

Telephone Conference

**November 15, 2001 (08:30
a.m.)**

**Speech by
Dr. Erhard Schipporeit**

**Good morning ladies and
gentlemen,**

Today we are pleased to announce a significant increase in Group's internal operating profit year-on-year for the first nine months of 2001.

Before we go into our nine month figures, we would like to inform you about the adjustments we have made to the prior nine month results. The adjustments were caused by the purchase allocation arising from the VEBA/VIAG merger which had not been completed by the date we released our Interim report last year.

In addition, we would like to point out some changes in the scope of consolidation in the first nine months of this year:

In our energy business, **Sydkraft** is fully consolidated as of May 1, 2001 and **Heingas** as of June 1, 2001.

In the chemicals sector, **Laporte** is fully consolidated as of April 1, 2001.

VEBA Electronics, which was previously consolidated under Distribution/Logistics, is no longer included in our nine month results for 2001 as it was divested in the fall of 2000.

In the first nine months of last year, Veba Electronics' sales and internal operating profit were 3.9 billion Euros and 158 million Euros, respectively.

Distribution/Logistics division this year therefore includes only **Stinnes** and **Klöckner & Co.**

In mid-October we completed the sale of Klöckner & Co. to London-based Balli Group. As such, Klöckner & Co. will be

deconsolidated as of fourth quarter 2001.

As far as **MEMC** is concerned, under US-GAAP, MEMC's results are shown separately – after taxes and minority interests – under “Discontinued operations” in E.ON's Consolidated Statements of Income.

VIAG Interkom, as you know, is no longer included in E.ON's consolidated financial statements as of February 19, 2001.

To enhance the transparency of segment earnings, interest income from the disposal of E-Plus, Cablecom, Orange Communications, and VIAG Interkom are reported for both years under E.ON AG/Other/Consolidation.

And finally, prior figures are pro forma and were calculated on a like-for-like basis.

Now we would like to highlight key figures for the first nine months 2001 versus the first nine months of last year.

Chart 1

„E.ON Group –
Sales“

As **Chart 1** shows:

- Group sales for the first nine months 2001 declined by 7% to 64.3 billion Euros compared with 69.2 billion Euros last year.
- Sales decreased mainly due to the disposal of Schmalbach-Lubeca and VEBA Electronics in 2000.
- Adjusted for these changes in consolidation of these two companies, group sales would have risen by 1.5%.

However, we would like to emphasize, that in our core business - Energy, we continue to grow and show a significant improvement in sales.

Chart 2

„E.ON Group –
Internal Operating
Profit“

Group internal operating profit increased substantially by 55% to approx. 2.9 billion Euros compared to approx. 1.8 billion Euros in the first nine months 2000.

The main forces behind this sharp increase in group internal operating profit in the first nine months mainly stemmed from the successful divestitures at our Telecommunications division and significant improvements at VEBA Oel, Viterra, Stinnes and VAW aluminium.

Moreover, our internal operating profit in the Energy division continues to show positive improvements.

The operating earnings of E.ON AG/Other/Consolidation improved substantially due to the increased interest income on the proceeds as well as the absence of goodwill amortization from the divestments of our Telecommunication activities.

Goodwill amortization amounted to 472 million Euros in the first nine months of this year compared to 652 million Euros year-on-year.

The decline in goodwill amortization was mainly due to divestitures in the Telecommunications sector (E-Plus, Orange Communications, VIAG Interkom).

Chart 3
„E.ON Group –
Results“

Chart 3 shows that – net book gains from the divestments amounted to 193 million Euros this year compared to 4.6 billion Euros last year.

As you remember, last year we had net book gains from the divestiture of E-Plus (3.5 billion Euros) and Cablecom (800 million Euros).

The figure for the first nine months of 2001 contains comparatively few extraordinary items and chiefly reflects net book gains. These gains mainly related to spin-offs at Thüga and Avacon as well as from the sale of VIAG Interkom (110 million Euros) and from the

disposal of Bewag and HEW (73 million Euros).

These gains were offset by losses stemming from the sale of dmc² and Phenolchemie.

Cost management and restructuring expenses amounted to 174 million Euros compared to 116 million Euros last year and were particularly related to Asta Medica, Viterra Baupartner, Aral as well as costs resulting from power station shutdowns and restructuring measures at E.ON Energie.

Other non-operating losses of 188 million Euros compared to other non-operating profits of 264 million Euros in 2000 were mainly related to the merger costs of Degussa-Hüls and SKW Trostberg.

This item also included our additional contribution to the German industry slave labor foundation, and exceptional provisions for damages arising from former mining activities.

At approx. 3 billion Euros - **Results from ordinary business activities** decreased by 56% compared to approx. 7 billion Euros last year. After taxes and minority interests – **Results from ongoing operations** came in at 1.9 billion Euros compared to 3.6 billion Euros last year.

Group income taxes amounted to 926 million Euros compared to around 3 billion Euros last year.

As a result, Group tax rate fell to 31% in the first nine months of this year compared to 43% in the first nine months of last year.

The decline in income tax rate in the first nine months as well as compared to 57% in the first half of this year is mainly related to the elimination of tax effects connected to the sale of MEMC.

As mentioned earlier, MEMC's losses of 827 million Euros this year compared to 5 million Euros losses last year are shown separately under results from discontinued operations.

This amount includes MEMC's ongoing operating losses, the valuation allowance related to deferred tax assets and financing of MEMC up to closing.

The transaction was completed on November 13, 2001.

As a result, Group net income after taxes and minority interests decreased to 1 billion Euros compared to 3.6 billion Euros last year.

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

Earnings per share from ongoing operations came in at 2.74 Euros per share compared to 4.94 Euros per share year-on-year.

Earnings per share from discontinued operations came in at a loss of 1.22 Euros per share this year compared to a loss of 1 cent per share last year.

Adjusted for book gains as well as restructuring charges,

earnings per share based on continued operations would have been 2.91 Euros per share for the first nine months of 2001 compared to 1.26 Euros per share for the first nine months of 2000.

Now we would like to go into detail regarding earnings development by each division:

Chart 4
„Energy – Key
figures“

Chart 4 shows that in our core business - **Energy** - internal operating profit increased by 6% to approx. 1.34 billion Euros compared to approx. 1.26 billion Euros in 2000.

The continuing positive results since the second quarter came from higher sales volume, a modest increase in electricity prices, our continuing cost cutting program as well as the full consolidation of Sydkraft.

These factors more than offset the higher fuel costs as well as increased burden from Renewable Energy Law (EEG) and Co-Generation Protection Law (KWK).

The substantial increase in sales volume of 39% was mainly due

to higher trading volumes, which tripled in the first nine months 2001. Adjusted for trading volume in both years, volume still increased by 12.8% for the group. Sydkraft contributed 4.5% to total sales volume increase.

As far as the delivery of electricity by customers is concerned, more power was supplied to standard-rate and residential customers (+12.8%), industrial and commercial customers (+18.1%) as well as regional utilities (+10.1%).

Chart 5
„Chemicals – Key
figures“

Chart 5: Since figures in the **Chemicals** division were published three days ago, we will just highlight some key figures.

Internal operating profit in chemicals declined by 16% to 431 million Euros from the very solid earnings of 516 million Euros a year ago.

The overall earnings decline in the first nine months of 2001 reflects the economic slowdown, weak demand (particularly in North America), increased pressure on sales prices as well as by higher interest expenses and goodwill amortization related to the acquisition of Laporte.

The sectors Health & Nutrition, Fine & Industrial Chemicals, Specialty Polymers, Performance Chemicals, and Construction Chemicals posted higher earnings, whereas Coating & Advanced Fillers reported a slight earnings decline.

As anticipated, Degussa's divestment program led to a decline in the Internal Operating Profit generated by its non-core activities.

Chart 6

„Oil – Key figures“

Now to Chart 6:

In the **Oil** division, internal operating profit again showed an improvement by reporting an increase of 30% to 294 million Euros compared with 226 million Euros in 2000.

This was mainly due to service station margins that were markedly higher compared with the prior years' low levels as well as cost-cutting measures.

Chart

" Back to chart 2"

As far as our **Other Activities** are concerned, please refer back to chart 2:

In our **Real Estate** division, internal operating profit increased substantially by 106 % to 109 million Euros. However, this rate of increase will decline for the full-year due to a large share of the previous year's results being posted in the fourth quarter.

The Residential Services division – with its Energy Services unit – and the Residential Development posting particularly higher earnings increase.

In addition, the increase in operating profit was positively impacted by higher numbers of housing units sold compared to the year earlier (1,920 units compared to 1,091 units).

As far as **Telecommunications** is concerned, internal operating losses declined by 85% from -670 million Euros to -100 million Euros. This development was mainly due to the absence of losses resulting from the divestment of our stakes in VIAG Interkom and Orange Communications.

In addition, our holdings in Austria ONE and Bouygues Telecom showed significant operating improvements. Austria ONE reported a reduction in losses to 90 million Euros compared to 175 million Euros last year. Bouygues Telecom reduced operating losses to 2 million Euros compared to 47 million Euros in the previous year.

The main factors for these improvements were higher sales revenues and a decline in customer acquisition costs at both companies.

In our **Distribution/Logistics** division, Stinnes' internal operating profit increased by 18% to 180 million Euros this year compared to 153 million Euros last year. This positive development resulted from the solid performances put in by the Transportation and Chemicals divisions, particularly in the first-half of this year.

As far as Klöckner & Co. is concerned, internal operating profit declined by 37% to 56 million Euros compared to 89 million Euros in the previous year. This decrease mainly resulted from lower steel prices and a lower demand. As mentioned earlier, Klöckner & Co. is no longer part of the E.ON Group.

Our **Aluminum** sector continued to operate in a satisfactory business climate in the first nine months 2001.

Internal operating profit climbed 27% to 229 million Euros compared to 180 million Euros in first nine months 2000.

The main reasons for this development were the first-time consolidation of Australia's Kurri Kurri smelter and the strong US Dollar.

Now to **Chart 7**

Chart 7

„E.ON Group – Net cash position“

As far as the Group's cash position is concerned, at the end of September 2001 we had a net cash position of 81 million Euros compared to a net debt of 5.5 billion Euros at the end of 2000.

Chart 8

„E.ON Group – Outlook 2001“

Chart 8: Now we would like to talk about the **Outlook for 2001.**

We expect Group internal operating profit for full-year 2001 to markedly surpass the previous year's number, although at a lower growth rate than shown in the first nine months 2001.

As anticipated, results from ordinary business activities for full-year 2001 will come in significantly below the 2000 figure. This is because we do not expect to post comparable book gains from disposals.

We anticipate that our **Energy Division** will benefit from the continued stabilization of electricity prices as well as from the first-time consolidation of Sydkraft.

Energy's internal operating profit for full-year 2001 will be slightly above the prior-year figure. Moreover, in our Energy business we expect earnings-enhancing effects from the bottom-line focus of our marketing strategy and ongoing efficiency-boosting measures.

In our **Chemicals Division**, contrary to earlier forecasts, we expect the dramatic market deterioration of recent weeks and the continued slack economy to result in a full-year internal operating profit distinctly below the previous year's number.

Degussa has responded to this trend by intensifying its ongoing restructuring measures. The company has approved a new round of measures to stabilize earnings. In addition, Degussa will continue to systematically implement the cost-management measures already initiated and to realize the synergies stemming from the merger of Degussa-Hüls and SKW Trostberg.

Overall, we anticipate that our **Other Activities** will post a significantly higher full-year internal operating profit for 2001.

We expect Oil's full-year internal operating profit to be on par with the prior year's solid results.

We are forecasting additional earnings improvements at our **Real Estate** and **Telecommunications Divisions** as well as at Stinnes and VAW aluminium.

We also expect the internal operating profit reported under "E.ON AG/other/consolidation" to show a considerable increase year-on-year.

To summarize:

Overall we are pleased with our first nine months results, and in particular with the continuing turnaround in our core business Energy.

However, there is still a lot to be done and therefore we remain fully committed to improve earnings, continue our cost cutting and rationalization measures in the Energy business and pursue progressively our “focus and growth” strategy.

The latest step in our progress was yesterday's news related to our intended acquisition of a majority shareholdings in Ruhrgas.

This concludes my remarks and now I would like to hand it over to Kiran for a brief update regarding the regulatory status of our Powergen transaction.