

Financial Statements of E.ON AG for the 2001 Financial Year  
In Accordance with German GAAP

***e-on***



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E.ON AG's Financial Statements and Review of Operations for the 2001 financial year are published in the *Bundesanzeiger* and filed with the Commercial Register of the Düsseldorf District Court, HRB 22315. E.ON AG's Review of Operations is combined with the Group's and published in our 2001 Annual Report on pages 24 to 35.

E.ON AG  
PO Box 3110 51  
40410 Düsseldorf  
Germany

The German version  
of E.ON AG's Financial Statements  
is legally binding.

## Supervisory Board

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### Honorary Chairman

**Prof. Dr. Günter Vogelsang**  
Düsseldorf

### Supervisory Board

**Dr. Klaus Liesen**  
Chairman of the Supervisory Board,  
Ruhrgas AG, Essen  
Chairman

**Hubertus Schmoldt**  
Chairman of the Board of  
Management,  
Industriegewerkschaft Bergbau,  
Chemie, Energie, Hanover  
Deputy Chairman

**Dr. Karl-Hermann Baumann**  
Chairman of the Supervisory Board,  
Siemens AG, Munich

**Ralf Blauth**  
Industrial Clerk,  
Marl

**Dr. Rolf-E. Breuer**  
Spokesman of the Board of  
Management,  
Deutsche Bank AG,  
Frankfurt am Main

**Dr. Gerhard Cromme**  
Chairman of the Supervisory Board,  
ThyssenKrupp AG,  
Düsseldorf

**Wolf-Rüdiger Hinrichsen**  
Head of the Economic Affairs  
Department, E.ON AG,  
Düsseldorf

**Ulrich Hocker**  
General Manager, German  
Investor Protection Association,  
Düsseldorf

**Dr. Jochen Holzer**  
Honorary Senator, former Chairman  
of the Supervisory Board, VIAG AG,  
Munich

**Jan Kahmann**  
(since May 7, 2001)  
Member of the Board, Unified Ser-  
vice Sector Union (ver.di), Berlin

**Dr. h.c. André Leysen**  
Chairman of the Administrative  
Board,  
Gevaert N.V., Mortsel, Belgium

**Herbert Mai**  
(until May 7, 2001)  
Member of the Board of  
Management,  
Fraport AG, Frankfurt am Main

**Dagobert Millinghaus**  
Accounting and Administration  
Manager,  
Mülheim an der Ruhr

**Margret Mönig-Raane**  
Vice-Chairwoman of the Board,  
Unified Service Sector Union  
(ver.di),  
Berlin

**Ulrich Otte**  
Systems Engineer,  
Munich

**Armin Schreiber**  
Electrical Engineer,  
Grafenrheinfeld

**Dr. Henning Schulte-Noelle**  
Chairman of the Board of  
Management, Allianz AG,  
Munich

**Kurt F. Viermetz**  
Retired Vice-Chairman and  
Director of the Board,  
J.P. Morgan & Co., Inc.,  
New York

**Dr. Bernd W. Voss**  
Member of the Supervisory  
Board,  
Dresdner Bank AG,  
Frankfurt am Main

**Dr. Peter Weber**  
Director of the Legal Department,  
Degussa AG,  
Marl

**Kurt Weslowski**  
Chemical Worker,  
Gelsenkirchen

## Board of Management

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### Ulrich Hartmann

Born 1938 in Berlin  
Member of the Board of  
Management since 1989  
Chairman and co-CEO  
Düsseldorf

### Prof. Dr. Wilhelm Simson

Born 1938 in Cologne  
Member of the Board of  
Management since 2000  
Chairman and co-CEO  
Düsseldorf

### Dr. Hans Michael Gaul

Born 1942 in Düsseldorf  
Member of the Board of  
Management since 1990  
Controlling/Corporate Planning,  
M&A, Legal Affairs  
Düsseldorf

### Dr. Manfred Krüper

Born 1941 in Gelsenkirchen  
Member of the Board of  
Management since 1996  
Human Resources, Infrastructure  
and Services, Procurement,  
Organization  
Düsseldorf

### Dr. Erhard Schipporeit

Born 1949 in Bitterfeld  
Member of the Board of  
Management since 2000  
Finance, Accounting, Taxes, IT  
Düsseldorf

### Executive Vice Presidents

Dr. Peter Blau, Düsseldorf  
(since March 4, 2002)  
Bernhard Gerstenberg, Düsseldorf  
Gert von der Groeben, Düsseldorf  
Ulrich Hüppe, Düsseldorf  
Heinrich Montag, Düsseldorf  
(since March 4, 2002)  
Dr. Rolf Pohlig, Düsseldorf  
Michael Söhlke, Düsseldorf  
Hans Gisbert Ulmke, Düsseldorf

## Financial Statements of E.ON AG

Balance Sheet of E.ON AG			
€ in millions	Note	Dec. 31, 2001	Dec. 31, 2000
<b>Assets</b>			
Intangible assets		0.3	0.3
Property, plant and equipment	(1)	183.6	156.0
Financial assets			
Shares in affiliated companies	(2)	13,100.8	13,257.4
Other financial assets	(3)	1,973.2	2,147.9
<b>Fixed assets</b>	(4)	<b>15,257.9</b>	<b>15,561.6</b>
Receivables and other assets			
Receivables from affiliated companies	(5)	3,093.7	8,680.5
Other receivables and assets	(6)	732.2	365.3
Securities	(7)	696.4	978.2
Liquid funds	(8)	258.4	241.6
<b>Current assets</b>		<b>4,780.7</b>	<b>10,265.6</b>
<b>Prepaid expenses</b>	(9)	<b>4.7</b>	<b>8.8</b>
		<b>20,043.3</b>	<b>25,836.0</b>
<b>Liabilities and stockholders' equity</b>			
Capital stock	(10)	1,799.2	1,984.6
Conditional capital: €75.0 million (2000: €75.0 million)			
Additional paid-in capital	(11)	6,067.5	6,067.5
Retained earnings	(12)	1,342.9	4,309.0
Net income available for distribution	(13)	1,099.7	972.4
<b>Stockholders' equity</b>	(14)	<b>10,309.3</b>	<b>13,333.5</b>
<b>Reserves subject to future taxation</b>	(15)	<b>611.1</b>	<b>635.9</b>
Provisions for pensions	(16)	138.8	132.7
Provisions for taxes	(17)	1,808.8	1,736.6
Other provisions	(18)	722.8	591.5
<b>Provisions</b>		<b>2,670.4</b>	<b>2,460.8</b>
Bank loans		189.6	876.5
Liabilities to affiliated companies		6,102.7	6,387.4
Other liabilities		159.7	2,141.1
<b>Liabilities</b>	(19)	<b>6,452.0</b>	<b>9,405.0</b>
<b>Deferred income</b>		<b>0.5</b>	<b>0.8</b>
		<b>20,043.3</b>	<b>25,836.0</b>

Income Statement of E.ON AG			
€ in millions	Note	2001	2000
Income from equity interests	(20)	5,148.6	5,771.8
Interest income (net)	(21)	-88.6	-31.5
Other income	(22)	150.0	135.3
Personnel costs	(23)	-56.5	-91.7
Depreciation and amortization of intangible assets and property, plant and equipment		-6.3	-4.9
Write-downs of financial assets and current securities	(24)	-400.2	-35.1
Other operating expenses	(25)	-755.5	-569.9
<b>Pretax income</b>		<b>3,991.5</b>	<b>5,174.0</b>
Extraordinary expenses	(26)	-	-1,164.3
Taxes	(27)	-1,872.5	-2,215.6
<b>Net income</b>		<b>2,119.0</b>	<b>1,794.1</b>
Earnings carried forward		14.0	-
Net income transferred to retained earnings		-1,033.3	-821.7
<b>Net income available for distribution</b>		<b>1,099.7</b>	<b>972.4</b>

## Notes

Development of Fixed Assets of E.ON AG									
€ in millions	Acquisition/production costs					Accumulated depreciation & write-downs Dec. 31, 2001	Net book value		
	Jan. 1, 2000	Additions	Disposals	Transfers	Dec. 31, 2001		Dec. 31, 2001	Dec. 31, 2000	Depreciation & write-downs at Dec. 31, 2001
Licenses, commercial and similar rights									
<b>Intangible assets</b>	<b>2.2</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>2.5</b>	<b>2.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
Real estate, leasehold rights and buildings, including buildings on land owned by third parties	146.0	20.9	2.0	61.7	226.6	62.9	163.7	85.2	2.4
Technical equipment, plant and machinery	7.2	-	-	-	7.2	7.2	-	-	-
Other plant, fixtures, furniture and office equipment	25.2	7.1	1.1	-	31.2	18.6	12.6	9.1	3.6
Advance payments and construction in progress	61.7	7.3	-	-61.7	7.3	-	7.3	61.7	-
<b>Property, plant and equipment</b>	<b>240.1</b>	<b>35.3</b>	<b>3.1</b>	<b>-</b>	<b>272.3</b>	<b>88.7</b>	<b>183.6</b>	<b>156.0</b>	<b>6.0</b>
Shares in affiliated companies	13,295.8	85.2	11.0	-	13,370.0	269.2	13,100.8	13,257.4	230.9
Long-term loans to affiliated companies	1,480.0	101.1	370.3	-	1,210.8	-	1,210.8	1,480.0	138.4
Shares in associated and other companies	141.5	175.1	11.2	-	305.4	-	305.4	141.5	-
Long-term loans to companies in which share investments are held	492.4	-	189.0	-	303.4	-	303.4	473.2	-
Long-term securities	50.6	151.9	52.1	-	150.4	-	150.4	50.6	-
Other long-term loans	4.9	1.0	0.5	-	5.4	2.2	3.2	2.6	-
<b>Financial assets</b>	<b>15,465.2</b>	<b>514.3</b>	<b>634.1</b>	<b>-</b>	<b>15,345.4</b>	<b>271.4</b>	<b>15,074.0</b>	<b>15,405.3</b>	<b>369.3</b>
<b>Fixed assets</b>	<b>15,707.5</b>	<b>549.9</b>	<b>637.2</b>	<b>-</b>	<b>15,620.2</b>	<b>362.3</b>	<b>15,257.9</b>	<b>15,561.6</b>	<b>375.6</b>



**Accounting and Valuation Policies.** Intangible assets are valued at acquisition cost and amortized on schedule using the straight-line method over a period of three years.

Property, plant and equipment are valued at acquisition or production cost less scheduled depreciation. Buildings are generally depreciated using the straight-line method over a useful life of up to 50 years. Depreciation on movable fixed assets is generally calculated as permissible under tax law using the declining-balance method. The full rate of depreciation is charged on additions during the first six months, and a half rate is charged on additions during the second half of the year. The declining-balance method of depreciation is replaced by the straight-line method according to schedule when the allocation of the residual book value over the remaining useful life leads to increased depreciation amounts.

Movable fixed assets acquired after December 31, 2000 have a declining-balance depreciation that is less than three times the depreciation ratio using the straight-line method, or 30 percent (ceiling pursuant to tax law); it amounts to twice the depreciation ratio using the straight-line method, or 20 percent. Continuing to apply the declining-balance depreciation ratio of 30 percent would cause the depreciation of property, plant and equipment added in the 2001 financial year to be €283,000 higher, and the amount stated for other plant, fixtures, furniture, and office equipment would have been correspondingly lower. Low-value assets are depreciated in full in their year of addition.

Shares in affiliated companies and equity interests are valued at acquisition cost or at lower adjusted value as necessary. Interest-bearing loans are shown at nominal value, interest-free loans, or loans yielding low interest, at their present value. Long-term securities are stated at amortized acquisition cost. The values of receivables and other assets are adjusted to allow for recognizable individual risks. Current securities are valued at acquisition cost or lower market or repurchase value as appropriate.

Cash and cash equivalents denominated in foreign currencies are translated at the exchange rate as of the balance-sheet date.

Derivative financial instruments are used to hedge against interest-rate and currency risks arising from booked, pending and planned underlying transactions. Booked and pending underlying transactions as well as their respective hedges are assigned to portfolios. These are set up for each currency and, within each currency, separately for currency and interest-rate hedging instruments. Transactions assigned to a portfolio are separately valued at market value as of the balance-sheet date. The portfolio's valuation result is derived from the difference between market values and acquisition costs. According to accounting policies under German commercial law, a portfolio with a negative valuation result gives rise to a provision for imminent losses from pending transactions; a positive market value is disregarded. In addition, hedging transactions may be assigned directly to booked and pending underlying transactions and combined with them to form valuation units.

Untaxed reserves and extraordinary fiscal write-downs are stated under reserves subject to future taxation. The transfer of untaxed reserves to replacement assets is recorded as a reclassification under reserves subject to future taxation.

Provisions for pensions are computed actuarially at their present value with an interest rate of 6 percent based on the new 1998 Heubeck mortality tables and cover all commitments. Other provisions cover all recognizable risks and other obligations.

## Notes

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Liabilities are shown at their nominal value, annuities at their present value. Values for contingent liabilities resulting from guarantees and warranties correspond to the credit amounts still outstanding on the balance-sheet date.

E.ON AG's accounts were converted from deutsche marks to euros effective January 1, 2001. Disclosures made in the Financial Statements are denominated in millions of euros (€).

### Notes to the Balance Sheet

#### (1) Property, Plant and Equipment

€20.5 million of the €35.3 million in additions are allocable to the construction of a new administrative building. Disposals relate to business equipment and other assets, as well as the sale of real estate and buildings.

#### (2) Shares in Affiliated Companies

Shares in affiliated companies were down a net €156.6 million to €13,100.8 million.

Additions amounted to €85.2 million and principally relate to intercompany additions, capital increases and new foundations. Write-downs of shares in affiliated companies in the 2001 financial year totaled €230.9 million, of which €206.3 million are allocable to an equity interest that incurred book losses within the scope of the divestment of our shareholding in MEMC.

A list of E.ON AG's shareholdings as of December 31, 2001 has been filed in the Commercial Register of the Düsseldorf District Court under HRB 22 315.

#### (3) Other Financial Assets

Long-term loans amounting to €1,517.4 million, shareholdings amounting to €305.4 million, and long-term securities amounting to €150.4 million and are included in other financial assets.

As to long-term loans, additions of €102.1 million granted mainly to affiliated companies are offset by repayments of €540.5 million. With regard to long-term loans to affiliated companies, in the year under review, a write down of €138.4 million was made for long-term loans granted to MEMC.

Shareholdings rose from €163.9 million to €305.4 million.

Long-term securities consist of foreign debenture stocks.

#### (4) Fixed Assets

The breakdown and development of fixed asset items shown in the Balance Sheet are presented on page 06.

#### (5) Receivables from Affiliated Companies

Receivables include loans, time deposits, and amounts from affiliated companies resulting from profit-and-loss-pooling agreements as well as distributable profit from affiliated companies. Of the receivables, €279.2 million have a remaining term of more than one year (December 31, 2000: €451.4 million).

## (6) Other Receivables and Assets

Other assets mainly relate to tax refund claims and interest receivables.

€ in millions	Dec. 31, 2001	Dec. 31, 2000
Accounts receivable from associated companies and other share investments	0.1	0.3
Other assets	732.1	365.0
	<b>732.2</b>	<b>365.3</b>

## (7) Securities

The May 25, 2000 Annual Shareholders' Meeting had authorized the Corporation to buy back its own shares, corresponding to no more than 10 percent of its capital stock at the time of purchase until October 31, 2001. This resolution was annulled at the 2001 Annual Shareholders' Meeting and the Corporation was authorized to buy back its own shares, corresponding to no more than 10 percent of its capital stock at the time of purchase until October 31, 2002.

As of October 31, 2001, a total of 76,329,887 E.ON shares had been bought back on the stock market at an average purchase price of €58.69, corresponding to 10 percent of the Corporation's capital stock. 71,298,875 E.ON shares were canceled as per the November 13, 2001 resolution of the Board of Management with the approval of the Supervisory Board, which was issued on December 12, 2001.

Furthermore, 345,485 shares were used to issue employee shares, which were sold to 18,533 staff members at preferential prices ranging between €26.59 and €49.35 per share. The differential is included in the personnel costs of the Group companies and E.ON AG. Another 16,447 shares were distributed among entitled E.ON Group staff members as bonus shares within the scope of the E.ON investment scheme.

As of December 31, 2001, E.ON still had 4,669,080 E.ON shares on its books. They are to be held in order to provide financial security for E.ON's stock option scheme and sold on the stock market whenever options are exercised. A valuation allowance of €2.7 million was made due to the share's lower quotation on the stock market on the balance-sheet date.

€ in millions	Dec. 31, 2001	Dec. 31, 2000
Own shares	271.7	925.1
Other securities	424.7	53.1
	<b>696.4</b>	<b>978.2</b>

Other securities include €400 million in securities with variable interest rates. They also include €15.6 million in shares in non-Group companies that may be sold at any time. A further €9.1 million relate to shares in equity and pension funds.

Due to their lower stock-market quotation as of the balance-sheet date, a €27.5 million value adjustment had to be made to shares in outside companies.

## (8) Liquid funds

As of the balance-sheet date, liquid funds, which primarily consist of bank balances, were up €16.8 million.

## (9) Prepaid Expenses

This item includes compensatory payments of €1.6 million for the cancellation or assignment of financial instruments that were reduced by €3.8 million owing to reversals.

## Notes

### (10) Capital Stock

Pursuant to the May 25, 2000 Annual Shareholders' Meeting resolution, the Corporation was authorized to buy back up to 10 percent of the Corporation's capital stock in shares until October 31, 2001. This resolution was annulled at the 2001 Annual Shareholders' Meeting and the Corporation was authorized to buy back its own shares, corresponding to no more than 10 percent of its capital stock until October 31, 2002.

Furthermore, subject to the approval of the Supervisory Board, the Board of Management was authorized to cancel the shares purchased by exercising the authorization without the cancellation or exercise requiring a new resolution from the Annual Shareholders' Meeting. As of October 31, 2001, a total of 76,329,887 E.ON shares had been bought back on the stock market at an average purchase price of €58.69, corresponding to 10 percent of the Corporation's capital stock.

At its November 13, 2001 session, the Board of Management of E.ON AG adopted a resolution to cancel 71,298,875 shares. The Supervisory Board approved the resolution on December 12, 2001. The entry into the Düsseldorf Commercial Register (HRB 22315) was made on December 27, 2001.

Now that employee and bonus shares have been issued, 4,669,080 shares totaling €271.7 million are stated under securities as own shares.

Therefore, the capital stock is split among 692,000,000 shares without nominal value and amounts to 1,799,200,000 euros.

At the 2000 Annual Shareholders' Meeting, the Board of Management was authorized to increase the Corporation's capital stock by up to €180.0 million (Authorized Capital I) through the issuance of new shares in return for cash with the option of limiting shareholder subscription rights, and to increase the Corporation's capital stock by up to €180.0 million (Authorized Capital II) through the issuance of new shares in return for contributions in kind under the exclusion of shareholder subscription rights. Authorized Capital II amounts to €150.4 million as a result of the capital increase that was performed in 2000.

Furthermore, the Board of Management was authorized to increase the Corporation's capital stock by up to €180.0 million (Authorized Capital III) through the issuance of new shares in return for cash. The

Board of Management shall furthermore be empowered, subject to the consent of the Supervisory Board, to rule on the exclusion of shareholders' preemptive rights.

All three capital amounts expire on May 25, 2005.

Furthermore, a resolution was passed to use conditional capital in the amount of €75.0 million—with the option of excluding subscription rights—to issue fractional bonds with convertible or option rights to shares in E.ON AG or in companies in which E.ON AG holds direct or indirect majority stakes.

Munich-based Allianz AG informed us pursuant to Sec. 21, 22 of the *German Securities Trading Act (WpHG)* that it accounted for less than 10 percent of the voting rights in E.ON AG on July 26, 2001 owing to the merger between Lambda Vermögensverwaltungsgesellschaft mbH and our company. Allianz Aktiengesellschaft owns 7.59 percent of our voting stock. According to Sec. 22, Para. 1, No. 2 of the *German Securities Trading Act (WpHG)*, its share in our voting stock includes 7.48 percent of our voting rights. Furthermore, the Free State of Bavaria informed us pursuant to Sec. 21, Para. 1 of the *German Securities Trading Act (WpHG)* that the Free State of Bavaria owned less than 5 percent of Düsseldorf-based E.ON AG's voting stock on July 16, 2001 and that, based on E.ON's buy-back of 7.4 percent of its own shares, it now accounts for 4.86 percent of the company's share capital that carries voting rights.

### (11) Additional Paid-In Capital

Additional paid-in capital exclusively stems from share issuance premiums and remains unchanged from its December 31, 2000 level at €6,067.5 million.

## (12) Retained Earnings

Retained earnings break down as shown in the table.

Reserves for own shares changed by a net €653.4 million due to the cancellation of shares.

€3,346.0 million were offset against other retained earnings owing to the cancellation of own shares (see Note 10).

Moreover, in the year under review, €1,033.3 million (previous year: €821.7 million) of the Corporation's net income of €2,119.0 million (previous year: €1,794.1 million) were transferred to other retained earnings.

€ in millions	Dec. 31, 2001	Dec. 31, 2000
Legal reserves	45.3	45.3
Reserves for own shares	271.7	925.1
Other retained earnings	1,025.9	3,338.6
	<b>1,342.9</b>	<b>4,309.0</b>

## (13) Net Income Available for Distribution

Net income available for distribution amounts to €1,099.7 million and includes €14.0 million in undistributed net income carried forward.

## (14) Stockholders' Equity

Development of stockholders' equity is as follows:

€ in millions	2001				2000	
	Capital stock	Additional paid-in capital	Retained earnings	Net income available for distribution	Total	Total
<b>January 1</b>	<b>1,984.6</b>	<b>6,067.5</b>	<b>4,309.0</b>	<b>972.4</b>	<b>13,333.5</b>	<b>12,215.0</b>
Capital reduction through the cancellation of shares	-185.4		-3,999.4		-4,184.8	
Dividend of E.ON AG for the previous year				-954.3	-954.3	
Change in the corporate tax reduction due to the deviation of the proposal for the appropriation of income available for distribution due to the share buyback				-4.1	-4.1	
Transfer from net income to retained earnings			1,033.3		1,033.3	821.7
Income earmarked for distribution				1,085.7	1,085.7	972.4
Merger transaction; 10 percent of VIAG's stockholders' equity						-437.3
Dividend of VEBA AG for the previous year						-628.5
Dividend of VIAG AG for the previous year						-221.4
Capital increase from the partial utilization of Authorized Capital II						611.6
<b>December 31</b>	<b>1,799.2</b>	<b>6,067.5</b>	<b>1,342.9</b>	<b>1,099.7</b>	<b>10,309.3</b>	<b>13,333.5</b>

## Notes

### (15) Reserves Subject to Future Taxation

€ in millions	Dec. 31, 2001	Dec. 31, 2000
Untaxed reserves		
acc. to Sec. 6b, German Income Tax Act (EStG)	37.3	110.5
Sec. 52 (16), German Income Tax Act (EStG)	33.2	49.8
Write downs in acc. with the Coal Adjustment Act, Plant Closures Act, Sec. 35, German Income Tax Regulation, Sec. 6b, German Income Tax Act, and Rationalization Act on		
Property, plant and equipment	251.1	174.5
Financial assets	289.5	301.1
	<b>611.1</b>	<b>635.9</b>

An increase of €9.5 million was offset by reversals of €24.7 million. Furthermore, fiscal value allowances made for financial assets in the amount of €9.6 million were brought into a subsidiary without an effect on income within the scope of the incorporation of shares in that subsidiary. In the year under review, €83.6 million were transferred to a newly constructed administrative building, including fixtures, furniture and office equipment. The transfer has been recorded as a reclassification of untaxed reserves as value allowances under fiscal law. Income rose to €9.3 million after taxes because of the change in this exceptional item. The extent of future burdens is negligible.

### (16) Provisions for Pensions

As regards provisions for pensions, €9.5 million in drawings and €0.3 million in deductions were contrasted by €15.5 million in additions and €0.4 million in take-ups.

### (17) Provisions for Taxes

Provisions for taxes relate to audit periods that are still open (cf. Note 27). As in the prior year, deferred tax liabilities are not included in provisions for taxes. Deferred tax assets are not considered since this kind of accounting aid is not stated in the individual financial statements pursuant to E.ON's accounting principles.

### (18) Other Provisions

This item includes provisions for claims in the amount of €151.4 million for reclamations resulting from the operation of closed mines formerly operated by acquired mining companies. The number of pits for which E.ON AG has to make commitments to remedy mining damages rose due to a legal appraisal. As a result of the updating of the pit survey, the transfer to provisions amounted to €56.8 million. Net of €0.1 million in drawings, the provision for the tax-related interest expense was increased by a total of €63.4 million to €399.3 million.

Furthermore, provisions have been built to cover various risks associated with the disposal of financial assets in the Group, impending losses from financial transactions, rent default risks, costs associated with preparing financial statements, end-of-year and anniversary bonuses, old-age part-time, severance and vacation commitments, obligations in connection with a redundancy scheme, and outstanding invoices.

## (19) Liabilities

The decline in other liabilities was mainly driven by the reversal of drawings on commercial papers (€1,872.2 million) and medium-term notes (€109.2 million).

The reduction of bank liabilities principally stems from a decline in the assumption of time deposits.

€ in millions	Dec. 31, 2001				Dec. 31, 2000
	Total	With a maturity of			
		up to 1 year	over 1 and up to 5 years	over 5 years	
Banks	189.6	189.6	0.0	0.0	876.5
Accounts payable	22.0	22.0	0.0	0.0	8.7
Affiliated companies	6,102.7	6,102.7	0.0	0.0	6,387.4
Associated and other companies	25.6	25.4	0.1	0.1	37.1
secured by mortgages	(0.2)	(0.0)	(0.1)	(0.1)	(0.2)
Other liabilities	112.1	104.1	4.3	3.7	2,095.3
taxes	(0.1)	(0.1)	(0.0)	(0.0)	(0.3)
social security	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
secured by mortgages	(1.7)	(0.2)	(0.5)	(1.0)	(1.7)
	<b>6,452.0</b>	<b>6,443.8</b>	<b>4.4</b>	<b>3.8</b>	<b>9,405.0</b>

### Contingent Liabilities & Other Financial Obligations.

Contingent liabilities are as at right.

E.ON AG has committed itself to repurchase long-term bonds issued by E.ON North America Inc. totaling €76.7 million from several Group companies that purchased the bonds.

Furthermore, as of December 31, 2001, E.ON AG had assumed guarantees principally for Degussa AG (€145.2 million), E.ON Energie AG (€53.7 million), Vitera AG (€46.4 million) and VIAG Connect Gesellschaft für Telekommunikation GmbH (€36.3 million).

In accordance with Sec. 322, Para. 1 of the *German Stock Corporation Act (AktG)*, E.ON AG is liable for the liabilities of Stinnes Vermögensverwaltungs-AG and Chemie-Verwaltungs-AG, both of which are included in the accounts.

€ in millions	Dec. 31, 2001	Dec. 31, 2000
Contingent liabilities resulting from warrantees	76.7	42.9
Contingent liabilities resulting from guarantees	319.7	687.9
	<b>396.4</b>	<b>730.8</b>

Other financial liabilities totaled €264.9 million as of December 31, 2001. They primarily relate to obligations entered into by E.ON AG in connection with the divestment of operations that are no longer part of the E.ON Group's core business.

## Notes

### Notes to the Income Statement

#### (20) Income From Equity Interests

€ in millions	2001	2000
Income from profit- and loss-pooling agreements	2,950.0	2,766.0
Income from Group allocations	1,921.0	1,547.0
Income from companies in which share investments are held	278.1	1,458.9
thereof from affiliated companies	(276.6)	(1,424.5)
Losses from profit- and loss-pooling agreements	-0.5	-0.1
	<b>5,148.6</b>	<b>5,771.8</b>

€ in millions	2001	2000
E.ON Energie AG	1,307.2	1,650.8
E.ON Telecom GmbH	972.8	601.0
VEBA Oel AG	454.7	316.5
Viterra AG	181.2	143.7
Stinnes Vermögensverwaltungs-AG	-	28.6
Others	34.1	25.4
	<b>2,950.0</b>	<b>2,766.0</b>

Income from profit- and loss-pooling agreements includes the amounts as shown in the table.

A total of €34.9 million was transferred to retained earnings at a subsidiary. In the previous year, €484.9 million were transferred to retained earnings at a subsidiary.



**(21) Interest Income (net)**

Interest income includes an addition to provisions for tax-related interest expenses in the amount of €63.4 million (previous year: €75.2 million). Net of this effect, the decline in interest income stemmed from the smaller volume of available financial resources, which was principally due to the share buyback program, and the absence of the interest on MEMC's loan portfolio.

€ in millions	2001	2000
Income from other securities and long-term loans included in financial assets	132.2	126.0
thereof from affiliated companies	(80.4)	(109.5)
Other interest and similar income	397.9	282.4
thereof from affiliated companies	(223.6)	(187.7)
Interest and similar expenses	-618.7	-439.9
thereof to affiliated companies	(-519.0)	(-267.4)
	<b>-88.6</b>	<b>-31.5</b>

**(22) Other Operating Income**

Income from assets disposals originates from the divestment of fixed assets and the disposal of securities held as financial assets. Income from the reversal of reserves subject to future taxation primarily stems from the reversal of the exceptional item pursuant to Sec. 52 (16) of the *German Income Tax Act (EstG)*.

Other income principally includes income from the reversal of provisions (€29.6 million), income from cross-currency swaps and currency option premiums (€36.2 million), net rental income from the housing sector and rental income from commercial space and fixtures (€11.2 million) as well as income from the allocation of other costs (€25.5 million).

€ in millions	2001	2000
Income from the disposal of fixed assets	8.4	4.6
Income from the reversal of reserves subject to future taxation	24.7	49.0
Other	116.9	81.7
	<b>150.0</b>	<b>135.3</b>

## Notes

### (23) Personnel Costs

€ in millions	2001	2000
Wages and salaries	37.6	67.0
Social security contributions, pension costs and other employee benefits	18.9	24.7
for pensions	(15.8)	(21.2)
	<b>56.5</b>	<b>91.7</b>

The decline in personnel costs is mainly due to the reduction of the work force. In addition, personnel costs included severance payments and merger-induced bonuses in the previous year.

The stock option program that was introduced in 1999 for top-level executives at E.ON AG and various Group companies was continued in 2001. A total of 373,900 virtual stock options (second tranche: 327,000; first tranche: 242,900) was granted to members of the Board of Management and top-flight executives of E.ON AG within the scope of a third tranche.

The number of options awarded to qualified individuals on the Board of Management was determined by the Presiding Committee of the Supervisory Board of E.ON AG, and by the Board of Management for other entitled individuals.

The option's conditions are the same as the ones that applied to the issuance of the second tranche. Stock options awarded in the second and third tranches have a term of seven years (first tranche: 5 years) and may be exercised in full or in parts within certain periods from 2002 to 2006 and 2003 to 2007 (first tranche: 2002 and 2003). Options that remained unexercised as of the last cutoff date (four weeks after the publica-

tion of the Interim Reports for the Periods Ended in Q3 2006 and 2007) are considered as having been exercised automatically as of such date. None of the third-tranche stock options were exercisable on December 31, 2001.

On exercise of second- or third-tranche stock options, the beneficiary receives a cash compensation equaling the difference between E.ON's share price at the time of exercise and at the time of issuance, multiplied by the number of options exercised. As of the balance-sheet date, the internal value the second tranche amounted to €9.83 (previous year: €16.45), while the corresponding figure for the third tranche was a negative €4.77. Options may only be exercised if the E.ON share outperforms the Stoxx Utilities Price Index for at least ten consecutive stock-market trading days during the term of the tranche and E.ON's share price has risen by at least 20 percent over its stock-market quotation at the time of issuance. These options can only be issued if the beneficiary owns a certain number of shares in E.ON, which must be held until the options issued in 2000 and/or 2001 become exercisable.

On exercise of first-tranche options, the profit from the exercise is derived from the difference between the share price's six-month average leading up to the exercise and the indexed share price. The indexed share price is calculated by multiplying the share price at issuance with the quotient resulting from the Euro Stoxx 50 Performance Index's average development in the last six months prior to the exercise of the option and its quotation at the time of issuance. As of the balance-sheet date, this figure was €3.32.

To cover commitments arising from first- and second-tranche options, provisions of €0.8 million and €3.0 million were built, respectively (previous year: €0.0 and €5.1 million, respectively). No expenses had to be considered for options from the third tranche.

#### (24) Write-downs of Financial Assets and Current Securities

Write-downs of financial assets amounted to €369.3 million (cf. Note 2). Due to lower stock-market quotations as of the balance-sheet date, write-downs of current securities totaled €30.9 million (cf. Note 7).

#### (25) Other Operating Costs

Other operating costs include €9.5 million in additions to reserves subject to future taxation (previous year: €4.3 million). Additionally, expenses from the assessment of receivables, fees, additions to provisions, cross-currency swaps, currency option premiums, costs incurred for the preparation of the financial statements, expenses from currency exchange differences, membership fees and other administrative expenses are included herein.

#### (26) Extraordinary Expenses

In the previous year, this item disclosed the merger-related loss of €1,154.3 million and the realty transfer tax burden of €10.0 million owing to the VEBA-VIAG merger.

#### (27) Taxes

€ in millions		
	2001	2000
Income taxes	1,872.1	2,215.0
Other taxes	0.4	0.6
	<b>1,872.5</b>	<b>2,215.6</b>

Income taxes include current taxes as well as the expense of building provisions to cover burdens possibly arising in prior years.

Notes

**Personnel.** On average, the number of people employed in the 2001 financial year dropped by 54 to 311, including 7 trainees.

**Additional Information.** Munich-based Lambda-Vermögensverwaltungsgesellschaft mbH (referred to for short as “Lambda” hereinafter) and Düsseldorf-based E.ON AG entered into a merger agreement on March 27, 2001. Pursuant to this merger agreement, Lambda shall transfer its assets in their entirety along with all rights and obligations pertaining thereto under rescission without liquidation in accordance with Sec. 2, Para. 1 of the *German Transformation Act (UmwG)* to the assuming company, E.ON AG (merger via assumption). The May 18, 2001 Annual Shareholders’ Meeting approved the agreement.

E.ON AG assumed Lambda’s assets according to the internal relationship as of the end of February 28, 2001 (transfer deadline per tax law). From the beginning of March 1, 2001 onwards (merger cutoff date), all actions and business transactions undertaken by Lambda shall be considered as having been undertaken on behalf of E.ON AG. The merger was entered into the Düsseldorf Commercial Register (HRB 22315) on July 26, 2001.

E.ON AG has maintained all the amounts stated as transferred assets and liabilities on Lambda’s closing balance sheet on its own accounts (book-value link).

Provided that the Annual Shareholders’ Meeting approves the proposed dividend, total remunerations to the members of the Supervisory Board and Board of Management will amount to €2.1 million and €7.9 million, respectively.

Total payments to retired members of the Board of Management and their beneficiaries amount to €3.5 million.

A provision for the pension obligations of E.ON AG for retired members of the Board of Management and their beneficiaries amounts to €35.1 million.

The members of the Supervisory Board and Board of Management are listed on pages 02 and 03.

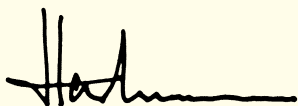
Dividend Proposal.

		€
In 2001, net income amounted to		2,119,018,242.43
Taking into account the earnings carried forward from the previous year of		14,055,690.16
and the transfers to other retained earnings of		1,033,343,958.19
results in net income available for distribution of		1,099,729,974.40

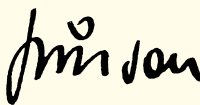
We propose to the Annual Shareholders’ Meeting that the €1,099,729,974.40 in net income available for distribution for the 2001 financial year be appropriated to distribute a dividend of €1.60 per individual share certificate with dividend entitlements.

Düsseldorf, March 4, 2002

Board of Management



Hartmann



Simson



Gaul



Krüper



Schipporeit

**Report of Independent Auditors.** We have audited the annual financial statements, together with the bookkeeping system, and the management report of E.ON AG for the business year from January 1, 2001 to December 31, 2001. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the dis-

closures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Düsseldorf, March 7, 2002

PwC Deutsche Revision  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
(Certified Public Accountants)

Wiegand  
Wirtschaftsprüfer  
(German Certified  
Public Accountant)

Granderath  
Wirtschaftsprüfer  
(German Certified  
Public Accountant)

## Mandates of Board Members

Information on additional mandates carried by members of E.ON AG's Supervisory Board

**Dr. Klaus Liesen**

Chairman of the Supervisory Board, Ruhrgas AG  
Chairman

- Allianz AG (Chairman)
- Preussag AG
- Ruhrgas AG (Chairman)
- Volkswagen AG (Chairman)
- Beck GmbH & Co. KG

**Hubertus Schmoldt**

Chairman of the Board of Management, Industriegewerkschaft Bergbau, Chemie, Energie  
Deputy Chairman

- Bayer AG
- Buna Sow Leuna Olefinverbund GmbH
- RAG Coal International AG

**Dr. Karl-Hermann Baumann**

Chairman of the Supervisory Board, Siemens AG

- Deutsche Bank AG
- Linde AG
- mg technologies AG
- Schering AG
- Siemens AG (Chairman)
- ThyssenKrupp AG
- Wilhelm von Finck AG

**Ralf Blauth**

Industrial Clerk,  
• Degussa AG

**Dr. Rolf-E. Breuer**

Spokesman of the Board of Management, Deutsche Bank AG

- DB Industrial Holdings AG<sup>1</sup> (Chairman)
- Bertelsmann AG
- Deutsche Börse AG (Chairman)
- Deutsche Lufthansa AG
- Münchener Rückversicherungs-Gesellschaft AG
- Siemens AG
- Compagnie de Saint-Gobain S.A.
- Landwirtschaftliche Rentenbank

**Dr. Gerhard Cromme**

Chairman of the Supervisory Board, ThyssenKrupp AG

- Allianz AG
- Ruhrgas AG
- ThyssenKrupp AG (Chairman)
- Volkswagen AG
- ABB AG
- Suez S.A.
- Thales S.A.

**Ulrich Hocker**

General Manager, German Investor Protection Association

- Brau und Brunnen AG
- CBB Holding AG (Chairman)
- Karstadt Quelle AG
- ThyssenKrupp Steel AG
- Gartmore Capital Strategy Fund
- Phoenix Mecano AG

**Dr. Jochen Holzer**

Honorary Senator, former Chairman of the Supervisory Board, VIAG AG

- Bayerische Dienstleistungsgesellschaft für betriebliche Altersversorgung Holding AG

**Jan Kahmann**

(since May 7, 2001)  
Member of the Board, Unified Service Sector Union (ver.di)  
• Eurogate Beteiligungs GmbH  
• Lufthansa Technik AG  
• Preussag AG

**Dr. h. c. André Leysen**

Chairman of the Administrative Board, Gevaert N.V.  
• Agfa-Gevaert AG (Chairman)  
• Bayer AG  
• Deutsche Telekom AG  
• Schenker AG  
• Agfa-Gevaert N.V. (Chairman)  
• Gevaert N.V. (Chairman)

**Herbert Mai**

(until May 7, 2001)  
Member of the Board of Management, Fraport AG  
• Deutsche Lufthansa AG (until March 31, 2001)

As of December 31, 2001, or the date of retirement from E.ON AG's Supervisory Board

- Supervisory Board mandates in accordance with Sec. 100, Para. 2 of the German Stock Corporation Act (AktG)
- Membership in comparable domestic and foreign supervisory bodies of commercial enterprises

<sup>1</sup>Exempted Group mandate

<sup>2</sup>Other Group mandate

**Dagobert Millinghaus**

Accounting and Administration  
Manager

- Stinnes AG

**Margret Mönig-Raane**

Vice-Chairwoman of the Board,  
Unified Service Sector Union  
(ver.di)

- Deutsche Bank AG

**Ulrich Otte**

Systems Engineer

- E.ON Energie AG
- E.ON Kraftwerke GmbH

**Dr. Henning Schulte-Noelle**

Chairman of the Board of  
Management, Allianz AG

- Allianz Lebensversicherungs-AG<sup>1</sup>  
(Chairman)
- Allianz Versicherungs-AG<sup>1</sup>  
(Chairman )
- Dresdner Bank AG<sup>1</sup> (Chairman)
- BASF AG
- Linde AG
- Münchener Rückversicherungs-  
Gesellschaft AG
- Siemens AG
- ThyssenKrupp AG
- AGF S.A.<sup>2</sup>
- RAS S.p.A.<sup>2</sup>

**Kurt F. Viermetz**

Retired Vice-Chairman and  
Director of the Board,  
J.P. Morgan & Co., Inc.

- Bayerische Hypo- und  
Vereinsbank AG (Chairman)
- Grosvenor Estate Holdings

**Dr. Bernd Voss**

Member of the Board of  
Management, Dresdner Bank AG

- Deutsche Hypothekenbank  
Frankfurt-Hamburg AG<sup>1</sup>
- Dresdner Bauspar AG<sup>1</sup>
- Oldenburgische Landesbank AG<sup>1</sup>  
(Chairman)
- Continental AG
- Deutsche Schiffsbank AG  
(Chairman)
- Karstadt Quelle AG
- Preussag AG
- Quelle AG
- Volkswagen AG
- Wacker Chemie GmbH
- Bankhaus Reuschel & Co.  
(Chairman)

**Dr. Peter Weber**

Director of the Legal Department,  
Degussa AG

- Wohnungsgesellschaft Hüls mbH

**Kurt Weslowski**

Chemical Worker

- VEBA Oel AG
- VEBA Oil Refining &  
Petrochemicals GmbH

## Mandates of Board Members

### Mandates carried by members of E.ON AG's Board of Management

#### Ulrich Hartmann

Member of the  
Board of Management  
Chairman and co-CEO

- E.ON Energie AG<sup>1</sup> (Chairman)
- VEBA Oel AG<sup>1</sup> (Chairman)
- Deutsche Lufthansa AG
- Hochtief AG
- IKB Deutsche Industriebank AG (Chairman)
- Münchener Rückversicherungs-Gesellschaft AG (Chairman)
- RAG Aktiengesellschaft (Chairman)
- Henkel KGaA

#### Prof. Dr. Wilhelm Simson

Member of the  
Board of Management  
Chairman and co-CEO

- Degussa AG<sup>1</sup> (Chairman)
- VIAG Telecom AG<sup>1</sup> (Chairman)

#### Dr. Hans Michael Gaul

Member of the  
Board of Management  
Controlling/Corporate Planning,  
M&A, Legal Affairs

- Degussa AG<sup>1</sup>
- E.ON Energie AG<sup>1</sup>
- Stinnes AG<sup>1</sup> (Chairman)
- VEBA Oel AG<sup>1</sup>
- Viterro AG<sup>1</sup> (Chairman)
- Allianz Versicherungs-AG
- DKV AG
- RAG Aktiengesellschaft
- Steag AG
- Volkswagen AG
- E.ON North America, Inc.<sup>2</sup>

#### Dr. Manfred Krüper

Member of the  
Board of Management  
Human Resources, Infrastructure  
and Services, Procurement,  
Organization

- Stinnes AG<sup>1</sup>
- VAW aluminium AG<sup>1</sup>
- Viterro AG<sup>1</sup>
- VEBA Oel AG<sup>1</sup>
- RAG Aktiengesellschaft
- RAG Immobilien AG
- Victoria Versicherung AG
- Victoria Lebensversicherung AG
- E.ON North America, Inc.<sup>2</sup> (Chairman)

#### Dr. Erhard Schipporeit

Member of the  
Board of Management  
Finance, Accounting, Taxes, IT

- Degussa AG<sup>1</sup>
- E.ON Energie AG<sup>1</sup>
- VAW aluminium AG<sup>1</sup> (Chairman)
- VIAG Telecom AG<sup>1</sup>
- AXA Colonia Lebensversicherung AG
- Commerzbank AG
- Schmalbach-Lubeca AG (Chairman)
- Connect Austria GmbH<sup>2</sup>
- E.ON Risk Consulting GmbH<sup>2</sup> (Chairman)

As of December 31, 2001,

- Supervisory Board mandates in accordance with Sec. 100, Para. 2 of the German Stock Corporation Act (AktG)
- Membership in comparable domestic and foreign supervisory bodies of commercial enterprises

<sup>1</sup>Exempted Group mandate

<sup>2</sup>Other Group mandate



