

Successful business,
responsible choices.

About this Report

Our previous report, *Energy, Efficiency, Engagement—Corporate Responsibility*, was published in 2005. It provided an introductory overview of our corporate social responsibility (CSR) activities. Our current report describes how we're moving forward systematically with these activities as we refine our strategies and objectives. This report supplements our other periodic reports: our Annual Report, Form 20-F, Strategy & Key Figures, and the reports published by our major subsidiaries. It also lays the foundation for future periodic reports on the E.ON Group's economic, environmental, and social activities as well as the challenges we face in these areas.

In addition to the CSR information this report contains, it also draws your attention to more detailed information available at www.eon.com > [Corporate](#) > [Responsibility](#). These references are indicated by the symbol ►. This report is for the entire E.ON Group, encompassing all our market and business units. Data are for all subsidiaries and power plants in which E.ON has a majority ownership interest. This CSR report contains additional performance indicators compared with our previous report. The reporting period is from 2004 to 2005. In some cases, we've included information from 2006 that was available before the report went to press. Some tables include figures prior to 2004 to make comparisons more meaningful.

This report is based on the guidelines of the Global Reporting Initiative (GRI). It was prepared in accordance with the 2002 GRI guidelines but also reflects GRI's draft G3 guidelines published in April 2006. Pages 48 and 49 of this report contain a concise G3 content index. Detailed indices are available at eon.com.

This report went to press on April 30, 2006. You'll find more recent information at eon.com. Our next CSR report will be published in the second quarter of 2007.

Contents

2	CSR Conversation
4	Our Commitment to Corporate Social Responsibility
5	E.ON Corporate Profile
8	Responsible Corporate Governance
18	Our Responsibility in the Marketplace
24	Our Responsibility towards the Environment
30	Our Responsibility towards Communities
36	Our Responsibility in the Workplace
42	Key Figures
46	Program
48	GRI Content Index
50	Glossary



Dr. Manfred Krüper
Member of the E.ON AG Board of Management
Chief Human Resources Officer

Dr. Wulf H. Bernotat
Chairman of the E.ON AG Board of Management
Chief Executive Officer

CSR Conversation

Dr. Krüper I'm proud that we were able to prepare this, our second CSR report, in accordance with the current Global Reporting Initiative guidelines. By meeting this demanding international standard, we provide a balanced and reasonable presentation of our economic, environmental, and social performance. This report certainly contains a lot of information. Even I came across some things I didn't know before I read the draft.

Dr. Bernotat But we still need to be more open in talking about social and environmental issues, including in ways that go beyond this report. For years we've been providing our investors with accurate and transparent information about our business and financial performance. It's widely accepted that our financial reporting meets the highest standards. I want us to become an international pacesetter in CSR reporting as well and for the public to perceive us a leader in CSR.

Dr. Krüper There are a lot of terms used to describe aspects of corporate citizenship: corporate social responsibility, sustainability, accountability, achieving a balance between ecological, financial, and social objectives. But what's meant by these terms isn't new to our company. Our products and the way we make them can profoundly influence the quality of people's lives—in a positive way, but also in a negative way if we don't act with foresight and prudence. That's why social responsibility has a long tradition at E.ON Group companies and why it was chosen as one of our five corporate values.

Dr. Bernotat That's true. Companies in our industry who don't consider the environmental and social consequences of their operations are acting irresponsibly. More than any other industry, the energy industry is subject to the influence of policy-makers and the expectations of many different stakeholders. Because we need to have society's trust and acceptance—a license to operate, as I call it—CSR is integrated into our daily operations and our corporate strategy.

Dr. Krüper Yes, but up till now E.ON's motto has seemed to be "do good things but don't talk about it." The recent public debate about electricity and natural gas prices has shown that we need to do a better job of communicating just how seriously we take CSR. At times, the debate has been highly emotional. But emotions can be hard facts too. The public will need a lot of convincing before it accepts that energy prices are rising worldwide and that we're not immune to these developments.

Dr. Bernotat The energy price debate taught me an important lesson: we need to be proactive in our communications. We're an international company that wants to continue growing. This means we're subject to particularly close scrutiny. Big companies are often mistrusted, especially in Germany. We need to take this seriously. Big companies can only gain acceptance by earning society's trust. We have to demonstrate that we act responsibly in the marketplace, in the workplace, towards the environment, and towards local communities. We'll only achieve this if we maintain an active dialog with the general public and with individual interest groups. If we do this, people will listen to us even when we have bad news to tell them.

Dr. Krüper We also have to communicate more clearly that size is an advantage in the energy business. How else could we shoulder our massive investments in pipelines, more efficient and environmentally friendly power plants, and renewable energy? It's our size, our financial strength, and our earnings power that enable us to carry out long-term, multi-billion-euro investment projects.

Dr. Bernotat It's also why we can afford to spend hundreds of millions of euros to research and test new technologies, especially for climate protection.

Dr. Krüper That's right. Our R&D effort focuses on efficient energy use and on integrating renewables into our existing energy mix, which helps protect the earth's climate.

Dr. Bernotat Right now, energy companies seem to be in a race to build the most efficient power plant or the first clean-coal power plant. But if I look at our peers, I think we're doing very well in this area as well.

Dr. Krüper Before you and I start talking about some of the specific projects described in our CSR report, I want to invite readers to examine the report for themselves and come to their own conclusions. I think they'll find it's worthwhile reading.

Dr. Bernotat I do too. I also want them to know that dialog is important to us. We would be grateful for praise but also for suggestions and criticism. After all, openness is also one of our five corporate values

Our Commitment to Corporate Social Responsibility

We behave responsibly towards our colleagues, customers, suppliers, the environment, and the communities where we live and work. We seek to improve lives everywhere we operate, aiming for a healthy, safe, and sustainable environment. We consider the needs of the present generation and also anticipate the needs of future generations.

Corporate social responsibility (CSR) is a fundamental part of the way we do business. It has five key components: responsible corporate governance, the marketplace, the environment, communities, and the workplace. In each of these areas, we want to become a global leader in our industry.

More specifically, we:

- are responsible for providing our markets with a secure, economical, and climate-friendly supply of energy.
- support the ten principles propounded by the UN's Global Compact on human rights, working standards, environmental protection, and fighting corruption.
- are committed to successful long-term development in the communities where we live and work.
- report our achievements openly, reliably, and self-critically. This includes making an appropriate and balanced presentation of our economic, environmental, and social activities and achievements in line with the Global Reporting Initiative's current recommendations for sustainability reporting.
- seek to engage in objective dialog about our activities and about the challenges our industry will face in the future.

Board of Management of E.ON AG, Düsseldorf, June 2006



Bernotat



Bergmann



Gaul



Krüper



Schipporeit



Teyssen

E.ON Corporate Profile

Value Added

E.ON is the world's largest investor-owned energy services provider. Our 80,000 employees generated about €56 billion in sales in 2005. Over the past six years, transactions totaling around €100 billion have transformed E.ON from a conglomerate into one of the world's leading power and gas companies. The success of this process is evidenced by the significant improvement of our financial and earnings strength. Between 2001 and 2005, we increased adjusted EBIT by 119 percent to €7.3 billion.

The calculation of our net value added clearly illustrates the resulting financial benefits for our stakeholders. In 2005, the net profit on sales (gross profit on sales less the cost of goods sold and services provided, depreciation, and other expenses) and other earnings of our continuing operations totaled €13.1 billion. Of this figure, about €4.6 billion went to our employees in the form of wages, salaries, and benefits. Government entities

received €2.3 billion in corporate income taxes and other taxes. We paid €1.3 billion in interest to our creditors. Minority interests accounted for €553 million. This means we added approximately €4.4 billion of value in 2005.

We paid our shareholders €4.6 billion in dividends for the 2005 financial year. This figure includes a special dividend of €4.25 per share by which we passed on to our shareholders the gain on the disposal of our Degussa stake. In addition to dividends, our shareholders benefited from a 30 percent increase in the value of E.ON stock in 2005.

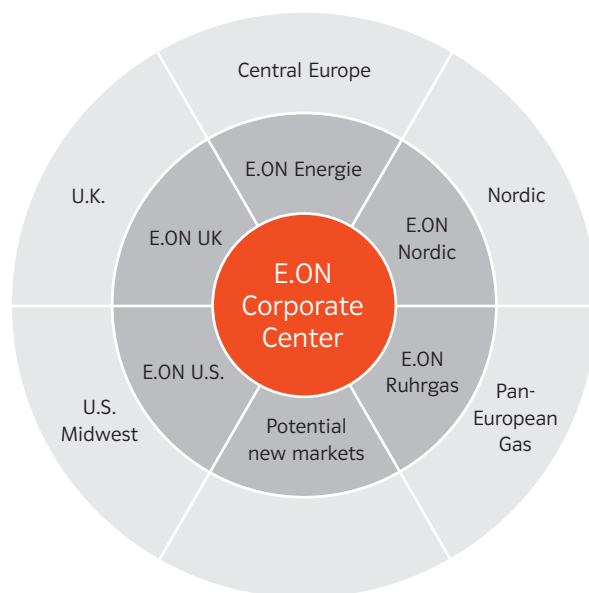
E.ON Group Key Figures (2005)

	Central Europe	Pan-European Gas	U.K.	Nordic	U.S. Midwest	Corporate Center	Total
Sales (€ in millions)	24,295	17,914	10,176	3,471	2,045	-1,502	56,399
Adjusted EBIT (€ in millions)	3,930	1,536	963	806	365	-399	7,333 ¹
Power sales (billion kWh)	258.5	-	59.6	48.5	37.7	-	404.3
Gas sales (billion kWh)	112.3	690.2	100.3	7.0	14.6	-	924.4
Investments (€ in millions)	2,177	531	926	538	227	-62	4,337
Employees at year end	44,476	13,366	12,891	5,801	3,002	411	79,947

¹Includes Degussa, which is accounted for using the equity method. Adjusted EBIT is a non-GAAP financial measure; see the reconciliation to net income on page 37 of the 2005 E.ON Annual Report.

Net Value Added (2005)		
€ in millions	Use	
Valued added¹		13,116
Employees	Wages, salaries, benefits	4,579
Government entities	Income taxes, other taxes	2,333
Lenders	Interest expense ²	1,272
Minority interests	Minority interests' share of income from continuing operations	533
Net value added		4,399
Shareholders	Dividends ³	4,614

¹From continuing operations
²Excludes accretion expense on provisions for nuclear waste management (SFAS 143).
³Dividends are paid out of value added from both continuing and discontinued operations; includes the special dividend relating to the sale of our remaining Degussa stake.



Organizational Structure

Our market-oriented organizational structure has three tiers. Located in Düsseldorf, Germany, E.ON AG is the E.ON Group's Corporate Center. It manages E.ON as an integrated energy company, charts the Group's strategic course, defines areas for further development, manage business issues that transcend our individual markets, optimizes the Group's business portfolio, and secures and manages financial resources.

We have five market units which correspond to our target markets: Central Europe, Pan-European Gas, U.K., Nordic, and U.S. Midwest. The market unit lead companies—E.ON Energie, E.ON Ruhrgas, E.ON UK, E.ON Nordic, and E.ON U.S.—are tasked with managing the integrated operations in their respective markets and regions in a decentralized fashion, leaving responsibility for day-to-day operations to their business units.

Corporate Strategy

We aim to become the world's leading power and gas company. To get there, we intend to further enhance the Group's competitiveness and earnings power and at the same time achieve profitable growth. We have a clearly defined strategy:

- Integrated power and gas business:** As an integrated power and gas supplier, we're active along the entire value chain, from production and trading to distribution and supply. This enables us to optimize our business throughout the value chain and to diversify risk. We also leverage the synergies of power-gas convergence. We believe this is a competitive advantage that's becoming increasingly important in our industry.
- Clear geographic focus:** Size is a decisive competitive advantage in the energy business. That's why we intend to strengthen our leading positions in our current markets and create sustainable value through organic growth. However, given the moderate growth of energy markets, we also need to grow externally and tap new markets in order to achieve above-average success.

- **Clear strategic priorities:** Our primary objective is to strengthen and expand our position in Europe. We intend to maintain our strong and diversified generation portfolio and to build up an equity natural gas portfolio.
- **Strict investment criteria:** Investments and acquisitions must meet our strict strategic and financial criteria. Over the last few years, we've applied these criteria to a series of small and medium-sized acquisitions that closed gaps in our geographical coverage and along the value chain of our integrated power and gas business. Our February 2006 offer to buy 100 percent of the stock and American depositary shares of Endesa S.A., Spain's largest electric utility, also meets our investment criteria.

Our growth in Europe helps to improve the efficiency of Europe's single market for energy. At the same time, we're able to make substantial investments in modernizing Europe's energy infrastructure and enhancing security of supply.

E.ON Guiding Principles and OneE.ON Initiative

We launched the OneE.ON integration project with the aim of increasing employees' identification with E.ON, enhancing teamwork, and improving employees' grasp of E.ON's corporate strategy. As part of this project, we defined our guiding principles.

These include five core values:

- Integrity: We do what we say.
- Openness: We say what we think.
- Trust and mutual respect: We treat others as we would like to be treated.
- Courage: We do and say what we believe is right.
- Social responsibility: We act in the long-term interests of society.



How can we make E.ON's CSR performance more transparent?

Dr. Paul Golby, CEO of E.ON UK "Being completely open in reporting on CSR across the Group, including where we are good and also not so good, demonstrates that we are a trustworthy organization living up to our values.

In the United Kingdom, for example, our stakeholders now expect us to include CSR as part of our normal business reporting processes each year. Our experiences in the U.K. suggest that adopting the common reporting structures and processes required to meet the GRI guidelines as a Group standard will be quite a challenge. This is due to the different levels of CSR reporting and systems currently operated across our market units and the cultural differences that exist.

We can turn this cultural diversity to our advantage by sharing experiences, and I look forward to joining with our colleagues from across the Group in working to establish E.ON as a world leader in the field of CSR reporting."

Responsible Corporate Governance

We believe that maintaining an ongoing and open dialog with the public and prudently managing the financial, social, and environmental risks of our business are central to our success and provide us with a license to operate as we work to become the world's leading power and gas company.

Our CSR Principles

Our products and services help power the economy and enhance the quality of people's lives. But energy production and distribution can also harm the earth's climate and the environment. Social responsibility is one of our company's five core values. The paragraph below, taken from the E.ON guiding principles, articulates our understanding of CSR:

"We are responsible to our colleagues, customers and suppliers, the environment, and the communities where we live and work. We seek to improve lives everywhere we operate, aiming for a healthy, safe, and sustainable environment. We consider the needs of the present generation and also anticipate the needs of future generations."

This corporate value serves as a continual reminder to all our employees that they must plan and act responsibly. We believe that two key elements ensure that we prudently manage the financial, environmental, and social risks of our operations and achieve the greatest possible benefit for our company and its stakeholders:

1. We're committed to maintaining an open dialog with all of our stakeholders. This commitment is in keeping with our broad definition of CSR, which encompasses the management of our business, its sustainability in the marketplace and workplace, and its impact on the environment and local communities.
2. We're committed to making CSR an integral part of our corporate culture and embedding CSR in our business processes. We achieve this by having a groupwide CSR organization in place, by establishing uniform groupwide standards, by regularly and openly reporting on CSR, and by monitoring the success of our CSR measures.

Stakeholder Dialog

Our main stakeholders are our employees; our customers; our suppliers; our investors; municipalities; national and international governments and authorities; local, national, and international non-governmental organizations (NGOs); and the people who live near our facilities.

To obtain feedback from our stakeholders, we hold national and local dialog forums and conduct periodic surveys of our customers, our employees, and financial analysts. These tools provide us with important data and have taught us a lot about what our stakeholders expect of us. Not surprisingly, their expectations vary considerably depending on where they live, since the countries where we operate have different legal systems, different cultures, and different traditions. For example, the energy policy and regulatory environment, the degree of energy market liberalization, environmental protection laws, and social standards all differ from country to country. As our company grows, we'll continue to refine our understanding of CSR. E.ON is a very large company, and this means we're subject to particularly close scrutiny (by NGOs, for example). We respond to this scrutiny by increasing the transparency of our reporting and communications.

E.ON assists many social organizations and has made many voluntary commitments. By embracing international standards such as the UN's Global Compact and the guidelines of the Global Reporting Initiative (GRI), we aim to meet our stakeholders' demands for greater transparency. Beginning in 2006, we also support the World Business Council for Sustainable Development (WBCSD) on a groupwide basis. E.ON UK was a founding member of the WBCSD, which is the world's leading organization for corporate sustainability.

We develop our position on specific issues and our company guidelines in groupwide project groups. It was in such project groups that we defined our guiding principles and the key focus areas of our CSR effort. This method continually creates new opportunities for us to draw on our employees' wide-ranging experience by transferring knowledge and by disseminating exemplary projects and processes throughout the Group.

It's extremely important for us to maintain an ongoing dialog with energy, economic, and environmental policymakers on the national, European, and international level. Our objective is to engage in a constructive and foresightful dialog in order to help shape the energy policy and regulatory environment in which our business operates. In such discussions, we've earned a reputation for expertise and integrity.

Strengths and Weaknesses We systematically cataloged our CSR activities, analyzed the results of our stakeholder surveys and dialog forums, and evaluated our sustainability ratings. This enabled us to identify our key CSR issues and allocate them to the following five fields of action: responsible corporate governance, the marketplace, the workplace, the environment, and communities.

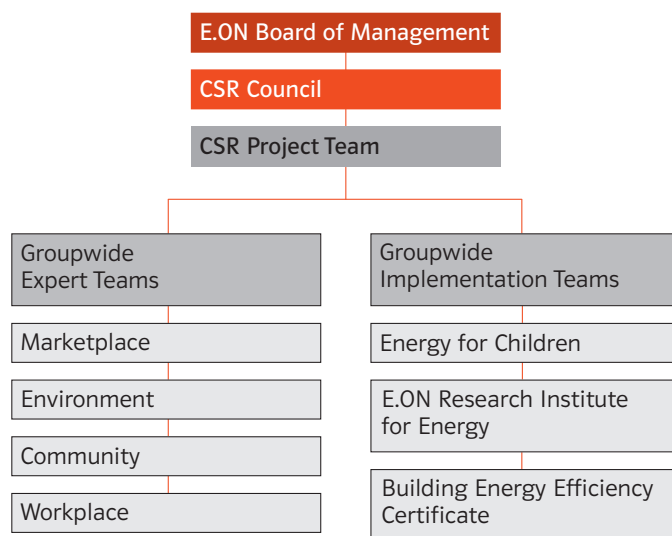


In the marketplace and the workplace our image is good: we have a solid reputation as a company and as an employer and are a global leader in our industry. The image of our environmental performance and of our support for communities is less good: public awareness is either too low, or our performance doesn't meet some of our stakeholders' expectations. We know that we need to do a better job of communicating our activities and achievements in these areas.

Our aim is to get even better at what we already do well and to become good at what we've been doing less well. More specifically, we've set three objectives for the next three years.

1. **We will be an industry leader in global warming management and energy efficiency.** To get there, we intend to expand, modernize, and renew our asset base, develop and implement a groupwide climate protection strategy, and increase our investment and R&D in renewable energy sources and energy efficiency (see Our Responsibility towards the Environment on pages 24-29).
2. **We will be seen as a trustworthy and committed partner of all the regions where we operate.** To get there, we're combining and enhancing our community-related activities and systematically engaging in dialog in the communities where we operate. This year we launched a groupwide initiative to support employee volunteers (see Our Responsibility towards Communities on pages 30-35).
3. **We will be an industry leader in open communications of our economic, environmental, and social activities and achievements.** We've capitalized on experience gathered by E.ON UK and E.ON Nordic to considerably expand and standardize our internal CSR reporting. This report and the additional information available on our website serve to increase the transparency of our operations and their impact.

How We Organize CSR Since our last report was published, we've established a groupwide CSR organizational structure in order to make CSR an even more integral part of how our company operates. It supports and coordinates key business processes that will help us achieve this objective. The organizational structure we've put into place enables us to be more responsive to—and learn from—suggestions and criticism from inside and outside our company.



The CSR Council oversees our global CSR activities, defines strategic focus areas, drafts groupwide guidelines, and defines objectives. Its responsibilities also include preparing periodic reports and carrying out performance reviews. The council, which is headed by two members of the E.ON Board of Management, includes senior executives from all market units, heads of several departments of the Corporate Center, and representatives of the E.ON Group Works Council. This composition ensures that the council's discussions benefit from the different perspectives and experience of each of our market

units and reflect the interests of our various stakeholders. The CSR Council was founded in the summer of 2005 and meets once a quarter.

The CSR Project Team provides the CSR Council with the information it needs to make decisions and supports the implementation of measures that are adopted. Its members include departmental representatives from the Corporate Center, the market units' CSR coordinators, Works Council representatives, and expert and implementation team leaders. Its main tasks in its first year were to establish our CSR management structure, create a uniform groupwide reporting system, dialog with sustainability analysts and individual stakeholder groups, and communicate CSR inside and outside the company.

- Four expert teams, each headed up by one of our market units, develop strategies and initiatives to embed CSR in our operations and processes as these affect the marketplace, the workplace, the environment, and local communities. Implementation
- ▶ teams oversee our three current groupwide implementation projects.

Corporate Governance and Risk Management

We believe that corporate governance and risk management are central elements of managing a company responsibly. That's why we welcome the creation of uniform national and international standards for corporate governance. They provide us with important benchmarks for reporting transparency, which we believe will further enhance stakeholders' trust in the way we manage our company.

- The German Corporate Governance Code** We comply with the German Corporate Governance Code's recommendations and suggestions. In particular, E.ON discloses the compensation paid to each member of its Board of Management and Supervisory Board and describes these compensation plans in detail.
- ▶

- Sarbanes-Oxley Act** E.ON is listed on the New York Stock Exchange (NYSE) and must therefore comply with U.S. securities laws including the Sarbanes-Oxley Act (SOA) which took effect in July 2002. We must also comply with regulations issued by the Securities and Exchange Commission (SEC) and with the rules of the NYSE. We support the SOA's aims and meet applicable requirements. These included establishing a Disclosure Committee consisting of representations of several departments at the Corporate Center. The committee's main
- ▶ job is to monitor the accuracy of E.ON's financial disclosures.

- Code of Ethics and Code of Conduct** Our Code of Ethics, which is based on SEC guidelines, calls for prompt and complete financial disclosures and aims to prevent conflicts of interest. It applies in particular to members of the Board of Management and the Disclosure Committee.
- ▶

E.ON AG has had a Code of Conduct for all employees since the 1990s. It contains rules about the maximum value of gifts employees are permitted to give and receive in business situations. It serves as a common benchmark throughout the Group. At E.ON Ruhrgas, E.ON UK, and E.ON U.S., it is supplemented by additional rules. We're currently revising our Code of Conduct. The new code will be published in the second half of 2006.

Overview of Key Commitments to Existing Standards

Standard	Applicable for	Objectives	Progress
German Corporate Governance Code	Shareholders	Code aimed at improving the transparency of the rules governing corporate management and oversight in Germany	Major parts implemented, including new requirements in June 2005
Sarbanes-Oxley Act	Shareholders	Law aimed at improving corporate governance and rebuilding people's trust in the U.S. capital markets	Guidelines for non-U.S. companies implemented
E.ON Code of Ethics	Shareholders	Code aimed at improving transparency by stipulating the complete, punctual disclosure of financial information in company reports and financial statements	Developed and implemented in compliance with SEC requirements
E.ON values	Employees	Guidelines towards becoming the world's leading power and gas company	Together with our vision, mission and behaviors, they form the E.ON guiding principles
E.ON Code of Conduct	Employees	Binding code of conduct for all employees	Publication of a new version in 2006
Voluntary commitment to CSR	Shareholders, employees, customers, suppliers, communities, national and multinational governments, NGOs	Commitment to corporate social responsibility	Published for the first time in this CSR report
Basic CSR principles	All stakeholders (see above)	Fixing our understanding of CSR in the following fields of action: responsible corporate governance, marketplace, environment, community and workplace	Online publication planned for second half of 2006
Global Compact (10 UN principles on implementing CSR)	All stakeholders (see above)	International agreement aimed at promoting the social commitment of companies	Member since 2005

- ▶ E.ON's risk management system also monitors environmental risks. Our system is evaluated by our independent auditors as part of their annual review of our financial statements. We intend to refine our risk management so that it more systematically identifies and addresses social risks, risks to our reputation, and environmental risks. We're currently examining the social risks in our supply chain and the effects of demographic change on our business. Our Annual Report and Form 20-F already contain transparent disclosures of significant market and sales risks, our assessment of them, and possible countermeasures.

The Head of Internal Audit at the Corporate Center supports the E.ON Board of Management as the Group's Business Compliance Officer (BCO). The BCO oversees the fulfillment of our corporate governance obligations, monitors key risk factors, and provides guidance to employees who have questions about potential conflicts of interest. Employees may contact the BCO at the Corporate Center anytime via a whistle-blower hotline or speak to the BCO at their market unit.

Reporting and Performance Review

We've indicated how seriously we take social responsibility by making it one of the five E.ON values. For it to truly guide our actions, though, it must be embedded in our business processes. It's important to us that CSR be seen as a success factor throughout our company, by our suppliers, and by the people and organizations with which we have contractual relationships. To help us get there, we've set qualitative and quantitative targets and we report every year on the extent to which we've reached them (see Program on pages 46-47).

More specifically, we're committed to:

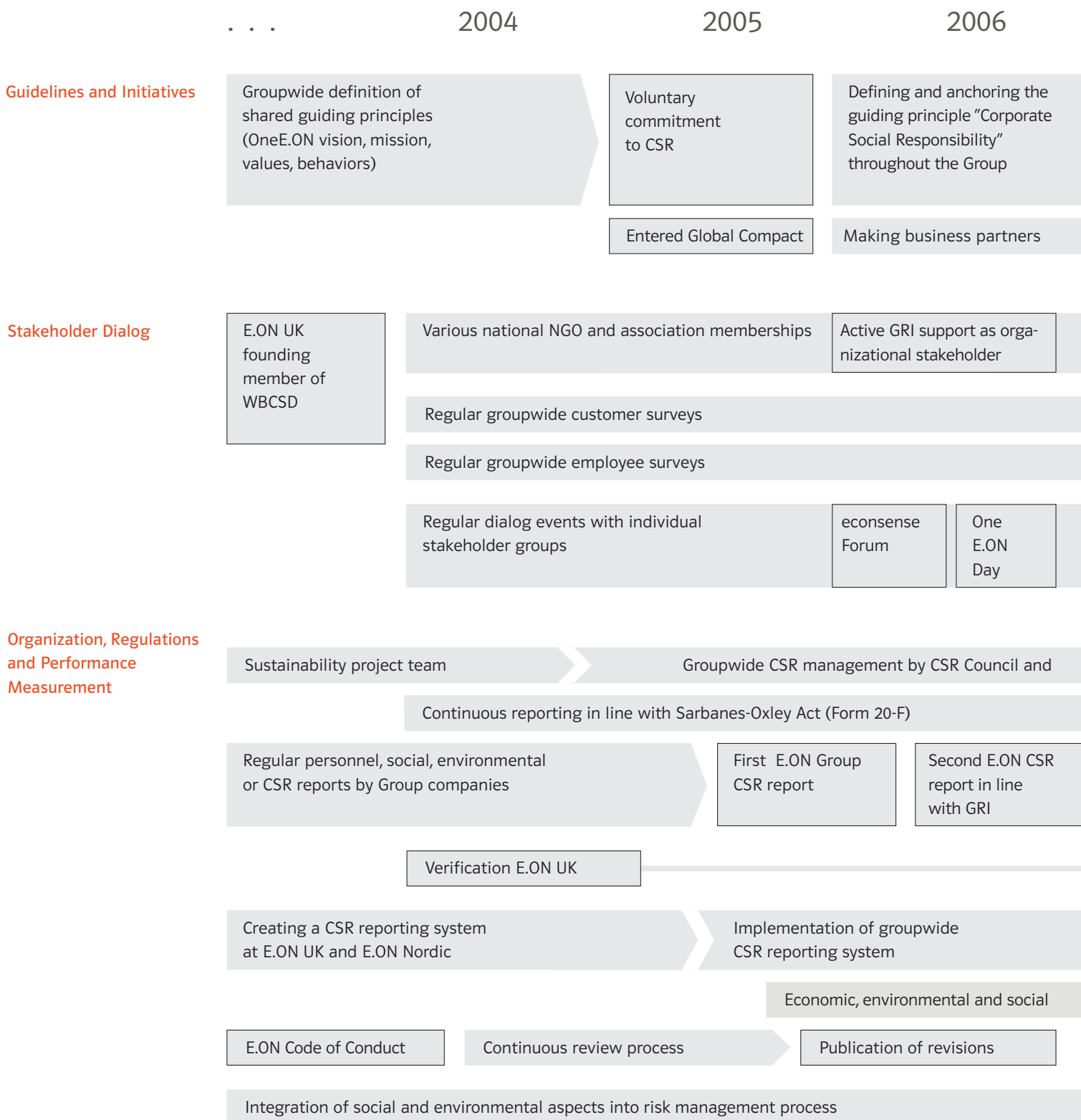
- refining our CSR indicators so that we can produce even more comprehensive—and comprehensible—reports on our groupwide CSR performance.
- playing an active role in the GRI Energy Utilities Sector Supplement and consulting closely with external stakeholders in order to improve the quality and comparability of sustainability reports in our industry.
- having our future CSR reports independently audited in order to enhance their credibility.

We assess our CSR performance by means of performance targets and management systems:

As part of implementing the E.ON guiding principles, we introduced performance measurement based on the following six indicators: financial success, customer loyalty, brand equity, employee satisfaction/commitment, occupational health and safety, and sustainability.

We use these indicators to measure whether we're meeting our commitment to become the best company in our industry. We will use a leading external rating to assess our sustainability performance. The performance measurement indicators are included in the performance review of senior managers. Moreover, the compensation paid to some members of the Board of Management is linked to the success of our CSR management and CSR communications.

Action Plan The action plan on the next two pages provides an overview of the processes and milestones of our effort to manage CSR. Together with the program summarizing our CSR objectives for the marketplace, the environment, communities, and the workplace, the action plan charts our course to become a leader in all of our CSR focus areas.



2007

2008

2009

...

"Energy for Children" initiative

Energy certificates for buildings

Global warming and Energy Efficiency Initiative

aware of Global Compact principles

CSR Project Team

Regular E.ON CSR reports in line with GRI recommendations

Groupwide independent verification

performance indicators incorporated into variable compensation for managers

Our Responsibility in the Marketplace



How can we continue to offer our customers fair prices, good service, and security of supply?

Dr. Johannes Teyssen, CEO of E.ON Energie “Recently, we’ve been heavily criticized in a number of our markets for increases in electricity and natural gas prices. We can understand why our customers are angry. Nobody likes higher prices. But we think it helps to talk about these issues. That’s why we’re engaged in an honest and open dialog with consumers, the media, and policy-makers. By focusing on the facts, we’re doing our part to ensure that the public debate about energy prices is fair and unbiased. We think this is the best way to help consumers understand the situation. But we’re not just talking. We’re also taking action. For example, during the next three years alone we’ll invest €16.3 billion in helping to make energy supply competitive and reliable. This includes investments in efficient generation technologies and access to new sources of natural gas.

However, the best way to ensure that energy prices are fair is to have free and open markets. E.ON is playing an active role in enhancing energy market competition. In Germany, our residential customers can already choose an alternative natural gas supplier—even though this isn’t yet required by law.”

Our Responsibility in the Marketplace

Our core power and gas business enhances the quality of people's lives. We ensure that they have a secure and economical supply of energy. While doing so, we aim to think and act responsibly along the entire supply chain—from procurement to sales—and promote fair competition. We work every day to satisfy our customers and provide them with tailor-made solutions.

Few industries are more affected by political interests and public expectations than the energy industry. The reason is that our core business supplies people with something they can't do without: energy. And whether energy supplies are reliable, economical, and environmentally friendly directly affects people's lives.

That's why energy supply issues are atop the political agenda. In Europe, the EU and national legislatures debated and enacted a number of energy policy laws in 2005 that significantly affect our operations. Emission allowance trading began in the

- ▶ EU25 on January 1, 2005. Germany's amended Energy Act of 2005 took effect in mid-year. The new law significantly changes the regulation and unbundling of energy supply networks.

People have criticized us recently for rising energy prices. With emotions often running high, we've tried to keep the public discussion factual. We'd like to intensify our dialog with the public and particularly with our customers. We want them to

- ▶ understand the complexity of energy price formation and how little room we have to maneuver.

Security of Supply

Global energy demand is soaring. The industrialized countries of Europe, which are dependent on imported energy, must compete globally for oil and natural gas supplies. Some countries that have been largely self-sufficient will soon exhaust their energy resources. The situation is compounded by the fact that much of the world's oil and natural gas comes from politically unstable regions. Germany's plan to phase out nuclear energy further jeopardizes security of supply. By 2025, the plan would reduce Germany's installed generating capacity

by more than 15,000 megawatts (MW) or roughly one third. Moreover, a significant number of older oil-, gas-, and coal-fired power plants will have to be replaced.

E.ON is a large, financially strong, and highly profitable energy company. This enables us to make the substantial investments necessary to maintain a modern energy infrastructure and to ensure security of supply. Going forward, we intend to maintain a diverse portfolio of supply countries, transport pathways, and energy sources.

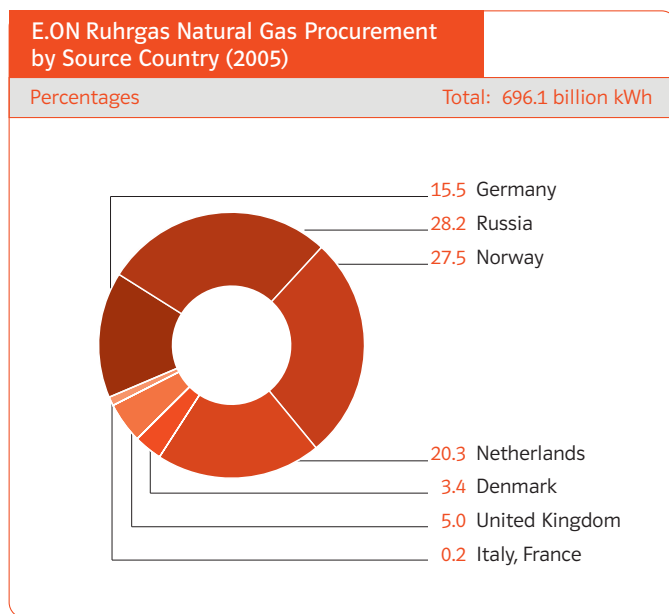
Investments E.ON will invest some €16.3 billion in property, plant, and equipment between 2006 and 2008. Most will go towards the modernization and new construction of power plants and power and natural gas networks. We will invest about €1.2 billion in renewable energies.

E.ON Ruhrgas is making substantial investments to improve Europe's energy infrastructure. It will invest €1.9 billion to extend transport pipelines, enlarge its storage capacity, and increase its equity gas position. A key project is the North European Gas Pipeline (NEGP), in which E.ON has a 24.5-percent stake. Beginning in 2010, the pipeline will be capable of transporting 27.5 billion cubic meters of natural gas to Germany each year. A tandem pipeline is also planned, which will eventually double the NEGP's transport capacity. The NEGP will make a significant contribution to securing Europe's supply of natural gas for the long term.

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Natural Gas Supply E.ON Ruhrgas currently sources over 99 percent of its natural gas from Germany and five export countries.

To further diversify our natural gas procurement, we intend to enter the liquefied natural gas (LNG) business. In Wilhelmshaven on Germany's northwest coast we plan to build the country's first terminal to offload LNG tanker ships.



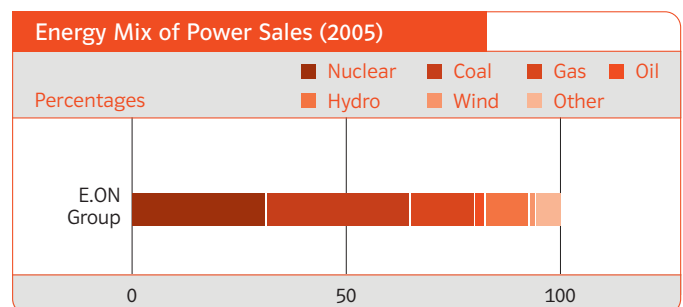
We also want to produce more of the natural gas we sell. In September 2005, we bought Caledonian Oil and Gas Limited, a U.K natural gas production company that has interests in 15 gas fields in the British North Sea. This brought us closer to our long-term goal of sourcing 15 to 20 percent of our natural gas needs from our own production assets.

Energy Mix A diverse energy mix draws on as many primary energy sources as possible, thereby reducing dependence on a single source and enhancing security of supply. It's important to remember, though, that generation assets have long operating lives. This means that neither E.ON nor any other power producer can suddenly change the energy mix of its generation fleet. We therefore use long-term energy scenarios and continually invest in R&D.

Coal and nuclear energy will continue to be important energy sources well into the future. Nuclear energy makes a significant

contribution towards maintaining a competitive, reliable, and climate-friendly power supply. However, some people are critical of nuclear energy because of concerns about safety and nuclear waste disposal. E.ON operates nuclear power plants in Germany and Sweden. We're convinced that nuclear energy can be used responsibly now and in the future. It contributes to security of supply, is environmentally friendly, is economical, and offers the potential for further technical refinement. Germany's plan to phase out nuclear energy would result in 120 million metric tons of additional CO₂ emissions each year. We encourage Germany to engage in a candid, unbiased discussion of nuclear energy use. Each year, E.ON's nuclear power stations rank among the world leaders in output thanks to their impressive availability of more than 90 percent. This not only reflects our high safety standards and careful maintenance programs, but also our employees' superb training and dedication.

Although the world has abundant coal reserves, burning coal releases significant amounts of CO₂. That's why we're working to develop more efficient coal-fired power plants and clean-coal power plants which emit no CO₂. Wind farms are indeed climate friendly, but the significant fluctuations in their output present major challenges to transmission system operators. We're already at work to find new solutions to this problem. We also generate electricity using natural gas, oil, hydro, biomass, and solid waste to meet our customers' energy needs. The electricity we sell comes from our own generation assets, wholesale purchases, and power plants in which we own a minority stake. The energy mix of our generation fleet is shown in Key Figures on page 42.



- ▶ www.eon.com > Corporate > Responsibility > Environment > Fossil and Nuclear Energy Sources > Nuclear Energy
- ▶ www.eon.com > (...) > Environment > Power Plant Projects > New Technologies
- ▶ www.eon.com > (...) > Environment > Renewable Energy Sources > Wind

Customer Orientation

We currently provide reliable power and natural gas service to about 40 million customers in more than 20 countries. Our customers include our sales partners, industrial and commercial (I&C) customers, and residential customers.

To learn even more about what our customers need and want, in 2005 we surveyed a total of 11,000 customers in the United Kingdom, the United States, Germany, and Sweden. Using the data we gathered, we compiled our first-ever groupwide customer loyalty index for the residential segment. The responses to the survey’s four questions enable us to gauge customer satisfaction and draw conclusions about customer loyalty. In the future, we plan to conduct groupwide customer surveys each year and will aim to operate our business in a way that improves our already solid ratings.



In addition to conducting customer surveys, we periodically hold dialog forums in order to learn more about what our customers think in our different markets. E.ON U.S., for example, has created a consumer advisory panel. Its members represent a cross section of our U.S. customers and meet quarterly to give us feedback on our operations. In 2005, E.ON U.S. was chosen—for the sixth time—as the Midwest’s best energy utility in terms of customer service.

E.ON Nordic was Sweden’s first energy utility to have both a customer ombudsman and a customer advisory panel. The

customer ombudsman talks to 150 to 200 customers each month, records their complaints and suggestions, and communicates these to the company. This kind of personal contact helps avoid misunderstandings and enhance customer trust. The customer advisory panel provides customers with another way to communicate with E.ON Nordic. Its members discuss key issues affecting the company and publish their conclusions on the E.ON Nordic website, where all stakeholders can evaluate them.

In early 2005, Powergen, our retail subsidiary in the United Kingdom, was rated unsatisfactory by energywatch, a consumer advocacy organization. We responded by introducing a uniform billing system and adopted a new service strategy. Together, these measures served to reduce customer complaints by 40 percent by the end of 2005. We believe this puts us on course to occupy a top position in energywatch’s U.K. customer service ratings in 2006.

Demand Side Energy Efficiency Every kilowatt-hour of electricity or natural gas that’s saved serves to reduce customers’ bills, enhance security of supply, and protect the environment. Across all our markets, we’ve long offered our customers—in the residential and I&C segments—services to help them save energy and use energy more efficiently. In addition to providing customers with brochures and online tips, many of our market and business units have developed their own energy-saving programs or are involved in regional or national initiatives.

E.ON UK, for example, is running a national campaign to raise its customers’ awareness of their energy consumption. Every three months, customers receive an energy statement which displays their current energy consumption compared with their prior-year consumption. In addition, we individually advised more than 20,000 of our U.K. customers on energy efficiency. In Germany, we’re working with the German Energy Agency (known by its German acronym: dena) ahead of the launch of its building energy efficiency certificate program. The program focuses on the energy efficiency of buildings, which is evaluated using standardized criteria, and on providing specific tips for reducing energy consumption. The certificates enable potential buyers or renters to know in advance how high a building’s heating costs will be. We’re also working with dena on another initiative in Germany designed to make end-users in all customer segments more aware of how they can use electricity more efficiently. We’re planning to leverage the

experience we've gained in Germany to our other markets in Europe and in the United States, where there's growing interest in energy efficiency.

- Pricing** During the past two years, there has been a heated public debate about energy price increases. In Europe, we're best able to supply energy at fair prices in a competitive market. We therefore promote free and healthy competition in countries that have decided to liberalize their energy markets. In the U.S. Midwest, where we operate in a fully regulated market, we engage in an open dialog with regulatory authorities and other organizations so that our customers can enjoy fair prices.

We want to improve the way we present our point of view in Germany's public debate on energy prices. One of the steps we've taken was to publish, in late 2005, how we calculate our natural gas prices. This gave around 1.1 million households, which at the time were unable to choose an alternative supplier, the opportunity to understand their gas bills better. The calculation clearly shows that rising prices primarily reflect rising procurement costs which we were not always able to counteract through cost reductions.

- In April 2006, we made an important contribution towards enhancing competition when we became Germany's first natural gas supplier to allow residential and small business customers to choose a different supplier. In effect, E.ON introduced gas customer choice to these segments prior to it being required by new network access rules which will take effect on October 1, 2006. The rules require substantial changes in suppliers' operations, including the development of a new entry-exit system that allows network customers to book input and offtake capacities independently of each other.

U.K. natural gas prices more than doubled in 2005. Throughout the year, E.ON UK stepped up its energy advisory services for residential customers, enabling many to implement changes before winter began and therefore to reduce the financial impact of rising energy prices during colder months.

Other Topics Online

On pages 20-21 we focus on the long-term aspects of ensuring security of supply. But security of supply also has a short-term aspect: reliability. By meeting the highest industry standards, we aim to ensure reliable energy supplies for our customers.

- One way we do this is by maintaining an efficient fault management system which helps us supply energy reliably—day in and day out.

- We believe it's our duty provide electricity and natural gas safely and efficiently. In addition to promoting product safety, we're also committed to responsible marketing and accepting a high degree of responsibility for our products.

- ▶ [www.eon.com > Corporate > Responsibility > Marketplace > Customer Orientation > Fair Competition](#)
- ▶ [www.eon.com > Corporate > \(...\) > Fair Competition](#)

- ▶ [www.eon.com > Corporate > Responsibility > Marketplace > Reliability of Supply](#)
- ▶ [www.eon.com > \(...\) > Marketplace > Product Responsibility](#)

Our Responsibility towards the Environment



How can we ensure security of supply and also protect the earth's climate?

Dr. Burkhard Bergmann, CEO of E.ON Ruhrgas "As an energy supplier and service provider, we must continually optimize our portfolio of energy sources and technologies in order to ensure that we can provide a secure, economical, and environmentally friendly supply of energy.

We believe that the best way to provide our customers with heat, light, and power is to have a diverse—and therefore reliable—energy mix. We use innovative, efficient, and low-emission technologies. The energy we sell comes from many different sources. We're continually increasing the amount of energy we produce using renewable sources like wind power and biogas. We also work to improve the thermal efficiency of our generating units (we're developing gas-fired units that are 60 percent efficient) and to build the first clean-coal power plant.

We're also active in meeting the increasing demand for natural gas as an environmentally friendly vehicle fuel. We have a growing network of compressed natural gas (CNG) fueling stations, particularly in large urban areas. And by blending CNG with a renewable resource like biogas, we're making CNG even more eco- and climate-friendly."

Our Responsibility towards the Environment

We operate one of the world’s largest generation fleets. This means we have a special responsibility to protect the environment and conserve natural resources. Some of the ways we live up to this responsibility are to invest in global warming management and energy efficiency, increase our renewables capacity, and promote biodiversity.

Climate change is the central environmental issue of our time. The EU, which is playing a pioneering role, launched the CO₂ emissions allowance trading scheme on January 1, 2005. The EU15 aim to reduce their CO₂ emissions by 8 percent by 2012 compared with 1990 levels. Energy companies, which emit a quarter of the world’s greenhouse gases (GHG), have an important role to play.

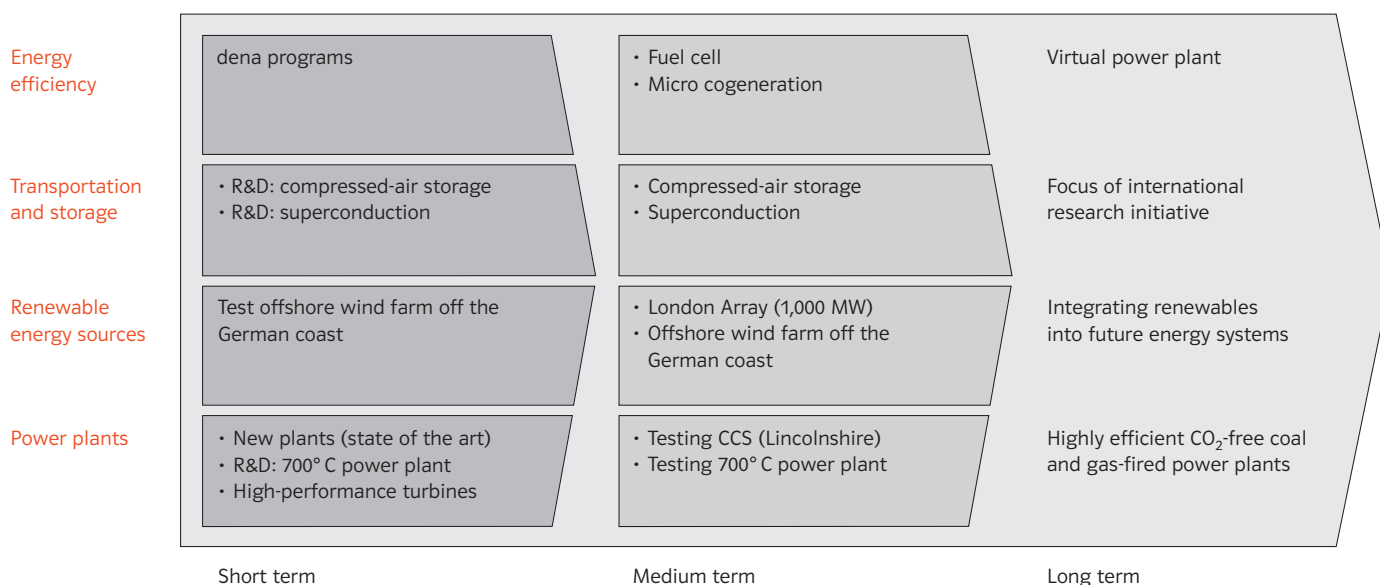
We’ll discuss the results of our carbon strategy at an E.ON Group environmental conference in October 2006.

As part of our international research initiative, during the next 10 years we’ll invest €100 million over and above our normal R&D budget to help develop scientific solutions for boosting energy efficiency and improving global warming management. Of this figure, €40 million will go to the E.ON Research Institute for Energy which we founded as part of a long-term partnership with RWTH Aachen University. The institute will focus in particular on developing solutions for integrating renewable sources into the existing energy infrastructure and for enhancing energy efficiency.

E.ON has been addressing climate protection for years. As part of our groupwide carbon strategy, we’re:

- defining CO₂ reduction targets for the whole Group
- paving the way for the groupwide coordination and expansion of our clean development mechanism (CDM) and joint implementation (JI) projects
- stepping up our R&D and demonstration programs for climate-friendly technologies.

Structure and examples of E.ON’s commitment to protecting the climate and preserving resources



Specific CO ₂ Emissions by E.ON Market Units								2005 energy mix in percent		
Metric tons per megawatt-hour of electricity	1990	2000	2001	2002	2003	2004	2005	Nuclear	Fossil, others	Renewables
Central Europe	0.45	0.45	0.44	0.39	0.41	0.41	0.41	48.0	45.5	6.5
U.K.	0.94	0.64	0.63	0.67	0.72	0.73	0.71	-	98.0	2.0
Nordic	0.02	0.02	0.04	0.12	0.14	0.06	0.03	48.9	4.4	46.7
U.S. Midwest	1.09	1.20	1.13	1.11	1.11	1.02	1.02	-	99.4	0.6
E.ON Group	0.73	0.65	0.57	0.55	0.57	0.51	0.51	33.3	55.9	10.8

Along the entire value chain, we aim to use resources as efficiently and in as environmentally friendly a way as we can. We use conventional fuels as sparingly as possible in our power production business and also use renewable sources. We also aim to minimize the environmental impact of energy transport and storage. In our supply business, we try to raise our customers' awareness of energy efficiency.

We conserve resources in the short term by modernizing our asset base and using the best available technology. We help protect the climate and conserve resources in the medium term by incorporating innovative technologies into our new power plants. We meet our long-term responsibilities to future generations by researching and developing new technologies that offer substantial advances in energy efficiency. Going forward, our objective is for these efforts to come together and pave the way for a sustainable supply of energy.

Global Warming Management and Energy Efficiency

Fossil fuels like coal and natural gas will serve as the main sources of energy well into the future. Making fossil fuels compatible with climate protection and resource conservation will require state-of-the-art generating technology that maximizes thermal efficiency. Our specific CO₂ emissions (that is, the amount of CO₂ our power plants emit for each megawatt-hour of electricity they generate) vary greatly by market unit. This is because our market units have different energy mixes. The CO₂ emissions of E.ON UK and E.ON U.S., for example, are comparatively high because they have a large proportion of coal-fired generating units. E.ON Nordic, by contrast, has a large proportion of emission-free nuclear power and hydroelectric plants. For the Group as a whole, between 1990 and 2005 we reduced our specific CO₂ emissions by 30.1 percent to 0.51 metric tons per megawatt-hour. We're working to ensure that this positive

trend continues. The significant reduction in specific CO₂ emissions between 2003 and 2004 is largely attributable to efficiency-enhancement measures, the closure of inefficient power plants, and the classification of Western Kentucky Energy's leased power plants as discontinued operations.

New Power Plants and Modernization We plan to invest €16.3 billion in property, plant, and equipment over the next three years. Most will go towards modernizing our existing power plants and building new ones. Over the long term, we'll replace old and small generating units with large, modern, and highly efficient coal- and gas-fired power plants. Our program to modernize our generation fleet will reduce our CO₂ emissions by at least 8 million metric tons a year.

In Irsching, Germany, E.ON is building a state-of-the-art, 800 MW combined cycle gas turbine (CCGT). With an impressive electric efficiency of 58 percent, this power plant will emit 1.7 million metric tons less CO₂ per year than a typical coal-fired power plant (which has an efficiency of 38 percent). It's scheduled to enter commercial operation in 2008.

We're building a state-of-the-art coal-fired power plant in Datteln in the Ruhr region of western Germany at a cost of €1.2 billion. The 1,100 MW plant is due to be commissioned by 2011 and will boast a electric efficiency of almost 46 percent. The new plant, which will replace the old Datteln power plant and several units at other power stations, will reduce our CO₂ emissions by approximately 1 million metric tons a year. We're also investing €1.2 billion to build a new power plant (which uses the same technology as the new Datteln plant) and €240 million to upgrade the existing generating units at Maasvlakte power station in the Netherlands.

Innovative Generating Technologies New energy technologies are the key to global warming management. We're working with other companies and research institutes to research and develop a wide range of technical innovations. In 2005, we spent about €30 million on a total of about 260 R&D projects. In the long term, the large-scale projects described below will considerably increase the performance and efficiency of our generation fleet and help protect the climate.

Along with the new CCGT at Irsching, we're also working with Siemens to build the world's largest and most powerful gas turbine at the same location. Completion is scheduled for 2007. Following a test phase which will last until 2010, this unit will be modified to create a highly efficient 530 MW CCGT with an efficiency of about 60 percent. It will emit 1.45 million metric tons less CO₂ per year than a typical coal-fired power plant of the same electrical output.

Cofunded by the European Union, the COMTES700 project is testing new materials that can withstand 700° Centigrade and 350 bars of pressure. Their use would increase the efficiency of coal-fired power plants to about 50 percent and reduce fuel consumption by almost 30 percent. We're conducting trials on this innovative and climate-friendly technology in a test unit integrated into our Scholven power station. We intend to operate a 400 MW demonstration unit using this technology by 2015 at the latest.

Our long-term objective is to use carbon capture and storage (CCS) technology to generate electricity from coal and natural gas without emitting CO₂. For CCS to be a real option, it must be both technically sophisticated and commercially viable. E.ON UK is conducting a feasibility study for a 450 MW clean-coal power plant in Lincolnshire on the east coast of Britain. The CO₂ produced at the plant would be liquefied and piped to a depleted North Sea gas field for storage. It's important to remember, however, that clean-coal technology reduces the efficiency of generating units and requires greater investment.

Renewable Sources

Renewable energies make an important contribution towards a secure and sustainable supply of energy and are therefore playing an increasingly important role within our energy mix. E.ON already has more than 6,500 MW of renewable-source generating capacity. In 2005, we generated 25.4 billion kWh of renewable-source electricity, 10.8 percent of our total output.

Hydroelectric plants make up the lion's share of our renewable asset base, accounting for 10.1 percent of our total output in 2005. The remainder consists of wind and biomass units. Over the next ten years, we plan to invest well over €5 billion to grow our renewables capacity, with €1.2 billion already earmarked for specific projects between 2006 and 2008.

Hydroelectricity E.ON is Europe's largest investor-owned operator of hydroelectric plants. All four E.ON market units that generate electricity operate hydroelectric plants. In 2005 our hydroelectric capacity totaled 5,897 MW. The proven technology of run-of-river plants offers both high availability and electrical efficiency of over 90 percent. Hydroelectric plants accounted for 45 percent of E.ON Nordic's output in 2005. E.ON Energie operates 133 hydroelectric plants with a total capacity of 2,735 MW, making it Germany's biggest hydroelectricity generator.

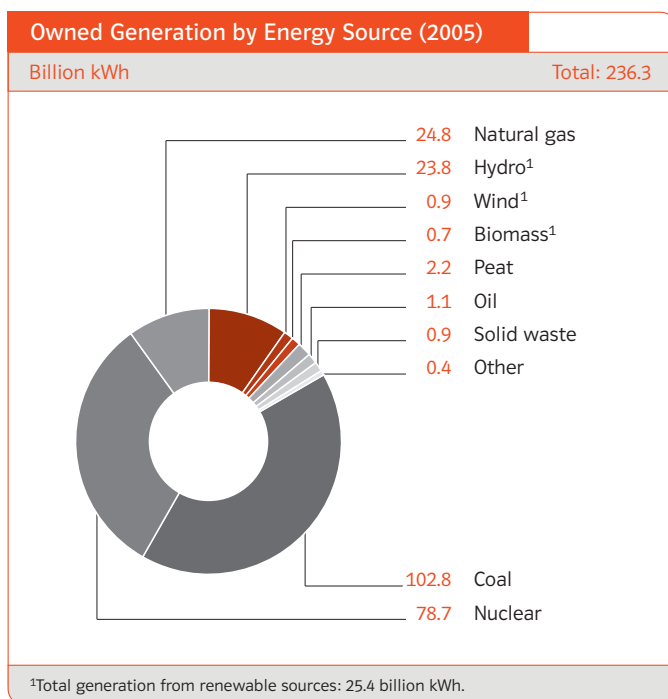
We're currently planning to build a hydroelectric plant in Oberföhring near Munich. The new plant will provide about 1,500 households with environmentally friendly electricity. More hydroelectric plants are planned for the Isar and Inn rivers. We work hard to minimize our plants' impact on a river's natural landscape and are exhibiting the same commitment to environmental stewardship as we modernize Ohio Falls hydroelectric plant in Louisville, Kentucky, USA.

Wind Power E.ON currently operates 32 wind farms worldwide with a total capacity of 393 MW. Together with Shell and CORE, E.ON UK is planning the world's largest wind farm—called London Array—off the south coast of England. It will consist of 270 wind turbines with a total capacity of 1,000 MW, enough to supply about 750,000 households with emission-free electricity. A conventional generating unit with a comparable output would emit 1.9 million metric tons of CO₂ each year. Investments in London Array, which is scheduled to enter service in 2011, will total €2.26 billion.

In 2005, E.ON, the German Ministry for the Environment, and other partners created a foundation to promote offshore wind farms. The foundation plans to build Germany's first offshore wind farm near the North Sea island of Borkum. We're also partnering with Deutsche Essent to test a particularly efficient 5 MW wind turbine located in Cuxhaven on Germany's north-west coast. It's scheduled to begin commercial operation in November 2006.

Right now, wind power is only economically viable thanks to government subsidies. Due to the considerable fluctuations in wind power output, around 95 percent of installed wind capacity must be backed up by conventional generating units held in spinning reserve. The fluctuations in output also present a great challenge to transmission system operators. E.ON's Research Institute for Energy at RWTH Aachen University plans to develop solutions to help solve this problem.

source of biopower. E.ON Nordic and E.ON Energie have ownership interests in a number of biogas plants and are currently planning and building others. The most efficient way to use biogas is to burn it to produce both electricity and steam heat. E.ON Ruhrgas and E.ON Energie are working together to explore the possibility of producing biogas that has the fuel characteristics of natural gas so that it could be injected into the gas pipeline system, making biogas use even more efficient.



Biomass Burning biomass is CO₂-neutral, since it only releases as much CO₂ as the biomass absorbed during its growth. In 2005, we generated some 700 gigawatt-hours of electricity from biomass. E.ON operates four 20 MW biopower plants in Germany. We're investing around €130 million to build the United Kingdom's largest biopower plant. Work on the plant, which is located in Lockerbie, Scotland, began in late 2005 and is scheduled to be completed in early 2007. The 44 MW unit will supply 70,000 households with electricity, and, in comparison with a conventional power plant, reduce CO₂ emissions by about 140,000 metric tons a year.

Biogas, which is produced from the anaerobic decomposition of manure and other regenerative organic materials, is another

Other Topics Online

We've established a groupwide environmental management system to ensure that we continually improve our environmental performance, which also includes issues such as air quality, waste management, and water consumption.

Despite our efforts to minimize the disruptions of natural landscapes caused by our operations, such disruptions are sometimes unavoidable. Nature conservation and biodiversity are therefore key issues for us.

Natural gas—the fossil fuel with the lowest carbon content—is particularly suited to reducing GHG emissions. Its advantages aren't confined to its use as a heating fuel. It has other promising uses, including as a low-emission vehicle fuel.

Over the long term, more energy storage facilities will be needed as renewables capacity increases. E.ON has long used pumped-storage hydroelectric plants and compressed-air storage facilities for load balancing.

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Our Responsibility towards Communities



How can we be good neighbors in the communities where we operate?

Vic Staffieri, CEO of E.ON U.S. "As an electricity and natural gas provider to nearly one million customers, E.ON U.S has a long history of community involvement in the service territory where our customers and employees live and work. A similar tradition also exists at most of E.ON's other market and business units. Together, all of our activities have a positive impact on economic development and contribute to the overall quality of life throughout the regions we serve.

Last year, as part of our CSR effort, we joined our colleagues from across E.ON and systematically evaluated the experience gained from over 250 company-sponsored community projects. As a result, we've made a commitment to enhance our support of early childhood education and energy, safety, and environmental awareness among children. Certainly, we have a challenge ahead of us maintaining our current level of community involvement while at the same time refocusing on the groupwide Energy for Children initiative.

Given E.ON U.S. and the E.ON U.S. Foundation's proud histories, we know we're up to the challenge."

Our Responsibility towards Communities

Healthy businesses require healthy communities. That’s why we take action to make the communities where we live and work more attractive—for present and future generations. We support children and young people, art and culture, and our employees’ community involvement.

As an energy utility, E.ON has long been an integral part of the regions and communities where it operates. We make an important contribution to regional economies. For this reason, we’re committed to meeting our social responsibilities, particularly where we have facilities. Being a good neighbor to the people who live near our facilities and making a positive contribution to local economies are part of the way we do business.

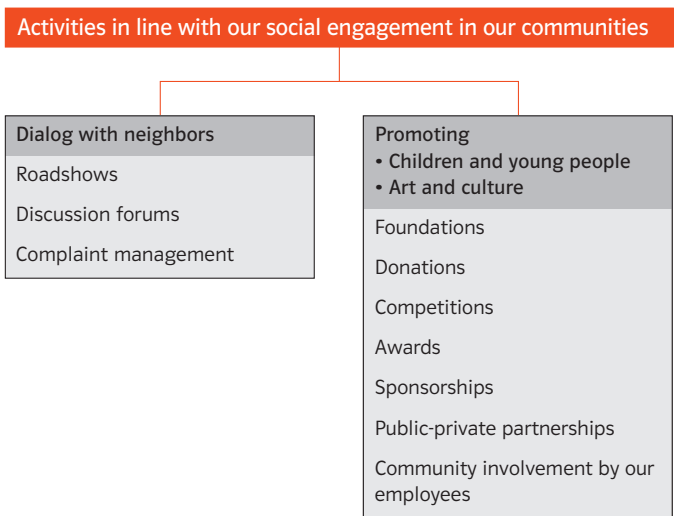
We promote the economic development of the communities where we operate by making substantial investments, creating jobs, and, whenever possible, hiring local contractors when we build power plants and other facilities. We have a wide range of social and charitable activities that benefit communities. They include initiatives, financial support for foundations, charitable donations, and sponsorships. These activities are always adapted to local conditions and integrated in our day-to-day business. We support art, culture, and athletics. But the main focus of our CSR

in communities is investing in education and training and maintaining an open dialog with our neighbors.

We want to give our community activities a clear profile, link them to the E.ON brand, and focus them on a specific set of issues. In 2005, we created a Community expert team to guide this process and to identify issues that would enable us to have the greatest positive impact and deliver the greatest possible benefit to both E.ON and communities. Based on these criteria, we looked closely at our many community activities, defined the kinds of initiatives we want to focus on, and identified particularly effective initiatives as models for our future activities. We also put into place a groupwide performance measurement system to improve the way we compare our community activities across the Group and measure their success.

Children and Young People

E.ON companies have a proud tradition of community activities that support children and young people. There are several reasons why we’ve decided to focus on this area. First, we believe it’s highly relevant social issue. Second, support for children and young people is an important investment in the future and one that pays valuable returns to society as a whole and to E.ON. Third, it continues our long-standing commitment to education and training. Fourth, it’s an issue our employees believe in, as is demonstrated by their enthusiastic participation in our existing programs in this area. We want to harness their eagerness to help and to promote our employees’ community involvement throughout the Group.



In the future, we'll concentrate our support for children and young people on four areas:

- early childhood education (for example, through our Energy for Children initiative), which has a significant impact on future academic performance and consequently on children's entire lives.
- energy, safety, and environmental awareness programs which promote sustainable energy use.
- child and youth athletics
- ▶ • education and scholarships.

▶ We launched a program called Energy for Children to serve as a model for such initiatives throughout the company.

Energy for Children Initiative Under this initiative, we'll invest in childcare facilities and elementary schools to create model institutions for their respective region. It's based on successful initiatives currently supported by E.ON companies. These include two child and family centers in Essen run by the DKSB, Germany's foremost child-advocacy organization. E.ON Ruhrgas has worked with the DKSB on this project for nearly 20 years, providing financial and volunteer staff support to help develop and expand the two centers. They earned the DKSB's official seal of approval in 1999 and 2001, respectively. In 2005, the center in Essen-Katernberg received an award in a national competition for exemplary commitment to early childhood education and equal opportunity.

E.ON UK also has a tradition of supporting kindergartens and elementary schools financially and through employee volunteering. At Limbrick Wood Primary School in Westwood, Coventry, employees help children do their lessons, learn to read, and become familiar with computers and software programs. We've learned a lot from this and the other model projects supported by E.ON companies and have drawn on these experiences and insights to launch our new initiative, Energy for Children. The new initiative, which is both the result of our existing activities and a model for future activities, will serve as a groupwide framework for our employees' community involvement. We know from our experience it's one that as many employees as possible can identify with. Furthermore, we're focusing our activities on an issue that has been proven to make a very valuable contribution to the communities in which we live and work. Numerous studies have shown that investment in early

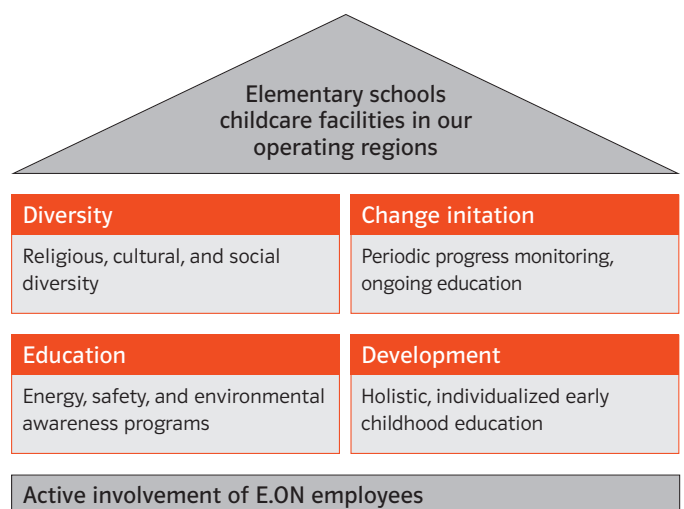
childhood education is seven times more effective than dealing with problems at a later stage.

Our initial objective is to engage in partnerships with at least 500 day-care centers, kindergartens, and elementary schools by 2010. Our aim is for the partnerships to last at least three years. Through our financial and volunteer support, we want these institutions to become models for their community in four areas that reflect our guiding principles:

- Openness and diversity: the institutions help children from diverse social and ethnic backgrounds
- Development: the children's development is fostered by means of individual and holistic education
- Change initiation: staff at the institutions are committed to lifelong learning and continually improving their programs
- Energy, safety, and environment awareness programs.

Three additional criteria that may support the success of this program are actively involving parents in these institutions, anchoring the institutions in their communities, and having them be open at times that enable parents to balance family and work schedules.

Through these partnerships we plan to invest around €50 million groupwide in teacher training, learning programs for parents and children, language instruction, and the latest learning materials. Alongside institutions that already participate, others will be asked to submit an application via local authorities or approached directly by E.ON.



- ▶ www.eon.com > Corporate > Responsibility > Community > Promoting Science
- ▶ www.eon.com > (...) > Community > Children and Young People > Energy for Children Initiative

Employee Community Involvement

- E.ON encourages and supports its employees to be actively involved in their communities. One example is E.ON UK's highly successful Energy in the Community project. In 2005, about 1,700 employees, over 10 percent of E.ON UK's workforce, participated in a wide range of community activities. Drawing on our positive experiences in the United Kingdom, we intend to foster employee community involvement groupwide, primarily in programs that focus on children and young people, and particularly in E.ON-sponsored Energy for Children partnerships. Our support can take several forms. We have programs under which we match employees' charitable donations. We grant employees a certain amount of time off from work in individual cases to engage in volunteer activities as staff development or team-building exercises. We also have matched-time programs under which we make a financial donation for the time our employees volunteer at a respective organization in their spare time. We believe that volunteer activities provide our employees with valuable experience. We've defined guidelines for employee volunteering which are now being introduced groupwide, taking into account country-specific criteria.

- Energy, Safety, and Environmental Awareness** Many of our business units in Germany have long supported the regional initiatives of a foundation that supports research projects for young people. For example, E.ON Bayern awards prizes to schools that run exemplary research programs for their students. E.ON Sverige is the lead sponsor of "Mission: Climate Earth," an exhibition at the Swedish Museum of Natural History in Stockholm that describes the effects of human activity on the earth's climate. Many of our power plants have museums or learning centers which provide information about all aspects power production and are especially popular destinations for school field trips. For example, each year about 100,000 people tour Walchensee hydroelectric plant, an E.ON Wasserkraft facility located in southeast Germany.

Child and Youth Athletics

- E.ON companies groupwide are active in supporting child and youth athletics. In 2005, for example, E.ON Hungaria partnered with the Hungarian Education Ministry to hold a nationwide program to provide sports equipment to elementary schools. Some 850 schools applied to participate in the program. E.ON Avacon has worked for many years with the Lower Saxony Soccer Association to offer training for soccer coaches, drawing on professional and age-specific training methods to improve coaching for up-and-coming soccer players. Soccer and children are also the focus of E.ON UK's award-winning program with Ipswich Town Football Club. The project offers more than 64,000 young people the opportunity to engage in both practical training and soccer theory classes, equipping them with learning techniques that they can also apply to their schoolwork. E.ON Sverige sponsors the Swedish Swimming Association's initiative to offer free swimming lessons to 10- to 12-year-old children unable to pass a swimming proficiency test.

Supporting Art and Culture

- In Germany we provide financial assistance to three renowned museums located in cities where E.ON has major offices. Under a public-private partnership with the City of Düsseldorf, E.ON financed much of the renovation of the Ehrenhof complex which houses the museum kunst palast. We regularly underwrite exhibitions such as this year's "Zero: International Avant-Gardes of the 50's and 60's." Through its substantial, long-term support for the museum kunst palast, E.ON is helping to enrich Düsseldorf's cultural landscape. As a partner of Munich's Lenbach House, E.ON Energie provided financial and logistical support for a major Franz Marc retrospective in 2005. As with most of our cultural sponsorships, we also assisted the Lenbach House develop and implement the communications plan for the exhibition. The event drew more than 300,000 visitors, including more than 5,000 E.ON employees, making it the Lenbach House's most successful exhibition ever and Germany's

most popular art exhibition in 2005. E.ON Ruhrgas's sponsorship of Essen's Folkwang Museum goes back nearly 20 years and has resulted in a series of highly acclaimed exhibitions. The Cézanne exhibition in 2004/05 was a particularly notable success. This series continues in the summer of 2006 with a major Caspar David Friedrich exhibition in Essen, which will later move to Hamburg's Kunsthalle, where it will be sponsored by E.ON Hanse. Going forward, we want to introduce more cooperation in the art and culture sponsorships of E.ON companies.

- ▶ E.ON's support for art and culture helps foster a diverse and vibrant cultural landscape, which makes the communities where we operate more attractive places to live and work. Without substantial assistance from private industry, many communities would be unable to maintain their cultural programs and institutions. In the German state of Thuringia, for example, we sponsor a variety of projects including the Erfurt Cathedral Festival, the Belvedere Palace School of Music, and the International Art Symposium in Kleinbreitenbach. E.ON U.S. sponsors the Louisville Fund for the Arts, which supports a wide range of cultural institutions such as the Louisville Orchestra and the West Louisville Boys' Choir. E.ON U.S. also supports the Lexington History Museum and the Kentucky Shakespeare Festival. In Hungary, E.ON Hungaria sponsors the renowned Liszt Ferenc Academy of Music, which supports gifted young musicians with school exchange programs and international concerts.

Awards E.ON Ruhrgas demonstrates its support for architectural excellence by underwriting the German Architecture Prize, the premier award of its kind in Germany and one that attracts international attention. The prize is conferred by an independent jury. In 2005, it was awarded to London architect Zaha Hadid for her design of a new BMW office building in Leipzig. Through its sponsorship of the prize, E.ON Ruhrgas seeks to highlight the increasing importance of ecological factors in

building design. In 2005, Regensburg-based E.ON Bayern initiated the Bavarian Cultural Prize to honor outstanding achievements in culture and science and to showcase and support Bavaria's rich cultural landscape. The first year's 33 award winners received a total of €154,000.

Other Topics Online

- ▶ At all of our facilities, we maintain an ongoing dialog with our neighbors. This dialog often begins before a facility is even built: during the planning phase for new power plants, wind farms, and gas storage facilities, we establish regional dialog forums and complaint-management systems which we maintain throughout the facility's service life.
- ▶ Our regional activities also involve the promotion of local energy projects. E.ON UK, for example, is a pioneer in developing small-scale wind power projects.
- ▶ Our many different donation drives constitute another important aspect of CSR. In 2005, our market units donated a total of around €6 million, of which approximately €4.1 million went to charities, around €1.5 million to scientific purposes, and €0.4 million to political foundations and parties.

Our Responsibility in the Workplace



How can we attract qualified people?

Lars Frithiof, CEO of E.ON Sverige “We strive to become the employer of choice. We want E.ON to be the kind of company that attracts and retains highly qualified people. Our goal is to make working at E.ON a win-win situation for the company and our employees. We support our employees’ personal and professional development, promote their safety and well-being, and embrace diversity because we believe that a culture of diversity makes us a more attractive company.

We actively recruit highly trained and motivated people—such as top engineering and marketing graduates—and offer them outstanding career opportunities. Our employees also work with schools and universities to communicate to young people what we at E.ON already know: that the energy industry offers many exciting opportunities.”

Our Responsibility in the Workplace

The main way we meet our responsibility towards our employees is by maintaining a safe and healthy work environment. By promoting a culture of ownership through employee stock plans, by ensuring equal opportunity, and by investing heavily in their personal and professional development, we aim to become an employer of choice.

Our transformation from a primarily Germany-based conglomerate to a truly international power and gas company has brought with it substantial changes in our workforce. We now have about 80,000 employees in more than 24 countries. The size of our workforce will continue to increase as our company grows. To successfully integrate new companies into our Group, we know that it's important to respect and promote diversity. We aim to harness our employees' extensive—and invaluable—knowledge of our markets in order to operate successfully on a global scale.

The E.ON Group is changing and so is society. One example is demographic trends: in the years ahead, the number of trained specialists and managers will decline while the competition for them will increase significantly. Another is social security systems and labor markets: they're changing in ways that make it necessary for us to develop internal solutions for our employees.

To respond to the changes in our company and in society, our objective is to become one of the world's top employers. Over the next few years, we aim to markedly improve our image as an employer of choice. We've already made significant progress. In 2005, E.ON Ruhrgas was again named one of the best employers in Germany and Europe by the Great Place to Work® Institute Europe. During the reporting period, we also achieved improvements throughout the Group in employee training and education, employee involvement, and occupational health and safety.

Number of Employees			
	2005	2004	2003
Workforce (including board members and apprentices)	82,647	62,670	60,033
Women	26%	24%	25%
Men	74%	76%	75%

Training and HR Development

Training Germany has a dual-track apprentice system that combines on-the-job training and classroom instruction. Under this system, the business community bears much of the responsibility for providing vocational training. E.ON has a proud tradition of training young people. In fact, for years now we've provided vocational training beyond our own needs, thereby giving many young people qualifications that make them attractive job candidates, particularly to smaller companies that don't have their own apprentice programs. Training young people therefore not only ensures that we have the highly skilled employees we need. It's also a significant part of our commitment to being a good corporate citizen of the communities where we operate. At year end 2005, we had 2,471 apprentices in Germany, which is equal to about 7 percent of our Germany-based workforce.

Number of Apprentices in Germany			
	2005	2004	2003
Number of apprentices in Germany	2,471	2,289	2,358

E.ON is also committed to providing training outside Germany, where there's often no equivalent government-mandated training system. For example, E.ON UK offers apprenticeships for fitters, linesmen, power production technicians, and energy services staff. E.ON U.S.'s linesman training program has been officially certified by the Kentucky Department of Labor. The program consists of classroom instruction and 7,000 hours of hands-on training, significantly more than the 6,000 minimum required by Kentucky law.

- Training Initiatives** We added over 500 extra positions for trainees and interns at our operations in Germany in 2005, substantially enhancing our contribution to the German government's national training initiative. An important focus of our program is on internships that prepare young people for an apprenticeship. We created 175 such internships at E.ON
- ▶ companies and funded another 280 at other companies. This highly successful project helps young people find the right career and gives them the qualifications they need to begin an apprenticeship. We also support an equal-opportunity initiative of the German Federal Ministry of Labor through our program that encourages physically challenged young people
 - ▶ to seek job training.

- Groupwide Graduate Program** We launched the groupwide E.ON Graduate Program in September 2005. This program, which currently has 35 participants, prepares top university graduates from a variety of disciplines for an international career at
- ▶ E.ON. The 18-month program rotates trainees through different parts of the Group. This provides them with a comprehensive overview of our operations, prepares them for their future position, and enables them to establish a network of contacts across the Group.

- HR Development** We provide a wide range of personal and professional development opportunities in order to help our employees hone their skills and achieve their goals. These programs include seminars and, increasingly, e-learning modules which employees can access at any time. We also have mentoring and coaching programs. The E.ON Academy, which was founded in 2002, is our corporate university and plays a key role in our HR development effort. It now offers more than 90 different courses. E.ON employees worldwide took part in
- ▶ more than 200,000 days of training in 2005.

- Executive Development** A special challenge faced by large international companies is to identify future leaders and support their development. That's why we invest early in tomorrow's leaders. We have a groupwide screening process to help us identify individuals who have the potential to become senior managers. Such individuals are placed in an emerging leader
- ▶ pool. In 2005 we launched the Emerging Leader Forums, a discussion series designed to promote knowledge transfer between our emerging leaders and our top executives. Our groupwide emerging leader program is supplemented by additional programs at the market unit level. We established the E.ON Executive Pool in 2004 to support senior managers who have the expertise and ambition to develop their potential within our organization and, as top executives, shape the way E.ON meets the challenges it will face in the future.

- Employee Exchange Programs** In order to make the most of our employees' strengths and abilities, we promote international mobility and encourage our employees at all levels of
- ▶ the company to gain international experience. Our market units have initiated a number of employee exchange programs. We have extensive programs to help our employees make the move abroad and, where applicable, to return to their home country. These include language courses, intercultural training courses, and support for family members who seek employment in the new job location. We significantly redesigned our expatriate policy in 2005 and formulated groupwide standards for international personnel transfers. In the future, we also intend to focus more on short-term personnel transfers and transfers within the same country.

Employee Involvement

For our employees to work together well as a team they need to be involved. One important way is to ask them what they think, which we do by means of a groupwide employee opinion survey. Another is to offer them career development opportunities and fair compensation commensurate with their performance, which we believe enhances their motivation and dedication. For this reason, we're increasingly incorporating personal and company performance components into employees' variable compensation plans.

- ▶ www.eon.com > Careers > Opportunities > Pupils > Apprenticeships
- ▶ www.eon.com > (...) > Pupils > Equal Opportunity for everyone
- ▶ www.eon.com > Careers > Opportunities > Graduates > E.ON Graduate Program
- ▶ www.eon-academy.com

- ▶ www.eon.com > Careers > Job Perspectives > Career Opportunities
- ▶ www.eon.com > Careers > Job Perspectives > International Business Environment

Employee Representation We believe that maintaining good relations with our employee representative organizations is crucial to our success, which is why we engage in an ongoing dialog with these organizations, especially with the Group Works Council (GWC), which represents the interests of our employees in Germany. Our part-time work program, the E.ON InvestmentPlan, and our vocational training program for physically challenged young people are just some of the programs initiated by the GWC. The European Works Council (EWC) forges links between employee representatives in ten other European countries where E.ON operates. The EWC meets regularly to discuss important issues with management, learn more about groupwide projects, share experience and expertise.

Employee Opinion Survey Results		
Percentages	2005	2004
All in all, I am satisfied . . .		
. . . with my working conditions	83	79
. . . with my responsibilities and my job	79	77
. . . with the opportunities for further development at E.ON	55	48
. . . with the company's social incentives	72	69
. . . with my colleagues and our work together	84	81
. . . with my manager	78	76
. . . with my superiors at higher levels of management	71	67
. . . with how I am kept informed as part of E.ON	74	62

Employee Opinion Survey We periodically conduct a groupwide employee opinion survey (EOS) to help us create and maintain a positive, motivational work atmosphere. The EOS is important because it establishes a dialog between employees, their supervisors, and senior management and helps identify areas for improvement. We conducted our second groupwide EOS in 2005. Eighty-four percent of our employees participated. The results showed that we'd already made significant progress since our first EOS in 2004. For example, our employees demonstrated a far better grasp of our corporate strategy. By contrast, many employees feel we could do more to improve personal and professional development opportunities and to recognize their job performance. The Board of Management has there-

fore made improving job performance feedback a key groupwide action area. By providing supervisors with custom-tailored workshops, training modules, and a feedback guide, we aim to improve job performance feedback for employees at all levels of E.ON. The EOS has become integral to the management of our company. We intend to conduct it at regular intervals in order to monitor our progress on work-related issues, find out where we need to do better, and identify new areas that require action.

Employee Stock Purchase Programs We offer our employees fair compensation commensurate with their performance. In Germany, we also offer them an E.ON stock purchase program. We believe that employee stock ownership enhances motivation and identification with E.ON. In 2005, we fundamentally redesigned the E.ON InvestmentPlan. The plan's most important component is the annual employee stock purchase program, which offers employees financial incentives to invest in E.ON stock. About half of the eligible employees in Germany participated in the program in 2005, purchasing a total of more than 308,000 shares of E.ON stock. E.ON UK also has a share incentive plan under which employees set aside a portion of their monthly salary to purchase E.ON stock, which is then supplemented by matching shares purchased by the company.

Health and Safety We're committed to taking direct responsibility for our employees' health and safety and to maintaining our excellent safety performance. Part of this commitment involves establishing clear safety rules. But our main objective is to promote a culture in which our employees look out for each other and embrace health and safety as fundamental values.

Lost Time Injury Frequency		
Accidents per million hours of work	2005	2004
Central Europe	5.40	6.20
Pan-European Gas	5.80	8.20
U.K.	4.10	6.00
Nordic	4.00	4.50
U.S. Midwest	0.77	1.20
E.ON Group	5.00	6.00

- ▶ www.eon.com > Corporate > Responsibility > Workplace > Employee Involvement > Worker's Representation
- ▶ www.eon.com > Corporate > Responsibility > Workplace > Employee Involvement > Employee Survey

- ▶ www.eon.com > Corporate > (...) > Employee Involvement > Employee Shareholding
- ▶ www.eon.com > Corporate > Responsibility > Workplace > Health and Safety

Groupwide Health and Safety Standards In January 2005, a panel of experts from all our market units formulated a set of guidelines establishing minimum health and safety standards for the entire Group. We also require that our contractors meet these standards. The panel periodically ensures that our standards are being met. In November 2005, E.ON U.S. hosted our first groupwide health and safety conference. During the three-day event held in Louisville, Kentucky, experts presented and discussed innovative programs and best-practices for enhancing health and safety.

Just how much we have already achieved in this area can be seen in the lost time injury frequency (LTIF) index, which was applied consistently for the first time in 2005 and retroactively for 2004. A common international measure of workplace accidents that cause downtime, LTIF equals the number of accidents per million hours of work. Starting in 2006, we'll include our contractors in our LTIF reporting. Compared with other large international energy companies, E.ON has already achieved top marks. The accident rates of our market units are about 50 percent lower than those of our regional competitors. At 0.77, E.ON U.S. had the best LTIF, while the E.ON Group average was 5. We aim to reduce our LTIF by at least 10 percent each year and, by 2010 at the latest, to match the superb safety performance of the oil and chemicals industries, which have an LTIF of between 1 and 3.5.

Promoting Health We're committed to doing what we can to ensure that our employees are healthy and able to work effectively over the long term. This includes providing them with a comprehensive health-promotion program and helping them achieve a healthy balance between family, leisure, and career. We're continually expanding our already numerous health-promotion measures, which include anti-stress training and cancer screening.

An important element of E.ON UK's health promotion effort is a well-being program that encourages employees to take a more active role in maintaining and improving their own health. E.ON U.S. also has a program to encourage its employees to live more healthy lives. What makes the program special is that it's also available to family members and retirees. In Germany, E.ON Ruhrgas and E.ON Energie have innovative programs to

promote employee health and well-being. In 2005, E.ON Ruhrgas received the Felix Burda Award for its colon cancer early detection program.

Other Topics Online

As an international company with operations in many different regions of the world, we believe it's important to understand the cultural values and mindsets of the people who live in our different markets. We want each of our facilities to reflect the diversity of its social surroundings and to attract people from all segments of the population.

Our business units have a wide range of interesting programs to help employees achieve a healthy work-life balance, particularly between their family and their career.

Outstanding people generate outstanding ideas. We have a systematic knowledge-management program so that we derive the greatest benefit from our outstanding employees and disseminate their outstanding ideas throughout the Group.

- ▶ www.eon.com > (...) > Health and Safety > Groupwide Minimum Standards
- ▶ www.eon.com > Corporate > Responsibility > Workplace > Health and Safety > Promoting Health

- ▶ www.eon.com > (...) > Workplace > Equal Opportunities
- ▶ www.eon.com > (...) > Workplace > Equal Opportunities > Work-Life Balance
- ▶ www.eon.com > (...) > Workplace > Ideas and Knowledge Management

Key Figures

In the reporting period, we further adjusted our calculation methods in line with financial consolidation and calculation procedures. The information given relates to all subsidiaries and power plants in which E.ON holds a majority stake. We have incorporated each of the fully consolidated plants into our reporting at full value, regardless of the percentage stake held.

- Our annual report and Form 20-F reporting are also based on this rule.

To enhance comparability, we adjusted financial, energy, and employee figures from 2003 and 2004 to reflect operations discontinued in 2005, which included Viterra, Ruhrgas Industries, and Western Kentucky Energy's leased power plants. In the case of environmental figures, we only adjusted the 2004 figures to reflect discontinued operations.

Owned Generation by Energy Source

In 2005 we used 3.3 percent less coal to produce electricity than in 2004. Despite rising natural gas prices, electricity generated at gas-fired assets made up for the decline in coal-fired and nuclear generation. Groupwide we consumed 15 percent more natural gas in 2005.

Our generation fleet produced 10 percent more renewable-source electricity in 2005 than in 2004. In 2005, renewables accounted for 10.8 percent of the E.ON Group's total generation. The

Owned Generation by Energy Source					
	2005 %	2005 TWh	2004 %	2004 TWh	+/- %
Total generation	100	236.3	100	233.7	1.1
Coal	43.8	103.5	45.8	107.0	-3.3
Nuclear	33.3	78.7	33.9	79.3	-0.8
Natural gas	10.7	25.3	9.4	22.0	15.0
Hydro	10.1	23.8	9.3	21.8	9.2
Peat	0.4	1.0	0.5	1.1	-9.1
Wind	0.4	0.9	0.3	0.6	50.0
Oil	0.5	1.1	0.2	0.5	120.0
Solid waste	0.4	0.9	0.3	0.6	50.0
Biomass	0.3	0.7	0.3	0.7	-
Other	0.2	0.4	0.1	0.2	100.0
Total renewable sources	10.8	25.4	9.8	23.1	10.0

increase is largely due to the consolidation of Grange, a Swedish utility that generates all of its electricity from renewable sources.

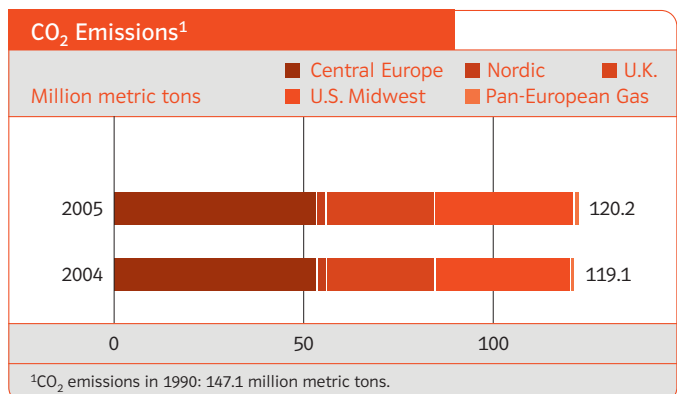
Fuels Used

Our fuel usage also reflects the energy mix of our generation fleet.

Fuels Used	
Million metric tons of coal equivalent	2005
Coal	47.1
Uranium and plutonium	34.4
Natural gas	13.2
Biomass	0.9
Oil	0.8
Peat	0.7
Solid waste	0.3
Other	0.2
Total	97.6

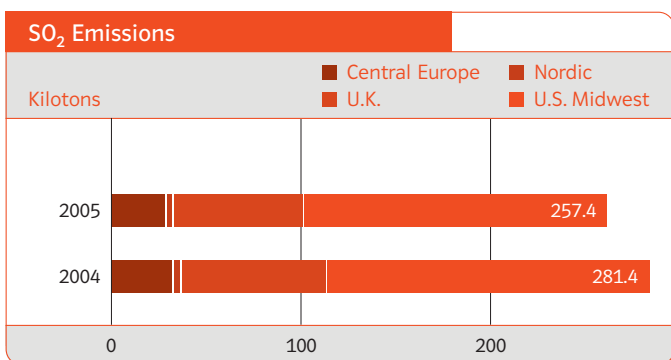
Greenhouse Gas (GHG) Emissions

For the energy industry, carbon dioxide (CO₂) is the most important of the six GHGs listed in the Kyoto Protocol and consequently serves as the primary indicator of the impact our operations have on the earth's climate. From 2004 to 2005, our absolute CO₂ emissions remained the same despite an increase in production, which means that our specific CO₂ emissions declined slightly (see Our Responsibility towards the Environment, pages 24-29). In the next CSR reporting period, we'll look at whether it makes sense to compile groupwide data for two other GHGs, sulfur hexafluoride (SF₆) and methane (CH₄).

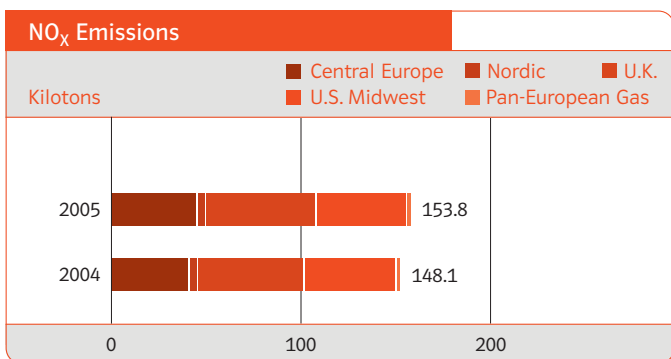


Hazardous Air Pollutants

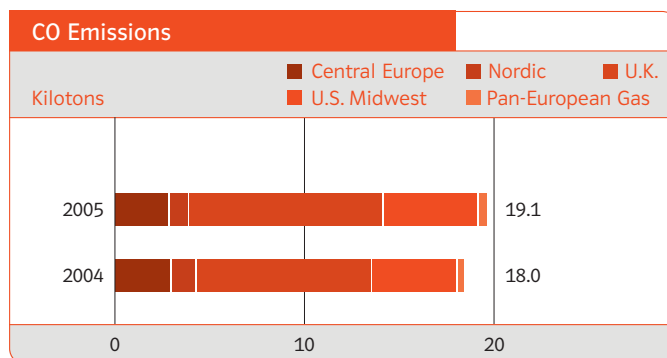
Sulfur dioxide (SO₂) is formed by the combustion of sulfurous fuels like coal and oil. Groupwide our emissions declined by 8.6 percent in 2005. We achieved this reduction by using less coal, by switching to low-sulfur coal at E.ON UK's Ironbridge, Ratcliffe, and Kingsnorth power plants, and by improving flue gas desulphurization equipment and using low-emission generating units at E.ON U.S.



Nitrogen oxide (NO_x) results primarily from the combustion of fossil fuels at high temperatures, such as the operating temperatures of gas-fired generating units. The increase in the use of natural gas versus coal resulted in more NO_x emissions.



Carbon monoxide (CO) is a product of the incomplete combustion of coal, oil, or gas. Emissions at E.ON Energie and E.ON Nordic declined. Emissions at E.ON UK and E.ON U.S. rose, due partly to increases in power production of 11 percent and 14 percent, respectively. At E.ON UK, other reasons for the increase include the consolidation of Enfield power station and the inclusion of CO emissions from gas-fired cogeneration units.

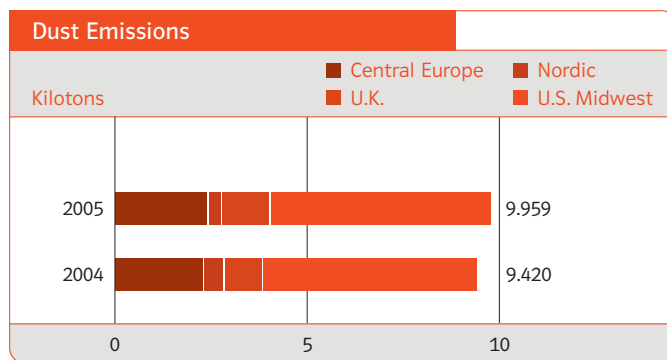


Nuclear Emissions

E.ON Nordic recorded **nuclear emissions** of 3.7 x 10¹³ becquerel. E.ON Energie recorded 1.3 x 10¹³ becquerel. The measurements at all of our nuclear facilities are well below statutory limits. In some cases, our nuclear emissions are just one thousandth of statutory limits.

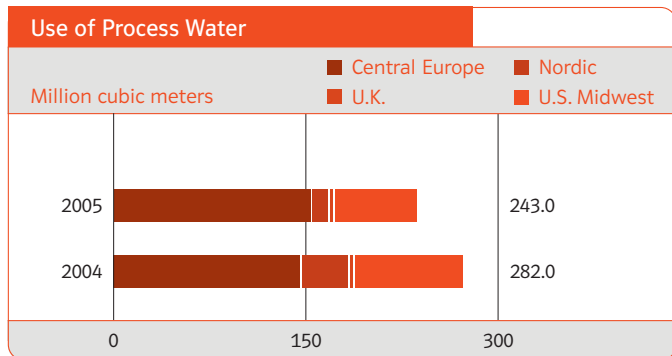
Dust Emissions

Coal-fired generating units constitute our main source of dust emissions. Dust emissions declined in two of our four market units that generate electricity. The rise at E.ON U.S. resulted from an increase in power production.



Consumption of Process Water

Process water is the amount of water we use in production minus cooling water. At our market units that generate electricity, consumption of process water varies according to how much electricity they generate and how much coal they use to generate it. Record-keeping methods at E.ON UK have changed, so data cannot be compared with the prior year.

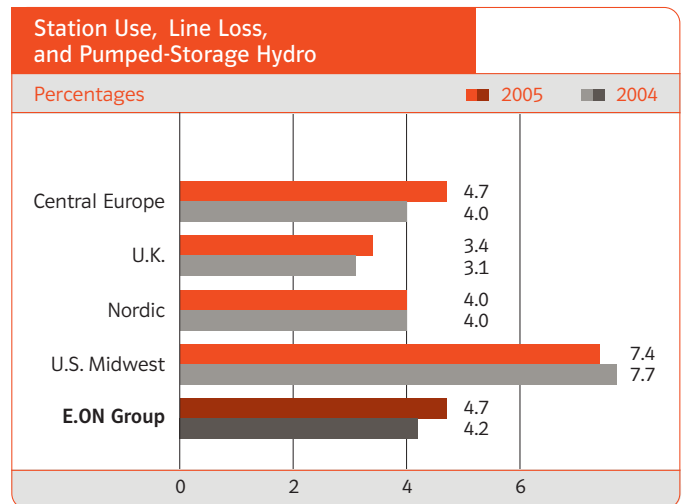


Major Environmental Incidents

In 2004 and 2005, the E.ON Group had only one major environmental incident that had to be reported within 24 hours under our groupwide rules. The incident involved a discharge of dust from a solid-waste incineration plant during a switchover from solid-waste to oil-fired operation in 2005. We had no incidents in 2005 described in the categories of the International Nuclear Event Scale (INES). The INES is used worldwide to categorize disruptions, failures, and accidents at nuclear power plants.

Station Use, Line Loss, and Pumped-Storage Hydro

Power stations use electricity, as do transformer stations and pumped-storage hydroelectric plants. In 2005, station use, line loss, and pumped-storage hydro increased slightly to 4.7 percent of total power supplied, which includes owned generation, power purchased from companies in which E.ON has a minority interest, and wholesale power purchases.

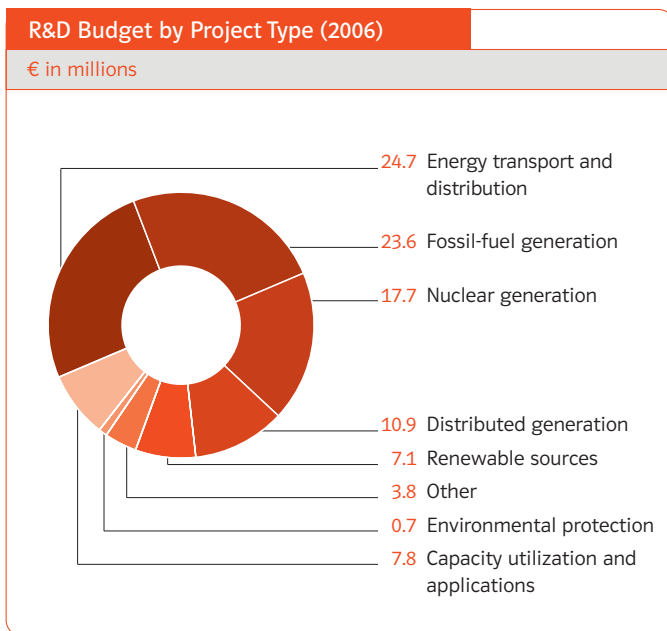


Expenditure for R&D and Demonstration Projects

Investments for the duration of all ongoing R&D projects and those beginning 2006 amounts to €96.3 million. This represented a 12 percent increase in R&D investment compared with 2005. More than half of our R&D budget is aimed at achieving advances in fossil-fuel generation technology and energy distribution and transport technology. Renewables and environmental protection account for 12 percent of our R&D budget.

E.ON relies on technology and therefore supports joint projects along with manufacturers and other users rather than pursuing its own exclusive R&D program. This means that the total budgets of the R&D projects we support are much larger than the amount we contribute.

In 2005, we also launched demonstration projects worth €260.3 million, of which the largest is Irsching 4, a combined-cycle gas turbine. Other projects include the Cuxhaven wind turbine and the Ketzin biogas production plant.



Number of Employees by Market Unit

At year end 2005, E.ON had 82,647 employees worldwide, including 229 board members and 2,471 apprentices.

Central Europe's workforce increased in 2005 primarily due to the addition of Gorna Oryahovitza und Varna, regional electric distribution companies in Bulgaria (a total of about 3,700 employees), and the Romanian electric distribution company E.ON Moldova (about 2,800 employees). Other newly consolidated companies included the IT service provider E.ON IS (about 1,300 employees) and DDGáz and Kögáz, Hungarian gas distribution companies (a total of about 900 employees).

The increase at Pan-European Gas resulted from the acquisition of Distrigaz Nord, a Romanian natural gas distribution company, in the second quarter in 2005, which added more than 9,300 employees.

At E.ON UK, the 2004 increase in workforce was largely due to the acquisition of Midlands Electricity, which added about 3,700 employees. The 2005 increase was primarily attributable to the integration of staff formerly employed by an outside service provider.

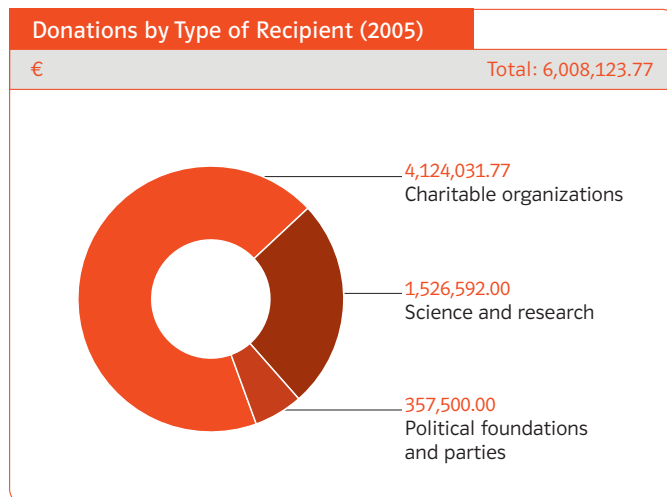
Number of Employees by Market Unit¹

	2005	2004	2003
Central Europe	46,886	39,060	38,890
Pan-European Gas	13,587	4,198	4,543
U.K.	12,906	10,411	6,559
Nordic	5,832	5,556	6,333
U.S. Midwest	3,003	2,998	3,081
Corporate Center	433	447	627
Total	82,647	62,670	60,033

¹includes board members and apprentices.

Donations in 2005 by Type of Recipient

Charitable organizations received 68.6 percent of our market units' donations, with 6 percent going to political foundations and parties and 25.4 percent to science and research. We make financial contributions to political parties because we see it as part of being a responsible corporate citizen of the communities where we operate.



You'll find more E.ON facts and figures in these publications:

- ▶ • 2005 E.ON Annual Report
- ▶ • 2005 E.ON Annual Report on Form 20-F
- ▶ • E.ON Strategy and Key Figures 2006
- the annual, HR, and CSR reports of individual E.ON companies.

- ▶ www.eon.com > Investors > Publications
- ▶ www.eon.com > (...) > Publications
- ▶ www.eon.com > (...) > Publications

Program Our Achievements

Marketplace

Security of supply and cost-effectiveness All E.ON retail subsidiaries help their customers use energy more efficiently:

- 1,900 residential and 700 business customers took advantage of E.ON U.S.'s energy-saving program.
- E.ON UK invested about €80 million in energy-efficiency programs in 2005.
- E.ON supports the German Energy Agency's energy-efficiency initiative and participates in its program for calculating the energy usage of buildings.

Responsibility to our customers We polled 11,000 customers in Germany, the United Kingdom, Sweden, and the United States as part of our annual customer-satisfaction survey.

Environment

Climate protection and energy efficiency We reduced our specific CO₂ emissions by 30.1 percent between 1990 and 2005. We've entered into a long-term partnership with RWTH Aachen University to found the E.ON Research Institute for Energy. The institute will focus in particular on developing solutions for integrating renewable sources into the existing energy infrastructure and for enhancing energy efficiency.

Renewable sources In recent years, E.ON has continued to grow its renewable-source generating capacity. Renewables accounted for 10.8 percent of our total generation in 2005. At E.ON Nordic, the figure is an impressive 46.6 percent.

- With 6,000 MW of hydroelectric capacity, we're Europe's largest investor-owned hydroelectric company.
- We operate 32 wind farms with an aggregate capacity of 393 MW.

Operational environmental protection We developed guidelines for a groupwide environmental management system.

Biodiversity We have biodiversity programs at many of our power stations. We're evaluating E.ON UK's Biological Action Plans to initiate groupwide action on this issue.

Community

Community development Our newly established Community expert team has developed a focused community strategy and a set of performance measures.

Supporting children and young people Worldwide E.ON runs 250 projects supporting children and young people.

Community involvement by our employees

- We've adopted groupwide guidelines on employee volunteering.
- 1,700 E.ON UK employees took part in its Energy in the Community project.
- We matched employee charitable donations in many programs throughout the Group.

Supporting arts and culture E.ON Ruhrgas and E.ON Energie have a proud tradition of sponsoring major art exhibitions in Germany.

Workplace

Health and safety E.ON is the industry leader in occupational safety. We reduced our lost time injury frequency (LTIF) from 6.0 in 2004 to 5.0 in 2005. Our market units initiated many programs to promote proactive health management.

Employee involvement Eighty-four percent of our employees participated in our 2005 employee opinion survey. The results, which were analyzed down to the level of small organizational units, provided a high degree of transparency. We identified potential for improvement in three areas: development opportunities (55 percent satisfaction), information offerings (74 percent), and the credibility of E.ON's corporate responsibility activities (63 percent). E.ON Ruhrgas was named as one of Germany and Europe's best employers in the 2005 Great Place to Work[®] competition.

Equal opportunity In Germany, E.ON provided vocational training to many more apprentices in 2005 than it needed for its own operations. In another program, E.ON offered internships to over 450 young people to prepare them for an apprenticeship. The Hertie Foundation awarded E.ON Ruhrgas and E.ON Energie its seal of approval for their programs to help employees balance work and family life.

Unless otherwise indicated, all achievements refer to the reporting period.

Our Objectives

Marketplace

Security of supply and cost-effectiveness Between 2006 and 2008, we plan to invest €16.3 billion in property, plant, and equipment to build new power plants, modernize existing plants, and modernize our electricity and gas networks. By 2010 we aim to source 15 to 20 percent of our natural gas requirements from our own production assets. Plans call for the North European Gas Pipeline to begin transporting 27.5 billion cubic meters of natural gas annually from Russia to Europe in 2010.

Responsibility to our customers The groupwide rollout of campaigns and services to increase customer energy efficiency starts in 2006. Under its energy efficiency program for 2006, E.ON UK aims to save 6,845 gigawatt-hours of energy (electricity, natural gas, coal, and oil), distribute four million low-energy light bulbs, and insulate 80,000 homes.

Environment

Climate protection and energy efficiency In 2006, we'll define groupwide CO₂ reduction targets, and E.ON UK will complete a feasibility study for a 450 MW clean-coal power plant in Lincolnshire. In the years ahead, we'll also support research projects on carbon capture and storage. In 2008, an 800 MW combined-cycle gas turbine is scheduled to enter commercial operation in Irsching, Germany. Compared with a typical coal-fired power plant, the new unit will prevent 1.7 million metric tons of CO₂ from entering the atmosphere.

Renewable sources Over the next ten years, E.ON will invest €100 million to fund an international research initiative on climate protection and energy efficiency. Of this figure, €40 million will go to the E.ON Research Institute for Energy. We'll also fund research and demonstration projects on renewable energies. During the next ten years, E.ON will invest €5 billion in renewable energies, of which €1.2 billion has already been earmarked for specific projects during the period 2006-2008. We aim to grow our renewable-source generating capacity by 1,000 MW by 2010. Our 44 MW biopower plant in Lockerbie, Scotland, is scheduled to enter service in 2007. It will generate enough electricity to supply 70,000 households, making it the United Kingdom's largest biopower plant.

Operational environmental protection We aim to refine our groupwide environmental reporting. At our first groupwide

environment conference in October 2006, we'll define our objectives and establish monitoring mechanisms.

Biodiversity We plan to complete our review and adopt a groupwide biodiversity strategy by 2007.

Community

Community development By 2007 we aim to establish a system to monitor the impact of our community activities.

Supporting children and young people Our Energy for Children initiative will be launched in 2006. By 2010 we aim to invest €50 million in 500 partner institutions (day-care centers, kindergartens, elementary schools).

Community involvement by our employees Our multilingual web portal for energy, safety, and environmental information will be launched in 2007. Our groupwide employee volunteering program (focused on our Energy for Children initiative) starts in 2006. Through 2010, we intend to support our employees' community involvement by providing €1.5 million in funding for up to 10,000 participants.

Supporting arts and culture By 2007 we aim to focus our strategy and enhance cooperation between our market units.

Workplace

Health and safety We intend to reduce the E.ON Group's LTIF by 10 percent annually and by 2010 to reach the LTIF benchmarks of the chemicals and oil industries, which are currently between 1 and 3.5. Starting in 2006, we'll include all our contractors in our LTIF reporting.

Employee involvement By 2007 we want our employees to have a better image of our HR development opportunities, information offerings, and CSR activities.

Equal opportunity In 2006 we'll adopt groupwide guidelines on equal opportunity and diversity.

An action plan for "Responsible Corporate Governance" is shown on pages 12-13. The full text of our program is available at eon.com.

GRI Content Index

We selected the indicators used in this CSR report on the basis of the draft Sustainability Reporting Guidelines issued by the

- Global Reporting Initiative (GRI) in March 2006 (G3). The GRI has updated its guidelines periodically since first issuing them in 2000. The final version of the G3 guidelines is scheduled to be released in October 2006. We're playing an active role in the GRI process and will communicate to the GRI working group our experience using the draft G3 guidelines.

This Content Index shows which G3 indicators we report on, where they can be found in this report, other E.ON reports, or

- the E.ON website, and the extent of our reporting. You'll find more detailed G2 and G3 indices at eon.com.

	Reference ¹	Status ²
1. Vision and Strategy		
1.1 Statement from the CEO	3-4	●
1.2 Description of key risks and Opportunities	9-17, 19, 25, 31, 37, 46-47	●
2. Organizational Profile		
2.1 Name of the reporting organization	C1, 5	●
2.2 Major brands, products and services	5, www	●
2.3 Operational structure	6, AR, F, www	●
2.4 Countries of operations	6-7, AR, www	●
2.5 Nature of ownership and legal form	AR, F, www	●
2.6 Markets served	6-7, AR, www	●
2.7 Scale of the reporting organization	5-7, www	●
2.8 Major decisions	7, 20-21, 45, AR, F, www	●
3. Report Parameters		
3.1 Contact point for questions	51	●
3.2 Reporting period	C2	●
3.3 Date of most recent previous report	C2	●
3.4 Changes in measurement of indicators	42, www	●
3.5 Plans for future reporting	C2, 15-17, www	●
3.6 Application of GRI reporting framework	C2, 3, 48	●
3.7 Definition report content and stakeholders	10-11, www index, www	●
3.8 Specific limitations on the scope of the report	C2, 42	●
3.9 Data measurement techniques	42, www index	●
3.10 Approaches to stakeholder engagement	10-11, www index, www	●
3.11 Information from stakeholder engagement	10ff, 42-45, www	●

	Reference ¹	Status ²
3.12 Boundary of the report	C2, 42	●
3.13 Significant changes since previous report	7, 20-21, 45, AR, F, www	●
3.14 Joint ventures, subsidiaries, leased facilities	42, AR, F, www	●
3.15 Re-statements of information	42, www index	●
3.16 GRI Content Index	48	●
3.17 Independent assurance for the report	15	●
4. Governance		
4.1 Governance structure	13-14, AR, F, www	●
4.2 Indicate if chair of the highest governance body is also an executive officer	13-14, AR, F, www index, www	●
4.3 Independent members of the highest governance body	13-14, AR, F	●
4.4 Recommendations to highest governance body	AR, F, www	●
4.5 Linkage between compensation and the organization's performance	15, AR, F, www	●
4.6 Qualifications of highest governance body	12-13, www index	●
4.7 Avoidance of conflicts of interest	13-14, AR, F, www	●
4.8 Internal values, codes of conduct and principles	13-14	●
4.9 Management of economic, environmental and social performance	13-17, AR, F, www	●
4.10 Evaluation of the highest governance body	15, AR	●
4.11 Precautionary approach	15, 26-29, 47	◐
4.12 Voluntary initiatives	11, www	●
4.13 Memberships	11, www	●
4.14 Stakeholder groups	10, 20, 22-23, 26, 29, 32, 34, 38-41, www	●
4.15 Selection of stakeholders	10, 16-17, www	◐
4.16 Stakeholder engagement	10-11, 16-17, www	●
4.17 Key issues of stakeholder engagement	20-21, 26, 28-29, 35, 45, www	◐
Economic Performance Indicators		
Disclosure of management approach	10-17, 46-47, F, www	●
EC1 Economic value generated and distributed	3-4, 35, 45, AR, C2, F, www	●
EC2 Financial implications of climate change	AR, F	◐

	Reference ¹	Status ²
EC3 Benefit pension plan obligations	AR, F, www	●
EC4 Financial assistance from government	www	●
EC5 Entry wage compared to local minimum wage	www index	○
EC6 Spending on locally-based suppliers	www index	○
EC7 Local hiring in senior management	www index, www	○
EC8 Infrastructure investments for public benefit	20-23, 27-28, 32-35, 45, www	●
EC9 Indirect economic impacts (Add)	22-23, 38-39, 45	●
Environmental Performance Indicators		
Disclosure of management approach	15-18, 26, 29, 46-47, www	●
EN1 Weight of materials used	42-43, www	●
EN2 Recycled material	42, www index	●
EN3 Direct energy consumption	44, www	●
EN4 Indirect energy consumption	21	●
EN5 Renewable resources (Add)	29, 42	●
EN7 Energy-efficient products and services (Add)	22-23, 47, www	●
EN9 Total water withdrawal by source	43-44, www	●
EN12 Protected areas	www	○
EN13 Impacts of activities on protected areas	47, www	○
EN17 Greenhouse gas emissions	27, 43, www	●
EN18 Emissions of ozone-depleting substances	n.a. ³	
EN19 NO _x , SO _x & other air emissions by weight	43, www	●
EN20 Waste by type and destination	16-17, www	○
EN21 Total water discharge and quality	43-44, www index	○
EN22 Total number and volume of significant spills	44, www	●
EN23 Other relevant greenhouse gas emissions	43	n.a. ³
EN26 Environmental impacts of products/services	22-23, 29, 47, www	●
EN27 Recycled products	n.a. ³⁾	
EN28 Non-compliance with environmental regulations	44, www	●
Social Performance: Labor Practices		
Disclosure of management approach	38-41, AR, www	●
LA1 Workforce by employment type/region	6, 45, AR, www	●
LA2 Employee turnover by age group and gender	38, AR, www	●

	Reference ¹	Status ²
LA4 Employees covered by collective bargaining agreements	www	●
LA5 Notice period, consultation and negotiation on operational changes	40, www index, www	○
LA6 Joint health and safety committees	40-41, www index, www	●
LA7 Injury, occupational diseases, lost days, etc.	40-41, 46-47, www	●
LA8 Training on HIV/AIDS etc.	n.a. ³	
LA9 Occupational H&S management (Add)	41, www	●
LA11 Training per year per employee	39	●
LA12 Lifelong learning (Add)	39, AR, www	●
LA14 Diversity	6, 45, AR, www	●
Social Performance: Human Rights		
Disclosure of management approach	13, 16-17,	●
HR1 Investment agreements	13, 16-17,	○
HR2 Suppliers & contractors	13, 16-17	○
HR4 Discrimination	41. 47, www	●
HR5 Freedom of association, collective bargaining	40, www index, www	●
HR6 Child labor	13, 16-17, www index	●
HR7 Forced labor	13, 16-17, www index	●
Social Performance: Society		
Disclosure of management approach	38-41	●
SO1 Impact assessment of operations on communities	13, 16-17, www index	
SO2 Prevention of corruption	13-17, www	○
SO3 Actions in response to instances of corruption	13-17, www index	●
SO4 Public policy development and lobbying	11, www	●
SO5 Contributions to political parties (Add)	35, 45, www	○
SO6 Anti-competitive behavior (Add)	AR, F	●
Social Performance: Product Responsibility		
Disclosure of management approach	20-23, 47, www	●
PR1 Health and safety of products	23, 34, 47, www	
PR3 Labeling of products and services	15, www index	●
PR5 Customer satisfaction (Add)	19-23, www	●
PR8 Data protection	www, www index	●

¹1-51: pages of this report; C1-4: front and back cover of this report; AR: 2005 E.ON Annual Report; F: 2005 E.ON Form 20-F; www: E.ON website; www index: GRI index on the E.ON website;
²● fully reported; ○ partially reported; ○ not reported.
³n.a.: not applicable/relevant.

Glossary

Adjusted EBIT

Adjusted earnings before interest and taxes. An indicator of a business's long-term earnings power, adjusted EBIT is E.ON's key performance metric. It is an adjusted figure derived from income/loss from continuing operations before income taxes and minority interests. The adjustments include book gains and losses on disposals, restructuring expenses, and other nonrecurring expenses.

Business unit

Each E.ON market unit (see Market unit) consists of several business units which are responsible for managing day-to-day operations. They include power producers, regional distribution companies, and energy trading companies.

Clean development mechanism (CDM), joint implementation (JI)

CDM and JI are mechanisms designed to help countries meet their emission-reduction targets under the Kyoto Protocol. They allow industrialized countries to invest in projects that reduce emissions in another industrialized country (JI) or in a developing country (CDM). The resulting emission reductions may be credited to the country that financed the investment.

Emissions trading

The European Union launched the emissions trading scheme (ETS) on January 1, 2005. The ETS is a market-based mechanism to help the EU meet its Kyoto Protocol targets and to provide incentives for companies to invest in climate-friendly technology. Companies that participate in the ETS are allotted a certain number of emissions allowances, each of which gives the company the right to release one metric ton of CO₂ into the atmosphere. If a company emits more CO₂, it must purchase additional allowances; if it emits less, it may sell its unneeded allowances on the secondary market. By making CO₂ a cost factor, the ETS may lead companies to reduce their emissions.

Form 20-F

U.S. securities law requires foreign issuers listed on an American stock exchange to file an annual report with the Securities and Exchange Commission. This report, which is called a Form 20-F, must be prepared in accordance with U.S. GAAP. For certain types of disclosures, a Form 20-F contains significantly more information than an annual report prepared in accordance with German GAAP.

Global Compact

Initiated by UN Secretary-General Kofi Annan, Global Compact is designed to encourage corporate social responsibility and address the challenges created by globalization. Participating companies pledge the Global Compact's ten principles relating to human rights, workplace standards, environmental protection, and fighting corruption.

Lead company

The lead companies of the market units (see Market unit) are responsible for managing our integrated energy business in our target markets. They are: E.ON Energie (Central Europe), E.ON Ruhrgas (Pan-European Gas), E.ON UK (U.K.), E.ON Nordic (Nordic) and E.ON U.S. (U.S. Midwest).

Lost time injury frequency (LTIF)

A common international measure of workplace accidents that cause downtime, LTIF equals the number of accidents per million hours of work.

Market unit

Part of E.ON's market-oriented organizational structure, our market units correspond to our five target markets: Central Europe, Pan-European Gas, U.K., Nordic, and U.S. Midwest.

North European Gas Pipeline (NEGP)

Scheduled for completion in 2010, the NEGP will transport natural gas from Russia to Germany 1,200 kilometers along the floor of the Baltic Sea. Initially, it will have a transport capacity of approximately 27.5 billion cubic meters of natural gas per year. All three owners—Gazprom (51 percent), BASF (24.5 percent), and E.ON (24.5 percent)—will be involved in constructing the NEGP.

Public-private partnership

A form of corporate citizenship in which a private enterprise provide funds or expertise to a government entity or nonprofit organization, typically as part of a long-term partnership.

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E.ON prepares its financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). This presentation may contain references to certain measures (of which some may be forward-looking) that are not calculated in accordance with U.S. GAAP and are therefore considered "non-GAAP financial measures" within the meaning of the U.S. federal securities laws. E.ON presents a reconciliation of these non-GAAP financial measures to the most comparable U.S. GAAP measure or target, either in its Interim Reports, Annual Report, or on its website under www.eon.com. Management believes that the non-GAAP financial measures used by E.ON, when considered in conjunction with (but not in lieu of) other measures that are computed in U.S. GAAP, enhance an understanding of E.ON's results of operations. A number of these non-GAAP financial measures are also commonly used by securities analysts, credit rating agencies and investors to evaluate and compare the periodic and future operating performance and value of E.ON and other companies with which E.ON competes. The non-GAAP financial measures should not be considered in isolation as a measure of E.ON's profitability or liquidity, and should be considered in addition to, rather than as a substitute for, net income, cash flow provided by operating activities, and the other income or cash flow data prepared in accordance with U.S. GAAP. The non-GAAP financial measures used by E.ON may differ from, and not be comparable to, similarly titled measures used by other companies.

