POWERGEN PLC
Form SC TO-C
August 16, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE TO
(Rule 14d-100)
Tender Offer Statement under Section 14(d)(1) or 13(e)(1)
of the Securities Exchange Act of 1934.

Powergen plc
(Name of Subject Company)

E.ON AG
(Name of Filing Person (Offeror))

Ordinary Shares of 50p each,
and
American Depositary Shares evidenced by American Depositary Receipts, each
American Depositary Share evidencing Ordinary Shares of 50p each
(Title of Class of Securities)

G7203R 178, 7389054054
(CUSIP Numbers of Class of Securities)

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Authorized to Receive Notices and Communications on Behalf of Filing Persons)

[X] Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

[X] third-party tender offer subject to Rule 14d-1.
[ ] issuer tender offer subject to Rule 13e-4.
[ ] going-private transaction subject to Rule 13e-3.
[ ] amendment to Schedule 13D under Rule 13d-2.

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This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of the safe-harbor provisions of the U.S. federal securities laws. Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors that are beyond the companies' ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the actions of governmental regulators and other risk factors detailed in E.ON's and Powergen's filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. The companies do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document.

On August 16, 2001, E.ON held a teleconference to discuss its interim financial results for the period from January 1, 2001 to June 30, 2001. The following is a transcript of remarks made during the teleconference, regarding the status of the regulatory approval process related to E.ON's pre-conditional offer for Powergen.

Telephone Conference

August 16, 2001

Speech by Kiran Bhojani

Thank you Erhard.

At this time, we would like to make some brief comments regarding the regulatory process related to our pre-conditional offer for Powergen.

Due to the numerous questions in the past few weeks pertaining to the regulatory status of this transaction, we would like to update you as follows:

Kentucky

As far as Kentucky is concerned, the Kentucky Public Service Commission (PSC) has approved the acquisition by E.ON AG of Louisville Gas and Electric Company

(LG&E), Kentucky Utilities Company (KU) and Powergen.

The approval issued by PSC requires us to honor many of the same conditions under which the merger with Powergen was approved in May 2000. The deadline for our response was Monday August 8th . We have accepted the order of PSC, but there still needs to be clarification on a few details.

Virginia & FERC

Regarding Virginia and FERC (Federal Energy Regulatory Commission) - both applications were filed on June 12th and we expect to receive the approvals from the respective authorities by mid October. In both filings we do not expect any public hearings. We have not received any extensive data requests from both authorities and we do not expect any intervention from third parties.

Hart-Scott-Rodino (Equivalent to Cartel Authorities)

We will file this document during the month of August and expect the waiting period to end sometime by the end of September.

SEC

The SEC has already received a draft of the Form U1 filing to be made by us under PUHCA two weeks ago. We will make our formal filing within the next few weeks. We expect the issue of public notice by the SEC in the middle of October and the full approval by the end of this year.

EU

In the case of the EU filings, we expect to file these documents in the next few weeks and the approval one month after filing.

OFGEM

As far as OFGEM (Office for Gas and Electricity Market) is concerned, there is no filing necessary. It is only a formal requirement that requires Powergen to ask for clarification that nothing changes regarding Powergen's customer rates in the UK market. Clearence from OFGEM will be requested after the EU approval.

Final Closing

After all of these approvals have been cleared, under the UK takeover code there is a maximum period of 109 days for the transaction to be fully completed.

E.ON may, however, elect with Powergen's consent to implement the transaction by a Scheme of Arrangement which is a UK legal procedure involving a shareholders' meeting and the consent of the UK court to transfer ownership of Powergen to E.ON. The timing of a Scheme of Arrangement depends, among other things, on court hearing dates but it could take around 8 to 10 week to implement. We expect to make a final decision on the offer structure around the end of the year.

To Summarize:

With the exception of the SEC approval under PUHCA (where the approval is expected by end-of-year), all other regulatory approvals in the US as well as in Europe are expected to be received latest by the end of October.

This concludes my remarks on the regulatory approvals. Please understand that we cannot make any further comments on the approval process of Powergen for legal reasons.

Now Dr. Schipporeit and I are happy to answer all your questions.

The following is a copy of E.ON's Interim Report for the period from January 1, 2001 to June 30, 2001, which E.ON is filing with the SEC under cover of Form 6-K. Section V of the Interim Report discusses the status of certain regulatory approvals sought in connection with E.ON's pre-conditional offer for Powergen.

E.ON Logo

Interim Report
January 1 - June 30, 2001

- 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

I 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 Euro 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 Euro)	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.

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

As anticipated, results from ordinary business activities fell 66 percent year-on-year to Euro 2,035 million. The year-earlier number included gains from the disposition of our telecoms shareholdings, E-Plus (Euro 3.5 billion) and Cablecom (Euro 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 (Euro 110 million) and from the disposal of Bewag and HEW (Euro 102 million).

Restructuring and cost-management expenses primarily impacted ASTA Medica and MEMC. Other nonoperating earnings principally reflect the costs stemming from the merger of Degussa-Huls 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 Euro 1,155 million. The Company's tax rate climbed to 57 percent from 43 percent 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 Euro 297 million.

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

First half		pro forma	
Euro in millions	2001	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

II Performance by Division

Group sales

First half Euro in millions	2001	pro forma 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 Euro in millions	2001	pro forma 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

Energy First half Euro in millions	2001	pro forma 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
Production/sales volume	kWh in millions	kWh in millions	
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 cubed)	126,9	128,9	- 2

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 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		pro forma	+/- %
Euro in millions	2001	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 Euro 8.7 billion; adjusted for changes in Degussa's scope of consolidation, sales were up 8 percent.

At Euro 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 Euro 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.

Real Estate First half Euro 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

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 Euro 54 million. Residential Services posted a large earnings increase resulting in particular from Energy Services' business expansion.

Telecommunications First half Euro in millions	2001	pro forma 2000	+/- %

Sales	261	156	+ 67
Internal operating profit*	- 86	- 430	+ 80
Investments	134	602	- 78
- thereof: property, plant, and equipment	134	151	- 11
- thereof: financial assets	-	1	-

*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.

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.

Distribution/Logistics First half Euro in millions	2001	pro forma 2000	+/- %
Sales	8,672	12,933	- 33
Internal operating profit	166	341	- 51
Investments	151	257	- 41
- thereof: property, plant, and equipment	139	155	- 10
- thereof: financial assets	12	102	- 88

For first-half 2001, our Distribution/Logistics Division comprises only Stinnes and Klockner & 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.

Klockner & Co's sales declined due to the disposal of its trading business. On a like-for-like basis, first-half 2001 sales revenues in Klockner'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 Klockner's operations in Germany, Spain, and the U.S.

Aluminum First half Euro 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 Euro 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.

III 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 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 Euro 5.13 billion compared with Euro 5.34 billion in the year-earlier period.

IV Investments

Investments	2001		pro forma 2000	
First half		%		%
Euro in millions				
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

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

V Highlights

As part of its ongoing focus on specialty chemicals, in late May Degussa sold its dental unit for about Euro 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 Euro 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 Euro 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 Euro 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 began the process of applying for the necessary 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 Klockner & Co, a wholly owned subsidiary, to Balli Group of London. E.ON expects to realize a book gain of around Euro 150 million from the disposal. In late 2000 Balli had acquired Klockner & Co's chain-of-delivery steel trading business. The divestment of Klockner & Co represents a further milestone in E.ON's focus on its core energy business. The transaction is subject to antitrust approval.

VI 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 are forecasting 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 Klockner & 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.

VII Interim Consolidated Financial Statements

E.ON AG and Subsidiaries Consolidated Statements of Income

Second quarter		pro forma
Euro in millions	2001	2000
Sales	21,816	23,801
Petroleum and electricity taxes	- 2,131	- 2,548
Sales, net of petroleum and electricity taxes	19,685	21,253
Costs of goods sold and services provided	- 16,563	- 17,729

Gross profit from sales	3,122	3,524
Selling expenses	- 1,809	- 1,668
General and administrative expenses	- 695	- 764
Other operating income/expenses	- 31	- 261
Financial earnings, net	348	4
Results from ordinary business activities	936	835
Income taxes	- 760	- 317
Minority interests	69	- 158
Income before adjustments stemming from first-time application of SFAS 133	245	360
Adjustments stemming from first-time application of SFAS 133, after taxes	0	0
Group net income	245	360
Earnings per share (in Euro)	0.37	0.49

E.ON AG and Subsidiaries Consolidated Statements of Income

First half		pro forma
Euro in millions	2001	2000
Sales	44,535	46,192
Petroleum and electricity taxes	- 4,725	- 4,800
Sales, net of petroleum and electricity taxes	39,810	41,392
Costs of goods sold and services provided	- 33,329	- 34,429
Gross profit from sales	6,481	6,963
Selling expenses	- 3,414	- 3,351
General and administrative expenses	- 1,418	- 1,541
Other operating income/expenses	- 345	4,106
Financial earnings, net	420	- 176
Results from ordinary business activities	2,035	6,001

Income taxes	- 1,155	- 2,555
Minority interests	- 46	- 277
Income before adjustments stemming from first-time application of SFAS 133	834	3,169
Adjustments stemming from first-time application of SFAS 133, after taxes	- 2	0
Group net income	832	3,169
Earnings per share (in Euro)	1.22	4.35

E.ON AG and Subsidiaries Consolidated Balance Sheet

Euro 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

E.ON AG and Subsidiaries Consolidated Statements of Cash Flow

First half Euro 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

		Second quarter 2001	pro forma 2000	First half 2001	pro for 2000
Net income	Euro in millions	245	360	832	3,169
Number of outstanding shares (weighted average)	1,000 shares	675,046	728,048	683,982	728,0
Earnings per share	in Euro	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:

o 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 Electricitats-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.

o On February 1, 2001, E.ON Energie acquired additional shares in Sydkraft, the Malmo-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.

o On January 15, 2001, Degussa tendered a cash offer of (pound)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.

o 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 Klockner & 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 Euro 1,009 million; "Cash provided by (used for) financing activities" amounts to Euro 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 Wirtschaftsprufungsgesellschaft, Dusseldorf.

Financial Calendar

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

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."