

- Turnaround in Energy Division's internal operating profit
- Group internal operating profit up sharply
- BP transaction accelerates E.ON's focus on core energy business
- E.ON continues to expect markedly improved Group internal operating profit for full-year 2001

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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 enable a comparison of 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 half € in millions | 2001 | pro forma* 2000 | +/- % |
| Sales | 44,535 | 46,192 | -4 |
| Internal operating profit | 1,964 | 1,294 | +52 |
| Results from ordinary business activities | 2,035 | 6,001 | -66 |
| Group net income | 832 | 3,169 | -74 |
| Investments | 5,722 | 5,064 | +13 |
| Cash flow from operating activities | 2,285 | 1,737 | +32 |
| Employees at end of 1H01 and 2000 | 195,252 | 186,788 | +5 |
| Earnings per share (in €) | 1.22 | 4.35 | -72 |

*Pro-forma figures for 2000 depict the E.ON Group as if the VEBA-VIAG merger had been consummated on January 1, 2000.

Group internal operating profit surged 52 percent year-on-year in the first half of 2001. This sharp increase results primarily from the successful portfolio-slimming measures at our Telecommunications Division. In addition, VEBA Oel, Viterra, Stinnes, and VAW aluminium posted markedly higher earnings. Our Energy Division's internal operating profit experienced a turnaround. For the first time since energy market liberalization, Energy's earnings topped the year-earlier figure.

| Group net income | | | |
|--|--------------|-------------------|------------|
| First half € in millions | 2001 | pro forma 2000 | +/- % |
| Group internal operating profit | 1,964 | 1,294 | +52 |
| Net book gains | 193 | 4,557 | -96 |
| Cost-management and restructuring expenses | -97 | -107 | +9 |
| Other nonoperating earnings | -288 | 33 | - |
| Foreign E&P taxes | 263 | 224 | +17 |
| Results from ordinary business activities | 2,035 | 6,001 | -66 |
| Income taxes | -1,155 | -2,555 | +55 |
| Minority interests | -46 | -277 | +83 |
| Earnings resulting from first-time application of SFAS 133 | -2 | - | - |
| Group net income | 832 | 3,169 | -74 |

In the first six months of 2001 the Group amortized goodwill totaling €371 million compared with €517 million during the same period last year.

As anticipated, results from ordinary business activities fell 66 percent year-on-year to €2,035 million. The year-earlier number included gains from the disposition of our telecoms shareholdings, E-Plus (€3.5 billion) and Cablecom (€0.8 billion), the main reason for the significant decline. The figure for the first half of 2001 contains comparatively few extraordinary items and chiefly reflects the net book gains from the sale of VIAG Interkom (€110 million) and from the disposal of Bewag and HEW (€102 million).

Restructuring and cost-management expenses primarily impacted ASTA Medica and MEMC. Other non-operating earnings principally reflect the costs stemming from the merger of Degussa-Hüls and SKW Trostberg to form the new Degussa. This item also includes our additional contribution to Remembrance, Responsibility, and the Future, the German industry foundation, and exceptional provisions for damages arising from former mining activities.

Income taxes declined markedly to €1,155 million. The Company's tax rate climbed to 57 percent from 43 percent in the same period a year ago. The higher rate results from an increase in the valuation allowance related to deferred tax assets at MEMC in the amount of €297 million.

The above-mentioned factors reduced Group net income after taxes and minority interests 74 percent year-on-year to €832 million and earnings per share 72 percent to €1.22.

Performance by Division

| Group sales | | | |
|-----------------------------|---------------|---------------|-----------|
| First half | pro forma | | |
| € in millions | 2001 | 2000 | +/- % |
| Energy | 8,774 | 6,434 | +36 |
| Chemicals | 10,559 | 9,751 | +8 |
| Other Activities | 25,556 | 29,185 | -12 |
| E.ON AG/other/consolidation | -354 | 822 | - |
| Group external sales | 44,535 | 46,192 | -4 |

| Group internal operating profit | | | |
|--|--------------|--------------|------------|
| First half | pro forma | | |
| € in millions | 2001 | 2000 | +/- % |
| Energy | 984 | 949 | +4 |
| Chemicals | 288 | 360 | -20 |
| Other Activities* | 380 | 56 | +579 |
| E.ON AG/other/consolidation* | 312 | -71 | - |
| Group internal operating profit | 1,964 | 1,294 | +52 |

*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/other/consolidation. The figures for the year-earlier span were adjusted accordingly.

Energy

Our Energy Division supplied roughly 30 billion kilowatt-hours (kWh) or 27 percent more power compared with the year-earlier figure. Primary contributors to the increase were considerably higher commodity trading volumes as well as Sydkraft, the Swedish utility that has been fully consolidated since May 1, 2001. Slightly more power was supplied to standard-rate and residential customers, regional utilities as well as industrial and commercial customers. Preliminary estimates for the first six months of 2001 indicate that electricity consumption from Germany's public grid increased 2 percent compared with a 3 percent increase for the year-earlier period.

The Energy Division met around 47 percent of its power requirements with electricity from its own generation fleet compared with 55 percent in the first half of last year. At 76.8 billion kWh, roughly 53 percent more power was purchased from other suppliers (including trading). This lifted the share of power procured from outside sources during first-half 2001 to 53 percent against 45 percent a year ago.

The uptick in natural gas sales volume resulted mainly from the first-time inclusion of HEIN GAS Hamburger Gaswerke (HGW) beginning on June 1, 2001. In addition, E.ON Energie reported weather-related consumption increases among residential customers and small businesses. Water sales volume was nearly on par with the figure from the first half of 2000.

In the first six months of 2001, E.ON Energie's sales distinctly surpassed the year-earlier figure due to markedly higher sales volumes, the modest recovery in power prices, and the full consolidation of Sydkraft. For the first time since energy market liberalization, our

| Energy: production/sales volume | | | |
|--|-----------|---------|-------|
| First half | pro forma | | |
| kWh in millions | 2001 | 2000 | +/- % |
| Power supplied | 140,424 | 110,468 | +27 |
| Power generated | 69,176 | 61,112 | +13 |
| Natural gas sales volume | 43,903 | 39,439 | +11 |
| Water sales volume (million m ³) | 126.9 | 128.9 | -2 |

| Energy | | | |
|---|-----------|-------|-------|
| First half | pro forma | | |
| € in millions | 2001 | 2000 | +/- % |
| Sales | 8,774 | 6,434 | +36 |
| Electricity | 6,107 | 5,039 | +21 |
| thereof: electricity tax | 285 | 109 | +161 |
| Natural gas | 1,310 | 762 | +72 |
| Water | 110 | 109 | +1 |
| Other | 1,247 | 524 | +138 |
| Internal operating profit | 984 | 949 | +4 |
| Investments | 2,944 | 1,849 | +59 |
| thereof: property, plant, and equipment | 475 | 344 | +38 |
| thereof: financial assets | 2,469 | 1,505 | +64 |

Energy Division's internal operating profit increased year-on-year. Efficiency-boosting measures, slightly firmer electricity prices, and higher sales volumes more than offset the increased fuel costs related to Germany's Renewable Energy and Co-Generation Protection Laws. Our new Sydkraft subsidiary also contributed to the earnings improvement.

Chemicals

| Chemicals | | | |
|--|--------|-------------------|-------|
| First half € in millions | 2001 | pro forma 2000 | +/- % |
| Sales | 10,559 | 9,751 | +8 |
| Internal operating profit | 288 | 360 | -20 |
| Investments | 1,656 | 712 | +133 |
| thereof: property, plant, and equipment | 690 | 570 | +21 |
| thereof: financial assets | 966 | 142 | +580 |

Our Chemicals Division's business environment deteriorated further in the second quarter of 2001. In North America there is no sign of a turnaround in that region's distinctly sluggish economy. In Europe—and particularly in Germany—economic growth has slackened more than initially anticipated. Prices for important raw materials continue to be high. In this climate, Degussa further boosted sales. Excluding precious metals trading, Degussa's sales revenues rose 7 percent year-on-year to €8.7 billion; adjusted for changes in Degussa's scope of consolidation, sales were up 8 percent.

At €288 million, Degussa's internal operating profit declined 20 percent from the very high year-earlier number. In addition to the economic slowdown, earnings were also impaired by high raw material costs as well as by markedly increased interest expenses and goodwill amortization stemming from the acquisition of Laporte. Degussa's Health & Nutrition, Specialty Polymers, Construction Chemicals, and Coatings & Advanced Fillers divisions posted higher earnings, whereas Fine & Industrial Chemicals and Performance Chemicals reported earnings declines.

Other Activities

| Oil | | | |
|--|--------|--------|-------|
| First half € in millions | 2001 | 2000 | +/- % |
| Sales | 13,710 | 13,410 | +2 |
| thereof: petroleum tax | 4,443 | 4,691 | -5 |
| Internal operating profit | 189 | 34 | +456 |
| Investments | 235 | 1,277 | -82 |
| thereof: property, plant, and equipment | 218 | 293 | -26 |
| thereof: financial assets | 17 | 984 | -98 |

In the wake of portfolio slimming measures, in the first half of 2001 our Oil Division's crude oil production fell 9 percent to 23.8 million barrels and its natural gas production declined 1 percent to 561 million cubic meters. Production startup at a new field in the Dutch North Sea nearly offset the decline in natural gas production. The sales volume of petroleum products slipped 8 percent to 17.8 million tons primarily because of slower business outside Germany. The sales volume of petrochemical products declined 9 percent to 2.4 million tons.

Despite lower sales volumes, VEBA Oel's sales rose slightly owing to higher product prices. The improvement in internal operating profit is mainly the result of higher refining margins as well as cost reductions. In addition, service station margins improved again. At \$23.4 per ton, the average Rotterdam refining margin was up \$3.1 per ton compared with the figure for the first six months of last year. The average crude oil price was \$26.6 per barrel against \$26.8 per barrel for the year-earlier period.

In our Real Estate Division, Viterra generated 3 percent higher sales. The expansion of Energy Services and increased rental income at the Commercial division were chiefly responsible for the uptick. Residential Investment sold additional housing units late last year, which led to this division's reporting lower rental revenue than in first-half 2000.

Viterra's internal operating profit climbed 54 percent to €54 million. Residential Services posted a large earnings increase resulting in particular from Energy Services' business expansion.

| Real Estate | | | |
|--|------|------|-------|
| First half € in millions | 2001 | 2000 | +/- % |
| Sales | 588 | 573 | +3 |
| Internal operating profit | 54 | 35 | +54 |
| Investments | 56 | 72 | -22 |
| thereof: property, plant, and equipment | 48 | 51 | -6 |
| thereof: financial assets | 8 | 21 | -62 |

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. In addition, the Company's remaining telecoms shareholdings—ONE in Austria and Bouygues Telecom in France—showed operating improvements. The key factors were higher sales revenues and lower customer acquisition costs at both companies. Beginning in early 2001, the vigorous growth of Austria's mobile phone market began to slacken. At the end of June 2001, ONE had 1,260,000 cellular phone subscribers or 20 percent of the Austrian market.

| Telecommunications | | | |
|--|------|-------------------|-------|
| First half € in millions | 2001 | pro forma 2000 | +/- % |
| Sales | 261 | 156 | +67 |
| Internal operating profit* | -86 | -431 | +80 |
| Investments | 134 | 602 | -78 |
| thereof: property, plant, and equipment | 134 | 151 | -11 |
| thereof: financial assets | - | 451 | - |

*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/other/consolidation. The figures for the year-earlier span were adjusted accordingly.

For first-half 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 Distribution/Logistics reported appreciably lower sales and internal operating profit for the first six months of 2001.

Stinnes's first-half sales were slightly above the year-earlier figure. Adjusted for the building materials operations sold in mid-year 2000, Stinnes generated markedly higher sales revenues. This stems from the positive development at Stinnes's Transportation and Chemicals divisions as well as from the first-time consolidation of Holland Chemical International, which Stinnes acquired late last year. Internal operating profit substantially exceeded the prior year's figure. The improvement results from the solid performances put in by the Transportation and Chemicals divisions.

Klöckner & Co's sales declined due to the disposal of its trading business. On a like-for-like basis, first-half 2001 sales revenues in Klöckner's materials warehousing business were largely unchanged from the same period a year ago. 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 half € in millions | 2001 | pro forma 2000 | +/- % |
| Sales | 8,672 | 12,933 | -33 |
| Internal operating profit | 166 | 342 | -51 |
| Investments | 151 | 257 | -41 |
| thereof: property, plant, and equipment | 139 | 155 | -10 |
| thereof: financial assets | 12 | 102 | -88 |

Other Activities

| Aluminum | | | |
|--|-------|-------------------|-------|
| First half € in millions | 2001 | pro forma 2000 | +/- % |
| Sales | 1,906 | 1,702 | +12 |
| Internal operating profit | 162 | 138 | +17 |
| Investments | 133 | 78 | +71 |
| thereof: property, plant, and equipment | 124 | 71 | +75 |
| thereof: financial assets | 9 | 7 | +29 |

In the first six months of 2001, our Aluminum Division (VAW aluminium) operated in a satisfactory business climate. Aluminum consumption failed to decline for the first time since the middle of last year. Although aluminum prices in the second quarter of 2001 were down quarter-on-quarter, at \$1,540 per ton they remained historically high owing to continued production cuts. The first-time consolidation of Australia's Kurri Kurri smelter and the strong dollar represented additional positive factors. VAW aluminium grew sales 12 percent and internal operating profit 17 percent.

| Silicon Wafers | | | |
|--|------|------|-------|
| First half € in millions | 2001 | 2000 | +/- % |
| Sales | 419 | 411 | +2 |
| Internal operating profit | -105 | -62 | -69 |
| Investments | 30 | 23 | +30 |
| thereof: property, plant, and equipment | 30 | 23 | +30 |
| thereof: financial assets | - | - | - |

Like many companies in the semiconductor and wafer sectors, MEMC's development reflects its dramatically deteriorated market environment. Owing to currency effects, our wafer subsidiary's sales for the first six months of 2001 were up slightly compared with last year's figure. But excluding South Korea's MEMC Korea Company, which has been consolidated since the fourth quarter of 2000, MEMC's first-half sales revenues were down markedly. The company's operating loss was significantly larger. MEMC has therefore continued its vigorous efforts to improve the company's cost structure. These measures include closing a wafer production facility in Texas, reducing staff, and instituting temporary production stoppages. Owing to its tight earnings and liquidity situation, MEMC increased its valuation allowance related to deferred tax assets.

Employees

| Employees | | | |
|------------------|------------------|------------------|-----------|
| | June 30, 2001 | Dec. 31, 2000 | % |
| Energy | 41,314 | 34,406 | +20 |
| Chemicals | 63,206 | 62,110 | +2 |
| Other Activities | 90,086 | 89,613 | +1 |
| E.ON AG/other | 646 | 659 | -2 |
| Total | 195,252 | 186,788 | +5 |

The E.ON Group employed 195,252 people worldwide at the end of June 2001. This represents an increase of roughly 5 percent versus year-end 2000 and reflects the major acquisitions at our Energy and Chemicals Divisions.

The number of employees at our Energy Division rose by around 7,000 due to the acquisition of a majority stake in Sweden's Sydkraft and the takeover of HGW. The purchase of Laporte, a fine chemicals enterprise based in the U.K., added roughly 1,100 employees to our Chemicals Division. At Distribution/Logistics, Stinnes's staff increased by more than 1,000 owing to the first-time consolidation of several operations outside Germany. By contrast, ongoing restructuring measures led to staff reductions at a number of other Group companies, chiefly at VEBA Oel.

Expenses for wages and salaries including social security contributions amounted to about €5.13 billion compared with €5.34 billion in the year-earlier period.

Investments

In the first six months of 2001, the E.ON Group's investments totaled €5.7 billion—up 13 percent year-on-year. Spending on fixed and intangible assets rose 2 percent to €1.9 billion. Investments in financial assets climbed 19 percent to €3.8 billion.

At our Energy Division, investments surpassed the year-earlier figure by 59 percent. Major investments in first-half 2001 included the increased stockholding at Sydkraft as well as the acquisition of shares in Elektrizitätswerk Minden-Ravensberg and in ESWE Versorgungs AG (formerly Stadtwerke Wiesbaden). Chemicals' capital expenditures rose considerably owing to the takeover of Laporte, the U.K.-based fine chemicals company. Investments by our Other Activities declined appreciably. The exceptionally high year-earlier number reflects our Oil Division's acquisition of Mobil Oil's Aral interest.

| Investments | | | | |
|-----------------------------|--------------|------------|--------------|------------|
| First half € in millions | 2001 | % | pro forma | |
| | | | 2000 | % |
| Energy | 2,944 | 51 | 1,849 | 36 |
| Chemicals | 1,656 | 29 | 712 | 14 |
| Other Activities | 739 | 13 | 2,309 | 46 |
| E.ON AG/other/consolidation | 383 | 7 | 194 | 4 |
| Total | 5,722 | 100 | 5,064 | 100 |

Highlights

As part of its ongoing focus on specialty chemicals, in late May Degussa sold its dental unit for about €576 million to Dentsply of the U.S. The disposal still requires antitrust approval from the EU.

In a first step toward exiting the pharmaceuticals business, in June Degussa sold AWD Pharma, part of its ASTA Medica subsidiary, for around €50 million to Pliva, a Croatian pharmaceuticals enterprise. It is expected that the transaction will be completed during the third quarter of this year.

In July Degussa sold the former SKW Trostberg's marketing operations for potassium chloride and sodium dicyanogen to Oxon Italia. This deal marks the completion of the commitments made to the EU Commission stemming from the merger of VEBA and VIAG to form E.ON.

In early August Degussa sold ASTA Medica's oncology business for €525 million to Switzerland's Baxter Healthcare, a subsidiary of U.S.-based Baxter International. The transaction is subject to antitrust approval in Germany and the U.S. and is expected to be completed by the end of the year at the latest.

In July E.ON Energie and Austria's Verbund reached an Agreement in Principle to form a joint hydroelectric venture. The company, European Hydro Power, will

comprise all the two companies' hydroelectric activities. Plans call for the new entity to begin operations on January 1, 2002. The company's roughly 200 hydroelectric plants with a total installed capacity of around 9,600 megawatts will make it Europe's third-largest hydroelectric generator. The agreement is subject to Supervisory Board and antitrust approval.

E.ON and BP reached an agreement in July to restructure their oil and gas activities in Germany. Around the turn of the year 2001/2002, E.ON will acquire 51 percent of Gelsenberg, a BP subsidiary, as part of a capital increase. Gelsenberg holds 25.5 percent of Ruhrgas. Beginning in January 2002, BP has the option to sell its remaining 49 percent interest in Gelsenberg to E.ON. Also at the turn of the year, BP will acquire 51 percent of VEBA Oel as part of a capital increase and redeem shareholder loans granted by E.ON to VEBA Oel totaling around €1.9 billion. Starting in April 2002, E.ON can exercise a put option to sell its remaining 49 percent VEBA Oel interest to BP. The transactions are subject to antitrust approval.

In early August the Commonwealth of Kentucky gave its approval in principle to E.ON's indirect acquisition of LG&E Energy, the Kentucky-based energy utility; a number of details must still be resolved with the Kentucky Public Service Commission. In addition, we have begun the process of applying for the neces-

Highlights

sary consents from the U.S. Securities and Exchange Commission under the Public Utilities Holding Company Act. The acquisition is also subject to obtaining other regulatory approvals in the U.S. and from the European Commission. We continue to expect that we will fulfill all other pre-conditions by the end of 2001 and complete the transaction as planned in spring 2002.

In early August E.ON sold Duisburg-based Klöckner & Co, a wholly owned subsidiary, to Balli Group of London. E.ON expects to realize a book gain of around

€150 million from the disposal. In late 2000 Balli had acquired Klöckner & Co's chain-of-delivery steel trading business. The divestment of Klöckner & Co represents a further milestone in E.ON's focus on its core energy business. The transaction is subject to antitrust approval.

Outlook

The agreement reached with BP in July to reorganize the two companies' oil and gas activities was of considerable strategic significance and represents important progress in our focus and growth strategy. The deal gives us the unique opportunity to combine, as part of our exclusive focus on energy, the divestment of VEBA Oel with unprecedented growth in the attractive gas sector, one of our core businesses. Following the VEBA-VIAG merger and the planned takeover of Powergen, this transaction represents the third milestone as we systematically implement our corporate strategy.

We continue to expect Group internal operating profit for full-year 2001 to markedly surpass the previous year's number, though not at the first-half's high rate of increase. 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 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 that electricity prices will continue to stabilize and that Energy's internal operating profit for full-year 2001 will be slightly above the prior-year figure. We also expect an earnings-enhancing effect from the first-time consolidation of Sydkraft.

In view of the more dramatic-than-anticipated deterioration of the global economic climate, the chemicals industry is not expected to rally until early 2002. This renders even more important the cost-management measures that Degussa began implementing at the beginning of the year and the realization of merger synergies, which the company will continue to implement systematically. Overall, we expect Chemicals to report a full-year internal operating profit on the level of the previous year's figure.

Overall, we anticipate that our Other Activities will post a significantly higher full-year internal operating profit for 2001. We expect MEMC to report a markedly greater operating loss for full-year 2001 owing to the dramatic deterioration of the market for silicon wafers. Moreover, we expect to take considerable one-off charges resulting from our plans to exit this activity. We anticipate that our Oil Division's full-year internal operating profit will be on par with the prior year's solid results. We are forecasting that Klöckner & Co's internal operating profit will be lower year-on-year. By contrast, we expect earnings improvements at our Real Estate and Telecommunications Divisions as well as at Stinnes and VAW aluminium.

Interim Consolidated Financial Statements

| E.ON AG and Subsidiaries Consolidated Statements of Income | | | | |
|---|----------------|-------------------|---------------|-------------------|
| € in millions | Second quarter | | First half | |
| | 2001 | pro forma 2000 | 2001 | pro forma 2000 |
| Sales | 21,816 | 23,801 | 44,535 | 46,192 |
| Petroleum and electricity taxes | -2,131 | -2,548 | -4,725 | -4,800 |
| Sales, net of petroleum and electricity taxes | 19,685 | 21,253 | 39,810 | 41,392 |
| Costs of goods sold and services provided | -16,563 | -17,729 | -33,329 | -34,429 |
| Gross profit from sales | 3,122 | 3,524 | 6,481 | 6,963 |
| Selling expenses | -1,809 | -1,668 | -3,414 | -3,351 |
| General and administrative expenses | -695 | -764 | -1,418 | -1,541 |
| Other operating income/expenses | -30 | -261 | -34 | 4,106 |
| Financial earnings, net | 348 | 4 | 420 | -176 |
| Results from ordinary business activities | 936 | 835 | 2,035 | 6,001 |
| Income taxes | -760 | -317 | -1,155 | -2,555 |
| Minority interests | 69 | -158 | -46 | -277 |
| Income before adjustments stemming from first-time application of SFAS 133 | 245 | 360 | 834 | 3,169 |
| Adjustments stemming from first-time application of SFAS 133, after taxes | 0 | 0 | -2 | 0 |
| Group net income | 245 | 360 | 832 | 3,169 |
| Earnings per share (in €) | 0.37 | 0.49 | 1.22 | 4.35 |

| E.ON AG and Subsidiaries Consolidated Balance Sheet | | |
|---|------------------|------------------|
| € in millions | June 30, 2001 | Dec. 31, 2000 |
| Assets | | |
| Intangible assets | 11,345 | 9,714 |
| Property, plant, and equipment | 35,457 | 28,844 |
| Financial assets | 15,096 | 24,782 |
| Fixed assets | 61,898 | 63,340 |
| Inventories | 7,803 | 7,166 |
| Receivables, trade | 13,470 | 11,297 |
| Other receivables and assets | 13,141 | 13,443 |
| Businesses held for sale | 0 | 989 |
| Liquid funds | 16,634 | 8,501 |
| Non-fixed assets | 51,048 | 41,396 |
| Deferred taxes | 967 | 1,074 |
| Prepaid expenses | 661 | 405 |
| Total assets | 114,574 | 106,215 |
| Liabilities and stockholders' equity | | |
| Stockholders' equity | 26,445 | 28,033 |
| Minority interests | 6,335 | 5,123 |
| Provisions for pensions | 9,069 | 8,736 |
| Other provisions | 26,823 | 24,799 |
| Accrued liabilities | 35,892 | 33,535 |
| Financial liabilities | 15,989 | 14,047 |
| Other liabilities | 26,053 | 21,873 |
| Liabilities | 42,042 | 35,920 |
| Deferred taxes | 2,900 | 2,720 |
| Deferred income | 960 | 884 |
| Total liabilities and stockholders' equity | 114,574 | 106,215 |

Interim Consolidated Financial Statements

| E.ON AG and Subsidiaries Consolidated Statements of Cash Flow | | |
|---|---------------|-------------------|
| First half € in millions | 2001 | pro forma 2000 |
| Net income | 832 | 3,169 |
| Minority interests | 46 | 277 |
| Adjustments to reconcile net income to cash flow from operations | | |
| Depreciation and amortization | 2,286 | 2,510 |
| Changes in deferred taxes | 379 | -392 |
| Changes in provisions | 242 | 323 |
| Other non-cash items | -353 | 178 |
| Gains from disposition of fixed assets | -456 | -4,680 |
| Changes in operating assets and liabilities | -691 | 352 |
| Cash provided by (used for) operating activities | 2,285 | 1,737 |
| Proceeds from disposition of: | | |
| Financial assets | 14,436 | 1,329 |
| Intangible assets and fixed assets | 377 | 594 |
| Purchase of: | | |
| Financial assets | -3,846 | -3,231 |
| Intangible assets and fixed assets | -1,876 | -1,833 |
| Changes in securities (> 3 months) | -1,243 | 1,488 |
| Cash provided by (used for) investing activities | 7,848 | -4,629 |
| Payments to acquire E.ON AG shares | -2,369 | - |
| Payment of cash dividends to: | | |
| Shareholders of E.ON AG | -954 | -849 |
| Minority interests | -138 | -78 |
| Changes in financial liabilities | -2,143 | 4,052 |
| Cash provided by (used for) financing activities | -5,604 | 3,125 |
| Net increase (decrease) in cash and cash equivalents (< 3 months) | 4,529 | 233 |
| Effect of foreign exchange rates on cash and cash equivalents (< 3 months) | 36 | 10 |
| Liquid funds at beginning of period (< 3 months) | 1,206 | 1,166 |
| Liquid funds at end of period (< 3 months) | 5,771 | 1,409 |
| Securities at end of period, other than trading (> 3 months) | 10,863 | 7,328 |
| Liquid funds as shown on the balance sheet | 16,634 | 8,737 |

Earnings per share

| Earnings per share | Second quarter | | First half | |
|---|----------------|-------------------|------------|-------------------|
| | 2001 | pro forma 2000 | 2001 | pro forma 2000 |
| Net income € in millions | 245 | 360 | 832 | 3,169 |
| Number of outstanding shares (weighted average) 1,000 shares | 675,046 | 728,048 | 683,982 | 728,048 |
| Earnings per share in € | 0.37 | 0.49 | 1.22 | 4.35 |

Notes. By the end of the first half of 2001 we had purchased a total of roughly 56 million E.ON shares as part of our share buyback program approved by E.ON AG's Supervisory Board on September 22, 2000. This amounts to 7.4 percent of the Company's capital stock.

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

- In order to comply with the commitments made during the VEBA-VIAG merger control process, E.ON Energie reached an asset-swap agreement with Hamburgische Electricitäts-Werke (HEW). E.ON Energie transferred its 49 percent stake in Bewag, the Berlin-based energy utility, to HEW. In return, E.ON Energie received a 61.9 percent interest in HGW and a cash payment. HGW is fully consolidated as of June 1, 2001.
- On February 1, 2001, E.ON Energie acquired additional shares in Sydkraft, the Malmö-based electric company, from four Swedish municipalities. This increased E.ON Energie's shareholding to a total of 29.4 percent of Sydkraft's capital stock and 42.8 percent of the Swedish utility's voting rights. On February 21, 2001, E.ON Energie tendered Sydkraft's minority shareholders a takeover offer with a deadline of the end of April. E.ON Energie now holds 60.6 percent of Sydkraft's capital stock and 65.7 percent of its voting rights. Sydkraft is fully consolidated as of May 1, 2001.
- On January 15, 2001, Degussa tendered a cash offer of £6.97 per share to the stockholders of Laporte, the U.K.-based specialty chemicals enterprise. By the end of June 2001, Degussa had acquired 100 percent of Laporte's capital stock. Laporte is fully consolidated as of 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 Telecom 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 period were adjusted accordingly.
- In 2001 our Distribution/Logistics Division comprises just Stinnes (logistics services) and Klöckner & Co (metals trading). We sold our electronics operations in fall 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 E.ON Group's Consolidated Statements of Cash Flow for the quarter ended March 31, 2001, require adjustment owing to a classification error in the Chemicals Division. After the adjustment, "Cash provided by (used for) operating activities" for the first quarter amounts to €1,009 million; "Cash provided by (used for) financing activities" amounts to -€2,817 million. This adjustment does not affect the liquid funds as shown on the balance sheet.

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

Financial Calendar

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

For more information about E.ON,
contact:

Corporate Communications
E.ON AG
E.ON-Platz 1
40479 Düsseldorf
Germany

T +49 (211) 4579-367
F +49 (211) 4579-532
info@eon.com
www.eon.com

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."