

Annual report of E.ON International Finance B.V.
2007
Amsterdam, the Netherlands

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Company Boards and Management

Report from the Supervisory Board

The Supervisory Board met once on June 6, 2007.

At the end of May 2007, the E.ON AG Board announced its strategy on its investment plans for the next years, including its financing strategy. E.ON International Finance B.V. will play a major role in the execution of the financings, resulting in the issuance during 2007 of EUR and GBP - benchmark notes . In addition, a CHF notes issue was placed in the markets.

The composition of the members of the Board changed during the reporting year. Mr. Wirix resigned as member of the Board effective from June 6, 2007.

The financial statements 2007 have been audited by auditors of PricewaterhouseCoopers. The auditor's report is included in this report.

The profit and loss account 2007 discloses a net profit of EUR 4.5 million. The Supervisory Board supports the proposal by the Management Board to add this amount to the "other reserves".

Rotterdam, May 30, 2008

D. Beynon



V. Volpert



G. J. Wood



Adoption by the Annual General Meeting of Shareholders

In accordance with Article 20(8) of the Articles of Association, the Annual General Meeting of Shareholders has adopted the 2007 financial statements of E.ON International Finance B.V.

The profit and loss account discloses a net profit of EUR 4.5 million. The entire amount of EUR 4.5 million will be added to the "other reserves".

Rotterdam, May 30, 2008

E.ON AG

Supervisory Board

The following persons were member of the Supervisory Board by the end of 2007:

Mr. D. Beynon

Mrs. V. Volpert

Mr. G. J. Wood

Board of Management under the Articles of Association during 2007

Mr. M.A.S. Bokelmann (starting as of September 1, 2007)

Mr. J.C.P. Schoenmakers

Dr. C. Schulte (until July 31, 2007)

Mr. J. Trapman

Report of the Board of Management

Company objectives and core activities

The objects of the company are:

- to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;
- to participate in any way whatsoever in, to manage, to incorporate and to supervise businesses and companies;
- to perform any and all activities of a commercial or financial nature;

and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

Management

The composition of the managing board changed during the year: Dr. C. Schulte resigned as per July 31, 2007. As his successor, Mr. M.A.S. Bokelmann was appointed by shareholder resolution as per September 1, 2007.

Business review

On January 16, 2007 the EUR 20 billion Medium Term Notes Programme was updated.

At the end of May 2007, the E.ON AG Board announced its strategy on its investment plans for the next years, including its financing strategy. E.ON International Finance B.V. plays a major role in the execution of the financings by the issuance of notes under the EUR 20 billion Medium Term Notes Programme; during 2007 the following issues were placed:

- | | |
|---------------------|---------------------------------------|
| - EUR 1.750.000.000 | 5.125% note 2/10/2007 per 2/10/2012 |
| - EUR 1.750.000.000 | 5.500% note 2/10/2007 per 2/10/2017 |
| - GBP 600.000.000 | 6.000% note 30/10/2007 per 30/10/2019 |
| - GBP 900.000.000 | 5.875% note 30/10/2007 per 30/10/2037 |
| - CHF 200.000.000 | 3.000% note 17/12/2007 per 17/12/2010 |
| - CHF 225.000.000 | 3,250% note 17/12/2007 per 17/12/2014 |

All amounts are used for onlending to E.ON group entities.

On November 28, 2007 an Amendment Agreement was signed related to the Syndicated Multi Currency Revolving Credit Facility Agreement dated December 2, 2004, resulting in an increase of the facility to EUR 15 billion. No amounts were drawn by the company under this Facility during 2007.

During the reporting year no drawings were made on behalf of E.ON International Finance B.V. under the EUR 10 Billion Multi Currency Commercial Paper Programme.

On December 19, 2007, E.ON International Finance B.V., together with E.ON A.G. replaced the existing EUR 20 billion Medium Term Notes Programme by a EUR 30 billion Debt Issuance Programme.

Financial information

Preparation of Financial Statements

The financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

E.ON International Finance B.V. is a wholly-owned subsidiary of E.ON AG, Germany. The financial information of E.ON International Finance B.V. is consolidated in the financial statements of E.ON AG.

Financial performance

E.ON International Finance B.V. closed the financial year 2007 at a profit from ordinary activities before taxes of approximately EUR 6.4 million, compared to EUR 5.2 million in 2006.

Financial instruments

E.ON AG generally permits the use of derivatives if they are associated with underlying assets or liabilities, forecasted transactions, or legally binding rights or obligations. E.ON International Finance B.V. uses derivatives which are associated with underlying liabilities.

E.ON International Finance B.V. entered into Fair Value Hedges and Cash Flow Hedges.

Fair Value Hedges are used to protect against the risk from changes in market values. These swaps are used specifically in the exchange of fixed-rate commitments in long-term liabilities denominated in foreign currencies and euro for variable rates. The hedging instruments used for such exchanges are interest rate swaps and cross-currency interest rate swaps.

Cash Flow Hedges are used to protect against the risk arising from variable cash flows. Interest rate swaps and cross-currency interest rate swaps are the instruments used to limit interest rate and currency risks. The purpose of these swaps is to maintain the level of payments arising from long-term interest-bearing liabilities denominated in foreign currencies and in euro by using cash

flow hedges.

Financial Risks

During the normal course of business, E.ON International Finance B.V. is exposed to interest rate and currency risks. E.ON International Finance B.V. uses financial instruments to hedge where these interest rate and currency risks exist.

Credit Risks

E.ON International Finance B.V. is not exposed to credit risks as all loans and available funds are invested with E.ON AG group entities.

Management evaluation of the Risk situation

E.ON international Finance B.V. manage its risk with the procedures and systems used within E.ON Benelux N.V. and E.ON A.G. The Board is of the opinion that these procedures and systems provide an adequate risk management for the company.

Developments

Since year-end closing 2007, E.ON International Finance B.V. continued to issue under its Debt Issuence Programme, in a variety of currencies, terms and interest rate conditions. These all are part of the financing strategy of the E.ON Group's Investment and financing plans as presented during 2007 and 2008. The aim of the E.ON Group's investment and financing plan is to achieve a broad mix of different markets, investors, currencies and maturities.

In order to improve the effectiveness and efficiency of the E.ON Group external and internal financing programs, a study is done on extending the EIF organization in the Netherlands. Subject of the study is on staff requirements, internal organization and location.

Rotterdam, May 30, 2008

Board of Management, E.ON International Finance B.V.

M.A.S. Bokelmann

A handwritten signature in black ink, appearing to read 'Bokelmann', written in a cursive style.

J.C.P. Schoenmakers

A handwritten signature in black ink, appearing to read 'Schoenmakers', written in a cursive style.

J. Trapman

A handwritten signature in black ink, appearing to read 'Trapman', written in a cursive style.

Financial statements E.ON International Finance B.V. 2007

Balance sheet (before profit appropriation) as at 31 December 2007

Assets	Ref	31 December 2007		31 December 2006	
		EUR	EUR	EUR	EUR
Financial fixed assets					
Loans to shareholder	5	6,556,469,000		2,194,400,549	
Loans to group entities	6	6,676,079,988		5,562,621,958	
			13,232,548,988		7,757,022,507
Current assets					
Amounts due from shareholder	7	238,394,630		189,027,725	
Amounts due from group entities	8	167,639,295		149,768,472	
Amounts due from tax authorities		-		3,836,438	
			406,033,925		342,632,635
Cash and Coupons	9		48,721		139,545
			13,638,631,634		8,099,794,687
Shareholders' equity and liabilities					
Shareholders' equity					
Issued share capital		200,000		200,000	
Share premium reserve		36,991,466		36,991,466	
Other reserves		70,425,731		65,707,836	
Undistributed profit		4,548,826		4,717,895	
	10		112,166,023		107,617,197
Provisions					
Provision for loss making contracts	11	268,938,518		377,715,274	
Provision for deferred tax	12	2,246,327		3,345,027	
			271,184,845		381,060,301
Long-term liabilities					
Debenture loans	13		12,905,543,332		7,329,935,024
Current liabilities					
Amounts due to shareholder	14	31,363,824		21,880,977	
Amounts due to others	15	318,026,093		259,155,522	
Amounts due to tax authorities		301,864		-	
Other liabilities		45,653		145,666	
			349,737,434		281,182,165
			13,638,631,634		8,099,794,687

Profit and loss account 2007

	<u>Ref</u>	2007		2006	
		EUR	EUR	EUR	EUR
Management fees	16	(143,050)		(136,539)	
Other operating charges		(254,506)		(228,177)	
Total operating expenses			(397,556)		(364,716)
Interest and similar income from shareholder	17	341,770,163		292,208,840	
Interest and similar income from group entities	18	268,648,888		205,009,496	
Interest and similar income from others		298,384		549,131	
Release provision for loss making contracts	11	123,149,400		123,149,400	
Gain from sale participation		-		108,692	
Exchange rate difference gains		299,317,087		44,249,977	
Financial income		1,033,183,922		665,275,536	
Interest and similar expenses to shareholder	19	(193,542,367)		(139,432,808)	
Interest and similar expenses to others	20	(505,967,286)		(446,100,635)	
Guarantee commission shareholder		(13,186,366)		(11,850,689)	
Addition provision for loss making contracts	11	(14,372,644)		(18,063,996)	
Exchange rate difference losses		(299,322,403)		(44,232,792)	
Financial expenses		1,026,391,066		659,680,920	
Total financial result			6,792,856		5,594,616
Result on ordinary activities before corporate income tax			6,395,300		5,229,900
Corporate income tax	21		-1,846,474		-512,005
NET PROFIT			4,548,826		4,717,895

Cash flow Statement 2007

	Ref	2007		2006	
		EUR	EUR	EUR	EUR
Cash flow from operations					
Paid to suppliers		(502,247)		(356,148)	
Cash from business operations			(502,247)		(356,148)
Received interest		544,388,999		491,065,794	
Received income tax		3,681,746		7,032,671	
Paid interest		(641,308,091)		(585,530,307)	
Paid income tax		(2,394,923)		(5,655,414)	
			(95,632,269)		(93,087,256)
Cash flow from operational activities			(96,134,516)		(93,443,404)
Cash flow from investments					
Investments in subsidiaries		-		7,448,680	
Investments in financial assets	5,6	(5,873,524,178)		-	
Disinvestments in financial assets	5,6	96,726,526		93,793,695	
Cash from investing activities			(5,776,797,652)		101,242,375
Cash flow from financing					
Investments in long-term liabilities		5,873,525,005		-	
Cash from investing activities			5,873,525,005		101,242,375
Nett cash flow			592,837		7,798,971
Change liquid funds			<u>592,837</u>		<u>7,798,971</u>

Notes to balance sheet and profit and loss account

1. Basis for valuation and result definition

Activities and establishments

The activities of E.ON International Finance B.V. mainly comprise the financing of E.ON AG group entities.

The statutory address of the company is located at Strawinskylaan 3105 in Amsterdam and the office is located at Capelseweg 400 in Rotterdam.

Composition of the group

E.ON International Finance B.V., a corporation with limited liability, having a statutory seat in Amsterdam, the Netherlands, considers E.ON AG, Düsseldorf, to be its ultimate parent company.

The financial information of E.ON International Finance B.V. is included in the consolidated financial statements of E.ON AG, Germany.

Copies of the consolidated financial statements of E.ON AG can be obtained from E.ON AG in Düsseldorf.

Related parties

The companies below with which transactions were made can be considered as related parties of E.ON International Finance B.V.:

- E.ON AG
- E.ON UK Holding Co. Ltd.
- E.ON UK plc
- E.ON Benelux N.V.
- E.ON Benelux Holding B.V.
- Ergon Holdings Ltd

The transactions by related party, if material, are specified in the notes to the balance sheet and profit and loss account.

Accounting policies

The financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

Cash flow statement

The cash flow statement was prepared according to the direct method.

The funds included in the cash flow statement consist of cash at bank and the current account with E.ON AG. The current account is classified in the balance sheet as receivables from shareholder.

Cash flows in foreign currencies have been translated at the exchange rates of settlement.

2. Principles of valuation of assets and liabilities

General

Unless stated otherwise in the principles set forth below, assets and liabilities are stated at the amounts at which they were acquired or incurred. Profit is determined on the basis of historical cost. The balance sheet and profit and loss account include references to the notes.

Comparison with prior year

The basis used for the valuation and result definition has remained unchanged with respect to the previous year.

Foreign currencies

Unless indicated otherwise, assets and liabilities denominated in foreign currencies are translated into euro as follows:

- assets and liabilities, except for the items mentioned below, at the rates of exchange prevailing at the balance sheet date;
- assets and liabilities concerning deferred expenses and income stated under current assets and liabilities: at the rates of exchange prevailing at the transaction date.

Resulting net gains or losses from translation of foreign currencies on assets and liabilities are immediately taken to the profit and loss account.

Settled transactions in foreign currencies during the reporting period have been incorporated in the financial statements at the rate of settlement.

The following exchange rate has been applied as at:

31 December 2007 1 EUR = 0.73480 Pound Sterling (GBP)

31 December 2006 1 EUR = 0.67150 Pound Sterling (GBP)

31 December 2007 1 EUR = 1.66040 Swiss Francs (CHF)

(new issue in 2007 in Swiss Francs (CHF))

Financial fixed assets

The nominal values noted in GBP are translated into EUR at the rates of exchange prevailing at the balance sheet date.

The premiums, discounts and transaction costs are depreciated on the straight-line method (on the basis of historical costs), based on the lifecycle of each of the items involved. This method of calculation does not lead to material differences in comparison with the calculation on basis of effective interest method.

The premiums, discounts and transaction costs in GBP are translated into EUR at the rates of exchange prevailing at the transaction date.

Current assets

The nominal values noted in GBP are translated into EUR at the rates of exchange prevailing at the balance sheet date.

Current assets are carried at the fair value of the consideration, usually its nominal value.

Cash at bank

Cash at bank comprises bank credit and coupon accounts.

Provisions**Provisions for loss making contracts**

Provisions are formed for loss making contracts. The provision is created to level interest rate differences between refinanced loans compared to new loans over the years. These provisions are included at face value.

Provision for deferred tax

Provision for deferred tax is recognised in respect of timing differences between valuation of assets and liabilities according to fiscal provisions on the one hand and the valuation principles as used in these annual accounts on the other. The provision for deferred tax is calculated based on the ruling tax rates as at year-end or future applicable rates.

Long-term liabilities

The nominal values noted in GBP and CHF are translated into EUR at the rates of exchange prevailing at the balance sheet date.

The premiums, discounts and transaction costs are depreciated on the straight-line method (on the basis of historical costs), based on the lifecycle of each of the items involved. This method of calculation does not lead to material differences in comparison with the calculation on basis of effective interest method.

Current liabilities

The nominal values noted in GBP and CHF are translated into EUR at the rates of exchange prevailing at the balance sheet date.

Liabilities are carried at the fair value of the consideration, usually its nominal value.

Financial instruments

The company conducts derivative transactions as hedging instruments to reduce volatility of future results. To that extend the Company uses interest rate swaps and cross-currency swaps. These are concluded with E.ON AG as counter party. The derivatives are noted at cost.

The foreign currency element on the cross-currency swaps are translated into euro at the rates of exchange prevailing at the balance sheet date. Resulting net gains or losses from translation of foreign currencies on the currency swaps are immediately taken to the profit and loss account.

3. Principles of determination of result**General**

The result represents the difference between the value of the consideration rendered and the costs and other charges for the year. The results on transactions are recognised in the year they are realised.

Losses are taken as soon as they are foreseeable.

Costs

Costs are recognised on the historical cost convention and are allocated to the reporting year to which they relate.

Financial income and expenses

Interest income and expenses are time apportioned, taking into account the effective interest rate for the relating assets and liabilities. The treatment of interest expenses for loans received takes account of any transactions costs.

Corporate income tax

Corporate income tax is calculated on the profit before taxation in the profit and loss account, taking into account tax exempt items. Account is also taken of charges in deferred tax liabilities owing to changes in the applicable tax rates.

4. Financial instruments

Market risk

Currency risk

E.ON International Finance B.V. loans and Debenture loans are quoted in the different currencies. The currency risk for E.ON International Finance B.V. for 2007 concerns positions and future transactions in GBP and CHF. On the basis of a risk analysis, the Management Board of the company has determined that some of these currency risks need to be hedged. Cross currency swaps are used for this purpose. Liabilities denominated in CHF are hedged with these swaps.

Interest rate risk

The company incurs interest rate risk on Financial Fixed Assets and Cash and on Long-term Liabilities (Debenture loans).

Where fixed interest rates on Debenture loans are not matching with the variable interest rates on the loans, E.ON International Finance B.V. uses interest rate swaps to eliminate this interest rate risk.

Credit risk

E.ON International Finance B.V. is not exposed to credit risks as all loans and available funds are invested with E.ON AG group entities.

Notes to the balance sheet

5. Loans to shareholder

The movements during 2007 of the loans to Shareholder are as follows:

	Loans	Discount and	Total Loans to
	EUR	premium	Shareholder
		EUR	EUR
At 1 January 2007	2,196,574,832	(2,174,283)	2,194,400,549
- New loans	4,618,739,846	(24,423,578)	4,594,316,268
- Amortisation	-	1,014,552	1,014,552
- Exchange differences	(233,262,369)	-	(233,262,369)
At 31 December 2007	<u>6,582,052,309</u>	<u>(25,583,309)</u>	<u>6,556,469,000</u>

Loans to the Shareholder

On 29 May 2002 and 7 June 2002 bonds with a nominal value of approximately EUR 7.5 billion were issued under the E.ON Medium Term Note Programme. The bonds were issued in EUR and GBP. The raised capital was lent to E.ON AG. The EUR 900 million loan and the EUR 4,250 million loan are repaid by E.ON AG in 2003, 2004 and 2005. These repayments, plus the amounts received as compensation payments, were lent to E.ON UK Holdings Co. Ltd.

In the last quarter of 2007 new bonds with a nominal value of approximately EUR 5.8 billion were issued under the EUR 20 billion Medium Term Notes Programme. The bonds were issued in EUR, GBP and CHF. The raised capital was lent to E.ON AG (approx. EUR 4.6 billion) and E.ON UK plc (approximately EUR 1.2 billion, see 6. Loans to group entities).

Maturity date	Nominal value	Nominal EUR	Interest rate
		value	
29 May 2012	GPB 500,000,000	680,457,267	6.526%
7 June 2032	GBP 850,000,000	1,156,777,354	6.658%
7 June 2032	GBP 125,000,000	170,114,317	6.658%
2 October 2017	EUR 1,750,000,000	1,750,000,000	5.655%
2 October 2012	EUR 1,750,000,000	1,750,000,000	5.280%
30 October 2019	GBP 600,000,000	816,548,721	6.155%
17 December 2010	EUR 121,484,541	121,484,541	4.878 %
17 December 2014	EUR 136,670,109	136,670,109	5.114%
		<u>6,582,052,309</u>	

The fair value of the loans to the shareholder as at 31 December 2007 can be estimated at some EUR 7.2 billion.

The fair value of the loans is sensitive to movements in underlying market rates and other relevant variables. E.ON International Finance B.V. assessed and monitors the fair value of the loans on a periodic basis. Fair values for each loan are determined as being equal to the price at which one party would assume the rights and duties of another party.

The fair values of existing loans are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for each loan as of the balance sheet date.

Discount and premium

The discount and premium include the issue costs and discounts on the bonds issued under the Medium Term Note Programme, as well as premiums on loans granted.

The amounts of discount and premium on the loans are amortized over the period of the underlying asset or liability on a straight-line basis.

6. Loans to group entities

The movements during 2007 of the loans to group entities are as follows:

	Loans	Discount and premium	Total Loans to Group Entities
	EUR	EUR	EUR
At 1 January 2007	5,562,621,958	-	5,562,621,958
- New loans	1,290,877,797	(11,679,755)	1,279,198,042
- Amortisation	0	66,084	66,084
- Exchange differences	(66,054,716)	0	(66,054,716)
- Short-term	(99,751,380)	0	(99,751,380)
At 31 December 2007	<u>6,687,693,659</u>	<u>(11,613,671)</u>	<u>6,676,079,988</u>

E.ON UK Holding Co Ltd.

Long-term loans of in total EUR 1,540 million were issued to E.ON UK Holding Co. Ltd. These loans are mainly financed by the repayment of the EUR 1,400 million and the compensation payment from E.ON AG for interest rate differences.

Maturity date	Nominal value EUR	Interest rate	
29 May 2017	1,110,000,000	4.966%	Fixed interest rate
29 May 2009	130,428,741	3.265%	*) Amortizing loan
29 May 2009	1,423,487,544		Variable interest rate
29 May 2009	1,426,512,456		Variable interest rate
29 May 2009	294,558,611		Variable interest rate
29 May 2009	296,791,332		Variable interest rate
29 May 2009	295,014,451		Variable interest rate
29 May 2009	220,967,742		Variable interest rate
29 May 2009	220,857,876		Variable interest rate
29 May 2009	71,809,989		Variable interest rate
29 May 2009	72,193,216	2.8806%	*) Amortizing loan
	<u>5,562,621,958</u>		

*) the nominal value on balance sheet date, after installment

The variable interest rate is based on 3 months Euribor. The average interest for the variable interest rate for 2007 is 4.550% (2006: 3.278%). The interest risks on these variable interest rate loans are hedged with interest rate swaps.

The fair value of the loans as at 31 December 2007 can be estimated at some EUR 5.6 billion.

The fair value of the loans is sensitive to movements in underlying market rates and other relevant variables. E.ON International Finance B.V. assessed and monitors the fair value of the loans on a periodic basis. Fair values for each loan are determined as being equal to the price at which one party would assume the rights and duties of another party.

The fair values of existing loans are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for each loan as of the balance sheet date.

E.ON UK plc.

In the last quarter of 2007 bonds with a nominal value of approximately EUR 5.8 billion were issued under the the EUR 20 billion Medium Term Notes Programme. The bonds were issued in EUR, GBP and CHF. The raised capital was lent to E.ON UK plc (approx. EUR 1.2 billion) and E.ON AG (approx. EUR 4.6 billion) (see 5. Loans to Shareholder).

Maturity date	Nominal value	Nominal EUR value	Interest rate
30 October 2037	GPB 900,000,000	1,224,823,081	6.075%

The fair value of the loan as at 31 December 2007 can be estimated at some EUR 1.5 billion.

Discount and premium

The discount and premium includes the discount on the bond issued under the Medium Term Note Programme.

The amount of discount on the loan is amortized over the period of the underlying asset or liability on a straight-line basis.

7. Amounts due from shareholder

The amounts due from shareholder can be specified as follows:

	2007	2006
	EUR	EUR
Current account E.ON AG	19,592,564	18,908,903
Interest income on interest swap, fixed part	86,319,946	86,556,439
Interest income on currency swap, CHF part	290,450	-
Interest income on loans	132,191,670	83,562,383
	<hr/>	<hr/>
Amount as at 31 December	238,394,630	189,027,725

The movements during 2007 of the amounts due from shareholder are as follows:

	EUR
Amount as at 1 January 2007	189,027,725
Interest income on interest swap, fixed part	146,027,861
Interest received on interest swap, fixed part	(146,264,354)
Interest income on currency swap, CHF part	290,450
Interest income (on loans)	192,200,127
Interest received (on loans)	(143,570,840)
Current account	683,661
	<hr/>
Amount as at 31 December 2007	238,394,630

Interest income on loans

The coupon dates of the loans to E.ON AG are:

Coupon date	Nominal value
29 May	GBP 500,000,000
7 June	GBP 850,000,000
7 June	GBP 125,000,000
2 October	EUR 1,750,000,000
2 October	EUR 1,750,000,000
30 October	GBP 600,000,000
17 December	EUR 121,484,541
17 December	EUR 136,670,109

Interest income on swaps

In 2004 and 2005 the company entered into interest rate swaps with E.ON AG. E.ON International Finance B.V. continued these interest rate swaps in 2007.

In 2007, the company entered into currency swaps with E.ON AG.

8. Amounts due from group entities

The amounts due from group entities can be specified as follows:

	2007 EUR	2006 EUR
E.ON UK Holding Co. Ltd. short term portion of loans	99,751,380	96,726,526
E.ON UK Holding Co. Ltd. interest receivable	55,283,281	53,041,946
E.ON UK plc interest receivable	12,604,634	-
Amount as at 31 December	<u>167,639,295</u>	<u>149,768,472</u>

The movements of the interest receivable of E.ON UK Holding Co. Ltd. can be specified as follows:

	EUR
Amount as at 1 January 2007	53,041,946
Interest income book-year	255,978,171
Interest received book-year	(253,736,836)
Amount as at 31 December 2007	<u>55,283,281</u>

The loan to E.ON UK plc is issued in 2007. The movements of the interest receivable of E.ON UK plc is the interest income of the book-year 2007.

9. Cash at banks

The cash at banks are all at free disposal of the Company.

10. Shareholders' equity

The authorised share capital of the company consists of 9,000 shares of EUR 100 each, of which 2,000 shares have been issued and fully paid-in.

Breakdown of shareholders' equity as at 31 December 2007:

	2007	2006
Paid-in share capital as at 31 December	200,000	200,000
Share premium reserve	36,991,466	36,991,466
Other reserves as at 1 January	65,707,836	
Profit appropriation former bookyear	4,717,895	
	<hr/>	
Other reserves as at 31 December	70,425,731	65,707,836
Profit to be appropriated	4,548,826	4,717,895
	<hr/>	<hr/>
Shareholders' equity as at 31 December	112,166,023	107,617,197

11. Provision for loss making contracts

Based on the strict direct relationship of the nominal value, currency, interest and maturity date the issued EUR 900 and EUR 4,250 million bonds have become loss making contracts at the moment the receivable loans from E.ON AG were repaid as the market interest rate (at that moment) for the new loans to E.ON UK Holding Co. Ltd. was lower than the interest rate on the bonds involved. A provision is created to level these interest differences over the years. The provision is calculated on the nominal amount of the repaid loans (EUR 900 million, EUR 2,850 million and EUR 1,400 million) and exclusive of the percentage for risk/costs and guarantee fee. The release is based on the term of the loans, starting from May 2003 for the loan issued in 2003, from November 2004 for the loan issued in 2004 and from February 2005 for the loan issued in 2005.

This provision qualifies mainly as long-term. The short term part of the loan is EUR 123 million.

The movements during 2007 of the provision are as follows:

	EUR
Amount as at 1 January 2007	377,715,274
Addition interest	14,372,644
Release	(123,149,400)
Amount as at 31 December 2007	<u>268,938,518</u>

12. Provision for deferred tax

Due to different treatment on the tax balance sheet compared to the valuation in these financial statements, a provision for deferred tax liabilities has been taken into account.

This provision qualifies as long-term (i.e. in effect for more than one year).

The movements during 2007 of the provision are as follows:

	EUR
Amount as at 1 January 2007	3,345,027
Movements	(1,098,700)
Amount as at 31 December 2007	<u>2,246,327</u>

13. Debenture Loans

The movements during 2007 of the Debenture Loans are as follows:

	Debtore Loans	Discount and premium	Prehedge result	Total Debenture loans
	EUR	EUR	EUR	EUR
At 1 January 2007	7,346,574,832	(24,319,112)	7,679,304	7,329,935,024
- New loans	5,911,013,513	(31,728,439)	-	5,879,285,074
- New prehedge	-	-	(5,769,934)	(5,769,934)
- Amortisation	-	6,330,943	(1,332,589)	4,998,354
- Exchange differences	(302,905,187)	-	-	(302,905,187)
At 31 December 2007	<u>12,954,683,158</u>	<u>(49,716,608)</u>	<u>576,781</u>	<u>12,905,543,332</u>

Debenture Loans

On 29 May and 7 June 2002 bonds with a nominal value of approximately EUR 7.5 billion were issued under a Medium Term Note Programme. The bonds are guaranteed by E.ON AG. The bonds were issued in EUR and GBP.

In the last quarter of 2007 new bonds with a nominal value of approximately EUR 5.8 billion were issued under the EUR 20 billion Medium Term Notes Programme. The bonds are guaranteed by E.ON AG. The bonds were issued in EUR, GBP and CHF.

Maturity date	Nominal value	Nominal EUR value	Interest rate
29 May 2009	EUR 4,250,000,000	4,250,000,000	5.750%
29 May 2017	EUR 900,000,000	900,000,000	6.375%
29 May 2012	GBP 500,000,000	680,457,267	6.375%
7 June 2032	GBP 850,000,000	1,156,777,354	6.375%
7 June 2032	GBP 125,000,000	170,114,317	6.375%
2 October 2017	EUR 1,750,000,000	1,750,000,000	5.500%
2 October 2012	EUR 1,750,000,000	1,750,000,000	5.125%
30 October 2019	GBP 600,000,000	816,548,721	6.000%
30 October 2037	GPB 900,000,000	1,224,823,081	5.875%
17 December 2010	CHF 200,000,000	120,452,903	3.000%
17 December 2014	CHF 225,000,000	135,509,516	3.250%
		<u>12,954,683,159</u>	

The GBP bonds of GBP 850 million and GBP 125 million are listed as one bond at the amount of GBP 975 million (EUR 1,327 million).

At 31-12-2007		Repayment obligation in 2008	Remaining term > 1 year	Remaining term > 5 year
Nominal value	EUR	EUR	EUR	EUR
EUR 4,250,000,000	4,250,000,000	-	4,250,000,000	-
EUR 900,000,000	900,000,000	-	-	900,000,000
GBP 500,000,000	680,457,267	-	680,457,267	-
GBP 850,000,000	1,156,777,354	-	-	1,156,777,354
GBP 125,000,000	170,114,317	-	-	170,114,317
EUR 1,750,000,000	1,750,000,000	-	-	1,750,000,000
EUR 1,750,000,000	1,750,000,000	-	1,750,000,000	-
GBP 600,000,000	816,548,721	-	-	816,548,721
GPB 900,000,000	1,224,823,081	-	-	1,224,823,081
CHF 200,000,000	120,452,903	-	120,452,903	-
CHF 225,000,000	135,509,516	-	-	135,509,516
	<u>12,954,683,159</u>	-	<u>6,800,910,170</u>	<u>6,153,772,989</u>

The fair value as at 31 December 2007 can be estimated at some EUR 13.2 billion. The Programme is unconditionally guaranteed by E.ON AG.

Discount and premium

The discount and premium include discounts, premiums and issue expenses on the bonds issued under the Medium Term Note Programme.

The amounts of discount, premium and issue expenses are amortized over the life-time of the underlying liability on a straight-line basis.

Pre-hedge result

In order to partly secure the market level of interest on the bonds, several weeks before the issuance of 2002 and 2007, the company entered into forward rate swaps. These swaps were terminated on the dates of issuance of the notes. The income realised on the swaps of the issuance of 2002 amounts to approximately EUR 13.8 million. The swap of 2007 realized an expense of approximately EUR 5.7 million. Both results have been deferred and are amortized over the period of the related bonds.

14. Amounts due to shareholder

The amounts due to shareholders are as follows:

	EUR	EUR
E.ON AG guarantee fee		8,312,009
E.ON AG interest rate swap, variable part	208,263,716	
E.ON AG interest rate swap, settlement	(189,251,938)	
E.ON AG interest rate swap		19,011,778
E.ON AG currency swap, EUR part	451,937	
Exchange rate difference currency swap	3,588,100	
E.ON AG currency swap		4,040,037
Amount as at 31 December 2007		31,363,824

Guarantee fee

Starting from the coupon date of the loans a guarantee fee is charged by E.ON AG over the outstanding loans. The charged guarantee fees are as follows:

Loans to E.ON AG	0.125%
Loans to E.ON UK Holding Co. Ltd. issued in 2003	0.264%
Loans to E.ON UK Holding Co. Ltd. issued in 2004	0.134%
Loans to E.ON UK Holding Co. Ltd. issued in 2005	0.143%
Loans to E.ON UK plc.	0.125%

Interest rate swap

In 2004 and 2005 the company entered into different interest rate swaps with E.ON AG. E.ON AG itself concluded similar transactions in terms and size with external banks. E.ON International Finance B.V. continued these interest rate swaps in 2007.

Currency swap

In 2007, the company entered into currency swaps with E.ON AG. E.ON AG itself concluded similar transactions in terms and size with external banks.

15. Amounts due to others

The movements during 2007 of the amounts due to others are as follows:

	EUR
Amount as at 1 January 2007	259,155,522
Interest expenses book-year	499,050,231
Interest paid book-year	(440,179,660)
	<hr/>
Amount as at 31 December 2006	<u>318,026,093</u>

This item represents the accrued interest on debenture loans. The coupon dates of the debenture loans are:

Coupon date	Nominal value
29 May 2009	EUR 4,250,000,000
29 May 2017	EUR 900,000,000
29 May 2012	GBP 500,000,000
7 June 2032	GBP 850,000,000
7 June 2032	GBP 125,000,000
2 October 2017	EUR 1,750,000,000
2 October 2012	EUR 1,750,000,000
30 October 2019	GBP 600,000,000
30 October 2037	GPB 900,000,000
17 December 2010	CHF 200,000,000
17 December 2010	CHF 225,000,000

Contingent liability

In 2004 and 2005 the company entered into interest rate swaps with E.ON AG. E.ON International Finance B.V. continued these interest rate swaps in 2007. The volume of the interest rate swaps is EUR 4,250 million.

Aim of the hedge is the conversion of the fixed interest payments of the bond into variable payments by the use of interest rate swaps.

The fair value as at 31 December 2007 of the interest rate swaps can be estimated at some EUR -90.0 million.

In 2007, the company entered into currency swaps with E.ON AG.

Aim of the hedge is the conversion the CHF payments of the bond into EUR payments by the use of currency swaps. The volume of the currency swaps is EUR 258.2 million (CHF 425 million).

The fair value as at 31 December 2007 of the currency swaps can be estimated at some EUR -5.3 million.

The fair value of derivative instruments is sensitive to movements in underlying market rates and other relevant variables. E.ON International Finance B.V. assessed and monitors the fair value of derivative instruments on a periodic basis. Fair values for each derivative instrument are determined as being equal to the price at which one party would assume the rights and duties of another party.

The fair values of existing instruments to hedge interest risks are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for interest rate and cross-currency swaps for each individual transaction as of the balance sheet date.

Credit facility agreements

The following facilities are off balance:

- Syndicated Multi Currency Revolving Credit Facility Agreement of EUR 15 billion
- Debt Issuance Programme of EUR 30 billion
- Multi Currency Commercial Paper Programme of EUR 10 Billion

Notes to the profit and loss account

16. Management fees

The management fees of EUR 143,050 consist of the annual remuneration for the managing directors of the company and overhead compensation of EUR 137,207 and a compensation for the members of the Supervisory Board of EUR 5,843.

17. Interest and similar income from shareholder

The breakdown of this item is as follows:

	2007	2006
	EUR	EUR
- interest on loans	192,200,127	143,687,265
- amortised deferred income	1,125,912	494,177
- amortised result pre-hedge agreements 2002	1,378,770	1,377,638
- interest income swap (fixed)	146,027,861	146,264,353
- interest income swap (currency/CHF)	290,450	-
- interest income current account	747,043	385,407
Total income	<u>341,770,163</u>	<u>292,208,840</u>

18. Interest and similar income from group entities

The breakdown of this item is as follows:

	2007	2006
	EUR	EUR
- interest on loans E.ON UK Holding Co. Ltd.	255,978,170	205,009,496
- interest on loans E.ON UK plc	12,604,634	-
- amortised deferred income on E.ON UK plc loan	66,084	-
Total expenses	<u>268,648,888</u>	<u>205,009,496</u>

19. Interest and similar expense from shareholder

The breakdown of this item is as follows:

	2007	2006
	EUR	EUR
- amortised deferred income	111,360	111,360
- amortised result pre-hedge agreements 2007	46,181	-
- interest expense swap (va riabel)	193,384,826	139,320,694
Total income	<u>193,542,367</u>	<u>139,432,808</u>

20. Interest and similar expenses to others

This item mainly represents the expenses of the bond issues from 2002 and 2007.

	2007 EUR	2006 EUR
- interest on bonds	499,050,230	440,295,659
- income swap (currency/EUR)	451,937	-
- amortised deferred expenses	6,465,119	5,804,976
Net expenses	<u>505,967,286</u>	<u>446,100,635</u>

Number of employees

As in 2006, there were no employees in the company in 2007.

21. Corporate income tax

The taxation on result on ordinary activities in 2007 amounting to EUR 1.8 million expenses can be specified as follows:

	2007 EUR	2006 EUR
Result from ordinary activities before taxation	6,395,300	5,229,900
Corporate income tax over ordinary result	(1,630,801)	(1,548,050)
One off tax gain (loss) corporate income tax	(215,673)	1,036,045
Total tax on income	<u>(1,846,474)</u>	<u>(512,005)</u>
Effective tax rate	28.9%	9.8%
Applicable tax rate	25.5%	29.6%

The effective tax rate differs from the applicable tax rate due to the one off tax gains in 2006 and 2007. These one off tax gains are mainly caused by the effects from the agreement with the tax authorities as well as by the effect of the decrease of the nominal (future) tax rates during 2006.

Notes to the Cashflow Statement

Breakdown of cash and bank overdraft

For purposes of cash flow statement, the following elements were used for cash and bank overdrafts on the basis of the characteristics of these elements.

	Ref	2007		2006	
		EUR	EUR	EUR	EUR
Movements in cash					
Liquid funds "Cash at bank"	9	139,545		74,317	
Current account E.ON AG	6	18,908,903		11,175,160	
Cash at 1 January			19,048,448		11,249,477
Increase / (decrease) cash			592,837		7,798,971
Liquid funds "Cash at bank"	9	48,721		139,545	
Current account E.ON AG	5,6	19,592,564		18,908,903	
Cash at 31 December			19,641,285		19,048,448

Overview on the cash flow statement

In the cash flow from operational activities the cash in for received income tax is the tax assessment of the years 2005 and 2006.

In the cash flow from investing activities the cash out for investments in financial assets has increased due to the new issued loans.

In the cash flow from financing activities the cash in for investments in long-term liabilities has increased due to the new issued Debenture loans.

Rotterdam, May 30, 2008

The Board

J.C.P. Schoenmakers

M.A.S. Bokelmann

J. Trapman

The Supervisory Board

G. J. Wood

D. Beynon

V. Volpert

Other Information

Auditor's Report

To the General Meeting of Shareholders of
E.ON International Finance B.V.

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Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2007 of E.ON International Finance B.V., Amsterdam, as set out on pages 10 to 31 which comprise the balance sheet as at 31 December 2007, the profit and loss account for the year then ended and the notes.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of E.ON International Finance B.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

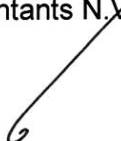
Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 30 May 2008

PricewaterhouseCoopers Accountants N.V.



J.M.M. Dumoulin



Provisions in the Articles of Association Governing Profit Appropriation

Article 21(1) of the Articles of Association stipulates that the distributable profit shall be at the free disposal of the Annual General Meeting of Shareholders.

Profit Appropriation

It is proposed that the profit for 2007 of EUR 4.5 million will be added to the "other reserves".

The profit for the financial year 2006 was recognised in accordance with the resolution of the Annual General Meeting of Shareholders of 6 June 2007.