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Presentation

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Please check against delivery

Ladies and gentlemen, after a strong showing in the homestretch, we are able to present to you 2001 annual results that substantially exceeded our own expectations.

I'd like to preface my presentation of our annual results with a brief remark about our accounting policies. For 2001, we are disclosing discontinued operations separately for the first time in accordance with U.S. GAAP. This standard further enhances transparency. In accordance with this policy, MEMC and VAW aluminium's results are shown separately under "Discontinued operations" in our Consolidated Statements of Income. Consequently, the MEMC and VAW component of Group sales, internal operating profit, and results from ordinary business activities has been eliminated from the figures for both 2001 and the previous year.

I'd now like to turn to our annual results:

Group sales for 2001 fell 10% to €79.7 billion owing to the disposal of non-core assets.

At €3.6 billion, **Group internal operating profit** was up sharply, climbing 45% above the prior year's record high. This indicates that fourth-quarter figures markedly surpassed the forecasts we had issued based on the Group's performance in the first nine months of 2001. The increase results primarily from successful portfolio-slimming in our Telecommunications Division. In addition, E.ON Energie, VEBA Oel, Viterra, and Stinnes all posted solid earnings growth.

As anticipated, **Group net income** (after taxes and minority interests) was down substantially from the exceptionally high prior-year figure of €3.7 billion, declining 44% to €2.0 billion. The previous year was characterized by substantial one-off gains and divestments. Losses from discontinued operations in the amount of roughly €500 million also impaired net income. This primarily represents our exit from the silicon wafer business.

As a result, **earnings per share** from continuing operations declined from €4.74 to €3.87. Adjusted for one-off effects, earnings per share climbed from €1.80 to €3.95.

In view of the sharp rise in operating earnings, management will propose that the **dividend** be increased 19% to €1.60 per share compared with €1.35 in the previous year. This represents a dividend yield of approximately 2.8%, ranking us among the dividend leaders in the DAX 30.

Excluding minority interests, the Company's **equity ratio** declined 1.7% pts. to 24.7%. Including minority interests, the equity ratio sank to 31.1%. This mainly reflects the share buyback program that we completed last year.

At €7.9 billion, the **Group's total investments** were down appreciably from the exceptionally high prior-year figure that included VIAG Interkom's acquisition of a UMTS license. The E.ON Group invested €3.8 billion in property, plant, and equipment and €4.1 billion in financial assets. At €4.0 billion, by far the largest share went to our core energy business. The acquisition of additional shares in Sydkraft, the Swedish energy utility, was the Energy segment's most significant single investment.

At year end 2001, the E.ON Group's **net financial position**—liquid funds minus financial liabilities—was - €0.6 billion compared with - €6.0 billion at year end 2000. Despite the completion of Germany's largest-ever share buyback program, E.ON is thus nearly debt-free. Our **net debt-to-equity ratio** declined from 21.4% to 2.4%. This extremely favorable ratio underscores our extremely solid balance sheet and financial structure.

In 2001, our **return on capital employed** was up 0.2% pts. to 10.3%. This improvement results primarily from the positive earnings development of our Energy segment.

We also reduced our cost of capital:

The sale of risky businesses like VIAG Interkom and MEMC noticeably decreased the Company's overall risk profile.

Moreover, our share buyback program as well as the debt financing of our planned growth initiatives will serve to give us a significantly altered capital structure.

E.ON's average cost of capital before taxes therefore fell to 9.5 percent compared with 11.2% a year ago. Our ROCE of 10.3% markedly surpasses our cost of capital. Measured against our cost of capital, our return demonstrates that we have created value. The strategic realignment of the E.ON Group is paying off.

I would now like to turn to the performance of our **Divisions** on the basis of internal operating profit, our most important internal key figure:

Dramatically higher sales combined with ongoing efficiency-boosting measures enabled our **Energy Division** to increase its internal operating profit 14% to just under €2.0 billion. Adjusted for the results of Sydkraft, which has been fully consolidated since May 2001, the increase amounted to 7%.

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

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

Our **Oil** segment's internal operating profit climbed from €310 million to €432 million owing to improved service station margins.

Internal operating profit at our **Real Estate Division** rose 16% to €245 million. The Residential Investment and Residential Services units were the main earnings contributors.

In 2001, our **Telecommunications** segment curtailed its operating loss 80% to €148 million. The reduction was primarily caused by the divestment of VIAG Interkom and Orange Communications, whose losses had considerably impaired the prior year's results.

Despite **Stinnes's** all-time high earnings, internal operating profit at our Distribution/Logistics segment fell markedly year-on-year owing to the disposal of VEBA Electronics and Klöckner & Co.

The substantial improvement in internal operating profit reported under **"Other/consolidation"** is chiefly the result of financial earnings stemming from the disposition of Telecommunications assets.

At €908 million, **net book gains** in 2001 were, as anticipated, substantially below the previous year's exceptionally high figure. They resulted mainly from Degussa's successful divestment program (€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 (€140 million) and VIAG Interkom (€110 million) also contributed to the Company's net book gains.

At €360 million, **restructuring and cost-management expenses** were lower than the prior-year figure of €510 million and primarily impacted our Chemicals, Energy, and Real Estate segments.

Other nonoperating earnings improved slightly to - €615 million. They mainly include charges stemming from the cancellation of unprofitable long-term electricity supply contracts and non-recurring charges related to the merger of Degussa-Hüls and SKW Trostberg.

Results from ordinary business activities amounted to €3.9 billion.

The Company's **tax rate** was reduced from 39% in 2000 to 20% in the year under review. The decline is mainly due to the lower corporate tax rate on domestic profits, a recalculation of deferred taxes brought on by changes in the tax treatment of gains and losses from dispositions, and reduced provisions.

Minority interests remained relatively unchanged.

Results from continuing operations fell 24% to €2.6 billion.

Our **discontinued operations**—MEMC and VAW—showed a loss totaling €536 million. VAW posted a profit of €274 million, whereas MEMC reported a loss of €810 million.

As already mentioned, **Group net income** of €2.0 billion was substantially below the previous year's all-time high, but somewhat higher than anticipated.

This brings me to E.ON's **Consolidated Statement of Cash Flows**.

Cash flow from continuing operations was €3.9 billion. This represents a year-on-year increase of 14% and primarily reflects the improved earnings performance of our core energy business.

Despite investments of €7.9 billion, the Group had a sharply positive net **cash inflow from continuing operations** of €10.8 billion. The proceeds resulted primarily from the disposition of telecoms shareholdings (VIAG Interkom) and of assets in our Chemicals Division.

This considerable financial strength was primarily utilized to finance the Company's share buyback program and to substantially reduce financial liabilities. At the same time, **cash and cash equivalents** were up €2.7 billion to €4.2 billion. The Company's **liquid funds** (cash and other current financial investments) actually rose by €3.6 billion to €12.1 billion. This represents part of our financing potential for the expansion of our core energy business.

The world's leading **rating** agencies, Standard & Poor's and Moody's, have rated E.ON regularly since early 1995. As of December 31, 2001, Moody's and S&P gave E.ON's long-term bonds ratings of Aa2 and AA, respectively. These ratings, which are reviewed on a regular basis, are the best in the world among privately owned utilities and underscore the E.ON Group's considerable financial power.

In the future, we also intend to keep our debt financing at a level that will enable us to retain first-class ratings.

In summation, our internal operating profit for 2001 and our substantially higher dividend set new standards. In addition, we again improved our ROCE and reduced our cost of capital. As you can see, enhancing shareholder value continues to be our top priority.