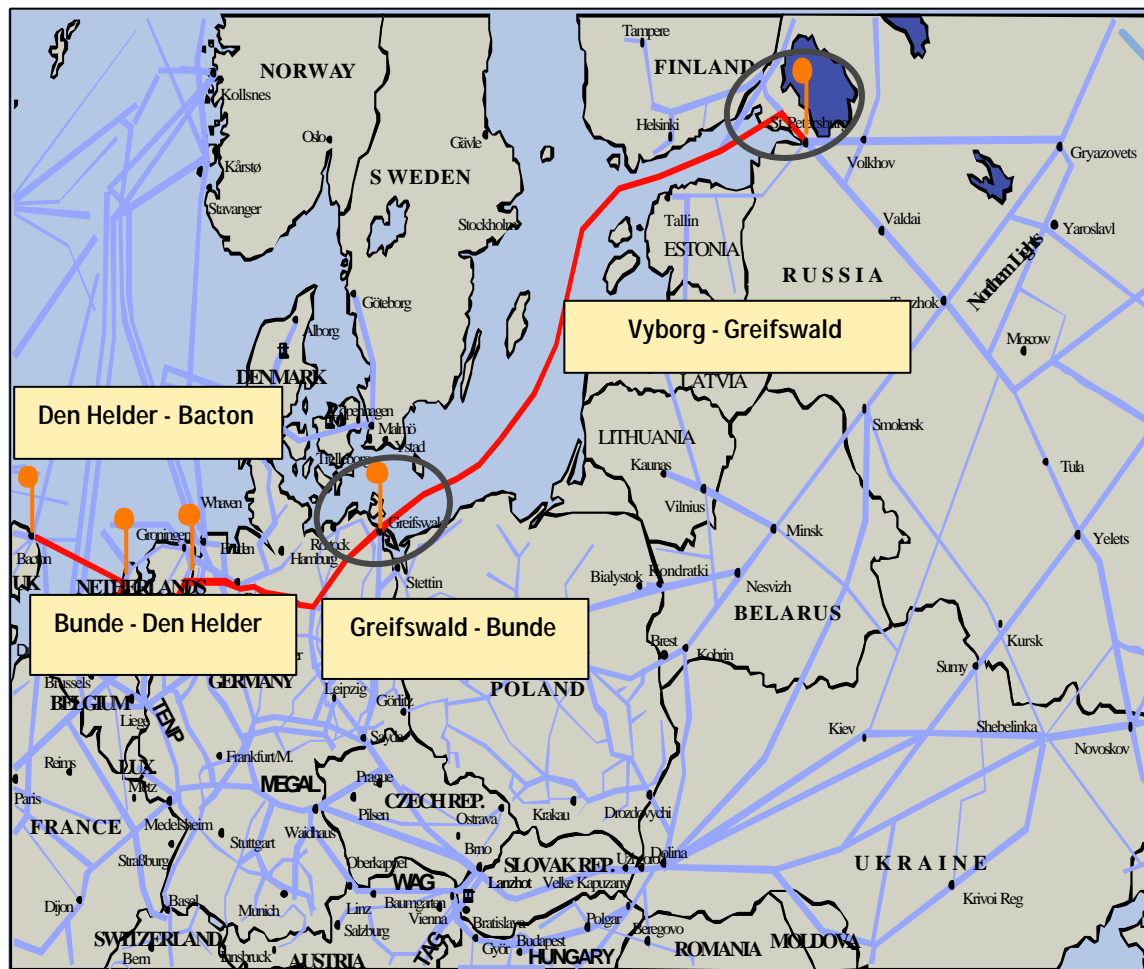
## Gas production in Russia: Yushno Russkoje



- Estimated start of production 2008
- Proven reserves of 700<sup>1</sup> bcm or at least 25 years
- Production of approximately 25 bcm p.a. (equivalent to yearly demand of Spain 100% or U.K. 25%)
- Total investment (100%) USD 1 bn
- E.ON's share still to be determined

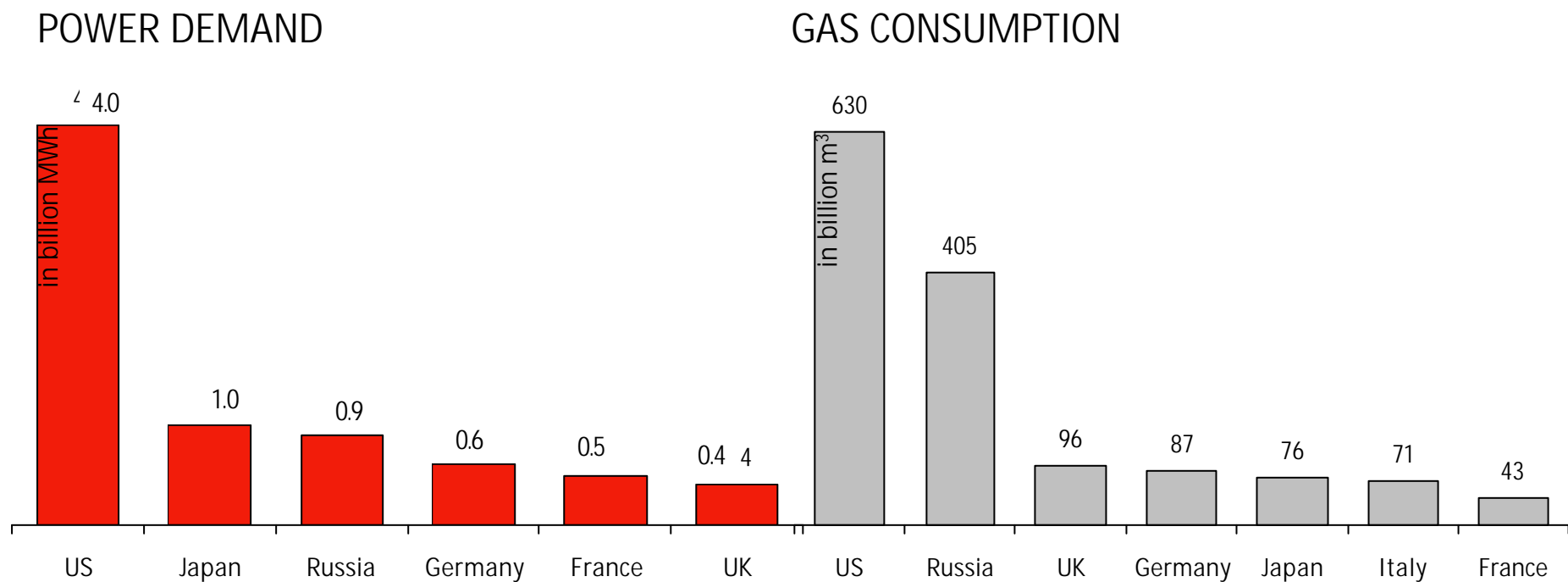
<sup>1</sup> Assessment of proven reserves based on Russian standards

# North European Gas Pipeline



- Start of operations expected between 2010 and 2012
- Planned investment (100%) from Vyborg to Greifswald € 2.0 – 2.4 bn
- Equity / debt financing still to be decided
- E.ON's share still to be determined

Russian energy market is of significant size and offers attractive opportunities for growth



- The government has agreed to raise gas prices by 20% and power prices by 13% in 2004, and 20% and 9.5% in 2005
- As a prerequisite to WTO-membership, Russia has committed to raising domestic natural gas prices for industrial customers from the current USD 27-28 per 1000 m³ to USD 37-42 in 2006 and USD 49-57 in 2010

**We care about our shareholders . . .**

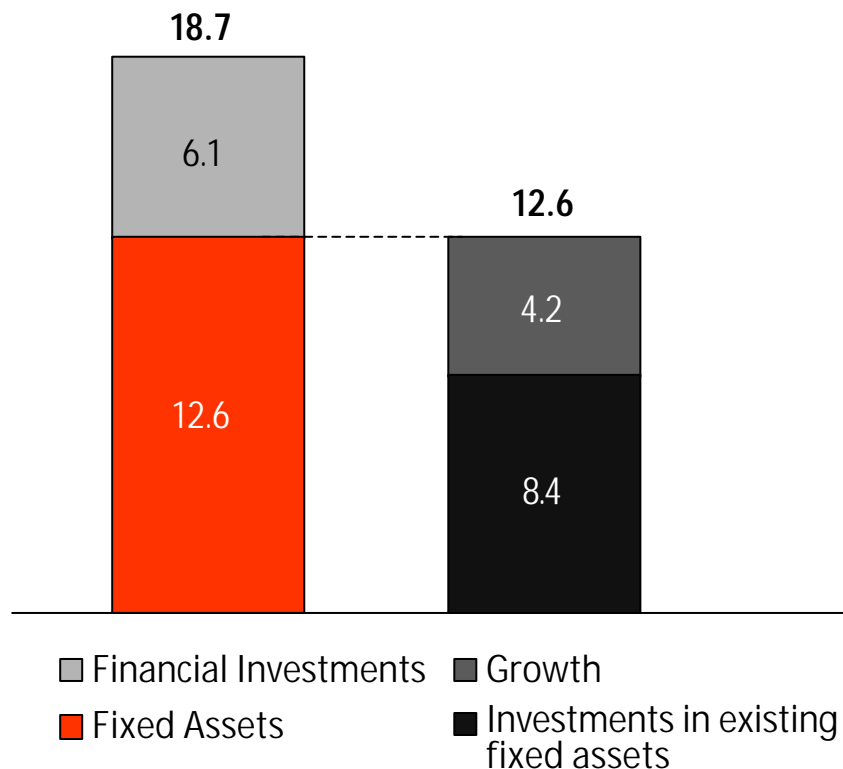
. . . value enhancing investments

. . . and increasing returns



# The investment plan reflects our selective approach towards future investments

## Investment plan 2005-07 in bn €



## Split of Investments 2005 - 07

### Financial Investments

Strengthening position in upstream gas	€ 2.0 bn
MOL <sup>1</sup>	€ 0.7 bn
Further acquisitions in Central Europe	€ 0.6 bn
Put-option on Sydkraft	€ 2.2 bn
Put-option on ZSE	€ 0.3 bn
Other	€ 0.3 bn
<b>Total</b>	<b>€ 6.1 bn</b>

### Fixed Assets

#### Growth

• Power generation <sup>2</sup>	€ 2.4 bn
• Power transmission and distribution	€ 0.6 bn
• Gas transmission, distribution and storage	€ 1.0 bn
• Other	€ 0.2 bn
<b>Subtotal</b>	<b>€ 4.2 bn</b>

### Investments in existing fixed assets

• Power generation	€ 2.9 bn
• Power transmission and distribution	€ 4.4 bn
• Gas transmission, distribution and storage	€ 0.7 bn
• Other	€ 0.4 bn
<b>Subtotal</b>	<b>€ 8.4 bn</b>
<b>Total</b>	<b>€ 12.6 bn</b>

### Total Investments

€ 18.7 bn

<sup>1</sup> 75% minus one share in the gas trading, storage and transportation business  
<sup>2</sup> Including € 1.1 bn for renewable energy

All external growth opportunities are subject to E.ON's strict strategic and financial investment criteria

### Strategic Criteria

- Market attractiveness  
(returns, growth, regulation, country risk)
- Target attractiveness  
(asset quality, market position, management quality)
- Value creation potential  
(cost reduction, integration benefits, transfer of best practice)

### Financial Criteria

- Earnings enhancing in the first full year after acquisition
- Returns exceeding cost of capital three years after acquisition in general
- Not endanger overall group performance targets

## Commitment to defend at least a strong single-"A" rating

- When considering an optimum leverage structure, E.ON focuses not only on minimizing its cost of capital but also on maintaining its balance sheet strength and rating in order to ensure future financial flexibility with ready market access at favorable terms and conditions at all times
- Based on our understanding of the rating agencies' methods we regard the following ratios as compatible with a rating of at least strong "A" over a medium-term period:
  - Gearing<sup>1</sup>: 80 - 100% (actual 2004: 73%)
  - EBITDA/net interest: average of about 10x (actual 2004: 16x)
  - EBITDA/net debt: average of about 0.5 – 1.0x (actual 2004: 1.92x)
- Rating agencies look at a wider range of ratios – it is therefore not appropriate to consider this ratio on an isolated basis. Moreover, qualitative factors play an important role for our rating and they cannot be measured in terms of ratios

## Returning value to shareholders

### **Proposal to pay an ordinary dividend of 2.35 Euros per share for 2004**

- Representing a 17.5% year-on-year increase, thus keeping our "on.top" commitment to double-digit dividend growth to 2006
- Reinforcing our position as a leading dividend payer amongst DAX-listed companies in Germany

### **Intention to return the full value of our stake in Degussa to our shareholders**

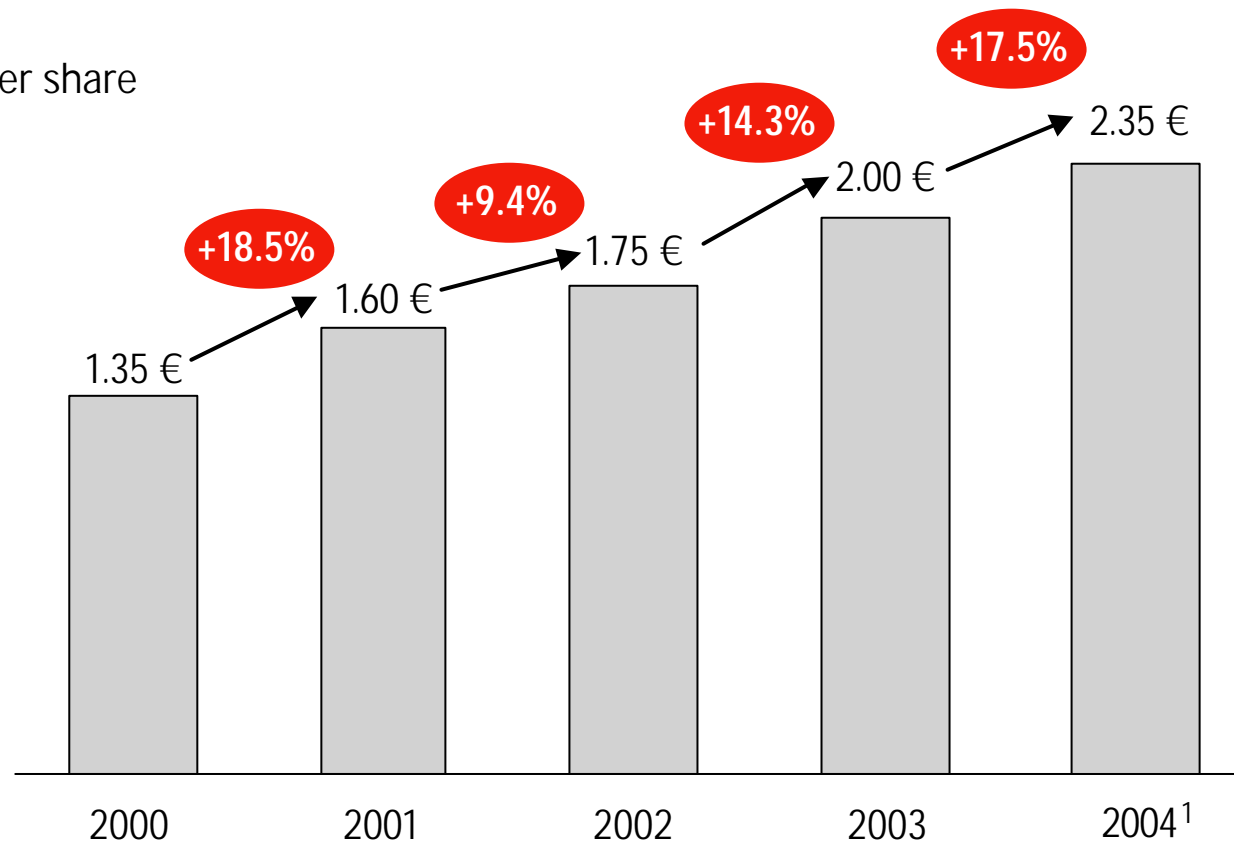
- Precise timing and manner of disposal remain to be determined

### **New commitment to achieving a payout ratio of between 50% and 60% of net income excluding exceptional items by 2007**

- Confident of delivering further earnings growth in the future

## E.ON Group – Dividend increase of 74% since 2000

□ Dividend per share



➔ Since 2000 double-digit growth rate on average: **increase of 14.9% p.a.**

## E.ON Group - Outlook 2005

<b>Expected adjusted EBIT</b>	<b>E.ON Group</b>	➔	Slightly above last year's record level
	MU Central Europe	➔	To be slightly above last year's level
	MU Pan-European Gas	➔	To be higher than last year's level
	MU UK	➔	To be similar to the last year's level, excluding impact of divested Asian Asset Management
	MU Nordic	➔	To be slightly below last year's figure
	MU US-Midwest	➔	To be on par with last year's level in U.S. Dollar currency
<b>Expected consolidated net income</b>		➔	Ability to reach last year's level depends mainly on book gains from divestments as well as fair value of derivatives at year-end



Our vision:

„E.ON - the world's leading power and gas company“

*e-on*

Back-up Charts



## E.ON Group – Financial highlights

in million €

	2004	2003 <sup>1</sup>	+/- %
Sales	49,103	46,427	+6
Adjusted EBITDA <sup>2</sup>	10,520	9,458	+11
Adjusted EBIT <sup>2</sup>	7,361	6,228	+18
Consolidated net income	4,339	4,647	-7
Capital employed <sup>3</sup>	64,987	62,684	+4
ROCE (in %) <sup>4</sup>	11.3	9.9	+1.4 <sup>5</sup>
Cost of capital (in %) <sup>4</sup>	9.0	9.5	-0.5 <sup>5</sup>
Cash provided by operating activities	5,972	5,538	+8
Free cash flow <sup>6</sup>	3,260	2,878	+13
Net financial position <sup>7</sup>	-5,483	-7,855	+30

- 1) E.ON Ruhrgas for the period February 1 - December 31, 2003
- 2) Non-GAAP financial measure; reconciliation to consolidated net income see Annual Report, p. 25
- 3) Annual average
- 4) Non-GAAP financial measure; see derivation in Annual Report, p. 45 - 46
- 5) Change in percentage points
- 6) Non-GAAP financial measure; reconciliation to cash provided by operating activities see Annual Report, p. 28
- 7) Non-GAAP financial measure; reconciliation see Annual Report, p. 29

## Market units – Key financial figures 2004

in million €

	Sales	Adjusted EBITDA <sup>1</sup>	Adjusted EBIT <sup>1</sup>	Capital Employed	ROCE (%)	Pre-tax CoC (%) <sup>2</sup>	Cash-flow <sup>3</sup>
Central Europe	20,752	4,908	3,602	16,938	21.3	9.0	2,938
Pan-European Gas	14,426	1,900	1,428	15,251	9.4	8.2	1,016
U.K.	8,490	1,592	1,017	11,446	8.9	9.2	633
Nordic	3,347	1,121	701	7,333	9.6	9.0	957
U.S. Midwest	1,913	544	349	6,441	5.4	8.0	182
Corporate Center	-813	-273	-314	1,700	-	-	241
<b>Core Energy Business</b>	<b>48,115</b>	<b>9,792</b>	<b>6,783</b>	<b>59,109</b>	<b>11.5</b>	<b>-</b>	<b>5,967</b>
Viterra	988	621	471	3,649	12.9	7.3	5
Degussa <sup>4</sup>	-	107	107	2,229	4.8	9.6 <sup>5</sup>	-
<b>E.ON Group</b>	<b>49,103</b>	<b>10,520<sup>6</sup></b>	<b>7,361<sup>6</sup></b>	<b>64,987</b>	<b>11.3<sup>7</sup></b>	<b>9.0</b>	<b>5,972</b>

1) Non-GAAP financial measure; reconciliation see Annual Report, p. 25

2) Cost of capital for 2004

3) Cash provided by operating activities

4) Degussa is included at equity in the Group Financial Statements since February 2003.

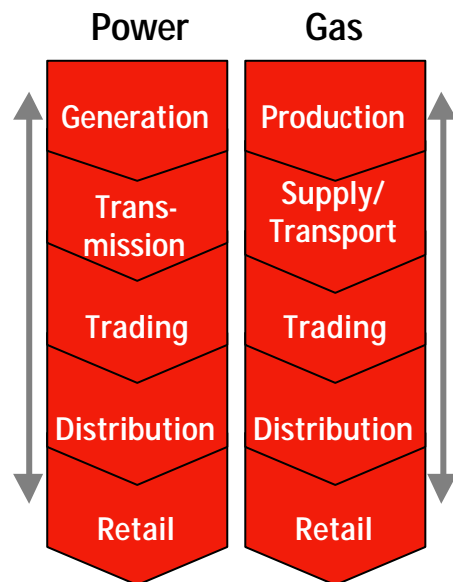
5) Due to equity consolidation, the cost of capital for Degussa equals the cost of equity after taxes

6) Non-GAAP financial measure; reconciliation to internal operating profit see Annual Report, p. 25

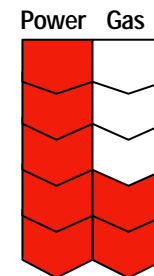
7) Non-GAAP financial measure; derivation see Annual Report, p. 25

# E.ON's market unit structure makes best use of the integrated principle

## Integrated power and gas business



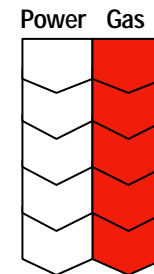
## E.ON's market unit structure



### Central Europe, Nordic, UK, US-Midwest

#### Integrated power and downstream gas businesses

Gives opportunity to extract value from downstream synergies across electricity and gas value chains while maintaining vertically integrated position in individual electricity markets



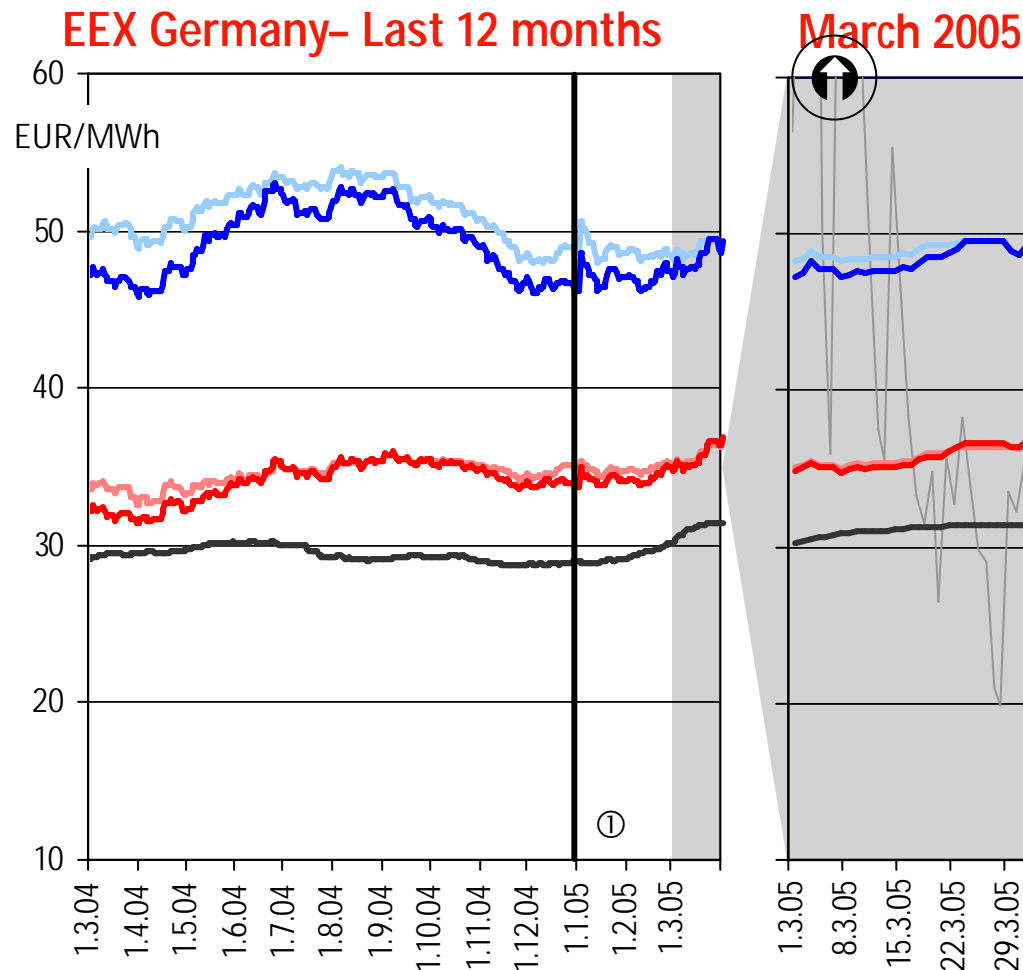
### Pan-European Gas

#### Integrated gas business

Gives opportunity to extract value throughout European gas value chain from vertical integration, while providing competitive long-term gas supply to other market units



## Central Europe – Electricity wholesale prices



### Key drivers

- High coal and increasing gas and oil prices
- Increasing carbon prices

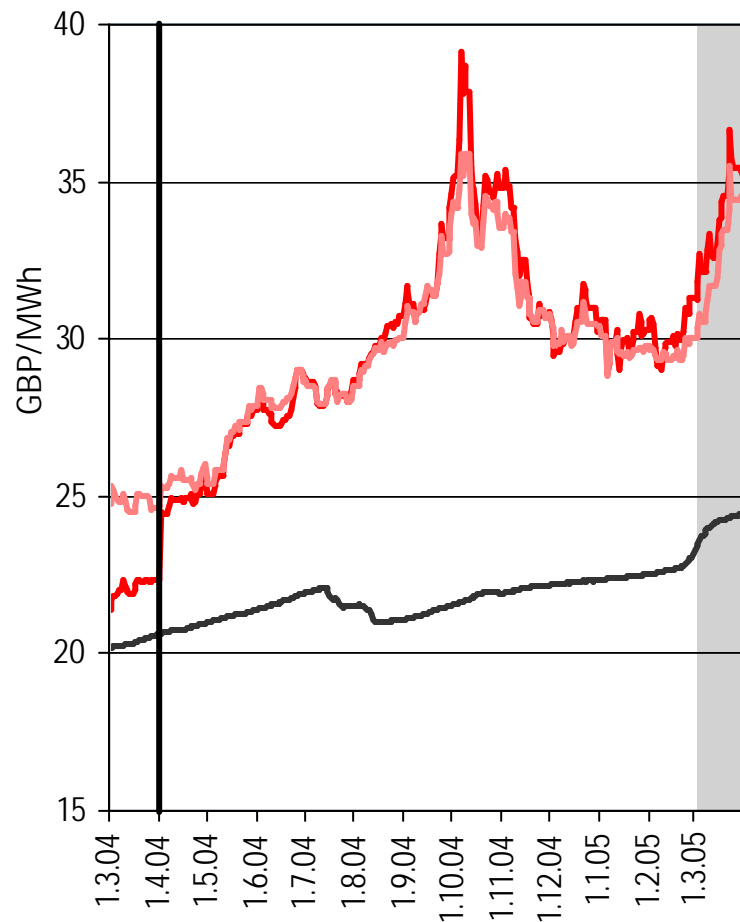
### Legend

- base future for year+1 (2005/2006)
- base future for year+2 (2006/2007)
- base spot (average of last 12 months)
- base spot (only shown for last month)
- peak future for year+1 (2005/2006)
- peak future for year+2 (2006/2007)

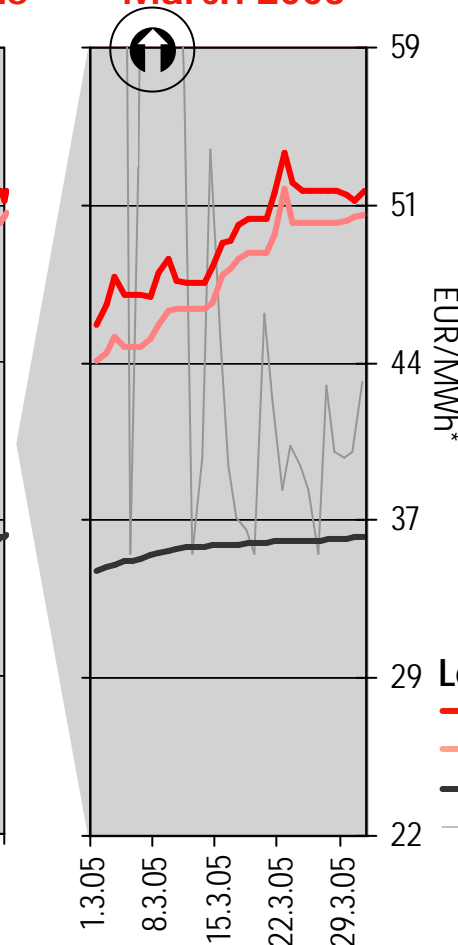
① The line represents the switch of the futures, addressed by y+1 and y+2.  
Base/peak 2006 replaces base/peak 2005 (2007 replaces 2006 respectively)

## U.K. – Electricity wholesale prices

Base load, OTC – Last 12 months



March 2005



### Key drivers

- Increasing forward prices for gas due to higher oil prices
- Increasing carbon prices

### Legend

- base forwards for year+1 (2005/2006)\*
- base forwards for year+2 (2006/2007)\*
- base spot (average over last 12 months)\*\*
- base spot (only shown for last month)\*\*

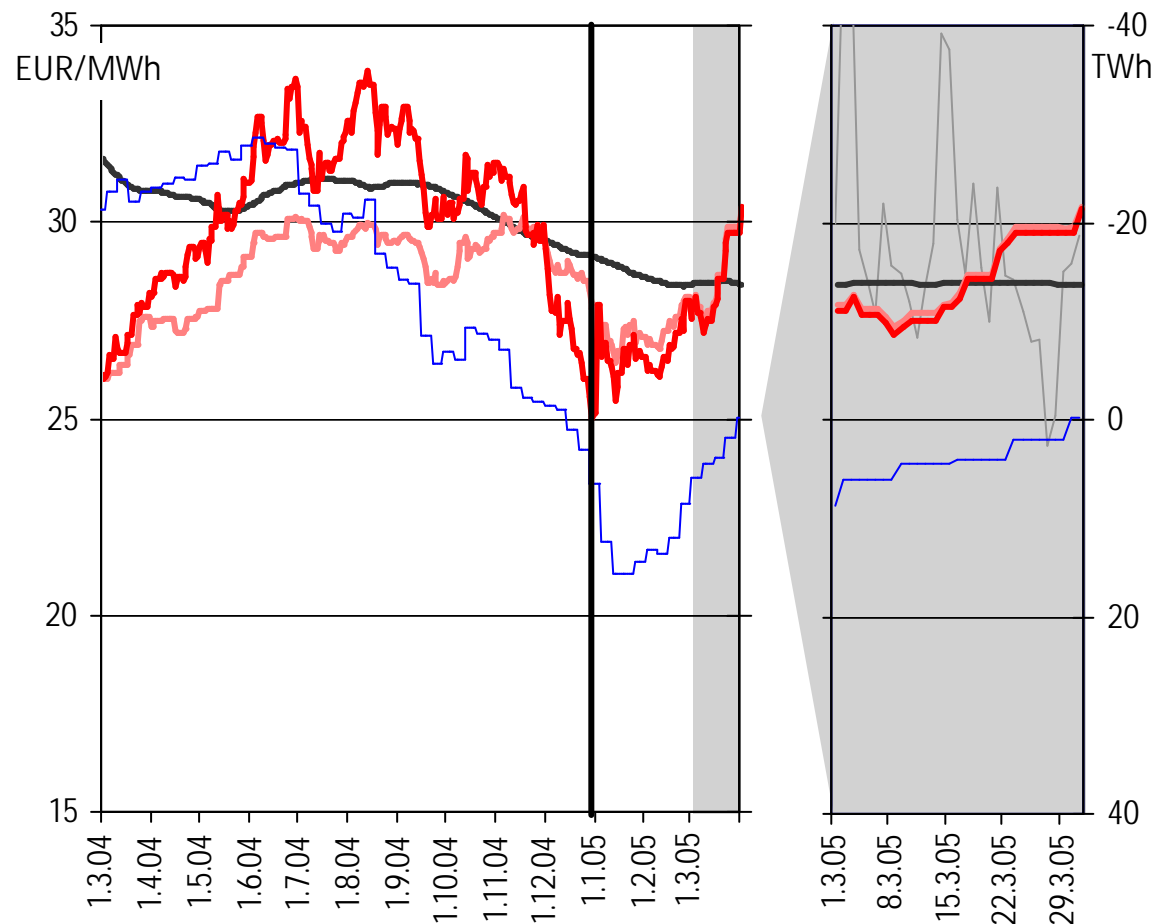
\* average of next summer (Apr.-Sep.) and winter (Oct.-Mar.)

\*\* Base load day instrument, UK Power Exchange

\* Exchange rate: 0,681 EUR/GBP; slide only for internal use

## Nordic – Electricity wholesale prices

### Base load, Nordpool – Last 12 months March 2005



#### Key drivers

- Level of available hydro energy back to normal (due to less than normal precipitation)

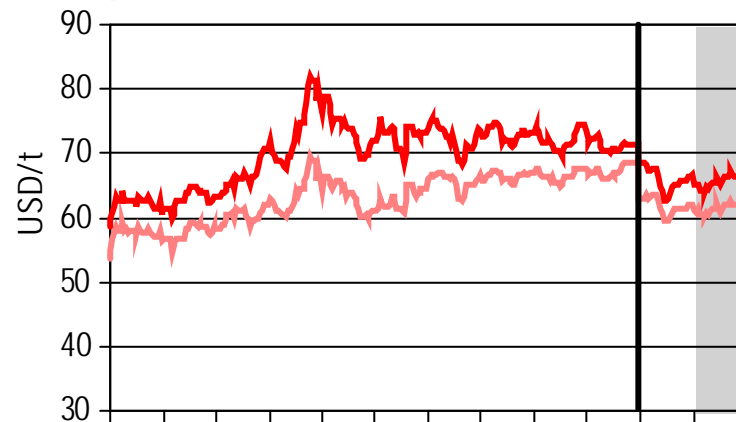
#### Legend

- forwards for year+1 (2005/2006)
- forwards for year+2 (2006/2007)
- spot (average over last 12 months)
- spot (daily average of last month)
- hydrological level vs. normal \*

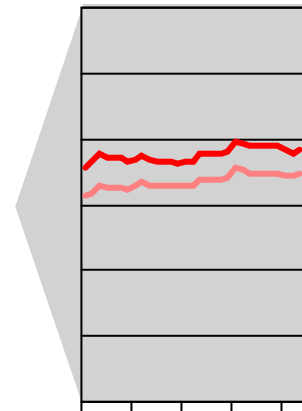
\* The development of the hydrological level vs. normal considers hydrological changes by precipitations (rain, snow, etc.) or snowmelts promptly.

## Europe – Coal- and CO<sub>2</sub>-prices

Coal, ARA – Last 12 months



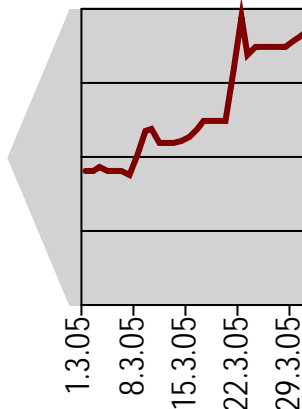
March 2005



### Key drivers coal

- Still high due to international demand for coal and freight rates
- European stockpiles continue to be on high level

CO<sub>2</sub>-Price-Index (Cal 05) – Last 12 months March 2005



### Key drivers CO<sub>2</sub>

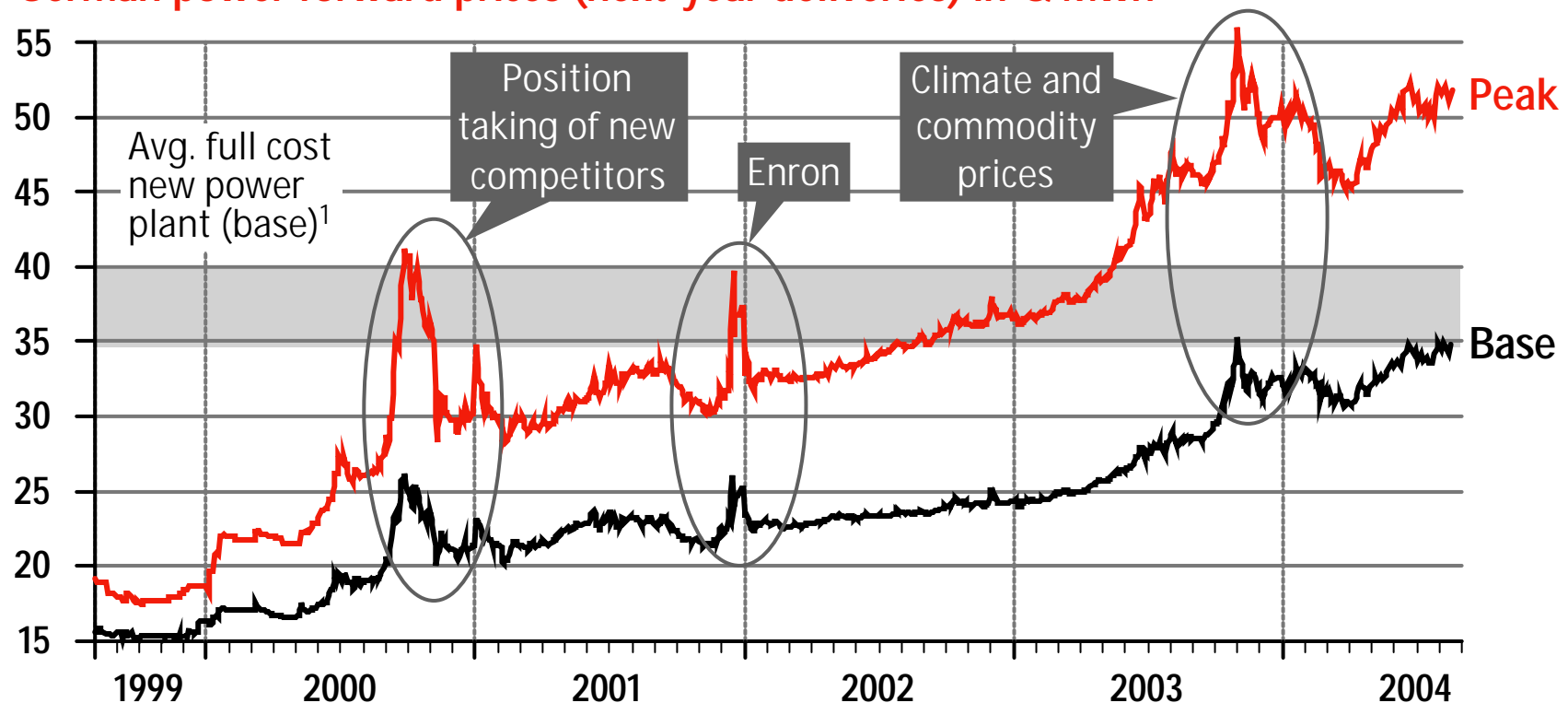
- Strong price increase due to lower number of total allowances allocated by the UK and Polish NAP as expected
- Rising gas and oil prices

### Legend

- Coal forwards for year+1 (2005/2006)
- Coal forwards for year+2 (2006/2007)
- CO<sub>2</sub>-Price-Index (Cal 05)

With increasing necessity to build new power plants, the power prices will approach and fluctuate within the investment break-even corridor

### German power forward prices (next-year deliveries) in €/MWh



1) Without CO<sub>2</sub>

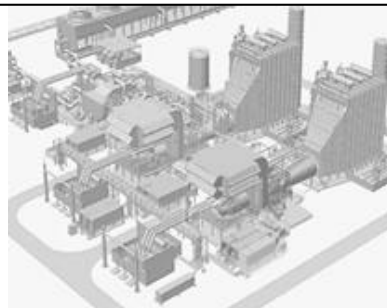


In addition to our plans to create new capacity of 2,000 MW by 2012, a further 3,000 MW can be made available within a very short timeframe

New capacity and flexibility through boosting capacity, lifetime extensions for power plants & demothballing

#### Option 1

New construction of CCGT and hard coal power plants



Capacity Increase: 2,000 MW

Timeframe: In operation by 2012



#### Option 2

Demothballing of power plants

Capacity Increase: 1,500 MW  
Timeframe: short



Option 3 Lifetime Extension of conventional power plants

Capacity Increase: 1,000 MW  
Timeframe: short



#### Option 4

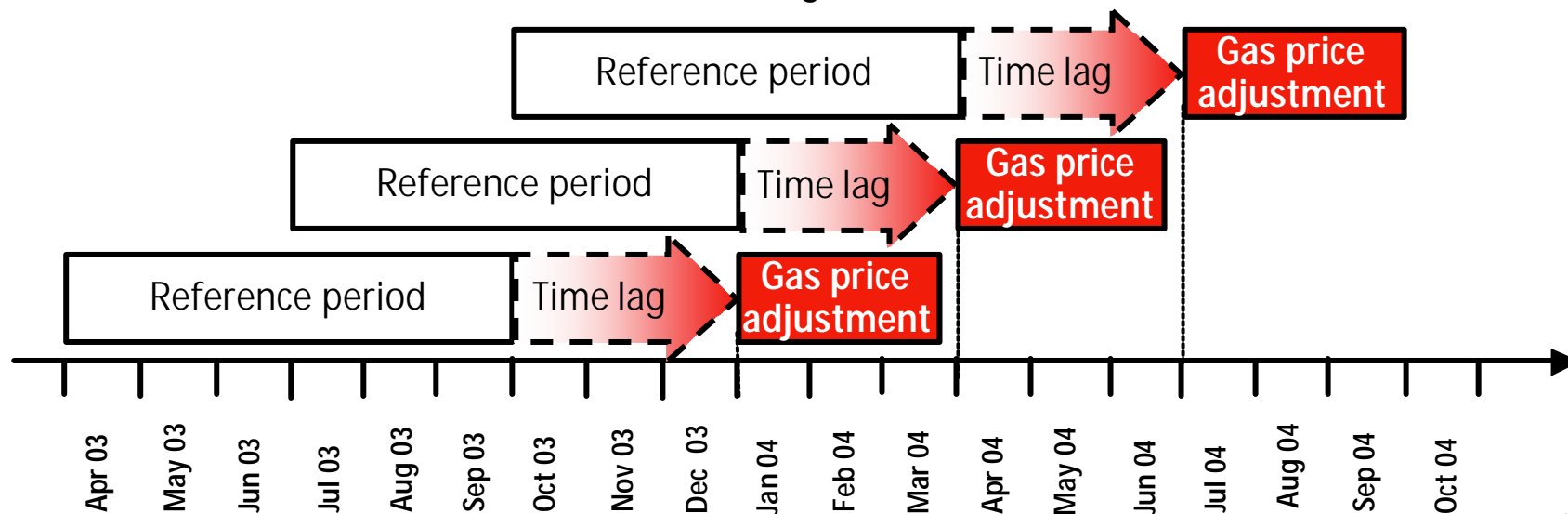
Boosting Capacity of power plants

Capacity Increase: 500 MW  
Timeframe: short

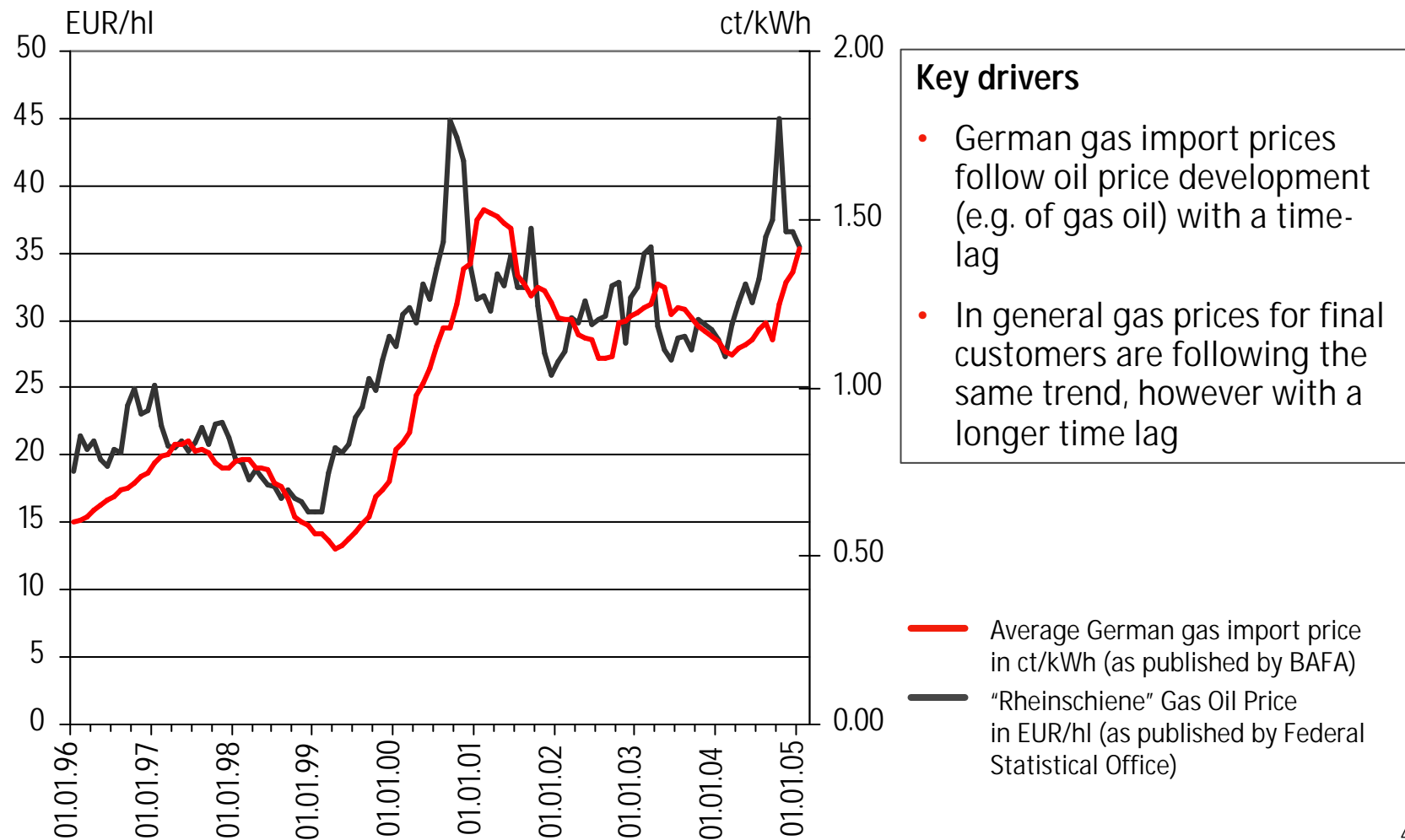
# Gas price adjustment

## Oil indexation

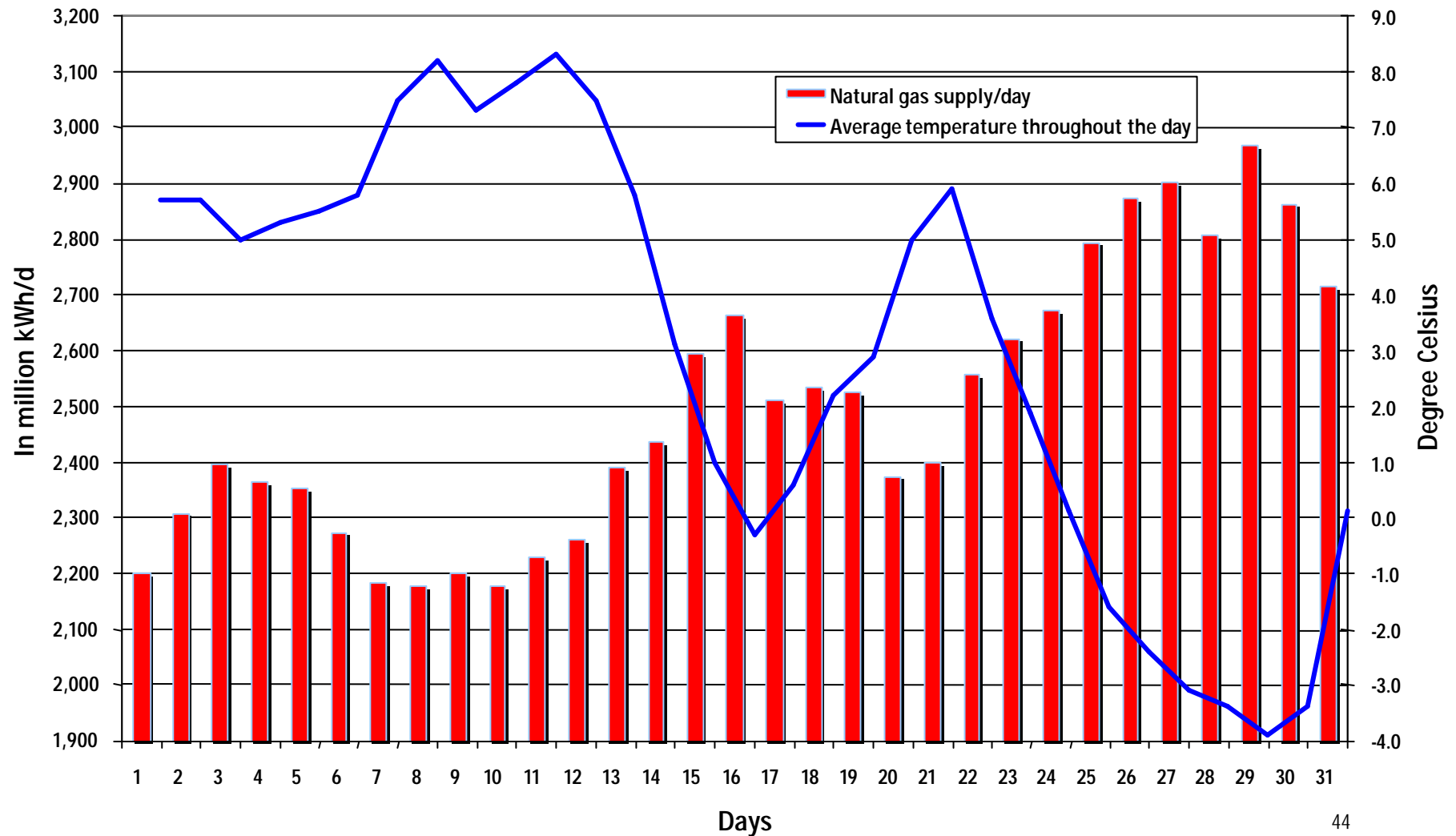
- Main competitors of natural gas are gas oil and fuel oil.
- Long-term contracts need an automatic indexation.
- Oil indexation secures competitive gas prices.
- Example for oil indexation :
  - Price adjustment every 3 months; 1.1./1.4./1.7./1.10.
  - Reference period 6 months
  - Time lag 3 months



## German gas import prices follow the development of oil prices



## Natural gas supply and temperatures, January 2005



## Power – Regulation a key component of E.ON's business

E.ON's Target Markets	Generation	Transmission	Distribution	Supply/Retail
Central Europe: <ul style="list-style-type: none"> <li>• Germany</li> <li>• Netherlands</li> <li>• Czech Republic</li> <li>• Hungary</li> <li>• Slovakia</li> </ul>	UR UR UR UR -	R <sup>1)</sup> - - - -	R <sup>1)</sup> - R R R	UR <sup>2)</sup> - R/UR <sup>3)</sup> R/UR <sup>3)</sup> R/UR <sup>3)</sup>
UK	UR	-	R	UR
US (Kentucky)	R	R	R	R
Nordic: <ul style="list-style-type: none"> <li>• Sweden</li> <li>• Finland</li> </ul>	UR UR	- -	R R	UR UR

R: Regulated  
 UR: Unregulated  
 - : No presence of E.ON

1) Planned regulation  
 2) Except for standard rate customers  
 3) Fully liberalized from 2007

## Germany - Framework of energy regulation

- Establishment of federal regulator with ex-ante and ex-post powers
- Cost regulation based on mix of current cost accounting model and historic cost accounting model
- Exemption from cost regulation for gas transmission grid
- Incentive regulation to follow
- Legal and organisational unbundling
- New entry/exit access regime for gas
- Evaluation of regulatory system not later than 1<sup>st</sup> July 2007



Details  
still under  
discussion

- **Electricity:** Main elements of access regime and grid fee scheme of VVII+ likely to be accepted
- **Gas:** New network access regime, determination of gas transmission fees still under discussion

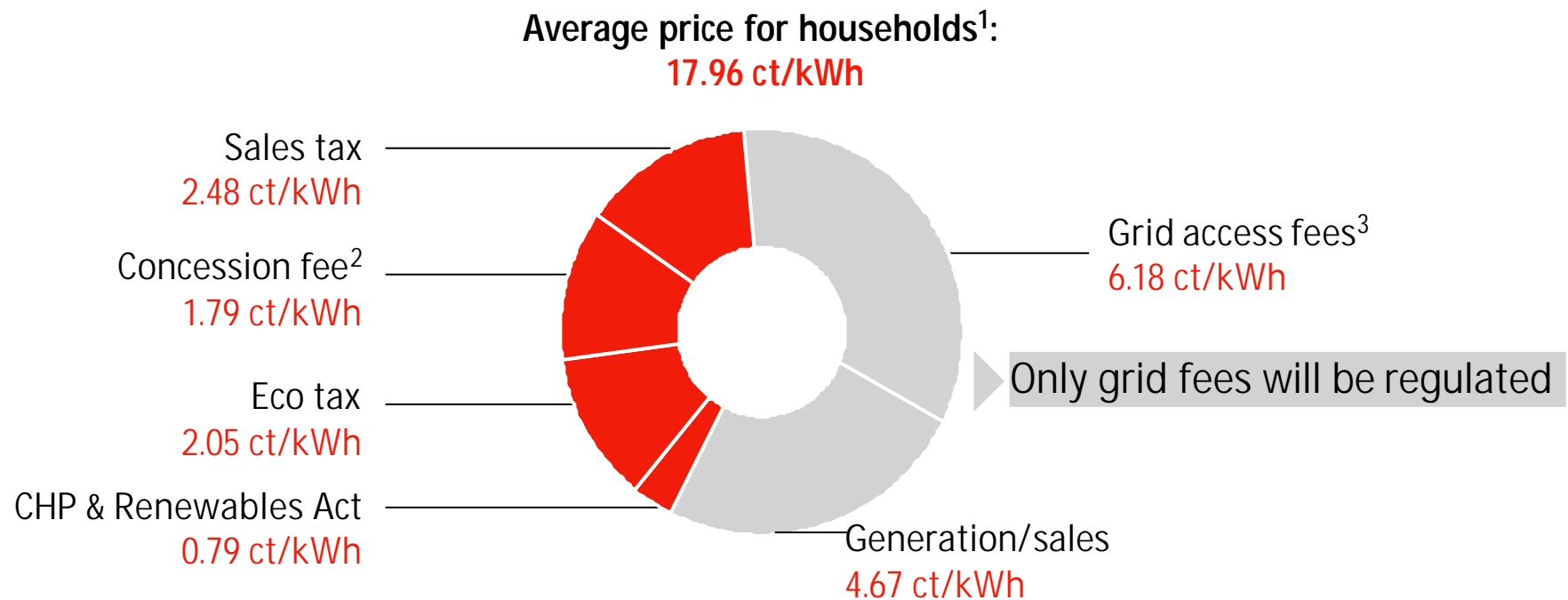
## Germany - Current status on grid fee regulation electricity/gas

- Gas transmission: exemption from cost regulation accepted if competition in transmission can be proved
- Gas distribution and electricity: calculation of allowed costs largely identical
  - ⇒ Corporate tax allowance to be included with implementation of incentive regulation
  - ⇒ Netting out of accumulated regulatory depreciation and re-investment controversial
  - ⇒ Cost of Capital:
    - Return on equity 6.5% real, post trade tax (electricity) and 7.8% real, post trade tax (gas distribution)
    - Maximum level of accepted equity ratio for cost calculation: 40%
  - ⇒ Benchmarking of grid fees of 'comparable' network operators

- Draft law and regulations passed by the Lower House of Parliament on April 15th, need to be approved by the Upper House of Parliament
- Entry into force: July 1st (expected)

# Germany - Only grid access fees to be regulated

2004 (assumed consumption for a household: 3,500 kWh/a)



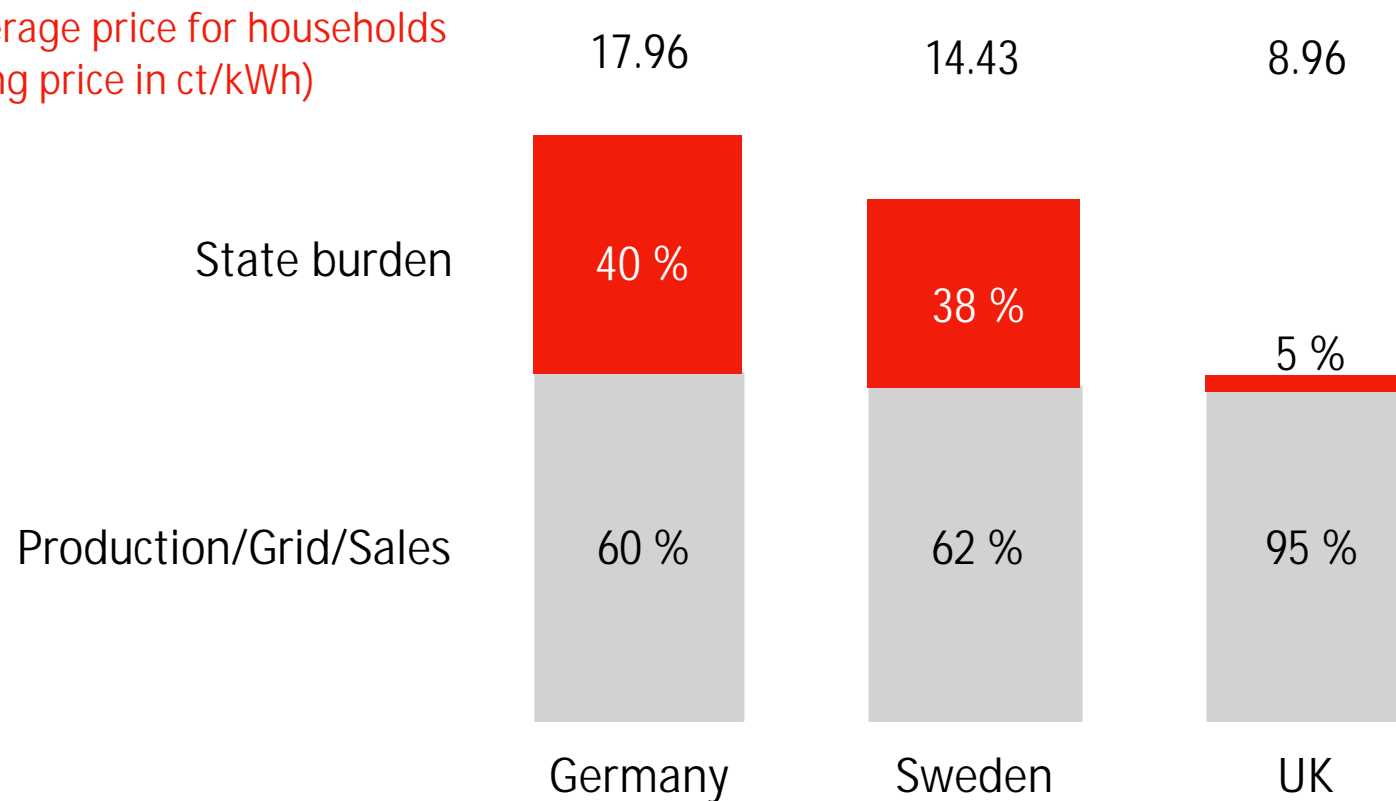
1) Electricity supplied to households; annual sales volume 3,500 kWh  
 2) Concession fee in cities between 100,000 and 500,000 residents  
 3) Arithmetic medium for grid fees as published by VDN, November 2004  
 Sources: VDN, VDEW, (2004).



## State burden on power prices

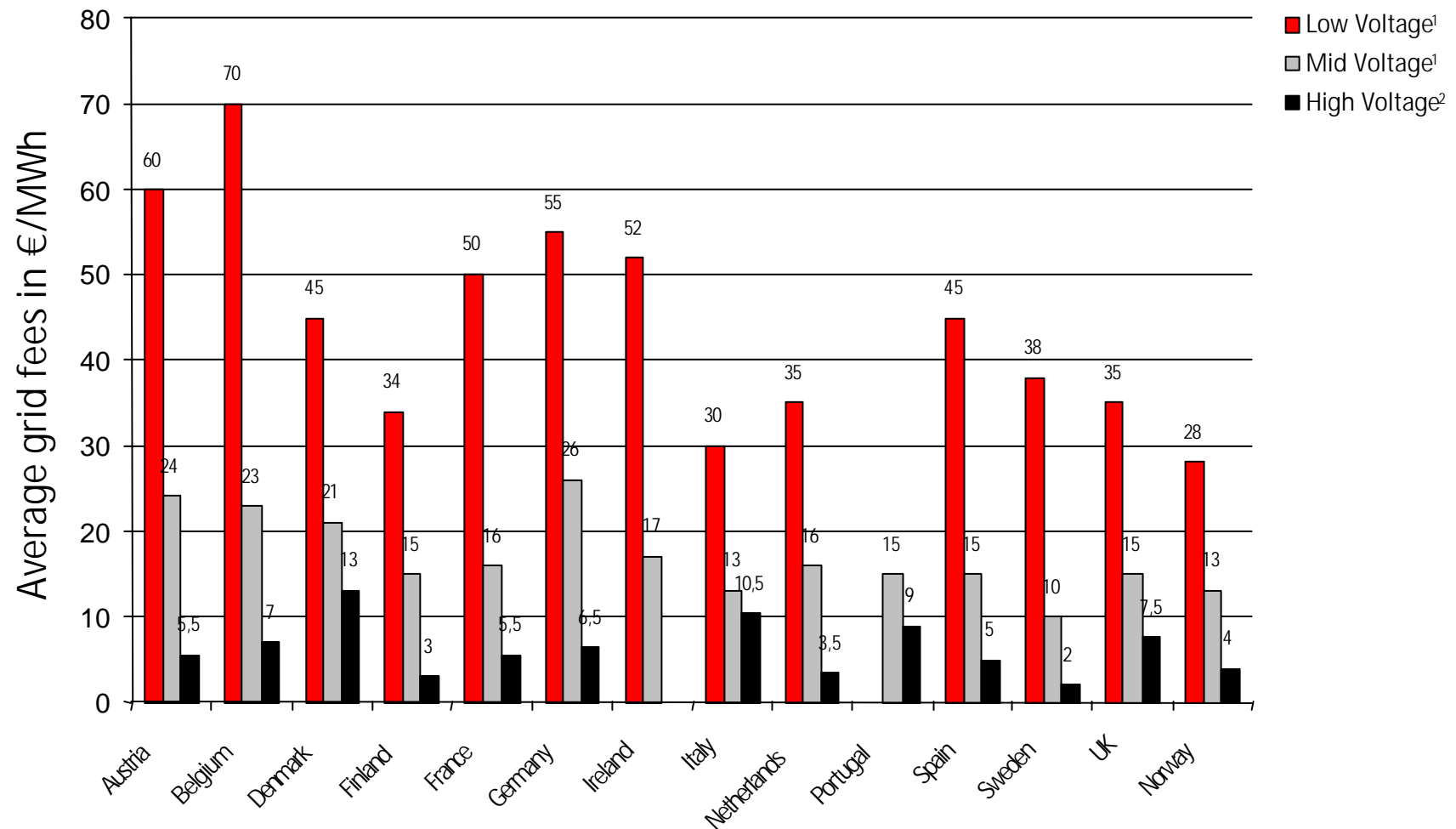
2004 (assumed consumption: 3,500 kWh/a)

Average price for households  
(long price in ct/kWh)



# European grid fees comparison

2003



1) EU Commission: 3<sup>rd</sup> Benchmarking report 2004  
 2) ETSO: Benchmarking Transmission Pricing in Europe 2003

# Network access system for gas – Change to new entry/exit model

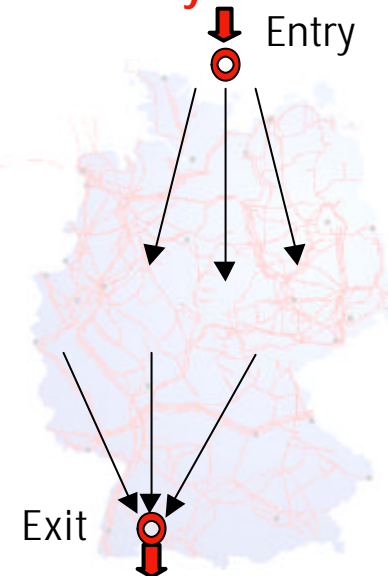
Distance-related model



- Capacity check on transmission route
- Capacity booking on transmission route
- Distance-related tariff



Entry/exit model



- Individual entry/exit systems for each network operator
- Individual entry and exit tariffs
- Separate booking and marketing of entry/exit capacities
- Cooperation between network operators to provide multi-grid access

## German NAP (Act of August 25, 2004)

Free grand fathering based on historic 2000 - 2002 emissions

Power + Industry sector 2000-02:	505 Mt CO <sub>2</sub> /a
Total allocation proposed for 2005-07:	503 Mt CO <sub>2</sub> /a (- 0.4%)
Total allocation proposed for 2008-12:	495 Mt CO <sub>2</sub> /a (- 2.0%)

### **New entrants**

Reserve of 9 Mt CO<sub>2</sub>/a to be distributed with an emission cap of 750 g/kWh.

### **Compensation for nuclear phase-out**

Acknowledgement of the principle to compensate with an initial compensation of 1.5 Mt CO<sub>2</sub>/a for 2005 – 2007.

### **Decommissioning of plants and transfer of certificates**

In case of a shut down, full transfer of certificates to new installation for 4 years, possibly generating certificate surpluses, particularly when shifting from lignite to gas.

Afterwards, no further required reduction of emissions / certificates for 14 years.

Further, creating additional reserves for CHP, early actions and process emissions and a special option rule to be allocate by expected emissions and not by historical ones leave Power and Industry with a reduction up to 7.53 % in the period to 2005-07 dependent on the specific allocation rule.

## Effects of the NAP on E.ON Energie

- Overall, E.ON accepts the compromise, but objected the allocation to a very few installations mainly because the authority didn't follow our application or because of miscalculation of allowances.
- Total impact on E.ON Energie depends mainly on the development of the highly volatile CO<sub>2</sub> market and the corresponding wholesale power market. Depending on the development of the CO<sub>2</sub> market the burden from E.ON Energie's short position on CO<sub>2</sub> may be less than 30 Mio € p.a. 2005 - 2007.
- E.ON is basically in favor of emissions trading as a tool to reduce greenhouse gas emissions, but only under conditions that are economically feasible
- E.ON Energie's CO<sub>2</sub> emissions were an average 360 g CO<sub>2</sub>/kWh in 2003 compared to a German average of 580 g CO<sub>2</sub>/kWh. The risk of higher costs is therefore comparably low
- E.ON is confident that costs for CO<sub>2</sub> allowances can be passed through to customers



**In summary, there may be no additional burden on E.ON**

## Financing policy

- E.ON aims to maximize financing efficiency and minimize structural subordination issues
- General rules: External financings will be undertaken at the E.ON AG level or via finance subsidiaries under its guaranty and on-lent as needed within the Group. Generally, at market rates, for US at cost
- Case by case decision for majority held subsidiaries and joint ventures
- In certain limited circumstances, future financings may also take place at subsidiary level, e.g. for reasons of pricing, tax-efficiency or regulation
- For new subsidiaries external short-term debt to be refinanced immediately, other debt as it falls due by inter-company loans, or earlier if savings are available

## E.ON Group - Strong financial profile

	2004	2003
$\frac{\text{Adj. EBITDA}^1}{\text{Net interest}^2}$	16.0 x	14.8 x
$\frac{\text{Adj. EBITDA}^1}{\text{Net financial position}^3}$	192 %	120 %
$\frac{\text{Net financial position}^3}{\text{Cash provided by operating activities}}$	0.9 years	1.4 years
$\frac{\text{Gross external debt}^4}{\text{Total Capital}^5}$	33%	36%

1) Non-GAAP financial measure; reconciliation see Annual Report, p. 25

2) Non-GAAP financial measure; reconciliation see Annual Report, p. 160

3) Non-GAAP financial measure; reconciliation see Annual Report, p. 29

4) Non-GAAP financial measure; gross external debt equals financial liabilities to banks and third parties less interest portion, see Annual Report, p. 140

5) Non-GAAP financial measure; total capital equals gross external debt plus shareholders' equity plus minority interests



## E.ON Group - Strong rating

### **Moody's (Aa3, „stable outlook“)**

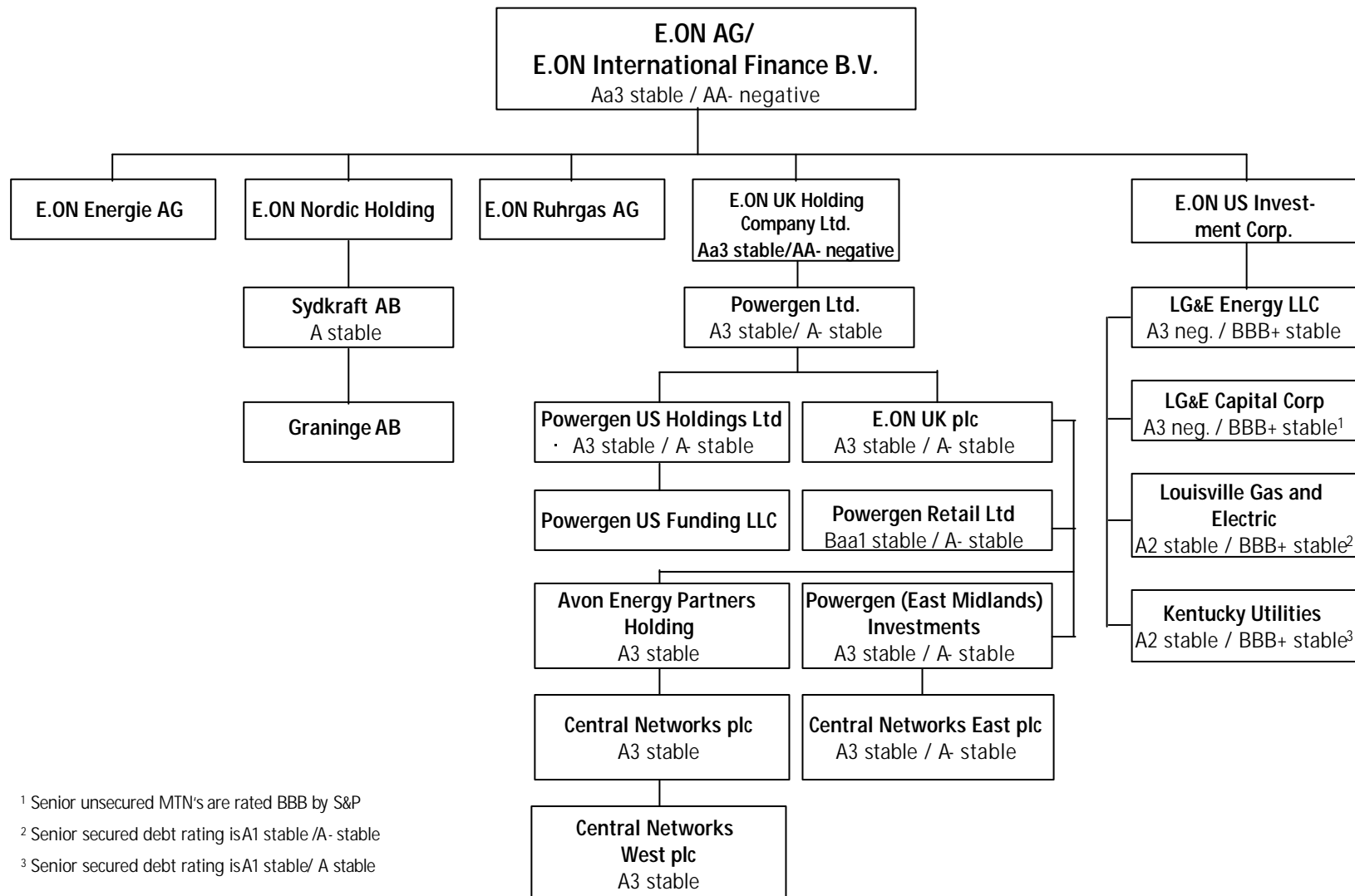
- E.ON's A1 Rating upgraded to Aa3 on April 30, 2004
- The rating reflects E.ON's improving credit protection measurements and reduced debt, its more narrowly defined medium-term plan and investment discipline, its good underlying core operating performance and the remaining divestments.

### **Standard & Poor's (AA-, „negative outlook“)**

- AA- Rating confirmed on 14 March 2005, outlook revised from “stable” to „negative“
- The ratings on E.ON are supported by its very strong business position as the world's largest private electricity and gas utility and vertically integrated positions in a number of high-quality electricity and gas markets, together with a robust financial profile. However, a combination of regulation impact and acquisitions, together with ongoing shareholder pressure or investments in riskier growth markets could ultimately lead to a ratings adjustment.



## Ratings within the E.ON Group



<sup>1</sup> Senior unsecured MTN's are rated BBB by S&P

<sup>2</sup> Senior secured debt rating is A1 stable / A- stable

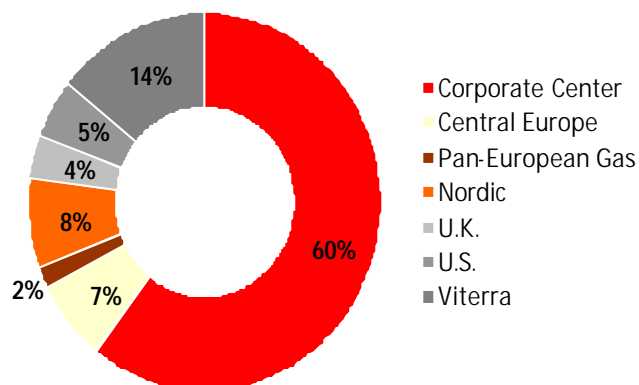
<sup>3</sup> Senior secured debt rating is A1 stable/ A stable

# E.ON Group - Split of gross external debt<sup>1</sup>

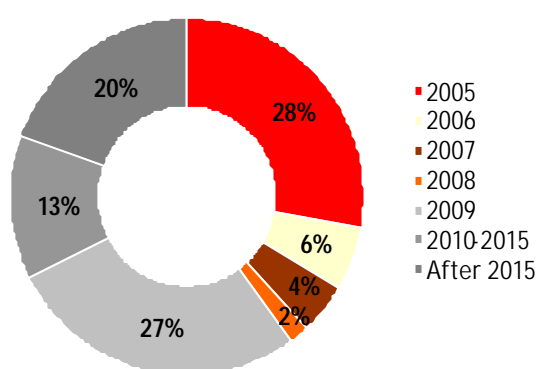
as of December 31, 2004, in billion €

	Central Europe	Pan-European Gas	U.K.	Nordic	U.S. Midwest	Corporate Center	Viterra	E.ON Group
Bonds	0.0	0.0	0.5	0.5	0.9	7.2	0.0	9.1
Commercial paper	0.0	0.0	0.0	0.2	0.0	3.4	0.0	3.6
Bank loans/others	1.3	0.4	0.2	0.7	0.0	0.4	2.6	5.6
<b>Gross external debt<sup>1</sup></b>	<b>1.3</b>	<b>0.4</b>	<b>0.7</b>	<b>1.4</b>	<b>0.9</b>	<b>11.0</b>	<b>2.6</b>	<b>18.3</b>

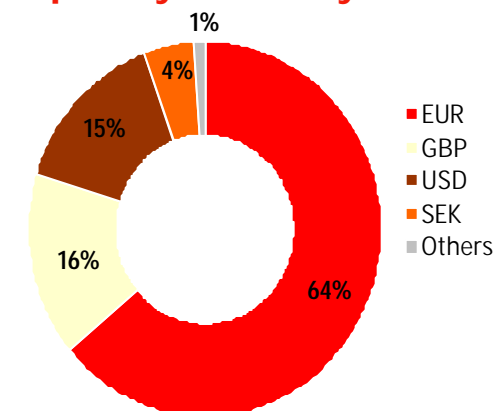
## Split by Market Unit



## Split by Maturity



## Split by Currency<sup>2</sup>



1) Non-GAAP financial measure; gross external debt equals financial liabilities to banks and third parties less interest portion, see Annual Report, p. 140  
2) Before hedging



This presentation may contain forward-looking statements based on current assumptions and forecasts made by E.ON Group management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in our public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including our Annual Report on Form 20-F). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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