



INTERIM REPORT
JANUARY 1 – MARCH 31, 2000

1/2000

- Group internal operating profit up 6 percent year-on-year on adjusted basis
- Group net income up 87 percent
- Higher Group internal operating profit and considerably higher Group net income expected for full year 2000

GROUP PERFORMANCE

January 1 - March 31	2000	1999	+/-
€ in millions			%
Group External Sales	17,382	13,532	+ 28
Group Internal Operating Profit	604	637	- 5
Net book gains	4,402	1,361	+ 223
Cost-management and restructuring expenses	- 43	- 15	- 187
Other non-operating earnings	- 34	- 54	+ 37
Foreign E&P taxes	110	56	+ 96
Pretax Income	5,039	1,985	+ 154
Income taxes	- 1,923	- 349	- 451
Income after taxes	3,116	1,636	+ 90
Minority interests	- 112	- 28	- 300
Group Net Income	3,004	1,608	+ 87

Sales rose markedly in the first quarter of 2000. The increase is primarily attributable to VEBA Oel's first-time full consolidation of Aral. In addition, VEBA Electronics reported buoyant sales owing to continued lively demand for semiconductors. Our Chemicals Division also grew sales distinctly on an adjusted basis; reported sales for the year-earlier quarter included the former Degussa's fourth quarter 1998 revenues of €1.8 billion owing to the adjustment of Degussa-Hüls's financial year.

Adjusted for the former Degussa's fourth quarter 1998 earnings of €66 million, Group internal operating profit climbed 6 percent year-on-year to €604 million despite Electricity's sharp earnings decline. Electricity's earnings were off 43 percent compared with the

good performance in the first quarter of 1999 mainly due to electricity price cuts initiated in the second half of last year. Chemicals' earnings topped those of the year-earlier quarter by 42 percent on an adjusted basis. The distinct improvement in Telecommunications' internal operating profit results principally from the disposal of shareholdings with high startup losses. We again markedly curtailed Silicon Wafers' losses in the quarter under review. Our Oil and Distribution/Logistics Divisions achieved considerably higher earnings. In the first quarter of 2000 the Group released negative goodwill in the amount of €60 million (1Q99: €30 million) and amortized goodwill totaling €110 million (1Q99: €90 million).

Pretax income surged 154 percent to €5,039 million. This extremely sharp

increase is due primarily to large net book gains from the disposal of our shareholdings in E-Plus (€3,518 million) and in Cablecom, the Swiss cable-TV operator (€789 million).

Restructuring and cost-management expenses particularly impacted our Electricity Division.

Income taxes increased 451 percent to €1,923 million. The tax rate was 38 percent compared with 18 percent in the year-earlier quarter. The share of tax-exempt gains from disposals was smaller in the period under review than in the same quarter last year. This was largely responsible for the higher tax burden.

At €3,004 million, Group net income after taxes and minority interests was up 87 percent year-on-year.

The table below shows the Divisions' contributions to Group internal operating profit:

January 1 - March 31	2000	1999	+/-
€ in millions			%
Electricity	319	559	- 43
Oil	32	9	+ 256
Chemicals	151	172	- 12
Real-Estate Management	21	41	- 49
Distribution/Logistics	91	6	+ 1,417
Telecommunications	6	- 102	-
Silicon Wafers	- 38	- 64	+ 41
VEBA AG/Consolidation	22	16	+ 38
Group Internal Operating Profit	604	637	- 5

PERFORMANCE BY DIVISION

Electricity

January 1 – March 31	2000	1999	+/-
€ in millions			%
Sales	2,181*	2,135	+ 2
Internal Operating Profit	319	559	- 43
Production/			
Sales Volume	million kWh	million kWh	
Power supplied	32,776	28,359	+ 16
Power generation	19,912	17,022	+ 17

*Includes €56 million in electricity taxes.

In **Electricity** PreussenElektra boosted its power supplied by roughly 16 percent. The increase is principally the result of the first-time inclusion of EZH, the Dutch energy utility, as well

as higher volume deliveries to regional utilities outside PreussenElektra's grid area and to power traders. Preliminary estimates indicate that net consumption from Germany's public grid was up about 2 percent.

Sales rose 2 percent owing to the first-time consolidation of EZH and to the electricity tax in effect since April 1, 1999. Keen competition on the liberalized power market led to a distinct decline in electricity prices in the second half of 1999. However,

expiring electricity supply contracts were renegotiated at prices that barely undercut these depressed levels. Intensive cost-management measures and higher sales volume could not offset the price-related earnings shortfall. Electricity's internal operating profit thus came in 43 percent below that of the year-earlier quarter which had not yet been as severely impacted by liberalization.

Oil

January 1 – March 31	2000	1999	+/-
€ in millions			%
Sales	6,181	2,323	+ 166
thereof			
petroleum taxes	2,141	934	+ 129
Internal Operating Profit	32	9	+ 256
Production/			
Sales Volume			
Crude oil production ¹	13,023	12,145	+ 7
Natural gas production ²	327	371	- 12
Sales volume of petroleum products ³	9,235	8,089	+ 14
Sales volume of petrochemical products ³	1,298	1,051	+ 24

¹in 1,000 barrels

²in million m³

³in 1,000 tons

Our **Oil Division's** crude oil production rose owing primarily to the first-time inclusion of shareholdings in Norway and Egypt. Natural gas production declined due to the sale of

a field and to repair-related production stoppages. Despite weak demand for heating oil, the first-time full inclusion of Aral increased the domestic sales volume of petroleum products. Buoyant demand and improved capacity utilization helped lift the sales volume of petrochemical products 24 percent compared with the first quarter of 1999.

Sales were up considerably year-on-year due mainly to the first-time full consolidation of Aral and to markedly higher crude oil prices. The increase in internal operating profit is likewise principally the result of the upsurge in average crude oil prices—from \$11.3/barrel in 1Q99 to

\$26.9/barrel in the quarter under review—and to the ongoing cost-management program, mainly in refining operations. In addition, the Rotterdam refining margin was \$3.8/ton higher than in the year-earlier quarter. Our long-term foreign-exchange and commodity hedging strategy meant that we could only partially benefit from these positive underlying conditions. Earnings were negatively impacted by slimmer margins at the pump brought on by fierce competition as well as by interest expenses and goodwill amortization related to the acquisition of Wintershall's and Mobil's Aral shares.

Chemicals

January 1 – March 31	2000	1999*	+/-
€ in millions			%
Sales	3,720	4,746	- 22
Internal Operating Profit	151	172	- 12

*Includes the former Degussa's 4Q98 financials.

Chemicals reported lower sales and internal operating profit owing exclusively to the inclusion of the former Degussa's fourth quarter financials—

about €1.8 billion in sales and €66 million in internal operating profit—in the year-earlier quarter.

Adjusted for this effect, Chemicals' internal operating profit was up roughly 42 percent due to favorable cyclical developments and to synergy

effects from the Degussa-Hüls merger. Performance Materials, Specialty Products, and Polymers & Intermediates showed marked improvements compared with the first quarter of 1999. Health & Nutrition, by contrast, reported lower earnings.

Real-Estate Management

January 1 – March 31	2000	1999	+/-
€ in millions			%
Sales	268	262	+ 2
Internal Operating Profit	21	41	- 49

Real-Estate Management's sales were up slightly year-on-year. Internal operating profit declined because fewer housing units were sold and because of a postponement in the

inclusion of earnings from Energy Services; the latter effect will be balanced out during the course of the year. Viterra sold 209 housing units in the first quarter of 2000 (1Q99: 782).

Distribution/Logistics

January 1 – March 31	2000	1999	+/-
€ in millions			%
Sales	4,836	3,843	+ 26
Internal Operating Profit	91	6	+1,417

Distribution/Logistics' sales (Stinnes: €2,974 million; VEBA Electronics: €1,862 million) were distinctly higher

than in the year-earlier quarter. Adjusted for Stinnes's disposal of BTL's air and sea freight activities and Stinnes Tire Service, sales were up an impressive 31 percent.

At €31 million, Stinnes considerably improved its internal operating profit compared with €1 million in the year-earlier quarter. Drivers were

improvements at the Transportation and Chemicals units in particular. VEBA Electronics' internal operating profit was up €55 million year-on-year to €60 million. The increase came on the back of the resurgent market for electronic components resulting from the positive development of the semiconductor market.

Telecommunications

January 1 – March 31	2000	1999	+/-
€ in millions			%
Sales	0	81	-
Internal Operating Profit	6	- 102	-

The marked improvement of **Telecommunications'** internal operating profit results particularly from the disposal of activities—Otelo's fixed-line business and E-Plus's mobile operations—with high startup losses. In addition, Bouygues Telecom,

our French mobile communications shareholding, now has a considerably larger subscriber base, which helped it reduce losses. Earnings were also positively impacted by interest income on sales proceeds, particularly from E-Plus.

Silicon Wafers

January 1 – March 31	2000	1999	+/-
€ in millions			%
Sales	196	142	+ 38
Internal Operating Profit	- 38	- 64	+ 41

Silicon Wafers' sales were up due to vigorous demand in the semiconductor industry. The considerable uptick in sales is principally the result of growth in sales volume. The dollar's appreciation against the euro also had

a positive effect on reported revenues. Operating losses were reduced substantially year-on-year owing to the improved sales volume and to far-reaching cost-management measures.

EMPLOYEES

	Mar. 31, 2000	Dec. 31, 1999	+/- %
Electricity	20,803	20,556	+ 1
Oil	8,721	5,863	+ 49
Chemicals	44,155	44,334	+/- 0
Real-Estate Management	4,941	4,901	+ 1
Distribution/Logistics	50,752	49,818	+ 2
Telecommunications	61	72	- 15
Silicon Wafers	5,563	5,600	- 1
VEBA AG/Other	449	458	- 2
Total	135,445	131,602	+ 3

The VEBA Group **employed** 135,445 people at the end of March 2000—roughly 3,800 more than at year-end 1999. The increase is primarily attributable to the first-time consolidation of EZH by PreussenElektra (+800 employees) as well as of Aral and the Emsland refinery by VEBA Oel (+2,900 employees). Staff declined by about 3,300 or 2 percent compared with the

year-earlier quarter mainly owing to the disposal of Stinnes Tire Service and Sanitary Equipment/Heating/Tiles.

First-quarter 2000 expenses for salaries and wages including social security contributions amounted to €1.7 billion compared with €1.6 in the first three months of 1999.

INVESTMENTS

January 1 - March 31	2000		1999	
€ in millions		%		%
Electricity	1,285	46	166	15
Oil	1,100	40	77	7
Chemicals	248	9	408*	36
Real-Estate Management	37	1	41	4
Distribution/Logistics	108	4	317	28
Telecommunications	-	-	80	7
Silicon Wafers	10	-	18	1
VEBA AG/Other/Consolidation	- 32	-	24	2
Total	2,756	100	1,131	100

*Includes the former Degussa's 4Q98 investments.

VEBA Group **Investments** for the first quarter of 2000 totaled €2,756 million—up 144 percent year-on-year. Spending on fixed and intangible assets amounted to €525 million (1Q99: €579 million). Investments in

financial assets increased by €1,679 million to €2,231 million.

Significant projects included the acquisition of:

- Electriciteitsbedrijf Zuid-Holland (EZH), a Dutch energy utility

- Mobil Oil's stake in Aral.

In addition to the above Group investments, Oil reported proportionate spending of €11 million for VEBA Oel's non-consolidated Ruhr Oel joint venture.

HIGHLIGHTS

In early April **Stinnes** sold its Raab Karcher building materials unit to Compagnie de Saint-Gobain, a French industrial group. The disposal is still subject to antitrust approval.

OUTLOOK

Overall, we expect the full-year internal operating profit of VEBA's operations to be higher in 2000 than in 1999.

In our Electricity Division we anticipate that power supply contracts will be renegotiated at prices that can scarcely undercut the current low levels. Ongoing cost-management measures and further increases in sales volumes will not, however, offset the price reductions initiated in the second half of 1999. We thus expect Electricity's full year 2000 earnings to come in markedly below the prior year's showing. Our Oil Division will

benefit from higher crude oil prices and improved refining margins; despite the current slim margins at the pump, we anticipate that Oil's internal operating profit will be considerably higher year-on-year. Our expectations for 2000 are based on an average crude oil price of \$23.3/barrel, an average Rotterdam refining margin of \$19.2/ton, and an average euro exchange rate of \$0.97.

Owing to favorable cyclical developments and to synergy effects from the Degussa-Hüls merger we expect Chemicals to report higher earnings

for 2000 than in the 1999 financial year augmented by the former Degussa's fourth quarter 1998 financials. All our other Divisions will post higher—in some cases quite considerably higher—internal operating profit compared with the previous year.

Including gains from divestments, both pretax and net consolidated income will come in far ahead of last year's figures.

FINANCIAL CALENDAR

May 25, 2000	Annual Shareholders' Meeting
May 26, 2000	Dividend Payment
August 17, 2000	Interim Report: January - June 2000
November 15, 2000	Interim Report: January - September 2000
March 27, 2001	Annual Press and Analyst Conferences

This earnings release 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 VEBA's SEC filings as updated from time to time, in particular to the discussion included in the Description of Business section of VEBA's 1999 Annual Report on Form 20-F.