E ON AG
Form 6-K
May 14, 2004

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of May, 2004

E.ON CORP.
(Translation of Registrant s Name Into English)

E.ON AG
E.ON-Platz 1
D-40479 Düsseldorf
Germany
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F X Form 40-F ___

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ___ No X

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

Table of Contents

January 1 March 31, 2004
Interim Report I/2004

2004	Adjusted EBIT up markedly
JAN	Net income substantially higher
FEB	Moody s upgrades E.ON s long-term rating to Aa3 with stable outlook
MAR	Increase in adjusted EBIT anticipated for full year 2004
APR	
MAY	
JUN	
JUL	
AUG	
SEP	
OCT	
NOV	
DEC	

Table of Contents

Interim Report I/ 2004

E.ON Group Financial Highlights

E.ON Group Key Figures at a Glance

	January 1 March 31		
	2004	**2003**	**+/- %**
	in millions		
Electricity sales (in billion kWh)(1)	111.8	106.4	+5
Gas sales (in billion kWh)(1)	299.9	322.9	-7
Sales	14,622	13,713	+7
Adjusted EBITDA(2)	3,024	2,658	+14
Adjusted EBIT(3)	2,345	1,931	+21
Internal operating profit(2)	1,948	1,496	+30
Income from continuing operations before income taxes and minority interests	2,152	1,898	+13
Income from continuing operations	1,451	1,432	+1
Income from discontinued operations, net	4	2	+100
Net income	1,455	986	+48
Investments	1,720	5,145	-67
Cash provided by operating activities	1,090	1,051	+4
Free cash flow(4)	627	595	+5
Net financial position(5) (at March 31/December 31)	-7,663	-7,855	+2
Employees (at March 31/December 31)	70,207	67,102	+5
Earnings per share (in)	2.22	1.51	+47

(1) Unconsolidated; prior-year figures include pro forma three-month figures for Ruhrgas.

(2) Non-GAAP financial measure; see reconciliation to consolidated net income on page 5.

(3) Non-GAAP financial measure; see reconciliation to consolidated net income on page 5 and commentary on pages 30-31.

(4) Non-GAAP financial measure; see reconciliation to cash provided by operating activities on page 18.

(5) Non-GAAP financial measure; see reconciliation on page 19.

Non-GAAP financial measures: This report contains certain non-GAAP financial measures. 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. Additional information with respect to each of the non-GAAP financial measures used in this report is included together with the reconciliations described below.

E.ON prepares its financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP). As noted above, this report contains certain financial measures (internal operating profit, adjusted EBIT, adjusted EBITDA, net financial position, net interest expense, and free cash flow) 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. In accordance with applicable rules and regulations, E.ON has presented in this report a reconciliation of each non-GAAP financial measure to the most directly comparable U.S. GAAP measure for historical measures and an equivalent U.S. GAAP target for forward-looking measures. The footnotes presented with the relevant historical non-GAAP financial measures indicate the page of this report on which the relevant reconciliation appears. The non-GAAP financial measures used in this report 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 provided by operating activities, and the other income or cash flow data prepared in accordance with U.S. GAAP presented in this report and the relevant reconciliations. The non-GAAP financial measures used by E.ON may differ from, and not be comparable to, similarly titled measures used by other companies.

Table of Contents

Contents

Table of Contents

Interim Report I/2004

Results of Operations

Consolidated Sales

	January 1 March 31		
	2004	**2003(1)**	**+/- %**
	in millions		
Central Europe	5,867	5,429	+8
Pan-European Gas	4,570	3,330(2)	+37
U.K.	2,585	2,537	+2
Nordic	1,032	813	+27
U.S. Midwest	520	557	-7
Corporate Center	-176	-192	
Core Energy Business	**14,398**	**12,474**	**+15**
Other Activities(3)	**224**	**1,239**	**-82**
Consolidated sales	**14,622**	**13,713**	**+7**

(1) Pro forma figures according to the new market unit structure; adjusted for discontinued operations.

(2) Ruhrgas for the period February 1 March 31, 2003.

(3) This segment consists of Viterra and Degussa; the latter has been accounted for using the equity method since February 1, 2003.

Adjusted EBIT

	January 1 March 31		
	2004	**2003(1)**	**+/- %**
	in millions		
Central Europe	1,179	1,082	+9
Pan-European Gas	416	332(2)	+25
U.K.	270	196	+38
Nordic	279	153	+82

U.S. Midwest	93	63	+48
Corporate Center	-8	-97	
Core Energy Business	**2,229**	**1,729**	**+29**
Other Activities(3)	**116**	**202**	**-43**
Adjusted EBIT(4)	**2,345**	**1,931**	**+21**

(1) Pro forma figures according to the new market unit structure; adjusted for discontinued operations.

(2) Ruhrgas for the period February 1 March 31, 2003.

(3) This segment consists of Viterra and Degussa; the latter has been accounted for using the equity method since February 1, 2003.

(4) Non-GAAP financial measure; see reconciliation to consolidated net income on page 5.

Effective January 1, 2004, we realigned our organization based on the five target markets we had defined in on.top, our enterprise-wide strategy and structure project: Central Europe, Pan-European Gas, U.K., Nordic, and U.S. Midwest. To facilitate comparison, we have provided pro forma figures for the prior year according to the new corporate structure.

In addition, effective the same date earnings before interest and taxes and adjusted for nonrecurring effects (adjusted EBIT) has replaced internal operating profit as our key performance measure (see commentary on pages 30-31).

We sold 112 billion kilowatt-hours (kWh) of electricity in the first quarter of 2004, 5 percent more than in the same period last year. The increase is principally attributable to the inclusion of JME and JCE, regional distribution companies operating in the Czech Republic, and Graninge, a Swedish energy utility. Relatively mild temperatures resulted in our gas sales volume declining by 7 percent to approximately 300 billion kWh.

Consolidated sales advanced 7 percent, primarily due to the inclusion of Ruhrgas and Graninge for the entire period under review. Ruhrgas became a consolidated E.ON company on February 1, Graninge on November 1, 2003.

Table of Contents

Consolidated Net Income

	January 1 March 31		
	2004	**2003**	**+/- %**
	in millions		
Adjusted EBITDA	**3,024**	**2,658**	**+14**
Depreciation and amortization	-679	-727	
Adjusted EBIT	**2,345**	**1,931**	**+21**
Adjusted interest income (net)	-397	-435	
Internal operating profit	**1,948**	**1,496**	**+30**
Net book gains	392	390	
Restructuring expenses	-11	-48	
Other nonoperating earnings	-177	60	
Income from continuing operations before income taxes and minority interests	**2,152**	**1,898**	**+13**
Income taxes	-526	-298	
Minority interests	-175	-168	
Income from continuing operations	**1,451**	**1,432**	**+1**
Income from discontinued operations, net	4	2	
Cumulative effect of changes in accounting principles, net		-448	
Consolidated net income	**1,455**	**986**	**+48**

In the first three months of 2004, we grew adjusted EBIT by 21 percent to 2.3 billion. All market units contributed to the increase. The increase recorded in the Corporate Center segment is primarily attributable to foreign-currency gains in connection with bond repurchases.

Net book gains in the first quarter of 2004 were on par with last year and resulted in particular from the sale of equity interests in EWE and VNG (317 million). We also recorded book gains of 75 million on the sale of securities. The prior-year figure consists primarily of a book gain of 294 million on the sale of an approximately 5.8 percent interest in Bouygues Telecom, a book gain of 168 million on the sale of a roughly 18 percent shareholding in Degussa, and a book loss of 76 million on the sale of a 1.9 percent stake in HypoVereinsbank.

Restructuring expenses declined year-on-year to 11 million and were recorded predominantly at the Central Europe market unit in the period under review. In the same period a year ago, restructuring expenses were recorded mainly at Powergen in connection with the integration of TXU activities.

Other nonoperating earnings chiefly reflect a loss from the required marking to market of energy derivatives. The year-earlier figure reflected positive effects from the marking to market of derivatives.

Income from continuing operations before income taxes and minority interests rose by 254 million.

In the first three months of 2004, our continuing operations included a tax expense of 526 million. The increase results mainly from a nonrecurring extraordinary item in the prior year.

Minority interests increased slightly to 175 million.

Income from continuing operations rose to 1,451 million.

In the prior-year period, the cumulative effect of changes in accounting principles was primarily attributable to the adoption of the Statement of Financial Accounting Standards (SFAS) 143, *Accounting for Asset Retirement Obligations*.

Consolidated net income climbed by 48 percent to 1,455 million. Earnings per share advanced by 47 percent to 2.22.

Core Energy Business

Central Europe

Central Europe	January 1 March 31 2004	2003(1)	+/ %
	in millions		
Sales	5,867	5,429	+8
thereof gas and electricity taxes	282	263	+7
Adjusted EBITDA	1,440	1,365	+5
Adjusted EBIT	1,179	1,082	+9

(1) Pro forma figures according to the new market unit structure.

The prices end-customers in Germany paid for electricity averaged 3 percent higher year-on-year in the residential segment and 15 percent higher for new contracts in the industrial segment in the wake of the marked increase in wholesale prices in 2003.

Forward prices for year-ahead power have stabilized in 2004. In the period under review, the average price was roughly 32.3 per megawatt-hour (MWh) for year-ahead baseload power and roughly 48.6 per MWh for year-ahead peakload power, approximately 30 percent higher than the comparable figures of a year ago. This increase is mainly attributable to consistently higher coal prices, which averaged 63 per metric ton of coal equivalent (TCE) in the first quarter of 2004, compared with 36 per TCE in the prior-year quarter.

The Central Europe market unit sold 3.4 billion kWh more electricity than in the first quarter of last year, mainly due to the first-time consolidation of JME and JCE. The two Czech regional distributors, which have been consolidated E.ON companies since October 1, 2003, sold an aggregate 3.5 billion kWh of power in the first three months of 2004.

The Central Europe market unit met around 35 billion kWh, or just under 51 percent, of its power requirements with electricity from its own generation assets, compared with 53 percent in the prior year. From jointly owned power stations and outside sources Central Europe procured 3.2 billion kWh more electricity than the prior-year figure of 30.8 billion kWh. Central Europe thus met 49 percent of its power requirements with electricity procured from outside sources, an increase that results primarily from the inclusion of JME and JCE, which were not consolidated in the first quarter of 2003. Central Europe has a balanced energy resource portfolio in its generation operations.

Power Generation and Procurement(1)

	January 1 March 31		
	2004	2003(2)	+/ %
	Billion kWh		
Owned generation	35.2	34.8	+1
Purchases	34.0	30.8	+10
from jointly owned power plants	3.0	2.5	+20
from outside sources	31.0	28.3	+10
Power procured	**69.2**	**65.6**	**+5**
Plant-use, transmission losses, pumped-storage hydro	-2.7	-2.5	+8
Power sales	**66.5**	**63.1**	**+5**

(1) Excludes energy trading activities.

(2) Pro forma figures according to the new market unit structure.

Gas sales volumes at the Central Europe market unit s regional distribution companies were down approximately 12 percent. In the prior-year period, the winter months were colder than average, leading to increased gas consumption.

The Central Europe market unit grew sales, mainly due to the inclusion of JME and JCE and to higher electricity prices.

Gas Sales by Customer Segment(1)

	January 1 March 31		
	2004	2003(2)	+/ %
	Billion kWh		
Residential and small commercial	13.3	17.7	-25
Large industrial and commercial	13.7	12.1	+13
Sales partners	13.0	15.8	-18

Total	**40.0**	**45.6**	**-12**

(1) Excludes energy trading activities.

(2) Pro forma figures according to the new market structure.

Adjusted EBIT rose 9 percent year-on-year to 1,179 million. Central Europe s business units showed the following development:

The Central Europe West Power business unit grew adjusted EBIT by 74 million to 924 million. The increase results in particular from renewed improvements in gross margins. One positive contributing factor was the passthrough of higher wholesale electricity prices to ultimate customers. A further driver was a reduction in costs for nuclear waste management.

At 203 million, the Central Europe West Gas business unit s adjusted EBIT was a modest 5 million below the prior-year figure. The main driver was a weather-driven decline in sales volume. This effect was largely counteracted by favorable procurement costs.

The Central Europe East business unit grew adjusted EBIT by 21 million, principally due to the inclusion of JME and JCE.

Financial Highlights by Business Unit(1)

	January 1 March 31									
	Central Europe West				**Central Europe East**		**Other/ Consolidation**		**Central Europe**	
	Power		**Gas**							
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	in millions									
Sales(2)	3,875	3,458	1,141	1,265	496	286	73	157	5,585	5,166
Adjusted EBITDA	1,094	1,053	250	252	102	59	-6	1	1,440	1,365
Adjusted EBIT	924	850	203	208	68	47	-16	-23	1,179	1,082

(1) Pro forma figures for 2003 according to the new market unit structure.

(2) Excludes gas and electricity taxes; energy trading activities are recognized net.

Table of Contents

Interim Report I/2004

Core Energy Business

Pan-European Gas

Energy consumption in Germany was influenced by mild temperatures in the first quarter of 2004.

The comparably mild weather in early 2004 also had a negative effect on gas sales volume at the Pan-European Gas market unit. In the first quarter of 2004, Pan-European Gas recorded gas sales of 211.2 billion kWh, 7 percent below the prior-year figure of 226.5 billion kWh.

Ruhrgas generated sales of 4.6 billion in the first three months of 2004. Sales growth compared with the prior-year period results primarily from the inclusion of figures for January, which were not included in the previous year, since Ruhrgas became a consolidated E.ON company on February 1, 2003. Another factor leading to higher sales was the first-time inclusion of Thüga s operations in Italy at the Downstream Shareholdings business unit.

Adjusted EBIT was 416 million in the period under review. This 25 percent increase is also due to the fact that January was not included in the prior-year quarter.

The Up-/Midstream business unit made the largest contribution to sales and earnings. Despite the inclusion of January in 2004, its adjusted EBIT did not surpass last year s performance, primarily because of the temperature-driven decline in sales volume and revenues.

The Downstream Shareholdings business unit performed positively compared with the first quarter of 2003. Together with the inclusion of January sales and earnings streams for the Ruhrgas Energie Beteiligungs Group, this performance principally reflects the inclusion of Thüga s Italian operations for the entire period and higher proportional SPP earnings.

Pan-European Gas

	January 1 March 31		
	2004	**2003(1)**	**+/- %**
	in millions		
Sales	4,570	3,330	+37
thereof gas/electricity taxes	1,003	742	+35
Adjusted EBITDA	510	435	+17
Adjusted EBIT	416	332	+25

(1) Pro forma figures according to the new market unit structure. Ruhrgas was consolidated effective February 1, 2003.

Gas Sales by Month(1)

	January 1 March 31

	2004	2003	+/- %
	Billion kWh		
January	80.1	83.0	-3
February	68.6	77.5	-11
March	62.5	66.0	-5
Total	**211.2**	**226.5**	**-7**

(1) Gas sales of Ruhrgas AG according to new definition.

The results of Ruhrgas Industries, which are recorded under the Other/Consolidation business unit, were adversely affected by one-off charges from the purchase price allocation in the first quarter of 2003. The absence of this nonrecurring effect resulted in an improved adjusted EBIT performance. The increase in adjusted EBIT is also due to the fact that January earnings streams were not included in the prior-year quarter.

Financial Highlights by Business Unit(1)

	January 1 March 31							
	Up-/Midstream		Downstream Shareholdings		Other/ Consolidation		Pan-European Gas	
	2004	2003	2004	2003	2004	2003	2004	2003
	in millions							
Sales(2)	3,877	2,889	520	371	173	70	4,570	3,330
Adjusted EBITDA	305	286	183	126	22	23	510	435
Adjusted EBIT	241	242	163	107	12	-17	416	332

(1) Pro forma figures for 2003 according to the new market unit structure.

(2) Figures include gas and electricity taxes.

U.K.

U.K.	January 1 March 31		
	2004	2003(1)	+/- %
	in millions		
Sales	2,585	2,537	+2
Adjusted EBITDA	407	297	+37
Adjusted EBIT	270	196	+38

(1) Pro forma figures according to the new market unit structure.

U.K. peakload forward electricity prices at the end of March 2004 were £27.06 per MWh, compared with £22.14 per MWh in late March 2003. The main drivers for this were higher fuel costs, forecast reductions in excess plant capacity, the cost of carbon dioxide (CO_2) emissions, and expected future environmental costs. Gas forward prices were also higher, rising 24 percent to 30 pence per therm (1 therm equals 29.32 kWh), driven by higher oil prices and supply-demand issues in the United Kingdom and Continental Europe.

In response to increases in the wholesale energy market, Powergen UK has increased its mass market retail prices for electricity by 6.9 percent and for gas by 4.9 percent with effect from January 5, 2004. By the end of February 2004, all of the other top suppliers had announced increases in retail prices of 5-6 percent.

Sales by Customer Segment(1)

	January 1 March 31		
	2004	2003	+/- %
	Billion kWh		
Residential and small and medium enterprises	11.0	11.2	-2
Industrial and commercial	7.8	9.0	-13
Power sales	**18.8**	**20.2**	**-7**
Residential and small and medium enterprises	27.1	25.5	+6
Industrial and commercial	12.3	15.5	-21
Gas sales	**39.4**	**41.0**	**-4**

(1) Excludes wholesale and energy trading activities.

Power Generation and Procurement

	January 1	March 31	
	2004	**2003**	**+/- %**
	Billion kWh		
Owned generation	9.6	11.6	-17
Purchases	9.8	9.3	+5
from jointly owned power plants	0.8	1.1	-27
from outside sources	9.0	8.2	+10
Power procured	**19.4**	**20.9**	**-7**
Plant-use, transmission losses, pumped-storage hydro	-0.6	-0.7	
Power sales	**18.8**	**20.2**	**-7**

Table of Contents

Interim Report I/2004

Core Energy Business

The U.K. market unit sold 18.8 billion kWh of electricity in the first quarter of 2004, a reduction of 7 percent on the same period in 2003. Gas sales decreased by 4 percent over the first quarter of 2003 to 39.4 billion kWh. In both cases, the majority of the fall in sales volumes was in the industrial and commercial market, where Powergen s approach is based on margin rather than volume.

The share of own generation of electricity procured was 9.6 billion kWh. The decrease in own generation of 2 billion kWh compared with the prior year is mainly related to the closure of the former TXU plants Drakelow and High Marnham.

Generation capacity at March 31, 2004, was 8,548 MW, 501 MW higher than in 2003. The principal reason for this increase was that Killingholme power station (which had previously been mothballed) operated during winter 2003/04 under a standing contract with National Grid, giving 600 MW of additional capacity. On April 1, 2004, Killingholme power station was mothballed again. In addition, Powergen acquired the remaining 50 percent stake of Cottam Development Centre (a previously 50 percent owned power station) during January 2004. Other movements include the closure of a 333 MW unit at Drakelow power station during 2003.

The sales increase of the U.K. market unit was due to the first-time consolidation of Midlands Electricity, which offset lower industrial and commercial sales volumes in the non-regulated business. Adjusted EBIT of 270 million in the first quarter of 2004 showed a significant increase compared with the prior year.

The adjusted EBIT improvement of the regulated business is principally the result of the acquisition of the Midlands Electricity business in January 2004, which nearly doubled the size of Powergen s distribution business. Integration of the business is progressing well, and the rebranding of the East Midlands and Midlands Electricity distribution businesses to Central Networks began in early April 2004.

Adjusted EBIT from the non-regulated business increased by 27 million compared with the same period in 2003 due to higher retail earnings from the residential and small and medium enterprise business partly offset by higher fuel and gas purchase costs.

Financial Highlights by Business Unit

	January 1	March 31	
	Regulated business	**Non-regulated business**	**Other/ Consolidation**