

- Internal operating profit surges 37 percent
- Planned takeover of Powergen opens door to new strategic opportunities in Europe and U.S.
- As anticipated, lower one-off gains reduce Group net income year-on-year

The logo for e.on, featuring the lowercase letters 'e.on' in a white, bold, sans-serif font. The 'e' is lowercase and the 'on' is lowercase, with a period between them. The logo is positioned in the bottom right corner of the page.

Group Performance

Note. Under U.S. GAAP, the date of the VEBA-VIAG merger's entry into the Commercial Register determines the inclusion of the former VIAG in E.ON's Consolidated Financial Statements. For this reason, the companies of the former VEBA contributed full twelve-month figures to the 2000 financial year. The companies of the former VIAG contributed figures for the

period July through December 2000 only. We have calculated pro-forma figures for 2000 in accordance with U.S. GAAP in order to make it possible to compare the Company's performance in 2000 and 2001. The pro-forma figures depict the E.ON Group as if the VEBA-VIAG merger had been consummated on January 1, 2000.

E.ON Group financial highlights			
First quarter € in millions	2001	pro forma 2000	+/- %
Sales	22,719	22,391	+1
Internal operating profit	949	693	+37
Pretax income	1,099	5,166	-79
Group net income	587	2,809	-79
Investments	2,723	3,412	-20
Cash flow from operations	1,227	758	+62
Employees at end of period	187,441	186,788	-
Earnings per share (in €)	0.85	3.86	-78

Group internal operating profit surged 37 percent in the first quarter of 2001. VEBA Oel, Stinnes, and VAW aluminium were among the strongest earnings performers, posting considerably improved internal operating profit. The sharp increase results primarily from the successful portfolio-trimming measures at our Telecommunications Division.

In the first three months of 2001 the Group amortized goodwill totaling €188 million compared with €251 million in the year-earlier span.

As anticipated, pretax income fell 79 percent year-on-year to €1,099 million. Last year's figure included gains from the disposition of our telecoms shareholdings, E-Plus (€3.5 billion) and Cablecom (€0.8 billion). This is the main reason for the significant decline in 2001. The figure for the first quarter of 2001 chiefly reflects the remaining book gain—€110 million—from

the sale of VIAG Interkom. This amount had been assigned to VIAG Interkom's fair-value mark-ups as part of the purchase price allocation stemming from the VEBA-VIAG merger that forged E.ON.

Restructuring and cost-management expenses impacted Chemicals' Asta Medica unit in particular. Other nonoperating earnings mainly reflect the costs resulting from the merger of Degussa-Hüls and SKW Trostberg to form the new Degussa.

Income taxes declined markedly to €395 million. The Company's tax rate was 36 percent against 43 percent a year ago. The decline is due principally to the lower corporate tax rates that took effect at the beginning of 2001 as part of Germany's tax reduction law.

At €587 million, Group net income after taxes and minority interests was down 79 percent year-on-year.

Group net income			
First quarter € in millions	2001	pro forma 2000	+/- %
Group internal operating profit	949	693	+37
Net book gains	111	4,408	-97
Restructuring and cost-management expenses	-21	-46	+54
Other nonoperating earnings	-57	1	-
Foreign E&P taxes	117	110	+6
Pretax income	1,099	5,166	-79
Income taxes	-395	-2,238	+82
Minority interests	-115	-119	+3
Earnings from first-time application of SFAS 133	-2	-	-
Group net income	587	2,809	-79

Performance by Division

Group sales			
First quarter	pro forma		+/- %
€ in millions	2001	2000	
Energy	4,482	3,435	+30
Oil	6,976	6,327	+10
Chemicals	5,504	4,710	+17
Other Activities	5,939	7,577	-22
E.ON AG/other/consolidation	-182	342	-
Group external sales	22,719	22,391	+1

Group internal operating profit			
First quarter	pro forma		+/- %
€ in millions	2001	2000	
Energy	490	524	-6
Oil	80	46	+74
Chemicals	120	195	-38
Other Activities*	89	-17	-
E.ON AG/other/consolidation*	170	-55	-
Group internal operating profit	949	693	+37

*To enhance the transparency of segment earnings, interest income resulting from the disposal of E-Plus, Cablecom, Orange Communications, and VIAG Interkom is reported under E.ON AG/other/consolidation. The figures for the year-earlier quarter were adjusted accordingly.

Energy

Our Energy Division supplied 23 percent more power year-on-year, owing primarily to considerably higher commodity trading volumes. More power was supplied to standard-rate and residential customers as well as to regional utilities, whereas slightly less power was supplied to industrial and commercial customers. Electric production at Energy's own generation assets rose 7 percent due in particular to good capacity utilization at its nuclear power stations and to improved capacity utilization at the Schkopau coal-fired power plant. The Energy Division met around 52 percent of its power requirements with electricity from its own generation fleet compared with 61 percent in the year-earlier quarter. The uptick in natural gas sales volume resulted mainly from weather-related consumption increases among residential customers and small businesses. Water sales volume was nearly on par with the figure from first quarter 2000.

E.ON Energie reported distinctly higher sales on the back of increased sales volumes and the modest recovery in electricity prices. Energy's internal operating profit was down slightly, due chiefly to higher fuel costs as well as to increased costs related to Germany's Renewable Energy Law and Co-Generation Protection Law. The latter took effect in mid-year 2000. The increased costs related to these laws could not be fully offset by cost-cutting, higher sales volumes, and slightly higher electricity prices.

Energy			
First quarter	pro forma		+/- %
€ in millions	2001	2000	
Sales	4,482	3,435	+30
thereof: electricity tax	152	111	+37
Internal operating profit	490	524	-6
Investments	1,154	1,416	-19
thereof: property, plant, and equipment	145	162	-10
thereof: financial assets	1,009	1,254	-20

Production/sales volume			
First quarter	pro forma		+/- %
kWh in millions	2001	2000	
Power supplied	64,950	52,760	+23
Power generated	35,226	33,021	+7
Natural gas sales volume	27,667	26,553	+4
Water sales volume (million m ³)	62,588	63,994	-2

Oil

Oil			
First quarter € in millions	2001	2000	+/- %
Sales	6,976	6,327	+10
thereof: petroleum tax	2,442	2,141	+14
Internal operating profit	80	46	+74
Investments	108	1,100	-90
thereof: property, plant, and equipment	96	120	-20
thereof: financial assets	12	980	-99

Production/sales volume			
First quarter	2001	2000	+/- %
Crude oil production (1,000 bbl)	12,213	13,023	-6
Natural gas production (million m ³)	278	327	-15
Petroleum products sales volume (1,000 t)	8,732	9,235	-5
Petrochemical products sales volume (1,000 t)	1,185	1,298	-9

Our Oil Division's crude oil production declined owing to the sale of several fields in the UK and to the disposal of shareholdings in Indonesia. In the wake of these sales, natural gas production also fell markedly year-on-year. Production startup at a new field in the Dutch North Sea partially offset the decline. Overall, the sales volume of petroleum products declined from the year-earlier figure; business in Germany was steady. Weaker demand for aromatics was the main factor behind the lower sales volume of petrochemical products.

In the first quarter of 2001 VEBA Oel's sales surpassed the year-earlier figure due to higher product prices. The improvement in internal operating profit is mainly the result of higher refining and petrochemical margins as well as cost reductions. In addition, service station margins improved again. At \$24.3/ton, the average Rotterdam refining margin was up \$8.7/ton. The average crude oil price during the first quarter of 2001 was \$25.8/barrel versus \$26.9/barrel a year ago.

Chemicals

Chemicals			
First quarter € in millions	2001	pro forma 2000	+/- %
Sales	5,504	4,710	+17
Internal operating profit	120	195	-38
Investments	975	283	+245
thereof: property, plant, and equipment	261	248	+5
thereof: financial assets	714	35	-

In the first three months of 2001 our Chemicals Division operated in a distinctly more sluggish business environment in both Europe and Germany in the wake of the economic downturn in North America. Energy and raw materials prices in some cases trended appreciably higher over the same period. Degussa was able to generate higher sales in this business climate. Nearly all divisions contributed to the advance. The key factor in the uptick was higher product prices resulting from continued high raw material costs.

At €120 million, Degussa's internal operating profit declined 38 percent from the solid year-earlier figure. Earnings were impaired by the economic slowdown as well as by high raw materials prices, increased interest expenses related to business expansion, and currency effects. Health and Nutrition and Specialty Polymers posted higher earnings, whereas Fine and Industrial Chemicals, Performance Chemicals, and Coatings and Advanced Fillers reported earnings declines.

Other Activities

In our Real Estate Division, Viterra generated 7 percent higher sales. Energy Services' expansion outside Germany and the regional expansion at Viterra's Residential Development and Commercial divisions contributed to the advance. Internal operating profit climbed 22 percent to €22 million. The Residential Services division—with its Energy Services unit—posted the highest increase.

Real Estate			
First quarter € in millions	2001	2000	+/- %
Sales	294	276	+7
Internal operating profit	22	18	+22
Investments	27	37	-27
thereof: property, plant, and equipment	24	27	-11
thereof: financial assets	3	10	-70

The improvement in Telecommunications' internal operating profit stems principally from the divestment of VIAG Interkom and Orange Communications and the related elimination of operating losses and goodwill amortization. Moreover, the Company's remaining telecoms shareholdings—ONE in Austria and Bouygues Telecom in France—showed operating improvements. The key factors were higher sales and diminished customer acquisition costs at both companies. ONE grew its Austrian customer base substantially compared with the year-earlier quarter. At the end of the first quarter of 2001, ONE had 1.2 million cellular phone subscribers (1Q00: 0.6 million), 130,000 fixed-line customers (1Q00: 45,000), and 90,000 Internet users (1Q00: 25,000).

Telecommunications			
First quarter € in millions	2001	pro forma 2000	+/- %
Sales	128	76	+68
Internal operating profit*	-43	-179	+76
Investments	52	314	-83
thereof: property, plant, and equipment	47	13	+262
thereof: financial assets	5	301	-98

*To enhance the transparency of segment earnings, interest income resulting from the disposal of E-Plus, Cablecom, Orange Communications, and VIAG Interkom is reported under E.ON AG/other/consolidation. Figures for the year-earlier quarter were adjusted accordingly.

For 2001 our Distribution/Logistics Division comprises only Stinnes and Klöckner & Co. The year-earlier figures include the electronics operations we sold in fall 2000. This is the reason why the Division's sales and internal operating profit declined markedly year-on-year.

Stinnes's sales rose distinctly owing to the positive performance at its Transportation and Chemicals divisions as well as to the first-time consolidation of Holland Chemical International. Internal operating profit was up considerably, also the result of the positive development at Transportation and Chemicals. In addition, the year-earlier quarter had been negatively impacted by losses at Stinnes's Building Materials unit. This unit was sold in mid-year 2000.

Klöckner & Co's sales fell due to the sale of its trading business. On a like-for-like basis, sales in Klöckner's materials warehousing operations were largely unchanged from first quarter 2000. Lower steel prices and weaker demand were chiefly responsible for the decline in internal operating profit. These developments particularly impacted Klöckner's operations in Germany, Spain, and the U.S.

Distribution/Logistics			
First quarter € in millions	2001	pro forma 2000	+/- %
Sales	4,323	6,167	-30
Internal operating profit	71	133	-47
Investments	70	159	-56
thereof: property, plant, and equipment	66	69	+4
thereof: financial assets	4	90	-96

Other Activities

Aluminum			
First quarter € in millions	2001	pro forma 2000	+/- %
Sales	956	862	+11
Internal operating profit	70	50	+40
Investments	62	31	+100
thereof: property, plant, and equipment	60	31	+94
thereof: financial assets	2	0	-

In the first quarter of 2001 the business climate for our Aluminum Division (VAW aluminium) remained favorable. Buoyed by production cuts in the U.S. in the wake of that country's energy crisis, aluminum prices remained high at slightly more than \$1,500/ton. The first-time consolidation of Australia's Kurri Kurri smelter and the strong dollar represented additional positive effects. VAW aluminium grew sales 11 percent and internal operating profit 40 percent.

Silicon Wafers			
First quarter € in millions	2001	2000	+/- %
Sales	238	196	+21
Internal operating profit	-31	-39	+21
Investments	14	10	+40
thereof: property, plant, and equipment	14	10	+40
thereof: financial assets	0	0	-

In the first three months of 2001 the market environment for the semiconductor and wafer industry took a dramatic turn for the worse. The wafer crunch anticipated by MEMC's customers did not materialize. This means that customers must draw down the considerable wafer inventories they had built up in the second half of 2000. MEMC grew sales year-on-year and curtailed its operating loss. The improvements result mainly from the inclusion of South Korea's MKC since the fourth quarter of 2000.

Employees

The E.ON Group employed 187,441 people worldwide at the end of March 2001, roughly on par with year-end 2000. Ongoing restructuring measures in Germany led to further staff reductions at E.ON Energie and VEBA Oel, whereas Viterra and Stinnes added employees, particularly abroad. The number of Group employees outside Germany increased by just over 2,000. The share of E.ON Group employees working outside Germany rose to 45.6 percent from 44.6 percent at year-end 2000.

Expenses for wages and salaries including social security contributions amounted to around €2,310 million versus €2,266 million in the year-earlier quarter.

Employees			
	Mar. 31, 2001	Dec. 31, 2000	%
Energy	33,572	34,406	-2
Oil	8,286	8,593	-4
Chemicals	62,359	62,110	-
Other Activities	82,578	81,020	+2
E.ON AG/other	646	659	-2
Total	187,441	186,788	-

Investments

In the first three months of 2001, the E.ON Group's investments totaled €2.7 billion—down 20 percent year-on-year. Spending on fixed and intangible assets declined 2 percent to €0.7 billion. Investments in financial assets fell 25 percent to €2.0 billion.

At our Energy Division, investments were 19 percent lower. The year-earlier figure contained Energy's expenditures to acquire Electriciteitsbedrijf Zuid-Holland, the Dutch energy utility, which now does business as E.ON Benelux Generation. In the first quarter of 2001, Energy increased its stockholdings in Sydkraft, the Swedish energy company, and in Gelsenwasser. It also acquired shares in Elektrizitätswerk Minden-Ravensberg. These represented Energy's largest investment initiatives. Capital expenditures at our Oil Division were down distinctly. The exceptionally high year-earlier number reflected Oil's acquisition of Mobil Oil's Aral interest. The takeover of Laporte, the UK-based fine chemicals enterprise, sent investments at our Chemicals Division considerably higher. Degussa had acquired 96.55 percent of Laporte's capital stock by the end of March 2001.

Investments				
First quarter € in millions	2001	%	pro forma	
			2000	%
Energy	1,154	42	1,416	42
Oil	108	4	1,100	32
Chemicals	975	36	283	8
Other Activities	225	8	551	16
E.ON AG/other	261	10	62	2
Total	2,723	100	3,412	100

Highlights

In April E.ON tendered a conditional takeover offer of 765 pence (€12.19) per share to the stockholders of Powergen, the British energy utility. The purchase price for 100 percent of Powergen's capital stock amounts to €8.3 billion. Powergen's enterprise value, including liabilities, totals €15.3 billion. Measured by electricity sales volume and total customers, the acquisition of Powergen would make E.ON the world's second-biggest energy service provider. LG&E Energy, Powergen's Kentucky-based subsidiary, would give E.ON access to new growth opportunities in the U.S., the world's biggest energy market. The submission of the final offer is subject to various regulatory go-aheads in the UK, the U.S., and from the EU Commission. We expect the transaction to be completed in spring 2002.

In April Degussa sold dmc², whose activities include the manufacture of components for catalytic converters and ceramic paints, to the U.S.-based OM Group for about €1.2 billion. The sale is subject to antitrust approval.

As part of its focus on specialty chemicals, in early April Degussa sold its Phenolchemie subsidiary to the Ineos Group of Great Britain for roughly €0.4 billion. This sale is also subject to antitrust approval.

In April an agreement was reached that ended the arbitration procedure related to the sale of E.ON Energie's Bewag shares. Under the terms of the agreement, E.ON Energie will transfer its 49 percent stake in Bewag to Hamburgische Electricitäts-Werke (HEW). HEW will sell 17 percent of its Bewag shares to Mirant in order to give the two companies joint control of Bewag. The State of Berlin approved the agreement in late April. The transfer of the Bewag shares represents compliance with the commitment made to the EU Commission as part of the VEBA-VIAG merger.

Outlook

Based on development during the first three months of 2001, we expect Group internal operating profit for full-year 2001 to surpass the previous year's figure significantly, though likely at a lower rate of increase compared with the first quarter. As anticipated, pretax income for full-year 2001 will come in markedly below the 2000 figure. This is because we do not expect to post comparable gains from disposals, in part owing to the tax relief on capital gains that will take effect in Germany in 2002.

At our Energy Division we anticipate positive effects from the first-time consolidation of Sydkraft, the Swedish energy company. Overall, we expect Energy's full-year internal operating profit to be slightly above the prior-year figure.

At our Oil Division we expect service station margins to recover, but crude oil prices to decline and refining and petrochemical margins to be slimmer. Overall, we expect Oil's internal operating profit for full-year 2001 to be on par with the previous year's solid performance.

In early 2001 the economic environment for our Chemicals Division worsened, particularly in the U.S. We are forecasting an improved economy for the second half of 2001. We expect raw materials prices to trend downward over the course of the year. Degussa intends to further intensify the systematic cost-management measures it initiated in immediate response to its earnings development. Overall, we expect Chemicals to report a full-year internal operating profit on the level of the previous year's figure.

Among our Other Activities we forecast further year-on-year improvements at Real Estate, Telecommunications, Stinnes, and VAW aluminium. We expect Klöckner & Co to report lower full-year internal operating profit compared with the prior year. Owing to the considerable worsening of the silicon wafer market, we anticipate that MEMC will post a distinct operating loss for full-year 2001.

Interim Consolidated Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Income		
First quarter € in millions	2001	pro forma 2000
Sales	22,719	22,391
Petroleum and electricity taxes	-2,594	-2,252
Sales, net of petroleum and electricity taxes	20,125	20,139
Cost of goods sold and services provided	-16,766	-16,700
Gross profit from sales	3,359	3,439
Selling expenses	-1,605	-1,683
General and administrative expenses	-723	-777
Other operating income/expenses	-4	4,367
Financial earnings, net	72	-180
Income before income taxes	1,099	5,166
Income taxes	-395	-2,238
Minority interests	-115	-119
Income before adjustments stemming from first-time application of SFAS 133	589	2,809
Adjustments stemming from first-time application of SFAS 133, after taxes	-2	-
Net income	587	2,809
Earnings per share (in €)	0.85	3.86

E.ON AG and Subsidiaries Consolidated Balance Sheet		
€ in millions	March 31, 2001	Dec. 31, 2000
Assets		
Intangible assets	11,015	9,714
Property, plant, and equipment	29,268	28,844
Financial assets	19,562	24,782
Fixed assets	59,845	63,340
Inventories	7,555	7,166
Receivables, trade	12,850	11,297
Other receivables and assets	9,787	13,443
Businesses held for sale	989	989
Liquid funds	16,301	8,501
Non-fixed assets	47,482	41,396
Deferred taxes	1,281	1,074
Prepaid expenses	452	405
Total assets	109,060	106,215
Liabilities and stockholders' equity		
Stockholders' equity	26,928	28,033
Minority interests	5,293	5,123
Provisions for pensions	8,864	8,736
Other provisions	25,798	24,799
Accrued liabilities	34,662	33,535
Financial liabilities	13,814	14,047
Other liabilities	24,595	21,873
Liabilities	38,409	35,920
Deferred taxes	2,901	2,720
Deferred income	867	884
Total liabilities and stockholders' equity	109,060	106,215

Interim Consolidated Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Cash Flow		
First quarter € in millions	2001	pro forma 2000
Net income	587	2,809
Minority interests	115	119
Adjustments to reconcile net income to cash flow from operations		
Depreciation and amortization	1,254	1,256
Changes in deferred taxes	-23	-27
Changes in provisions	295	348
Other non-cash items	-242	420
Gains from disposition of fixed assets	-298	-4,492
Changes in operating assets and liabilities	-461	325
Cash provided by (used for) operating activities	1,227	758
Proceeds from disposition of		
Financial assets	11,563	1,165
Intangible assets and fixed assets	206	261
Purchase of		
Financial assets	-2,004	-2,675
Intangible assets and fixed assets	-719	-737
Changes in securities (> 3 months)	-995	-475
Cash provided by (used for) investing activities	8,051	-2,461
Payments to acquire E.ON AG shares	-1,690	-
Payment of cash dividends to		
Shareholders of E.ON AG	-	-
Minority shareholders	-5	-6
Changes in financial liabilities	-1,340	5,060
Cash provided by (used for) financing activities	-3,035	5,054
Net increase (decrease) in cash and cash equivalents (< 3 months)	6,243	3,351
Effect of foreign exchange rates on cash and cash equivalents (< 3 months)	20	11
Cash and cash equivalents at beginning of period (< 3 months)	1,206	1,166
Liquid funds at end of period (< 3 months)	7,469	4,528
Securities at end of period, other than trading (> 3 months)	8,832	7,137
Liquid funds as shown on the balance sheet	16,301	11,665

Commentary. By the end of the first quarter of 2001 we had purchased a total of 44.3 million E.ON shares as part of the share buyback program approved by E.ON AG's Supervisory Board on September 22, 2000. This amounts to 5.8 percent of the Company's capital stock.

The first quarter of 2001 saw the following changes to E.ON's scope of consolidation:

- On January 15, 2001, Degussa-Hüls and SKW Trostberg tendered a cash offer of £6.97 per share to the shareholders of Laporte, the UK-based fine chemicals enterprise. By the end of March 2001, Degussa had acquired 96.55 percent of Laporte's capital stock. Laporte's assets are thus included in the Group's Consolidated Balance Sheet for the period ended March 31, 2001. Laporte will be included in the Group's Consolidated Statements of Income beginning on April 1, 2001.
- On January 16, 2001, E.ON exercised the put option to sell its 45 percent interest in VIAG Interkom. E.ON had reached the option agreement with British Telecommunications in August 2000. Beginning February 19, 2001, VIAG Interkom is no longer included in E.ON's Consolidated Financial Statements.
- To enhance the transparency of segment earnings, interest income stemming from the disposal of E-Plus, Cablecom, Orange Communications, and VIAG Interkom is reported under E.ON AG/other/consolidation. The figures for the year-earlier quarter were adjusted accordingly.
- In 2001 our Distribution/Logistics segment comprises just Stinnes (logistics services) and Klöckner & Co (metals trading). The electronics operations were sold in autumn 2000 to a consortium of European and American buyers.

Prior-year figures are pro forma and were calculated on a like-for-like basis. Additional, actual figures for 2000 are not provided.

The Interim Consolidated Financial Statements were reviewed by our independent auditors, PwC Deutsche Revision AG Wirtschaftsprüfungsgesellschaft, Düsseldorf.

Financial Calendar

August 16, 2001	Interim Report: January-June 2001
November 15, 2001	Interim Report: January-September 2001
March 21, 2002	Annual Press Conference, Annual Analysts' Conference
May 16, 2002	Interim Report: January-March 2002
May 28, 2002	Annual Shareholders' Meeting 2002

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This Interim Report contains certain forward-looking statements that are subject to risk and uncertainties. For information identifying economic, currency, regulatory, technological, competitive, and some other important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, you should refer to E.ON's filings to the Securities and Exchange Commission (Washington, DC), as updated from time to time, in particular to the discussion included in the section of E.ON's 2000 Annual Report on Form 20-F entitled "Item 3. Key Information: Basic Risk Factors."