E.ON Conference Call - Annual Results 2001

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Presentation:

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Member of the Board of Management and CFO

Please check against delivery

Good morning ladies and Gentlemen,

Since we will be discussing further details in our analyst's conference later today, I will take this time just to brief you on our 2001 full year results and the outlook for the current year.

Chart 1 shows you the E.ON group sales and internal operating profit by division.

Group sales for 2001 declined 10% year-on-year to € 79.7 billion due to divestments in conjunction with the Company's focus on its core Energy business. Our Energy Division boosted sales substantially compared with the previous year.

Internal operating profit for 2001 increased substantially by 45% above the prior year's all-time high. The Group internal operating profit for 2001 totaled € 3.6 billion. The main drivers behind this increase result primarily from our successful portfolio streamlining measures in Telecommunications as well as better earnings posted at E.ON Energie, VEBA Oel, Viterra, and Stinnes.

In our **Energy Division** we increased our internal operating profit by 14% to € 2.0 billion compared to € 1.7 billion in 2000. The main reasons for this increase were higher sales combined with ongoing efficiency-boosting measures, as well as earnings contribution from Sydkraft. Adjusted for the results of Sydkraft, which has been fully consolidated since May 2001, the increase amounted to 7%. The fourth quarter of 2001, in particular, showed strong earnings improvements in our Energy business.

Internal operating profit posted by our **Other Activities** was up 51% year-on-year to € 1.4 billion.

Chemicals' internal operating profit declined 19% to € 541 million from the previous year's solid showing of € 672 million. This decline was due to cyclical factors as well as to the divestment of non-core activities.

Internal operating profit at our **Oil Division** climbed from € 310 million to € 432 million, owing to improved margins at the petrol stations.

Our **Real Estate Division's** internal operating profit advanced 16% to € 245 million compared to € 212 million last year. The Residential Investment and Residential Services units were the main earnings contributors.

Our **Telecommunications** segment curtailed its operating loss in the 2001 financial year by 80% to € 148 million. The continued improvement stems mainly from the divestment of VIAG Interkom and Orange Communications, whose losses had considerably impaired the prior year's results.

Due to the disposal of VEBA Electronics and Klöckner & Co., our **Distribution/Logistics** Division's internal operating profit fell 35% year-on-year to € 299 million compared to € 461 million in 2000. Stinnes contributed € 242 million in internal operating profit, which was 19% more than the year prior.

Under **Other/Consolidation** we reported a substantial improvement in internal operating profit of € 213 million, chiefly owing to the result of financial effects stemming from the disposal of Telecommunications assets.

Now to **chart 2** which shows **Group Net Income**.

Net book gains declined 81% to € 908 million this year compared to € 4.7 billion last year. As you will remember, in 2000 we had net book gains from the divestitures of E-Plus (€ 3.5 billion) and Cablecom (€ 800 million). Net book gains in 2001 resulted mainly from Degussa's successful divestment program which led to book gains of roughly € 530 million. At our Energy Division, the disposal of Bewag and HEW as well as portfolio changes at Thüga and Avacon resulted in book gains of around € 240 million. The sale of Klöckner & Co. and VIAG Interkom amounting to € 140 million and € 110 million, respectively, also contributed to the Company's net book gains. These gains were offset by losses stemming from the sale of securities in special fund management of € 135 million at E.ON Energie.

Cost-management and restructuring expenses amounted to € 360 million compared with € 510 million in 2000. These charges are related to the following divisions:

Chemicals – € 204 million
Energy – € 75 million
Real Estate - € 45 million.

Other non-operating earnings totaled a loss of € 615 million for 2001. The major items include € 240 million in our Energy Division mainly resulting from the cancellation of long-term electricity supply contracts, € 198 million in our Chemical Division related to the merger of Degussa-Hüls and SKW Trostberg.

Chart 3 - At € 3.9 billion **Results from ordinary business activities** decreased by 40% compared to € 6.5 billion in 2000. This substantial reduction was primarily attributable to the significant decrease in net book gains in 2001 compared to the prior year.

Income taxes on continuing operations decreased to € 761 million in 2001 from € 2.5 billion in 2000. As a result, the Group's income tax rate was reduced from 39% in 2000 to 20% in 2001. The decline is mainly due to the German Tax Reform which lowered the corporate tax rate to 25% on domestic profits, as well as the recalculation of deferred taxes brought on by changes in the tax treatment of gains and losses from dispositions. Futhermore, the effective tax rate was positively affected by releasing provisions.

After taxes and minority interests – **Results from ongoing operations** came in at € 2.6 billion compared to € 3.4 billion in the prior year.

Results from the disposals of MEMC and VAW aluminium - after taxes and minority interests - totaled losses of € 536 million, and are shown under **"Results from discontinued operations"**.

Group net income after taxes and minority interests decreased to € 2.0 billion, down 44% from the previous year.

Chart 4 shows important key financial figures.

As you all know, US GAAP requires **Earnings per share** figures (after taxes and minority interests) to be published based on both – "Ongoing operations and Discontinued operations".

Earnings per share from ongoing operations came in at € 3.87 per share compared to € 4.74 per share year-on-year, based on weighted average shares of 674 million.

Earnings per share from discontinued operations came in at a loss of 80 cents per share in 2001 compared to a profit of 33 cents per share in 2000.

Adjusted for book gains, restructuring charges, and non-operating items **earnings per share** based on continued operations would amount to € 3.95 per share for 2001 compared to € 1.80 per share for 2000.

In view of the strong increase in internal operating profit, we will propose to pay a cash **dividend** of € 1.60 per share, which represents a 19% increase from the prior year's € 1.35 per share.

Due to our continued focus of divesting non-core assets, our **net financial debt** decreased substantially by 90% from € 6.0 billion in 2000 to € 612 million in 2001.

The Group's **ROCE** improved from 10.1% in 2000 to 10.3% in 2001. This improvement came from the turnaround in our Energy business, where ROCE increased to 12% compared to 10.8% in 2000.

The **Group's cost of capital** declined from 11.2% to 9.5% before taxes (after taxes from 7.3% to 6.2%). Our successful portfolio optimization measures, especially in Telecommunications and MEMC, and the optimization of our balance sheet structure led to this development.

Chart 5 - Now I would like to talk about E.ON's **Outlook for 2002.**

Energy: We anticipate that power prices for 2002 will continue to recover. Moreover, we expect earnings-enhancing effects from our stringent cost-management measures and from merger-related synergies . Overall, we anticipate that our Energy segment's 2002 internal operating profit will surpass the figure for 2001.

In our Non-Core Activities:

Chemicals: Overall we anticipate that our Chemicals Division will post a slightly improved internal operating profit for full-year 2002 owing to the superb market positions it occupies in its core businesses.

Oil: In early February 2002, BP acquired ownership of 51% of VEBA Oel. As of this date, VEBA Oel is no longer fully consolidated and is instead valued at equity in E.ON's Consolidated Financial Statements. Beginning on April 1, 2002, E.ON can exercise the put option to sell the Company's remaining 49% ownership interest to BP.

Real Estate: On the whole, in 2002 we expect our Real Estate segment to post another increase in internal operating profit.

Telecommunications: Despite startup losses resulting from UMTS, we expect both Connect Austria and Bouygues Telecom to achieve further operational improvements in 2002 and again post lower operating losses.

Distribution/Logistics: We anticipate that Stinnes will post results for 2002 that at least match the prior year's earnings.

Overall, the considerable uncertainty regarding the economic outlook makes it difficult at this time to issue a forecast for the E.ON Group in 2002. We aim to further increase Group internal operating profit from the previous year's high figure. Group net income will markedly exceed the prior-year's figure owing to planned divestments.

To summarize:

The 2001 financial year was of decisive importance for the E.ON Group's future structure and earnings development.

Our strategy of "Focus & Growth" is now bearing its fruits. The Group's 2001 results clearly underlines E.ON's commitment as we once again produced record operating earnings and, in particular, improved returns in our core business Energy.