



DAILY COMPANY NOTE — E.ON See page 2 for full details

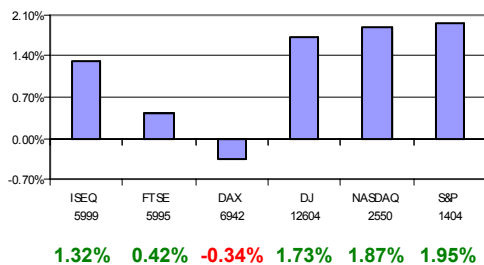
Daily Market Comment

Yesterday's Summary : Despite ECB president Jean-Claude Trichet warning of a possible interest rate hike next month, Irish shares finished higher yesterday, as better than expected US weekly jobless claims and Wal-Mart sales help to boost investor sentiment. The ISEQ closed 1.32% higher at 5,998.93. However the financials, the interest rate sensitives, had a poor performance. AIB fell 0.48% to €12.34, Bank of Ireland lost 1.35% to €7.50, while Irish Life & Permanent dropped 1.8% to €10.25. With oil prices continuing their recent decline, Ryanair added 6.8% to €3.22, while CRH, outperforming its sector, added 3.15 to €23.26.

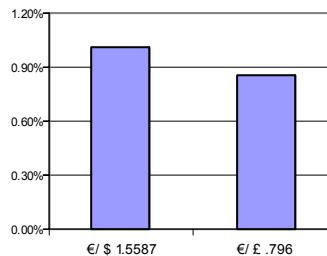
Overnight News : Australian shares closed higher on Friday led by energy-related companies, which received a boost after crude oil prices surged overnight in response to a weaker U.S. dollar. In China, the benchmark Shanghai Composite Index closed down 0.7% at 3,329.67, led by telecom stocks. The Japanese Nikkei 225 Stock Average closed up 1% at 14,489.44.

Breaking News : The Standard & Poor's rating services has lowered its financial strength rating on Ambac Assurance Corp. and MBIA Insurance Corp. to 'AA' from 'AAA' and placed the ratings on CreditWatch with negative implications. The rating actions on the companies reflect the belief that these companies will face diminished public finance and structured finance new business flow and declining financial flexibility. EasyJet has reported a 15.9% rise in May passenger traffic, up to 3.88 million with load factor down to 83.2% from 83.6%. The low-fares airline has opened 3.6% down after this release. Man Group, an alternative investment management firm, has announced that it has entered into an agreement to acquire a 25% interest in Nephila Capital for \$50 million in cash, which was funded by the group's existing finances.

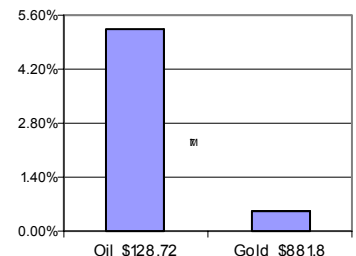
Equity Indices change on day



Currency daily % change



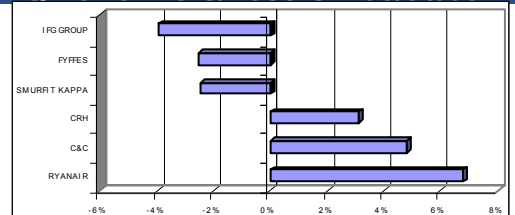
Oil/Gold daily % change



News

- "Rate rise may put squeeze on mortgage holders"-(The Irish Times)
- "Anglo Irish Stock on loan rises for fifth month in a row to almost 13%"-(I.T)
- "B of I staff to ballot on industrial action"-**Bank of Ireland**-(The Irish Times)
- "Verizon set to take top place in US after \$28.1bn deal"-**Verizon & Wireless**-(I.I)
- "AIB to increase overdraft fees by a third"-**AIB**-(Irish Examiner)

ISEQ Performers/Losers 05/06/08



Market Themes and Movers

No rate changes as expected: As expected, Bank of England and the European Central Bank announced no change in interest rates. The hawkish tone of ECB president Jean-Claude Trichet took markets by surprise. Jean-Claude was expected to speak about the upside risk to inflation, however his comments were far more negative than expected. He mentioned that they had increased their inflation estimates for the year and that they were monitoring the situation with "heightened alertness". Crucially he indicated that a rate hike of a quarter percent was likely in July, although not certain. Markets are now pricing in a probable hike in July and a further hike in the final quarter of the year.

Oil prices at a crossroads: US non-farm payroll data is out today at 13.30, with a decline in 60,000 jobs forecasted for May. This follows on from a decline in 20,000 in April. Increases in layoffs from construction and financial services are expected to be the main contributors of the jobs decline. The recent trend of robust hiring in education and healthcare is expected to weaken. Retail may have been boosted in May as a result of the \$600 rebate checks filtering into the economy. Meanwhile the unemployment rate is expected to tick up from 5% to 5.1%.



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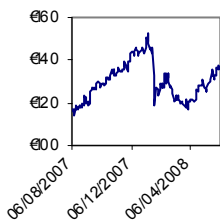
E.ON

DAX
Utilities
Company Profile

The Group's principal activity is the provision of energy services. The Group also imports natural gas and supplies specialty chemicals. The operations of the Group are carried on in European countries that include Scandinavia, the Netherlands, Hungary, the Slovak Republic, the Czech Republic, Switzerland, Austria, Italy, Russia, Poland, the United Kingdom and the USA.

Fundamental view : E.ON is one of Europe's largest utilities, with a portfolio of electricity and gas assets across Germany, Central Europe, the Nordic Region, the UK and the US. Its earnings growth prospects over the next 4 years at a compound average growth rate of 11.4%, on an EBITDA basis, are stronger than the pan European sector average of 9.3%. As the group's investment programme runs beyond 2010, this earnings growth should be sustained for more years than its peers. Despite this stronger than sector average earnings growth, E.ON continues to trade at a discount to peers, at a current year enterprise value (EV)/EBITDA multiple of 8.9x, versus a current sector average of c.9.5x. Applying a sector average rating of 9.5x to consensus current year EBITDA of €13.2 bn generates an EV of €125.4 bn, which after deducting the group's net debt of €25 bn and dividing by the current 667m shares in issue, provides the basis for our initial 12 month share price target of €150 (11% upside). E.ON will also pay a dividend yield of 3.3% for waiting for this upside to be achieved.

Next catalyst : In addition to results' releases and the announcement of further acquisitions, major asset sales between now and year end could also act as positive catalysts for the share price. The group would appear to have c.€30 bn of such assets on its balance sheet, including German Transmission assets worth c.€2 bn, which are already for sale. The group's 6.4% stake in Gazprom, currently worth c.€14 bn, may also be sold, as it would appear to be providing a very low annual yield of only c.0.9%. E.ON added to its Russian exposure earlier this year with the €4.1 bn acquisition of OGK-5 and so as a result there may be a rationale to sell at least some of this Gazprom stake so as not to become over-exposed to Russia. The next scheduled catalyst for the share price is the group's H1 results' announcement, due to be released on 13th August.

Statistics
Price Performance

Chart View: EON

Support Primary: €130.45
 Support Secondary: €124.50
 Resistance Primary: €137.89
 Resistance Secondary: €146.00

Chart outlook is positive and despite the recent weakening of daily momentum EON looks set to move higher. A break of the €138 area would suggest that sizeable gains will follow. Any weakness is likely to be met by strong support in the €130 area. EON all-time is at €154.11.

Sales by Region


- Central Europe 44%
- Pan European Gas 31%
- UK 17%
- Nordic 5%
- US Midwest 3%

Major Shareholders	%	Peer Group Multiples			
E.ON AG	5.30%	Company name	P/E 08	P/E 09	EPS Growth 08-09
Capital Research Global	3.91%	E.ON	15.5	13.4	15.71%
Barclays Global Investors	3.35%	RWE	12.9	10.5	22.86%
Capital World Investors	1.99%	Suez	16.9	15.1	11.92%
Fidelity Invnt. Int.	1.95%				

Shares Outstanding	667m	Next Event	Interim Report	18th August
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Share Data	Financial Data	2007	2008e	2009e	
Current Price (€)	135.57	Revenue (€m)	68,731	75,217	81,572
Mkt Cap (€m)	139,720	PBT (€m)	9,683	8,517	9,625
Reuters	EONG.DE	EPS (€)	10.55	8.72	10.09
Bloomberg	EOA GY	P/E(x)	12.85	15.55	13.44
Sector	Utilities	DPS(€)	4.10	4.60	5.27
Chairman	Dr. Wulf H. Bemotat	Dividend Yield	3.02%	3.39%	3.89%
CFO	Dr. Marcus Schenck				
Website	www.eon.com				





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