

Interim Report

for the period

January 1 - March 31, 2000

VIAG quarterly sales above previous year, despite declines in the energy business

At the Extraordinary General Meetings in February 2000, the shareholders of VIAG and VEBA approved the merger of the two companies with an overwhelming majority. We now still require the approval of the European Commission for our merger, and we are expecting this for the middle of June. Following this, we shall register E.ON, the new enterprise, in the register of companies as quickly as possible, and we shall start implementing our corporate goals.

VIAG went into the new fiscal year matching our expectations. We countered the declines in the energy business with an improved performance in our industrial activities, resulting in an increase in sales of 10 % to € 5.2 billion (previous year: € 4.8 billion). Earnings before taxes reflected in particular the decline in prices in the electricity market, falling by 24 % to € 200 million (previous year: € 264 million). The good performance of the industrial businesses, and the accelerated progress of our cost-cutting programme in the energy business, were not able to fully compensate for the decline in earnings caused by electricity prices. For the year as a whole, we are confident that we shall come close to achieving the operational profits level of the previous year.

INTERIM REPORT FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2000

The figures for the first quarter of 2000 were slightly affected by portfolio changes. Compared to the first three months of 1999, the following changes were made to the VIAG group of consolidated companies: the container glass activities of Gerresheimer Glas and the Bayernwerk shareholding GVT are no longer part of the group of consolidated companies. Harris Specialty Chemicals, Witco Oleochemicals and Derivatives Group (ODG), Lucas-Meyer Group and Alex Fries were not yet a part of the Group in the first quarter of the previous year.

QUARTERLY SALES HIGHER THAN THE PREVIOUS YEAR, EARNINGS BEFORE TAXES FELL

In the first quarter of 2000, the VIAG Group generated € 5,244 million (previous year: € 4,753 million), an increase in sales of 10 %. The healthy performance of our industrial divisions was reflected in this, and countered the decrease in sales in the energy business, due to the decline in the price of electricity. As expected, the decrease in income from the electricity business had a

strong influence on earnings before taxes, which declined by 24 % to € 200 million (previous year: € 264 million) compared to what is still a very good quarter of the previous year. Besides the declines in the electricity business, the fall is also the result of increased interest charges resulting from currency exchange effects in our chemicals division, and of the continued rapid expansion of our telecommunications business.

INVESTMENTS BOLSTER THE ENERGY AND TELECOMMUNICATIONS DIVISIONS

In the first three months of the year, investments by the VIAG Group amounted to € 352 million (previous year: € 670 million). The investments in capital expenditures of € 295 million went mainly into the electricity and telecommunications businesses. The reinvestment ratio was 95 %. VIAG's portfolio investments amounted to € 57 million. This especially strengthened the energy business.

NUMBER OF EMPLOYEES SLIGHTLY LESS THAN PREVIOUS YEAR

As of March 31, 2000, the VIAG Group had a total of 81,925 employees (previous year: 85,500 employees). The decrease of 4 % is mainly a result of restructuring measures in the energy division and of divestments. 52 % of VIAG employees are employed abroad.

Service activities

ENERGY ■■ SUCCESSFUL BUSINESS WITH RESIDENTIAL CUSTOMERS

In the first quarter of 2000, electricity prices in Germany should have just about reached their lowest point. The considerable decline in prices compared with the same quarter of the previous year is reflected in the sales and earnings of Bayernwerk: sales fell by 15 % to € 1,273 million (previous year: € 1,496 million). We countered the decline in earnings resulting from the massive decrease in electricity prices with determined cost reductions and efficiency gains at all stages of the value-added-chain. As we anticipated, however, we were not able to achieve the high profits level of the first quarter of 1999. Electricity sales at Bayernwerk performed well, increasing by 13 % to 22.5 TWh (previous year: 19.9 TWh). The main reason

for this was especially the expansion of power trading activities with Austria, Switzerland and the Czech Republic, and the new business generated by the Italian sales company. Sales to industrial customers, resellers and residential customers were also increased. Bayernwerk was extremely successful in the residential customer business throughout Germany. Around 125,000 residential electricity customers have signed direct contracts with Bayernwerk. Approximately 65,000 of these customers chose »AquaPower«, making it one of the most successful residential customer product offers on the German market. To strengthen sales activities, Bayernwerk opened regional sales offices in Stuttgart, Dusseldorf and Dresden. Gas sales declined to 3.2 TWh (previous year: 5.1 TWh), due to divestments. On an adjusted basis, however, because of weather conditions and the expansion of its own business, an increase of 23 % was achieved.

TELECOMMUNICATIONS ■■ 2.5 MILLION MOBILE PHONE SUBSCRIBERS

Business at our German telecommunications subsidiary VIAG Interkom (VIAG share: 45 %) continues to move rapidly ahead. The number of mobile telephone subscribers increased in the first quarter of 2000 by more than 400,000 users to just on 1.4 million. The company wants to considerably more than double this figure by the end of the year. The pro-rated share of sales at VIAG Interkom increased in the first three months by 174 % to € 119 million (previous year: € 44 million). A half of this was earned in the mobile telephone business sector. Start-up costs are on target. VIAG Interkom's own mobile telephone network comprises around 6,600 base stations at the moment, providing coverage for about 80 % of the population. Roaming with D1 enables VIAG Interkom to offer a service providing almost total coverage. Calls can now be passed in both directions with no disruption. As yet, this is unique throughout the world. In April, VIAG Interkom founded the Internet company Interkom Online AG. This subsidiary company will be developing mobile multimedia services, thereby making a crucial contribution to the mobile data communications business for the future. VIAG Interkom has already introduced its first mobile WAP services. The roll out of a UMTS network – the licence for which VIAG Interkom intends to purchase at auction in the summer – will open up new dimensions for the company in mobile data transfer.

ONE/Connect Austria is also growing at an accelerated pace. In the first quarter of 2000, our Austrian telecommunications subsidiary (VIAG share: 30 %) gained considerably more than 200,000 new customers for its mobile communications services and its fixed line telecommunications and Internet services, thereby increasing the total number of subscribers to around 700,000. ONE is aiming to achieve the million mark by the end of the year. In February, Connect Austria introduced the

»High Speed« product, which greatly increases the speed of mobile data transfer. Customers can then surf the Internet quicker when they are on the road, and speedily send and receive large volumes of data.

Our Swiss shareholding company Orange Communications (VIAG share: 42.5 %) is also enjoying great popularity: nine months after its launch on the market, half a million mobile telephone subscribers are already phoning using Orange. Orange Communications is making major progress with the expansion of its own mobile telephone network, and as a result of the improved roaming agreement with Swisscom also, it now reaches around 95 % of the population of Switzerland.

In February, VIAG was awarded the licence to roll out a UMTS network in the Principality of Liechtenstein, and in doing so became one of the first companies in Western Europe to own a UMTS licence. From there in Liechtenstein our subsidiary VIAG EuroPlattform AG (VIAG share: 100 %) will be developing European GSM and UMTS products, and we will shortly be offering crossborder mobile communications services in Germany, Austria and Switzerland

Industrial activities

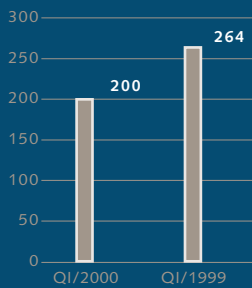
ALUMINUM ■■ SALES GROWTH IN ALL PROCESSING DIVISIONS

The positive sales and earnings trend at VAW aluminium is continuing: sales rose in the first three months by 28 % to € 906 million (previous year: € 708 million). Contributing to this development were the recovery in aluminum prices, the high dollar exchange rate and the healthy situation regarding orders received for the processing divisions. Sales of rolling mill products grew as a result of a healthy construction industry, amongst other things. The automotive products business benefited from a stronger utilization of capacity at the new factory in Mexico, increased volumes of orders in Europe and the favorable sales performance at VAW of America. The flexible packaging business also exceeded the previous year's levels. As a result of the growth in sales, the increase in metal prices quoted on the London Metals Exchange and the dollar exchange rate, profits at VAW in the first quarter significantly exceeded the level of the previous year.

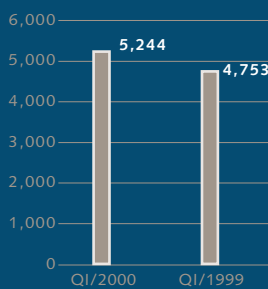
CHEMICALS ■■ ECONOMY PICKING UP

SKW Trostberg benefited in the first quarter from the revival in the chemicals sector in Europe and Asia, healthy demand in America and the high dollar and yen exchange rates. Sales rose by 22 % to € 968 million (previous year: € 795 million). Adjusted for acquisitions and

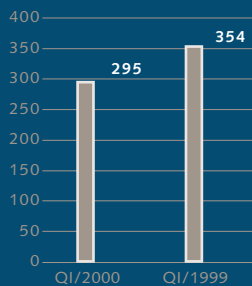
EARNINGS BEFORE TAXES
€ millions



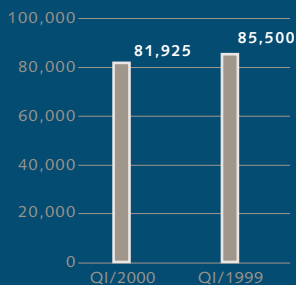
SALES
€ million



CAPITAL EXPENDITURES
€ millions



EMPLOYEES
as of March 31



divestments, the increase amounted to 11 %. The main areas of growth were in performance chemicals, with major increases in sales in the oligomers/silicones division, and in chemicals. This was reinforced above all by a significantly recovered fertilizer market, and a dynamically increasing performance in metallic chemicals. The building chemicals division and nature's products division also grew more than the previous year, as a result of acquisitions and currency exchange rates. Earnings before taxes could not quite keep pace with the level of the previous year, due to increased interest expenses and goodwill write-offs resulting from acquisitions. At the beginning of May, SKW acquired the American company Traco Labs, Inc for the nature's products division. Traco Labs, Inc is one of the largest manufacturers of physiologically effective food additives in the USA.

PACKAGING ■■ VIAG SELLS ITS

GERRESHEIMER GLAS SHAREHOLDING

Schmalbach-Lubeca increased sales and earnings noticeably in the first quarter. At € 510 million, sales surpassed the level of the previous year (€ 431 million) by 18 %. Contributing to this were increases in sales in all the business segments, the passing on of higher prices for raw materials to customers, and favorable exchange rate effects. In the PET division, in particular an enhanced business with preforms and specialty containers had a positive effect on sales. The beverage can business benefited from the favorable market situation, exhibiting increases in the Polish market especially. The White Cap division generated significant growths in plastic closures. Earnings before taxes were considerably higher than those of the previous year, reflecting both a positive sales performance and restructuring effects.

As a result of divestments, at € 142 million sales at Gerresheimer Glas were 23 % lower than the previous year (€ 185 million). In the businesses that were continued, Gerresheimer achieved an increase in sales of 20 %. The tubing and specialty glass division recorded the largest growths in sales, realizing in addition to higher sales positive currency effects as well. The pharmaceuticals/ cosmetics/ miniatures glass business recorded growing sales with the cosmetic industry in particular. Despite the planned general overhauls of two glass furnaces, the good performance resulted in nearly break-even earnings before taxes for those businesses that were continued.

On April 9, 2000, VIAG and Investcorp signed an agreement by which Investcorp confirms its intention to purchase VIAG's 72.96 % shareholding in Gerresheimer Glas. This sale sets VIAG on the fast track towards focusing the Group, as announced. The completion of the transaction is dependent on the approval of the relevant antitrust authorities, and is expected to close in mid-June.

Other activities

LOGISTICS ■■ STEADY RECOVERY IN STEEL PRICES

The favorable business performance at Klöckner & Co continued from January to March 2000. The steady recovery of steel prices, which had reached their lowest point in the first quarter of 1999, was maintained in the first months of 2000 as well. Together with the healthy performance of sales in steel trading with warehouse operations, this development led to an increase in sales of 21 % to € 1,311 million (previous year: € 1,085 million). Earnings before taxes at Klöckner & Co also grew considerably, due in particular to the successful optimization of business processes, especially in Germany, France and in the trading business, as well as to the sustained recovery of prices.

Outlook ■■ Earnings close to previous year

We are expecting the approval of the European Commission to our merger with VEBA in June of this year, and we will register the newly formed enterprise, E.ON, in the register of companies as quickly as possible. We will be rapidly leveraging the synergy potentials yielded by the merger in the energy and chemicals businesses, and further strengthening our competitiveness by expanding these core businesses. We will quickly progress the portfolio optimization already underway.

Our earnings perspectives for the whole year will be subject to increased pressure on earnings in the energy division. The intensified cost savings programme will not be fully able to compensate for the fall in electricity prices. Reducing the start-up costs for our current telecommunications activities will be slowed by market growth in mobile communications that is exceeding all expectations. The industrial divisions should increase profit levels considerably. Overall, we see good opportunities to come close to achieving the operational profits level of the previous year.

Munich, May 2000

VIAG Aktiengesellschaft

The Board of Management

Important Dates

- General Meeting of Shareholders 2000
May 29, 2000
- Dividend payment for fiscal year 1999
May 30, 2000
- Interim Report January - June 2000
August 17, 2000

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The VIAG Group at a glance

| | Q1/2000 | Q1/1999 | % |
|---|---------------|---------|------|
| EARNINGS BEFORE TAXES € millions | | | |
| Group | 200 | 264 | - 24 |
| SALES € millions | | | |
| Service activities | 1,392 | 1,540 | - 10 |
| Energy | 1,273 | 1,496 | - 15 |
| Telecommunications * | 119 | 44 | 174 |
| Industrial activities | 2,526 | 2,119 | 19 |
| Aluminum | 906 | 708 | 28 |
| Chemicals | 968 | 795 | 22 |
| Packaging | 652 | 616 | 6 |
| Other activities (distribution, other) | 1,362 | 1,124 | 21 |
| Intercompany sales | - 36 | - 30 | 20 |
| Group | 5,244 | 4,753 | 10 |
| CAPITAL EXPENDITURES € millions | | | |
| Service activities | 146 | 187 | - 22 |
| Energy | 74 | 140 | - 47 |
| Telecommunications * | 72 | 47 | 53 |
| Industrial activities | 141 | 158 | - 11 |
| Aluminum | 31 | 27 | 15 |
| Chemicals | 45 | 33 | 36 |
| Packaging | 65 | 98 | - 34 |
| Other activities (distribution, other) | 8 | 9 | - 11 |
| Group | 295 | 354 | - 17 |
| PORTFOLIO INVESTMENTS € million: | | | |
| Group | 57 | 316 | - 82 |
| EMPLOYEES as of March 31. | | | |
| Service activities | 18,919 | 19,908 | - 5 |
| Energy | 14,455 | 16,386 | - 12 |
| Telecommunications * | 4,464 | 3,522 | 27 |
| Industrial activities | 51,217 | 54,460 | - 6 |
| Aluminum | 18,300 | 17,633 | 4 |
| Chemicals | 18,376 | 19,777 | - 7 |
| Packaging | 14,541 | 17,050 | - 15 |
| Other activities (distribution, other) | 11,789 | 11,132 | 6 |
| Group | 81,925 | 85,500 | - 4 |

* only VIAG Interkom