

Telephone Conference

**July 16, 2001 (04:30 p.m.
CET)**

**Speech by
Dr. Erhard Schipporeit**

Ladies and gentlemen,

I would like to thank you for taking the time to join us for this conference call.

As you already know, E.ON is pursuing two major strategic objectives: to grow in our core businesses electricity, gas and water and to focus by divesting all non-core activities.

Today, only three months after our Powergen announcement, which will enable us to enter a new dimension in the electricity business, we continue our drive forward to become a global pure-play utility.

Against this background, we are delighted to inform you that we have concluded an agreement with BP that will enable us to fully divest VEBA Oel in a two-stage process.

In this way, we will achieve a strategic double hit.

By means of this deal – for which BP is the best possible partner – we are in a position to create clear future prospects for VEBA Oel on an international scale. At the same time, we will also increase our stake in Ruhrgas – thus further strengthening our position in the gas market.

I will now briefly highlight the transactions:

Let me start with the agreement regarding VEBA Oel:

After the approvals from cartel authorities, BP will receive a 51%-stake in VEBA Oel through a capital increase by year-end at the earliest.

As part of this capital increase BP will redeem E.ON's loans to VEBA Oel amounting to approximately 1.9 billion Euros.

In addition, as of April 2002, E.ON has a put option to sell the remaining 49% of VEBA Oel to BP for 2.8 billion Euros, subject to further adjustments. This will lead

to additional proceeds of several hundred million Euros for E.ON.

As BP will receive its stake through a capital increase at the turn of the year, there will be no tax consequences for E.ON.

Including loans and pension liabilities, the enterprise value of VEBA Oel amounts to around 6.5 billion Euros. Based on its 2000 results, this price implies an EBITDA multiple of around 6.0. This multiple is higher than those of other regional European operators.

We expect BP's capital increase in VEBA Oel by the end of this year. Therefore — in accordance with US-GAAP — there will be a significant book gain of over 600 million Euros in 2001.

After the capital increase and BP becoming the majority shareholder, VEBA Oel will only be consolidated at equity — and thus after taxes — as part of E.ON's internal operating profit.

Now, I would like to highlight the transaction regarding Gelsenberg.

Gelsenberg holds a total of 25.5% in Ruhrgas, thereof 25% directly and 0.5% indirectly.

The construction of this transaction is in general the same as for VEBA Oel. At year-end, E.ON will receive a stake of 51% through a capital increase of 2.5 billion Euros in Gelsenberg.

In addition, as of January 2002, BP will have a put option to sell the remaining 49% in Gelsenberg to E.ON at an agreed price of 2.4 billion Euros. This means that the full equity value of Ruhrgas amounts to 9.4 billion Euros.

Based on published 2000 figures of Ruhrgas, the earnings contribution at equity in Gelsenberg totaled 100 million Euros after taxes. The additional goodwill on E.ON's balance sheet will amount to 1.7 billion Euros, but it will not have any impact on E.ON's earnings due to the new US-GAAP rules as of 2002.

Now, I would like to say a few words about the total impact of these transactions.

Both transactions will not have any impact on E.ON's internal operating profit for the year 2001. Due to the

expected capital increase in VEBA Oel at the turn of the year, we will achieve a significant book gain of 600 million Euros, as mentioned earlier.

Over the last five years, VEBA Oel's internal operating profit has varied widely between 34 and 310 million Euros, whereas the equity contribution of Ruhrgas in Gelsenberg has remained consistent at about 100 million Euros after taxes.

When comparing both results, at first glance, it appears that these two transactions will be slightly dilutive for E.ON's earnings. However, taking into account both results on an after-tax basis and the interest income from the additional cash flow, we do not expect a significant impact on E.ON's earnings.

In summary, after the completion of both transactions, E.ON will have a 25.5%-stake in Ruhrgas as well as an expected cash balance of 700 million Euros. Moreover, BP will redeem 1.9 billion Euros of E.ON's loans to VEBA Oel.

We at E.ON believe that this transaction fits perfectly into our

rapidly progressing divestment program and our strategic focus.

This stake will allow us in the future to take advantage of the increasing convergence between the electricity and gas markets.

The German gas market, which is the largest in Europe, amounts to 20 billion Euros. Higher growth rates for the gas business are expected due to increasing replacement of coal. Other reasons for this development - in the longer term – could be the replacement of nuclear energy for electricity generation, and increased usage of gas for heating.

Ruhrgas, which has a gas volume of 580 TWh, is one of the leading players in Europe. Moreover, it is an excellent complement to our gas retail business in Germany, with foreign participations in Scandinavia and the Baltic countries, strengthening E.ON's current positions.

The above-mentioned transactions have been approved by the boards of both E.ON and BP and are still subject to approval by cartel authorities.

Let me summarize:

Once again, this agreement is impressive evidence of how E.ON is consistently pursuing its strategy. In only twelve months, we have successfully completed Germany's largest-ever merger in history. By joining the forces of VEBA and VIAG, we provided the best possible basis for becoming one of the leading European players in the energy sector.

This was also demonstrated by our pre-conditional offer for Powergen, which will make us a global power house. This will enable us to enter two important markets in one shot - namely the UK and the US.

And now, with this new transaction, we are paving the way for further increasing our stakes in the second largest European gas wholesaler. At the same time, our commitment to our divestment strategy remains "in the fast lane", as demonstrated by the put option of a significant and traditional part of the E.ON Group – VEBA Oel.

This concludes my remarks and we are happy to answer your questions now.