INFORMATION MEMORANDUM

BÖRSENZULASSUNGSPROSPEKT
(gemäß § 44 BörsZulV)

E.ON AG

(Düsseldorf, Federal Republic of Germany)

as Issuer and, in respect of Notes issued by
E.ON International Finance B.V. and E.ON UK Finance plc, as Guarantor

E.ON International Finance B.V.

(Rotterdam, The Netherlands)

as Issuer

E.ON UK Finance plc

(London, United Kingdom)

as Issuer

EURO 20,000,000,000
Medium Term Note Programme

The notes (the "Notes") to be issued under the € 20,000,000,000 Medium Term Note Programme (the "Programme") are admitted for official quotation on the Frankfurt Stock Exchange and application has been made to list the Notes issued under the Programme on the Luxembourg Stock Exchange. Notes issued under the Programme may also be listed on an alternative stock exchange or may not be listed at all.

The payments of all amounts due in respect of Instruments issued by E.ON International Finance B.V. and E.ON UK Finance plc will be unconditionally and irrevocably guaranteed by E.ON AG.

Arrangers

Deutsche Bank **Morgan Stanley**

Dealers

ABN AMRO

Barclays Capital

Bank of Tokyo

Bayerische Landesbank

BNP PARIBAS

Citigroup

Commerzbank Securities

Credit Suisse First Boston

Crédit Agricole Indosuez

Deutsche Bank

Dresdner Kleinwort Wasserstein

Goldman Sachs International

HSBC

HVB Corporates & Markets

JPMorgan

Merrill Lynch International

Morgan Stanley

The Royal Bank of Scotland

SG Corporate & Investment Banking

UBS Investment Bank

WestLB

The date of this Information Memorandum (which for the purpose of a listing of Notes on the Frankfurt Stock Exchange serves as "Börsenzulassungsprospekt") is August 1, 2003. This Information Memorandum replaces that of August 21, 2002, as supplemented, and is valid for one year from the date hereof.

Each of E.ON AG ("E.ON AG" or the "Company", together with its consolidated group companies "E.ON" or the "E.ON Group"), E.ON International Finance B.V. ("E.ON Finance") and E.ON UK Finance plc ("E.ON UK Finance") (hereinafter each also referred to as an "Issuer" and together, the "Issuers") and E.ON AG in its capacity as guarantor (the "Guarantor") jointly and severally accepts responsibility for the information contained in the Information Memorandum. To the best of the knowledge and belief of the Issuers and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in the Information Memorandum is in accordance with the facts and does not omit any material fact.

The Information Memorandum should be read and construed with any amendment or supplement thereto and, in so far as the prospectus is not used as a listing prospectus for the Frankfurt Stock Exchange, with any other documents incorporated by reference and, in relation to any Series (as defined herein) of Notes, should be read and construed together with the relevant Pricing Supplement(s) (as defined herein).

No person has been authorised by any of the Issuers or the Guarantor to give any information or to make any representation not contained in or not consistent with the Information Memorandum or any other document entered into in relation to the Programme or any information supplied by any Issuer or the Guarantor or any other information in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuers, the Guarantor, the Dealers or any of them.

This Information Memorandum is valid for one year following its date of issue and it and any amendment or supplement thereto as well as any Pricing Supplement reflect the status as of their respective dates of issue. The offering, sale or delivery of any Notes may not be taken as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or that there has been no adverse change in the financial condition of the relevant Issuer since such date or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the extent permitted by the laws of any relevant jurisdiction and notwithstanding section 47 of the German Stock Exchange Act, neither the Arrangers nor any Dealer accepts any responsibility for the accuracy and completeness of the information contained in this Information Memorandum or any amendment or supplement thereof, or any other document incorporated herein by reference nor for the information contained in any Pricing Supplement.

This document may only be communicated or caused to be communicated in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 ("FSMA") does not apply.

None of the Issuers has authorised any offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the "Regulations") of Notes having a maturity of one year or more. Such Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

The Notes will not be registered under the United States Securities Act of 1933, as amended, and will include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons, see "Selling Restrictions".

The distribution of the Information Memorandum and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession the Information Memorandum or any Pricing Supplement comes are required by the Issuers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of the Information Memorandum or any Pricing Supplement and other offering material relating to the Notes, see "Selling Restrictions".

Neither the Information Memorandum nor any Pricing Supplement as such may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Neither the Information Memorandum nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuers, the Guarantor, the Dealers or any of them that any recipient of the Information Memorandum or any Pricing Supplement should subscribe for or purchase any Notes.

In connection with the issue of any Tranche (as defined herein) of Notes under the Programme, the Dealer (if any) who is specified in the relevant Pricing Supplement as the Stabilising Manager (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

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SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from and qualified in its entirety by the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Expressions defined in "Terms and Conditions of the Notes" below shall have the same meaning in this Summary unless specified otherwise.

Issuers:	E.ON AG ("E.ON AG") E.ON International Finance B.V. ("E.ON Finance") E.ON UK Finance plc ("E.ON UK Finance")
Guarantor:	E.ON AG, in respect of Notes issued by E.ON Finance or E.ON UK Finance (in such capacity the "Guarantor")
Arrangers:	Deutsche Bank Aktiengesellschaft Morgan Stanley & Co International Limited
Dealers:	ABN AMRO Bank N.V. Barclays Bank PLC Bank of Tokyo Bayerische Landesbank BNP Paribas Citigroup Global Markets Limited Commerzbank Securities Credit Suisse First Boston (Europe) Limited Crédit Agricole Indosuez Deutsche Bank Aktiengesellschaft Dresdner Bank Aktiengesellschaft Goldman Sachs International HSBC Bank plc HypoVereinsbank J. P. Morgan Securities Ltd. Merrill Lynch International Morgan Stanley & Co. International plc The Royal Bank of Scotland plc Société Générale UBS Limited WestLB AG
Fiscal Agent:	Citibank, N.A., London Office
Paying Agents:	Banque de Luxembourg S.A. Citibank, N.A., London Office Citibank AG and other institutions, all as indicated in the applicable Pricing Supplement.
Luxembourg Listing Agent:	Banque de Luxembourg S.A.
Regulatory Matters:	Any issue of Notes denominated in a currency in respect of which particular laws, regulations, guidelines, restrictions and reporting requirements apply will only be issued in circumstances which comply with such laws, regulations, guidelines, restrictions and reporting requirements from time to time. Without prejudice to the generality of the foregoing: Issues of Notes denominated in Swiss Francs or carrying a Swiss Franc related element with a maturity of more than one year will be effected in compliance

with the relevant regulations of the Swiss National Bank based on Article 7 of the Federal Law on Banks and Savings Banks of 1934, as amended, and Article 15 of the Federal Law on Stock Exchanges and Securities Trading of March 24, 1995 in connection with Article 2 (2) of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of June 25, 1997. Under such regulations, the relevant Dealer(s) or, in the case of a syndicated issue, the Lead Manager, must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer licensed by the Swiss Federal Banking Commission as per the Federal Law on Stock Exchanges and Securities Trading of March 24, 1995 (the "Swiss Dealer"). The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant issue date for such a transaction.

The relevant Issuer shall ensure that Notes denominated or payable in Yen ("Yen Notes") will only be issued in compliance with applicable Japanese laws, regulations, guidelines and policies. The Issuer or its designated agent shall submit such reports or information as may be required from time to time by applicable laws, regulations and guidelines promulgated by Japanese authorities in the case of Yen Notes. Each Dealer agrees to provide any necessary information relating to Yen Notes to the relevant Issuer (which shall not include the names of clients) so that the relevant Issuer may make any required reports to the competent authority of Japan for itself or through its designated agent.

Programme Amount: Up to Euro 20,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Dealer Agreement from time to time.

Distribution: Notes may be distributed by way of public or private placements and, in each case, on a syndicated or non-syndicated basis. The method of distribution of each Tranche will be stated in the relevant Pricing Supplement.

Method of Issue: Notes will be issued on a continuous basis in Tranches (each a "Tranche"), each Tranche consisting of Notes which are identical in all respects. One or more Tranches, which are expressed to be consolidated and forming a single series and identical in all respects, but having different issue dates, interest commencement dates, issue prices and dates for first interest payments may form a Series ("Series") of Notes. Further Notes may be issued as Part of existing Series. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions) will be set forth in the applicable Pricing Supplement.

Issue Price: Notes may be issued at an issue price which is at par or at a discount to, or premium over, par, as stated in the relevant Pricing Supplement.

Specified Currencies: Subject to any applicable legal or regulatory restrictions, and requirements of relevant central banks, Notes may be issued in Euro or any other currency agreed by the relevant Issuer and the relevant Dealer(s).

Denominations of Notes: Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement save that the minimum denomination of the Notes will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Maturities: Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom will have a minimum denomination of £ 100,000 (or its equivalent in other currencies), unless such Notes may not be redeemed until on or after the first anniversary of their date of issue.

Form of Notes: Notes may be issued in bearer form only.

Notes to which U.S. Treasury Regulation § 1.163-5(c) (2) (i) (C) (the "TEFRA C Rules") applies ("TEFRA C Notes") will be represented either initially by a temporary global note in bearer form, without interest coupons, in an initial principal amount equal to the aggregate principal amount of such Notes ("Temporary Global Note") or permanently by a permanent global Note in bearer form, without interest coupons, in a principal amount equal to the aggregate principal amount of such Notes ("Permanent Global Note"). Any Temporary Global Note will be exchanged for either definitive Notes in bearer form ("Definitive Notes") or in part for Definitive Notes and in the other part for one or more collective Notes in bearer form ("Collective Notes").

Notes to which U.S. Treasury Regulation § 1.163-5 (c) (2) (i) (D) (the "TEFRA D Rules") applies ("TEFRA D Notes") will always be represented initially by a Temporary Global Note which will be exchanged either for Notes represented by one or more Permanent Global Note(s) or Definitive Notes or in part for Definitive Notes and in the other part for one or more Collective Notes, in each case not earlier than 40 days and not later than 180 days after the completion of distribution of the Notes comprising the relevant Tranche upon certification of non U.S.-beneficial ownership in the form available from time to time at the specified office of the Fiscal Agent.

Notes to which neither the TEFRA C Rules nor the TEFRA D Rules apply will be represented either initially by a Temporary Global Note or permanently by a Permanent Global Note. Any Temporary Global Note will be exchanged for either Definitive Notes or in part for Definitive Notes and in the other part for one or more Collective Notes.

Permanent Global Notes will not be exchanged for Definitive Notes or Collective Notes.

Description of Notes: Notes may be either interest bearing at fixed or variable rates or non-interest bearing, with principal repayable at a fixed amount or by reference to a formula as may be agreed between the relevant Issuer and the relevant Dealer(s) as specified in the applicable Pricing Supplement.

Fixed Rate Notes: Notes for which the interest rate is fixed will be payable on such basis as may be agreed between the relevant Issuer and the relevant Dealer(s), as specified in the applicable Pricing Supplement.

Floating Rate Notes: Notes for which the interest rate is variable will bear interest on such basis as may be agreed between the relevant Issuer and the relevant Dealer(s), as specified in the applicable Pricing Supplement. The Margin, if any, relating to such variable rate will be agreed between the relevant Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes.

Interest periods for Floating Rate Notes will be one, two, three, six or twelve months or such other period(s) as may be agreed between the relevant Issuer and the relevant Dealer(s), as specified in the applicable Pricing Supplement.

Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Amount Notes or of interest in respect of Index Linked Interest Notes (together "Index Linked Notes") will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Dealer(s) may agree as specified in the applicable Pricing Supplement. Each issue of Index Linked Notes will be made in compliance with all applicable legal and/or regulatory requirements.
Other provisions in relation to Floating Rate Notes and Indexed Interest Notes:	Floating Rate Notes and Index Linked Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Pricing Supplement and will be calculated as indicated in the applicable Pricing Supplement.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer(s) may agree as specified in the applicable Pricing Supplement.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold either at a discount to their principal amount or on an accumulated basis, in each case without periodic payments of interest.
Other Notes:	Notes may be of any other type, such as Instalment Notes, Credit Linked Notes, Equity Linked Notes or may have any other structure, all upon terms provided in the applicable Pricing Supplement.
Redemption:	The applicable Pricing Supplement will indicate either that the Notes cannot be redeemed prior to their stated maturity (except for taxation reasons or upon the occurrence of an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Holders upon giving notice within the notice period (if any) indicated in the applicable Pricing Supplement to the Holders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as indicated in the applicable Pricing Supplement. Early redemption for taxation reasons will be permitted as provided in § 5 of the Terms and Conditions of the Notes. Any Notes issued by E.ON UK Finance having a maturity of less than one year must (a) have a minimum redemption value of £ 100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by E.ON UK Finance. Where Notes issued by E.ON AG or E.ON Finance have a maturity of less than one year and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £ 100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in

other circumstances which do not constitute a contravention of section 19 of the FSMA by the relevant Issuer.

Taxation:	Principal and interest shall be payable without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of the country where the relevant Issuer is domiciled and, in the case of payments under the Guarantee, the Federal Republic of Germany, or by or on behalf of any political subdivision or authority therein having power to tax (together "Withholding Taxes"), unless such deduction or withholding is required by law. In such event, the relevant Issuer and, in the case of payments under the Guarantee, the Guarantor will, subject to the exceptions set out in the Terms and Conditions, pay such additional amounts as shall be necessary in order that the net amounts received by the Holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.
Status of the Notes:	The Notes will constitute unsecured and unsubordinated obligations of the respective Issuer ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the respective Issuer.
Guarantee:	Notes issued by E.ON Finance or E.ON UK Finance will have the benefit of a Guarantee (the "Guarantee") given by E.ON AG. The Guarantee constitutes an irrevocable, unsecured and unsubordinated obligation of the Guarantor ranking pari passu with all other unsecured and unsubordinated obligations of the Guarantor.
Negative Pledge:	The Notes will contain a negative pledge provision as set out in the Terms and Conditions of the Notes.
Events of Default:	The Notes will provide for events of default entitling Holders to demand immediate redemption of the Notes. See § 9 of the Terms and Conditions of the Notes – "Events of Default".
Cross Default:	The terms of the Notes will provide for a cross default.
Listing:	The Notes to be issued under the Programme are admitted for official quotation on the Frankfurt Stock Exchange and application has been made to list the Notes issued under the Programme on the Luxembourg Stock Exchange. The Programme provides that Notes may be listed on other or further stock exchanges, as may be agreed between the relevant Issuer and the relevant Dealer(s) in relation to each issue. Notes may further be issued under the Programme which will not be listed on any stock exchange.
Substitution of Issuer:	Unless otherwise specified in the relevant Pricing Supplement, any of the Issuers may substitute for itself, without the consent of the holders of such Notes, E.ON AG (where it is not the Issuer) or any affiliate of E.ON AG which shall mean any affiliated company *(verbundenes Unternehmen)* within the meaning of § 15 German Stock Corporation Act *(Aktiengesetz)* as principal debtor in respect of all obligations arising from or in connection with the Notes of such Series in accordance with, and subject to, the Terms and Conditions of the Notes with respect to any Series of Notes at any time following the imposition of withholding tax requiring the relevant Issuer to pay additional amounts in accordance with the conditions applicable to the Notes. In the event of any such substitution where the new issuer is not E.ON AG, the Notes of such Series will be unconditionally and irrevocably guaranteed by E.ON AG.
Governing Law:	German law.

Selling Restrictions: There will be specific restrictions on the offer and sale of Notes and the distribution of offering materials in Germany, in or from The Netherlands, in the United States of America, the United Kingdom, France, Japan, and such other restrictions as may be required under applicable law in connection with the offering and sale of a particular Tranche of Notes. Each Tranche of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. See "Selling Restrictions".

Jurisdiction: Non-exclusive place of jurisdiction for any legal proceedings arising under the Notes is Düsseldorf.

Clearance and Settlement: Notes will be accepted for clearing through one or more Clearing Systems as specified in the applicable Pricing Supplement. These systems will include those operated by Clearstream Banking AG, Clearstream Banking, société anonyme, and Euroclear Bank S.A./N.V., as operator of the Euroclear System. Notes will be settled through Clearstream Banking AG, *inter alia,* if notes are to be listed on the Frankfurt Stock Exchange.

ISSUE PROCEDURES

General

The relevant Issuer and the relevant Dealer(s) will agree on the terms and conditions applicable to each particular Tranche of Notes (the "Conditions"). The Conditions will be constituted by the Terms and Conditions of the Notes set forth below (the "Terms and Conditions") as completed, modified, supplemented or replaced by the provisions of the Pricing Supplement (the "Pricing Supplement"). The Pricing Supplement relating to each Tranche of Notes will specify:

- whether the Conditions are to be Long-Form Conditions or Integrated Conditions (each as described below); and
- whether the Conditions will be in the German language or the English language or both (and, if both, whether the German language version or the English language version is controlling).

As to whether Long-Form Conditions or Integrated Conditions will apply, the Issuers anticipate that:

- Long-Form Conditions will generally be used for Notes sold on a non-syndicated basis and which are not publicly offered.
- Integrated Conditions will generally be used for Notes sold and distributed on a syndicated basis. Integrated Conditions will be required where the Notes are to be publicly offered, in whole or in part, or are to be distributed, in whole or in part, to non-professional investors.

As to the controlling language of the respective Conditions, the Issuers anticipate that, in general, subject to any stock exchange or legal requirements applicable from time to time, and unless otherwise agreed between the relevant Issuer and the relevant Dealer(s):

- in the case of Notes sold and distributed on a syndicated basis, German will be the controlling language.
- in the case of Notes publicly offered, in whole or in part, in the Federal Republic of Germany ("Germany"), or distributed, in whole or in part, to non-professional investors in Germany, German will be the controlling language. If, in the event of such public offer or distribution to non-professional investors, however, English is chosen as the controlling language, a German language translation of the Conditions will be available from the principal offices of the Fiscal Agent and E.ON AG, as specified on the back cover of this Information Memorandum.

Long-Form Conditions

If the Pricing Supplement specifies that Long-Form Conditions are to apply to the Notes, the provisions of the applicable Pricing Supplement and the Terms and Conditions, taken together, shall constitute the Conditions. Such Conditions will be constituted as follows:

- the blanks in the provisions of the Terms and Conditions which are applicable to the Notes will be deemed to be completed by the information contained in the Pricing Supplement as if such information were inserted in the blanks of such provisions;
- the Terms and Conditions will be modified, supplemented or replaced by the text of any provisions of the Pricing Supplement modifying, supplementing or replacing, in whole or in part, the provisions of the Terms and Conditions;
- alternative or optional provisions of the Terms and Conditions as to which the corresponding provisions of the Pricing Supplement are not completed or are deleted will be deemed to be deleted from the Conditions; and
- all instructions and explanatory notes set out in square brackets in the Terms and Conditions and any footnotes and explanatory text in the Pricing Supplement will be deemed to be deleted from the Conditions.

Where Long-Form Conditions apply, each global note representing the Notes of the relevant Series will have the Pricing Supplement and the Terms and Conditions attached. If Definitive Notes are delivered in respect of the Notes of such Series, they will have endorsed thereon either (i) the Pricing Supplement and the Terms and Conditions in full, (ii) the Pricing Supplement and the Terms and Conditions in a form simplified by the deletion of non-applicable provisions, or (iii) Integrated Conditions, as the relevant Issuer may determine.

Integrated Conditions

If the Pricing Supplement specifies that Integrated Conditions are to apply to the Notes, the Conditions in respect of such Notes will be constituted as follows:

- all of the blanks in all applicable provisions of the Terms and Conditions will be completed according to the information contained in the Pricing Supplement and all non-applicable provisions of the Terms and Conditions (including the instructions and explanatory notes set out in square brackets) will be deleted; and/or
- the Terms and Conditions will be otherwise modified, supplemented or replaced, in whole or in part, according to the information set forth in the Pricing Supplement.

Where Integrated Conditions apply, the Integrated Conditions alone will constitute the Conditions. The Integrated Conditions will be attached to each global note representing Notes of the relevant Series and will be endorsed on any Definitive Notes exchanged for any such global note.

Die Emissionsbedingungen (die „Emissionsbedingungen“) sind nachfolgend in zwei Teilen aufgeführt:

TEIL I enthält die Grundbedingungen (die „Grundbedingungen“), die die Emissionsbedingungen umfassen, die Anwendung finden auf Serien von Schuldverschreibungen, die durch auf den Inhaber lautende Globalurkunden verbrieft sind.

TEIL II enthält einen Zusatz (der „Zusatz“) zu den Grundbedingungen, der diejenigen Bestimmungen enthält, die Anwendung finden im Fall von Schuldverschreibungen, die durch auf den Inhaber lautende Einzelurkunden verbrieft sind.

Die Grundbedingungen und der dazugehörige Zusatz bilden zusammen die Emissionsbedingungen.

TERMS AND CONDITIONS OF THE NOTES
GERMAN LANGUAGE VERSION
(DEUTSCHE FASSUNG DER EMISSIONSBEDINGUNGEN)

Diese Serie von Schuldverschreibungen wird gemäß einem geänderten und neu gefaßten Fiscal Agency Agreement vom 1. August 2003 (das „Agency Agreement“) zwischen E.ON AG („E.ON AG“), E.ON International Finance B.V. („E.ON Finance“), E.ON UK Finance plc („E.ON UK Finance“) (jeweils eine „Emittentin“ und zusammen die „Emittentinnen“) und Citibank, N.A. als Fiscal Agent (der „Fiscal Agent“, wobei dieser Begriff jeden Nachfolger des Fiscal Agent gemäß dem Agency Agreement einschließt) und den anderen darin genannten Parteien begeben. Ablichtungen des Agency Agreement können kostenlos bei der bezeichneten Geschäftsstelle des Fiscal Agent und bei den bezeichneten Geschäftsstellen einer jeden Zahlstelle sowie am Sitz einer jeden Emittentin bezogen werden.

Im Falle von nicht-konsolidierten Bedingungen einfügen:

[Die Bestimmungen dieser Emissionsbedingungen gelten für diese Schuldverschreibungen so, wie sie durch die Angaben des beigefügten Konditionenblattes (das „Konditionenblatt“) vervollständigt, geändert, ergänzt oder ganz oder teilweise ersetzt werden. Die Leerstellen in den auf die Schuldverschreibungen anwendbaren Bestimmungen dieser Emissionsbedingungen gelten als durch die im Konditionenblatt enthaltenen Angaben ausgefüllt, als ob die Leerstellen in den betreffenden Bestimmungen durch diese Angaben ausgefüllt wären; sofern das Konditionenblatt die Änderung, Ergänzung oder (vollständige oder teilweise) Ersetzung bestimmter Emissionsbedingungen vorsieht, gelten die betreffenden Bestimmungen der Emissionsbedingungen als entsprechend geändert, ergänzt oder ersetzt; alternative oder wählbare Bestimmungen dieser Emissionsbedingungen, deren Entsprechungen im Konditionenblatt nicht ausgefüllt oder die gestrichen sind, gelten als aus diesen Emissionsbedingungen gestrichen; sämtliche auf die Schuldverschreibungen nicht anwendbaren Bestimmungen dieser Emissionsbedingungen (einschließlich der Anweisungen, Anmerkungen und der Texte in eckigen Klammern) gelten als aus diesen Emissionsbedingungen gestrichen, so daß die Bestimmungen des Konditionenblattes Geltung erhalten. Kopien des Konditionenblattes sind kostenlos bei der bezeichneten Geschäftsstelle des Fiscal Agent und bei den bezeichneten Geschäftsstellen einer jeden Zahlstelle sowie bei den Hauptgeschäftsstellen einer jeden Emittentin erhältlich; bei nicht an einer Börse notierten Schuldverschreibungen sind Kopien des betreffenden Konditionenblattes allerdings ausschließlich für die Gläubiger solcher Schuldverschreibungen erhältlich.]

TEIL I – GRUNDBEDINGUNGEN
EMISSIONSBEDINGUNGEN FÜR INHABERSCHULDVERSCHREIBUNGEN

§ 1
WÄHRUNG, STÜCKELUNG, FORM, DEFINITIONEN

(1) *Währung; Stückelung.* Diese Serie der Schuldverschreibungen (die „Schuldverschreibungen“) der **[Emittentin einfügen]** (die „Emittentin“) wird in **[festgelegte Währung einfügen]** (die „festgelegte Währung“) im Gesamtnennbetrag von **[Gesamtnennbetrag einfügen]** (in Worten: **[Gesamtnennbetrag in Worten einfügen]**) in Stückelungen von **[festgelegte Stückelungen einfügen]** (die „festgelegten Stückelungen“) begeben.

(2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber.

Im Falle von Schuldverschreibungen, die durch eine Dauerglobalurkunde verbrieft sind, einfügen:

[(3) *Dauerglobalurkunde*. Die Schuldverschreibungen sind durch eine Dauerglobalurkunde (die „Dauerglobalurkunde“) ohne Zinsscheine verbrieft. Die Dauerglobalurkunde trägt die eigenhändigen Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und ist von dem Fiscal Agent oder in dessen Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden nicht ausgegeben.**]**

Im Falle von Schuldverschreibungen, die anfänglich durch eine vorläufige Globalurkunde verbrieft sind, einfügen:

[(3) *Vorläufige Globalurkunde – Austausch.*

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die „vorläufige Globalurkunde“) ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde wird gegen Schuldverschreibungen in den festgelegten Stückelungen, die durch eine Dauerglobalurkunde (die „Dauerglobalurkunde“) ohne Zinsscheine verbrieft sind, ausgetauscht. Die vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die eigenhändigen Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von dem Fiscal Agent oder in dessen Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden nicht ausgegeben.

(b) Die vorläufige Globalurkunde wird an einem Tag (der „Austauschtag“) gegen die Dauerglobalurkunde ausgetauscht, der nicht mehr als 180 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegt. Der Austauschtag für einen solchen Austausch soll nicht weniger als 40 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegen. Ein solcher Austausch soll nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Zinszahlungen auf durch eine vorläufige Globalurkunde verbrieften Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine gesonderte Bescheinigung ist hinsichtlich einer jeden solchen Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der vorläufigen Globalurkunde eingeht, wird als ein Ersuchen behandelt werden, diese vorläufige Globalurkunde gemäß Absatz (b) dieses § 1 Absatz 3 auszutauschen. Wertpapiere, die im Austausch für die vorläufige Globalurkunde geliefert werden, sind nur außerhalb der Vereinigten Staaten zu liefern. Für die Zwecke dieses Absatzes 3 bezeichnet „Vereinigte Staaten“ die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Ricos, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).**]**

(4) *Clearing System*. Die Dauerglobalurkunde wird solange von einem oder im Namen eines Clearing Systems verwahrt, bis sämtliche Verbindlichkeiten der Emittentin aus den Schuldverschreibungen erfüllt sind. „Clearing System" bedeutet **[bei mehr als einem Clearing System einfügen**: jeweils**]** folgendes:[Clearstream Banking AG] **[,]** [and] [Clearstream Banking, société anonyme] **[,]** [and] [Euroclear Bank S.A./ N.V. als Betreiberin des Euroclear Systems („Euroclear")] **[,]** [und] **[anderes Clearing System angeben]** sowie jeder Funktionsnachfolger.

(5) *Gläubiger von Schuldverschreibungen*. „Gläubiger" bedeutet jeder Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Rechts an den Schuldverschreibungen.

Im Falle von Schuldverschreibungen, die von E.ON AG begeben werden, einfügen:

[§ 2
STATUS, NEGATIVVERPFLICHTUNG

(1) *Status.* Die Schuldverschreibungen begründen nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

(2) *Negativverpflichtung.* Die Emittentin verpflichtet sich solange eine Schuldverschreibung noch aussteht (aber nur bis zu dem Zeitpunkt, in dem alle Beträge von Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind), ihre gegenwärtigen oder zukünftigen Vermögenswerte nicht mit Grundpfandrechten, Pfandrechten oder sonstigen Sicherungsrechten zur Besicherung einer gegenwärtigen oder zukünftigen Anleihe zu belasten oder solche Rechte zu diesem Zweck bestehen zu lassen, ohne gleichzeitig oder vorher die Schuldverschreibungen auf gleiche Weise und anteilig damit zu besichern. „Anleihe" bedeutet jede Verbindlichkeit, die in der Form einer Schuldverschreibung oder eines sonstigen Wertpapiers verbrieft ist und an einer Börse oder an einem anderen Wertpapiermarkt (einschließlich des außerbörslichen Handels) eingeführt ist, notiert oder gehandelt wird oder werden kann, sowie jede Garantie oder sonstige Gewährleistung in bezug auf eine solche Verbindlichkeit.**]**

Im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen:

[§ 2
STATUS, NEGATIVVERPFLICHTUNG, GARANTIE

(1) *Status*. Die Schuldverschreibungen begründen nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

(2) *Negativverpflichtung.* Die Emittentin verpflichtet sich solange eine Schuldverschreibung noch aussteht (aber nur bis zu dem Zeitpunkt, in dem alle Beträge von Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind), ihre gegenwärtigen oder zukünftigen Vermögenswerte nicht mit Grundpfandrechten, Pfandrechten oder sonstigen Sicherungsrechten zur Besicherung einer gegenwärtigen oder zukünftigen Anleihe zu belasten oder solche Rechte zu diesem Zweck bestehen zu lassen, ohne gleichzeitig oder vorher die Schuldverschreibungen auf gleiche Weise und anteilig damit zu besichern. „Anleihe" bedeutet jede Verbindlichkeit, die in der Form einer Schuldverschreibung oder eines sonstigen Wertpapiers verbrieft ist und an einer Börse oder an einem anderen Wertpapiermarkt (einschließlich des außerbörslichen Handels) eingeführt ist, notiert oder gehandelt wird oder werden kann, sowie jede Garantie oder sonstige Gewährleistung in bezug auf eine solche Verbindlichkeit.

(3) *Garantie*.

(a) E.ON AG (die „Garantin") hat eine unbedingte und unwiderrufliche Garantie (die „Garantie") für die ordnungsgemäße Zahlung von Kapital und Zinsen und sonstiger auf die Schuldverschreibungen zahlbarer Beträge übernommen. Die Garantie stellt einen Vertrag zugunsten eines jeden Gläubigers als begünstigtem Dritten gemäß § 328 Absatz 1 BGB dar, welcher das Recht eines jeden Gläubigers begründet, Erfüllung aus der Garantie unmittelbar von der Garantin zu verlangen und die Garantie unmittelbar gegenüber der Garantin durchzusetzen. Kopien der Garantie können kostenlos am Sitz der Garantin in Düsseldorf und bei der bezeichneten Geschäftsstelle des Fiscal Agent gemäß § 6 bezogen werden.

(b) Die Garantin hat sich in der Garantie verpflichtet, solange eine von ihr, der E.ON International Finance B.V. oder der E.ON UK Finance plc im Rahmen dieses Programms begebene Schuldverschreibung aussteht (aber nur bis zu dem Zeitpunkt, in dem alle Beträge an Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind), ihre gegenwärtigen oder zukünftigen Vermögenswerte nicht mit Grundpfandrechten, Pfandrechten oder sonstigen Sicherungsrechten zur Besicherung einer gegenwärtigen oder zukünftigen Anleihe zu belasten oder solche Rechte zu diesem Zweck bestehen zu lassen, ohne gleichzeitig oder vorher die Schuldverschreibungen auf gleiche Weise und anteilig damit zu besichern. „Anleihe" bedeutet jede Verbindlichkeit, die in der Form einer Schuldverschreibung oder eines sonstigen Wertpapiers verbrieft ist und an einer Börse oder an einem anderen Wertpapiermarkt (einschließlich des außerbörslichen Handels) eingeführt ist, notiert oder gehandelt wird oder werden kann, sowie jede Garantie oder sonstige Gewährleistung in bezug auf eine solche Verbindlichkeit.**]**

§ 3
ZINSEN

Im Falle von fest verzinslichen Schuldverschreibungen einfügen:

[(1) *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar vom **[Verzinsungsbeginn einfügen]** (einschließlich) bis zum Fälligkeitstag (wie in § 5 Absatz 1 definiert) (ausschließlich) mit jährlich **[Zinssatz einfügen]**%. Die Zinsen sind nachträglich am **[Festzinstermin(e) einfügen]** eines jeden Jahres zahlbar (jeweils ein „Zinszahlungstag"). Die erste Zinszahlung erfolgt am **[ersten Zinszahlungstag einfügen] [sofern der erste Zinszahlungstag nicht der erste Jahrestag des Verzinsungsbeginns ist, einfügen**: und beläuft sich auf **[die anfänglichen Bruchteilzinsbeträge je festgelegte Stückelung einfügen].] [Sofern der Fälligkeitstag kein Festzinstermin ist, einfügen**: Die Zinsen für den Zeitraum vom **[den letzten dem Fälligkeitstag vorausgehenden Festzinstermin einfügen]** (einschließlich) bis zum Fälligkeitstag (ausschließlich) belaufen sich auf **[die abschließenden Bruchteilzinsbeträge je festgelegte Stückelung einfügen].]**

(2) *Auflaufende Zinsen.* Der Zinslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, fallen auf den ausstehenden Nennbetrag der Schuldverschreibungen ab dem Fälligkeitstag (einschließlich) bis zum Tag der tatsächlichen Rückzahlung (ausschließlich) Zinsen zum gesetzlich festgelegten Satz für Verzugszinsen an [1]).

(3) *Berechnung der Zinsen für Teile von Zeiträumen.* Sofern Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen sind, erfolgt die Berechnung auf der Grundlage des Zinstagequotienten (wie nachstehend definiert).**]**

[1]) Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit festgelegten Basiszinssatz, §§ 288 Absatz 1, 247 Absatz 1 BGB.

Im Falle von variabel verzinslichen Schuldverschreibungen einfügen:

[(1) *Zinszahlungstage.* (a) Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag ab dem **[Verzinsungsbeginn einfügen]** (der „Verzinsungsbeginn") (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und danach von jedem Zinszahlungstag (einschließlich) bis zum nächstfolgenden Zinszahlungstag (ausschließlich) verzinst. Zinsen auf die Schuldverschreibungen sind an jedem Zinszahlungstag zahlbar.

(b) „Zinszahlungstag" bedeutet

[im Falle von festgelegten Zinszahlungstagen einfügen: jeder **[festgelegte Zinszahlungstage einfügen].]**

[im Falle von festgelegten Zinsperioden einfügen: (soweit diese Emissionsbedingungen keine abweichenden Bestimmungen vorsehen) jeweils der Tag, der **[Zahl einfügen]** [Wochen] [Monate] **[andere festgelegte Zeiträume einfügen]** nach dem vorausgehenden Zinszahlungstag liegt, oder im Fall des ersten Zinszahlungstages, nach dem Verzinsungsbeginn.]

(c) Fällt ein Zinszahlungstag auf einen Tag, der kein Geschäftstag (wie nachstehend definiert) ist, so wird der Zinszahlungstag

[bei Anwendung der modifizierten folgender Geschäftstag-Konvention einfügen: auf den nächstfolgenden Geschäftstag verschoben, es sei denn, jener würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall wird der Zinszahlungstag auf den unmittelbar vorausgehenden Geschäftstag vorgezogen.]

[bei Anwendung der FRN-Konvention einfügen: auf den nächstfolgenden Geschäftstag verschoben, es sei denn, jener würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall (i) wird der Zinszahlungstag auf den unmittelbar vorausgehenden Geschäftstag vorgezogen und (ii) ist jeder nachfolgende Zinszahlungstag der jeweils letzte Geschäftstag des Monats, der **[Zahl einfügen]** Monate] **[andere festgelegte Zeiträume einfügen]** nach dem vorausgehenden anwendbaren Zinszahlungstag liegt.]

[bei Anwendung der folgender Geschäftstag-Konvention einfügen: auf den nachfolgenden Geschäftstag verschoben.]

[bei Anwendung der vorhergegangener Geschäftstag-Konvention einfügen: auf den unmittelbar vorausgehenden Geschäftstag vorgezogen.]

(d) In diesem § 3 bezeichnet „Geschäftstag" **[falls die festgelegte Währung nicht Euro ist, einfügen**: einen Tag (außer einem Samstag oder Sonntag), an dem Geschäftsbanken allgemein für Geschäfte in **[sämtliche relevanten Finanzzentren einfügen]** geöffnet sind und Devisenmärkte Zahlungen in **[sämtliche relevanten Finanzzentren einfügen]** abwickeln] **[falls die festgelegte Währung Euro ist, einfügen**: einen Tag an dem das Clearing System sowie alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET) betriebsbereit sind, um die betreffende Zahlung abzuwickeln].

(2) *Zinssatz*. **[Bei Bildschirmfeststellung einfügen**: Der Zinssatz (der „Zinssatz") für jede Zinsperiode (wie nachstehend definiert) ist, sofern nachstehend nichts Abweichendes bestimmt wird, der Angebotssatz (ausgedrückt als Prozentsatz per annum) für Einlagen in der festgelegten Währung für die jeweilige Zinsperiode, der auf der Bildschirmseite am Zinsfestlegungstag (wie nachstehend definiert) gegen 11.00 Uhr ([Londoner] [Brüsseler] Ortszeit) angezeigt wird **[im Falle einer Marge einfügen**: [zuzüglich] [abzüglich] der Marge (wie nachstehend definiert)], wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

„Zinsperiode" bezeichnet den Zeitraum von dem Verzinsungsbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) bzw. von jedem Zinszahlungstag (einschließlich) bis zum jeweils darauffolgenden Zinszahlungstag (ausschließlich).

„Zinsfestlegungstag" bezeichnet den [zweiten] [zutreffende andere Zahl von Tagen einfügen] [Londoner] [TARGET] **[zutreffende andere Bezugnahmen einfügen]** Geschäftstag vor Beginn der jeweiligen Zinsperiode. [„[Londoner] **[zutreffenden anderen Ort einfügen]** Geschäftstag" bezeichnet einen Tag (außer einem Samstag oder Sonntag), an dem Geschäftsbanken in [London] **[zutreffenden anderen Ort einfügen]** für Geschäfte (einschließlich Devisen- und Sortengeschäfte) geöffnet sind.] [„TARGET-Geschäftstag" bezeichnet einen Tag, an dem TARGET (Trans-European Automated Real-time Gross Settlement Express Transfer System) betriebsbereit ist.]

[Im Falle einer Marge einfügen: Die „Marge" beträgt [ ] per cent. per annum.]

„Bildschirmseite" bedeutet **[Bildschirmseite einfügen]**.

Sollte die maßgebliche Bildschirmseite nicht zur Verfügung stehen oder wird kein Angebotssatz angezeigt (zu der genannten Zeit), wird die Berechnungsstelle von den Referenzbanken (wie nachstehend definiert) deren jeweilige Angebotssätze (jeweils als Prozentsatz per annum ausgedrückt) für Einlagen in der festgelegten Währung für die betreffende Zinsperiode gegenüber führenden Banken im [Londoner] **[zutreffenden anderen Ort einfügen]** Interbanken-Markt [in der Euro-Zone] um ca. 11.00 Uhr ([Brüsseler] [Londoner] Ortszeit) am Zinsfestlegungstag anfordern. Falls zwei oder mehr Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, ist der Zinssatz für die betreffende Zinsperiode das arithmetische Mittel, falls erforderlich, auf- oder abgerundet auf das nächste ein **[falls der Referenzsatz EURIBOR ist, einfügen:** Tausendstel Prozent, wobei 0,0005] **[falls der Referenzsatz nicht EURIBOR ist, einfügen:** Hunderttausendstel Prozent, wobei 0,000005] aufgerundet wird, dieser Angebotssätze **[im Falle einer Marge einfügen:** [zuzüglich] [abzüglich] der Marge], wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

Falls an einem Zinsfestlegungstag nur eine oder keine der Referenzbanken der Berechnungsstelle solche im vorstehenden Absatz beschriebenen Angebotssätze nennt, ist der Zinssatz für die betreffende Zinsperiode der Satz per annum, den die Berechnungsstelle als das arithmetische Mittel, falls erforderlich, auf- oder abgerundet auf das nächste ein **[falls der Referenzsatz EURIBOR ist, einfügen:** Tausendstel Prozent, wobei 0,0005] **[falls der Referenzsatz nicht EURIBOR ist, einfügen:** Hunderttausendstel Prozent, wobei 0,000005] aufgerundet wird, der Angebotssätze ermittelt, die die Referenzbanken bzw. zwei oder mehrere von ihnen der Berechnungsstelle auf deren Anfrage als den jeweiligen Satz nennen, zu dem ihnen um ca. 11.00 Uhr ([Brüsseler] [Londoner] Ortszeit) an dem betreffenden Zinsfestlegungstag Einlagen in der festgelegten Währung für die betreffende Zinsperiode von führenden Banken im [Londoner] Interbanken-Markt [in der Euro-Zone] angeboten werden **[im Falle einer Marge einfügen:** [zuzüglich] [abzüglich] der Marge]; falls weniger als zwei der Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, soll der Zinssatz für die betreffende Zinsperiode der Angebotssatz für Einlagen in der festgelegten Währung für die betreffende Zinsperiode oder das arithmetische Mittel (gerundet wie oben beschrieben) der Angebotssätze für Einlagen in der festgelegten Währung für die betreffende Zinsperiode sein, den bzw. die eine oder mehrere Banken (die nach Ansicht der Berechnungsstelle und der Emittentin für diesen Zweck geeignet sind) der Berechnungsstelle als Sätze bekannt geben, die sie an dem betreffenden Zinsfestlegungstag gegenüber führenden Banken im [Londoner] Interbanken-Markt [in der Euro-Zone] nennen (bzw. den diese Banken gegenüber der Berechnungsstelle nennen) **[im Falle einer Marge einfügen:** [zuzüglich] [abzüglich] der Marge]. Für den Fall, daß der Zinssatz nicht gemäß den vorstehenden Bestimmungen dieses Absatzes ermittelt werden kann, ist der Zinssatz der Angebotssatz oder das arithmetische Mittel der Angebotssätze auf der Bildschirmseite, wie vorstehend beschrieben, an dem letzten Tag vor dem Zinsfestlegungstag, an dem diese Angebotssätze angezeigt wurden **[im Falle einer Marge einfügen:** [zuzüglich] [abzüglich] der Marge (wobei jedoch, falls für die relevante Zinsperiode eine andere Marge als für die unmittelbar vorhergehende Zinsperiode gilt, die relevante Marge an die Stelle der Marge für die vorhergehende Zinsperiode tritt).]

„Referenzbanken" bezeichnet **[falls im Konditionenblatt keine anderen Referenzbanken bestimmt werden, einfügen**: diejenigen Niederlassungen **[im Fall von EURIBOR einfügen**: von vier derjenigen Banken, deren Angebotssätze zur Ermittlung des maßgeblichen Angebotssatzes zu dem Zeitpunkt benutzt wurden, als solch ein Angebot letztmals auf der maßgeblichen Bildschirmseite angezeigt wurde **[Falls im Konditionenblatt andere Referenzbanken bestimmt werden, sind sie hier einzufügen]**.

[Im Fall des Interbankenmarktes in der Euro-Zone einfügen: „Euro-Zone" bezeichnet das Gebiet derjenigen Mitgliedstaaten der Europäischen Union, die gemäß dem Vertrag über die Gründung der Europäischen Gemeinschaft (unterzeichnet in Rom am 25. März 1957), geändert durch den Vertrag über die Europäische Union (unterzeichnet in Maastricht am 7. Februar 1992) und den Amsterdamer Vertrag vom 2. Oktober 1997, in seiner jeweiligen Fassung, eine einheitliche Währung eingeführt haben oder jeweils eingeführt haben werden.**]**

[Wenn der Referenzsatz ein anderer als EURIBOR oder LIBOR ist, sind die entsprechenden Einzelheiten anstelle der Bestimmungen dieses Absatzes 2 einzufügen]

[Sofern ISDA-Feststellung gelten soll, sind die entsprechenden Bestimmungen einzufügen und die von der International Swap and Derivatives Association, Inc. („ISDA") veröffentlichten 2000 ISDA-Definitionen diesen Emissionsbedingungen als Anlage beizufügen]

[Sofern eine andere Methode der Feststellung/Indexierung anwendbar ist, sind die entsprechenden Einzelheiten anstelle der Bestimmungen dieses Absatzes 2 einzufügen]

[Falls ein Mindest- und/oder Höchstzinssatz gilt, einfügen:

(3) *[Mindest-] [und] [Höchst-] Zinssatz.*

[Falls ein Mindestzinssatz gilt einfügen: Wenn der gemäß den obigen Bestimmungen für eine Zinsperiode ermittelte Zinssatz niedriger ist als **[Mindestzinssatz einfügen]**, so ist der Zinssatz für diese Zinsperiode **[Mindestzinssatz einfügen].]**

[Falls ein Höchstzinssatz gilt: Wenn der gemäß den obigen Bestimmungen für eine Zinsperiode ermittelte Zinssatz höher ist als **[Höchstzinssatz einfügen]**, so ist der Zinssatz für diese Zinsperiode **[Höchstzinssatz einfügen]**.

[(4)**]** *Zinsbetrag.* Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Zinssatz zu bestimmen ist, den auf die Schuldverschreibungen zahlbaren Zinsbetrag in bezug auf jede festgelegte Stückelung (der „Zinsbetrag") für die entsprechende Zinsperiode berechnen. Der Zinsbetrag wird ermittelt, indem der Zinssatz und der Zinstagequotient (wie nachstehend definiert) auf jede festgelegte Stückelung angewendet werden, wobei der resultierende Betrag auf die kleinste Einheit der festgelegten Währung auf- oder abgerundet wird, wobei 0,5 solcher Einheiten aufgerundet werden.

[(5)**]** *Mitteilung von Zinssatz und Zinsbetrag.* Die Berechnungsstelle wird veranlassen, daß der Zinssatz, der Zinsbetrag für die jeweilige Zinsperiode, die jeweilige Zinsperiode und der relevante Zinszahlungstag der Emittentin **[im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden**: und der Garantin**]** sowie den Gläubigern gemäß § 12 baldmöglichst, aber keinesfalls später als am vierten auf die Berechnung jeweils folgenden **[**Londoner**] [**TARGET**] [zutreffende andere Bezugnahme einfügen]** Geschäftstag (wie in § 3 Absatz 2 definiert) sowie jeder Börse, an der die betreffenden Schuldverschreibungen zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, baldmöglichst, aber keinesfalls später als zu Beginn der jeweiligen Zinsperiode mitgeteilt werden. Im Fall einer Verlängerung oder Verkürzung der Zinsperiode können der mitgeteilte Zinsbetrag und Zinszahlungstag ohne Vorankündigung nachträglich angepaßt (oder andere geeignete Anpassungsregelungen getroffen) werden. Jede solche Anpassung wird umgehend allen Börsen, an denen die Schuldverschreibungen zu diesem Zeitpunkt notiert sind, sowie den Gläubigern gemäß § 12 mitgeteilt.

[(6)**]** *Verbindlichkeit der Festsetzungen*. Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieses § 3 gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, **[**die Garantin,**]** den Fiscal Agent, die Zahlstellen und die Gläubiger bindend.

[(7)**]** *Auflaufende Zinsen.* Der Zinslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, fallen auf den ausstehenden Nennbetrag der Schuldverschreibungen ab dem Fälligkeitstag (einschließlich) bis zum Tag der tatsächlichen Rückzahlung (ausschließlich) Zinsen zum gesetzlich festgelegten Satz für Verzugszinsen an [1]).

Im Falle von abgezinsten Nullkupon-Schuldverschreibungen einfügen:

[(1) *Keine periodischen Zinszahlungen*. Es erfolgen während der Laufzeit keine periodischen Zinszahlungen auf die Schuldverschreibungen.

(2) *Auflaufende Zinsen*. Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, fallen auf den ausstehenden Nennbetrag der Schuldverschreibungen ab dem Fälligkeitstag (einschließlich) bis zum Tag der tatsächlichen Rückzahlung (ausschließlich) Zinsen zum gesetzlich festgelegten Satz für Verzugszinsen an [1]).

[Im Falle von indexierten Schuldverschreibungen, Credit Linked Schuldverschreibungen oder Equity Linked Schuldverschreibungen hinsichtlich Zinsen, anwendbare Bestimmungen hier einfügen. Dasselbe gilt für Doppelwährungs-Schuldverschreibungen.]

[(•)**]** *Zinstagequotient.* „Zinstagequotient“ bezeichnet im Hinblick auf die Berechnung von Zinsbeträgen für einen beliebigen Zeitraum (der „Zinsberechnungszeitraum“):

[Im Falle von Actual/Actual (ISMA Regelung 251) mit jährlichen Zinsperioden einfügen: die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch die tatsächliche Anzahl von Tagen im jeweiligen Zinsjahr.**]**

[Im Falle von Actual/Actual (ISMA) mit zwei oder mehr gleichbleibenden Zinsperioden innerhalb eines Zinsjahres einfügen: die Anzahl von Tagen in dem Zinsberechnungszeitraum, geteilt durch das Produkt der Anzahl der Tage in der Zinsperiode und der Anzahl von Zinszahlungstagen, die angenommen, daß Zinsen für das gesamte Jahr zu zahlen wären in ein Kalenderjahr fallen würden, im Fall von Schuldverschreibungen, bei denen die planmäßige Zinszahlung anders als nur durch regelmäßige jährliche Zahlungen erfolgt.**] [bei ersten/letzten langen oder kurzen Zinsperioden entsprechende Actual/Actual Berechnungsmethode angeben.]**

[Falls Actual/Actual (ISDA) anwendbar ist, einfügen: die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch 365 (oder, falls ein Teil dieses Zinsberechnungszeitraumes in ein Schaltjahr fällt, die Summe aus (A) der tatsächlichen Anzahl der in das Schaltjahr fallenden Tage des Zinsberechnungszeitraumes dividiert durch 366 und (B) die tatsächliche Anzahl der nicht in das Schaltjahr fallenden Tage des Zinsberechnungszeitraumes dividiert durch 365).**]**

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[1]) Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit festgelegten Basiszinssatz, §§ 288 Absatz 1, 247 Absatz 1 BGB.

[Im Falle von Actual/365 (Fixed) einfügen: die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 365.**]**

[Im Falle von Actual/360 einfügen: die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 360.**]**

[Im Falle von 30/360, 360/360 oder Note Basis einfügen: die Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch 360, wobei die Anzahl der Tage auf der Grundlage eines Jahres von 360 Tagen mit zwölf Monaten zu je 30 Tagen zu ermitteln ist (es sei denn, (A) der letzte Tag des Zinsberechnungszeitraums fällt auf den 31. Tag eines Monats, während der erste Tag des Zinsberechnungszeitraums weder auf den 30. noch auf den 31. Tag eines Monats fällt, in welchem Fall der diesen Tag enthaltende Monat nicht als ein auf 30 Tage gekürzter Monat zu behandeln ist, oder (B) der letzte Tag des Zinsberechnungszeitraums fällt auf den letzten Tag des Monats Februar, in welchem Fall der Monat Februar nicht als ein auf 30 Tage verlängerter Monat zu behandeln ist).**]**

[Im Falle von 30E/360 oder Eurobond Basis einfügen: die Anzahl der Tage im Zinsberechnungszeitraum, dividiert durch 360 (dabei ist die Anzahl der Tage auf der Grundlage eines Jahres von 360 Tagen mit 12 Monaten zu 30 Tagen zu ermitteln, und zwar ohne Berücksichtigung des Datums des ersten oder letzten Tages des Zinsberechnungszeitraums, es sei denn, daß im Falle einer am Fälligkeitstag endenden Zinsperiode der Fälligkeitstag der letzte Tag des Monats Februar ist, in welchem Fall der Monat Februar als nicht auf einen Monat zu 30 Tagen verlängert gilt).**]**

§ 4
ZAHLUNGEN

(1) **[**(a)**]** *Zahlungen auf Kapital*. Zahlungen auf Kapital in bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes 2 an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

Im Falle von Schuldverschreibungen, die keine Nullkupon-Schuldverschreibungen sind, einfügen:

[(b) *Zahlung von Zinsen*. Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von Absatz 2 an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

[Im Falle von Zinszahlungen auf eine vorläufige Globalurkunde einfügen: Die Zahlung von Zinsen auf Schuldverschreibungen, die durch die vorläufige Globalurkunde verbrieft sind, erfolgt nach Maßgabe von Absatz 2 an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems, und zwar nach ordnungsgemäßer Bescheinigung gemäß § 1 Absatz 3(b).**]]**

(2) *Zahlungsweise*. Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in **[festgelegte Währung einfügen] [bei Doppelwährungsanleihen entsprechende Währungen/Wechselkursformeln einfügen]**.

(3) *Erfüllung.* **[Im Falle von Schuldverschreibungen, die von E.ON AG begeben werden, einfügen:** Die Emittentin wird durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.**]**

[Im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen: Die Emittentin bzw. die Garantin wird durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.**]**

(4) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in bezug auf eine Schuldverschreibung auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag am jeweiligen Geschäftsort. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

Für diese Zwecke bezeichnet „Zahltag" einen Tag, **[bei nicht auf Euro lautenden Schuldverschreibungen, einfügen:** der ein Tag (außer einem Samstag oder Sonntag) ist, an dem Geschäftsbanken und Devisenmärkte Zahlungen in **[sämtliche relevanten Finanzzentren angeben]** abwickeln**]** **[bei auf Euro lautenden Schuldverschreibungen, einfügen:** der ein Tag (außer einem Samstag oder Sonntag) ist, an dem das Clearing System sowie alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET) betriebsbereit sind, um die betreffenden Zahlungen weiterzuleiten.**]**

(5) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Emissionsbedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen; den vorzeitigen Rückzahlungsbetrag der Schuldverschreibungen; **[falls die Emittentin das Wahlrecht hat, die Schuldverschreibungen aus anderen als steuerlichen Gründen vorzeitig zurückzuzahlen, einfügen:** den Wahl-Rückzahlungsbetrag (Call) der Schuldverschreibungen;**]** **[falls der Gläubiger ein Wahlrecht hat, die Schuldverschreibungen vorzeitig zu kündigen, einfügen:** den Wahl-Rückzahlungsbetrag (Put) der Schuldverschreibungen;**]** sowie jeden Aufschlag sowie sonstige auf oder in bezug auf die Schuldverschreibungen zahlbaren Beträge. Bezugnahmen in diesen Emissionsbedingungen auf Zinsen auf die Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 7 zahlbaren zusätzlichen Beträge einschließen.

(6) *Hinterlegung von Kapital und Zinsen.* Die Emittentin **[im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen:** bzw. die Garantin**]** ist berechtigt, beim Amtsgericht Frankfurt am Main Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die Ansprüche der Gläubiger gegen die Emittentin **[im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen:** bzw. die Garantin**]**.

§ 5
RÜCKZAHLUNG

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am **[im Falle eines festgelegten Fälligkeitstages, Fälligkeitstag einfügen]** **[im Falle eines Rückzahlungsmonats einfügen:** in den **[Rückzahlungsmonat einfügen]** fallenden Zinszahlungstag**]** (der „Fälligkeitstag") zurückgezahlt. Der Rückzahlungsbetrag in bezug auf jede Schuldverschreibung entspricht **[falls die Schuldverschreibungen zu ihrem Nennbetrag zurückgezahlt werden einfügen:** dem Nennbetrag der Schuldverschreibungen**]** **[ansonsten den Rückzahlungsbetrag für die jeweilige Stückelung/den Index und/oder die Formel, auf dessen/deren Grundlage der Rückzahlungsbetrag zu berechnen ist, einfügen]**.

(2) *Vorzeitige Rückzahlung aus steuerlichen Gründen.* Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber dem Fiscal Agent und gemäß § 12 gegenüber den Gläubigern vorzeitig gekündigt und zu ihrem vorzeitigen Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis

zum für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin **[im Falle von Schuldverschreibungen, die von E.ON Finance, oder E.ON UK Finance begeben werden, einfügen**: oder die Garantin**]** als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften **[im Falle von Schuldverschreibungen, die von E.ON begeben werden, einfügen**: der Bundesrepublik Deutschland**] [im Falle von Schuldverschreibungen, die von E.ON Finance begeben werden, einfügen**: der Bundesrepublik Deutschland oder der Niederlande**] [im Falle von Schuldverschreibungen, die von E.ON UK Finance begeben werden einfügen:** der Bundesrepublik Deutschland oder des Vereinigten Königreichs] oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Tag, an dem die letzte Tranche dieser Serie von Schuldverschreibungen begeben wird, wirksam) **[im Falle von Schuldverschreibungen, die nicht Nullkupon-Schuldverschreibungen sind, einfügen**: am nächstfolgenden Zinszahlungstag (wie in § 3 Absatz 1 definiert)**] [im Falle von Nullkupon-Schuldverschreibungen einfügen:** bei Fälligkeit oder im Fall des Kaufs oder Tauschs einer Schuldverschreibung**]** zur Zahlung von zusätzlichen Beträgen (wie in § 7 dieser Bedingungen definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen vernünftiger, der Emittentin **[im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen**: bzw. der Garantin**]** zur Verfügung stehender Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin **[im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen:** oder die Garantin**]** verpflichtet wäre, solche zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die Schuldverschreibungen dann fällig sein würde, oder (ii) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erfolgt, die Verpflichtung zur Zahlung von zusätzlichen Beträgen nicht mehr wirksam ist. **[Bei variabel verzinslichen Schuldverschreibungen einfügen**: Der für die Rückzahlung festgelegte Termin muß ein Zinszahlungstag sein.**]**

Eine solche Kündigung hat gemäß § 12 zu erfolgen. Sie ist unwiderruflich, muß den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umständen darlegt.

Falls die Emittentin das Wahlrecht hat, die Schuldverschreibungen vorzeitig zurückzuzahlen, einfügen:

[(3) *Vorzeitige Rückzahlung nach Wahl der Emittentin.*

(a) Die Emittentin kann, nachdem sie gemäß Absatz (b) gekündigt hat, die Schuldverschreibungen insgesamt oder teilweise am/an den Wahl-Rückzahlungstag(en) (Call) zum/zu den Wahl-Rückzahlungsbetrag/beträgen (Call), wie nachstehend angegeben, nebst etwaigen bis zum Wahl-Rückzahlungstag (Call) (ausschließlich) aufgelaufenen Zinsen zurückzahlen. **[Bei Geltung eines Mindestrückzahlungsbetrages oder eines erhöhten Rückzahlungsbetrages einfügen**: Eine solche Rückzahlung muß in Höhe eines Nennbetrages von [mindestens **[Mindestrückzahlungsbetrag einfügen]] [erhöhter Rückzahlungsbetrag]** erfolgen.**]**

Wahl-Rückzahlungstag(e) (Call) **[Wahl-Rückzahlungstag(e) einfügen]]**	Wahl-Rückzahlungsbetrag/beträge (Call) **[Wahl-Rückzahlungsbetrag/beträge einfügen]**
[______________________]	[______________________]
[______________________]	[______________________]

[Falls der Gläubiger ein Wahlrecht hat, die Schuldverschreibungen vorzeitig zu kündigen, einfügen: Der Emittentin steht dieses Wahlrecht nicht in bezug auf eine Schuldverschreibung zu, deren Rückzahlung bereits der Gläubiger in Ausübung seines Wahlrechts nach Absatz 4 dieses § 5 verlangt hat.**]**

(b) Die Kündigung ist den Gläubigern der Schuldverschreibungen durch die Emittentin gemäß § 12 bekannt zu geben. Sie beinhaltet die folgenden Angaben:

(i) die zurückzuzahlende Serie von Schuldverschreibungen;

(ii) eine Erklärung, ob diese Serie ganz oder teilweise zurückgezahlt wird und im letzteren Fall den Gesamtnennbetrag der zurückzuzahlenden Schuldverschreibungen;

(iii) den Wahl-Rückzahlungstag (Call), der nicht weniger als 30 und nicht mehr als 60 Tage nach dem Tag der Kündigung durch die Emittentin gegenüber den Gläubigern liegen darf; und

(iv) den Wahl-Rückzahlungsbetrag (Call), zu dem die Schuldverschreibungen zurückgezahlt werden.

(c) Wenn die Schuldverschreibungen nur teilweise zurückgezahlt werden, werden die zurückzuzahlenden Schuldverschreibungen in Übereinstimmung mit den Regeln des betreffenden Clearing Systems ausgewählt.**]**

Falls der Gläubiger ein Wahlrecht hat, die Schuldverschreibungen vorzeitig zu kündigen, einfügen:

[[(4)**]** *Vorzeitige Rückzahlung nach Wahl des Gläubigers*.

(a) Die Emittentin hat eine Schuldverschreibung nach Ausübung des entsprechenden Wahlrechts durch den Gläubiger am/an den Wahl-Rückzahlungstag(en) (Put) zum/zu den Wahl-Rückzahlungsbetrag/beträgen (Put), wie nachstehend angegeben nebst etwaigen bis zum Wahl-Rückzahlungstag (Put) (ausschließlich) aufgelaufener Zinsen zurückzuzahlen.

Wahl-Rückzahlungstag(e) (Put)	Wahl-Rückzahlungsbetrag/beträge (Put)
[Wahl- Rückzahlungstag(e) einfügen]	**[Wahl-Rückzahlungsbetrag/beträge einfügen]**
[________________]	[________________]
[________________]	[________________]

Dem Gläubiger steht dieses Wahlrecht nicht in bezug auf eine Schuldverschreibung zu, deren Rückzahlung die Emittentin zuvor in Ausübung eines ihrer Wahlrechte nach diesem § 5 verlangt hat.

(b) Um dieses Wahlrecht auszuüben, hat der Gläubiger nicht weniger als **[Mindestkündigungsfrist einfügen]** und nicht mehr als **[Höchstkündigungsfrist einfügen]** Tage vor dem Wahl-Rückzahlungstag (Put), an dem die Rückzahlung gemäß der Ausübungserklärung (wie nachstehend definiert) erfolgen soll, bei der bezeichneten Geschäftsstelle des Fiscal Agent während der normalen Geschäftszeiten eine ordnungsgemäß ausgefüllte Mitteilung zur vorzeitigen Rückzahlung („Ausübungserklärung"), wie sie von der bezeichneten Geschäftsstelle des Fiscal Agent erhältlich ist, zu hinterlegen. Die Ausübungserklärung hat anzugeben: (i) den Nennbetrag der Schuldverschreibungen, für die das Wahlrecht ausgeübt wird und (ii) die Wertpapier-Kenn-Nummer dieser Schuldverschreibungen (soweit vergeben). Die Ausübung des Wahlrechts kann nicht widerrufen werden. Die Rückzahlung der Schuldverschreibungen, für welche das Wahlrecht ausgeübt worden ist, erfolgt nur gegen Lieferung der Schuldverschreibungen an die Emittentin oder deren Order.**]**

Im Falle von Schuldverschreibungen (außer Nullkupon-Schuldverschreibungen), einfügen:

[[(5)**]** *Vorzeitiger Rückzahlungsbetrag*.

Für die Zwecke des § 9 und des Absatzes 2 dieses § 5, entspricht der vorzeitige Rückzahlungsbetrag einer Schuldverschreibung dem Rückzahlungsbetrag.**]**

Im Falle von Nullkupon-Schuldverschreibungen einfügen:

[[(5)] *Vorzeitiger Rückzahlungsbetrag*.

Für die Zwecke des § 9 und des Absatzes 2 dieses § 5, berechnet sich der vorzeitige Rückzahlungsbetrag einer Schuldverschreibung wie folgt:

(a) Der vorzeitige Rückzahlungsbetrag der Schuldverschreibung entspricht der Summe aus:

(i) **[Referenzpreis einfügen]** (der „Referenzpreis“), und

(ii) dem Produkt aus **[Emissionsrendite in Prozent einfügen]** (die „Emissionsrendite“) und dem Referenzpreis ab dem (und einschließlich) **[Tag der Begebung einfügen]** bis zu (aber ausschließlich) dem vorgesehenen Rückzahlungstag oder (je nachdem) dem Tag, an dem die Schuldverschreibungen fällig und rückzahlbar werden, wobei die Emissionsrendite jährlich kapitalisiert wird.

Wenn diese Berechnung für einen Zeitraum, der nicht vollen Jahren entspricht, durchzuführen ist, hat sie im Fall des nicht vollständigen Jahres (der „Zinsberechnungszeitraum“) auf der Grundlage des Zinstagequotienten (wie vorstehend in § 3 definiert) zu erfolgen.

(b) Falls die Emittentin den vorzeitigen Rückzahlungsbetrag bei Fälligkeit nicht zahlt, wird er wie vorstehend beschrieben berechnet, jedoch mit der Maßgabe, daß die Bezugnahmen in Unterabsatz (a)(ii) auf den für die Rückzahlung vorgesehenen Rückzahlungstag oder den Tag, an dem diese Schuldverschreibungen fällig und rückzahlbar werden, durch den Tag ersetzt werden, an dem die Rückzahlung erfolgt.]

[Im Fall von indexierten Schuldverschreibungen, Credit Linked Schuldverschreibungen oder Equity Linked Schuldverschreibungen hinsichtlich des Kapitalbetrages, anwendbare Bestimmungen hier einfügen. Dasselbe gilt für Doppelwährungs-Schuldverschreibungen.]

§ 6
DER FISCAL AGENT[,] [UND] [DIE ZAHLSTELLE[N] [UND DIE BERECHNUNGSSTELLE]

(1) *Bestellung; bezeichnete Geschäftsstelle*. Der anfänglich bestellte Fiscal Agent [und] die anfänglich bestellte[n] [Zahlstelle[n] [und die anfänglich bestellte Berechnungsstelle] und [deren] [ihre] bezeichnete[n] Geschäftsstelle[n] laute[t][n] wie folgt:

Fiscal Agent:	Citibank, N.A. 5, Carmelite Street London EC4Y 0PA
Zahlstelle[n]:	[Citibank, N.A. 5, Carmelite Street London EC4Y 0PA]
	[Banque de Luxembourg S.A. 14, Boulevard Royal 2449 Luxembourg]
	[Citibank AG Neue Mainzer Straße 75 60311 Frankfurt am Main]
[Berechnungsstelle:]	**[Namen und bezeichnete Geschäftsstelle einfügen]**

Der Fiscal Agent[,] [und] [die Zahlstelle[n]] [und die Berechnungsstelle] [behält] [behalten] sich das Recht vor, jederzeit [seine] [ihre] bezeichnete[n] Geschäftsstelle[n] durch eine andere bezeichnete Geschäftsstelle in derselben Stadt zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung*. Die Emittentin behält sich das Recht vor, jederzeit die Bestellung des Fiscal Agent[,] [und] [der Zahlstelle[n]] [oder der Berechnungsstelle] zu ändern oder zu beenden und einen anderen Fiscal Agent[,] [und] [die Zahlstelle[n]] [oder eine andere Berechnungsstelle] zu bestellen. Die Emittentin wird zu jedem Zeitpunkt einen Fiscal Agent[,] [und] [eine Zahlstelle] [und eine Berechnungsstelle **[falls die Berechnungsstelle eine bezeichnete Geschäftsstelle an einem vorgeschriebenen Ort zu unterhalten hat, einfügen**: mit bezeichneter Geschäftsstelle in **[vorgeschriebenen Ort einfügen]]** unterhalten. Die Emittentin wird zu jedem Zeitpunkt eine Zahlstelle mit bezeichneter Geschäftsstelle in einer europäischen Stadt unterhalten und, solange die Schuldverschreibungen an der [Luxemburger] **[anderen relevanten Ort einfügen]** Börse notiert sind, eine Zahlstelle (die der Fiscal Agent sein kann) mit bezeichneter Geschäftsstelle **[falls die Schuldverschreibungen an der Luxemburger Börse notiert sind einfügen**: in Luxemburg] **[falls die Schuldverschreibungen nicht an der Luxemburger Börse notiert sind einfügen**: an dem von den Regeln dieser Börse vorgeschriebenen Ort] unterhalten.

Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 12 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

(3) *Beauftragte der Emittentin*. Der Fiscal Agent[,] [und] [die Zahlstelle[n]] [und die Berechnungsstelle] [handelt] [handeln] ausschließlich als Beauftragte[r] der Emittentin und [übernimmt] [übernehmen] keinerlei Verpflichtungen gegenüber den Gläubigern und es wird kein Auftrags- oder Treuhandverhältnis zwischen [ihm] [ihnen] und den Gläubigern begründet.

§ 7
STEUERN

Im Falle von Schuldverschreibungen, die von E.ON AG begeben werden, einfügen:

[Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind an der Quelle ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der oder in der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, dieser Einbehalt oder Abzug ist gesetzlich vorgeschrieben.

In diesem Fall wird die Emittentin diejenigen zusätzlichen Beträge (die „zusätzlichen Beträge") zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen an Kapital und Zinsen entsprechen, die ohne einen solchen Abzug oder Einbehalt von den Gläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

(a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, daß die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder

(b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zur Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder

(c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die

Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtline, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

(d) aufgrund einer Rechtsänderung oder einer Änderung in der Rechtsanwendung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 12 wirksam wird; oder

(e) zahlbar sind, wenn die Schuldverschreibungen oder Zinsscheine einer bestimmten Zahlstelle zur Zahlung vorgelegt werden, wenn sie einer anderen Zahlstelle ohne einen solchen Einbehalt oder Abzug zur Zahlung hätten vorgelegt werden können; oder

(f) zu zahlen sind, weil die Schuldverschreibungen oder Zinsscheine an einem Schalter in der Bundesrepublik Deutschland zur Zahlung vorgelegt oder von einem Kreditinstitut in der Bundesrepublik Deutschland, das diese Schuldverschreibungen oder Zinsscheine für den Gläubiger verwahrt hat oder noch verwahrt, für den betreffenden Gläubiger zur Zahlung eingezogen wurden.]

Im Falle von Schuldverschreibungen, die von E.ON Finance begeben werden, einfügen:

[Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind an der Quelle ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in den Niederlanden oder, im Fall von Zahlungen auf die Garantie, von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der Niederlande oder in den Niederlanden oder, im Fall von Zahlungen auf die Garantie, der oder in der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, dieser Einbehalt oder Abzug ist gesetzlich vorgeschrieben.

In diesem Fall wird die Emittentin, bzw. die Garantin, diejenigen zusätzlichen Beträge (die „zusätzlichen Beträge") zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen an Kapital und Zinsen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Gläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

(a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, daß die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder

(b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zu den Niederlanden oder, im Fall von Zahlungen auf die Garantie, zur Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in den Niederlanden oder, im Fall von Zahlungen auf die Garantie, aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder

(c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Niederlande oder die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

(d) aufgrund einer Rechtsänderung oder einer Änderung in der Rechtsanwendung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 12 wirksam wird; oder

(e) zahlbar sind, wenn die Schuldverschreibungen oder Zinsscheine einer bestimmten Zahlstelle zur Zahlung vorgelegt werden, wenn sie einer anderen Zahlstelle ohne einen solchen Einbehalt oder Abzug zur Zahlung hätten vorgelegt werden können; oder

(f) zu zahlen sind, weil die Schuldverschreibungen oder Zinsscheine an einem Schalter [in den Niederlanden oder] in der Bundesrepublik Deutschland zur Zahlung vorgelegt oder von einem Kreditinstitut in [den Niederlanden oder in] der Bundesrepublik Deutschland, das diese Schuldverschreibungen oder Zinsscheine für den Gläubiger verwahrt hat oder noch verwahrt, für den betreffenden Gläubiger zur Zahlung eingezogen wurden.]

Im Falle von Schuldverschreibungen, die von E.ON UK Finance begeben werden, einfügen:

[Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind an der Quelle ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die vom oder im Vereinigten Königreich oder, im Fall von Zahlungen auf die Garantie, von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde des Vereinigten Königreichs oder im Vereinigten Königreich oder, im Fall von Zahlungen auf die Garantie, der oder in der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, dieser Einbehalt oder Abzug ist gesetzlich vorgeschrieben.

In diesem Fall wird die Emittentin, bzw. die Garantin, diejenigen zusätzlichen Beträge (die „zusätzlichen Beträge") zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen an Kapital und Zinsen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Gläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

(a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, daß die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder

(b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zum Vereinigten Königreich oder, im Fall von Zahlungen auf die Garantie, zur Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen im Vereinigten Königreich oder, im Fall von Zahlungen auf die Garantie, aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder

(c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der das Vereinigte Königreich oder die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

(d) aufgrund einer Rechtsänderung oder einer Änderung in der Rechtsanwendung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 12 wirksam wird; oder

(e) zahlbar sind, wenn die Schuldverschreibungen oder Zinsscheine einer bestimmten Zahlstelle zur Zahlung vorgelegt werden, wenn sie einer anderen Zahlstelle ohne einen solchen Einbehalt oder Abzug zur Zahlung hätten vorgelegt werden können; oder

(f) zu zahlen sind, weil die Schuldverschreibungen oder Zinsscheine an einem Schalter im Vereinigten Königreich oder in der Bundesrepublik Deutschland zur Zahlung vorgelegt oder von einem Kreditinstitut im Vereinigten Königreich oder in der Bundesrepublik Deutschland, das diese Schuldverschreibungen oder Zinsscheine für den Gläubiger verwahrt hat oder noch verwahrt, für den betreffenden Gläubiger zur Zahlung eingezogen wurden.**]**

§ 8
VORLEGUNGSFRIST

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.

§ 9
KÜNDIGUNG

Im Falle von Schuldverschreibungen, die von E.ON AG begeben werden, einfügen:

[(1) *Kündigungsgründe.* Jeder Gläubiger ist berechtigt, seine Schuldverschreibung zu kündigen und deren sofortige Rückzahlung zu ihrem vorzeitigen Rückzahlungsbetrag (wie in § 5 beschrieben), zuzüglich etwaiger bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls:

(a) die Emittentin Kapital oder Zinsen nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag zahlt; oder

(b) die Emittentin die ordnungsgemäße Erfüllung irgendeiner anderen Verpflichtung aus den Schuldverschreibungen unterläßt und diese Unterlassung nicht geheilt werden kann oder, falls sie geheilt werden kann, länger als 90 Tage fortdauert, nachdem der Fiscal Agent hierüber eine Benachrichtigung von einem Gläubiger erhalten hat; oder

(c) die Emittentin ihre Zahlungsunfähigkeit bekanntgibt oder ihre Zahlungen einstellt, oder

(d) die Emittentin eine Verbindlichkeit aus aufgenommenen Geldern oder einen Betrag aus einer Garantie für eine solche Verbindlichkeit mit einem Euro 25.000.000 (oder den entsprechenden Betrag in jeder anderen Währung) übersteigenden Betrag innerhalb von 30 Tagen nach dem Fälligkeitstag nicht zahlt oder ein Gläubiger infolge Vorliegens eines Kündigungsgrundes (wie auch immer beschrieben) berechtigt ist, eine solche Verbindlichkeit vorzeitig fällig zu stellen, oder

(e) ein Gericht ein Insolvenzverfahren gegen die Emittentin eröffnet, oder die Emittentin ein solches Verfahren einleitet oder beantragt oder eine allgemeine Schuldenregelung zugunsten ihrer Gläubiger anbietet oder trifft, oder ein Dritter ein Insolvenzverfahren gegen die Emittentin beantragt und ein solches Verfahren nicht innerhalb einer Frist von 60 Tagen aufgehoben oder ausgesetzt worden ist, oder

(f) die Emittentin in Liquidation tritt, es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft und diese Gesellschaft übernimmt alle Verpflichtungen, die die Emittentin im Zusammenhang mit diesen Schuldverschreibungen eingegangen ist, oder

(g) in der Bundesrepublik Deutschland irgendein Gesetz, eine Verordnung oder behördliche Anordnung erlassen wird oder ergeht, aufgrund derer die Emittentin daran gehindert wird, die von ihr gemäß diesen Emissionsbedingungen übernommenen Verpflichtungen in vollem Umfang zu beachten und zu erfüllen und diese Lage nicht binnen 90 Tagen behoben ist.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

(2) *Bekanntmachung.* Eine Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß vorstehendem Absatz 1 ist schriftlich in deutscher oder englischer Sprache gegenüber dem Fiscal Agent zu erklären und persönlich oder per Einschreiben an dessen bezeichnete Geschäftsstelle zu übermitteln. Der Benachrichtigung ist ein Nachweis beizufügen, aus dem sich ergibt, daß der betreffende Gläubiger zum Zeitpunkt der Abgabe der Benachrichtigung Inhaber der betreffenden Schuldverschreibung ist. Der Nachweis kann durch eine Bescheinigung der Depotbank (wie in § 13 Absatz 3 definiert) oder auf andere geeignete Weise erbracht werden.**]**

Im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen:

[(1) *Kündigungsgründe.* Jeder Gläubiger ist berechtigt, seine Schuldverschreibung zu kündigen und deren sofortige Rückzahlung zu ihrem vorzeitigen Rückzahlungsbetrag (wie in § 5 beschrieben), zuzüglich etwaiger bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls:

(a) die Emittentin Kapital oder Zinsen nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag zahlt; oder

(b) die Emittentin die ordnungsgemäße Erfüllung irgendeiner anderen Verpflichtung aus den Schuldverschreibungen oder die Garantin die Erfüllung einer Verpflichtung aus der Garantie auf die in § 2 Bezug genommen wird, unterläßt und diese Unterlassung nicht geheilt werden kann oder, falls sie geheilt werden kann, länger als 90 Tage fortdauert, nachdem der Fiscal Agent hierüber eine Benachrichtigung von einem Gläubiger erhalten hat; oder

(c) die Emittentin oder die Garantin ihre Zahlungsunfähigkeit bekanntgibt oder ihre Zahlungen einstellt, oder

(d) die Emittentin oder die Garantin eine Verbindlichkeit aus aufgenommenen Geldern oder einen Betrag aus einer Garantie für eine solche Verbindlichkeit mit einem Euro 25.000.000 (oder den entsprechenden Betrag in jeder anderen Währung) übersteigenden Betrag innerhalb von 30 Tagen nach dem Fälligkeitstag nicht zahlt oder ein Gläubiger infolge Vorliegens eines Kündigungsgrundes (wie auch immer beschrieben) berechtigt ist, eine solche Verbindlichkeit vorzeitig fällig zu stellen, oder

(e) ein Gericht ein Konkurs- oder sonstiges Insolvenzverfahren gegen die Emittentin oder die Garantin eröffnet, oder die Emittentin oder die Garantin ein solches Verfahren einleitet oder beantragt oder eine allgemeine Schuldenregelung zugunsten ihrer Gläubiger anbietet oder trifft **[im Falle von Schuldverschreibungen, die von E.ON Finance begeben werden, einfügen:** oder die Emittentin ein *„surseance van betaling"* (im Sinne des niederländischen Insolvenzrechts) beantragt**]**, oder ein Dritter ein Insolvenzverfahren gegen die Garantin beantragt und ein solches Verfahren nicht innerhalb einer Frist von 60 Tagen aufgehoben oder ausgesetzt worden ist, oder

(f) die Emittentin oder die Garantin in Liquidation tritt, es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft und diese Gesellschaft übernimmt alle Verpflichtungen, die die Emittentin oder die Garantin im Zusammenhang mit diesen Schuldverschreibungen eingegangen ist, oder

(g) **[im Falle von Schuldverschreibungen, die von E.ON Finance begeben werden, einfügen:** in den Niederlanden**] [im Falle von Schuldverschreibungen, die von E.ON UK Finance begeben werden, einfügen:** im Vereinigten Königreich**]** oder in der Bundesrepublik Deutschland irgendein Gesetz, eine Verordnung oder behördliche Anordnung erlassen wird oder ergeht, aufgrund derer die Emittentin oder die Garantin daran gehindert wird, die von ihr gemäß diesen Emissionsbedingungen bzw. der Garantin gemäß den Garantiebedingungen übernommenen Verpflichtungen in vollem Umfang zu beachten und zu erfüllen und diese Lage nicht binnen 90 Tagen behoben ist, oder

(h) die Garantie aus irgendeinem Grund ungültig wird oder nicht mehr rechtsverbindlich ist.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

(2) *Bekanntmachung.* Eine Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß vorstehendem Absatz 1 ist schriftlich in deutscher oder englischer Sprache gegenüber dem Fiscal Agent zu erklären und persönlich oder per Einschreiben an dessen bezeichnete Geschäftsstelle zu übermitteln. Der Benachrichtigung ist ein Nachweis beizufügen, aus dem sich ergibt, daß der betreffende Gläubiger zum Zeitpunkt der Abgabe der Benachrichtigung Inhaber der betreffenden Schuldverschreibung ist. Der Nachweis kann durch eine Bescheinigung der Depotbank (wie in § 13 Absatz 4 definiert) oder auf andere geeignete Weise erbracht werden.**]**

§ 10
ERSETZUNG DER EMITTENTIN

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger **[**(i) **im Falle von Schuldverschreibungen, die von E.ON AG begeben werden, einfügen:** ein mit ihr verbundenes Unternehmen (wie unten definiert)**] [**(ii) **im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen:** entweder die Garantin oder ein mit der Garantin verbundenes Unternehmen (wie unten definiert)**]** an ihrer Stelle als Hauptschuldnerin (die „Nachfolgeschuldnerin") für alle Verpflichtungen aus und im Zusammenhang mit dieser Emission einzusetzen, vorausgesetzt, daß:

(a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin in bezug auf die Schuldverschreibungen übernimmt;

(b) die Nachfolgeschuldnerin alle erforderlichen Genehmigungen erhalten hat und berechtigt ist, an den Fiscal Agent die zur Erfüllung der Zahlungsverpflichtungen aus den Schuldverschreibungen zahlbaren Beträge in der hierin festgelegten Währung zu zahlen, ohne verpflichtet zu sein, jeweils in dem Land, in dem die Nachfolgeschuldnerin oder die Emittentin ihren Sitz oder Steuersitz haben, erhobene Steuern oder andere Abgaben jeder Art abzuziehen oder einzubehalten;

(c) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Gläubiger hinsichtlich solcher Steuern, Abgaben oder behördlichen Lasten freizustellen, die einem Gläubiger bezüglich der Ersetzung auferlegt werden;

Im Falle von Schuldverschreibungen, die von E.ON AG begeben werden, einfügen:

[(d) die Emittentin unwiderruflich und unbedingt gegenüber den Gläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zahlbaren Beträge zu Bedingungen garantiert, die den Bedingungen der Garantie der Emittentin vom 1. August 2003 hinsichtlich der Schuldverschreibungen, die von der E.ON Finance oder E.ON UK Finance unter dem Medium Term Note Programme begeben werden, entsprechen; und**]**

Im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen:

[(d) die Garantin, falls sie nicht selbst die Nachfolgeschuldnerin ist, unwiderruflich und unbedingt gegenüber den Gläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zahlbaren Beträge zu Bedingungen garantiert, die den Bedingungen der Garantie entsprechen; und]

(e) dem Fiscal Agent jeweils ein Rechtsgutachten bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten vorgelegt werden, die bestätigen, daß die Bestimmungen in den vorstehenden Unterabsätzen (a), (b), (c) und (d) erfüllt wurden.

Für die Zwecke dieses § 10 bedeutet „verbundenes Unternehmen" ein verbundenes Unternehmen im Sinne von § 15 Aktiengesetz.

(2) *Bekanntmachung*. Jede Ersetzung ist gemäß § 12 bekannt zu machen.

(3) *Änderung von Bezugnahmen*. Im Fall einer Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, gilt ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat. Des weiteren gilt im Fall einer Ersetzung folgendes:

Im Falle von Schuldverschreibungen, die von E.ON AG begeben werden, einfügen:

[(a) in § 7 und § 5 Absatz 2 gilt eine alternative Bezugnahme auf die Bundesrepublik Deutschland als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat);

(b) in § 9 Absatz 1(c) bis (f) gilt eine alternative Bezugnahme auf die Emittentin in ihrer Eigenschaft als Garantin als aufgenommen (zusätzlich zu der Bezugnahme auf die Nachfolgeschuldnerin).]

Im Falle von Schuldverschreibungen, die von E.ON Finance begeben werden, einfügen:

[In § 7 und § 5 Absatz 2 gilt eine alternative Bezugnahme auf die Niederlande als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat).]

Im Falle von Schuldverschreibungen, die von E.ON UK Finance begeben werden, einfügen:

[In § 7 und § 5 Absatz 2 gilt eine alternative Bezugnahme auf das Vereinigte Königreich als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat).]

§ 11
BEGEBUNG WEITERER SCHULDVERSCHREIBUNGEN, ANKAUF UND ENTWERTUNG

(1) *Begebung weiterer Schuldverschreibungen*. Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, daß sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf.* Die Emittentin ist berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei dem Fiscal Agent zwecks Entwertung eingereicht werden. Sofern diese Käufe durch öffentliches Angebot erfolgen, muß dieses Angebot allen Gläubigern gemacht werden.

(3) *Entwertung*. Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 12
MITTEILUNGEN

(1) *Bekanntmachung*. Alle die Schuldverschreibungen betreffenden Mitteilungen sind in einer führenden Tageszeitung **[im Fall einer Börsenzulassung in Frankfurt einfügen:** (überregionales Börsenpflichtblatt)**]** mit allgemeiner Verbreitung in **[**Deutschland**]** **[**Luxemburg**]** **[**dem Vereinigten Königreich**]** **[anderen Ort einfügen]**, voraussichtlich **[**der *Börsen-Zeitung***]** **[**dem *Luxemburger Wort***]** **[**der *Financial Times***]** **[andere Zeitung mit allgemeiner Verbreitung einfügen]**, zu veröffentlichen. Jede derartige Mitteilung gilt am dritten Tag nach dem Tag der Veröffentlichung (oder bei mehreren Veröffentlichungen am dritten Tag nach dem Tag der ersten solchen Veröffentlichung) als wirksam erfolgt.

(2) *Mitteilungen an das Clearing System*. Die Emittentin ist berechtigt, eine Zeitungsveröffentlichung nach Absatz 1 durch eine Mitteilung an das Clearing System zur Weiterleitung an die Gläubiger zu ersetzen, vorausgesetzt, daß in Fällen, in denen die Schuldverschreibungen an einer Börse notiert sind, die Regeln dieser Börse diese Form der Mitteilung zulassen. Jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das Clearing System als den Gläubigern mitgeteilt. **[Im Fall von Schuldverschreibungen, die an der Luxemburger Börse notiert sind, einfügen:** Solange die Schuldverschreibungen an der Luxemburger Börse notiert sind, haben alle die Schuldverschreibungen betreffenden Mitteilungen in der in Absatz 1 vorgesehenen Form zu erfolgen.**]**

§ 13
ANWENDBARES RECHT,
GERICHTSSTAND UND GERICHTLICHE GELTENDMACHUNG

(1) *Anwendbares Recht*. Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.

(2) *Gerichtsstand*. Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren („Rechtsstreitigkeiten") ist das Landgericht Düsseldorf.

Im Falle von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen:

[(3) *Ernennung von Zustellungsbevollmächtigten.* Für etwaige Rechtsstreitigkeiten vor deutschen Gerichten bestellt die Emittentin die E.ON AG, E.ON-Platz 1, 40479 Düsseldorf, Bundesrepublik Deutschland, zu ihrer Zustellungsbevollmächtigten in Deutschland.**]**

[(4)**]** *Gerichtliche Geltendmachung*. Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu schützen oder geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, daß die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine

Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne daß eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet „Depotbank" jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing Systems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist.

§ 14
SPRACHE

Falls die Emissionsbedingungen in deutscher Sprache mit einer Übersetzung in die englische Sprache abgefaßt sind, einfügen:

[Diese Emissionsbedingungen sind in deutscher Sprache abgefaßt. Eine Übersetzung in die englische Sprache ist beigefügt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.]

Falls die Emissionsbedingungen in englischer Sprache mit einer Übersetzung in die deutsche Sprache abgefaßt sind, einfügen:

[Diese Emissionsbedingungen sind in englischer Sprache abgefaßt. Eine Übersetzung in die deutsche Sprache ist beigefügt. Der englische Text ist bindend und maßgeblich. Die Übersetzung in die deutsche Sprache ist unverbindlich.]

Falls die Emissionsbedingungen ausschließlich in deutscher Sprache abgefaßt sind, einfügen:

[Diese Emissionsbedingungen sind ausschließlich in deutscher Sprache abgefaßt.]

TEIL II – ZUSATZ ZU DEN GRUNDBEDINGUNGEN

AUF DEN INHABER LAUTENDE EINZELURKUNDEN

Falls das jeweilige Konditionenblatt die Begebung von Einzelurkunden vorsieht, werden die Emissionsbedingungen für Inhaberschuldverschreibungen soweit unten angegeben und nach Maßgabe der Bedingungen des jeweiligen Konditionenblattes ergänzt.

[§ 1(3)(a) (WÄHRUNG, STÜCKELUNG, FORM, DEFINITIONEN – *Vorläufige Globalurkunde – Austausch*) ist wie folgt zu ersetzen:

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die „vorläufige Globalurkunde") ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde wird **[falls die vorläufige Globalurkunde ausschließlich gegen Einzelurkunden ausgetauscht wird, einfügen:** gegen Einzelurkunden in den festgelegten Stückelungen („Einzelurkunden") **[falls die Schuldverschreibungen mit Zinsscheinen, Talons und/oder Rückzahlungsscheinen ausgegeben werden, einfügen:** mit beigefügten [Zinsscheinen („Zinsscheine")**]** [und Talons („Talons") für weitere Zinsscheine] [und] [Rückzahlungsscheinen („Rückzahlungsscheine") für die Zahlung der Tilgungsraten]**]** ausgetauscht**] [falls die vorläufige Globalurkunde gegen Einzelurkunden und Sammelurkunden ausgetauscht wird, einfügen:** zum Teil gegen Einzelurkunden in den festgelegten Stückelungen („Einzelurkunden") **[falls die Schuldverschreibungen mit Zinsscheinen, Talons und/oder Rückzahlungsscheinen ausgegeben werden, einfügen:** mit beigefügten [Zinsscheinen („Zinsscheine")**]** [Talons („Talons") für weitere Zinsscheine] [und] [Rückzahlungsscheinen („Rückzahlungsscheine") für die Zahlung der Tilgungsraten]**]** und zum anderen Teil gegen eine oder mehrere Sammelurkunden (jeweils eine „Sammelurkunde") **[falls die Schuldverschreibungen mit Zinsscheinen ausgegeben werden, einfügen:** mit beigefügten Sammelzinsscheinen (jeweils ein „Sammelzinsschein")**]** ausgetauscht; das Recht der Gläubiger, die Auslieferung von Einzelurkunden im Austausch gegen Schuldverschreibungen, die durch eine Sammelurkunde verbrieft sind, zu fordern, richtet sich nach § 9a(3) Satz 1 Depotgesetz**]**. Die vorläufige Globalurkunde **[falls die vorläufige Globalurkunde gegen Einzelurkunden und Sammelurkunden ausgetauscht wird, einfügen:** und jede Sammelurkunde **[falls die Schuldverschreibungen mit Zinsscheinen ausgegeben werden, einfügen:** und jeder Sammelzinsschein**]]** trägt die eigenhändigen Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und die vorläufige Globalurkunde [und jede Sammelurkunde] ist von dem Fiscal Agent oder in dessen Namen mit einer Kontrollunterschrift versehen. Die Einzelurkunden **[falls die Schuldverschreibungen mit Zinsscheinen, Talons und/oder Rückzahlungsscheinen ausgegeben werden, einfügen:** und die [Zinsscheine][,] [und] [Talons] [und Rückzahlungsscheine]**]** tragen die faksimilierten Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und die Einzelurkunden sind von dem Fiscal Agent oder in dessen Namen mit einer Kontrollunterschrift versehen.**]**

[(i) im Fall von Schuldverschreibungen, die keine TEFRA D Schuldverschreibungen sind, ist § 1(3)(b) (WÄHRUNG, STÜCKELUNG, FORM, DEFINITIONEN – *Vorläufige Globalurkunde – Austausch*) wie folgt zu ersetzen:

(b) Die vorläufige Globalurkunde ist an einem Tag (der „Austauschtag"), der nicht später als 180 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegt, gegen Schuldverschreibungen in der in dem vorstehenden Absatz (a) vorgesehenen Form auszutauschen.**]**

(ii) im Fall von TEFRA D Schuldverschreibungen ist § 1(3)(b) (WÄHRUNG, STÜCKELUNG, FORM, DEFINITIONEN – *Vorläufige Globalurkunde – Austausch*) wie folgt zu ersetzen:

(b) Die vorläufige Globalurkunde wird an einem Tag (der „Austauschtag") gegen Schuldverschreibungen in der in dem vorstehenden Absatz (a) vorgesehenen Form ausgetauscht, der nicht mehr als 180 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegt. Der Austauschtag für einen solchen Austausch soll nicht weniger als 40 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegen. Ein solcher Austausch soll nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Zinszahlungen auf durch eine vorläufige Globalurkunde verbriefte Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine gesonderte Bescheinigung ist hinsichtlich einer jeden solchen Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der vorläufigen Globalurkunde eingeht, wird als ein Ersuchen behandelt werden, diese vorläufige Globalurkunde gemäß Absatz (b) dieses § 1(3) auszutauschen. Wertpapiere, die im Austausch für die vorläufige Globalurkunde geliefert werden, sind nur außerhalb der Vereinigten Staaten (wie in § 4 Absatz (3) definiert) zu liefern.**]**

[§ 1(4) und (5) (WÄHRUNG, STÜCKELUNG, FORM, DEFINITIONEN – *Clearing System/Gläubiger von Schuldverschreibungen*) ist wie folgt zu ersetzen:

(4) *Clearing System.* „Clearing System" bedeutet **[bei mehr als einem Clearing System einfügen:** jeweils**]** folgendes: **[**Clearstream Banking AG**] [,] [**und**] [**Clearstream Banking, société anonyme**] [,] [**und**] [**Euroclear Bank S.A./N.V., als Betreiberin des Euroclear Systems („Euroclear")**] [,] [**und**] [anderes Clearing System angeben].**

(5) *Gläubiger von Schuldverschreibungen*. „Gläubiger" bedeutet, in bezug auf die bei einem Clearing System oder einem sonstigen zentralen Wertpapierverwahrer hinterlegten Schuldverschreibungen, jeder Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Rechts an den hinterlegten Schuldverschreibungen und sonst, im Fall von Einzelurkunden, der Inhaber einer Einzelurkunde.

(6) *Bezugnahmen auf Schuldverschreibungen*. Bezugnahmen in diesen Emissionsbedingungen auf die „Schuldverschreibungen" schließen Bezugnahmen auf jede die Schuldverschreibungen verbriefende Globalurkunde und jede Einzelurkunde **[falls die Schuldverschreibungen mit Zinsscheinen, Talons und/oder Rückzahlungsscheinen begeben werden einfügen:** und die zugehörigen **[**Zinsscheine**][,] [**und**] [**Sammelzinsscheine**] [,] [**und**] [**Talons**] [**und Rückzahlungsscheine**]]** ein, es sei denn, aus dem Zusammenhang ergibt sich etwas anderes.**]**

[Im Fall von festverzinslichen Schuldverschreibungen ist § 3(2) (ZINSEN – *Auflaufende Zinsen*) wie folgt zu ersetzen:

(2) *Auflaufende Zinsen*. Der Zinslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, fallen auf den ausstehenden Nennbetrag der Schuldverschreibungen ab dem Fälligkeitstag (einschließlich) bis zum Tag der tatsächlichen Rückzahlung (ausschließlich), spätestens jedoch bis zum vierzehnten Tag nach der Bekanntmachung durch den Fiscal Agent gemäß § 12, daß ihm die für die Rückzahlung der Schuldverschreibungen erforderlichen Mittel zur Verfügung gestellt worden sind, Zinsen zum gesetzlich festgelegten Satz für Verzugszinsen an [1].**]**

[1] Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit festgelegten Basiszinssatz, §§ 288 Absatz 1, 247 Absatz 1 BGB.

[Im Fall von variabel verzinslichen Schuldverschreibungen ist § 3(1) (ZINSEN – *Zinszahlungstage*) Unterabsatz (d) wie folgt zu ersetzen:

(d) In diesem § 3 bezeichnet „Geschäftstag" einen Tag, der ein Tag (außer einem Samstag oder Sonntag) ist, an dem (i) Geschäftsbanken und Devisenmärkte Zahlungen am jeweiligen Ort der Vorlage abwickeln und (ii) das Clearing System sowie (iii) **[falls die festgelegte Währung nicht Euro ist, einfügen:** Geschäftsbanken und Devisenmärkte in **[sämtliche relevanten Finanzzentren einfügen]] [falls die festgelegte Währung Euro ist, einfügen:** das Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET)**]** Zahlungen abwickeln.**]**

[Im Fall von variabel verzinslichen Schuldverschreibungen ist § 3[(7)] (ZINSEN – *Auflaufende Zinsen*) wie folgt zu ersetzen:

[(7)**]** *Auflaufende Zinsen*. Der Zinslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, fallen auf den ausstehenden Nennbetrag der Schuldverschreibungen ab dem Fälligkeitstag (einschließlich) bis zum Tag der tatsächlichen Rückzahlung (ausschließlich), spätestens jedoch bis zum vierzehnten Tag nach der Bekanntmachung durch den Fiscal Agent gemäß § 12, daß ihm die für die Rückzahlung der Schuldverschreibungen erforderlichen Mittel zur Verfügung gestellt worden sind, Zinsen zum gesetzlich festgelegten Satz für Verzugszinsen an [1].**]**

[Im Fall von Nullkupon-Schuldverschreibungen ist § 3(2) (ZINSEN – *Auflaufende Zinsen*) wie folgt zu ersetzen:

(2) *Auflaufende Zinsen*. Der Zinslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Sollte die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlösen, fallen auf den ausstehenden Nennbetrag der Schuldverschreibungen ab dem Fälligkeitstag (einschließlich) bis zum Tag der tatsächlichen Rückzahlung (ausschließlich), spätestens jedoch bis zum vierzehnten Tag nach der Bekanntmachung durch den Fiscal Agent gemäß § 12, daß ihm die für die Rückzahlung der Schuldverschreibungen erforderlichen Mittel zur Verfügung gestellt worden sind, Zinsen zum gesetzlich festgelegten Satz für Verzugszinsen an [1].**]**

[§ 4(1)[(a)] (ZAHLUNGEN – *Zahlungen auf Kapital*) ist wie folgt zu ersetzen:

(1) **[**(a)**]** *Zahlungen auf Kapital*. Zahlungen auf Kapital in bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes 2 gegen Vorlage und (außer im Fall von Teilzahlungen) Einreichung der entsprechenden Urkunde bei der bezeichneten Geschäftsstelle des Fiscal Agent außerhalb der Vereinigten Staaten oder bei der bezeichneten Geschäftsstelle einer anderen Zahlstelle außerhalb der Vereinigten Staaten.**]**

[Im Fall von Raten-Schuldverschreibungen einfügen: Die Zahlung von Raten auf eine Raten-Schuldverschreibung mit Rückzahlungsscheinen erfolgt gegen Vorlage der Schuldverschreibung zusammen mit dem betreffenden Rückzahlungsschein und Einreichung dieses Rückzahlungsscheins und, im Falle der letzten Ratenzahlung gegen Einreichung der Schuldverschreibung bei der bezeichneten Geschäftsstelle des Fiscal Agent außerhalb der Vereinigten Staaten oder bei der bezeichneten Geschäftsstelle einer anderen Zahlstelle außerhalb der Vereinigten Staaten. Rückzahlungsscheine begründen keinen Titel. Rückzahlungsscheine, die ohne die dazugehörige Schuldverschreibung vorgelegt werden, begründen keine Verpflichtungen der Emittentin. Daher berechtigt die Vorlage einer Raten-Schuldverschreibung ohne den entsprechenden Rückzahlungsschein oder die Vorlage eines Rückzahlungsscheins ohne die dazugehörige Schuldverschreibung den Gläubiger nicht, die Zahlung einer Rate zu verlangen.**]**

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[1] Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit festgelegten Basiszinssatz, §§ 288 Absatz 1, 247 Absatz 1 BGB.

[Im Fall von Schuldverschreibungen, die keine Nullkupon-Schuldverschreibungen sind, ist § 4(1)(b) (ZAHLUNGEN – *Zahlungen von Zinsen*) wie folgt zu ersetzen:

(b) *Zahlung von Zinsen*. Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von Absatz 2 gegen Vorlage und Einreichung der entsprechenden Zinsscheine oder, im Fall von nicht mit Zinsscheinen ausgestatteten Schuldverschreibungen oder im Fall von Zinszahlungen, die nicht an einem für Zinszahlungen vorgesehenen Tag fällig werden, gegen Vorlage der entsprechenden Schuldverschreibungen bei der bezeichneten Geschäftsstelle des Fiscal Agent außerhalb der Vereinigten Staaten oder bei der bezeichneten Geschäftsstelle einer anderen Zahlstelle außerhalb der Vereinigten Staaten.

[Im Fall von TEFRA D Schuldverschreibungen einfügen: Die Zahlung von Zinsen auf Schuldverschreibungen, die durch eine vorläufige Globalurkunde verbrieft sind, erfolgt nach Maßgabe von Absatz 2 an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems, und zwar nach ordnungsgemäßer Bescheinigung gemäß § 1(3)(b).**]]**

[Im Fall von Schuldverschreibungen, die mit Zinsscheinen, Talons und/oder Rückzahlungsscheinen begeben werden, ist als § 4(1)(c) (ZAHLUNGEN – *Einreichung von* [*Zinsscheinen*] [,] [*und*] [*Talons*] [*und Rückzahlungsscheinen*]) einzufügen:

(c) *Einreichung von* **[***Zinsscheinen***][,] [***und***] [***Talons***] [***und Rückzahlungsscheinen***]**. Jede Schuldverschreibung, die anfänglich mit beigefügten **[**Zinsscheinen**] [**oder**]** **[**Talons**] [**oder Rückzahlungsscheinen**]** ausgegeben wurde, ist bei Rückzahlung vorzulegen und, außer im Falle einer Teilzahlung des Rückzahlungsbetrages, zusammen mit allen dazugehörigen noch nicht fälligen **[**Zinsscheinen**][,] [**und**]** **[**Talons**] [**und Rückzahlungsscheinen**]** einzureichen; erfolgt dies nicht **[Im Fall von festverzinslichen Schuldverschreibungen einfügen:** wird der Betrag der fehlenden noch nicht fälligen Zinsscheine von dem ansonsten bei der Rückzahlung fälligen Betrag abgezogen**[,] [**und**] [.]] [Im Fall von variabel verzinslichen Schuldverschreibungen einfügen:** werden alle nicht fälligen zugehörigen Zinsscheine (gleich, ob sie zusammen mit diesen eingereicht werden oder nicht) ungültig und es erfolgt ab diesem Zeitpunkt keine Zahlung mehr auf sie**[,] [**und**] [.]] [Im Fall von Schuldverschreibungen, die anfänglich mit Talons ausgegeben werden, einfügen:** werden sämtliche nicht fälligen Talons (gleich, ob sie zusammen mit diesen eingereicht werden oder nicht) ungültig und können nicht zu einem späteren Zeitpunkt gegen Zinsscheine ausgetauscht werden **[**und**] [.]] [Im Fall von Schuldverschreibungen, die anfänglich mit Rückzahlungsscheinen ausgegeben werden, einfügen:** werden sämtliche zugehörigen Rückzahlungsscheine, die in bezug auf die Zahlung einer Rate, die (wäre sie nicht zur Rückzahlung fällig geworden) an einem Tag nach Rückzahlung fällig geworden wäre (gleich, ob sie mit dieser Schuldverschreibung eingereicht wurde oder nicht) ungültig, und bei Vorlage zu einem späteren Zeitpunkt erfolgt auf sie keine Zahlung.**]**

[Im Fall von festverzinslichen Schuldverschreibungen, die anfänglich mit Zinsscheinen ausgegeben werden, einfügen: Werden Schuldverschreibungen mit einer Fälligkeit und einem Zinssatz oder Zinssätzen begeben, die dazu führen würden, daß bei Vorlage zur Zahlung dieser Schuldverschreibungen ohne dazugehörige noch nicht fällige Zinsscheine der wie vorstehend dargelegt in Abzug zu bringende Betrag den ansonsten zu zahlenden Rückzahlungsbetrag übersteigt, so werden diese noch nicht fälligen Zinsscheine (gleich, ob sie beigefügt sind oder nicht) zum Zeitpunkt der Fälligkeit solcher Schuldverschreibungen ungültig (und es erfolgt auf sie keine Zahlung), insoweit als dies erforderlich ist, damit der gemäß der vorstehenden Regelung in Abzug zu bringende Betrag den vorgesehenen Rückzahlungsbetrag nicht übersteigt. Sofern die Anwendung des letzten Satzes die Entwertung einiger, aber nicht sämtlicher noch nicht fälliger Zinsscheine einer Schuldverschreibung erfordert, bestimmt die betreffende Zahlstelle, welche nicht fälligen Zinsscheine ungültig werden sollen, wobei zu diesem Zwecke später fällige Zinsscheine vor früher fälligen Zinsscheinen für ungültig zu erklären sind.**]**

[Im Fall von Schuldverschreibungen, die anfänglich mit Talons ausgegeben werden, einfügen: Am oder nach dem Zinszahlungstag, an dem der letzte Zinsschein eines Zinsscheinbogens fällig wird, kann der im Zinsscheinbogen enthaltene Talon bei der bezeichneten Geschäftsstelle einer Zahlstelle im Austausch gegen einen weiteren Zinsscheinbogen (einschließlich ggf. eines weiteren Talons) eingereicht werden. Jeder Talon gilt für die Zwecke dieser Emissionsbedingungen als am Zinszahlungstag fällig, an dem der letzte im jeweiligen Zinsscheinbogen enthaltene Zinsschein fällig wird.**]**

[§ 4(2) (ZAHLUNGEN – *Zahlungsweise*) ist wie folgt zu ersetzen:

(2) *Zahlungsweise*. Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen auf die Schuldverschreibungen zu leistende Zahlungen in der frei handelbaren und konvertierbaren Währung, die am entsprechenden Fälligkeitstag die Währung des Staates der festgelegten Währung ist

[Im Fall von Zahlungen in einer anderen Währung als Euro oder U.S. Dollar einfügen:, und zwar durch in dieser Währung zahlbaren Scheck, ausgestellt auf eine Bank in dem Hauptfinanzzentrum des Landes der festgelegten Währung oder, nach Wahl des Zahlungsempfängers, durch Überweisung auf ein auf die festgelegte Währung lautendes Konto des Zahlungsempfängers, das dieser bei einer Bank in diesem Finanzzentrum unterhält.**]**

[Im Fall von Zahlungen in Euro einfügen:, und zwar in bar oder durch in dieser Währung zahlbaren Scheck, ausgestellt auf eine Bank in einem Hauptfinanzzentrum eines Landes, das Teilnehmerstaat in der Europäischen Wirtschafts- und Währungsunion geworden ist, oder nach Wahl des Zahlungsempfängers, durch Überweisung auf ein auf diese Währung lautendes Konto, das der Zahlungsempfänger bei einer Bank in einem solchen Finanzzentrum unterhält.**]**

[Im Fall von Zahlungen in U.S. Dollar einfügen:, und zwar durch in dieser Währung zahlbaren Scheck, ausgestellt auf eine Bank in New York City oder, nach Wahl des Zahlungsempfängers, durch Überweisung auf ein auf diese Währung lautendes Konto, das der Zahlungsempfänger bei einer Bank außerhalb der Vereinigten Staaten unterhält.**]]**

[§ 4(3) (ZAHLUNGEN – *Erfüllung*) ist wie folgt zu ersetzen:

(3) *Erfüllung*. Im Fall von Schuldverschreibungen, die über ein Clearing System gehalten werden, wird die Emittentin **[im Fall von Schuldverschreibungen, die von E.ON Finance oder E.ON UK Finance begeben werden, einfügen:** bzw. die Garantin**]** durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.**]**

[§ 4(4) (ZAHLUNGEN – *Vereinigte Staaten*) ist einzufügen:

(4) *Vereinigte Staaten*. Für die Zwecke des **[im Fall von TEFRA D Schuldverschreibungen einfügen:** § 1 Absatz 3 und des**]** Absatzes 1 **[im Fall von Zahlungen in U.S. Dollar einfügen:** und des Absatzes 2**]** dieses § 4 bezeichnet „Vereinigte Staaten" die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des Districts of Columbia) sowie deren Territorien (einschließlich Puerto Ricos, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).**]**

[§ 5[(3)](b)(ii) (RÜCKZAHLUNG – *Vorzeitige Rückzahlung nach Wahl der Emittentin*) ist wie folgt zu ersetzen:

(ii) eine Erklärung, ob diese Serie ganz oder teilweise zurückgezahlt wird und im letzten Fall den Gesamtnennbetrag und die Seriennummern der zurückzuzahlenden Schuldverschreibungen;**]**

[§ 5[(3)](c) (RÜCKZAHLUNG – *Vorzeitige Rückzahlung nach Wahl der Emittentin*) ist wie folgt zu ersetzen:

(c) Wenn die Schuldverschreibungen nur teilweise zurückgezahlt werden, werden die zurückzuzahlenden Schuldverschreibungen durch Los oder auf eine andere Art und Weise ermittelt, die dem Fiscal Agent nach seinem Ermessen als angemessen und billig erscheint.]

[§ 5[(4)](b) (RÜCKZAHLUNG – *Vorzeitige Rückzahlung nach Wahl des Gläubigers*) ist wie folgt zu ersetzen:

(b) Um dieses Wahlrecht auszuüben, hat der Gläubiger nicht weniger als **[Mindestkündigungsfrist einfügen]** und nicht mehr als **[Höchstkündigungsfrist einfügen]** Tage vor dem Wahl-Rückzahlungstag (Put), an dem die Rückzahlung gemäß der Ausübungserklärung (wie nachstehend definiert) erfolgen soll, bei der bezeichneten Geschäftsstelle des Fiscal Agent oder einer anderen Zahlstelle während der normalen Geschäftszeiten eine ordnungsgemäß ausgefüllte Mitteilung zur vorzeitigen Rückzahlung („Ausübungserklärung"), wie sie von der bezeichneten Geschäftsstelle des Fiscal Agent oder einer jeden Zahlstelle erhältlich ist, zusammen mit der entsprechenden Schuldverschreibung zu hinterlegen. Die Ausübung des Wahlrechts kann nicht widerrufen und die so hinterlegte Schuldverschreibung kann nicht zurückgenommen werden.]

[Nach § 6(2) (DIE EMISSIONSSTELLE[,] [UND] [DIE ZAHLSTELLEN] [UND DIE BERECHNUNGSSTELLE] – *Änderung der Bestellung oder Abberufung)* ist einzufügen:

Sollte eine Richtlinie der Europäischen Union zur Umsetzung der Schlußfolgerungen des Treffens des ECOFIN-Rates vom 26. bis 27. November 2000 oder eine Rechtsnorm, die zur Umsetzung einer solchen Richtlinie vorgesehen ist, dieser entspricht oder zur Anpassung an die Richtlinie eingeführt wird, ergehen, verpflichtet sich die Emittentin, eine Zahlstelle in einem Mitgliedstaat der Europäischen Union zu unterhalten, welche nicht zur Vornahme von steuerlichen Einbehalten oder Abzügen nach Maßgabe einer solchen Richtlinie oder Rechtsnorm verpflichtet ist, soweit dies in einem Mitgliedstaat der Europäischen Union möglich ist.]

[Nach § 7 (STEUERN) Unterabsatz (d) ist einzufügen:

(e) von einer Zahlstelle abgezogen oder einbehalten werden, wenn eine andere Zahlstelle die Zahlung ohne einen solchen Abzug oder Einbehalt hätte leisten können; oder

(f) nicht zahlbar wären, wenn die Schuldverschreibungen bei einer Bank oder einem vergleichbaren Institut verwahrt worden wären und die Bank oder das vergleichbare Institut die Zahlungen eingezogen hätte; oder]

[§ 8 (VORLEGUNGSFRIST) ist wie folgt zu ersetzen:

§ 8
VORLEGUNGSFRIST, ERSETZUNG VON SCHULDVERSCHREIBUNGEN
[falls die Schuldverschreibungen mit Zinsscheinen begeben werden, einfügen:
UND ZINSSCHEINEN**]**

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre abgekürzt. **[Falls die Schuldverschreibungen mit Zinsscheinen begeben werden einfügen:** Die Vorlegungsfrist für Zinsscheine beträgt gemäß § 801 Absatz 2 BGB vier Jahre und beginnt mit dem Ablauf des Kalenderjahres, in dem der betreffende Zinsschein zur Zahlung fällig geworden ist.**]** Sollte eine Schuldverschreibung **[falls die Schuldverschreibungen mit Zinsscheinen begeben werden einfügen:** oder ein Zinsschein**]** verloren gehen, gestohlen, beschädigt, unleserlich gemacht oder zerstört werden, so kann sie[/er] bei der bezeichneten Geschäftsstelle des Fiscal Agent vorbehaltlich der betreffenden Börsenbestimmungen und aller anwendbaren Gesetze ersetzt werden; dabei hat der Anspruchsteller alle dabei möglicherweise entstehenden Kosten und Auslagen zu zahlen und alle angemessenen Bedingungen der Emittentin hinsichtlich des Nachweises, der Sicherheit, einer Freistellung und dergleichen zu erfüllen. Eine beschädigte oder unleserlich gemachte Schuldverschreibung **[falls die Schuldverschreibungen mit Zinsscheinen begeben werden einfügen:** oder ein solcher Zinsschein**]** muß eingereicht werden, bevor eine Ersatzurkunde ausgegeben wird.**]**

[Falls die Schuldverschreibungen mit Zinsscheinen begeben werden, ist § [11](3) (BEGEBUNG WEITERER SCHULDVERSCHREIBUNGEN, ANKAUF UND ENTWERTUNG – ***Entwertung*****) wie folgt zu ersetzen:**

(3) *Entwertung*. Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zusammen mit allen nicht fälligen und zusammen mit den Schuldverschreibungen eingereichten oder den Schuldverschreibungen beigefügten Zinsscheinen zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.**]**

[§ [12] (2) (MITTEILUNGEN – ***Mitteilungen an das Clearing System*****) ist zu streichen]**

[§ [13] [(4)] (ANWENDBARES RECHT, GERICHTSSTAND UND GERICHTLICHE GELTENDMACHUNG – ***Gerichtliche Geltendmachung*****) ist wie folgt zu ersetzen:**

[(4)**]** *Gerichtliche Geltendmachung*. Jeder Gläubiger von Schuldverschreibungen, die über ein Clearing System gehalten werden, ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu schützen oder geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, daß die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde oder der Einzelurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne daß eine Vorlage der Originalbelege oder der vorläufigen Globalurkunde oder der Einzelurkunde **[falls die vorläufige Globalurkunde gegen Einzelurkunden und Sammelurkunden ausgetauscht wird, einfügen:** oder Sammelurkunde**]** in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet „Depotbank" jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing Systems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend nachen, die im Land des Rechtsstreits prozessual zulässig ist.**]**

The Terms and Conditions of the Notes (the "Terms and Conditions") are set forth below in two Parts:

PART I sets out the basic terms (the "Basic Terms") comprising the Terms and Conditions that apply to Series of Notes which are represented by global Notes in bearer form.

PART II sets forth in the form of a supplement (the "Supplement") to the Basic Terms those provisions that apply to Notes in definitive form.

The Basic Terms and the Supplement thereto together constitute the Terms and Conditions.

TERMS AND CONDITIONS OF THE NOTES
ENGLISH LANGUAGE VERSION

This Series of Notes is issued pursuant to an Amended and Restated Fiscal Agency Agreement dated as of August 1, 2003 (the "Agency Agreement") between E.ON AG ("E.ON"), E.ON International Finance B.V. ("E.ON Finance") and E.ON UK Finance plc ("E.ON UK Finance") (each an "Issuer" and together the "Issuers") and Citibank, N.A. as fiscal agent (the "Fiscal Agent", which expression shall include any successor fiscal agent thereunder) and the other parties named therein. Copies of the Agency Agreement may be obtained free of charge at the specified office of the Fiscal Agent, at the specified office of any Paying Agent or at the principal office of the relevant issuer.

In the case of Long-Form Conditions insert:

[The provisions of these Terms and Conditions apply to the Notes as completed, modified, supplemented or replaced, in whole or in part, by the terms of the pricing supplement which is attached hereto (the "Pricing Supplement"). The blanks in the provisions of these Terms and Conditions which are applicable to the Notes shall be deemed to be completed by the information contained in the Pricing Supplement as if such information were inserted in the blanks of such provisions; any provisions of the Pricing Supplement modifying, supplementing or replacing, in whole or in part, the provisions of these Terms and Conditions shall be deemed to so modify, supplement or replace the provisions of these Terms and Conditions; alternative or optional provisions of these Terms and Conditions as to which the corresponding provisions of the Pricing Supplement are not completed or are deleted shall be deemed to be deleted from these Terms and Conditions; and all provisions of these Terms and Conditions which are inapplicable to the Notes (including instructions, explanatory notes and text set out in square brackets) shall be deemed to be deleted from these Terms and Conditions, as required to give effect to the terms of the Pricing Supplement. Copies of the Pricing Supplement may be obtained free of charge at the specified office of the Fiscal Agent and at the specified office of any Paying Agent *provided* that, in the case of Notes which are not listed on any stock exchange, copies of the relevant Pricing Supplement will only be available to Holders of such Notes.]

PART I – BASIC TERMS
TERMS AND CONDITIONS OF NOTES IN BEARER FORM

§ 1
CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency; Denomination*. This Series of Notes (the "Notes") of **[insert Issuer]** (the "Issuer") is being issued in **[insert Specified Currency]** (the "Specified Currency") in the aggregate principal amount of **[insert aggregate principal amount]** (in words: **[insert aggregate principal amount in words]**) in denominations of **[insert Specified Denominations]** (the "Specified Denominations").

(2) *Form*. The Notes are being issued in bearer form.

In the case of Notes which are represented by a Permanent Global Note insert:

[(3) *Permanent Global Note.* The Notes are represented by a permanent global note (the "Permanent Global Note") without coupons. The Permanent Global Note shall be signed manually by two authorized signatories of the Issuer and shall be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and interest coupons will not be issued.**]**

In the case of Notes which are initially represented by a Temporary Global Note insert:

[(3) *Temporary Global Note – Exchange*.

(a) The Notes are initially represented by a temporary global note (the "Temporary Global Note") without coupons. The Temporary Global Note will be exchangeable for Notes in Specified Denominations represented by a permanent global note (the "Permanent Global Note") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed manually by two authorized signatories of the Issuer and shall each be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "Exchange Date") not later than 180 days after the date of issue of the Temporary Global Note. The Exchange Date for such exchange will not be earlier than 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to subparagraph (b) of this § 1(3). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States. For purposes of this subparagraph (3), "United States" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).**]**

(4) *Clearing System*. The Permanent Global Note will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Notes have been satisfied. "Clearing System" means **[if more than one Clearing System insert**: each of**]** the following: [Clearstream Banking AG] **[**,**]** **[**and**]** [Clearstream Banking, société anonyme] **[**,**]** **[**and**]** [Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear")] **[**,**]** **[**and**]** **[specify other Clearing System]** and any successor in such capacity.

(5) *Holder of Notes.* "Holder" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

In the case of Notes issued by E.ON AG insert:

[§ 2
STATUS, NEGATIVE PLEDGE

(1) *Status*. The obligations under the Notes constitute unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory rules of law.

(2) *Negative Pledge.* So long as any Note remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, the Issuer undertakes not to create or permit to subsist any mortgage, charge, pledge, lien or other encumbrance upon any or all of its present or future assets to secure any present or future Bond Issue without at the same time, or prior thereto, securing such Notes equally and rateably therewith. "Bond Issue" means any indebtedness which is, in the form of, or is represented by, any bond, security, certificate or other instrument which is or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including any over-the-counter market) and any guarantee or other indemnity in respect of such indebtedness.]

In the case of Notes issued by E.ON Finance or E.ON UK Finance insert:

[§ 2
STATUS, NEGATIVE PLEDGE, GUARANTEE

(1) *Status.* The obligations under the Notes constitute unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory rules of law.

(2) *Negative Pledge*. So long as any Note remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, the Issuer undertakes not to create or permit to subsist any mortgage, charge, pledge, lien or other encumbrance upon any or all of its present or future assets to secure any present or future Bond Issue without at the same time, or prior thereto, securing such Notes equally and rateably therewith. "Bond Issue" means any indebtedness of the Issuer which is, in the form of, or is represented by, any bond, security, certificate or other instrument which is or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including any over-the-counter market) and any guarantee or other indemnity in respect of such indebtedness.

(3) *Guarantee.*

(a) E.ON AG (the "Guarantor") has given its unconditional and irrevocable guarantee (the "Guarantee") for the due payment of principal of, and interest on, and any other amounts expressed to be payable under the Notes. The Guarantee constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with § 328(1) of the German Civil Code (1), giving rise to the right of each Holder to require performance of the Guarantee directly from the Guarantor and to enforce the Guarantee directly against the Guarantor. Copies of the Guarantee may be obtained free of charge at the principal office of the Guarantor in Düsseldorf and at the specified office of the Fiscal Agent set forth in § 6.

(b) The Guarantor has undertaken in the Guarantee so long as any Note or any other debt instrument of the Issuer or itself issued under the Programme remains outstanding, but only up to the time all amounts of principal and interest have been

(1) An English language translation of § 328 (1) German Civil Code would read as follows:
"A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance."

placed at the disposal of the Fiscal Agent, the Issuer undertakes not to create or permit to subsist any mortgage, charge, pledge, lien or other encumbrance upon any or all of its present or future assets to secure any present or future Bond Issue without at the same time, or prior thereto, securing such Notes equally and rateably therewith. "Bond Issue" means any indebtedness which is, in the form of, or is represented by, any bond, security, certificate or other instrument which is or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including any over-the-counter market) and any guarantee or other indemnity in respect of such indebtedness.]

§ 3
INTEREST

In the case of Fixed Rate Notes insert:

[(1) *Rate of Interest and Interest Payment Dates*. The Notes shall bear interest on their principal amount at the rate of **[insert Rate of Interest]** per cent. per annum from (and including) **[insert Interest Commencement Date]** to (but excluding) the Maturity Date (as defined in § 5(1)). Interest shall be payable in arrear on **[insert Fixed Interest Date or Dates]** in each year (each such date, an "Interest Payment Date"). The first payment of interest shall be made on **[insert First Interest Payment Date] [if First Interest Payment Date is not first anniversary of Interest Commencement Date insert**: and will amount to **[insert Initial Broken Amounts per Specified Denomination]**.**] [If Maturity Date is not a Fixed Interest Date insert**: Interest in respect of the period from (and including) **[insert Fixed Interest Date preceding the Maturity Date]** to (but excluding) the Maturity Date will amount to **[insert Final Broken Amounts per Specified Denomination]**.**]**

(2) *Accrual of Interest.* The Notes shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue beyond the due date until the actual redemption of the Notes at the default rate of interest established by law (1).

(3) *Calculation of Interest for Partial Periods.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).]

In the case of Floating Rate Notes insert:

[(1) *Interest Payment Dates.* (a) The Notes bear interest on their principal amount from (and including) **[insert Interest Commencement Date]** (the "Interest Commencement Date") to but excluding the first Interest Payment Date and thereafter from (and including) each Interest Payment Date to but excluding the next following Interest Payment Date. Interest on the Notes shall be payable on each Interest Payment Date.

(b) "Interest Payment Date" means

[in the case of Specified Interest Payment Dates insert: each **[insert Specified Interest Payment Dates]**.**]**

[in the case of Specified Interest Periods insert: each date which (except as otherwise provided in these Terms and Conditions) falls **[insert number]** [weeks] [months] **[insert other specified periods]** after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.**]**

(c) If any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), it shall be:

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(1) The default rate of interest established by law is five percentage points above the basic rate of interest set by *Deutsche Bundesbank* from time to time, §§ 288(1), 247(1) German Civil Code.

[if Modified Following Business Day Convention insert: postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Interest Payment Date shall be the immediately preceding Business Day.**]**

[if FRN Convention insert: postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) the Interest Payment Date shall be the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls **[[insert number]** months**] [insert other specified periods]** after the preceding applicable Interest Payment Date.**]**

[if Following Business Day Convention insert: postponed to the next day which is a Business Day.**]**

[if Preceding Business Day Convention insert: the immediately preceding Business Day.**]**

(d) In this § 3 "Business Day" means **[if the Specified Currency is not Euro insert:** a day which is a day (other than a Saturday or a Sunday) on which commercial banks are generally open for business in, and foreign exchange markets settle payments in **[insert all relevant financial centres].] [if the Specified Currency is Euro insert:** a day on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET) are operational to effect the relevant payment**].**

(2) *Rate of Interest.* **[if Screen Rate Determination insert:** The rate of interest (the "Rate of Interest") for each Interest Period (as defined below) will, except as provided below, be the offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for that Interest Period which appears on the Screen Page as of 11:00 a.m. (**[**London**] [**Brussels**]** time) on the Interest Determination Date (as defined below) **[if Margin insert: [**plus**] [**minus**]** the Margin (as defined below)**]**, all as determined by the Calculation Agent.

"Interest Period" means each period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and from each Interest Payment Date to the following Interest Payment Date.

"Interest Determination Date" means the **[**second**] [insert other applicable number of days] [**London**] [**TARGET**] [insert other relevant location]** Business Day prior to the commencement of the relevant Interest Period. **[**"**[**London**] [insert other relevant location]** Business Day" means a day which is a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency) in **[**London**] [insert other relevant location].]** **[**"TARGET Business Day" means a day on which TARGET (Trans-European Automated Real-time Gross Settlement Express Transfer System) is open.**]**

[If Margin insert: "Margin" means **[ ]** per cent. per annum.**]**

"Screen Page" means **[insert relevant Screen Page]**.

If the Screen Page is not available or if, no such quotation appears as at such time, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the **[**London**]** interbank market in the **[**Euro-Zone**]** at approximately 11.00 a.m. (**[**Brussels**] [**London**]** time) on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean, rounded if necessary to the nearest one **[if the Reference Rate is EURIBOR insert:** thousandth of a percentage point, with 0.0005**] [if the Reference Rate is not EURIBOR insert:** hundred thousandth of a percentage point, with 0.000005**]** being rounded upwards, of such offered quotations **[if Margin insert: [**plus**] [**minus**]** the Margin**]**, all as determined by the Calculation Agent.

If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean, rounded if necessary to the nearest one **[if the Reference Rate is EURIBOR insert:** thousandth of a percentage point, with 0.0005**] [if the Reference Rate is not EURIBOR insert:** hundred thousandth of a percentage point, with 0.000005**]** being rounded upwards, of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, as at 11.00 a.m. (**[**London**] [**Brussels**]** time) on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in the **[**London**]** interbank market in the **[**Euro-Zone**] [if Margin insert: [**plus**] [**minus**]** the Margin**]** or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent and the Issuer suitable for such purpose) inform(s) the Calculation Agent it is or they are quoting to leading banks in the **[**London**]** interbank market in the **[**Euro-Zone**]** (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) **[if Margin insert: [**plus**] [**minus**]** the Margin**]**. If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page, as described above, on the last day preceding the Interest Determination Date on which such quotations were offered **[if Margin insert: [**plus**] [**minus**]** the Margin**]** (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period)**]**.

As used herein, "Reference Banks" means **[if no other Reference Banks are specified in the Pricing Supplement, insert:** those offices **[in the case of EURIBOR insert:** of four**]** of such banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page **[if other Reference Banks are specified in the Pricing Supplement, insert names here]**.

[In the case of the interbank market in the Euro-Zone insert: "Euro-Zone" means the region comprised of those member states of the European Union that have adopted, or will have adopted from time to time, the single currency in accordance with the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992) and the Amsterdam Treaty of October 2, 1997, as further amended from time to time.**]**

[If Reference Rate is other than EURIBOR or LIBOR, insert relevant details in lieu of the provisions of this paragraph (2)]

[If ISDA Determination applies insert the relevant provisions and attach the 2000 ISDA Definitions published by the International Swap and Derivatives Association ("ISDA")]

[If other method of determination/indexation applies, insert relevant details in lieu of the provisions of this paragraph (2)]

[If Minimum and/or Maximum Rate of Interest applies insert:

(3) **[***Minimum***] [***and***] [***Maximum***]** *Rate of Interest.*

[If Minimum Rate of Interest applies insert: If the Rate of Interest in respect of any Interest Period determined in accordance with the above provisions is less than **[insert Minimum Rate of Interest]**, the Rate of Interest for such Interest Period shall be **[insert Minimum Rate of Interest].]**

[If Maximum Rate of Interest applies insert: If the Rate of Interest in respect of any Interest Period determined in accordance with the above provisions is greater than **[insert Maximum Rate of Interest]**, the Rate of Interest for such Interest Period shall be **[insert Maximum Rate of Interest].]**

[(4)**]** *Interest Amount.* The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, calculate the amount of interest (the "Interest Amount") payable on the Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction (as defined below) to each Specified Denomination and rounding the resultant figure to the nearest unit of the Specified Currency, with 0.5 of such unit being rounded upwards.

[(5)**]** *Notification of Rate of Interest and Interest Amount.* The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Interest Period, each Interest Period and the relevant Interest Payment Date to be notified to the Issuer **[in the case of Notes issued by E.ON Finance or E.ON UK Finance insert:** and the Guarantor**]** and to the Holders in accordance with § 12 as soon as possible after their determination, but in no event later than the fourth **[**London**] [**TARGET**] [insert other relevant reference]** Business Day (as defined in § 3(2)) thereafter and if required by the rules of any stock exchange on which the Notes are from time to time listed, to such stock exchange as soon as possible after their determination, but in no event later than the first day of the relevant Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Notes are then listed and to the Holders in accordance with § 12.

[(6)**]** *Determinations Binding.* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, **[**the Guarantor,**]** the Fiscal Agent, the Paying Agents and the Holders.

[(7)**]** *Accrual of Interest.* The Notes shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue beyond the due date until actual redemption of the Notes. The applicable Rate of Interest will be the default rate of interest established by law. (1)**]**

In the case of discounted Zero Coupon Notes insert:

[(1) *No Periodic Payments of Interest.* There will not be any periodic payments of interest on the Notes during their term.

(2) *Accrual of Interest.* The Notes shall cease to bear interest from the expiry of the day preceding the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall accrue on the principal amount of the Notes as from the due date to the date of actual redemption at the default rate of interest established by law. (1)**]**

(1) The default rate of interest established by law is five percentage points above the basic rate of interest set by *Deutsche Bundesbank* from time to time, §§ 288(1), 247(1) German Civil Code.

[In the case of Index Linked Notes, Credit Linked Notes or Equity Linked Notes relating to interest, insert full details herein. The same applies in the case of Dual Currency Notes.]

[[•]] *Day Count Fraction*. "Day Count Fraction" means with regard to the calculation of the amount of interest for any period of time (the "Calculation Period"):

[if Actual/Actual (ISMA Rule 251) with annual interest payments insert: the actual number of days in the Calculation Period divided by the actual number of days in the respective interest year.**]**

[if Actual/Actual (ISMA) with two or more constant interest periods within an interest year insert: the number of days in the Calculation Period divided the product of the number of days in the Interest Period and the number of Interest Payment Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year.**] [in the case of first/last short or long Interest Periods insert appropriate Actual/Actual method.]**

[if Actual/Actual (ISDA) is applicable insert: the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365.**]**

[if Actual/365 (Fixed) insert: the actual number of days in the Calculation Period divided by 365.**]**

[if Actual/360 insert: the actual number of days in the Calculation Period divided by 360.**]**

[if 30/360, 360/360 or Note Basis insert: the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (A) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Calculation Period is the last day of the month February in which case the month of February shall not be considered to be lengthened to a 30-day month).**]**

[if 30E/360 or Eurobond Basis: the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the Final Calculation Period, the Maturity Date is the last day of the month of February. In which case the month of February shall not be considered to be lengthened to a 30 day month).**]**

§ 4
PAYMENTS

(1) **[**(a)**]** *Payment of Principal.* Payment of principal in respect of Notes shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.

In the case of Notes other than Zero Coupon Notes insert

[(b) *Payment of Interest.* Payment of interest on Notes shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System.

[In the case of interest payable on a Temporary Global Note insert: Payment of interest on Notes represented by the Temporary Global Note shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided in § 1(3)(b).**]]**

(2) *Manner of Payment*. Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in **[insert Specified Currency] [in the case of Dual Currency Notes insert relevant currencies/exchange rate formulas]**.

(3) *Discharge.*

[In the case of Notes issued by E.ON AG insert: The Issuer shall be discharged by payment to, or to the order of, the Clearing System.**]**

[In the case of Notes issued by E.ON Finance or E.ON UK Finance insert: The Issuer or, as the case may be, the Guarantor, shall be discharged by payment to, or to the order of, the Clearing System.**]**

(4) *Payment Business Day*. If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "Payment Business Day" means any day which is **[in the case of Notes not denominated in Euro insert:** a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in **[insert all relevant financial centres]] [in the case of Notes denominated in Euro insert:** a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET) are operational to forward the relevant payment**]**.

(5) *References to Principal and Interest.* References in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes; the Early Redemption Amount of the Notes; **[if redeemable at the option of the Issuer for other than tax reasons insert:** the Call Redemption Amount of the Notes;**] [if redeemable at the option of the Holder insert:** the Put Redemption Amount of the Notes;**]** and any premium and any other amounts which may be payable under or in respect of the Notes. References in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(6) *Deposit of Principal and Interest.* The Issuer **[in the case of Notes issued by E.ON Finance or E.ON UK Finance insert:** or the Guarantor, as the case may be,**]** may deposit with the Amtsgericht in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer **[in the case of Notes issued by E.ON Finance or E.ON UK Finance insert:** or the Guarantor, as the case may be,**]** shall cease.

§ 5
REDEMPTION

(1) *Final Redemption*. Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on **[in the case of a specified Maturity Date insert such Maturity Date] [in the case of a Redemption Month insert:** the Interest Payment Date falling in **[insert Redemption Month]]** (the "Maturity Date"). The Final Redemption Amount in respect of each Note shall be **[if the Notes are redeemed at their principal amount insert:** its principal amount**] [otherwise**

insert Final Redemption Amount per Specified Denomination/index and/or formula by reference to which the Final Redemption Amount is to be calculated].

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of **[in the case of Notes issued by E.ON insert:** the Federal Republic of Germany**] [in the case of Notes issued by E.ON Finance insert:** the Federal Republic of Germany or The Netherlands**] [in the case of Notes issued by E.ON UK Finance insert:** the Federal Republic of Germany or the United Kingdom**]** or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the last tranche of this series of Notes was issued, the Issuer **[in the case of Notes issued by E.ON Finance or E.ON UK Finance insert:** or the Guarantor**]** is required to pay Additional Amounts (as defined in § 7 herein) **[in the case of Notes other than Zero Coupon Notes insert:** on the next succeeding Interest Payment Date (as defined in § 3(1))**] [in the case of Zero Coupon Notes insert:** at maturity or upon the sale or exchange of any Note**]**, and this obligation cannot be avoided by the use of reasonable measures available to the Issuer **[in the case of Notes issued by E.ON Finance or E.ON UK Finance insert:** or the Guarantor, as the case may be**]**, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Fiscal Agent and, in accordance with § 12 to the Holders, at their Early Redemption Amount (as defined below), together with interest accrued to the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer **[in the case of Notes issued by E.ON Finance or E.ON UK Finance insert:** or the Guarantor**]** would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect. **[In the case of Floating Rate Notes insert:** The date fixed for redemption must be an Interest Payment Date.**]**

Any such notice shall be given in accordance with § 12. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

If the Notes are subject to Early Redemption at the Option of the Issuer insert:

[(3) *Early Redemption at the Option of the Issuer*.

(a) The Issuer may, upon notice given in accordance with clause (b), redeem all or some only of the Notes on the Call Redemption Date(s) at the Call Redemption Amount(s) set forth below together with accrued interest, if any, to (but excluding) the Call Redemption Date. **[if Minimum Redemption Amount or Higher Redemption Amount applies insert:** Any such redemption must be of a principal amount equal to **[**at least **[insert Minimum Redemption Amount]] [Higher Redemption Amount]**.

Call Redemption Date(s) **[insert Call Redemption Dates(s)]**	Call Redemption Amount(s) **[insert Call Redemption Amount(s)]**
[__________]	[__________]
[__________]	[__________]

[If Notes are subject to Early Redemption at the Option of the Holder insert: The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under subparagraph (4) of this § 5.**]**

(b) Notice of redemption shall be given by the Issuer to the Holders of the Notes in accordance with § 12. Such notice shall specify:

(i) the Series of Notes subject to redemption;

(ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes which are to be redeemed;

(iii) the Call Redemption Date, which shall be not less than 30 nor more than 60 days after the date on which notice is given by the Issuer to the Holders; and

(iv) the Call Redemption Amount at which such Notes are to be redeemed.

(c) In the case of a partial redemption of Notes, Notes to be redeemed shall be selected in accordance with the rules of the relevant Clearing System.**]**

If the Notes are subject to Early Redemption at the Option of the Holder insert:

[[(4)**]** *Early Redemption at the Option of a Holder.*

(a) The Issuer shall, at the option of the Holder of any Note, redeem such Note on the Put Redemption Date(s) at the Put Redemption Amount(s) set forth below together with accrued interest, if any, to (but excluding) the Put Redemption Date.

Put Redemption Date(s) **[insert Put Redemption Dates(s)]**	Put Redemption Amount(s) **[insert Put Redemption Amount(s)]**
[____________________]	[____________________]
[____________________]	[____________________]

The Holder may not exercise such option in respect of any Note which is the subject of the prior exercise by the Issuer of any of its options to redeem such Note under this § 5.

In order to exercise such option, the Holder must, not less than **[insert Minimum Notice to Issuer]** nor more than **[insert Maximum Notice to Issuer]** days before the Put Redemption Date on which such redemption is required to be made as specified in the Put Notice (as defined below), submit during normal business hours at the specified office of the Fiscal Agent a duly completed early redemption notice ("Put Notice") in the form available from the specified office of the Fiscal Agent. The Put Notice must specify (i) the principal amount of the Notes in respect of which such option is exercised, and (ii) the securities identification number of such Notes, if any. No option so exercised may be revoked or withdrawn. The Issuer shall only be required to redeem Notes in respect of which such option is exercised against delivery of such Notes to the Issuer or to its order.**]**

In the case of Notes other than Zero Coupon Notes insert:

[[(5)**]** *Early Redemption Amount.*

For purposes of § 9 and subparagraph (2) of this § 5, the Early Redemption Amount of a Note shall be its Final Redemption Amount.**]**

In the case of Zero Coupon Notes insert:

[[(5)**]** *Early Redemption Amount.*

For purposes of § 9 and subparagraph (2) of this § 5, the Early Redemption Amount of a Note shall be calculated as follows:
(a) The Early Redemption Amount of a Note shall be an amount equal to the sum of:

(i) **[insert Reference Price]** (the "Reference Price"), and

(ii) the product of **[insert Amortisation Yield in per cent.]** (the "Amortisation Yield") and the Reference Price from (and including) **[insert Issue Date]** to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Notes become due and payable, whereby the Amortisation Yield shall be compounded annually.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year (the "Calculation Period") shall be made on the basis of the Day Count Fraction (as defined in § 3).

(b) If the Issuer fails to pay the Early Redemption Amount when due, such amount shall be calculated as provided herein, except that references in subparagraph (a)(ii) above to the date fixed for redemption or the date on which such Note becomes due and repayable shall refer to the date on which payment is made].

[In the case of Index Linked Notes, Credit Linked Notes or Equity Linked Notes relating to principal, insert full details herein. The same applies in the case of Dual Currency Notes.]

§ 6
AGENTS

(1) *Appointment; Specified Office*. The initial Fiscal Agent[,] [and] [the initial Paying Agent[s]] [and the initial Calculation Agent] and [its] [their] initial specified office[s] shall be:

Fiscal Agent:	Citibank, N.A. 5, Carmelite Street London EC4Y 0PA
Paying Agent[s]:	[Citibank, N.A. 5, Carmelite Street London EC4Y 0PA]
	[Banque de Luxembourg S.A. 14, Boulevard Royal 2449 Luxembourg]
	[Citibank AG Neue Mainzer Strasse 75 60311 Frankfurt am Main]
[Calculation Agent:]	**[insert name and specified office]**

The Fiscal Agent[,] [and] [the Paying Agent[s]] [and the Calculation Agent] reserve[s] the right at any time to change [its] [their] specified office[s] to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent[,] [and] [the Paying Agent[s]] [or the Calculation Agent] and to appoint another Fiscal Agent[,] [and] [Paying Agent[s]] [or another Calculation Agent]. The Issuer shall at all times maintain a Fiscal Agent[,] [and] [Paying Agent[s]] [and a Calculation Agent **[if Calculation Agent is required to maintain a Specified Office in a Required Location insert**: with a specified office located in **[insert Required Location]**]]. The Issuer shall at all times maintain a Paying Agent with a specified office in a European city and, so long as the Notes are listed on [the Luxembourg] **[insert other relevant location]** stock exchange, a Paying Agent (which may be the Fiscal Agent) with a specified office in **[if the Notes will be listed on the Luxembourg Stock Exchange insert**: Luxembourg] **[if the Notes will not be listed on the Luxembourg Stock Exchange insert**: such place as may be required by the rules of such stock exchange.]

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than

30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 12.

(3) *Agent of the Issuer.* The Fiscal Agent[,] [and] [the Paying Agent[s]] [and the Calculation Agent] act[s] solely as the agent[s] of the Issuer and [does] [do] not assume any obligations towards or relationship of agency or trust for any Holder.

§ 7
TAXATION

In the case of Notes issued by E.ON AG insert:

[All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

In such event, the Issuer will pay such additional amounts (the "Additional Amounts") as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it, or

(b) are payable by reason of the Holder having, or having had, some personal or business connection with the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany, or

(c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or

(d) are payable by reason of a change in law or practice that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with § 12, whichever occurs later, or

(e) are payable because any Note or Coupon was presented to a particular Paying Agent for payment if the Note or Coupon could have been presented to another paying Agent without any such withholding or deduction, or

(f) are payable because the relevant Note or Coupon has been presented for payment at the counter in the Federal Republic of Germany or collected for the relevant Holder by a banking institution in the Federal Republic of Germany, which has kept or keeps such Note or Coupon in safe custody for such Holder.]

In the case of Notes issued by E.ON Finance insert:

[All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of The Netherlands or, in the case of payments under the Guarantee, by or on behalf of the

Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (the "Additional Amounts") as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payment of principal or interest made by it, or

(b) are payable by reason of the Holder having, or having had, some personal or business connection with The Netherlands or, in the case of payments under the Guarantee, the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes or the Guarantee are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, The Netherlands or, in the case of payments under the Guarantee, from sources in or are secured in, the Federal Republic of Germany, or

(c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which The Netherlands or the Federal Republic of Germany or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or

(d) are payable by reason of a change in law or practice that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with § 12, whichever occurs later, or

(e) are payable because any Note or Coupon was presented to a particular Paying Agent for payment if the Note or Coupon could have been presented to another paying Agent without any such withholding or deduction, or

(f) are payable because the relevant Note or Coupon has been presented for payment at the counter [in The Netherlands or] in the Federal Republic of Germany or collected for the relevant Holder by a banking institution [in The Netherlands or] in the Federal Republic of Germany, which has kept or keeps such Note or Coupon in safe custody for such Holder.]

In the case of Notes issued by E.ON UK Finance insert:

[All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of the United Kingdom or, in the case of payments under the Guarantee, by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (the "Additional Amounts") as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payment of principal or interest made by it, or

(b) are payable by reason of the Holder having, or having had, some personal or business connection with the United Kingdom or, in the case of payments under the Guarantee, the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes or the Guarantee are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the United Kingdom or, in the case of payments under the Guarantee, from sources in or are secured in, the Federal Republic of Germany, or

(c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the United Kingdom or the Federal Republic of Germany or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or

(d) are payable by reason of a change in law or practice that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with § 12, whichever occurs later, or

(e) are payable because any Note or Coupon was presented to a particular Paying Agent for payment if the Note or Coupon could have been presented to another paying Agent without any such withholding or deduction, or

(f) are payable because the relevant Note or Coupon has been presented for payment at the counter **[**in the United Kingdom or**]** in the Federal Republic of Germany or collected for the relevant Holder by a banking institution **[**in the United Kingdom or**]** in the Federal Republic of Germany, which has kept or keeps such Note or Coupon in safe custody for such Holder.**]**

§ 8
PRESENTATION PERIOD

The presentation period provided in § 801 paragraph 1, sentence 1 BGB (German Civil Code) is reduced to ten years for the Notes.

§ 9
EVENTS OF DEFAULT

In the case of Notes issued by E.ON AG insert:

[(1) *Events of default.* Each Holder shall be entitled to declare his Notes due and demand immediate redemption thereof at the Early Redemption Amount (as described in § 5), together with accrued interest (if any) to the date of repayment, in the event that

(a) the Issuer fails to pay principal or interest within 30 days from the relevant due date, or

(b) the Issuer fails duly to perform any other obligation arising from the Notes which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 90 days after the Fiscal Agent has received notice thereof from a Holder, or

(c) the Issuer announces its inability to meet its financial obligations or ceases its payments, or

(d) the Issuer fails to pay, within 30 days after the due date, any indebtedness for borrowed money which exceeds Euro 25,000,000 (or its equivalent in any other currency) or any amount payable under any guarantee in respect of such indebtedness or any creditor is entitled to declare by reason of an event of default (howsoever described) that any such indebtedness is payable before its stated maturity, or

(e) a court opens insolvency proceedings against the Issuer or the Issuer applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, or a third party applies for insolvency proceedings against the Issuer and such proceedings are not discharged or stayed within 60 days, or

(f) the Issuer goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer, as the case may be, in connection with this issue, or

(g) any governmental order, decree or enactment shall be made in or by the Federal Republic of Germany whereby the Issuer is prevented from observing and performing in full its obligations as set forth in these Terms and Conditions and this situation is not cured within 90 days.

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(2) *Notice.* Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) shall be made by means of a written declaration in the German or English language delivered by hand or registered mail to the specified office of the Fiscal Agent together with proof that such Holder at the time of such notice is a holder of the relevant Notes by means of a certificate of his Custodian (as defined in § 13(3)) or in other appropriate manner.**]**

In the case of Notes issued by E.ON Finance or E.ON UK Finance insert:

[(1) *Events of default.* Each Holder shall be entitled to declare his Notes due and demand immediate redemption thereof at the Early Redemption Amount (as described in § 5), together with accrued interest (if any) to the date of repayment, in the event that

(a) the Issuer fails to pay principal or interest within 30 days from the relevant due date, or

(b) the Issuer fails duly to perform any other obligation arising from the Notes or the Guarantor fails to perform any obligation arising from the Guarantee referred to in § 2 which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 90 days after the Fiscal Agent has received notice thereof from a Holder, or

(c) the Issuer or the Guarantor announces its inability to meet its financial obligations or ceases its payments, or

(d) the Issuer or the Guarantor fails to pay, within 30 days after the due date, any indebtedness for borrowed money which exceeds Euro 25,000,000 (or its equivalent in any other currency) or any amount payable under any guarantee in respect of such indebtedness or any creditor is entitled to declare by reason of an event of default (howsoever described) that any such indebtedness is payable before its stated maturity, or

(e) a court opens bankruptcy or other insolvency proceedings against the Issuer or the Guarantor, or the Issuer or the Guarantor applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, **[In the case of Notes issued by E.ON Finance insert:,** or the Issuer applies for a *"surseance van betaling"* (within the meaning of Statute of Bankruptcy of The Netherlands)**]**, or a third party applies for insolvency proceedings against the Guarantor and such proceedings are not discharged or stayed within 60 days, or

(f) the Issuer or the Guarantor goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer or the Guarantor, as the case may be, in connection with this issue, or

(g) any governmental order, decree or enactment shall be made in or by **[In the case of Notes issued by E.ON Finance insert:,** The Netherlands**] [In the case of Notes issued by E.ON UK Finance insert**: the United Kingdom**]** or in or by the Federal Republic of Germany whereby the Issuer or the Guarantor is prevented from observing and performing in full its obligations as set forth in these Terms and Conditions and in the terms and conditions of the Guarantee, respectively, and this situation is not cured within 90 days, or

(h) the Guarantee ceases to be valid and legally binding for any reason whatsoever.

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(2) *Notice.* Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) shall be made by means of a written declaration in the German or English language delivered by hand or registered mail to the specified office of the Fiscal Agent together with proof that such Holder at the time of such notice is a holder of the relevant Notes by means of a certificate of his Custodian (as defined in § 13(4)) or in other appropriate manner.**]**

§ 10
SUBSTITUTION OF THE ISSUER

(1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal of or interest on any of the Notes is in default, at any time substitute for the Issuer **[(i) in the case of Notes issued by E.ON insert**: any Affiliate (as defined below) of the Issuer**] [(ii) in the case of Notes issued by E.ON Finance or E.ON UK Finance insert:** either the Guarantor or any Affiliate (as defined below) of the Guarantor**]** as principal debtor in respect of all obligations arising from or in connection with this issue (the "Substitute Debtor") provided that:

(a) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes;

(b) the Substitute Debtor has obtained all necessary authorisations and may transfer to the Fiscal Agent in the currency required hereunder and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes;

(c) the Substitute Debtor has agreed to indemnify and hold harmless each Holder against any tax, duty, assessment or governmental charge imposed on such Holder in respect of such substitution;

In the case of Notes issued by E.ON AG insert:

[(d)the Issuer irrevocably and unconditionally guarantees in favour of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Notes on terms equivalent to the terms of the guarantee of the Issuer dated August 1, 2003 in respect of Notes issued by E.ON International Finance B.V. or E.ON UK Finance plc under the Medium Term Note Programme; and**]**

In the case of Notes issued by E.ON Finance or E.ON UK Finance insert:

[(d)the Guarantor, if it is not itself the Substitute Debtor irrevocably and unconditionally guarantees in favour of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Notes on terms equivalent to the terms of the Guarantee; and**]**

(e) there shall have been delivered to the Fiscal Agent one opinion for each jurisdiction affected of lawyers of recognised standing to the effect that subparagraphs (a), (b), (c) and (d) above have been satisfied.

For purposes of this § 10, "Affiliate" shall mean any affiliated company (*verbundenes Unternehmen*) within the meaning of § 15 German Stock Corporation Act (Aktiengesetz).

(2) *Notice*. Notice of any such substitution shall be published in accordance with § 12.

(3) *Change of References*. In the event of any such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor. Furthermore, in the event of such substitution the following shall apply:

In the case of Notes issued by E.ON AG insert:

[(a) in § 7 and § 5(2) an alternative reference to the Federal Republic of Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor;

(b) in § 9(1)(c) to (f) an alternative reference to the Issuer in its capacity as guarantor shall be deemed to have been included in addition to the reference to the Substitute Debtor.**]**

In the case of Notes issued by E.ON Finance insert:

[In § 7 and § 5(2) an alternative reference to The Netherlands shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor.**]**

In the case of Notes issued by E.ON UK Finance insert:

[In § 7 and § 5(2) an alternative reference to the United Kingdom shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor.**]**

§ 11
FURTHER ISSUES, PURCHASES AND CANCELLATION

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the settlement date, interest commencement date and/or issue price) so as to form a single Series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation. If purchases are made by tender, tenders for such Notes must be made available to all Holders of such Notes alike.

(3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 12
NOTICES

(1) *Publication.* All notices concerning the Notes shall be published in a leading daily newspaper **[in case of a listing on the Frankfurt Stock Exchange insert:** (exchange approved newspaper)**]** having general circulation in [Germany] [Luxembourg] **[**the United Kingdom**] [specify other location]**. [This] [These] newspaper[s] [is] [are] expected to be the [*Börsen-Zeitung*] [*Luxemburger Wort*] [*Financial Times*] **[insert other applicable newspaper having general circulation]**. Any notice so given will be deemed to have been validly given on the third day following the date of such publication (or, if published more than once, on the third day following the date of the first such publication).

(2) *Notification to Clearing System.* The Issuer may, in lieu of publication in the newspapers set forth in sub-section (1) above, deliver the relevant notice to the Clearing System, for communication by the Clearing System to the Holders, provided that, so long as any Notes are listed on any stock exchange, the rules of such stock exchange permit such form of notice. Any such notice shall be deemed to have been given to the Holders on the seventh day after the day on which the said notice was given to the Clearing System. **[In the case of Notes listed on the Luxembourg Stock Exchange insert:** So long as any Notes are listed on the Luxembourg Stock Exchange, all notices concerning the Notes shall be published in accordance with subsection (1).**]**

§ 13
APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by German law.

(2) *Submission to Jurisdiction.* The District Court *(Landgericht)* in Düsseldorf shall have non-exclusive jurisdiction for any action or other legal proceedings ("Proceedings") arising out of or in connection with the Notes.

In the case of Notes issued by E.ON Finance or E.ON UK Finance insert:

[(3) *Appointment of Authorized Agent.* For any Proceedings before German courts, the Issuer appoints E.ON AG, E.ON-Platz 1, 40479 Düsseldorf, Germany, as its authorized agent for service of process in Germany.**]**

[(4)**]** *Enforcement.* Any Holder of Notes may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global form certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such Proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "Custodian" means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the Proceedings.

§ 14
LANGUAGE

If the Conditions shall be in the German language with an English language translation insert:

[These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.**]**

If the Conditions shall be in the English language with a German language translation insert:

[These Terms and Conditions are written in the English language and provided with a German language translation. The English text shall be controlling and binding. The German language translation is provided for convenience only.**]**

If the Conditions shall be in the English language only insert:

[These Terms and Conditions are written in the English language only.]

[Eine deutsche Übersetzung der Emissionsbedingungen wird bei der E.ON AG, E.ON-Platz 1, 40479 Düsseldorf, zur kostenlosen Ausgabe bereitgehalten.]

PART II – SUPPLEMENT TO THE BASIC TERMS

DEFINITIVE NOTES IN BEARER FORM

If the relevant Pricing Supplement provides for the issue of definitive Notes the Terms and Conditions of Notes in Bearer Form shall be supplemented, to the extent specified below, subject to all of the terms of the relevant Pricing Supplement.

[§ 1 (3)(a) (CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS – *Temporary Global Note – Exchange*) to be replaced by:

(a) The Notes are initially represented by a temporary global note (the "Temporary Global Note") without coupons. The Temporary Global Note will be exchangeable for **[if Temporary Global Note is exchangeable for Definitive Notes only insert:** individual Notes in the Specified Denominations in definitive form ("Definitive Notes") **[if the Notes are issued with Coupons, Talons and/or Receipts insert:** with attached [interest coupons ("Coupons")] [and talons ("Talons") for further Coupons] [and] [payment receipts ("Receipts") in respect of the instalments of principal payable]]] **[if the Temporary Global Note is exchangeable for Definitive Notes and Collective Notes insert:** in part, individual Notes in the Specified Denominations in definitive form ("Definitive Notes") **[if the Notes are issued with Coupons, Talons and/or Receipts insert:** with attached [interest coupons ("Coupons")] [and talons ("Talons") for further Coupons] [and] [payment receipts ("Receipts") in respect of the instalments of principal payable] and in the other part, one or more collective Notes (each, a "Collective Note") **[if the Notes are issued with Coupons insert:** with attached collective interest coupons ("Collective Interest Coupons")]; the right of Holders to require delivery of Definitive Notes in exchange for Notes which are represented by a Collective Note shall be governed by § 9a (3), first sentence Depotgesetz (German Securities Custody Act)]. The Temporary Global Note **[if Temporary Global Note is exchangeable for Definitive Notes and Collective Notes insert:** and any Collective Note **[if the Notes are issued with Coupons insert:** and any Collective Interest Coupon]] shall be signed manually by two authorized signatories of the Issuer and the Temporary Global Note [and any Collective Note] shall be authenticated by or on behalf of the Fiscal Agent. Definitive Notes **[if the Notes are issued with Coupons, Talons and/or Receipts insert:** and [Coupons] [and] [,] [Talons] [and Receipts]] shall be signed in facsimile by two authorized signatories of the Issuer and the Definitive Notes shall be authenticated by or on behalf of the Fiscal Agent.]

[(i) in the case of Notes other than TEFRA D Notes, replace § 1 (3)(b) (CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS – *Temporary Global Note – Exchange*) by:

(b) The Temporary Global Note shall be exchanged for Notes in the form provided in Clause (a) above on a date (the "Exchange Date") not later than 180 days after the date of issue of the Temporary Global Note.]

[(ii) in the case of TEFRA D Notes, replace § 1 (3)(b) (CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS – *Temporary Global Note – Exchange*) by:

(b) The Temporary Global Note shall be exchanged for Notes in the form provided in Clause (a) above on a date (the "Exchange Date") not later than 180 days after the date of issue of the Temporary Global Note. The Exchange Date for such exchange will not be earlier than 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to subparagraph(b) of this § 1 (3). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 4 (3)).**]**

[§ 1 (4) and (5) (CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS – *Clearing System / Holder of Notes*) to be replaced by:

(4) *Clearing System*. "Clearing System" as used herein means **[if more than one Clearing System insert:** each of**]** the following: **[**Clearstream Banking AG**] [,] [**and**] [**Clearstream Banking, société anonyme**] [,] [**and**] [**Euroclear Bank S.A./N.V. as operator of the Euroclear System (Euroclear)**] [,] [**and**] [specify other Clearing System]**.

(5) *Holder of Notes.* "Holder" as used herein means, in respect of Notes deposited with any Clearing System or other central securities depositary, any holder of a proportionate co-ownership or other beneficial interest or right in the Notes so deposited and otherwise in the case of Definitive Notes the bearer of a Definitive Note.

(6) *References to Notes.* References herein to the "Notes" include (unless the context otherwise requires) references to any global note representing the Notes and any Definitive Notes **[if the Notes are issued with Coupons, Talons and/or Receipts insert:** and the **[**Coupons**][,] [**and**] [**Global Interest Coupons**][,] [**and**] [**Talons**] [**and Receipts**]** appertaining thereto**].]**

[In the case of Fixed Rate Notes replace § 3 (2) (INTEREST – *Accrual of Interest*) by:

(2) *Accrual of Interest.* The Notes shall cease to bear interest from the beginning of the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue on the outstanding principal amount of the Notes beyond the due date until the actual redemption of the Notes, but not beyond the fourteenth day after notice has been given by the Fiscal Agent in accordance with § 12 that the funds required for redemption have been provided to the Fiscal Agent at the default rate of interest established by law. ([1])**]**

[In the case of Floating Rate Notes replace § 3 (1) (INTEREST – *Interest Payment Dates*) subparagraph (d) by:

(d) In this § 3 "Business Day" means a day which is a day (other than a Saturday or a Sunday) on which (i) commercial banks and foreign exchange markets settle payments in the relevant place of presentation, and (ii) the Clearing System, and (iii) **[if the Specified Curreny is not Euro insert:** commercial banks and foreign exchange markets in **[insert all relevant financial centres]] [if the Specified Currency is Euro insert:** the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET)**]** settle payments.**]**

[In the case of Floating Rate Notes replace § 3 [(7)] (INTEREST – *Accrual of Interest*) by:

[(7)**]** *Accrual of Interest.* The Notes shall cease to bear interest from the beginning of the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue on the outstanding principal

([1]) The default rate of interest established by law is five percentage points above the basic rate of interest set by *Deutsche Bundesbank* from time to time, §§ 288(1), 247(1) German Civil Code.

amount of the Notes beyond the due date until actual redemption of the Notes, but not beyond the fourteenth day after notice has been given by the Fiscal Agent in accordance with § 12 that the funds required for redemption have been provided to the Fiscal Agent. The applicable Rate of Interest will be the default rate of interest established by law. ([1])]

[In the case of Zero Coupon Notes replace § 3 (2) (INTEREST – *Accrual of Interest*) by:

(2) *Accrual of Interest*. If the Issuer shall fail to redeem the Notes when due, interest shall accrue on the outstanding principal amount of the Notes as from the due date to the date of actual redemption at, but not beyond the fourteenth day after notice has been given by the Fiscal Agent in accordance with § 12 that the funds required for redemption have been provided to the Fiscal Agent.]

[§ 4 (1)[(a)] (PAYMENTS – *Payment of Principal*) to be replaced by:

(1)[(a)] *Payment of Principal*. Payment of principal in respect of Notes shall be made, subject to subparagraph (2) below, against presentation and (except in the case of partial payment) surrender of the relevant Note at the specified office of the Fiscal Agent outside the United States or at the specified office of any other Paying Agent outside the United States.]

[In the case of Instalment Notes insert: Payment of Instalment Amounts in respect of an Instalment Note with Receipts will be made against presentation of the Note together with the relevant Receipt and surrender of such Receipt and, in the case of the final Instalment Amount, surrender of the Note at the specified office of the Fiscal Agent outside the United States or at the specified office of any other Paying Agent outside the United States. Receipts are not documents of title and, if separated from the Note to which they relate, shall not represent any obligation of the Issuer. Accordingly, the presentation of an Instalment Note without the relevant Receipt or the presentation of a Receipt without the Note to which it pertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.]

[In the case of Notes other than Zero Coupon Notes replace § 4 (1)(b) (PAYMENTS – *Payment of Interest*) by:

(b) *Payment of Interest*. Payment of interest on Notes shall be made, subject to subparagraph (2) below, against presentation and surrender of the relevant Coupons or, in the case of Notes in respect of which Coupons have not been issued or in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Notes, at the specified office of the Fiscal Agent outside the United States or at the specified office of any other Paying Agent outside the United States.]

[In the case of TEFRA D Notes insert: Payment of interest on Notes represented by a Temporary Global Note shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided in § 1 (3) (b).]]

[In the case of Notes with Coupons, Talons and/or Receipts insert as § 4 (1)(c) (PAYMENTS – *Surrender of* [*Coupons*] [,] [*and*] [*Talons*] [*and Receipts*]):

(c) *Surrender of* [*Coupons*][,] [*and*] [*Talons*] [*and Receipts*]. Each Note initially delivered with [Coupons] [or] [Talons] [or Receipts] attached thereto must be presented and, except in the case of partial payment of the redemption amount, surrendered for final redemption together with all unmatured [Coupons][,] [and]

([1]) The default rate of interest established by law is five percentage points above the basic rate of interest set by *Deutsche Bundesbank* from time to time, §§ 288(1), 247(1) German Civil Code.

[Talons] [and Receipts] relating thereto, failing which **[In the case of Fixed Rate Notes insert:** the amount of any missing unmatured Coupons shall be deducted from the amount otherwise payable on such final redemption**[,]** [and]**[.]] [In the case of Floating Rate Notes insert:** all unmatured Coupons relating to such Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them**[,]** [and]**[.]] [In the case of Notes initially delivered with Talons insert:** all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them **[**and**][.]] [In the case of Notes initially delivered with Receipts insert:** all Receipts relating to such Notes in respect of payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect to them.**]**

[In the case of Fixed Rate Notes initially delivered with Coupons insert: If the Notes should be issued with a Maturity Date and an interest rate or rates such that, on the presentation for payment of any such Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required to be deducted in accordance with the foregoing would be greater than the redemption amount otherwise due for payment, then, upon the due date for redemption of any such Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that the amount required to be deducted in accordance with the foregoing would not be greater than the redemption amount otherwise due for payment. Where the application of the preceding sentence requires some but not all of the unmatured Coupons relating to a Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.**]**

[In the case of Notes initially delivered with Talons insert: On or after the Interest Payment Date on which the final Coupon in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent, in exchange for a further Coupon sheet (including any appropriate further Talon). Each Talon shall, for the purpose of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon in the relative Coupon sheet matures.**]**

[§ 4 (2) (PAYMENTS – *Manner of Payment*) to be replaced by:

(2) *Manner of Payment*. Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the freely negotiable and convertible currency which on the respective due date is the currency in the country of the Specified Currency

[In the case of payments in a currency other than Euro or U.S. dollars insert: by check payable in such currency drawn on a bank in the principal financial centre of the country of the Specified Currency or, at the option of the payee, by transfer to an account denominated in such currency maintained by the payee with a bank in such financial centre.**]**

[In the case of payments in Euro insert: in cash or by Euro check drawn on, or, at the option of the payee, by transfer to a Euro account maintained by the payee with, a bank in a principal financial centre of a country which has become a participating member state in the European Economic and Monetary Union**]**

[In the case of payments in U.S. dollars insert: by U.S. dollar check drawn on a bank in New York City or, at the option of the payee, by transfer to a U.S. dollar account maintained by the payee at a bank outside the United States.**]**

[§ 4 (3) (PAYMENTS – *Discharge*) to be replaced by:

(3) *Discharge*. In the case of any Notes held through any Clearing System, the Issuer **[in the case of Notes issued by E.ON Finance or E.ON UK Finance insert**: or, as the case may be, the Guarantor**]** shall be discharged by payment to, or to the order of, the Clearing System.**]**

[insert as § 4 (4) (PAYMENTS – *United States*):

(4) *United States*. For purposes of **[in the case of TEFRA D Notes insert**: § 1 (3) and subparagraph (1) **[in the case of payments in U.S. dollars insert**: and (2)**]** of this § 4, "United States" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).**]**

[§ 5 [(3)](b) (ii) (REDEMPTION – *Early Redemption at the Option of the Issuer*) to be replaced by:

(ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes and the serial numbers of the Notes which are to be redeemed;**]**

[§ 5 [(3)](c) (REDEMPTION – *Early Redemption at the Option of the Issuer*) to be replaced by:

(c) In the case of a partial redemption of Notes, Notes to be redeemed shall be drawn by lot or identified in such other manner as the Fiscal Agent may in its sole discretion deem appropriate and fair.**]**

[§ 5 [(4)](b) (REDEMPTION – *Early Redemption at the Option of a Holder*) to be replaced by:

(b) In order to exercise such option, the Holder must, not less than **[insert Minimum Notice to Issuer]** and not more than **[insert Maximum Notice to Issuer]** days before the Put Redemption Date on which such redemption is required to be made as specified in the Put Notice (as defined below), submit during normal business hours at the specified office of the Fiscal Agent or any other Paying Agent a duly completed early redemption notice ("Put Notice") in the form available from the specified office of the Fiscal Agent or any of the other Paying Agents and deposit the relevant Note at such office with the Put Notice. No option so exercised or Note so deposited may be revoked or withdrawn.**]**

[Insert after § 6 (2) (AGENTS – *Variation or Termination of Appointment):*

In the event that any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive is introduced, the Issuer shall at all times maintain a Paying Agent in a Member State of the European Union that will not be obliged to deduct or withhold tax pursuant to any such Directive or law, to the extent this is possible in a Member State of the European Union.**]**

[Insert after § 7 (TAXATION) subclause (d):

(e) are deducted or withheld by a Paying Agent from the payment if the payment could have been made by another Paying Agent without such deduction or withholding, or

(f) would not be payable if the Notes had been kept in safe custody with, and the payments had been collected by, a banking institution; or**]**

[§ 8 (PRESENTATION PERIOD) to be replaced by:

§ 8
PRESENTATION PERIOD, REPLACEMENT OF NOTES
[If the Notes are issued with Coupons insert: AND COUPONS**]**

The presentation period provided in § 801 subparagraph 1, sentence 1 BGB (German Civil Code) is reduced to ten years for the Notes. **[If the Notes are issued with Coupons insert:** The presentation period for the Coupons shall, in accordance with § 801 subparagraph 2 BGB (German Civil Code), be four years, beginning with the end of the calendar year in which the relevant Coupon falls due.**]** Should any Note **[if the Notes are issued with Coupons insert:** or Coupon**]** be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent, subject to relevant stock exchange requirements and all applicable laws, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes **[if the Notes are issued with Coupons insert:** or Coupons**]** must be surrendered before replacements will be issued.**]**

[If the Notes are issued with Coupons replace § 11 (3) (FURTHER ISSUES, PURCHASES AND CANCELLATION – ***Cancellation*****) by:**

(3) *Cancellation*. All Notes redeemed in full shall be cancelled forthwith together with all unmatured Coupons surrendered therewith or attached thereto and may not be reissued or resold.**]**

[§ 12 (2) (NOTICES – ***Notification to Clearing System*****) to be deleted]**

[§ 13 [(4)] (APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT – ***Enforcement*****) to be replaced by:**

[(4)**]** *Enforcement*. The Holder of any Notes held through a Clearing System may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global or definitive form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Temporary Global Note or Definitive Note **[if the Temporary Global Note is exchangeable for Definitive Notes and Collective Notes insert:** or Collective Note**]**. For purposes of the foregoing, "Custodian" means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the Proceedings.**]**

GARANTIE

der

E.ON AG, Düsseldorf, Bundesrepublik Deutschland,

zugunsten der Gläubiger von Schuldverschreibungen (die „Schuldverschreibungen"), die von der

E.ON International Finance B. V. Amsterdam, Niederlande, und der E.ON UK Finance plc, London, Vereinigtes Königreich, im Rahmen des Medium Term Note Programms (das „Programm") begeben werden

PRÄAMBEL

(A) Die E.ON AG („E.ON AG"), die E.ON International Finance B. V. („E.ON Finance") und die E.ON UK Finance plc („E.ON UK Finance") beabsichtigen, von Zeit zu Zeit Schuldverschreibungen im Rahmen des Programms zu begeben, deren jeweils ausstehender Gesamtnennbetrag das Programm-Limit nicht übersteigt.

(B) Die Schuldverschreibungen unterliegen den Emissionsbedingungen der Schuldverschreibungen nach deutschem Recht (in der durch das anwendbare Konditionenblatt jeweils geänderten, ergänzten oder modifizierten Fassung, die „Bedingungen").

(C) Die E.ON AG (die „Garantin") beabsichtigt, mit dieser Garantie die Zahlung von Kapital und Zinsen sowie von jeglichen sonstigen Beträgen zu garantieren, die aufgrund der von der E.ON Finance und der E.ON UK Finance zu irgendeiner Zeit im Rahmen des Programms begebenen Schuldverschreibungen zu leisten sind.

HIERMIT WIRD FOLGENDES VEREINBART:

1. Die Garantin übernimmt gegenüber den Gläubigern jeder einzelnen Schuldverschreibung (wobei dieser Begriff jede (vorläufige oder Dauer-) Globalurkunde, die Schuldverschreibungen verbrieft, einschließt) oder der zugehörigen Zinsscheine, die von der E.ON Finance und der E.ON UK Finance im Rahmen des Programms begeben werden, die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße Zahlung von Kapital und Zinsen auf die Schuldverschreibungen und die Zinsscheine sowie von jeglichen sonstigen Beträgen, die in Übereinstimmung mit den Bedingungen auf irgendeine Schuldverschreibung oder die zugehörigen Zinsscheine zahlbar sind, und zwar zu den in den Bedingungen bestimmten Fälligkeiten.

2. Diese Garantie begründet eine unwiderrufliche, nicht nachrangige und (vorbehaltlich der Bestimmungen in Ziffer 4 dieser Garantie) nicht besicherte Verpflichtung der Garantin, die mit allen sonstigen nicht nachrangigen und nicht besicherten Verpflichtungen der Garantin wenigstens im gleichen Rang steht (soweit nicht zwingende gesetzliche Bestimmungen entgegenstehen).

3. Sämtliche auf diese Garantie zu zahlenden Beträge sind an der Quelle ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der oder in der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, dieser Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In diesem Fall wird die Garantin diejenigen zusätzlichen Beträge (die „zusätzlichen Beträge") zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen an Kapital und Zinsen entsprechen, die ohne einen solchen Abzug oder Einbehalt von den Gläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

(a) von einer als Depotbank oder Inkassobeauftragter des Anleihegläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, daß die Garantin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder

(b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zur Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder

(c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

(d) aufgrund einer Rechtsänderung oder einer Änderung in der Rechtsanwendung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß den Bedingungen wirksam wird; oder

(e) zahlbar sind, wenn die Schuldverschreibungen oder Zinsscheine einer bestimmten Zahlstelle zur Zahlung vorgelegt werden, wenn sie einer anderen Zahlstelle ohne einen solchen Einbehalt oder Abzug zur Zahlung hätten vorgelegt werden können; oder

(f) zu zahlen sind, weil die Schuldverschreibungen oder Zinsscheine an einem Schalter in der Bundesrepublik Deutschland zur Zahlung vorgelegt oder von einem Kreditinstitut in der Bundesrepublik Deutschland, das diese Schuldverschreibungen oder Zinsscheine für den Gläubiger verwahrt hat oder noch verwahrt, für den betreffenden Gläubiger zur Zahlung eingezogen wurden.

4. Solange eine von ihr, der E.ON Finance oder der E.ON UK Finance begebene Schuldverschreibung aussteht (aber nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen dem Fiscal Agent zur Verfügung gestellt worden sind), wird die Garantin ihre gegenwärtigen oder zukünftigen Vermögenswerte nicht mit Grundpfandrechten, Pfandrechten oder sonstigen Sicherungsrechten zur Besicherung einer gegenwärtigen oder zukünftigen Anleihe belasten oder solche Rechte zu diesem Zweck bestehen lassen, ohne gleichzeitig oder vorher die Schuldverschreibungen auf gleiche Weise und anteilig damit zu besichern. „Anleihe" bedeutet jede Verbindlichkeit, die in der Form einer Schuldverschreibung oder eines sonstigen Wertpapiers verbrieft ist und an einer Börse oder an einem anderen Wertpapiermarkt (einschließlich des außerbörslichen Handels) eingeführt ist, notiert oder gehandelt wird oder werden kann, sowie jede Garantie oder sonstige Gewährleistung in bezug auf eine solche Verbindlichkeit.

5. Die Verpflichtungen der Garantin aus dieser Garantie (i) sind selbständig und unabhängig von den Verpflichtungen der E.ON Finance und der E.ON UK Finance aus den Schuldverschreibungen und den Zinsscheinen, (ii) bestehen ohne Rücksicht auf die Rechtmäßigkeit, Gültigkeit, Verbindlichkeit und Durchsetzbarkeit der Schuldverschreibungen oder der Zinsscheine und (iii) werden nicht durch irgendein Ereignis, eine Bedingung oder einen Umstand tatsächlicher oder rechtlicher Natur berührt, außer durch die volle, endgültige und unwiderrufliche Erfüllung jedweder in den Schuldverschreibungen oder den Zinsscheinen ausdrücklich eingegangener Zahlungsverpflichtungen.

6. Die Verpflichtungen der Garantin aus dieser Garantie erstrecken sich, ohne daß eine weitere Handlung durchgeführt werden oder ein weiterer Umstand entstehen muß, auf solche Verpflichtungen jeglicher nicht mit der Garantin identischen neuen Emittentin, die infolge einer Schuldnerersetzung gemäß den anwendbaren Bestimmungen der Bedingungen in bezug auf jedwede Schuldverschreibung oder jedweden Zinsschein entstehen.

7. Diese Garantie und alle hierin enthaltenen Vereinbarungen sind ein Vertrag zugunsten der Gläubiger der Schuldverschreibungen und der Zinsscheine als begünstigte Dritte gemäß § 328 Abs. 1 BGB und begründen das Recht eines jeden Gläubigers, die Erfüllung der hierin eingegangenen Verpflichtungen unmittelbar von der Garantin zu fordern und diese Verpflichtungen unmittelbar gegenüber der Garantin durchzusetzen.

Jeder Gläubiger einer Schuldverschreibung oder eines Zinsscheins kann im Falle der Nichterfüllung hinsichtlich aller Zahlungen auf diese Schuldverschreibung oder diesen Zinsschein aus dieser Garantie zur Durchsetzung dieser Garantie unmittelbar gegen die Garantin Klage erheben, ohne daß zunächst ein Verfahren gegen die E.ON Finance oder die E.ON UK Finance eingeleitet werden müßte.

8. Diese Garantie erstreckt sich auf sämtliche Schuldverschreibungen, die am oder nach dem Datum dieser Garantie von E.ON Finance und von E.ON UK Finance unter dem Programm begeben werden. Die Garantie mit Datum vom 14. November 2000 gilt für sämtliche Schuldverschreibungen, die von E.ON Finance in der Zeit vom 5. Juli 1995 bis zum 16. November 2001 begeben worden sind und die Garantie mit Datum vom 16. November 2001 gilt für sämtliche Schuldverschreibungen, die von E.ON Finance und E.ON UK plc in der Zeit vom 17. November 2001 bis zum heutigen Datum begeben wurden.

9. Citibank, N.A., mit der die hierin enthaltenen Vereinbarungen getroffen werden, handelt nicht als Beauftragte, Treuhänderin oder in einer ähnlichen Eigenschaft für die Gläubiger von Schuldverschreibungen oder Zinsscheinen.

10. Die hierin verwendeten und nicht anders definierten Begriffe haben die ihnen in den Bedingungen zugewiesene Bedeutung.

11. Diese Garantie unterliegt dem Recht der Bundesrepublik Deutschland.

12. Diese Garantie ist in deutscher Sprache abgefaßt und in die englische Sprache übersetzt. Die deutschsprachige Fassung ist verbindlich und allein maßgeblich.

13. Das Original dieser Garantie wird der Citibank, N.A., ausgehändigt und von dieser verwahrt.

14. Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten gegen die Garantin aus oder im Zusammenhang mit dieser Garantie ist Düsseldorf.

15. Jeder Gläubiger einer Schuldverschreibung oder eines Zinsscheins kann in jedem Rechtsstreit gegen die Garantin und in jedem Rechtsstreit, in dem er und die Garantin Partei sind, seine aus dieser Garantie hervorgehenden Rechte auf der Grundlage einer von einer vertretungsberechtigten Person der Citibank, N.A., beglaubigten Kopie dieser Garantie ohne Vorlage des Originals im eigenen Namen wahrnehmen und durchsetzen.

1. August 2003

E.ON AG

Wir akzeptieren die Bestimmungen der vorstehenden Garantie ohne Obligo, Gewährleistung oder Rückgriff auf uns.

1. August 2003

Citibank, N.A.

GUARANTEE

(non-binding English translation)

of

E.ON AG, Düsseldorf, Federal Republic of Germany,

for the benefit of the holders of notes
(the "Notes"), issued by

E.ON International Finance B. V. Amsterdam, The Netherlands,
and E.ON UK Finance plc, London, United Kingdom,
under the Medium Term Note Programme (the "Programme")

WHEREAS:

(A) E.ON AG ("E.ON AG"), E.ON International Finance B.V. ("E.ON Finance") and E.ON UK Finance plc ("E.ON UK Finance") intend to issue Notes under the Programme from time to time, the outstanding aggregate nominal amount of which will not exceed the Programme Amount.

(B) The Notes will be issued with Terms and Conditions under German law (as amended, supplemented or modified by the applicable Pricing Supplement, the "Conditions").

(C) E.ON AG (the "Guarantor") wishes to guarantee the due payment of principal and, interest and any other amounts payable in respect of any and all Notes that may be issued by E.ON Finance and E.ON UK Finance under the Programme.

IT IS AGREED AS FOLLOWS:

(1) The Guarantor unconditionally and irrevocably guarantees to the holder of each Note (which expression shall include any Temporary Global Note, Permanent Global Note or Collective Note representing Notes) or Coupons (each a "Holder") issued by E.ON Finance and E.ON UK Finance under the Programme, the due and punctual payment of the principal of, and interest on, the Notes and Coupons, and any other amounts which may be expressed to be payable under any Note or Coupon appertaining thereto, as and when the same shall become due, in accordance with the Conditions.

(2) This Guarantee constitutes an irrevocable, unsecured (subject to paragraph (4) hereunder) and unsubordinated obligation of the Guarantor and ranks pari passu with all other present or future unsecured and unsubordinated obligations of the Guarantor outstanding from time to time, subject to any obligations preferred by law.

(3) All amounts payable in respect of this Guarantee shall be paid without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Guarantor will pay such additional amounts (the "Additional Amounts") as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Guarantor from payments of principal or interest made by it, or

(b) are payable by reason of the Holder having, or having had, some personal or business connection with the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany, or

(c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or

(d) are payable by reason of a change in law or practice that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with the Conditions, whichever occurs later; or

(e) are payable because any Note or Coupon was presented to a particular Paying Agent for payment if the Note or Coupon could have been presented to another paying Agent without any such withholding or deduction; or

(f) are payable because the relevant Note or Coupon has been presented for payment at the counter in the Federal Republic of Germany or collected for the relevant Holder by a banking institution in the Federal Republic of Germany, which has kept or keeps such Note or Coupon in safe custody for such Holder.

(4) So long as any Note issued by the Guarantor, E.ON Finance or E.ON UK Finance remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, the Guarantor undertakes not to create or permit to subsist any mortgage, charge, pledge, lien or other encumbrance upon any or all of its present or future assets to secure any present or future Bond Issue without at the same time, or prior thereto, securing such Notes equally and rateably therewith. "Bond Issue" means any indebtedness which is, in the form of, or is represented by, any bond, security, certificate or other instrument which is or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including any over-the-counter market) and any guarantee or other indemnity in respect of such indebtedness.

(5) The obligations of the Guarantor under this Guarantee (i) shall be separate and independent from the obligations of E.ON Finance and E.ON UK Finance under the Notes and Coupons, (ii) shall exist irrespective of the legality, validity and binding effect or enforceability of the Notes or Coupons, and (iii) shall not be affected by any event, condition or circumstance of whatever nature, whether factual or legal, save the full, definitive and irrevocable satisfaction of any and all payment obligations expressed to be assumed under the Notes.

(6) The obligations of the Guarantor under this Guarantee shall, without any further act or thing being required to be done or to occur, extend to the obligations of any Substituted Debtor which is not the Guarantor arising in respect of any Note or Coupon by virtue of a substitution pursuant to the Conditions.

(7) This Agreement and all undertakings contained herein constitute a contract for the benefit of the Holders from time to time as third party beneficiaries pursuant to § 328 (1) BGB (German Civil Code) [1]. They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from the Guarantor, and to enforce such obligations directly against the Guarantor.

Each Holder has the right in case of the non-performance of any payments on such Notes or Coupons under the Guarantee in order to prevail the Guarantee to file a suit directly against the Guarantor without the need to take prior proceedings against E.ON Finance or E.ON UK Finance.

(8) This Guarantee is given in respect of any and all Notes which are or will be issued by E.ON Finance and E.ON UK Finance under the Programme on or after the date hereof. The Guarantee dated November 14, 2000 extends to any and all Notes which have been issued by E.ON Finance during the period beginning on July 5, 1995 through November 16, 2001 and the Guarantee dated November 16, 2001 extends to any and all Notes which have been issued by E.ON Finance and E.ON UK plc during the period beginning on November 17, 2001 through the date hereof.

(9) Citibank, N. A., which accepted this Guarantee, in its capacity as Fiscal Agent does not act in a relationship of agency or trust, a fiduciary or in any other similar capacity for the Holders.

[1] An English language translation of § 328 (1) BGB (German Civil Code) reads as follows: "A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance."

(10) Terms used in this Agreement and not otherwise defined herein shall have the meaning attributed to them in the Conditions.

(11) This Agreement shall be governed by, and construed in accordance with, German law.

(12) This Agreement is written in the German language and attached hereto is a non-binding English translation.

(13) The original version of this Agreement shall be delivered to, and kept by, Citibank, N. A.

(14) Exclusive place of jurisdiction for all legal proceedings arising out of or in connection with this Agreement against the Guarantor shall be Düsseldorf.

(15) On the basis of a copy of this Agreement certified as being a true copy by a duly authorised officer of Citibank N. A., each Holder may protect and enforce in his own name his rights arising under this Agreement in any legal proceedings against the Guarantor or to which such Holder and the Guarantor are parties, without the need for production of this Agreement in such proceedings.

August 1, 2003

E.ON AG

We accept the terms of the above Guarantee without recourse, warranty or liability.

August 1, 2003

Citibank, N. A.

FORM OF PRICING SUPPLEMENT
(MUSTER – KONDITIONENBLATT)

[Date]
[Datum]

Pricing Supplement
Konditionenblatt

[Title of relevant Series of Notes]
[Bezeichnung der betreffenden Serie der Schuldverschreibungen]
issued pursuant to the
begeben aufgrund des

Euro 20,000,000,000
Medium Term Note Programme

of
der

E.ON AG

and
und

E.ON International Finance B. V.

and
und

E.ON UK Finance plc

dated August 1, 2003
vom 1. August 2003

Issue Price: **[ ]** per cent
Ausgabepreis: **[ ]**%

Net Proceeds: **[ ]**
Emissionserlös: **[ ]**

Settlement Date: **[ ]** (1)
Tag der Begebung: **[ ]**

Series No.: **[ ]**
Serien Nr.: **[ ]**

(1) The Settlement Date is the date of payment and settlement of the Notes. In the case of free delivery, the Settlement Date is the delivery date.
Der Tag der Begebung ist der Tag, an dem die Schuldverschreibungen begeben und bezahlt werden. Bei freier Lieferung ist der Tag der Begebung der Tag der Lieferung.

[This Pricing Supplement is issued to give details of an issue of Notes under the Euro 20,000,000,000 Medium Term Note Programme of E.ON AG, E.ON International Finance B.V. and E.ON UK Finance plc (the "Programme") and is to be read in conjunction with the Terms and Conditions of the Notes (the "Terms and Conditions") set forth in the Information Memorandum pertaining to the Programme, as the same may be amended or supplemented from time to time. Capitalised Terms not otherwise defined herein shall have the meanings specified in the Terms and Conditions.

Dieses Konditionenblatt enthält Angaben zur Emission von Schuldverschreibungen unter dem Euro 20.000.000.000 Medium Term Note Programme der E.ON AG, E.ON International Finance B.V. und der E.ON UK Finance plc (das „Programm") und ist in Verbindung mit den Emissionsbedingungen der Schuldverschreibungen (die „Emissionsbedingungen") zu lesen, die in der jeweils geltenden Fassung des Information Memorandum über das Programm enthalten sind. Begriffe, die in den Emissionsbedingungen definiert sind, haben, falls das Konditionenblatt nicht etwas anderes bestimmt, die gleiche Bedeutung, wenn sie in diesem Konditionenblatt verwendet werden.

All references in this Pricing Supplement to numbered Articles and sections are to Articles and sections of the Terms and Conditions.

Bezugnahmen in diesem Konditionenblatt auf Paragraphen und Absätze beziehen sich auf die Paragraphen und Absätze der Emissionsbedingungen.

All provisions in the Terms and Conditions corresponding to items in this Pricing Supplement which are either not selected or completed or which are deleted shall be deemed to be deleted from the terms and conditions applicable to the Notes (the "Conditions").

Sämtliche Bestimmungen der Emissionsbedingungen, die sich auf Variablen dieses Konditionenblattes beziehen und die weder angekreuzt noch ausgefüllt werden oder die gestrichen werden, gelten als in den auf die Schuldverschreibungen anwendbaren Emissionsbedingungen (die "Bedingungen") gestrichen.](2)

[This Pricing Supplement is issued to give details of an issue of Notes under the Euro 20,000,000,000 Medium Term Note Programme of E.ON AG, E.ON International Finance B.V. and E.ON UK Finance plc (the "Programme"). The Conditions applicable to the Notes (the "Conditions") and the German or English language translation thereof, if any, are attached to this Pricing Supplement and replace in full the Terms and Conditions of the Notes as set out in the Information Memorandum and take precedence over any conflicting provisions in this Pricing Supplement.

Dieses Konditionenblatt enthält Angaben zur Emission von Schuldverschreibungen unter dem Euro 20.000.000.000 Medium Term Note Programme der E.ON AG, E.ON International Finance B.V. und E.ON UK Finance plc (das "Programm"). Die für die Schuldverschreibungen geltenden Bedingungen (die „Bedingungen") sowie eine etwaige deutsch- oder englischsprachige Übersetzung sind diesem Konditionenblatt beigefügt. Die Bedingungen ersetzen in Gänze die im Information Memorandum abgedruckten Emissionsbedingungen und gehen etwaigen abweichenden Bestimmungen dieses Konditionenblatts vor.] (3)

(2) To be inserted in the case of Long-Form-Conditions.
Einzufügen im Falle von nicht-konsolidierten Bedingungen.

(3) To be inserted in the case of Integrated Conditions.
Einzufügen im Falle von konsolidierten Bedingungen.

Issuer [ ]
Emittentin

Form of Conditions (*)
Form der Bedingungen

❑ Long-Form
Nicht-konsolidierte Bedingungen

❑ Integrated
Konsolidierte Bedingungen

Language of Conditions (**)
Sprache der Bedingungen

❑ German only
ausschließlich Deutsch

❑ English only
ausschließlich Englisch

❑ English and German (English controlling)
Englisch und Deutsch (englischer Text maßgeblich)

❑ German and English (German controlling)
Deutsch und Englisch (deutscher Text maßgeblich)

CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS (§ 1)
WÄHRUNG, STÜCKELUNG, FORM, DEFINITIONEN (§ 1)

Currency and Denomination
Währung und Stückelung

Specified Currency [ ]
Festgelegte Währung

Aggregate Principal Amount [ ]
Gesamtnennbetrag

(*) To be determined in consultation with the Issuer. It is anticipated that Long-Form Conditions will generally be used for Notes in bearer form sold on a non-syndicated basis and which are not publicly offered. Short-Form Conditions will generally be used for Notes in bearer form sold and distributed on a syndicated basis. Short-Form Conditions will be required where the Notes are to be publicly offered, in whole or in part, or to be distributed, in whole or in part, to non-professional investors.
Die Form der Bedingungen ist in Abstimmung mit der Emittentin festzulegen. Es ist vorgesehen, daß nicht-konsolidierte Bedingungen für Inhaberschuldverschreibungen verwendet werden, die auf nicht syndizierter Basis verkauft und die nicht öffentlich zum Verkauf angeboten werden. Konsolidierte Bedingungen werden in der Regel für Inhaberschuldverschreibungen verwendet, die auf syndizierter Basis verkauft und vertrieben werden. Konsolidierte Bedingungen sind erforderlich, wenn die Schuldverschreibungen insgesamt oder teilweise an nicht berufsmäßige oder gewerbliche Investoren verkauft werden.

(**) To be determined in consultation with the Issuer. It is anticipated that, subject to any stock exchange or legal requirements applicable from time to time, and unless otherwise agreed, in the case of Notes in bearer form sold and distributed on a syndicated basis, German will be the controlling language. In the case of Notes in bearer form publicly offered, in whole or in part, in the Federal Republic of Germany, or distributed, in whole or in part, to non-professional investors in the Federal Republic of Germany, German will be the controlling language. If, in the event of such public offer or distribution to non-professional investors, however, English is chosen as the controlling language, a German language translation of the Conditions will be available from the principal office of E.ON AG.
In Abstimmung mit der Emittentin festzulegen. Es wird erwartet, daß vorbehaltlich geltender Börsen- oder anderer Bestimmungen und soweit nicht anders vereinbart, die deutsche Sprache für Inhaberschuldverschreibungen maßgeblich sein wird, die auf syndizierter Basis verkauft und vertrieben werden. Falls Inhaberschuldverschreibungen insgesamt oder teilweise öffentlich zum Verkauf in der Bundesrepublik Deutschland angeboten oder an nicht berufsmäßige oder gewerbliche Investoren in der Bundesrepublik Deutschland verkauft werden, wird die deutsche Sprache maßgeblich sein. Falls bei einem solchen öffentlichen Verkaufsangebot oder Verkauf an nicht berufsmäßige oder gewerbliche Investoren die englische Sprache als maßgeblich bestimmt wird, wird eine deutschsprachige Übersetzung der Bedingungen bei der Hauptgeschäftsstelle der E.ON AG erhältlich sein.

Specified Denomination(s) [ ]
Festgelegte Stückelung/Stückelungen

Number of Notes to be issued in each Specified Denomination [ ]
Zahl der in jeder festgelegten Stückelung auszugebenden Schuldverschreibungen

Minimum Principal Amount for Transfers (specify) [ ]
Mindestnennbetrag für Übertragungen (angeben)

❏ **TEFRA C**
TEFRA C

- ❏ Permanent Global Note
  Dauerglobalurkunde

- ❏ Temporary Global Note exchangeable for Definitive Notes
  Vorläufige Globalurkunde austauschbar gegen Einzelurkunden

❏ **TEFRA D**
TEFRA D

- ❏ Temporary Global Note exchangeable for:
  Vorläufige Globalurkunde austauschbar gegen:

  - ❏ Permanent Global Note
    Dauerglobalurkunde

  - ❏ Definitive Notes
    Einzelurkunden

❏ **Neither TEFRA D nor TEFRA C (*)**
Weder TEFRA D noch TEFRA C

- ❏ Permanent Global Note
  Dauerglobalurkunde

- ❏ Temporary Global Note exchangeable for Definitive Notes
  Vorläufige Globalurkunde austauschbar gegen Einzelurkunden

Certain Definitions
Definitionen

Clearing System

❏ Clearstream Banking AG

❏ Clearstream Banking, société anonyme

❏ Euroclear Bank S.A./N.V., as operator of the Euroclear System

❏ Other – specify
sonstige (angeben)

(*) Applicable only if Notes have an initial maturity of one year or less.
Nur anwendbar bei Schuldverschreibungen mit einer ursprünglichen Laufzeit von einem Jahr oder weniger.

Calculation Agent *Berechnungsstelle*	[Yes/No] *[Ja/Nein]*

❑ Fiscal Agent

Other (specify) *sonstige (angeben)*	[ ]

INTEREST (§ 3)
ZINSEN (§ 3)

❑ Fixed Rate Notes
Festverzinsliche Schuldverschreibungen

Rate of Interest and Interest Payment Dates
Zinssatz und Zinszahlungstage

Rate of Interest *Zinssatz*	[ ] per cent per annum *[ ]% per annum*
Interest Commencement Date *Verzinsungsbeginn*	[ ]
Fixed Interest Date(s) *Festzinstermin(e)*	[ ]
First Interest Payment Date *Erster Zinszahlungstag*	[ ]
Initial Broken Amount(s) (per Specified Denomination) *Anfängliche(r) Bruchteilzinsbetrag(-beträge)* *(für jede festgelegte Stückelung)*	[ ]
Fixed Interest Date preceding the Maturity Date *Festzinstermin, der dem Fälligkeitstag vorangeht*	[ ]
Final Broken Amount(s) (per Specified Denomination) *Abschließende(r) Bruchteilzinsbetrag(-beträge)* *(für jede festgelegte Stückelung)*	[ ]

❑ **Floating Rate Notes**
Variabel verzinsliche Schuldverschreibungen

Interest Payment Dates
Zinszahlungstage

Interest Commencement Date *Verzinsungsbeginn*	[ ]
Specified Interest Payment Dates *Festgelegte Zinszahlungstage*	[ ]
Specified Interest Period(s) *Festgelegte Zinsperiode(n)*	[ ] [weeks/months/other – specify] *[ ] [Wochen/Monate/andere – angeben]*

Business Day Convention
Geschäftstagskonvention

❑ Modified Following Business Day Convention
Modifizierte-Folgender-Geschäftstag-Konvention

❑ FRN Convention (specify period(s)) [ ] [months/other – specify]
FRN Konvention (Zeitraum angeben) [ ] [Monate/andere – angeben]

❑ Following Business Day Convention
Folgender-Geschäftstag-Konvention

❑ Preceding Business Day Convention
Vorangegangener-Geschäftstag-Konvention

Relevant Financial Centres [ ]
Relevante Finanzzentren

Rate of Interest
Zinssatz

❑ Screen Rate Determination
Bildschirmfeststellung

❑ EURIBOR (11.00 a. m. Brussels time/TARGET Business Day/Interbank Market in the euro-Zone)
EURIBOR (11.00 Brüsseler Ortszeit/TARGET Geschäftstag/Interbankenmarkt in der Euro-Zone)
Screen page [ ]
Bildschirmseite

❑ LIBOR (London time/London Business Day/London Interbank Market)
LIBOR (Londoner Ortszeit/Londoner Geschäftstag/Londoner Interbankenmarkt)
Screen page [ ]
Bildschirmseite

❑ Other (specify) [ ]
Sonstige (angeben)
Screen page [ ]
Bildschirmseite

❑ Other applicable rounding provision (specify) [ ]
Andere anwendbare Rundungsbestimmung (angeben)

Margin [ ] per cent per annum
Marge [ ]% per annum

❑ plus
plus

❑ minus
minus

Interest Determination Date
Zinsfestlegungstag

❑ second Business Day prior to commencement of Interest Period
zweiter Geschäftstag vor Beginn der jeweiligen Zinsperiode

❑ first day of each Interest Period
erster Tag der jeweiligen Zinsperiode

❑ other (specify) [ ]
sonstige (angeben)

Reference Banks (if other than as specified in § 3(2)) (specify) [ ]
Referenzbanken (sofern abweichend von § 3 Absatz 2) (angeben)

❑ **ISDA Determination (*)** [specify details]
ISDA-Feststellung *[Details einfügen]*

❑ **Other Method of Determination (insert details (including Margin, Interest Determination Date, Reference Banks, fall-back provisions))** [ ]
Andere Methoden der Bestimmung (Einzelheiten angeben (einschließlich Zinsfestlegungstag, Marge, Referenzbanken, Ausweichungsbestimmungen))

Minimum and Maximum Rate of Interest
Mindest- und Höchstzinssatz

❑ Minimum Rate of Interest [ ] per cent per annum
Mindestzinssatz [ ]% per annum

❑ Maximum Rate of Interest [ ] per cent per annum
Höchstzinssatz [ ]% per annum

❑ **Zero Coupon Notes**
Nullkupon-Schuldverschreibungen

Accrual of Interest
Auflaufende Zinsen

Amortisation Yield [ ]
Emissionsrendite

❑ **Dual Currency Instruments** [ ]
Doppelwährungs-Schuldverschreibungen
(set forth details in full here (including exchange rate(s) or basis for calculating exchange rate(s) to determine interest/fall-back provisions))
(Einzelheiten einfügen (einschließlich Wechselkurs(e) oder Grundlage für die Berechnung des/der Wechselkurs(e) zur Bestimmung von Zinsbeträgen/Ausweichbestimmungen))

❑ **Instalment Instruments** [ ]
Raten-Schuldverschreibungen
(set forth details in full here)
(Einzelheiten einfügen)

(*) ISDA Determination should only be applied in the case of Notes permanently represented by a Global Note because the ISDA Agreement and the ISDA Definitions have to be attached to the relevant Notes.
ISDA-Feststellung sollte nur dann gewählt werden, wenn die betreffenden Schuldverschreibungen durch eine Dauerglobalurkunde verbrieft werden, weil das ISDA-Agreement und die ISDA Definitionen den Schuldverschreibungen beizufügen sind.

❑ **Index Linked Instruments** [ ]
Indexgebundene Schuldverschreibungen
(set forth details in full here or in an attachment)
(Einzelheiten hier oder in einer Anlage einfügen)

❑ **Equity Linked Instruments** [ ]
Equity Linked Schuldverschreibungen
(set forth details in full here or in an attachment)
(Einzelheiten hier oder in einer Anlage einfügen)

❑ **Credit Linked Instruments** [ ]
Credit Linked Schuldverschreibungen
(set forth details in full here or in an attachment)
(Einzelheiten hier oder in einer Anlage einfügen)

Day Count Fraction (*)
Zinstagequotient

❑ Actual/Actual (ISMA 251)

❑ Actual/Actual (ISMA)

❑ Actual/Actual (ISDA)

❑ Actual/365 (Fixed)

❑ Actual/360

❑ 30/360 or 360/360 (Bond Basis)

❑ 30E/360 (Eurobond Basis)

PAYMENTS (§ 4)
ZAHLUNGEN (§ 4)

Payment Business Day
Zahlungstag

Relevant Financial Centre(s) (specify all) [ ]
Relevante Finanzzentren (alle angeben)

REDEMPTION (§ 5)
RÜCKZAHLUNG (§ 5)

Final Redemption
Rückzahlung bei Endfälligkeit

Maturity Date [ ]
Fälligkeitstag

Redemption Month [ ]
Rückzahlungsmonat

Final Redemption Amount
Rückzahlungsbetrag

(*) Complete for all Notes.
Für alle Schuldverschreibungen auszufüllen.

❏ Principal amount
Nennbetrag

❏ Final Redemption Amount (per Specified Denomination) [ ]
Rückzahlungsbetrag (für jede festgelegte Stückelung)

Early Redemption
Vorzeitige Rückzahlung

Early Redemption at the Option of the Issuer ***Vorzeitige Rückzahlung nach Wahl der Emittentin***	[Yes/No] *[Ja/Nein]*
Minimum Redemption Amount *Mindestrückzahlungsbetrag*	[ ]
Higher Redemption Amount *Höherer Rückzahlungsbetrag*	[ ]
Call Redemption Date(s) *Wahlrückzahlungstag(e) (Call)*	[ ]
Call Redemption Amount(s) *Wahlrückzahlungsbetrag/-beträge (Call)*	[ ]
Early Redemption at the Option of a Holder ***Vorzeitige Rückzahlung nach Wahl des Gläubigers***	[Yes/No] *[Ja/Nein]*
Put Redemption Date(s) *Wahlrückzahlungstag(e) (Put)*	[ ]
Put Redemption Amount(s) *Wahlrückzahlungsbetrag/-beträge (Put)*	[ ]
Minimum Notice to Issuer *Mindestkündigungsfrist*	[ ] days *[ ] Tage*
Maximum Notice to Issuer (never more than 60 days) *Höchstkündigungsfrist (nie mehr als 60 Tage)*	[ ] days *[ ] Tage*

Early Redemption Amount
Vorzeitiger Rückzahlungsbetrag

Zero Coupon Notes:
Nullkupon-Schuldverschreibungen:

Reference Price [ ]
Referenzpreis

❏ **Index Linked Instruments** [ ]
Indexgebundene Schuldverschreibungen
(set forth details in full here or in an attachment)
(Einzelheiten hier oder in einer Anlage einfügen)

❏ **Equity Linked Instruments** [ ]
Equity Linked Schuldverschreibungen
(set forth details in full here or in an attachment)
(Einzelheiten hier oder in einer Anlage einfügen)

❏ **Credit Linked Instruments** [ ]
Credit Linked Schuldverschreibungen
(set forth details in full here or in an attachment)
(Einzelheiten hier oder in einer Anlage einfügen)

❑ **Dual Currency Instruments** [ ]
Doppelwährungs-Schuldverschreibungen
(set forth details in full here (including exchange rate(s) or basis for calculating exchange rate(s) to determine principal/fall-back provisions))
(Einzelheiten einfügen (einschließlich Wechselkurs(e) oder Grundlage für die Berechnung des/der Wechselkurs(e) zur Bestimmung von Kapitalbeträgen/ Ausweichbestimmungen))

AGENTS (§ 6)

Calculation Agent/specified office (*) [ ]
Berechnungsstelle/bezeichnete Geschäftsstelle

Required location of Calculation Agent (specify) [ ]
Vorgeschriebener Ort für Berechnungsstelle (angeben)

❑ Paying Agents
Zahlstellen

❑ Additional Paying Agent(s)/specified office(s) [ ]
Zahlstelle(n)/bezeichnete Geschäftsstelle(n)

NOTICES (§ 12)
MITTEILUNGEN (§ 12)

Place and medium of publication
Ort und Medium der Bekanntmachung

❑ United Kingdom (Financial Times)
Vereinigtes Königreich (Financial Times)

❑ Luxembourg (Luxemburger Wort)
Luxemburg (Luxemburger Wort)

❑ Germany (Börsen-Zeitung)
Deutschland (Börsen-Zeitung)

❑ Other (specify) [ ]
sonstige (angeben)

GENERAL PROVISIONS APPLICABLE TO THE NOTE(S)
ALLGEMEINE BESTIMMUNGEN HINSICHTLICH DER SCHULDVERSCHREIBUNG(EN)

Listing(s) [Yes/No]
Börsenzulassung(en) *[Ja/Nein]*

❑ Luxembourg

❑ Frankfurt am Main

❑ Other (insert details) [ ]
sonstige (Einzelheiten einfügen)

(*) Not to be completed if Fiscal Agent is to be appointed as Calculation Agent.
Nicht auszufüllen, falls Fiscal Agent als Berechnungsstelle bestellt werden soll.

Method of distribution ***Vertriebsmethode***	[insert details] *[Einzelheiten einfügen]*

❑ Non-syndicated
Nicht syndiziert

❑ Syndicated
Syndiziert

Management Details
Einzelheiten bezüglich des Bankenkonsortiums

Management Group or Dealer (specify) *Bankenkonsortium oder Plazeur (angeben)*	[ ]
Commissions *Provisionen*	
Management/Underwriting Commission (specifiy) *Management- und Übernahmeprovision (angeben)*	[ ]
Selling Concession (specify) *Verkaufsprovision (angeben)*	[ ]
Listing Commission (specify) *Börsenzulassungsprovision (angeben)*	[ ]
Other (specifiy) *Andere (angeben)*	[ ]
Stabilising Dealer/Manager ***Kursstabilisierender Dealer/Manager***	[insert details/None] *[Einzelheiten einfügen/keiner]*

Securities Identification Numbers
Wertpapierkennnummern

Common Code *Common Code*	[ ]
ISIN *ISIN*	[ ]
German Securities Code *Wertpapierkennnummer (WKN)*	[ ]
Any other securities number *Sonstige Wertpapiernummer*	[ ]
Supplemental Tax Disclosure (specify) (*) ***Zusätzliche Steueroffenlegung (einfügen)***	[ ]

Selling Restrictions
Verkaufsbeschränkungen

United States of America

❑ TEFRA C
TEFRA C

(*) Supplemental tax disclosure should be provided if the Notes would be classified as financial innovations *(Finanzinnovationen)* under German tax law.
Zusätzliche Angaben zur steuerlichen Situationen sollten erfolgen, wenn die Schuldverschreibungen nach deutschem Steuerrecht als Finanzinnovationen eingeordnet würden.

❑ TEFRA D
TEFRA D

❑ Neither TEFRA C nor TEFRA D
Weder TEFRA C noch TEFRA D

Additional Selling Restrictions (specify) *Zusätzliche Verkaufsbeschränkungen (angeben)*	[ ]
Governing law ***Anwendbares Recht***	**German law** ***Deutsches Recht***
Rating (*) ***Rating***	[ ]
Other Relevant Terms and Conditions (specify) ***Andere relevante Bestimmungen (einfügen)***	[ ]

[Listing: (**)
[Börsenzulassung:

The above Pricing Supplement comprises the details required to list this issue of Notes pursuant to the Euro 20,000,000,000 Medium Term Note Programme of E.ON AG, E.ON International Finance B.V. and E.ON UK Finance plc (as from **[insert Settlement Date for the Notes]**).

Das vorstehende Konditionenblatt enthält die Angaben, die für die Zulassung dieser Emission von Schuldverschreibungen gemäß dem Euro 20.000.000.000,– Medium Term Note Programme der E.ON AG, E.ON International Finance B.V. und der E.ON UK Finance plc (ab dem **[Tag der Begebung der Schuldverschreibungen einfügen]***) erforderlich sind.*

Citibank, N.A.

(as Fiscal Agent)
(als Fiscal Agent)

RESPONSIBILITY
VERANTWORTLICHKEIT

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Die Emittentin übernimmt für die in diesem Konditionenblatt enthaltenen Informationen die Verantwortung.

[E.ON AG

(as Issuer)
*(als Emittentin)***]**

[E.ON International Finance B.V.

(as Issuer)
*(als Emittentin)***]**

[E.ON UK Finance plc

(as Issuer)
*(als Emittentin)***]]**

(*) Do not complete if the Notes are not rated on an individual basis.
Nicht auszufüllen, wenn keim Einzelrating für die Schuldverschreibungen vorliegt.
(**) Include only for listed issues.
Nur bei börsenzugelassenen Schuldverschreibungen einfügen.

E.ON AG
– Issuer –

Incorporation, Seat and Duration

E.ON AG was founded in March 1929 under the laws of Germany under the name "Vereinigte Elektrizitäts- und Bergwerks-Aktiengesellschaft". On April 23, 1970 it was renamed VEBA AG. On June 16, 2000, VIAG AG, Munich, was merged into VEBA AG, and VEBA AG was subsequently renamed E.ON AG. E.ON AG has its seat in Düsseldorf and is registered in the Commercial Register of the local court of Düsseldorf under HRB 22315. E.ON AG's registered office is located at E.ON-Platz 1, 40479 Düsseldorf, Federal Republic of Germany.

The duration of E.ON AG is unlimited.

Objects

The corporate purpose of E.ON is the supply of energy (primarily electricity and gas) and water as well as the provision of disposal services. E.ON's activities may encompass the generation and/or production, transmission and/or transport, purchasing, selling and trading. Plants of all kinds may be built, purchased and operated; services and cooperations of all kinds may be performed.

E.ON may operate in the business areas listed above or related areas either by itself or through subsidiaries or associated companies. E.ON shall be entitled to take all actions and measures that are connected with the corporate purpose or are suitable for serving it directly or indirectly.

E.ON may also establish, acquire or take an interest in other companies, particularly in those whose corporate purpose wholly or partly covers the business areas listed above. In addition, E.ON shall be entitled to acquire stakes in companies of all kinds, primarily to invest funds. It may make structural changes in companies in which it is holding an interest, consolidate them under central management or confine itself to managing them as well as dispose of its participations.

Furthermore, E.ON shall be entitled to run businesses in the chemical sector, primarily in the special and constructional chemistry areas, as well as in the real estate industry and telecommunications sector.

Share Capital

As of March 31, 2003, E.ON AG's issued share capital amounted to € 1,799,200,000 consisting of 692,000,000 ordinary shares issued without par value. The share capital of E.ON AG is fully paid up. For information about the authorized capital see note 17 to the consolidated financial statements on page 153 hereof.

Capitalisation

The following table shows the consolidated capitalisation of E.ON AG as at March 31, 2003. Please note that the figures are not derived from audited financial statements. They are abbreviated from E.ON AG's unaudited Interim Report as of March 31, 2003 or derived from E.ON AG's internal financial controlling system.

	As at March 31, 2003
	(€ in millions)
Shareholders' Equity	
Capital stock	1,799
Additional paid-in capital	11,402
Retained earnings	14,458
Other comprehensive income	– 1,163
Treasury stock	– 259
Total Shareholders' Equity	26,237
Minority Interests	4,219
Financial Liabilities	
Long-term debt	
Bonds	11,654
Bank loans	3,821
Others	721
Short-term debt	
Bonds	679
Bank loans	1,328
Others	9,204
Total Financial Liabilities	27,407
Total Shareholders' Equity and Financial Liabilities	53,644
Contingent Liabilities (*)	6,981

(*) As at December 31, 2002

There has been no material adverse change in the capitalisation of E.ON AG since March 31, 2003 and in Contingent Liabilities since December 31, 2002.

Business Overview

General

E.ON is one of the largest industrial groups in Germany with 2002 sales of approximately € 37 billion and about 108,000 employees at year-end 2002.

E.ON AG is the management holding company for the Group with activities in the following sectors:

Energy

E.ON Energie AG, Munich, Germany ("E.ON Energie")
Ruhrgas AG, Essen, Germany ("Ruhrgas")
Powergen Ltd., Coventry, England ("Powergen")

Non-core businesses

Chemicals:	Degussa AG (46.5%), Düsseldorf, Germany ("Degussa")
Real Estate:	Viterra AG (100%), Essen, Germany ("Viterra")
Telecommunications:	VEBA Telecom Management GmbH (100%), Düsseldorf, Germany ("VEBA Telecom Management") VIAG Telecom Beteiligungs GmbH (100%), Munich, Germany ("VIAG Telecom")

The companies E.ON Energie, Viterra and VIAG Telecom have profit and loss pooling agreements with E.ON AG. Ruhrgas has a profit and loss pooling agreement with Ruhrgas Holding GmbH (formerly E.ON Telecom GmbH) which itself has a profit and loss pooling agreement with E.ON AG.

Business Divisions

Energy – E.ON Energie

Following the VEBA – VIAG merger, the merger of Preussen Elektra and Bayernwerk formed the new E.ON Energie on July 14, 2000. E.ON Energie is wholly owned by E.ON AG and is responsible together with Ruhrgas for E.ON's energy activities in Germany and continental Europe.

E.ON Energie is one of the largest privately owned European power companies in terms of electricity sales, with revenues of € 19.5 billion (which included € 933 million of electricity taxes that were remitted to the tax authorities) in 2002. E.ON Energie's core business consists of operation of power generation facilities and the transmission and distribution of electricity and, to a lesser extent, gas and heat to interregional, regional and municipal utilities, traders, industrial and special-rate customers and standard-rate customers (households and small businesses).

E.ON Energie produces electricity at wholly and jointly owned power stations with a total installed capacity of approximately 50,200 megawatts, of which E.ON Energie's attributable share is approximately 34,100 megawatts as at December 31, 2002 (not including mothballed, shut down and reduced power plants). Through its own operations, as well as through distribution companies, in most of which it owns a majority interest, E.ON Energie also distributes electricity, heat and gas to regional and municipal utilities, commercial and industrial customers and standard-rate customers which together account for more than one third of the electricity consumption of end users in Germany. E.ON Energie's minority interests in utilities are generally accounted for under the equity method. As a result, a portion of electricity-related earnings are recorded as income from equity interests and are not reflected in E.ON's consolidated revenues. Management views these associated companies as an integral part of the operations of E.ON Energie.

Primary target markets of E.ON Energie include the regions of Northern Europe, Central and Eastern Europe, the Benelux countries and the Alpine region. Management believes that the strong position in the German electricity market resulting from the merger of PreussenElektra and Bayernwerk provides E.ON Energie with a solid base to expand into the combined supply of electricity and gas, as well as other energy-related services throughout Germany and continental Europe.

In 2002, the E.ON Energie division contributed 52.7 percent of E.ON's revenues and recorded internal operating profit of € 2.9 billion.

Energy – Powergen

On July 1, 2002, E.ON AG completed its acquisition of Powergen plc (which was re-registered as Powergen Limited on January 9, 2003) and is the sole owner of the British utility, including its U.S. affiliate LG&E Energy.

Powergen is an international, integrated energy company with its principal operations in the United Kingdom and the United States. In the six months following E.ON's completion of its acquisition, Powergen recorded revenues of € 4.5 billion. Powergen and its associated companies are actively involved in the ownership and operation of power generation facilities, power distribution and retail, gas retail, energy trading,CHP and renewable generation business. On October 21, 2002, Powergen acquired the U. K. retail energy business, certain gas supply contracts and three coal fired power stations from TXU Group, thereby adding approximately 5.5 million retail customers.

LG&E is a diversified energy company with operations in the areas of electric generation, energy projects, retail gas and electric utility services, as well as asset-based energy marketing. Asset-based energy marketing primarily involves the marketing of power generated by physical assets owned or controlled by LG&E Energy and its affiliates. LG&E Energy divides its operations into regulated utility (73 % of 2002 revenues) and non-utility businesses (27 %). Utility operations are subject to state regulation that sets rates charged to retail customers.

In total, the Powergen division owns interests in and operates power stations with a total installed capacity of approximately 24,300 megawatts, of which Powergen's attributable share is approximately 20,200 megawatts (not including mothballed and shut down power plants).

In the six months following its acquisition, the Powergen division contributed 12.1 percent of E.ON's revenues and recorded internal operating profit of € 0.3 billion.

Energy – Ruhrgas

Ruhrgas is a major element in E.ON's implementation of its strategy of expanding its gas operations and building an integrated power and gas company. Ruhrgas' upstream and midstream operations complement E.ON's own primarily downstream gas holdings. To go along with E.ON's fully integrated electricity business, E.ON is now a major player along the entire value chain in natural gas: from production to wholesaling and from transport to retailing. In addition, E.ON's financial resources can help Ruhrgas increase the level of investment in the enhancement and expansion of its activities. At the same time, the regional overlap of the two groups' holdings in Scandinavia, the Baltic countries and Eastern Europe is seen as presenting opportunities for operating synergies and a base for future expansion.

With an annual sales volume of more than 600 billion kWh of natural gas, Ruhrgas ranks among Europe's leading gas companies and is one of the world's largest gas importers. Ruhrgas procures natural gas from supply channels in and outside Germany. Its customers are regional and municipal energy companies, large industrial enterprises, and power stations. Ruhrgas offers a comprehensive array of products and services for the transport, storage, marketing, and utilization of natural gas. In addition, Ruhrgas has ownership interests in energy companies in and outside Germany that it holds mainly through its subsidiary, Ruhrgas Energie Beteiligungs-AG. Ruhrgas also owns shareholdings in industrial enterprises through Ruhrgas Industrie GmbH.

On a pro forma basis, Ruhrgas's U. S. GAAP internal operating profit for the 2002 financial year was approximately € 800 million after effects from the preliminary purchase price allocation.

Following an out-of-court settlement with competitors who had challenged the ministerial approval for the transaction, E.ON completed its acquisition of 100 percent of Ruhrgas in early March 2003. The total purchase price was approximately € 11.0 billion, including the assumption of around € 1.0 billion of net debt and pension provisions. Ruhrgas became a fully consolidated E.ON Group company effective February 1, 2003. Under the ministerial approval for the acquisition, E.ON and Ruhrgas are required to divest several shareholdings including their respective stakes in Gelsenwasser AG, VNG AG, EWE AG, Bayerngas GmbH and Stadtwerke Bremen AG. E.ON has also announced that it will make significant capital investments in Ruhrgas. In addition, Ruhrgas will be required to auction specified volumes of natural gas to its competitors. The settlement agreements with the plaintiffs who had contested the validity of the ministerial approval generally include commitments by E.ON to enter into gas and/or electricity supply contracts, make certain infrastructure improvements (particularly with regard to gas distribution), and provide specified access to the gas and electricity supply grids. Certain of these agreements also provide for the exchange of shareholdings in the parties respective domestic and Northern European affiliates and/or require E.ON to provide marketing support.

Non-Core Activities – Chemicals, Real Estate, Telecommunications

Chemicals – Degussa

Degussa is one of the major specialty chemical companies in the world. In May 2002, E.ON reached a definitive agreement with RAG AG ("RAG") to sell a portion of E.ON's majority interest in Degussa to RAG and to acquire RAG's more than 18 percent interest in Ruhrgas in a two step transaction. Upon termination of the court proceedings that had temporarily prevented E.ON from acquiring control of Ruhrgas in late January 2003, E.ON completed the first step of the RAG/Degussa transaction by acquiring RAG's Ruhrgas stake and tendering 37.2 million of its shares in Degussa to RAG at the price of € 38 per share, receiving total proceeds of € 1.4 billion. Following this transaction and the completion of the tender offer to the other Degussa shareholders, RAG and E.ON each hold a 46.5 percent interest in Degussa, with the remainder being held by the public. In the second step, E.ON is to sell enough shares to RAG at the above price to give RAG a 50.1 percent interest in Degussa by May 31, 2004. Prior to that time, E.ON and RAG are to operate Degussa under joint control.

Degussa focuses on specialty chemicals, which are grouped by business unit in five core divisions: Construction Chemicals, Fine & Industrial Chemicals, Performance Materials, Coatings & Advanced Fillers, and Specialty Polymers. During 2002, Degussa disposed of most of the non-core businesses it had earmarked for divestiture and expects to divest its remaining non-core businesses by the end of 2003, subject to market conditions.

In 2002, Degussa had revenues of € 11.8 billion, contributing 31.7 percent of E.ON's revenues and internal operating profit of € 0.7 billion.

Real Estate – Viterra

Viterra, E.ON's real estate group, is primarily engaged in two businesses: residential real estate and real estate development. Viterra is Germany's largest private owner of residential property, with a property portfolio at year-end 2002 of approximately 165,000 housing units. Viterra also held approximately 90 commercial units at year-end.

In 2002, E.ON's real estate division had revenues of € 1.2 billion, contributing 3.3 percent of E.ON's revenues and internal operating profit of € 0.2 billion.

As part of its focus on energy, E.ON intends to divest its entire shareholding of Viterra.

Telecommunications

The E.ON Group holds its telecommunications activities through two intermediate holding companies: VEBA Telecom Management and VIAG Telecom. VEBA Telecom Management holds a 10.1 percent shareholding in the French mobile telecommunications network operator, Bouygues Telecom S.A. Put/call agreements for the sale of the remaining stake have been concluded. VIAG Telecom holds a 50.1 % shareholding in the Austrian mobile telecommunications network operator ONE GmbH.

Until the end of 2001, E.ON reported its telecommunications activities as a separate segment. E.ON considers its former telecommunications division to be of minor significance. Accordingly, as of January 2002, E.ON is reporting the results of these activities under Holding/others in its segment reporting. After full consolidation in E.ON's Group accounts until the end of 2001, effective January 1, 2002, ONE GmbH is accounted for at equity in E.ON's Consolidated Financial Statements, as was Bouygues Telecom until divestment of the first tranche of the shares to the Bouygues Group.

As part of its focus on energy services, E.ON intends to also divest its stake in ONE GmbH.

Recent Developments

Developments during the First Quarter 2003

In the first three months of 2003, the Group's internal operating profit climbed 33 percent year-on-year. The increase primarily reflects the inclusion of Ruhrgas and Powergen as well as improved earnings at E.ON Energie and Viterra.

Net book gains in the first quarter of 2003 resulted mainly from the sale of approximately 5.8 percent of the shares in Bouygues Telecom to the Bouygues Group (€ 294 million). In addition, E.ON posted a disposal gain of € 168 million on the sale of roughly 18 percent of the shares in Degussa. These gains were offset by the net book loss of € 76 million on the disposal of 1.9 percent of the stock in HypoVereinsbank.

In the period under review, restructuring expenses were recorded primarily at Powergen relating to the integration of the operations it acquired from TXU.

Other non operating earnings mainly reflect unrealized income from the market valuation of energy derivatives at E.ON Energie and Powergen.

Results from ordinary business activities rose 4 percent year-on-year to € 1,898 million.

In the first quarter of 2003, the Group's continuing operations show a tax expense of € 298 million.

Minority interests declined to € 168 million. This mainly reflects changes in E.ON's portfolio of shareholdings and higher earnings at E.ON Energie companies in the prior year. The decline is also attributable to the deconsolidation of Degussa.

Results from continuing operations rose 27 percent to € 1,432 million.

Results from discontinued operations mainly include the following businesses that were reported as discontinued operations after the first quarter of 2002: VEBA Oel, Stinnes, Viterra Energy Services, and certain operations divested by Degussa. In addition, E.ON Energie's Gelsenwasser subsidiary as well as Viterra Contracting are shown under discontinued operations beginning with the first quarter of 2003.

The cumulative effect of changes in accounting principles is exclusively attributable to the application of Statement of Financial Accounting Standards (SFAS) regarding the asset retirement obligation (see explanation to SFAS 143 in the notes to the interim report of E.ON for the first quarter on page 202 hereof).

Owing to the exceptionally high net book gains E.ON reported in the prior year and to charges arising from changes in accounting principles, net income after taxes and minority interests of € 986 million was substantially below the prior-year figure. The same applies to the earnings per share of € 1.51.

Group sales rose 64 percent in the period under review, primarily because of the inclusion of Ruhrgas and Powergen. In addition, E.ON Energie posted substantially improved sales. By contrast, the deconsolidation of Degussa as of February 1, 2003, served to reduce reported sales by approximately € 1.9 billion.

Other Events

In January 2003, E.ON concluded a contract for the sale of its nearly 16-percent interest in Bouygues Telecom. The Bouygues Group agreed to acquire the shares in two stages for a total of € 1.1 billion including shareholder loans. On March 5, 2003, Bouygues Telecom, in a first step, acquired 5.8 percent of the E.ON shares in Bouygues Telecom for a total of € 400 million. E.ON recognized a book gain of € 294 million. Put/call agreements have been concluded for the acquisition of the remaining 10.1 percent.

In the course of settlement with the leading plaintiffs opposing the ministerial approval for the acquisition of Ruhrgas, E.ON agreed to investment swaps with Fortum. Meanwhile E.ON has sold its indirect shareholdings in three Norwegian energy companies (Hafslund, Østfold, and Frederikstad) and in Russia's Lenenergo. In return, E.ON bought Småland (distribution operations in Sweden) and Fortum Kraftwerk Burghausen GmbH and Edenderry power stations in Ireland. In addition to these investments, E.ON received a cash settlement of € 160 million from Fortum.

On April 8, 2003, Viterra sold its service company, Viterra Energy Services, to CVC Capital Partners, a financial investor, for € 930 million including around € 85 million in debt. The transaction completes Viterra's phase of focusing on its residential real estate and real estate development businesses. E.ON will realize a gain of approximately € 700 million on the sale, which it expects to record in the second quarter of 2003 under discontinued operations.

On May 6, 2003, E.ON launched a Group-wide structure and strategy project called on•top. The principal objective is optimal integration of the acquired companies in to the Group and to identify ways of achieving further value-added growth. The specific subject matter of the on•top project is the further development of the Group's structures and strategy. A new organization will be created to optimize the synergies between electricity and gas, optimize margins, and build customer loyalty. Another goal is to adapt the role of E.ON AG – in particular with regard to the subsidiaries. The main aim of refining the Group's strategy is to achieve sustainable value-added growth in the medium to long term, and to raise performance in all divisions. The on•top project closely involves all key shareholdings. Its results are expected to be available in August.

On June 3, 2003, E.ON subsidiary Ruhrgas acquired a 15 percent interest in the Norwegian gas field Njord Feld from the American oil group ConocoPhillips. This commitment to natural gas production is in line with the investment pledge made by E.ON as part of the ministerial approval process for the Ruhrgas acquisition. Njord Feld contains reserves totaling well up to 10 billion cubic meters of natural gas and 51 million barrels of oil. Gas extraction is due to begin within two to three years. Ruhrgas will then have approximately 300 million cubic meters of natural gas annually from this field. Oil production had already commenced in 1997. Ruhrgas will sell its portion of the oil on the wholesale market. The purchase is still subject to approval by the Norwegian authorities. It is to take effect retroactively to January 1, 2003. It was agreed not to disclose the purchase price. Further shareholders in the field are Norsk Hydro, Gaz de France and Mobil each with 20 percent as well as Paladin, Petoro and OER Oil with smaller stakes. In addition to the new production licenses in Norway, Ruhrgas already holds interests in natural gas and oil deposits in the British North Sea.

On July 4, 2003, E.ON has agreed a shareholding swap with the Czech energy supplier, CEZ. Accordingly E.ON will take the CEZ shares in the South Czech regional utilities JME and JCE giving in return its minority stakes in the regional utilities ZCE and VCE. The transaction is subject to approval by the anti-trust authorities. The share swap brings E.ON's stake from currently 45% well up to an 80% majority in JME. The JCE shareholding increases from just 14% to 48%. Both companies are direct neighbors supplying 1.4 million customers annually with nearly 12 billion kWh of electricity. Together they have about 24 percent of the Czech electricity market. In a further step E.ON will tender the remaining shareholders of both companies a public takeover bid with the aim of obtaining a majority of JCE. Along with the share swap, an option agreement was concluded allowing E.ON to give its minority interests in regional utilities SME (30,3%) and SCE (5,9%) to CEZ.

On July 8, 2003, the agreement merging the regional utilities Elektrizitätswerk Wesertal, Pesag and Elektrizitätswerk Minden-Ravensberg (EMR) was signed. The new enterprise will be called E.ON Westfalen-Weser AG. E.ON Energie will hold about 63 percent of the company while the remaining shares will be held by a total of 39 municipalities. E.ON Westfalen-Weser, with about 650,000 customers, will count among the ten biggest regional utilities in Germany.

On July 25, 2003, E.ON Energie and Ruhrgas concluded agreements to sell their respective shareholdings in Bayerngas to the municipal utilities of Munich, Regensburg and Ingolstadt and to the City of Landshut at an undisclosed price. Under the terms of the ministerial approval in the E.ON – Ruhrgas case the transaction must be cleared by the German Federal Ministry for Economics and Labour. The deal must also be approved by the supervisory boards of the companies involved.

On July 31, 2003, E.ON announced that it will sell its 80.5 per cent. stake in Gelsenwasser to a joint venture of the municipal utilities of Dortmund and Bochum. The purchase price amounts to EUR 835 million. E.ON will earn a profit of approximately EUR 500 million from this transaction. The sale of Gelsenwasser still requires the approval of E.ON's supervisory bodies, the antitrust authorities and the Federal Ministry of Economics and Labor.

Management

Supervisory Board

The Supervisory Board of E.ON AG consists of the following members:

Name and Position Held	Principal Occupation
Ulrich Hartmann Chairman of the Supervisory Board	Chairman of the Supervisory Board of E.ON AG
Hubertus Schmoldt Vice Chairman of the Supervisory Board	Chairman of the Board of Management of Industriegewerkschaft Bergbau, Chemie, Energie (IGBCE)
Günter Adam Member of the Supervisory Board	Foreman, Degussa AG
Dr. Karl-Hermann Baumann Member of the Supervisory Board	Chairman of the Supervisory Board of Siemens AG
Ralf Blauth Member of the Supervisory Board	Industrial Clerk, Degussa AG
Dr. Rolf-E. Breuer Member of the Supervisory Board	Chairman of the Supervisory Board of Deutsche Bank AG
Dr. Gerhard Cromme Member of the Supervisory Board	Chairman of the Supervisory Board of ThyssenKrupp AG
Wolf Rüdiger Hinrichsen Member of the Supervisory Board	Head of the Economic Affairs Department of E.ON AG
Ulrich Hocker Member of the Supervisory Board	General Manager of the German Investor Protection Association
Eva Kirchhof Member of the Supervisory Board	Diploma-Physicist, Degussa AG
Seppel Kraus Member of the Supervisory Board	Union Secretary, IGBCE
Prof. Dr. Ulrich Lehner Member of the Supervisory Board	President and Chief Executive Officer, Henkel Group
Dr. Klaus Liesen Member of the Supervisory Board	Honorary Chairman of the Supervisory Board of Ruhrgas AG
Peter Obramski Member of the Supervisory Board	Union Secretary, IGBCE
Ulrich Otte Member of the Supervisory Board	Systems engineer, E.ON Energie AG
Klaus-Dieter Raschke Member of the Supervisory Board	Tax Assistant, E.ON Kernkraft GmbH
Dr. Henning Schulte-Noelle Member of the Supervisory Board	Chairman of the Supervisory Board of Allianz AG
Prof. Dr. Wilhelm Simson Member of the Supervisory Board	President of the German Chemical Industry Association
Gerhard Skupke Member of the Supervisory Board	Gas Technician, E.DIS Aktiengesellschaft
Dr. Georg Freiherr von Waldenfels Member of the Supervisory Board	Attorney

Board of Management

At present the Board of Management of E.ON AG consists of the following members:

Name and Title	Business Activities and Experience
Dr. Wulf H. Bernotat Chairman of the Board of Management and CEO of E.ON AG	Various managerial positions in the Shell Group; formerly Member of the Board of VEBA OEL AG and Chairman of the Board of Stinnes AG *External Supervisory Board Memberships/Directorships:* Allianz AG, Metro AG, RAG Aktiengesellschaft (Chairman)
Dr. Burckhard Bergmann Member of the Board of Management	Chairman of the Board of Management of Ruhrgas AG; formerly various managerial positions in Ruhrgas AG *External Supervisory Board Memberships/Directorships*: Allianz Lebensversicherungs-AG, VNG-Verbundnetz Gas AG, OAO Gazprom
Dr. Hans Michael Gaul Member of the Board of Management	Controlling/Corporate Planning, M&A, Legal Affairs, formerly Member of the Board of Management VEBA AG *External Supervisory Board Memberships/Directorships:* Degussa AG, Allianz Versicherungs-AG, DKV AG, RAG Aktiengesellschaft, STEAG AG, Volkswagen AG
Dr. Manfred Krüper Member of the Board of Management	Labor Relations, Personnel, Infrastructure and Services, Procurement, Organization; formerly Member of the Board of Management of VEBA AG *External Supervisory Board Memberships/Directorships:* equitrust Aktiengesellschaft (Chairman), RAG Aktiengesellschaft, RAG Immobilien AG, Victoria Versicherung AG, Victoria Lebensversicherung AG
Dr. Erhard Schipporeit Member of the Board of Management	Chief Financial Officer; Finance, Accounting, Taxes, IT; formerly Member of the Board of Management of VIAG AG *External Supervisory Board Memberships/Directorships:* Degussa AG, Commerzbank AG, HDI Privat Versicherung AG

The business address of the members of the Supervisory Board and the Board of Management is E.ON-Platz 1, 40479 Düsseldorf, Federal Republic of Germany.

Annual General Meeting

The annual general meeting of the shareholders shall be held in the city in which the corporation has its registered offices or in another major German city *(deutsche Großstadt)*. It shall be convened by the Board of Management in agreement with the Chairman of the Supervisory Board.

Independent Auditors

The independent auditors of E.ON AG are PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Moskauer Strasse 19, 40227 Düsseldorf, Germany. They audited the consolidated and non-consolidated financial statements of E.ON AG for the years ended 2000, 2001 and 2002 and issued an unqualified opinion in each case.

Financial Year

The financial year of E.ON AG is the calendar year.

Review of Operations

Difficult economic environment. The global economic climate grew perceptibly bleaker as 2002 wore on. The economic slowdown was particularly noticeable in Western Europe and North America. Estimates put the growth of the EU's gross domestic product at a sluggish 1 percent in 2002. The U.S. economy grew at an annual rate of 2.4 percent.

Germany's economy remained weak. Though the economy stabilized in the second half of the year, there was no upturn. The German economy grew at an annual rate of only 0.2 percent due to a number of factors. Economic growth was dampened by lower investment and consumption. The recession in the construction sector continued. Only modest impetus came from the country's export sector. The Iraq conflict and the resulting increase in oil prices made the economic mood even gloomier. Other negative factors included the dampening of the economic recovery in the U.S. and the euro's gains against the dollar.

Electricity consumption in Germany reflected the weak economy and mild weather. According to preliminary estimates, the country consumed slightly more electric power in 2002 than it did in 2001. Net generation was somewhat higher at 483.8 billion kilowatt-hours (kWh) against 477.5 billion kWh in the prior year. Electricity prices in 2002 displayed a modest upward trend compared with 2001.

At 148.7 billion kWh, electricity consumption in Sweden was down slightly from the prior-year figure of 148.9 billion kWh. Due to sporadic precipitation, electricity prices were extremely volatile and climbed sharply in December 2002. Because hydroelectric generating facilities are responsible for a substantial portion of electricity production in scandinavia, the low levels of precipitation led to a higher percentage of electric generation using more expensive energy sources such as natural gas.

The U.K. power market experienced extremely low wholesale prices in 2002. England and Wales together consumed roughly 314 billion kWh of electricity in 2002, up from 308 billion kWh in 2001. The factors behind the increase in demand include cooler temperatures and economic development.

The weak U.S. economy had a negative impact on the electricity market. This was compounded by the continued construction of new generating capacity, which put downward pressure on wholesale prices. Electricity suppliers benefited, though, from an exceptionally warm summer. The hot weather led to record demand in some regions of the U.S.

E.ON Group

€ in millions	2002	2001[1]	+/– %
Sales	37,059	37,273	–1
EBITDA	7,680	6,649	+16
EBIT	4,732	3,695	+28
Internal operating profit	3,890	3,157	+23
Net income	2,777	2,570	+8
ROCE (in %)	9.3	9.6	–0.3[2]
Capital employed (annual average)	51,052	38,402	+33
Cash provided by operating activities	3,690	2,652	+39
Investments	24,182	6,909	+250
Employees at year end	107,856	92,754	+16

[1]Figures adjusted for goodwill amortization and discontinued operations (see reconciliation on page 89).
[2]Difference in percentage points.

The business climate for Germany's chemicals industry remained difficult. The anticipated economic upturn in the second half of 2002 did not materialize. Chemicals production was unchanged from the previous year.

In Germany's real estate sector, 2002 did not bring an increase in the construction of apartment buildings. The construction of new one and two-family houses declined further. The decreasing supply of apartments led to rent increases, particularly in major metropolitan areas.

Acquisition of majority interest in Ruhrgas complete. In November 2001, we submitted to the German Federal Cartel Office for the acquisition of a majority shareholding in Ruhrgas. After the Cartel Office in early 2002 refused to allow the transaction to go through, we applied to the German Ministry of Economics and Technology for ministerial approval for our combination with Ruhrgas. In early July 2002, we received permission from the Economics Ministry to acquire a majority stake in Ruhrgas. The Ministry acknowledged that the combination would enhance Ruhrgas's ability to compete internationally and that it would help safeguard Germany's supply of natural gas. The ministerial approval was linked with stringent requirements designed to promote competition in the gas sector. However, nine competitors filed complaints against the ministerial approval in state Superior Court in Düsseldorf. The court subsequently issued orders to temporarily suspend E.ON's acquisition of a majority interest in Ruhrgas.

In September 2002, the German Economics Ministry confirmed the essential aspects of the ministerial approval granted in July 2002, for E.ON's acquisition of Ruhrgas. However, the Ministry tied its decision to even stricter conditions. The Economics Ministry and E.ON then filed a motion in state Superior Court in Düsseldorf to lift the temporary injunction. In December 2002, the court refused to grant the motion and upheld the temporary injunction.

On January 31, 2003, E.ON reached an out-of-court settlement with the companies that filed law suits in state Superior Court in Düsseldorf against the ministerial approval of the Ruhrgas acquisition. All nine suits were withdrawn, enabling E.ON to complete its acquisition of Ruhrgas and to achieve important growth.

We reached an agreement with two of the opponents, EnBW and Fortum, on a commercial basis. Essentially, these deals involve exchanging shareholdings in and outside Germany. In addition, E.ON will acquire a stake in Concord Power under an agreement with EnBW and Saalfeld Group, the company's current ownership. Concord Power plans to build a new combined cycle gas turbine power station in Lubmin on the Baltic Sea.

The agreements reached with the other opponents involve electricity and gas supply contracts, the disposal of assets and shareholdings, marketing support, and other financial payments. We believe that these costs are justified. The alternative course—to argue the case before Germany's Supreme Court *(Bundesgerichtshof)*—would almost certainly have delayed the resolution of the issue until the end of 2004. Now, we can focus immediately on rapidly developing our core energy business of electricity and gas. This is particularly urgent in the gas business, since our European rivals have become very active in the German market.

Ruhrgas gives us a storng competitive position in the European gas market, ideally complementing our leading position in the European electricity market. To go along with our fully integrated electricity business, we are now a major player along the entire energy value chain in natural gas: from production to wholesaling and from transport to retailing.

After the acquisition of Ruhrgas and the disposal of the shareholdings stipulated under the ministerial approval, we will provide 13 million customers across Europe with natural gas service, making us one of Europe's leading suppliers of this important resource.

Major milestone on road to becoming the world's leading energy services provider. We achieved a major milestone on the road to becoming the world's leading energy services provider when we acquired Powergen, a U.K.-based energy utility. Powergen gives us access to one of Europe's largest electricity markets. At the same time, our acquisition of LG&E Energy as part of the Powergen transaction gives us an excellent platform for further growth in the Midwestern U.S. The E.ON Group now sells over 340 billion kWh of electric power each year.

In April 2002, Powergen shareholders endorsed E.ON's takeover of their company. In June 2002, the U.S. Securities and Exchange Commission approved the acquisition. To meet the legal requirements for the takeover of LG&E Energy, Powergen's U.S.-based subsidiary, E.ON registered under the Public Utility Holding Company Act (PUHCA). As we had known in advance, to register under PUHCA we had to agree to dispose of all of our non-utility activities over the medium term. This is fully in line with our strategy of focusing on our core energy business. There were no unexpected conditions linked to E.ON's registration.

E.ON became the sole owner of Powergen and of LG&E Energy, Powergen's U.S. subsidiary, when it completed its takeover of the U.K.-based utility on July 1, 2002.

Powergen shares traded for the last time on stock exchanges in London and New York on June 28, 2002. Powergen shareholders received 765 pence per share, the price stipulated in our April 2001 cash offer. Excluding acquired debt, E.ON purchased all outstanding Powergen shares for approximately €7.6 billion (net of €0.2 billion cash acquired).

On October 21, 2002, Powergen acquired the U.K. retail operations of TXU Europe. Powergen acquired 5.5 million electricity and gas customers and three coal-fired power stations for €2.1 billion (net of €0.1 billion cash acquired). The deal did not include TXU's U.K. trading operations or power purchase agreements. The acquisition more than doubled Powergen's customer base. Powergen now provides electricity to 6.3 million customer accounts, making it the U.K.'s largest electricity retailer. In natural gas, the company became the second-biggest retailer, serving 2.6 million customer accounts. This enlarged customer base strengthens Powergen's competitive position within the retail sector. Powergen is now well balanced between its generation and mass-market retail operations.

E.ON continues systematic focus on core energy business. Consistent with our strategy, we systematically continued the focus on our core energy business. Funds freed up by divestitures that have already been executed and those planned for the future will be used to further enlarge our core energy operations.

- In January 2002, we sold our aluminum business to Norsk Hydro. VAW aluminium's enterprise value totaled approximately €3.1 billion. We recorded a book gain of roughly €0.9 billion on the sale.
- In early February 2002, BP acquired 51 percent of VEBA Oel by means of a capital increase. On June 30, 2002, we exercised the put option to sell our remaining 49 percent interest in VEBA Oel to BP, recording a book gain of approximately €1.4 billion on the transaction.
- In July 2002, E.ON completed negotiations with Deutsche Bahn (DB) on the sale of its 65.4 percent shareholding in Stinnes. The transaction was completed in early October 2002 in a public tender offer. E.ON received proceeds of about €1.6 billion and recorded a book gain of approximately €600 million.
- In August 2002, AV Packaging, a joint venture company in which E.ON held 49 percent and Allianz Capital Partners 51 percent, concluded an agreement on the sale of Schmalbach-Lubeca. Ball Corporation, a U.S.-based packaging manufacturer, purchased the company for approximately €1.2 billion. In July 2002, Schmalbach-Lubeca sold its PET and White Cap business units to Amcor, an Australian packaging manufacturer, for about €1.8 billion. We recorded a book gain of roughly €560 million on the disposal of our interest in Schmalbach-Lubeca.

Key accounting and valuation policies. Stinnes, VEBA Oel, and certain of Degussa's non-core businesses (Degussa Bank, Gelatin, Persulfate, SKW Piesteritz, Textile Additives, Viatris, and Zentaris) were divested in 2002. In addition, the disposal of Viterra Energy Services was initiated in the fall of 2002. In accordance with U.S. GAAP, the results of these companies and activities are shown separately (net of taxes and minority interests) under "Discontinued operations" in our Consolidated Statements of Income. This applies to MEMC and VAW aluminium for the prior year. The figures for divested activities have been eliminated from all line items of our Consolidated Statements of Income for 2002 and 2001 and are shown under the line item "Discontinued operations."

From E.ON's perspective, the non-core assets divested by Degussa in 2001 (dmc², Phenolchemie, and Dental) did not meet the requirements of the U.S. GAAP standard on discontinued operations in effect until year end 2001 and are included in the year-earlier figures as continuing operations until the date of their sale.

Effective January 1, 2002, E.ON adopted Statement of Financial Accounting Standards (SFAS) 142. Under SFAS 142, goodwill from acquisitions completed subsequent to July 1, 2001, is not periodically amortized and is instead subject to impairment testing. Goodwill relating to acquisitions completed prior to July 1, 2001, is also no longer periodically amortized after January 1, 2002.

In order to improve comparability, we adjusted earnings figures for 2001 to reflect these new standards. This deviates from the procedure used in the Consolidated Financial Statements. Pages 87–89 in this report provide further explanations and a reconciliation to the figures published in the previous year.

Effective with our Interim Financial Statements for the period ended September 30, 2002, results from energy trading activities are recognized net due to the application of a change in accounting standard. In net recognition, sales are offset against cost of sales; this has no effect on income. Figures for both 2002 and 2001 have been adjusted to improve comparability.

The Other/Consolidation segment comprises E.ON AG, the Company's remaining shareholdings, and effects from consolidation. The remaining shareholdings include our telecom activities, Connect Austria and France's Bouygues Telecom. We disposed of the latter in early 2003. In addition, Klöckner & Co is included in the prior-year figures until the date of its disposal. This segment also includes the financing costs of the acquisition of Powergen and Ruhrgas.

Electricity sales higher. At 251 billion kWh, E.ON Energie sold 25 billion kWh or 11 percent more electricity in 2002 compared with the previous year. The increase results primarily from the inclusion of Sydkraft, a Swedish utility, for the entire year in 2002.

E.ON Energie generated 155.7 billion kWh or 59.5 percent (2001: 141.8 billion kWh or 60.3 percent) of its power procurement needs with electricity produced by its own generation fleet. In 2002, E.ON Energie purchased 106.2 billion kWh from outside sources, a roughly 14 percent increase from the 2001 figure of 93.3 billion kWh. The company thus purchased 40.5 percent of its electricity needs from outside sources in 2002 compared with 39.7 percent a year ago. E.ON Energie's total power procurements advanced by 11 percent to 261.9 billion kWh (2001: 235.1 billion kWh).

In the second half of 2002, Powergen sold 35.3 billion kWh of electricity in the U.K. 17.7 billion kWh of the electricity purchased by the company was generated in its own power stations. Powergen purchased 19.2 billion kWh from jointly owned power stations and from outside sources. LG&E Energy sold 24.6 billion kWh of electricity in the second half of 2002. At 22.1 billion kWh, LG&E Energy's proprietary and leased generation output covered most of its demand. Purchases from outside sources amounted to 3.9 billion kWh.

Group sales down from prior year owing to disposals. E.ON Group sales for 2002 declined about 1 percent year-on-year to €37.1 billion, despite the inclusion of Powergen, which became a fully consolidated E.ON division on July 1, 2002. The decline is mainly attributable to the divestment of certain non-core businesses at our Chemicals division and to the sale of Klöckner & Co in 2001.

E.ON Energie posted a substantial increase in sales. A key reason for the advance is that the revenues of Sydkraft and Hein Gas were included for the entire 2002 financial year. In 2001, Sydkraft and Hein Gas contributed only partial-year figures because they became fully consolidated E.ON Energie subsidiaries on May 1 and June 1, 2001, respectively. In addition, a number of companies contributed results for the first time in 2002: Energie-Aktiengesellschaft Mitteldeutschland EAM (from June 1), Elektrizitätswerk Wesertal (from July 1), Elektrizitätswerk Minden-Ravensberg (from August 1), Finland's Espoon Sähkö (from April 1), and Hungary's Édász (from December 1).

Powergen recorded €4.5 billion in sales in the second half of 2002. Of this figure, €3.2 billion of revenues were generated in the U.K., including the sales of the TXU activities acquired in October 2002. LG&E Energy has €1.3 billion in sales in the last six months of 2002.

Degussa reported substantially lower sales owing to the disposal of non-core businesses. On slightly higher unit sales and lower sales prices, Degussa's core divisions generated sales totaling €11 billion, slightly higher than the prior-year figure. Also a factor was the inclusion of the U.K.-based specialty chemicals enterprise Laporte, which in 2001 contributed only partial-year figures because it became a fully consolidated Degussa company on April 1, 2001.

In 2002, Viterra grew sales by €351 million or 40 percent. This primarily reflects the first-time consolidation of WohnBau Rhein-Main (WBRM) from October 1, 2001, and Deutschbau and Frankfurter Siedlungsgesellschaft (FSG) from January 1, 2002.

The E.ON Group generated 44 percent of its sales outside of Germany compared with 51 percent in the prior year.

Internal operating profit substantially higher year-on-year. Group internal operating profit for 2002 climbed by a substantial 23 percent from the previous year's very high figure. The increase is mainly attributable to sharply higher earnings at E.ON Energie, which in addition to operational improvements, reflect the effects of first-time consolidations and lower depreciation expense. Viterra also posted a substantially higher internal operating profit.

E.ON Energie's substantial increase in internal operating profit results mainly from operating improvements in the electricity business in Germany—including our cost-management measures—in the amount of €450 million. In addition, the full consolidations mentioned above raised earnings by €240 million. E.ON Energie had lower depreciation expense compared with the prior year, which had a positive earnings effect of €320 million. Earnings were negatively impacted by one-off charges in the generation business (€310 million), mainly related to the unplanned shutdown of Unterweser nuclear power station and increased provisions for nuclear waste management.

Powergen's internal operating profit totaled €329 million for the last six months of 2002. Of this total, Powergen recorded €155 million in the U.K. The activities acquired from TXU enhanced earnings in the very first two months of their inclusion. LG&E Energy contributed €194 million in earnings. The internal operating profit of the holding company was slightly negative. Although market development was unsatisfactory in the U.K., Powergen made a positive contribution to E.ON Group earnings, even after the financing costs recorded in our Other/Consolidation segment.

The internal operating profit of our Chemicals segment declined 11 percent to €655 million owing to the sale of non-core assets. Degussa's core divisions reported an internal operating profit of €692 million, which approximates the prior-year figure. Degussa's overall positive performance in a difficult economic environment is attributable to substantially lower interest expenses because of the company's markedly reduced debt in the wake of its many disposals.

Goup sales

€ in millions	2002	2001	+/– %
E.ON Energie	19,518	16,227	+20
Powergen	4,476	–	–
Other Activities			
Chemicals	11,765	16,337	–28
Real Estate	1,226	875	+40
Other/Consolidation	74	3,834[1]	–98
Total external sales	**37,059**	**37,273**	**–1**

[1]Includes telecom activities and Klöckner & Co.

Group internal operating profit

€ in millions	2002	2001	+/– %
E.ON Energie	2,855	2,231	+28
Powergen	329	–	–
Other Activities			
Chemicals	655	733	–11
Real Estate	203	156	+30
Other/Consolidation[1]	–152	37	–
Group internal operating profit	**3,890**	**3,157**	**+23**

[1]Includes telecom activities and Klöckner & Co.

Viterra's internal operating profit advanced 30 percent or €47 million year-on-year. A key contributor was Viterra's Residential Real Estate business unit, which sold a total of approximately 9,900 housing units, 45 percent more than in 2001.

The internal operating profit reported under Other/Consolidation was down distinctly from the previous year, owing predominantly to the financing of our acquisition of Powergen and shares in Ruhrgas.

Group net income			
€ in millions	2002	2001	+/– %
Group internal operating profit	**3,890**	**3,157**	**+23**
Net book gains	1,078	929	–
Cost-management and restructuring expenses	–331	–325	–
Other nonoperating income/(loss)	–5,341	–560	–
Income/(loss) from continuing operations before incomes taxes and minority interests	**–704**	**3,201**	**–**
Income taxes	645	–81	–
Minority interests	–637	–561	–
Income/(loss) from continuing operations	**–696**	**2,559**	**–**
Income/(loss) from discontinued operations, net	3,282	37	–
Cumulative effect of changes in accounting principles, net	191	–26	–
Group net income	**2,777**	**2,570**	**+8**

Net book gains result primarily from the sale of Schmalbach-Lubeca and the Company's shares in Steag. Additional book gains were reported at E.ON Energie, principally from the break-up of Rhenag and the disposition of shares in Sydkraft and Watt. Book gains were partially offset by net book losses, primarily on the sale of securities at E.ON Energie and of the Company's shares in Orange.

Restructuring and cost-management expenses increased slightly compared with the prior year and were recorded mainly at our Chemicals segment in connection with its best@chem performance improvement program, at Powergen for power station closures, and at Viterra for the expenses related to the phasing out of its business of developing one and two-family houses.

The substantially higher loss recorded under other nonoperating earnings in the amount of approximately €5.3 billion is mainly attributable to an impairment charge of approximately €2.4 billion on the goodwill stemming from the Powergen acquisition and to valuation adjustments in the amount of roughly €1.9 billion on the Company's approximately 6.7 percent stockholding in HypoVereinsbank. The weak stock market necessitated valuation adjustments in the amount of approximately €500 million on other securities held by E.ON Energie. Furthermore, the market valuation of energy derivatives resulted in unrealized expenses in the amount of approximately €190 million. The main cause of the writedown was the sharp increase in electricity prices on the Nordpool power exchange. This reduced the value of energy derivatives used to hedge the prices of future electricity output. However, the Company's margin is locked in and will be realized when the underlying transactions are completed and the corresponding hedges are unwound. Other nonoperating earnings also include expenses of €140 million from Degussa's antitrust proceeding and tax-related interest expenses of €135 million.

We announced in our Interim Report for the period ended June 30, 2002, that the market environment of three of Powergen's businesses had changed significantly since we had made our takeover offer in April 2001. Wholesale electricity prices in the U.K. generation business fell by approximately 25 percent, in particular owing to the introduction of a new trading system known as the New Electricity Trading Arrangements (NETA). At LG&E Energy, Powergen's U.S. subsidiary, earnings at the non-utility business in the U.S. were also down year-on-year owing to lower electricity prices and higher fuel costs. Non-utility operations account for about one fourth of LG&E Energy's business. LG&E Energy is also active in gas distribution in Argentina, where the ongoing economic crisis has led to a significant devaluation of the peso and negative economic growth. In view of these factors, it was necessary to reduce by an impairment charge the goodwill totaling approximately €8.9 billion recognized in the Powergen acquisition. The one-off impairment charge of roughly €2.4 billion is not cash-effective.

Because of the above-mentioned non-recurring effects, results from continuing operations before income taxes and minority interests amounted to a loss of €704 million, considerably below the prior-year figure.

The E.ON Group shows a tax benefit of €645 million for the 2002 financial year. This is because the current-year tax expense is more than offset by the release of deferred taxes, resulting in particular from valuation adjustments on securities held by the Company (€613 million) and from the revaluation for tax purposes of E.ON Benelux Generation's assets (€201 million).

The increase in minority interests mainly reflects changes in the Company's portfolio of shareholdings and higher earnings at E.ON Energie companies.

Despite the substantial increase in internal operating profit, income from continuing operations declined appreciably reflecting the above-mentioned non-recurring charges.

The major portion (€2.8 billion) of income from discontinued operations totaling €3.3 billion reflects gains on the disposition of these activities. The prior-year figure includes all charges related to the September 2001 disposal of MEMC, a silicon wafer manufacturer.

Group net income for the 2002 financial year reflects the Company's extensive divestments and our record-setting internal operating profit. Net income was negatively impacted by the impairment charge on the goodwill stemming from the Powergen acquisition, the valuation adjustment to the Company's shares in HypoVereinsbank, and additional writedowns on securities. Despite these non-recurring charges, Group net income was higher year-on-year.

Dividend increased to €1.75. E.ON AG prepares its Financial Statements in accordance with German commercial law and the German Stock Corporation Act. E.ON AG's net income for 2002 amounts to €1,665 million. After transferring €523 million to other retained earnings, net income available for distribution totals €1,142 million.

At the Annual Shareholders Meeting on April 30, 2003, management will propose that net income available for distribution be used to pay a cash dividend of €1.75 per share. The higher dividend in particular reflects the gratifying development of operating earnings. This marks the fourth year in a row that we have paid out a higher dividend. By doing so, we increase the dividend yield and the attractiveness of E.ON shares.

Financial Statements of E.ON AG (summary)

€ in millions	Dec. 31, 2002	Dec. 31, 2001
Property, plant, and equipment	194	184
Financial assets	20,061	15,074
Fixed assets	**20,255**	**15,258**
Receivables from affiliated companies	6,908	3,094
Other receivables and assets	3,533	1,433
Liquid funds	4	258
Non-fixed assets	**10,445**	**4,785**
Total assets	**30,700**	**20,043**
Stockholders' equity	10,875	10,309
Special items with provision component	470	611
Provisions	1,830	2,670
Liabilities to affiliated companies	14,683	6,103
Other liabilities	2,842	350
Total stockholders' equity and liabilities	**30,700**	**20,043**

Income Statement of E.ON AG (summary)

€ in millions	2002	2001
Income from equity interests	–1,022	5,149
Interest income (net)	–327	–89
Other expenditures and income (net)	3,450	–1,068
Results from ordinary business activities	**2,101**	**3,992**
Taxes	–436	–1,873
Net income	**1,665**	**2,119**
Net income brought forward	–	14
Net income transferred to retained earnings	–523	–1,033
Net income available for distribution	**1,142**	**1,100**

The complete financial statements of E.ON AG, with the unqualified opinion issued by the auditors, PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Düsseldorf, will be published in the *Bundesanzeiger* and filed in the Commercial Register of the Düsseldorf District Court, HRB 22315. Copies are available on request from E.ON AG and at www.eon.com.

E.ON Group investments			
€ in millions	2002	2001	+/– %
E.ON Energie	6,140	4,027	+52
Powergen	3,094	–	–
Other Activities			
Chemicals	1,114	2,042	–45
Real Estate	386	127	+204
Other/Consolidation	13,448	713[1]	–
Total	**24,182**	**6,909**	**+250**

[1]Includes telecom activities and Klöckner & Co.

Statements of Cash Flows (summary)		
€ in millions	2002	2001
Cash provided by operating activities	3,690	2,652
Cash provided by (used for) investing activities	–10,514	11,811
Cash provided by (used for) financing activities	4,445	–11,625
Net increase (decrease) in cash and cash equivalents maturing	**–2,379**	**2,838**
Liquid funds as shown on the balance sheet	**8,385**	**12,144**

Investments markedly higher owing to extensive acquisitions. At €24.2 billion, total investments for 2002 climbed 250 percent from our capital spending in the previous year. The E.ON Group invested €3,247 million in property, plant, and equipment in 2002 compared with €2,833 million in the prior year. The Company invested €20,935 million in financial assets against €4,076 million a year ago. This figure includes €980 million for investments in companies valued at equity.

E.ON Energie's capital expenditures rose substantially to €6.1 billion from €4 billion in 2001. In the year under review, E.ON Energie increased its investments in property, plant, and equipment by about 45 percent to €1.6 billion, of which the greater part was invested in the company's electric generation and distribution operations. Investments in financial assets were €4.5 billion in 2002, consisting principally of the acquisition of additional shares in Thüga.

Powergen's capital expenditure totaled €3.1 billion in the second half of 2002, of which €548 million was invested in property, plant, and equipment, and €2,546 million in financial assets. Investments in fixed assets mainly went toward expanding the company's generating capacity and environmental protection measures in the U.S. The largest single financial investment was the acquisition of TXU Europe's U.K. retail business.

Degussa's investments declined by 45 percent. The high prior-year figure reflects the acquisition of Laporte, a U.K.-based specialty chemicals enterprise. Germany was the main target region for Degussa's investments. In addition to capital spending to maintain Degussa's existing production facilities in Germany, there were major capital spending projects in Marl and Trostberg.

At €386 million, Viterra's capital expenditures were substantially higher than the prior-year figure of €127 million. The biggest single investment was the purchase of an 86.3 percent interest in FSG as of January 1, 2002.

Investments reported under Other/Consolidation mainly reflect the payments for the acquisition of Powergen and for an indirectly held 38.5 percent stake in Ruhrgas that the Company acquired in 2002 from ThyssenKrupp, Vodafone, and BP.

Operating cash flow substantially higher. In the 2002 financial year, our cash provided by operating activities amounted to €3.7 billion compared with €2.7 billion in 2001. The reasons for the substantial increase over the prior-year figure include the implementation of our cost-cutting measures, the modest recovery of electricity prices in Germany, improvements in our working capital management, and changes in the scope of consolidation.

The Group's investing activities resulted in a net cash outflow of €11 billion. We used €24 billion for investing activities. This was offset by proceeds received from fixed-asset disposals, securities, and cash investments in current assets in the amount of €13 billion. In particular, cash outflows went toward the acquisition of Powergen and shares in Ruhrgas as well as the purchase of TXU Europe's U.K. retail business. The proceeds resulted primarily from the disposition of activities reported under discontinued operations.

As of December 31, 2002, the E.ON Group's net financial position was –€13,979 against –€613 million at year end 2001. The increase in net financial liabilities results mainly from the acquisition of Powergen and shares in Ruhrgas as well as the purchase of TXU Europe's U.K. retail business, including these companies' respective net financial liabilities. In addition, capital market trends led to a reduction in the market value of securities.

Cash provided by operating activities, the proceeds from the disposal of E.ON's interests in VEBA Oel, VAW aluminium, and Stinnes, and the removal of their net financial liabilities from E.ON's balance sheet were not enough to offset the reduction in the Company's net financial position.

E.ON Group net financial position

€ in millions	Dec. 31, 2002	Dec. 31, 2001
Bank deposits	1,317	4,080
Securities and other liquid funds	7,068	8,064
Total liquid funds	**8,385**	**12,144**
Financial liabilities to banks/loans	–19,554	–11,800
Financial liabilities to third parties	–2,810	–957
Total financial liabilities	**–22,364**	**–12,757**
Net financial position	**–13,979**	**–613**

Financial policy, financial strength, and financial flexibility. In managing its financial position, E.ON pursues a policy that gives it substantial financial flexibility and instant access to short and long-term financial resources.

At year end 2002, E.ON had at its disposal short-term credit lines through individual banks (€0.5 billion), a syndicated credit facility (€10 billion in short-term, €5 billion in long-term), the Commercial Paper program (€5 billion), and the Medium Term Note program (€20 billion). As of the balance-sheet date, the Company had utilized €0.4 billion of the short-term credit lines, €1.6 billion of Commercial Paper, and €7.5 billion of the Medium Term Note Program.

E.ON continues to have one of the best ratings among the world's investor-owned utilities. Standard & Poor's (S&P) and Moody's have rated E.ON regularly since early 1995. As of December 31, 2002, Moody's and S&P gave E.ON's long-term bonds ratings of Aa2 and AA–, respectively. E.ON's short-term bonds received ratings of P-1 and A-1+. On January 10, 2003, Moody's lowered the rating for E.ON's long-term bonds from Aa2 to A1. On January 31, 2003, following the lifting of the temporary injunction against the completion of the Ruhrgas acquisition, S&P confirmed its previous ratings.

Foreign exchange, interest rate, commodity price risk management. The E.ON Group's business operations and related financial activities expose it to exchange rate, interest rate, and commodity price fluctuations. In order to limit the Group's exposure to these risks, E.ON pursues systematic and Group-wide financial and risk management. To this end, E.ON also uses derivative financial instruments. These instruments are established and commonly used and are transacted with financial institutions, brokers, power exchanges, and third parties whose credit standing is monitored on an ongoing basis.

As of December 31, 2002, the face value of foreign exchange hedging transactions was €13,406 million. The face value of interest rate hedging transactions was €16,836 million. The market values of foreign exchange hedging transactions totaled €97.3 million. The market value of interest rate hedging transactions was €130.9 million. The increase in financial derivative activity is in particular attributable to E.ON's consolidation of Powergen and to hedging of foreign net assets.

To limit exposure to risks from changes in commodity and product prices, we also use derivative financial instruments. In addition, our energy divisions used electricity, gas, coal, and oil price hedging transactions to limit their exposure to risks resulting from price volatility, to optimize the deployment of generating assets, balance loads, and increase margins. Our energy divisions also engage in commodity trading in accordance with detailed trading guidelines, strategies, specified markets, and preset limits. The face value of energy derivatives amounted to €20,502 million as of December 31, 2002. The market value of all commodity hedging transactions amounted to a loss of €481 million.

Consolidated assets, stockholders' equity, and liabilities				
€ in billions	Dec. 31, 2002	%	Dec. 31, 2001	%
Long-term assets	85.6	76	64.7	64
Short-term assets	27.5	24	37.0	36
Assets	**113.1**	**100**	**101.7**	**100**
Stockholders' equity	25.7	23	24.5	24
Minority interests	6.5	6	6.4	6
Long-term liabilities	58.1	51	44.6	44
Short-term liabilities	22.8	20	26.2	26
Total stockholders' equity and liabilities	**113.1**	**100**	**101.7**	**100**

Asset and capital structure. The acquisition of Powergen and shares in Ruhrgas led to a €20.9 billion increase in long-term assets in 2002. Short-term assets declined by €9.5 billion. As a result, total assets increased by €11.4 billion to €113.1 billion. The Company's equity ratio for 2002 decreased slightly to 22.7 percent compared with 24.1 percent in the previous year.

Long-term liabilities rose €13.5 billion to €58.1 billion.

The following key figures underscore the E.ON Group's solid asset and capital structure through the end of 2002:

- Long-term assets are covered by stockholders' equity at 30 percent (2001: 37.9 percent).
- Long-term assets are covered by long-term capital at 105.5 percent (2001: 116.7 percent).

Staff count at continuing operations higher due to acquisitions. The E.ON Group's continuing operations employed 107,856 people at the end of 2002—a year-on-year increase of around 15,000 employees or 16 percent. Of this total, about 66,000 were working at E.ON companies in Germany and around 42,000 at E.ON companies outside of Germany. The increased head count primarily reflects the first-time consolidation of Powergen. At year end 2001, there were 74,201 employees accounted for under the Company's discontinued operations. These include VAW aluminium, VEBA Oel, Stinnes, and certain non-core activities of Degussa (which were divested in 2002) as well as Viterra Energy Services (which is earmarked for divestment).

E.ON Energie's staff count rose by approximately 5,800 employees. The increase is mainly the result of first-time consolidation of EAM, Elektrizitätswerk Minden-Ravensberg, Elektrizitätswerk Wesertal, and Grohnde nuclear power station in Germany (which added a total of some 3,500 employees) as well as Espoon Sähkö in Finland and Édász in Hungary (which added a total of approximately 2,250 employees).

The consolidation of Deutschbau and FSG led to a substantial increase in the number of employees at Viterra. Overall, Viterra's workforce increased by 600 employees.

At the beginning of 2002, the Company began accounting for Connect Austria, its Austrian telecom interest, at equity. This reduced the number of staff counted under Other/Consolidation by 1,600. In addition, Degussa's workforce declined by approximately 1,300 compared with year end 2001, resulting partially from the rapid implementation of restructuring measures.

Research and development. The E.ON Group's expenditures for research and development (R&D) totaled €380 million in 2002 against €510 million in the prior year.

Technical processes are fundamental to E.ON Energie's business. Enhancing efficiency along the entire energy value chain—from primary energy sources to efficient energy use in customers' homes and businesses—is a key component of the company's competitiveness. In the area of electric generation, E.ON Energie's R&D efforts encompass innovative technologies that enhance the efficiency of large power stations as well as distributed generation technologies with a significantly lower output capacity.

Through its involvement in the development of pressurized coal-dust firing or in research projects on high temperature superconductors, E.ON Energie is pursuing the goal of boosting the efficiency while at the same time further reducing fuel consumption and CO_2 emissions of its future conventional generation assets.

Another area of E.ON Energie's R&D is low-output electric generating units. Here, the company focuses on fuel cell technology. In a large-scale field test, E.ON Energie is evaluating the in-home performance and reliability of fuel cells.

Powergen's engineering expertise is combined in a technology center, whose R&D activities and innovative products and services help the company's subsidiaries in the U.K. and the U.S. to achieve their strategic objectives.

Degussa's R&D expenditures totaled €362 million in 2002. Degussa is currently working on four major projects: polymer products that use the lotus effect to achieve self-cleaning surfaces, environmentally friendly antimicrobial polymers, SAM polymers, and flexible ceramic membranes that can be used in electrical filtration.

Environmental protection investments at high level.

We invested a total of more than €500 million in environmental protection in 2002.

One of E.ON Energie's environmental stewardship goals is to further reduce both its consumption of primary resources and its emission of pollutants. To achieve this objective, the company implements measures and deploys technologies that optimize environmental protection and also make economic sense.

Powergen increased its activities in the U.K. in the area of renewable energy sources, primarily wind power and clean fuels such as biomass.

In order to comply with a 2004 deadline to control emissions of nitrogen oxides from its generating fleet to a level of 0.15 pounds per million Btu, LG&E Energy is currently installing selective catalytic reduction (SCR) systems on nine of its base load, coal-fired electric generating units in Kentucky.

Major events after the close of the financial year.

- In January 2003, E.ON agreed to sell its nearly 16 percent shareholding in Bouygues Telecom, France's third-largest wireless communications company. The Bouygues Group will purchase the shares in two tranches for a total of just under €1.1 billion, including approximately €140 million in shareholder loans. In the first step, Bouygues will acquire from E.ON a 5.8 percent stake in Bouygues Telecom for a total of slightly less than €400 million. In the second step, Bouygues has a call option to purchase the remaining 10.1 percent shareholding between April 2003 and October 2005. If Bouygues does not exercise its option, E.ON has a put option to sell the 10.1 percent stake to Bouygues between October 2005 and February 2007. Both options have an exercise price of approximately €670 million. From the date on which the first step is completed, E.ON will also receive interest at market rates on the exercise price of the second step. E.ON will post a net book gain of about €800 million on the transaction. Of this total, the Company will realize approximately €300 million in 2003 as part of the first step of the transaction.
- On January 31, 2003, E.ON reached an out-of-court settlement with the nine companies that had filed law suits in state Superior Court in Düsseldorf against the ministerial approval of the Ruhrgas acquisition. All nine suits were withdrawn. E.ON completed its acquisition of RAG's Bergemann shares on the same day. By mid-February 2003, the Company had acquired approximately 60 percent of the shares in Ruhrgas. Under the terms of the ministerial approval, E.ON Energie is required to dispose of its 5.3 percent stake in VNG, its 27.4 percent stake in EWE, its 22 percent stake in Stadtwerke Bremen, its 80.5 percent stake in Gelsenwasser, and its 22 percent stake in Bayerngas. In addition, Ruhrgas is required to dispose of its 36.8 percent stake in VNG, its 11.3 percent stake in Stadtwerke Bremen, and its 22 percent stake in Bayerngas.

  E.ON reached an agreement with Fortum and EnBW to exchange shareholdings in and outside of Germany. E.ON will also acquire an interest in Concord Power.

  E.ON reached individual agreements with Stawag, Stadtwerke Rosenheim, Trianel, Ampere, GGEW, and Ares. These agreements involve electricity and gas supply contracts, the disposal of assets and shareholdings, marketing support, and other financial payments. The agreements are currently being reviewed by Germany's antitrust regulator.
- In June 2002, RAG tendered a cash offer of €38 per Degussa share to all Degussa shareholders. A preponderance of Degussa's minority shareholders accepted the offer, as did E.ON for 18.08 percent of its Degussa stake. The offer was contingent on E.ON's acquisition of RAG's Ruhrgas shares by January 31, 2003. All conditions of the deal were met on time, and the takeover offer took effect on January 31, 2003. RAG now owns 46.48 percent of Degussa's stock. E.ON currently also owns 46.48 percent of the shares in Degussa. The remaining 7.04 percent is widely held. In a second step to the transaction, RAG will acquire additional Degussa shares from E.ON on May 31, 2004, in order to increase its stake to 50.1 percent.

Risk management system and existing risks. In the normal course of business, we are subject to a number of risks that are inseparably linked to the operation of our businesses. To manage these risks, we use an integrated system embedded in our business procedures. Key components of the system include our standardized, Group-wide planning and controlling processes, Group-wide guidelines and reporting systems, and a Group-wide risk reporting system. As required by applicable statutes, the reliability of our risk management system is checked regularly by the internal audit and controlling departments of our divisions and of E.ON AG as well as by our independent auditors.

In line with the uniform guidelines that apply to all Group companies, the documentation and evaluation of our system is regularly updated in the following steps:

1. Standardized identification and documentation of risks and control systems.
2. Evaluation of risks according to the degree of severity and the probability of occurrence, and assessment of the effectiveness of existing control systems.
3. Analysis of the results and structured disclosure in a detailed risk report.

The following important risk categories are found within the E.ON Group and are thus also significant for E.ON AG.

- Operational risks: Our Energy and Chemicals divisions in particular operate technologically complex production facilities. Operational failures or extended production downtimes could negatively impact our earnings. The following are among the significant measures we employ to address these risks:
  - Detailed operational and procedural guidelines
  - Employee training programs
  - Further refinement of our production procedures and technologies
  - Regular facility maintenance
  - Appropriate insurance coverage.
- Financial risks: During the normal course of business, E.ON is exposed to interest rate, currency, commodity price, and counterparty risks. The instruments used to hedge these risks are described in detail in the Notes to the Consolidated Financial Statements. Furthermore, there are potential currency fluctuation risks from short-term securities, but these are controlled and monitored by appropriate fund management.
- External risks: During the normal course of business, E.ON's subsidiaries are susceptible to market risks that are increased by ongoing globalization and keener competition. The liberalization of the European energy market exposes our energy operations in particular to price and sales volume risks. Our ongoing cost-management restructuring measures, active portfolio management, and sales monitoring systems help minimize these risks. We also counter market price fluctuations in our energy operations by trading electricity. This sometimes involves utilizing derivative financial instruments. Electricity trading and derivative financial instruments are subject to the stringent requirements of our internal trading guidelines.

The political and legal environment in which the E.ON Group does business is a source of additional risks. Due to the provision it contains requiring distribution and retail operations to be legally and managerially separate, the EU Energy Council's recently issued directive on the full opening of the EU electricity and gas market could negatively affect the Company's business. It is, however, too early to quantify the impact. Existing laws and future legislative initiatives that serve to increase electricity prices could result in pass-through risks. Our goal is to play an active role in shaping our business environment. We pursue this goal by engaging in a systematic, constructive, and objective dialog with leaders from the legal profession and politics.

Outlook. At the start of 2003, the world economy is sluggish, the German economy is in need of structural reforms, and there is a growing possibility of an escalation of the Iraq crisis. All of these factors tend to delay economic recovery. It is likely that the weak global economy will only begin to show signs of recovery when the Iraq crisis is over and investors and consumers regain their confidence.

It is particularly difficult to issue forecasts in the current uncertain market environment. Nevertheless, we are entering the 2003 financial year with a clear strategy and as an even stronger company. Our acquisition of Ruhrgas is a key factor, since E.ON is now a fully integrated electricity and gas supplier. Our planned investments reflect this confidence.

Our planned investments for 2003 amount to approximately €10 billion, of which €4 billion will go toward the full acquisition of Ruhrgas. Investments in the amount of €3.2 billion are to be made at E.ON Energie. Powergen's planned capital expenditure is €1 billion. Ruhrgas plans to invest €1.3 billion. Viterra has investment plans amounting to €0.5 billion. More than two thirds of investments will be targeted at Germany.

In our core energy business, we intend to surpass the record results we posted in 2002.

On the back of further operational improvements, we anticipate that E.ON Energie's 2003 internal operating profit will at least be on the level of the 2002 figure, although new accounting standards applicable in 2003 will result in larger-than-average additions to provisions for nuclear waste management.

At Powergen, the further earnings decline from generation in the U.K. is expected to be more than compensated by improved earnings in the retail business. In particular, the successful integration of the recently acquired TXU retail business will contribute to this. In the regulated business of LG&E we anticipate a stable development of earnings. The unregulated business is still exposed to the weak economic environment in Argentina. From today's point of view, we expect a positive earnings contribution after financing costs for the whole Powergen Group.

We are unable at this time to issue a reliable earnings forecast for Ruhrgas, whose entire accounting and reporting system must be converted to U.S. GAAP. The purchase price allocation (PPA), the process by which the value of an acquired entity's assets and liabilities is established, is not yet completed. Earnings effects resulting from the PPA cannot be quantified at this time.

We anticipate that Viterra will increase internal operating profit in 2003. The portfolio measures initiated as part of the company's strategic focus are expected to make key contributions to operating earnings. However, Viterra's earnings performance will depend to a great degree on the German government's budget-cutting plans, in particular on the planned reduction to the subsidy for first-time home buyers.

We also expect Degussa to report earnings growth in 2003, in particular owing to best@chem, the company's comprehensive performance improvement program. The positive development that we anticipate will not, however, be reflected in our Consolidated Financial Statements. Whereas in 2002 Degussa was a fully consolidated E.ON division, in 2003 Degussa's earnings will be accounted for at equity in line with E.ON's 46.5 percent shareholding in the company.

This consolidation effect will substantially reduce the earnings stream from our chemicals activities in 2003. This means that despite operating improvements in all segments, E.ON Group internal operating profit for 2003 will likely not quite reach the level of our 2002 results.

Group net income for 2003 is expected to be higher. We expect substantial proceeds from disposals, in particular from divestments already initiated and the fulfillment of requirements imposed in conjunction with our acquisition of Ruhrgas. From today's perspective, we do not anticipate extraordinary charges of a magnitude similar to those reported in 2002, provided that the tax landscape does not change. Despite the difficult business environment overall, we are confident that we will further augment the Group's earnings power in 2003.

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Segment information by division

The reportable segments are presented in line with the Company's internal organizational and reporting structure based on products and services. The reportable segments are Energy, Chemicals, and Real Estate. The Company's core energy business consists of two segments, E.ON Energie and Powergen. The Other/Consolidation segment comprises the Company's remaining shareholdings, E.ON AG, and effects from consolidation.

€ in millions	Reported in 2001	Adjustments: Discontinued operations	Adjustments: SFAS 142	Adjusted figures for 2001	2002
E.ON Energie	1,971	–	260	2,231	2,855
Powergen	–	–	–	–	329
Chemicals	541	–34	226	733	655
Oil	432	–432	–	–	–
Real Estate	245	–91	2	156	203
Other/Consolidation[1]	364	–314	–13	37	–152
Internal operating profit	**3,553**	**–871**	**475**	**3,157**	**3,890**
Interest income (net)	–67	69	42	44	–4,594
Foreign E&P taxes	412	–412	–	–	–
Income/(loss) from continuing operations before income taxes and minority interests	**3,898**	**–1,214**	**517**	**3,201**	**–704**
Net income	**2,048**	**–**	**522**	**2,570**	**2,777**

[1]Includes the figures for the Telecommunications and Distribution/Logistics segments, which were reported separately in 2001.

The consistent execution of E.ON's Focus & Growth strategy has brought about changes in the Group's segment structure.

E.ON completed its takeover of Powergen—including LG&E Energy, Powergen's U.S. affiliate—on July 1, 2002. Effective this date, the Powergen Group is a fully consolidated division of E.ON.

The Company's telecommunications activities comprise Connect Austria and Bouygues Telecom, both wireless communications companies. In early 2003, E.ON reached an agreement to dispose of its interest in Bouygues Telecom. Furthermore, E.ON has accounted for Connect Austria at equity since January 1, 2002. For these reasons, the Company considers its telecommunication activities to be of minor significance and reports them under Other/Consolidation.

The Distribution/Logistics segment ceased to exist in September 2002 with the sale of Stinnes. Klöckner & Co, which was also reported in this segment, was sold in October 2001 and is therefore included in the Other/Consolidation segment until the date of its disposal.

E.ON adopted SFAS 144. Under SFAS 144, an operating segment or a substantial component of an entity that has either been disposed of or intended for sale must be reported as a discontinued operation if certain criteria are met. These criteria were met by the following segments and components: VEBA Oel; Stinnes; VAW aluminium; MEMC; Gelatin, SKW Piesteritz, Persulfates, Textile Additives, Degussa Bank, and Zentaris at our Chemicals segment; and Real Estate's Energy Services business unit.

Consolidated sales, earnings, and investment figures for 2002 and 2001 have been adjusted for the affects of discontinued operations.

Furthermore, E.ON adopted SFAS 142 effective January 1, 2002. Under SFAS 142, goodwill and indefinite lived intangible assets are no longer periodically amortized. To enhance comparability, the earnings figures for 2001 were adjusted according to the new accounting standard.

Segment information by division

€ in millions	E.ON Energie 2002	E.ON Energie 2001[1]	Powergen 2002	Powergen 2001
External sales	19,481	16,178	4,476	–
Intersegment sales	37	49	–	–
Total sales	**19,518**	**16,227**	**4,476**	**–**
EBITDA	**4,779**	**4,028**	**766**	**–**
Depreciation/amortization and writedowns	–1,632	–1,729	–307	–
EBIT	**3,147**	**2,299**	**459**	**–**
Interest income	–292	–68	–130	–
Internal operating profit	**2,855**	**2,231**	**329**	**–**
Thereof earnings from companies accounted for at equity	461	529	44	–
				–
Investments	**6,140**	**4,027**	**3,094**	**–**
Companies accounted for at equity	880	755	–	–
Other financial assets	3,641	2,209	2,546	–
Other fixed assets	1,619	1,063	548	–
Total assets[2]	**59,744**	**54,903**	**22,383**	**–**

[1]Adjusted for effects from the application of SFAS 142. See the table on page 87.
[2]For 2001, E.ON's total assets include the assets of our former Oil, Distribution/Logistics, Telecommunications, and VAW aluminium segments; these assets are shown under Other/Consolidation. In our Chemicals and Real Estate segments, the assets figure for 2001 includes the assets of discontinued operations in 2002.

Internal operating profit is the key figure at E.ON in terms of management control, and serves as an indicator of a business's long-term earnings power. Internal operating profit is an adjusted figure derived from income/(loss) from continuing operations before income taxes and minority interests. The adjustments include book gains and book losses from disposals, restructuring expenses, and other nonoperating earnings of an extraordinary nature.

E.ON also uses EBIT and EBITDA as segment performance indicators. This range of key figures makes it possible to analyze each operating segment's overall business performance according to its operating, investment, and financial drivers.

Because of these adjustments, the segment key figures shown here may differ from the corresponding U.S. GAAP figures reported in the Consolidated Statements of Income.

Below is the reconciliation of internal operating profit to the income/(loss) from continuing operations before income taxes and minority interests shown in the Consolidated Statements of Income.

Income/(loss) from continuing operations before income taxes and minority interests

€ in millions	2002	2001[1]
Internal operating profit	**3,890**	**3,157**
Net book gains	+ 1,078	+ 929
Restructuring expenses	– 331	– 325
Other nonoperating earnings	– 5,341	– 560
Income/(loss) from continuing operations before income taxes and minority interests	**– 704**	**3,201**

[1]Adjusted for discontinued operations and effects from the application of SFAS 142. See the table on page 87.

Net book gains result primarily from the sale of Schmalbach-Lubeca (€558 million) and the Company's shares in Steag (€173 million). Additional book gains in the amount of approximately €440 million were reported at E.ON Energie, principally from the breakup of Rhenag and the disposition of shares in Sydkraft and Watt, a Swiss energy utility.

Book gains were partially offset by net book losses, primarily on the sale of securities at E.ON Energie (–€182 million) and of the Company's shares in Orange (–€103 million).

Restructuring and cost-management expenses in 2002 were recorded mainly in our Chemicals segment in connection with its best@chem performance improvement program (–€189 million) and for power station closures at Powergen (–€58 million). The expenses related to the phasing out of Viterra's business of developing one and two-family houses reduced earnings by €63 million.

The substantially higher loss recorded under other nonoperating earnings is mainly attributable to an impairment charge of approximately €2.4 billion on the goodwill stemming from the Powergen acquisition.

The weak stock market made it necessary to make additional writedowns. A valuation adjustment in the

Chemicals 2002	Chemicals 2001[1]	Real Estate 2002	Real Estate 2001[1]	Other/Consolidation 2002	Other/Consolidation 2001[1]	E.ON Group 2002	E.ON Group 2001[1]
11,745	16,269	1,216	852	141	3,974	37,059	37,273
20	68	10	23	–67	–140	–	–
11,765	**16,337**	**1,226**	**875**	**74**	**3,834**	**37,059**	**37,273**
1,747	**2,001**	**562**	**371**	**–174**	**249**	**7,680**	**6,649**
–811	–908	–175	–114	–23	–203	–2,948	–2,954
936	**1,093**	**387**	**257**	**–197**	**46**	**4,732**	**3,695**
–281	–360	–184	–101	45	–9	–842	–538
655	**733**	**203**	**156**	**–152**	**37**	**3,890**	**3,157**
38	38	2	10	58	302	603	879
1,114	**2,042**	**386**	**127**	**13,448**	**713**	**24,182**	**6,909**
6	2	–	–	94	–	980	757
107	691	276	38	13,385	381	19,955	3,319
1,001	1,349	110	89	–31	332	3,247	2,833
15,185	**18,127**	**6,814**	**4,716**	**8,939**	**23,913**	**113,065**	**101,659**

amount of €624 million was made on the Company's HypoVereinsbank shares. This writedown is in addition to the valuation adjustment of roughly €1.2 billion already recognized at June 30, 2002. Market developments necessitated valuation adjustments in the amount of €500 million on other securities held by the Company.

Furthermore, the market valuation of energy derivatives resulted in unrealized expenses in the amount of €188 million. The main cause of the writedown was the sharp increase in electricity prices on the Nordpool power exchange. This reduced the value of energy derivatives used to hedge the prices of future electricity output. However, the Company's margin is locked in and will be realized when the underlying transactions and the corresponding hedges are realized.

Other nonoperating earnings also include expenses of €140 million from Degussa's antitrust proceeding and tax-related interest expenses of €135 million.

For purposes of internal analysis, interest income is adjusted using economic criteria. In particular, the interest portion of additions to provisions for pensions resulting from personnel expenses is allocated to interest income. The interest portions of the allocations of other long-term provisions are treated analogously to the degree that, in accordance with U.S. GAAP, they are reported on different lines of the Consolidated Statements of Income.

In 2002, interest income (net) primarily reflects tax-related interest expenses.

€ in millions		2002		2001[1]
Interest income shown in Consolidated Statements of Income		**–396**		**–74**
Interest income (net)[2]	+	184	–	16
Interest income of long-term provisions	–	630	–	448
Interest income (net) charged against internal operating profit		**–842**		**–538**

[1]Adjusted for discontinued operations.
[2]This figure is calculated by adding in interest expenses and subtracting interest income.

Independent Auditor's Report

We have audited the accompanying Consolidated Balance Sheets of E.ON AG, Düsseldorf, and subsidiaries as of December 31, 2002 and 2001, and the related Consolidated Statements of Income, Statements of Changes in Equity and Cash Flows as well as notes for the years then ended. These Consolidated Financial Statements prepared in accordance with United States Generally Accepted Accounting Principles are the responsibility of Company's Board of Managing Directors. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with German auditing regulations for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) as well as in accordance with United States Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit the Consolidated Financial Statements referred to above present fairly, in all material respect, the net assets and financial position of the group as of December 31, 2002 and 2001, and of its results of operations and its cash flows for the years then ended in conformity with United States Generally Accepted Accounting Principles.

Our audit, which according to German auditing regulations also extends to the group management report prepared by the Board of Managing Directors which has been combined with the management report of E.ON AG as a legal entity for the business year from January 1 to December 31, 2002, has not led to any reservations. In our opinion, on the whole the combined management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the Consolidated Financial Statements and the combined management report for the business year from January 1 to December 31, 2002, satisfy the conditions required for the Company's exemption from its duty to prepare Consolidated Financial Statements and the group management report in accordance with German accounting law.

As discussed in Note 12 a) to the Consolidated Financial Statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

Düsseldorf, February 19, 2003

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Brebeck	Wiegand
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

E.ON AG and Subsidiaries Consolidated Statements of Income

€ in millions	Note	2002	2001
Sales	(31)	**37,059**	**37,273**
Electricity tax		–933	–694
Sales, net of electricity tax		36,126	36,579
Cost of goods sold and services provided	(5)	–26,769	–29,351
Gross profit on sales		**9,357**	**7,228**
Selling expenses		–4,925	–3,993
General and administrative expenses		–1,666	–1,827
Other operating income	(6)	4,433	3,458
Other operating expenses	(6)	–4,225	–2,919
Financial earnings	(7)	–1,287	737
Goodwill impairment	(12a)	–2,391	–
Income/(loss) from continuing operations before income taxes and minority interests		**–704**	**2,684**
Income taxes	(8)	645	–69
Minority interests	(9)	–637	–460
Income/(loss) from continuing operations		**–696**	**2,155**
Income/(loss) from discontinued operations, net	(4)	3,282	–81
Cumulative effect of changes in accounting principles, net		191	–26
Net income		**2,777**	**2,048**
Earnings per share in €	(11)		
from continuing operations		–1.06	3.19
from discontinued operations		5.03	–0.12
from cumulative effect of changes in accounting principles, net		0.29	–0.04
from net income		**4.26**	**3.03**
Basic earnings per share in €		**4.26**	**3.03**
Diluted earnings per share in €		**4.26**	**3.03**

E.ON AG and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	December 31, 2002	2001
Assets			
Intangible assets	(12a)	19,040	10,458
Property, plant and equipment	(12b)	41,989	34,286
Financial assets	(12c)	16,971	15,297
Fixed assets		**78,000**	**60,041**
Inventories	(13)	3,840	4,997
Financial receivables and other financial assets	(14)	1,847	1,444
Operating receivables and other operating assets	(14)	17,009	17,325
Assets of disposal groups	(4)	508	3,091
Liquid funds	(15)	8,385	12,144
Non-fixed assets		**31,589**	**39,001**
Deferred taxes	(8)	3,042	2,244
Prepaid expenses	(16)	434	373
Total assets (thereof short-term 2002: 27,429; 2001: 36,996)		**113,065**	**101,659**

E.ON AG and Subsidiaries Consolidated Balance Sheets

€ in millions	Note	December 31, 2002	2001
Stockholders' equity and liabilities			
Capital stock	(17)	1,799	1,799
Additional paid-in capital	(18)	11,402	11,402
Retained earnings	(19)	13,472	11,795
Accumulated other comprehensive income	(20)	−761	−260
Treasury stock	(21)	−259	−274
Stockholders' equity		**25,653**	**24,462**
Minority interests	(22)	**6,511**	**6,362**
Provisions for pensions	(23)	9,163	8,748
Other provisions	(24)	25,146	24,053
Accrued liabilities		**34,309**	**32,801**
Financial liabilities	(25)	24,850	16,089
Operating liabilities	(25)	14,186	14,024
Liabilities		**39,036**	**30,113**
Liabilities of disposal groups	(4)	339	2,613
Deferred taxes	(8)	6,162	4,492
Deferred income	(16)	1,055	816
Total liabilities *(thereof short-term 2002: 22,838; 2001: 26,207)*		***87,412***	***77,197***
Total stockholders' equity and liabilities		**113,065**	**101,659**

E.ON AG and Subsidiaries Consolidated Statements of Cash Flow		
€ in millions	2002	2001
Net income	2,777	2,048
Income applicable to minority interests	637	460
Adjustments to reconcile net income to net cash provided by operating activities		
Income from discontinued operations	–3,282	81
Depreciation, amortization, impairment	6,806	3,511
Changes in provisions	–1,267	454
Changes in deferred taxes	–1,519	–425
Other non-cash income and expenses	278	–637
(Gain)/loss on disposal of		
equity investments	14	–1,229
other financial assets	–662	9
intangible and fixed assets	–367	–291
Changes in non-fixed assets and other operating liabilities		
Inventories	255	121
Trade receivables	–688	–94
Other operating receivables	–852	–340
Trade payables	553	–119
Other operating liabilities	1,007	–897
Cash provided by operating activities	**3,690**	**2,652**
Payments from disposals of		
equity investments	8,358	14,103
other financial assets	1,815	4,841
intangible and fixed assets	779	925
Purchase of		
equity investments	–20,316	–3,298
other financial assets	–619	–778
intangible and fixed assets	–3,247	–2,833
Changes in securities (other than trading) (> 3 months)	1,345	–631
Changes in other liquid funds	1,371	–518
Cash provided by (used for) investing activities	**–10,514**	**11,811**
Payments received/made from changes in capital including minority interests	–26	254
Payments for treasury stock, net	15	–3,539
Payment of cash dividends to		
stockholders of E.ON AG	–1,100	–954
minority stockholders	–423	–253
Payments for financial liabilities	12,432	7,145
Repayments of financial liabilities	–6,453	–14,278
Cash provided by (used for) financing activities	**4,445**	**–11,625**
Net increase (decrease) in cash and cash equivalents maturing (< 3 months)	**–2,379**	**2,838**
Effect of foreign exchange rates on cash and cash equivalents (< 3 months)	–233	66
Liquid funds at the beginning of the period (< 3 months)	4,239	1,617
Liquid funds from discontinued operations at the beginning of the period (< 3 months)	–285	–567
Liquid funds from continuing operations at end of the period (< 3 months)	**1,342**	**3,954**
Securities available for sale from continuing operations at the end of the period (> 3 months)	7,043	7,799
Securities available for sale from discontinued operations at the end of the period (> 3 months)	–	106
Liquid funds from discontinued operations at the end of the period (< 3 months)	–	285
Liquid funds as shown on the balance sheet	**8,385**	**12,144**

Consolidated Statements of Changes in Stockholders' Equity

€ in millions	Capital stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income: Currency translation adjustments	Accumulated other comprehensive income: Available-for-sale securities	Accumulated other comprehensive income: Minimum pension liability	Accumulated other comprehensive income: Cash flow hedges	Treasury stock	Total
January 1, 2001	**1,985**	**11,402**	**14,705**	**451**	**490**	**–75**		**–925**	**28,033**
Shares reacquired/sold								–3,539	–3,539
Redeemed shares	–186		–4,004					4,190	–
Dividends paid			–954						–954
Net income			2,048						2,048
Other comprehensive income				–75	–755	–245	–51		–1,126
Total comprehensive income									**922**
December 31, 2001	**1,799**	**11,402**	**11,795**	**376**	**–265**	**–320**	**–51**	**–274**	**24,462**
Shares reacquired/sold								15	15
Dividends paid			–1,100						–1,100
Net income			2,777						2,777
Other comprehensive income				–618	262	–81	–64		–501
Total comprehensive income									**2,276**
December 31, 2002	**1,799**	**11,402**	**13,472**	**–242**	**–3**	**–401**	**–115**	**–259**	**25,653**

(1) Basis of Presentation

The Consolidated Financial Statements of E.ON AG ("E.ON" or the "Company"), Düsseldorf, have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

E.ON makes use of the relief outlined in § 292a of the German Commercial Code ("HGB"), which exempts companies from preparing consolidated financial statements in accordance with generally accepted accounting principles in Germany ("German GAAP"), if the consolidated financial statements are prepared in accordance with internationally accepted accounting principles and comply with the Fourth and Seventh Accounting Directive of the European Community. For the interpretation of these directives, the Company relied on German Accounting Standards ("DRS") No. 1 and DRS No. 1a, "Exempting Consolidated Financial Statements in accordance with § 292a of the German Commercial Code."

A description of the significant differences between German GAAP and U.S. GAAP has been provided in Note 2 b).

(2) Summary of Significant Accounting Policies and Significant Differences between U.S. GAAP and German GAAP

(a) Summary of Significant Accounting Policies

Principles of Consolidation. The Consolidated Financial Statements include the accounts of E.ON AG and its subsidiaries. The subsidiaries, associated companies and other related companies have been included in the Consolidated Financial Statements in accordance with the following criteria:

All material majority-owned subsidiaries in which E.ON directly or indirectly exercises control through a majority of the stockholders' voting rights ("affiliated companies") are fully consolidated.

- Majority-owned companies in which E.ON does not exercise management control due to restrictions in the control of assets and management ("unconsolidated affiliates") are generally accounted for under the equity method.
  Companies in which E.ON holds between 20 and 50 percent of the shares and has the ability to exercise significant influence in the investees' operations ("associated companies") are also accounted for under the equity method.
- "Other share investments" represent those in which E.ON holds less than 20 percent ownership and are accounted for under the cost method.

A list of all E.ON stockholdings and other interests will be filed with the Commercial Register of the Düsseldorf District Court, HRB 22 315.

Intercompany results, expenses and income, as well as receivables and liabilities between the consolidated companies and equity investments, are eliminated.

Business Combinations. Effective July 1, 2001, E.ON adopted Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" ("SFAS 141"). In accordance with SFAS 141, all business combinations are accounted for under the purchase method of accounting, whereby all assets acquired and liabilities assumed are recorded at their fair value. After adjustments to the fair values of assets acquired and liabilities assumed are made, any resulting positive differences are capitalized in the balance sheet as goodwill. Situations in which the fair value of net assets acquired is greater than the purchase price paid result in an excess that is allocated as a pro rata reduction of the balance sheet amounts that would otherwise be assigned to certain of the acquired assets. Should any such excess remain after reducing the amounts that otherwise would have been assigned to those assets, the remaining excess is recognized as an extraordinary gain. Goodwill arising in companies for which the equity method is applied is calculated on the same principles that are applicable to fully consolidated companies.

Foreign Currency Transactions. The Company's transactions denominated in currencies other than the euro are translated at the current exchange rate at the time of the transaction and adjusted to the current exchange rate at each balance-sheet date; any gains and losses resulting from fluctuations in the relevant currencies are included in other operating income and other operating expenses, respectively.

The assets and liabilities of the Company's foreign subsidiaries with a functional currency other than the euro are translated using year-end exchange rates, while the statements of income are translated using annual-average exchange rates. Significant transactions of foreign subsidiaries occurring within the fiscal year are included in the financial statements using the exchange rate at the date of the transaction. Differences arising from the translation of assets and liabilities, as well as gains or losses in comparison with the translation of prior years, are included as a separate component of stockholders' equity and accordingly have no effect on net income.

The following major currencies of countries outside the European Monetary Union[1] have experienced the exchange-rate fluctuations shown below for the periods indicated:

Currencies

	ISO-Code	€1, rate as of December 31, 2002	€1, rate as of December 31, 2001	€1, annual average rate 2002	€1, annual average rate 2001
Swiss franc	CHF	1.45	1.48	1.47	1.51
British pound	GBP	0.65	0.61	0.63	0.62
Japanese yen	JPY	124.27	115.33	118.04	108.68
Swedish krona	SEK	9.16	9.30	9.16	9.26
US dollar	USD	1.04	0.88	0.95	0.90

Revenue Recognition. The Company generally recognizes revenue upon delivery of products to customers or upon fulfillment of services. Delivery has occurred when the risks and rewards associated with ownership have been transferred to the buyer. Following is a description of E.ON's major revenue recognition policies by segment.

E.ON Energie and Powergen. Sales in the segments E.ON Energie AG ("E.ON Energie"), Munich, Germany, and Powergen Limited ("Powergen"), London, U.K., consist mainly of revenue from the sales of electricity and gas to industrial and commercial customers; sales of electricity, gas and telephony services to domestic customers; revenue from the distribution of electricity, the supply of water, and deliveries of steam and heat as well as sales of electricity in the U.K. under the New Electricity Trading Arrangements ("NETA").

Income from the sale of electricity and gas to industrial, commercial and domestic customers is recognized when earned and reflects the value of units supplied, including an estimated value of units supplied to customers between the date of their last meter reading and year end.

In 2002, the Emerging Issues Task Force ("EITF") reached the consensus that all gains and losses on energy trading contracts should be shown net in the statement of income ("EITF 02-03").

Chemicals. Sales are recognized, net of discounts, bonuses and rebates at the time of transfer of risk or when the services are rendered. For products, this is normally when the goods are dispatched to the customer.

Real Estate. Sales are recognized, net of discounts, sales incentives, customer bonuses and rebates granted, when title passes, the remuneration is contractually fixed or determinable and satisfaction of the connected claims is probable.

Accounting for Sales of Stock of a Subsidiary. The accounting method adopted by the Company for the issuance of a subsidiary's stock to third parties is through recognition of gains or losses in other operating income or other operating expenses, respectively, in accordance with SEC Staff Accounting Bulletin ("SAB") No. 51, "Accounting for Sales of Stock of a Subsidiary" ("SAB 51").

Electricity Tax. The electricity tax is levied on electricity delivered to end customers by domestic utilities in Germany and Sweden and consists of a fixed tax rate per kilowatt-hour ("kWh"). This rate varies between different classes of customers.

Advertising Costs. Advertising costs are expensed as incurred and totaled €226 million (2001: €273 million).

Research and Development Costs. Research and development costs are expensed as incurred.

Earnings Per Share. Earnings per share ("EPS") are computed in accordance with SFAS No. 128, "Earnings per Share" ("SFAS 128"). Basic EPS is computed by dividing consolidated net income by the weighted average number of ordinary shares outstanding during the relevant period. The computation of diluted EPS is identical to basic EPS as the Company does not have any potentially dilutive equity securities.

[1]The Countries within the European Monetary Union are Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal and Spain.

Goodwill and Intangible Assets.

Goodwill. Effective for fiscal years beginning after December 15, 2001, SFAS No. 142, "Goodwill and other Intangible Assets" ("SFAS 142"), requires that goodwill no longer be periodically amortized, but rather be tested for impairment at the reporting unit level on an annual basis. Goodwill must be evaluated for impairment between these annual tests if events or changes in circumstances indicate that goodwill might be impaired. The company identified its reporting units as the operating units one level below its reportable segments.

The testing of goodwill for impairment involves two steps:

- The first step is to compare each reporting unit's fair value with its carrying amount including goodwill. If a reporting unit's carrying amount exceeds its fair value, this indicates that its goodwill may be impaired and the second step is required.
- The second step is to compare the implied fair value of the reporting unit's goodwill with the carrying amount of its goodwill. The implied fair value is computed by allocating the reporting unit's fair value to all of its assets and liabilities in a manner that is similar to a purchase price allocation in a business combination in accordance with SFAS 141. The remainder after this allocation is the implied fair value of the reporting unit's goodwill. If the fair value of goodwill is less than its carrying value, the difference is recorded as an impairment.

When the Company adopted SFAS 142, it performed a transitional impairment test that resulted in no impairment and recognized existing negative goodwill in income. This reflects a change in accounting principle and is therefore recognized separately in the income statement.

Intangible Assets Not Subject to Amortization. SFAS 142 also requires that intangible assets other than goodwill be amortized over their useful lives unless their lives are considered to be indefinite. Any intangible asset that is not subject to amortization must be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the asset with its carrying value. Should the carrying value exceed the fair value, an impairment loss equal to the difference is recognized in other operating expenses.

Intangible Assets Subject to Amortization. Intangible assets subject to amortization are classified into marketing-related, customer-related, contract-based, and technology-based, all of which are valued at cost and amortized using the straight-line method over their expected useful lives, generally for a period between 7 and 20 years.

Intangible assets subject to amortization are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Please see Note 12 a) for additional information about goodwill and intangible assets.

Property, Plant and Equipment. Property, plant and equipment are valued at historical or production costs and depreciated over their expected useful lives, as summarized in the following table.

Useful Lives of Property, Plant and Equipment

Buildings	10 to 50 years
Chemical plants	5 to 25 years
Power plants	
Conventional components	
Powergen	up to 60 years
Other	10 to 15 years
Nuclear components	up to 25 years
Hydro power stations and other facilities used to generate renewable energy	10 to 50 years
Equipment, fixtures, furniture and office equipment	3 to 25 years
Technical equipment for distribution and transmission	
Powergen	15 to 65 years
Other	15 to 35 years

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized in accordance with SFAS 144 when a long-lived asset's carrying amount exceeds its fair value. The carrying value of such an impaired asset is written down to its fair value. The remaining useful life of the asset, if appropriate, is correspondingly revised.

Interest has been capitalized on debt apportioned to the construction period of qualifying assets as a part of their cost of acquisition or construction. The additional acquisition cost is depreciated over the expected useful life of the related asset, commencing on the completion or commissioning date.

Repair and maintenance costs are expensed as incurred.

Leasing. Leasing transactions are classified according to the lease agreement which specify the benefits and risks associated with the leased property. E.ON concludes some agreements in which it is the lessor and other agreements in which it is the lessee.

Leasing transactions in which E.ON is the lessee are defined as capital leases or operating leases. In a capital lease, E.ON receives the economic benefit of the leased property and recognizes the asset and associated liability on its balance sheet. All other transactions in which E.ON is the lessee are classified as operating leases. E.ON records the payments it makes under operating leases as an expense.

Leasing transactions in which E.ON is the lessor and the lessee enjoys the benefits and bears the risks of the leased property are classified as sale-type leases or direct financing leases. In these two types of leases, E.ON records the present value of the minimum lease payments as a receivable. The lessee's lease payments to E.ON are allocated between a reduction of the lease obligation and interest income. All other transactions in which E.ON is the lessor are categorized as operating leases. E.ON records the leased property as an asset and shows the scheduled lease payments as income.

Financial Assets. Shares in associated companies are accounted for in accordance with the equity method. E.ON's accounting policies are also generally applied to its associated companies. Certain other share investments and investments in debt securities are accounted for in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). SFAS 115 requires that a security be accounted for according to its classification as either trading, available-for-sale or held-to-maturity. Debt securities which the Company does not have the positive intent and ability to hold to maturity and all marketable securities are classified as securities available-for-sale. The Company does not hold any securities classified as trading or held-to-maturity. Securities classified as available-for-sale are carried at fair value, with unrealized gains and losses net of related deferred taxes reported as a separate component of stockholders' equity until realized. Realized gains and losses are recorded based on the specific identification method. Unrealized losses on all marketable securities and investments that are other than temporary are recognized in financial earnings within "Write-downs of financial assets and long-term loans." The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion are included in interest income. Realized gains (losses) on such securities are included in other operating income (expenses). Other share investments that are non-marketable are accounted for at cost.

Inventories. The Company values inventories at the lower of acquisition or production costs or market values. Raw materials, products and goods purchased for resale are valued at LIFO, average cost or other allowed methods. In addition to production materials and wages, production costs include proportionate material and production overhead based on standard capacity. Interest on borrowings is capitalized if the production activities are performed over an extended period ("qualifying assets"). The costs of general administration, voluntary social benefits and pensions are not capitalized. Inventory risks resulting from excess and obsolescence are provided for by appropriate valuation allowances.

Receivables and Other Assets. Receivables and other assets are recorded at their nominal values. Valuation allowances are provided for identified individual risks for these items, as well as for long-term loans. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

Discontinued Operations and Assets Held for Sale. Effective January 1, 2002, E.ON adopted SFAS 144. SFAS 144 requires that not only a reportable segment of a business, but also a substantial component of an entity that either has been disposed of or is classified as held for sale must be reported as discontinued operations if certain criteria are met. Gains or losses from the disposal and the operations of components classified as discontinued operations are included in "Income (loss) from discontinued operations." For discontinued operations recorded in 2002, E.ON did not reclass the prior-year balance sheet accounts attributable to these discontinued operations as this is not required by SFAS 144.

If assets are identified as held for sale, depreciation is discontinued, and the Company determines the fair value of such assets. If the fair value of such assets, less selling costs, is less than the net book value of the assets, a loss is recognized immediately. Fair value is determined based on the assets' discounted cash flows. The underlying interest rate that management deems reasonable is contingent on the type of property and prevailing market conditions. Appraisals and, if appropriate, current estimated net sales proceeds from pending offers are also considered.

Liquid Funds. Liquid funds include certain securities available-for-sale, checks, cash on hand and bank balances. E.ON considers liquid funds with an original maturity of three months or less to be cash equivalents.

Stock-based Compensation. The stock-based compensation plans are accounted for on the basis of their intrinsic values as per SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), as allowed in connection with FASB Interpretation ("FIN") No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans" ("FIN 28"). The corresponding expense is recognized in the income statement.

U.S. Regulatory Assets and Liabilities. SFAS No. 71, "Accounting for the effects of Certain Types of Regulation" ("SFAS 71"), sets out the appropriate accounting treatment for U.S. utilities whose regulators have the power to approve or regulate charges to customers.

Under SFAS 71, as long as the utility is substantially assured of recovering its allowable costs from, or is obligated to refund amounts to, customers through the regulatory process, any costs not yet recovered, or revenues not yet refunded, may be deferred and reported as regulatory assets/liabilities.

Pensions. The valuation of pension liabilities is based upon actuarial computations using the projected unit credit method in accordance with SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS 87"), and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106").

Other Provisions and Liabilities. Other provisions and liabilities are recorded when an obligation to a third party has been incurred, the payment is probable and the amount can be reasonably estimated.

Deferred Taxes. Under SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"), deferred taxes are recognized for all temporary differences between the applicable tax balance sheets and the consolidated balance sheet. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. SFAS 109 also requires the recognition of the future tax benefits of net operating loss carryforwards. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that the tax benefit will not be realized.

Deferred tax assets and liabilities are measured using the enacted tax rates expected to be applicable for taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income for the period that includes the enactment date. The deferred taxes for German companies are generally calculated based on a tax rate of 39 percent (2001: 39 percent) on the basis of a federal statutory rate of 25 percent for corporate income tax, a solidarity surcharge of 5.5 percent on corporate tax, and the average trade tax rate applicable for E.ON. The German corporate income tax rate will increase to 26.5 percent for 2003 only. For this reason, temporary differences that are reversed in 2003 have been calculated using a cumulative tax rate of 40 percent. Foreign subsidiaries use applicable national tax rates.

Note 8 shows the major temporary differences and their net effect on the Consolidated Financial Statements.

Derivative Instruments and Hedging Activities. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133—an amendment of FASB Statement No. 133" ("SFAS 137"), and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133" ("SFAS 138"), and as interpreted by the Derivatives Implementation Group ("DIG"), was adopted by the Company as of January 1, 2001. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The cumulative effect of adopting SFAS 133 at January 1, 2001, representing the initial revaluation of derivatives and other items, was an after-tax charge of €26 million.

Instruments commonly used are foreign currency forwards, interest rate swaps and cross currency swaps, as well as electricity, gas, coal and oil-related forwards and options, both physically and financially settled.

SFAS 133 requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and measured at fair value. Depending on the documented designation of a derivative instrument, any change in fair value is recognized either in income or stockholders' equity (as a component of accumulated other comprehensive income, "OCI").

SFAS 133 prescribes requirements for designation and documentation of hedging relationships and ongoing retrospective and prospective assessments of effectiveness in order to qualify for hedge accounting. The Company does not exclude any component of derivative gains and losses from the assessment of hedge effectiveness. Hedge accounting is considered to be appropriate if the assessment of hedge effectiveness indicates that the change in fair value of the designated hedging instrument is 80 to 125 percent effective at offsetting the change in fair value due to the hedged risk of the hedged item or transaction. If possible, the shortcut method in assessing effectiveness of interest rate hedges is applied.

For qualifying fair value hedges, the change in the fair value of the derivative and the change in the fair value of the hedged item that is due to the hedged risk(s) is recorded in income. If a derivative instrument qualifies as a cash flow hedge, the effective portion of the hedging instrument's gain or loss is reported in stockholders' equity (as a component of accumulated other comprehensive income) and is reclassified into earnings in the period(s) during which the transaction being hedged affects earnings. The ineffective portion of a hedging derivative's fair value change is recorded in current earnings. For derivative instruments designated as a hedge of the foreign currency risk in a net investment in a foreign operation, derivative as well as non-derivative financial instruments are used. Gains or losses due to fluctuations in market rates are recorded in the cumulative translation adjustment within stockholders' equity (as a currency translation adjustment in accumulated other comprehensive income).

Fair values of derivative instruments are classified as operating assets or liabilities. Fair value changes of derivative instruments affecting income are classified as other operating income or expenses. Realized gains and losses of derivative instruments relating to sales of the Company's products are principally recognized in sales or cost of goods sold.

In the normal course of operations, certain entities are involved in energy trading and risk management activities. In accordance with Emerging Issues Task Force No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" ("EITF 98-10"), all contracts entered into for trading purposes by an entity involved in such activities (energy trading contracts) are measured at fair value and recorded in the consolidated balance sheet, with gains and losses included in current income. At its meeting on October 25, 2002, the EITF reached a conclusion to rescind EITF 98-10. The full rescission of this guidance will be effective for fiscal periods beginning after December 15, 2002. However, all new energy trading contracts entered into subsequent to October 25, 2002, that do not also meet the definition of a derivative pursuant to SFAS 133 are no longer to be measured at fair value. The EITF also reached a consensus that all gains and losses on energy trading contracts should be shown net in the statement of income (please see page 96, Revenue Recognition).

The Company does not expect the rescindment of EITF 98-10 to have a material impact on its operating results or financial position because most of the energy trading contracts it has entered into prior to October 25, 2002, fall within the scope of SFAS 133. Please see Note 29 for additional information regarding the Company's use of derivative instruments.

Consolidated Statement of Cash Flows. The Consolidated Statement of Cash Flows is classified by operating, investing and financing activities pursuant to SFAS No. 95, "Statement of Cash Flows" ("SFAS 95"). The separate line item, "Other non-cash income and expenses," mainly comprises undistributed income from companies valued at equity. Effects of changes in the scope of consolidation are shown in investing activities and have been eliminated from the items in the three classification areas. This also applies to valuation changes due to exchange rate fluctuations, whose impact on cash and cash equivalents is separately disclosed.

Segment Information. The Company's segment reporting is prepared in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). The management approach required by SFAS 131 designates that the internal reporting organization that is used by management for making operating decisions and assessing performance should be used as the source for presenting the Company's reportable segments.

Use of Estimates. The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent amounts at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements. In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"), which is effective for fiscal years beginning after June 15, 2002. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. When the liability is recorded, the Company must capitalize the costs of the liability by increasing the carrying amount of the long-lived asset. Over the estimated life of the asset, the liability is accreted to its present value and the related capitalized charge is depreciated over the useful life of the asset. Upon the initial application of SFAS 143 beginning January 1, 2003, the Company expects an increase in provisions as well as in property, plant and equipment and a net transition expense.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"), which rescinds EITF Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3"). SFAS 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of SFAS 146 to have a material impact on its operating results or financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123" ("SFAS 148"). SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. SFAS 148 is effective for fiscal years ending after December 15, 2002. The Company does not expect the adoption of SFAS 148 to have a material impact on its operating results or financial position.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). This interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. The disclosure requirements of FIN 45 are effective for the Company as of December 31, 2002, and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. Significant guarantees that have been entered into by the Company are disclosed in Note 26. Due to the new recognition and measurement requirements of FIN 45, the application of these rules from January 1, 2003, could have a material effect on the Company's operating results.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). The objective of this interpretation is to provide guidance on how to identify a variable interest entity ("VIE") and to determine when a VIE's assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. The Company is currently assessing the impact, if any, FIN 46 will have on its operating results or financial position.

b) Significant Differences between U.S. GAAP and German GAAP

Business Combinations. Under U.S. GAAP, the measurement date for the consolidation of an acquired entity is the date of the registration in the Commercial Register. Assets acquired and liabilities assumed are accounted for at their fair values under the purchase method. German GAAP requires that mergers and acquisitions be accounted for as of the date agreed upon in the merger contract.

Under U.S. GAAP, goodwill acquired in a business combination is no longer amortized over its useful life, but rather tested for impairment on an annual basis. Under German GAAP, goodwill is capitalized and periodically amortized or offset against retained earnings.

Capitalization of Interest. U.S. GAAP requires the capitalization of interest as a part of the historical cost of acquiring assets that are constructed or otherwise produced for an enterprise's own use. German GAAP permits, but does not require, such capitalization. Under U.S. GAAP, interest is capitalized on debt apportionable to the construction period of qualifying assets as a part of their cost of acquisition. The additional acquisition or construction cost is depreciated over the related asset's expected useful life.

Securities and Other Investments. Under U.S. GAAP, marketable securities and other share investments are classified into one of three categories: held-to-maturity securities, available-for-sale securities or trading securities. The Company's securities and other investments are considered to be available-for-sale and thus must be valued at market value at the balance-sheet date. Under U.S. GAAP, unrealized holding gains and losses are excluded from income and reported as an adjustment to net equity. Under German GAAP, securities and other investments are valued at acquisition costs at the balance-sheet date.

Equity Valuation/Negative Goodwill. The income of companies accounted for using the equity method has been determined using valuation principles prescribed by U.S. GAAP. To the extent that certain equity investees do not prepare consolidated U.S. GAAP financial statements, an estimate is made of the reconciling items based on information provided by the investee.

In addition to the above, under U.S. GAAP, any remaining negative goodwill is realized as income. Negative goodwill from consolidation must be released under German GAAP when expenses or losses expected at the time the stockholding is acquired are incurred, or if it becomes apparent that the negative goodwill corresponds to a realized profit on the balance-sheet date.

Provisions for Pensions and Similar Liabilities. Due to changes of the calculation bases, the unfunded accumulated benefit obligation exceeds the accrued pension provision without further considering the increase in salaries in some group companies. In such cases, under U.S. GAAP, provisions for pensions are increased by an additional minimum liability that does not affect income as long as it does not exceed the unrecognized prior service cost. Additional minimum liability in excess of the unrecognized prior service cost is charged directly against stockholders' equity. Under U.S. GAAP, the additional minimum liability has no impact on net income. Pursuant to German GAAP, this additional minimum liability is expensed in the statement of income.

Under German GAAP, accruals are established for the estimated number of employees nearing retirement that is expected to elect a government-subsidized early retirement program. Under U.S. GAAP, such accruals are established only if the employee consents by entering into a binding contractual agreement over the remaining length of employment.

Deferred Taxes. Under U.S. GAAP, deferred taxes are provided for all temporary differences between the tax and consolidated-balance sheet (temporary concept). The temporary concept also applies to quasi-permanent differences. Under U.S. GAAP, deferred taxes also are calculated for tax loss carryforwards. Deferred taxes are calculated based on enacted tax rates. A valuation allowance is established when it is more likely than not that the deferred tax assets will not be realized.

Under German GAAP, deferred taxes are calculated based on the timing concept for all timing differences between valuation amounts in the tax and consolidated balance sheet except for timing differences that are released over a very long period of time or only during the course of a company's divestment or liquidation.

Minority Interests. Under German GAAP, minority interests in subsidiaries are shown as part of stockholders' equity and net income.

Other. Other differences in accounting principles include unrealized gains from foreign currency translation, outstanding financial derivatives, the capitalization of lease contracts, stock appreciation rights and the accounting for costs related to initial public offerings and mergers.

(3) Scope of Consolidation

Changes to the scope of consolidation in 2002 are listed below:

Scope of Consolidation

	Domestic	Foreign	Total
Consolidated companies as of December 31, 2001	403	850	1,253
Additions	89	324	413
Disposals	219	423	642
Consolidated companies as of December 31, 2002	**273**	**751**	**1,024**

In 2002, a total of 132 domestic and 90 foreign associated and non-consolidated companies were valued at equity (2001: 187 and 85, respectively). See Note 4 for additional information on significant acquisitions, disposals and discontinued operations.

(4) Acquisitions, Disposals and Discontinued Operations

The presentation of E.ON's acquisitions and disposals in this Note reflects the Company's adoption of SFAS 141 and 144 in 2002. Pursuant to SFAS 141, acquisitions are classified as "significant" and "other" acquisitions.

All energy-related acquisitions are consistent with the Company's strategy of focusing on and expanding its electricity and gas activities.

Acquisitions in 2002:

Significant Acquisitions in 2002

E.ON AG

Powergen Limited. In July 2002, E.ON acquired 100 percent of the issued share capital of Powergen, an integrated international utility business, for total cash consideration of €7.8 billion. The acquisition was made following a conditional offer with a fixed price to Powergen shareholders in April 2001. In addition, the Company assumed €7.4 billion of debt. Goodwill in the amount of €8.9 billion resulted from the purchase price allocation. Powergen was fully consolidated as of July 1, 2002. An impairment charge of €2.4 billion of the recorded goodwill was recorded in the third quarter of 2002. For further information regarding this charge, please see Note 12 a).

Powergen

TXU Europe Group plc. In October 2002, Powergen acquired the U.K.-based retail business operations of TXU Europe Group plc ("TXU Europe"), Ipswich, U.K., for total consideration of €2.2 billion. Powergen also agreed to fund working capital requirements associated with these operations in the amount of €0.4 billion. In addition to the retail business, Powergen acquired three coal-fired power plants and certain long-term gas supply contracts. Goodwill in the amount of €2.3 billion resulted from the purchase price allocation. The operations acquired from TXU Europe were fully consolidated as of October 21, 2002.

The following table provides details of a condensed balance sheet disclosing the amount assigned to each major asset and liability caption of each of the acquired entities at their respective acquisition dates.

Major Balance Sheet Items of Powergen/TXU (Summary)

€ in millions	July 1, 2002 Powergen without TXU	Oct. 21, 2002 TXU
Intangible assets	523	714
Goodwill	8,916	2,343
Property, plant and equipment	8,164	28
Financial assets	779	–
Non-fixed assets	1,960	558
Total assets	**20,342**	**3,643**
Accrued liabilities	9,321	679
Liabilities	3,056	381
Other liabilities	136	–
Total liabilities	**12,513**	**1,060**

The following pro forma consolidated results of operations of the Company are presented as if the acquisitions of Powergen, TXU Europe and the significant 2001 acquisitions had taken place at the beginning of the periods presented. Adjustments to the Company's historical information have been made for the acquirees' results of operations prior to the respective dates of acquisition. In addition, adjustments were made for depreciation, amortization and related tax effects resulting from the purchase price allocation. The pro forma figures also include adjustments to include interest costs determined on the basis of E.ON's average interest rate for external debt also considering the respective financing structures. In addition to the consolidated group amounts stated in Note 12 a), the pro forma amounts for 2001 include goodwill amortization of €278 million.

E.ON Pro Forma Data

€ in millions	2002	2001
Net sales	43,416	53,309
Income before changes in accounting principle	3,085	2,643
Net income	3,276	2,590
Earnings per share (in €)	5.02	3.84

This pro forma information is not necessarily indicative of what the actual combined results of operations might have been had the acquisitions occurred at the beginning of the periods presented.

Other Acquisitions in 2002

E.ON Energie

E.ON Energie purchased in 2002 primarily the following companies for a total of €3,449 million with a total amount of goodwill of €1,425 million, of which €1,003 million is preliminary due to ongoing purchase price allocations which are expected to be completed in 2003.

Espoon Sähkö Oyj. In January and April 2002, E.ON Energie acquired a majority interest in Espoon Sähkö Oyj ("Espoon"), Espoo, Finland, in two steps. At December 31, 2002, E.ON Energie held a 65.6 percent interest in Espoon. Espoon was fully consolidated as of April 1, 2002.

Energie-Aktiengesellschaft Mitteldeutschland. In May 2002, E.ON Energie increased its 46.0 percent interest in Energie-Aktiengesellschaft Mitteldeutschland ("EAM"), Kassel, Germany, to a majority interest. As of December 31, 2002, E.ON Energie held 73.3 percent of EAM. EAM was fully consolidated as of June 1, 2002.

E.ON Wesertal Beteiligungsgesellschaft mbH. In June 2002, E.ON Energie purchased a 100 percent interest in E.ON Wesertal Beteiligungsgesellschaft mbH ("EWB"), formerly Fortum Energie GmbH, Hamburg, Germany. EWB is a holding company for 100 percent of the shares of Elektrizitätswerk Wesertal GmbH ("EWW"), Hameln, Germany. Both companies were fully consolidated as of July 1, 2002.

Elektrizitätswerk Minden-Ravensberg GmbH. In July 2002, E.ON Energie acquired a majority in Elektrizitätswerk Minden-Ravensberg GmbH ("EMR"), Herford, Germany. E.ON Energie added to its existing interest in EMR as of December 31, 2001 of 25.1 percent by acquiring an additional 30.1 percent interest. EMR was fully consolidated as of August 1, 2002.

Thüga Aktiengesellschaft. In August 2002, E.ON Energie increased its existing interest in Thüga Aktiengesellschaft ("Thüga"), Munich, Germany, to a total of 87.1 percent by acquiring an additional 25.1 percent interest.

Západoslovenská Energetika a.s. In September 2002, E.ON Energie acquired a 49.0 percent interest in Západoslovenská Energetika a.s. ("ZSE"), Bratislava, Slovak Republic. ZSE is accounted for under the equity method.

Észak-dunántúli Áramszolgáltató Rt. In November 2002, E.ON Energie acquired an additional 62.9 percent stake in Észak-dunántúli Áramszolgáltató Rt. ("Édász"), Györ, Hungary. Prior to this acquisition, E.ON Energie owned 27.7 percent of Édász. Édász was fully consolidated effective December 1, 2002.

Powergen

Powergen Renewables Holdings Limited. In October 2002, Powergen acquired the remaining 50.0 percent interest in its former joint venture Powergen Renewables Holdings Limited, London, U.K., for €92 million. In addition, Powergen assumed €57 million of debt. As of December 31, 2002, Powergen holds a 100 percent interest. Total goodwill of €64 million was recorded in the purchase price allocation.

Viterra

Frankfurter Siedlungsgesellschaft mbH. On January 1, 2002, Viterra AG ("Viterra"), Essen, Germany, acquired a 86.3 percent interest in Frankfurter Siedlungsgesellschaft mbH ("FSG"), Frankfurt, Germany. FSG focuses on the management and the sale of residential real estate. The total purchase price amounted to €312 million. No amounts were assigned to goodwill and intangible assets during the purchase price allocation. In December 2002, Viterra sold 0.2 percent interest in FSG to an investor. Viterra's ownership interest amounted to 86.1 percent as of December 31, 2002. In January 2003, Viterra acquired an additional 13.7 percent interest in FSG for a price of €49 million.

Dispositions and Discontinued Operations in 2002:

Significant Dispositions in 2002

E.ON AG

Orange S.A. In June 2002, E.ON exercised its put option to sell all of its shares in Orange S.A. ("Orange"), Paris, France, held by E.ON, to France Télécom S.A. ("France Télécom"), Paris, France. The exercise price was €9.25 per share. E.ON received approximately €950 million in the transaction. E.ON had received the Orange shares as part of the purchase price for its interest in the Swiss operations of Orange Communications S.A. ("Orange Communications"), Lausanne, Switzerland, which it sold to France Télécom in November 2000. The sale resulted in a net loss of €103 million.

Schmalbach-Lubeca AG. In December 2002, E.ON concluded an agreement to sell the remaining activities of Schmalbach-Lubeca AG ("Schmalbach-Lubeca"), Ratingen, Germany. Ball Corporation, Indiana, U.S., a packaging manufacturer, purchased the company for €1.2 billion from AV Packaging GmbH ("AV Packaging"), Munich, Germany, a joint venture of Allianz Capital Partners, Munich, Germany, and E.ON AG. In July 2002, Schmalbach-Lubeca had sold the PET and White Cap business units to Amcor Ltd., Abbotsford/Victoria, Australia, a packaging manufacturer, for about €1.8 billion. The resulting net gain on the sales was €558 million, which is recognized in income from companies accounted for at equity.

E.ON Energie

In 2002, the following transactions of E.ON Energie resulted in a total gain of €286 million.

Rhenag Rheinische Energie Aktiengesellschaft. In January 2002, E.ON Energie split up the partnership, which owned shares in Rhenag Rheinische Energie Aktiengesellschaft ("Rhenag"), Cologne, Germany.

Watt AG. In July 2002, E.ON Energie sold its entire 24.5 percent interest in Watt AG ("Watt"), Dietikon, Switzerland, for €429 million.

The dispositions of the above mentioned investments were accounted for as disposals of financial assets, see Note 12 c).

Discontinued Operations in 2002

In 2002, the Company discontinued the operations of its former Oil and Distribution/Logistics business segments, following its disposal of VEBA Oel AG ("VEBA Oel"), Gelsenkirchen, Germany, and Stinnes AG ("Stinnes"), Mülheim an der Ruhr, Germany, which are described in more detail below. These segments are accounted for as discontinued operations in accordance with SFAS 144. In addition, Degussa AG ("Degussa"), Düsseldorf, Germany, and Viterra have either disposed of or have classified certain businesses as held for sale in 2002 and, accordingly, present the related results of these operations as discontinued. Amounts in the Consolidated Financial Statements and notes thereto for the year ended December 31, 2002, as well as the Consolidated Statements of Income for 2002 and 2001 and notes thereto have been reclassified to reflect the discontinued operations.

Income (loss) from operations for discontinued operations until the date of disposal, as well as the gains or losses from disposals are reported in "Income (loss) from discontinued operations, net" in the accompanying Consolidated Statements of Income.

For financial reporting purposes, the assets and liabilities of the disposal groups held for sale at year end are classified in the accompanying Consolidated Balance Sheet as of December 31, 2002, in "Assets of disposal groups" and "Liabilities of disposal groups."

Cash flows from the discontinued operations have been eliminated from the Consolidated Statements of Cash Flows for all periods presented.

E.ON AG

VEBA Oel AG. In July 2001, E.ON AG and BP plc. ("BP"), London, U.K., entered into an agreement pursuant to which BP agreed to acquire a 51.0 percent stake in VEBA Oel, a 100 percent subsidiary of E.ON AG, by way of a capital increase. The agreement also provided E.ON with a put option that allowed it to sell the remaining 49.0 percent of shares in VEBA Oel to BP at any time from April 1, 2002. In December 2001, the German Federal Cartel Office *(Bundeskartellamt)* cleared the transaction.

The capital increase of VEBA Oel took place on February 7, 2002, in which BP contributed approximately €2.9 billion. Simultaneous to this capital increase, intercompany loans granted to VEBA Oel in the amount of €1.9 billion were repaid.

Prior to this, VEBA Oel, on January 29, 2002, sold its entire exploration and production business ("Upstream business") to Petro Canada Limited, Alberta, Canada, for approximately €2.4 billion.

As of June 30, 2002, E.ON AG exercised its put option and sold the remaining 49.0 percent of shares and received approximately €2.8 billion. During 2003, E.ON expects the contractual purchase price adjustments to be finalized.

The table at left provides details of selected financial information from the discontinued operations of the Oil segment:

Selected Financial Information of the Oil Segment – VEBA Oel – (Summary)

€ in millions	2002	2001
Sales	1,703	26,422
Gain on disposal, net	1,367	–
Other income/(expenses), net	–1,284	–25,565
Income from continuing operations before income taxes and minority interests	**1,786**	**857**
Income taxes	–5	–556
Minority interests	3	–6
Income from discontinued operations	**1,784**	**295**

Stinnes AG. In July 2002, E.ON completed negotiations with Deutsche Bahn AG ("Deutsche Bahn"), Berlin, Germany, on the sale of its 65.4 percent shareholding in Stinnes as part of a public takeover offer by Deutsche Bahn. The proceeds from this sale were €1.6 billion. Stinnes was deconsolidated as of September 30, 2002.

The table at left provides details of selected financial information from the discontinued operations of the Distribution/Logistics segment:

Selected Financial Information of the Distribution/Logistics Segment – Stinnes – (Summary)

€ in millions	2002	2001
Sales	8,840	12,270
Gain on disposal, net	588	–
Other income/(expenses), net	–8,638	–12,029
Income from continuing operations before income taxes and minority interests	**790**	**241**
Income taxes	–125	–89
Minority interests	–62	–57
Income from discontinued operations	**603**	**95**

Degussa AG

In accordance with Degussa's program of divesting non-core businesses in order to focus on specialty chemicals, the following operations were sold in 2002 for aggregate proceeds of €866 million and therefore were classified as discontinued operations:

- In January 2002, Degussa sold the companies which had conducted its gelatin activities to Sobel N.V., Eindhoven, The Netherlands. The gelatin activities were deconsolidated as of February 10, 2002.
- In February 2002, Degussa sold its persulfate operations to Unionchimica Industriale S.p.A., Bergamo, Italy. The persulfate operations were deconsolidated as of March 31, 2002.
- In February 2002, Degussa sold its textile additives activities to Giovanni Bozetto S.p.A, Milano, Italy. The textile additives activities were deconsolidated as of February 28, 2002.
- In April 2002, Degussa sold SKW Piesteritz Holding GmbH ("SKW Piesteritz"), Piesteritz, Germany, to A&A Stickstoff Holding AG, Binningen, Switzerland. SKW Piesteritz was deconsolidated as of June 30, 2002.
- In June 2002, Degussa sold Degussa Bank GmbH ("Degussa Bank"), Frankfurt am Main, Germany, to the Allgemeine Deutsche Direktbank AG, Frankfurt am Main, Germany. Degussa Bank was deconsolidated as of June 30, 2002.
- In August 2002, Degussa sold Viatris GmbH & Co. KG ("Viatris"), Frankfurt am Main, Germany, a pharmaceutical company, to Advent International Corporation, Boston/Massachusetts, U.S. Viatris was deconsolidated as of September 30, 2002.
- In December 2002, Degussa sold Zentaris AG ("Zentaris"), Frankfurt am Main, Germany, to Æterna Laboratories Inc., Québec, Canada. Zentaris was deconsolidated as of December 31, 2002.

Selected Financial Information from the Chemical Segment – Degussa's Disposal Groups – (Summary)

€ in millions	2002	2001
Sales	410	1,061
Loss on disposal, net	–93	–
Other income/(expenses), net	–388	–1,037
Income from continuing operations before income taxes and minority interests	**–71**	**24**
Income taxes	–59	–14
Minority interests	46	–4
Loss from discontinued operations	**–84**	**6**

The above table provides details of selected financial information from the discontinued operations of Degussa's disposal groups.

Viterra AG

In accordance with its strategy of focusing on its core business, Viterra has decided to divest Viterra Energy Services AG ("VES"), Essen, Germany. VES provides heat and water metering services for residential and commercial property.

The table at right provides details of selected financial information from the discontinued operations of VES:

Selected Financial Information from the Real Estate Segment – Viterra Energy Services – (Summary)

€ in millions	2002	2001
Sales	456	416
Other income/(expenses), net	–364	–324
Income from continuing operations before income taxes and minority interests	**92**	**92**
Income taxes	–39	–33
Minority interests	–1	–
Income from discontinued operations	**52**	**59**

The table at right provides details of the major classes of assets and liabilities included as part of the VES disposal group held for sale:

Major Balance Sheet Items from the Real Estate Segment – Viterra Energy Services – (Summary)

€ in millions	Dec. 31, 2002
Intangible assets	56
Goodwill	72
Property, plant and equipment	30
Financial assets	1
Non-fixed assets	343
Other assets	6
Total assets	**508**
Accrued liabilities	127
Liabilities	53
Other liabilities	159
Total liabilities	**339**

Acquisitions in 2001:

Significant Acquisitions in 2001

Sydkraft AB. During the first part of 2001, E.ON Energie acquired a controlling interest in Sydkraft AB ("Sydkraft"), Malmö, Sweden, a Swedish energy group, through a multiple-step process:

- On February 1, 2001, 5.3 percent of the outstanding shares were acquired.
- On February 21, 2001, E.ON Energie announced a takeover bid to acquire shares through a public tender through May 2001. A total of 15.7 percent of the outstanding shares were acquired through this takeover bid.
- On April 6, 2001, an additional 15.7 percent was acquired.

Prior to these share acquisitions, E.ON Energie owned 24.1 percent of Sydkraft as per December 31, 2000. Subsequent to these share acquisitions, E.ON Energie owned a 60.8 percent interest in and fully consolidated Sydkraft effective May 1, 2001. The total purchase price paid for the above acquisitions amounted to approximately €1.7 billion. As the fair value of the acquired net assets approximated the purchase price, no goodwill was recorded.

In October 2001, E.ON Energie concluded a put option agreement that allows the minority shareholder to exercise its right to sell its remaining stake in Sydkraft to E.ON Energie for approximately €2 billion through the end of 2005.

In March 2002, E.ON Energie sold a 5.8 percent interest in Sydkraft for approximately €223 million. A gain of €66 million was realized in connection with this transaction. In 2002, E.ON Energie acquired an additional interest of approximately 0.2 percent from various minority shareholders, giving it stake in Sydkraft of 55.2 percent as of December 31, 2002.

Hein Gas Hamburger Gaswerke GmbH. In June 2001, E.ON Energie acquired an additional 61.9 percent interest in Hein Gas Hamburger Gaswerke GmbH ("Hein Gas"), Hamburg, Germany, for €514 million. The acquisition resulted in goodwill of €74 million. As of December 31, 2001 E.ON Energie's investment in Hein Gas totaled 89.9 percent. Hein Gas was fully consolidated effective June 1, 2001.

SKW Trostberg AG. In the second half of 2000, Degussa-Hüls AG ("Degussa-Hüls"), Frankfurt am Main, Germany, and SKW Trostberg AG ("SKW Trostberg"), Trostberg, Germany, announced plans to merge into Degussa with Degussa-Hüls acting as the acquirer. In October 2000, the merger was approved by both the shareholders of both Degussa-Hüls and SKW Trostberg, and in early 2001 the European antitrust authorities approved the merger. On February 9, 2001, the merger was entered into the Commercial Register. The purchase was effected through a share transaction using the following exchange ratios:

- one Degussa AG share for one Degussa-Hüls share
- five Degussa AG shares for 22 SKW Trostberg shares

This share exchange resulted in E.ON holding a 64.6 percent ownership in Degussa. E.ON accounted for the merger as a transaction between entities under common control. For this reason, there were no fair value adjustments made to E.ON's interest in SKW Trostberg held prior to the merger; however, the minority shareholder interest in SKW Trostberg was accounted for using the purchase method of accounting. The purchase price was €559 million and related goodwill was €397 million. E.ON recognized a SAB 51 gain of €184 million in connection with the transaction, which represents the difference between E.ON's net investment basis in Degussa and its old basis in Degussa-Hüls and SKW Trostberg prior to the merger.

Laporte plc. On January 12, 2001, Degussa made a public offer to purchase 80.4 percent of the shares of Laporte plc. ("Laporte"), London, U.K., a specialty chemicals company, for 697 British pence per share or approximately €1.8 billion. In December 2000, Degussa had made an initial purchase of 19.6 percent of Laporte for €434 million. The total goodwill amounted to €1.1 billion. Laporte was fully consolidated in the financial statements of Degussa beginning March 31, 2001.

Dispositions and Discontinued Operations in 2001:

Significant Dispositions in 2001

VIAG Interkom GmbH & Co. In January 2001, E.ON exercised its put option to sell its 45.0 percent interest in VIAG Interkom GmbH & Co ("VIAG Interkom"), Munich, Germany. E.ON had agreed on the put option with British Telecommunications plc ("BT"), London, U.K., in August 2000. The proceeds from the sale of the interest amounted to roughly €11.4 billion, which comprises the price for the option after adjustment of effects resulting from the auction of a UMTS license in the amount of €7.25 billion and the repayment of additional shareholder loans. A net gain of €110 million was recognized on the sale.

Klöckner & Co AG. In October 2001, Klöckner & Co AG ("Klöckner"), Duisburg, Germany, was sold to Balli Group plc, London, U.K., (94.5 percent) and to Westdeutsche Landesbank Girozentrale, Düsseldorf, (5.5 percent) for a total amount or €1.1 billion. The purchase price included the assumption of debt and pension provisions of approximately €800 million, with the remainder paid in cash. A gain of approximately €140 million was recognized on the sale.

Degussa Dispositions.

- In April 2001, Degussa sold its 100 percent stake in Phenolchemie GmbH & Co. KG, Gladbeck, Germany, to the British Ineos group for €388 million, which includes the assumption of €66 million in debt.
- In August 2001, Degussa sold the precious metals activities of dmc² Degussa Metals Catalysts Cerdec AG ("dmc²"), Hanau, Germany, to the U.S. OM Group Inc., Cleveland/Ohio, U.S., for €1.2 billion.
- In October 2001, Degussa sold Asta Medica GmbH, Dresden, Germany, an oncology business, to Baxter Healthcare SA, Zurich, Switzerland, a Swiss subsidiary of the U.S.-based Baxter International Inc., Deerfield/Illinois, U.S., for €525 million.
- In October 2001, Degussa sold the Degussa Dental Group, Hanau-Wolfgang, Germany, to Dentsply International Inc., York/Pennsylvania, U.S., for €576 million, which includes the assumption of debt.

A net gain in the amount of €530 million resulted from these dispositions by Degussa.

Other. During 2001, E.ON, in compliance with antitrust requirements, sold investments in Laubag Lausitzer Braunkohle AG ("Laubag"), Senftenberg, Germany, in Veag Vereinigte Energiewerke AG ("Veag"), Berlin, Germany, in Berliner Kraft- und Licht AG, ("Bewag"), Berlin, Germany, and in Hamburgische Elektricitätswerke-AG ("HEW"), Hamburg, Germany. The following summarizes those dispositions:

- Laubag and Veag were sold on May 16, 2001 for €837 million, resulting in a €1 million loss.
- Bewag was sold on May 16, 2001 for €1,394 million, resulting in a gain of €63 million. The proceeds consisted of 61.9 percent of the outstanding shares of Hein Gas and €870 million in cash.
- HEW was sold on May 17, 2001 for €419 million, resulting in a gain of €63 million.

Discontinued Operations in 2001

In 2001, the Company discontinued the operations of its Silicon Wafer and Aluminum segments. These segments are accounted for as such in accordance with Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("APB 30"). SFAS 144 provides that long-lived assets classified as held for disposal as a result of disposal activities initiated prior to its adoption shall continue to be accounted for in accordance with the prior pronouncement applicable for that disposal until the end of the fiscal year in which SFAS 144 is adopted; as such, these segments were accounted for in accordance with ABP 30. Amounts in the financial statements and related notes for the year ended December 31, 2001, have been reclassified to reflect the discontinued operations.

Operating results for discontinued operations after income taxes and minority interests up through the date of disposal as well as the gains or losses from disposals are reported in "Income/(loss) from discontinued operations, net" in the accompanying Consolidated Statements of Income.

For financial reporting purposes, the assets and liabilities of the discontinued aluminum operations are combined and classified in the accompanying Consolidated Balance Sheets as of December 31, 2001, under "Assets of disposal groups" and "Liabilities of disposal groups."

Selected Financial Information of the Aluminum Segment – VAW – (Summary)		
€ in millions	2002	2001
Sales	807	3,814
Gain on disposal, net	893	–
Other income/(expenses), net	–763	–3,463
Income from continuing operations before income taxes and minority interests	**937**	**351**
Income taxes	–10	–74
Minority interests	–	–3
Income from discontinued operations	**927**	**274**

Major Balance Sheet Items of the Aluminum Segment – VAW – (Summary)	
€ in millions	31. 12. 2001
Fixed assets	1,193
Non-fixed assets	1,898
Liabilities	2,613
Net assets	**478**

The impacts of cash flows from the discontinued operations have been eliminated from the Consolidated Statement of Cash Flows for all periods presented. The liquid fund balances of discontinued operations in prior periods are shown as cash and cash equivalents from discontinued operations at the beginning of the period and the end of the period, as applicable.

VAW AG. On January 6, 2002, E.ON entered into a Share Purchase Agreement with Norsk Hydro ASA ("Norsk Hydro"), Oslo, Norway, to sell 100 percent of its shares and shareholder loans in VAW aluminium AG ("VAW"), Bonn, Germany. The sales price for the 100 percent interest, the shareholders loans and other interest-bearing loans amounted to €3.1 billion. VAW was deconsolidated as of March 15, 2002.

The upper table at left provides details of selected financial information from the discontinued operations of the aluminum business.

The net gain on disposal of €893 million does not include the reversal of VAW's negative goodwill of €191 million, as this amount was required to be recognized as income in a change in accounting principle upon adoption of SFAS 142 on January 1, 2002.

The table at left provides the major classes of assets and liabilities from the discontinued operations of the aluminum business.

MEMC Electronic Materials, Inc. In September 2001, E.ON entered into an agreement to sell its silicon wafer operations to the Texas Pacific Group ("TPG"), Fort Worth/Texas, U.S. The symbolic price of USD6.00 was for E.ON's 71.8 percent investment and shareholder loans in MEMC Electronic Materials, Inc ("MEMC"), St. Peters/Missouri, U.S. The transaction closed on November 13, 2001. The total purchase price was subject to upward adjustments, depending on certain predefined operating objectives for the year ending December 31, 2002. As per the date of this report, the accounts for MEMC for 2002 were not available, adjustments to the purchase price were therefore not made.

Selected Financial Information of the Silicon Wafer Segment – MEMC – (Summary)	
€ in millions	2001
Sales	555
Loss on disposal, net	–990
Other income/(expenses), net	–752
Income from continuing operations before income taxes and minority interests	**–1,187**
Income taxes	229
Minority interests	148
Loss from discontinued operations	**–810**

The following table provides details of selected financial information from the discontinued operations of the silicon wafer business:

The total loss on discontinued operations of MEMC of €810 million is composed of losses from the operations of the discontinued business of €326 million, net of €277 million in tax expense and the loss on disposition of €484 million, net of a €506 million tax benefit. MEMC was deconsolidated as of November 13, 2001.

(5) Cost of Goods Sold and Services Provided

The table at right provides details of the cost of goods sold and services provided by segment for the periods indicated.

In 2002, certain entities' operational characteristics changed to a purely sales-oriented nature. Accordingly, the costs associated with these entities are included in selling expenses in 2002. In 2001, the amount included in cost of goods sold and services provided for these entities was €454 million.

Cost of Goods Sold and Services Provided

€ in millions	2002	2001
E.ON Energie	13,884	12,618
Powergen[1]	3,461	–
Chemicals	8,258	12,857
Real Estate	1,112	725
Other/Consolidation	54	3,151
Total	**26,769**	**29,351**

[1]Cost of goods sold and services provided relate to the period beginning July 1, 2002.

(6) Other Operating Income and Expenses

The table at right provides details of other operating income for the periods indicated.

The total of other operating income includes income not related to the financial year amounting to €439 million (2001: €168 million).

In 2002, gains on reversal of provisions were primarily related to anticipated losses from open sales contracts as well as goods and services received but not invoiced. In 2001, gains on reversal of provisions were primarily related to the release of accruals for personnel costs. These provisions were released as circumstances indicated that the costs to which they related were no longer probable.

Gains on the disposals of fixed assets in 2002 primarily consisted of sales of investments in subsidiaries by E.ON Energie and tangible fixed assets of Viterra. Gains on the disposals of fixed assets in 2001 primarily consisted of sales on investments in subsidiaries by Degussa, E.ON Energie and VIAG Interkom. For further information, please see Note 4.

A SAB 51 gain in 2002 in the amount of €98 million is related to an increase in equity of the Company's at equity investment in Bouygues Telecom S.A. ("Bouygues Telecom"), Velizy-Villacoublay, France. The Company did not participate in this capital increase.

As discussed in more detail in Note 4, the common control merger of Degussa-Hüls and SKW Trostberg resulted in E.ON realizing a SAB 51 gain of €184 million in 2001.

In 2002, miscellaneous other operating income mainly includes the gain recognized on the required marking to market of derivatives according to SFAS 133 of €884 million and €350 million in gains realized in foreign exchange and interest derivatives with financial institutions in the ordinary course of business.

Other operating expenses include income and costs that cannot be allocated to the core functions of production, administration or selling costs.

Other Operating Income

€ in millions	2002	2001
Gain on reversal of provisions	221	157
Gain on disposal of fixed assets	1,186	911
Exchange rate differences	339	51
Other trade income	125	100
SAB 51 gain	105	184
Gains on deconsolidation	34	674
Miscellaneous	2,423	1,381
Total	**4,433**	**3,458**

The following table provides details of other operating expenses for the periods indicated:

Other Operating Expenses

€ in millions	2002	2001
Addition to provisions	281	314
Loss on disposal of fixed assets	161	59
Exchange rate differences	322	23
Other taxes	24	61
Research and development costs	380	510
Amortization of goodwill (only for 2001)	–	336
Write-down on non-fixed assets	73	40
Miscellaneous	2,984	1,576
Total	**4,225**	**2,919**

The total of other operating expenses includes expenses not related to the financial year amounting to €360 million (2001: €168 million).

In 2002, miscellaneous other operating expenses mainly include losses on the required marking to market of derivatives (€1,020 million), losses from the sale of shareholdings included in other share investments (€372 million) and external consulting costs (€267 million). In addition, other operating expenses include €386 million relating to losses on foreign exchange and interest derivatives that E.ON entered into with financial institutions in the ordinary course of business.

In 2001, miscellaneous other operating expenses resulting from the cancellation of long-term energy contracts amounted to €270 million.

(7) Financial Earnings

The table below provides details of financial earnings for the periods indicated.

During the course of 2002, E.ON Energie wrote down the value of its investment in Bayerische Hypo- und Vereinsbank AG ("Hypo-Vereinsbank"), Munich, Germany, in the amount of €1,854 million. €1,380 million of the write-down was an impairment charge, and €474 million reflected the write-down of securities included in liquid funds. This was to adjust their carrying value to the reduced fair value of the publicly listed shares as of December 31, 2002. The Company does not consider the decline to be temporary. In addition, other securities have also been impaired due to the negative developments in share prices in 2002.

Income from companies accounted for at equity includes €558 million resulting from the sale of Schmalbach-Lubeca by AV Packaging. For further information, please also see Note 4.

Income from companies accounted for at equity includes €173 million resulting from the sale of an investment in Steag Aktiengesellschaft ("Steag") by Gesellschaft für Energiebeteiligungen mbH ("GFE") to RAG Aktiengesellschaft ("RAG"), Essen, Germany.

In accordance with SFAS 142, the Company ceased amortizing goodwill of companies accounted for under the equity method when it adopted this standard as of January 1, 2002 (2001: €153 million). The accumulated amortization as of January 1, 2002, was €526 million. No impairment charges on goodwill of companies accounted for under the equity method were incurred in 2002 (2001: €0 million).

Interest expense is reduced by capitalized interest on debt totalling €34 million (2001: €31 million).

Financial Earnings

€ in millions	2002	2001
Income from companies in which share investments are held; thereof from affiliated companies: 28 (2001: 73)	149	277
Income from profit- and loss-pooling agreements; thereof from affiliated companies: 15 (2001: 0)	34	30
Income from companies accounted for at equity; thereof from affiliated companies: 232 (2001: 0)	1,432	888
Losses from companies accounted for at equity; thereof from affiliated companies: 40 (2001: 0)	98	243
Losses from profit- and loss-pooling agreements; thereof from affiliated companies: 3 (2001: 0)	6	14
Write-down of investments	28	83
Income from share investments	**1,483**	**855**
Income from long-term securities and long-term loans	165	201
Other interest and similar income thereof from affiliated companies: 11 (2001: 16)	839	734
Interest and similar expenses thereof from affiliated companies: 23 (2001: 6)	1,400	1,009
Interest and similar expenses (net)	**−396**	**−74**
Write-down of financial assets and long-term loans	2,374	44
Financial earnings	**−1,287**	**737**

(8) Income Taxes

Income Taxes		
€ in millions	2002	2001
Current taxes		
Domestic corporate income tax	487	57
Domestic trade tax on income	289	97
Foreign income tax	108	221
Other	−10	15
Total	**874**	**390**
Deferred Taxes		
Domestic	−1,441	−123
Foreign	−78	−198
Total	**−1,519**	**−321**
Income taxes	**−645**	**69**

The table at right provides details of income taxes including deferred taxes for the periods indicated.

The German Tax Reduction Act *(Steuersenkungsgesetz)* took effect on January 1, 2001, and replaced the corporate imputation system *(Anrechnungsverfahren)* with a classic corporate tax system *(Halbeinkünfteverfahren).* The 30.0 percent corporate income tax rate on distributed profits and the 40.0 percent corporate income tax rate on non-distributed profits were both reduced to 25.0 percent. The corporate income tax is subject to a solidarity surcharge of 5.5 percent. The trade tax on income is still in effect.

In 2002, the Flood Victims Solidarity Act was enacted. Under this legislation Germany's corporate tax rate is increased to 26.5 percent for 2003 only. Included in the 2002 Consolidated Financial Statements is a deferred tax benefit in the amount of €2 million reflecting the net tax impact of items which are expected to reverse in fiscal year 2003 at the increased rate.

The profits of E.ON Benelux Generation N.V. ("E.ON Benelux"), Voorburg, The Netherlands, E.ON Energie's Dutch subsidiary, were entitled to a tax holiday between 1998 and 2001. Effective January 1, 2002, E.ON Benelux is subject to the ordinary tax rate of 34.5 percent. The revaluation of the assets resulted in the initial recognition of deferred tax assets in the amount of €201 million.

The write-down and the disposal, of certain available-for-sale securities led to reversal effects on deferred taxes accounted for in the other comprehensive income which resulted in a tax benefit of €613 million. After recording an impairment or the disposition of securities, an entity has to recognize in income all deferred taxes included in the other comprehensive income that had previously been booked in the income statement owing to changes to enacted tax laws.

In light of the positive developments in three precedent-setting tax proceedings in the lower German tax courts, the Company released a tax provision in 2001 that had previously been established to account for a probable liability stemming from the profit and loss sharing agreements with former non-profit real estate companies. This reduced German income taxes by €527 million. In December 2002, the federal tax court confirmed the favorable decisions of the lower courts. However, the final tax assessments for E.ON have not yet been made.

A release of valuation allowances related to acquired tax benefits recognized in conjunction with the purchase price allocation of the VEBA-VIAG merger reduced goodwill by €178 million in 2001. These benefits were primarily on corporate and trade tax loss carryforwards.

The differences between the statutory tax rate of 25.0 percent (2001: 25.0 percent) in Germany and the effective tax rate are summarized as follows:

Reconciliation to the Effective Income Taxes/Tax Rate

	2002		2001	
	€ in millions	%	€ in millions	%
Corporate income tax: 25% (2001: 25%)	−176	25.0	672	25.0
Credit for dividend distributions[1]	−183	26.0	–	–
German municipal trade taxes net of federal tax benefit	118	−16.8	208	7.8
Foreign tax rate differentials	−44	6.2	42	1.6
Change in valuation allowances	−83	11.8	−22	−0.8
Changes in tax rate/tax law	−2	0.3	−188	−7.0
Tax effects on				
Tax-free income	−504	71.6	−143	−5.4
Equity accounting	−330	46.9	−208	−7.8
Non-deductible goodwill amortization	717	−101.9	155	5.8
Other permanent differences[2]	−158	22.5	−447	−16.6
Effective income taxes/tax rate	**−645**	**91.6**	**69**	**2.6**

[1]The tax credit resulting from the dividend for the year 2001 is recognized for U.S. GAAP purposes in 2002.
[2]Including the release of tax provisions in the fiscal year 2001, in the amount of €527 million.

Income Taxes from Discontinued Operations

€ in millions	2002	2001
VEBA Oel	5	556
Stinnes	125	89
Degussa operations	59	14
Viterra Energy Services	39	33
VAW	10	74
MEMC	–	−229
Total	**238**	**537**

Income from Continuing Operations before Income Taxes and Minority Interests

€ in millions	2002	2001
Domestic	675	2,156
Foreign	−1,379	528
Total	**−704**	**2,684**

Due to deferred tax benefits, the Company reported a net tax benefit of €645 million in 2002.

The purchase price allocations for Powergen and the acquired operations of TXU Europe result in deferred tax liabilities in the net amount of €28 million.

As discussed in Note 4, the income taxes of discontinued operations—VEBA Oel, Stinnes, VAW, MEMC, and certain Degussa and Viterra operations—are reported separately in E.ON's Consolidated Statements of Income under "Income/(loss) from discontinued operations, net." The table at left provides a breakdown of the tax expenses of discontinued operations in the periods indicated.

Income from continuing operations before income taxes and minority interests was attributable to the following geographic locations in the periods indicated as at left.

Deferred tax assets and liabilities that are mainly of a long-term nature are as follows as of December 31, 2002 and 2001:

Deferred Tax Assets and Liabilities

€ in millions	December 31, 2002	2001
Deferred tax assets		
Intangible assets	31	32
Fixed assets	575	483
Investments and long-term financial assets	231	360
Inventories	48	96
Receivables	110	359
Net operating loss carryforwards and tax credits	1,158	1,331
Accrued liabilities	3,130	2,209
Liabilities	1,343	590
Other	424	908
Subtotal	**7,050**	**6,368**
Valuation allowance	–166	–254
Total	**6,884**	**6,114**
Deferred tax liabilities		
Intangible assets	880	741
Fixed assets	4,577	2,519
Investments and long-term financial assets	532	904
Inventories	31	73
Receivables	1,048	389
Accrued liabilities	729	440
Liabilities	1,753	2,936
Other	454	360
Total	**10,004**	**8,362**
Net deferred tax assets/(liabilities)	**–3,120**	**–2,248**

Net deferred income tax assets and liabilities in the Consolidated Balance Sheets are as at right:

Based on subsidiaries' past performance and expectations of a similar performance in the future, as well as the extended realization period for the temporary differences that gives rise to the deferred tax assets, the taxable income of these subsidiaries will more likely than not be sufficient to recognize fully the net deferred tax asset related to these subsidiaries. A valuation allowance has been provided for that portion of the deferred tax asset for which this criteria has not been met.

Net Deferred Tax Assets and Liabilities

€ in millions	December 31, 2002 Total	December 31, 2002 Thereof non-current	December 31, 2001 Total	December 31, 2001 Thereof non-current
Deferred tax assets	3,208	2,775	2,498	1,628
Valuation allowance	–166	–154	–254	–243
Net deferred tax assets	**3,042**	**2,621**	**2,244**	**1,385**
Less deferred tax liabilities	6,162	5,863	4,492	3,060
Net deferred tax assets/(liabilities)	**–3,120**	**–3,242**	**–2,248**	**–1,675**

The tax loss carryforwards at year end are as at right:

German tax loss carryforwards do not expire. International tax loss carryforwards expire as follows: €104 million in 2003, €162 million between 2004 and 2007, €311 million after 2007. €173 million do not have an expiration date.

No deferred tax liabilities were recorded for the undistributed income of foreign subsidiaries, as this was not practicable. The Company could incur a tax expense in the future if such income is distributed at a later date.

Tax Loss Carryforwards

€ in millions	December 31, 2002	2001
Domestic tax loss carryforwards	5,773	4,497
Foreign tax loss carryforwards	750	1,504
Total	**6,523**	**6,001**

(9) Minority Interests in Net Income

Minority stockholders participate in the profits of the affiliated companies in the amount of €731 million (2001: €490 million) and in the losses in the amount of €94 million (2001: €30 million).

(10) Other Information

The following table provides details of personnel costs for the periods indicated:

Personnel Costs € in millions	2002	2001
Wages and salaries	4,791	4,821
Social security contributions	848	894
Pension costs and other employee benefits; thereof pension costs: 717 (2001: 638)	826	714
Total	**6,465**	**6,429**

In 2002, E.ON purchased 218,305 of its ordinary shares (0.03 percent of E.ON's outstanding ordinary shares) on the stock market (2001: 345,485; 0.05 percent) at an average price of €45.36 (2001: €56.93) per share for resale to employees. These shares were sold to employees at preferential prices between €24.38 and €44.91 per share (2001: between €26.59 and €49.35). The difference between purchase price and resale price was charged to personnel expenses.

Cost of Goods. Cost of goods amounted to €18,287 million in 2002 (2001: €22,524 million).

Stock-based Compensation. As of December 31, 2002, the E.ON Group had two different stock-based compensation plans, including stock appreciation rights ("SARs") based on shares of E.ON AG and Degussa AG, respectively.

The two programs have the following elements in common:

- When exercising SARs, qualified executives receive cash. Possible dilutive effects of capital-related measures and dividend payments between the options' time of issuance and exercise are taken into consideration when calculating such compensation.
- Once issued, SARs are not transferable and may be exercised prematurely only if certain conditions apply when the qualified executive leaves the Group, or according to the SARs' conditions. Otherwise, SARs expire.
- SARs have a limited term. SARs that remain unexercised on the corresponding tranche's last exercise date are considered to have been exercised automatically on that date.

Stock Appreciation Rights of E.ON AG. E.ON AG proceeded with the SAR program that has been in existence since 1999 by issuing a fourth tranche of SARs in 2002. Details of the four tranches are as follows:

Stock Appreciation Rights of E.ON AG	4th tranche	3rd tranche	2nd tranche	1st tranche
Date of issuance	Jan. 2, 2002	Jan. 2, 2001	Jan. 3, 2000	Jan. 2, 1999
Term	7 years	7 years	7 years	5 years
Blackout period	2 years	2 years	2 years	3 years
Price at issuance (in €)	54.95	62.95	48.35	54.67
Number of participants in year of issuance	186	231	155	114
Number of SARs issued (in millions)	1.6	1.8	1.4	1.0
Exercise hurdle (exercise price exceeds the price at issuance by at least %)	10	20	20	
Exercise hurdle (minimum exercise price in €)	60.45	75.54	58.02	
Intrinsic value as of December 31, 2002 (in €)	–16.50	–24.50	–9.90	
Remainder of SARs as of December 31, 2002 (in millions)	1.6	1.3	0.8	
Provision (€ in millions)	–	–	–	

The members of the Board of Management of E.ON AG and certain executives of E.ON AG and its major subsidiaries E.ON Energie, Viterra and Powergen, participate in the E.ON SAR program. Degussa is a German-listed company and conducts its own SAR program.

For the second through fourth tranches of E.ON's SAR program, the amount paid to executives when they exercise their SARs is the difference between the E.ON stock price at the time of exercise and the stock price at issuance multiplied by the number of options exercised. Starting with the fourth tranche, "price at issuance" equals the average XETRA closing quotations for E.ON stock during the December prior to issuance. For tranches two and three, "price at issuance" is the E.ON stock price at the actual time of issuance.

Both of the following two conditions must be met before E.ON SARs may be exercised:

- Between the date of issuance and exercise, the E.ON stock price must outperform the Stoxx Utility Supplier Price Index on at least ten consecutive business days.
- The E.ON stock price on the exercise date must be at least 10.0 percent (for the second and third tranches: at least 20.0 percent) above the price at issuance.

Following the expiration of a blackout period following issuance, qualified executives can exercise all or a portion of the SARs issued to them within predetermined exercise windows, i.e., four weeks after the publication of an E.ON Interim Report or Annual Report in the years after the blackout period of the respective tranche's term. SARs can only be issued if the qualified executive owns a certain minimum number of shares of E.ON stock, which must be held until the issued SARs' expiration date or until they have all been exercised.

In 2002, 0.2 million of second-tranche E.ON SARs were exercized. The gain to the holders on exercise was €2.3 million. At December 31, 2002, provisions with regard to the second through fourth tranche of SARs have not been recorded owing to negative intrinsic values.

All first-tranche SARs were exercised in full in 2002. The holders received total gains of €2.5 million. On exercise of this tranche, the qualified executive received an amount equal to the difference between the price at exercise and an indexed share price multiplied by the number of SARs exercised. The aforementioned exercise price corresponded to the average of XETRA closing quotations for E.ON stock in the last six months prior to exercise. The indexed stock price was calculated by taking the stock price at the date of issuance (€54.67) and multiplying it by the ratio of the average quotation of the Euro Stoxx 50 Performance Index in the six months prior to exercise to the value of the index at the date of issuance (4,376.82 index points).

The E.ON SAR program has shown the following developments since 1999. Changes in the scope of consolidation are mainly related to the disposal of VEBA Oel in 2002.

Development of the SAR Program of E.ON AG

Number of options	4th tranche	3rd tranche	2nd tranche	1st tranche
Outstanding as of January 1, 1999	**–**	**–**	**–**	**–**
Granted in 1999	–	–	–	1,037,000
Exercised in 1999	–	–	–	–
Cancelled in 1999	–	–	–	–
Outstanding as of December 31, 1999	**–**	**–**	**–**	**1,037,000**
Granted in 2000	–	–	1,461,800	–
Exercised in 2000	–	–	–	–
Cancelled in 2000	–	–	18,000	77,700
Outstanding as of December 31, 2000	**–**	**–**	**1,443,800**	**959,300**
Granted in 2001	–	1,822,620	–	–
Exercised in 2001	–	–	36,000	–
Cancelled in 2001	–	–	63,000	5,500
Outstanding as of December 31, 2001	**–**	**1,822,620**	**1,344,800**	**953,800**
Granted in 2002	1,646,419	–	–	–
Exercised in 2002	–	–	220,150	640,200
Cancelled in 2002	–	–	–	–
Change in Scope of Consolidation	–	504,720	301,000	313,600
Outstanding as of December 31, 2002	**1,646,419**	**1,317,900**	**823,650**	**–**
SARs exercisable at year end	–	–	–	–

Stock Appreciation Rights of Degussa AG. Degussa proceeded with the SAR program it initiated in 2001 by issuing a second tranche in 2002. Degussa's SAR program is substantially similar to the second through fourth tranches of the E.ON SAR program.

Details of these two tranches are as follows:

Stock Appreciation Rights of Degussa AG	2nd tranche	1st tranche
Date of issuance	Jan. 2, 2002	Feb. 9, 2001
Term	7 years	7 years
Blackout period	2 years	2 years
Price at issuance (in €)	28.95	33.40
Number of participants in year of issuance	227	153
Number of SARs issued (in millions)	1.5	0.9
Exercise hurdle (exercise price exceeds the price at issuance by at least %)	20	20
Exercise hurdle (minimum exercise price in €)	34.74	40.08
Intrinsic value as of December 31, 2002 (in €)	–4.95	–9.40
Remainder of SARs as of December 31, 2002 (in millions)	1.5	0.9
Provisions (€ in millions)	–	–

The members of the Board of Management of Degussa AG and certain executives of Degussa AG and its major subsidiaries participate in the Degussa SAR program.

On exercise of Degussa SARs, the qualified executive receives an amount equal to the difference between the Degussa stock price at the time of exercise and its price at issuance multiplied by the number of SARs exercised. The price at issuance is the XETRA closing quotation of Degussa stock at the day of issuance (for the first tranche: the arithmetic mean of the XETRA closing quotations for the period from August 9, 2000, through February 9, 2001).

Both of the following two conditions must be met before Degussa SARs may be exercised:

- Between the date of issuance and exercise, Degussa stock must outperform the Degussa Stock Option Specialty Chemicals Index, which comprises eight leading European specialty chemicals enterprises, for a period of at least ten consecutive business days.
- Degussa's share price at the time of exercise must be at least 20.0 percent higher than the price at issuance.

Degussa SARs have a term of seven years and may be exercised after a two-year blackout period in full or in part within predetermined exercise windows, in each case four weeks after the publication of a Degussa Interim Report or Annual Report. SARs can only be issued if the qualified executive owns a certain minimum number of shares of Degussa stock, which must be held until the issued SARs' expiration date or until they have all been exercised.

As of December 31, 2002, provisions with regard to both tranches have not been recorded due to negative intrinsic values.

The development of Degussa's SAR program since 2001 are shown at left:

Development of the SAR Program of Degussa AG Number of options	2nd tranche	1st tranche
Outstanding as of January 1, 2001	**–**	**–**
Granted in 2001	–	931,400
Exercised in 2001	–	–
Cancelled in 2001	–	–
Outstanding as of December 31, 2001	**–**	**931,400**
Granted in 2002	1,496,566	59,000
Exercised in 2002	–	–
Cancelled in 2002	–	72,000
Outstanding as of December 31, 2002	**1,496,566**	**918,400**
SARs exercisable at year end	–	–

Employees. During 2002, the Company, excluding operations classified as discontinued, employed an average of 104,433 people, including 4,481 trainees and interns. The breakdown by segments is shown at right.

Employees	2002	2001
E.ON Energie	42,627	38,796
Powergen	10,611	–
Chemicals	47,917	54,092
Real Estate	2,658	2,182
Other	620	10,594
Total	**104,433**	**105,664**

Taxes other than Income Taxes. Taxes other than income taxes totaled €55 million in 2002 (2001: €35 million), and were comprised principally of property tax and real estate transfer tax.

Corporate Governance Code. On December 19, 2002, the Board of Management and Supervisory Board of E.ON AG made a declaration pursuant to §161 AktG in connection with §15 EGAktG. The declaration was made publicly accessible on E.ON's website (www.eon.com). Additionally, Boards of Management and Supervisory Boards of the following, stock-listed, companies of the E.ON-Group made similar declarations and published these on their websites:

- Degussa AG, December 10, 2002: www.degussa.com
- E.ON Bayern AG ("E.ON Bayern"), Regensburg, Germany, December 20, 2002: www.eon-bayern.com
- Gelsenwasser AG ("Gelsenwasser"), Gelsenkirchen, Germany, December 20, 2002: www.gelsenwasser.de
- Thüga Aktiengesellschaft, December 23, 2002: www.thuega.de.

In December 2002, the Board of Management and Supervisory Board of Contigas Deutsche Energie-AG ("Contigas"), Munich, Germany, also made a corporate governance declaration and published it in the *Handelsblatt*, a German financial daily, on December 30, 2002, and in the *Bundesanzeiger*, a German newspaper, on December 31, 2002.

(11) Earnings per Share

The computation of basic and diluted earnings per share for the periods indicated are shown at right:

There are no potentially dilutive shares outstanding and, as such, basic and diluted earnings per share are identical.

Earnings per Share € in millions	2002	2001
Income/(loss) from continuing operations	–696	2,155
Income/(loss) from discontinued operations	3,282	–81
Income/(loss) from cumulative effect of changes in accounting principles, net	191	–26
Net income	**2,777**	**2,048**
Weighted-average number of shares outstanding (in millions)	652	674
Earnings per share (in €)		
from continuing operations	–1.06	3.19
from discontinued operations	5.03	–0.12
from cumulative effect of changes in accounting principles, net	0.29	–0.04
from net income	**4.26**	**3.03**

(12) Fixed assets

The following table provides information about the developments of fixed assets during the fiscal year:

Fixed Assets							
	Acquisition and production costs						
€ in millions	January 1, 2002	Exhange rate differences	Change in scope of consolidation	Additions	Disposals	Transfers	December 31, 2002
Goodwill	7,436	−294	9,499	1,006	48	62	17,661
Intangible assets	5,581	−41	−106	106	106	−54	5,380
Advance payments on intangible assets	25	−1	−25	7	–	5	11
Goodwill and intangible assets	**13,042**	**−336**	**9,368**	**1,119**	**154**	**13**	**23,052**
Real estate, leasehold rights and buildings	20,422	−105	1,519	363	669	138	21,668
Technical equipment, plant and machinery	51,884	−589	14,055	1,487	1,258	1,102	66,681
Other equipment, fixtures, furniture and office equipment	3,525	−66	311	315	197	27	3,915
Advance payments and construction in progress	1,835	−43	278	1,218	68	−1,280	1,940
Tangible assets	**77,666**	**−803**	**16,163**	**3,383**	**2,192**	**−13**	**94,204**
Shares in unconsolidated affiliates	1,239	−6	−24	425	949	79	764
Shares in associated companies	7,377	−18	−817	2,616	1,441	−14	7,703
Other share investments	2,615	−24	188	4,269	871	−530	5,647
Long-term loans to unconsolidated affiliates	113	–	474	104	91	−11	589
Loans to associated companies and other share investments	846	3	−81	232	346	−172	482
Loans related to banking operations	708	–	−708	–	–	–	–
Other long-term loans	1,175	3	−115	88	782	642	1,011
Long-term securities	4,165	−1	67	1,256	2,977	429	2,939
Financial assets	**18,238**	**−43**	**−1,016**	**8,990**	**7,457**	**423**	**19,135**
Total	**108,946**	**−1,182**	**24,515**	**13,492**	**9,803**	**423**	**136,391**

a) Goodwill and Intangible Assets

The Company adopted SFAS 141 as of July 1, 2001, and SFAS 142 as of January 1, 2002. In accordance with these standards, the Company ceased amortizing goodwill as of January 1, 2002. The carrying amount of goodwill as of January 1, 2002, was €7,617 million, of which €1,534 million related to companies accounted for under the equity method. The carrying amount of negative goodwill upon adoption, which in accordance with SFAS 142 was recognized in income, was €191 million. This amount is reported under ”Cumulative effect of changes in accounting principles, net” in the Consolidated Statements of Income.

During the first quarter of 2002, the Company reassessed the useful lives of all previously acquired intangible assets. As a result, the Company ceased amortization of certain intangible assets that it determined to have indefinite lives. These intangible assets had a total carrying value of €488 million as of January 1, 2002. Of this total, the largest single item was E.ON Energie's rights of way for power lines in the amount of €428 million.

In addition, the Company reassessed the useful lives of certain intangible assets with finite lives. The main result of this reassessment was that the Company changed the estimate of the useful life of the concession for the utilization of water power from the Rhine-Main-Danube waterway from 40 to 49 years, reflecting the remaining term of the concession. The carrying value of this asset as of January 1, 2002, was €770 million.

Accumulated depreciation									Net book values	
January 1, 2002	Exhange rate differences	Change in scope of consolidation	Additions	Disposals	Transfers	Reversal of write-downs	Fair value adjustments OCI	December 31, 2002	December 31, 2002	December 31, 2001
1,353	–10	–565	2,391	24	4	–	–	3,149	14,512	6,083
1,229	–9	–607	289	46	3	–	–	859	4,521	4,352
2	–	–2	1	–	3	–	–	4	7	23
2,584	**–19**	**–1,174**	**2,681**	**70**	**10**	**–**	**–**	**4,012**	**19,040**	**10,458**
6,655	–44	906	442	307	–4	–	–	7,648	14,020	13,767
34,105	–370	7,205	1,907	1,093	8	–	–	41,762	24,919	17,779
2,598	–29	156	249	171	–13	–	–	2,790	1,125	927
22	–	–7	3	1	–2	–	–	15	1,925	1,813
43,380	**–443**	**8,260**	**2,601**	**1,572**	**–11**	**–**	**–**	**52,215**	**41,989**	**34,286**
121	–2	2	22	14	–3	–	1	127	637	1,118
548	3	7	35	47	–4	17	1	526	7,177	6,829
458	–	–38	11	661	2	–	285	57	5,590	2,157
1	–	–1	1	–	–	–	–	1	588	112
23	–	4	12	–	–	18	–	21	461	823
–	–	–	–	–	–	–	–	–	–	708
20	–	–8	1	1	–	–	–	12	999	1,155
1,770	–	–51	1,477	421	–	–	–1,355	1,420	1,519	2,395
2,941	**1**	**–85**	**1,559**	**1,144**	**–5**	**35**	**–1,068**	**2,164**	**16,971**	**15,297**
48,905	**–461**	**7,001**	**6,841**	**2,786**	**–6**	**35**	**–1,068**	**58,391**	**78,000**	**60,041**

By adopting SFAS 142, the Company also had to reclassify as goodwill any intangible assets that were acquired in business combinations completed before July 1, 2001, that do not meet the criteria for recognition apart from goodwill under SFAS 141. Any intangible asset acquired that meets the criteria but had been included in the amount reported as goodwill must be reclassified and accounted for as an asset apart from goodwill. Application of these standards resulted in reclassifications from intangible assets to goodwill in the amount of €24 million as of January 1, 2002.

The Company was also required to perform a transitional goodwill impairment test for all reporting units as of January 1, 2002, the date of adoption. For purposes of testing goodwill impairment, the Company identified its reporting units as one level below its reportable segments (as reported in Note 31). E.ON calculated the carrying value of each reporting unit, which represents the assets (including goodwill) and liabilities allocated to each reporting unit. E.ON also determined the fair value of each reporting unit. As the fair value of each reporting unit exceeded the carrying value, no goodwill impairment charge was recognized as of the date of adoption.

The following table presents an estimate of the impact of the Company's adoption of SFAS 142 as of January 1, 2002 on net income and earnings per share as if the accounting standard had been in effect for the fiscal year ending December 31, 2001:

Impact on transition of SFAS 142

€ in millions	2002	2001
Net income—as reported in the Consolidated Statements of Income	**2,777**	**2,048**
Adjustments:		
Amortization of goodwill (including goodwill of companies accounted for at equity)	–	628
Amortization of intangible assets with indefinite lives	–	10
Differences in amortization due to the extension of useful lives	–	14
Differences due to reclassifications of intangible assets and goodwill	–	7
Total adjustments	**–**	**659**
Income tax effect	–	–12
Minority interests	–	–125
Net adjustments	**–**	**522**
Net income—adjusted	**2,777**	**2,570**
Basic earnings per share—in €	4.26	3.03
Basic earnings per share—adjusted in €	4.26	3.81
Diluted earnings per share—in €	4.26	3.03
Diluted earnings per share—adjusted in €	4.26	3.81

Goodwill Impairment. The Company consolidated Powergen effective as of July 1, 2002. The purchase price was fixed in April 2001 when the Company made its takeover offer for Powergen. Since that time, the market environment for Powergen's U.K. and U.S. business units changed significantly: Wholesale electricity prices declined by approximately 25 percent in the U.K., and earnings at Powergen's non-utility operations in the U.S. were down owing to lower prices and higher fuel costs. Additionally, Powergen's subsidiary LG&E Energy Corp. ("LG&E"), Louisville/Kentucky, U.S., has natural gas operations in Argentina. The continuing economic crisis in the country led to a substantial devaluation of the peso and negative economic growth economy. For these reasons, the Company tested Powergen's reporting units for impairment in the third quarter of 2002.

To test for impairment, the Company determined the fair value of these reporting units by means of a valuation model that is derived from an existing mid-term planning package which the Company uses for internal reporting purposes. The model uses the discounted cash flow method and the market comparable method. The impairment test resulted in a total goodwill impairment charge for Powergen's reporting units in the amount of €2.4 billion.

The Company will perform its required annual impairment review for its reporting units in the fourth quarter of each year.

The carrying amount of goodwill had the following changes in 2002 in each of E.ON's segments:

Changes in Goodwill per Segment

€ in millions	E.ON Energie	Powergen	Chemicals	Real Estate	Other/ Consolida-tion	Total
Book value as of January 1, 2002	**1,384**	**–**	**3,043**	**58**	**1,598**	**6,083**
Goodwill additions	1,581	11,323	–195	–41	–1,598	11,070
Goodwill impairment	–	2,391	–	–	–	2,391
Other changes[1]	–7	–279	36	–	–	–250
Book value as of December 31, 2002	**2,958**	**8,653**	**2,884**	**17**	**–**	**14,512**

[1]Other changes include transfers and exchange rate differences.

During 2002, the Company acquired the following intangible assets:

Acquired Intangible Assets in 2002

	Acquisition costs (€ in millions)	Weighted average amortization period (in years)
Intangible assets subject to amortization		
Marketing-related intangible assets	**196**	**10**
thereof Brand name Powergen	185	10
Customer-related intangible assets	**1,240**	**11**
thereof Customer List	1,053	10
Non-contractual customer relationships	59	26
Contract-based intangible assets	**155**	**13**
thereof Operating permits	68	21
Licenses	62	4
Technology-based intangible assets	**10**	**10**
Intangible assets not subject to amortization	**77**	**–**
thereof Electricity licences	32	–
Rights of way	19	–
Total	**1,678**	**–**

The table above includes all intangible assets that were acquired either individually or in a business combination in 2002.

As of December 31, 2002, the Company's intangible assets, including advance payments on intangible assets, and related accumulated amortization consist of the following:

Intangible Assets

	December 31, 2002		
€ in millions	Acquisition costs	Accumulated amortization	Net book value
Intangible assets subject to amortization			
Marketing-related intangible assets	**421**	**58**	**363**
thereof Brand names	373	40	333
Customer-related intangible assets	**1,853**	**142**	**1,711**
thereof Customer Lists	1,757	135	1,622
Contract-based intangible assets	**1,753**	**505**	**1,248**
thereof Operating permits	1,127	245	882
Licenses	326	183	143
Technology-based intangible assets	**799**	**158**	**641**
thereof Patented technology	449	118	331
Unpatented technology	318	27	291
Intangible assets not subject to amortization	**565**	**–**	**565**
thereof Rights of way	447	–	447
Brand name	34	–	34
Total	**5,391**	**863**	**4,528**

In 2002, the Company recorded an aggregate amortization expense of €290 million on its intangible assets.

No impairment charges on intangible assets other than goodwill were incurred in 2002 (2001: €0 million).

Based on the current amount of intangible assets subject to amortization, estimated amortization expenses for each of the five succeeding fiscal years are as follows:

Estimated Aggregated Amortization Expense	
€ in millions	
2003	372
2004	342
2005	320
2006	305
2007	292
Total	**1,631**

As acquisitions and dispositions occur in the future, actual amounts will vary.

b) Property, plant and equipment

Property, plant and equipment includes the capitalized interest on debt apportioned to the construction period of qualifying assets as part of their cost of acquisition and production in the amount of €34 million (2001: €31 million). Impairment charges on property, plant and equipment were €28 million (2001: €7 million).

Restrictions on disposals of the Company’s tangible fixed assets exist in the amount of €6,321 million (2001: €1,723 million) mainly with regard to technical equipment and land. For additional information on collateralized tangible fixed assets, see Note 25.

c) Financial Assets

As of December 31, 2002, €16,971 million of financial assets mature after more than one year (2001: €14,917 million). Impairment charges on financial assets during 2002 amounted to €1,493 million (2001: €50 million). For further information, see Note 7.

In 2002, additions to other share investments primarily reflected the acquisition of 38.5 percent of the shares of Ruhrgas AG (”Ruhrgas”), Essen, Germany, for a sales price of approximately €3.8 billion. For further information, see Note 33.

In 2002, decreases in the net book value of long-term securities are related to the write-down of the value of the Company’s Hypo-Vereinsbank shares as well as other share investments as described in Note 7.

Included in loans to related parties is a subordinated euro-denominated loan to Connect Austria Gesellschaft für Telekommunikation Ges.m.b.H. (”Connect Austria”), Vienna, Austria, of €457 million. Interest income recognized on this loan amounted to €20 million in 2002. In addition to the amounts loaned, E.ON has issued a guarantee to a bank consortium to provide certain financial support in the event that Connect Austria is unable to comply with specified debt covenants. The total maximum obligation of E.ON under this agreement is €194 million.

Shares in affiliated and associated companies accounted for under the equity method. The financial information at right summarizes income statement and balance sheet data for the investments of the Company's affiliated and associated companies that are accounted for under the equity method.

Dividends received from affiliated and associated companies accounted for under the equity method were €1,017 million in 2002 (2001: €593 million).

The increase in income in those companies in 2002 as compared to 2001 primarily reflects the gain from the sale of Schmalbach-Lubeca by AV Packaging.

Additions of investments in associated and affiliated companies that are accounted for under the equity method, resulted in goodwill of €378 million in 2002 (2001: €469 million).

Earnings Data from Companies Accounted for at Equity

€ in millions	2002	2001
Sales	46,556	34,466
Net income/(loss)	3,268	1,115
E.ON's share of net income/(loss)	1,461	469
Other[1]	–127	176
Income from companies accounted for at equity	**1,334**	**645**

[1]Other primarily includes adjustments to conform with E.ON accounting policies as well as goodwill/negative goodwill amortization for 2001.

Balance Sheet Data from Companies Accounted for at Equity

€ in millions	December 31, 2002	December 31, 2001
Fixed assets	40,615	38,114
Current assets and prepaid expenses	25,892	23,186
Accruals	20,876	22,347
Liabilities and deferred income	29,403	22,470
Net assets	**16,228**	**16,483**
E.ON's share in equity	5,615	6,366
Other[1]	1,656	1,130
Investment in companies accounted for at equity	**7,271**	**7,496**

[1]Other primarily includes adjustments to conform with E.ON accounting policies as well as goodwill/negative goodwill (goodwill and fair value adjustments are to purchase price allocations).

Securities Available-for-Sale. The amortized costs, fair values, and gross unrealized gains and losses for securities available-for-sale and maturities of fixed-term securities as of December 31, 2002 and 2001, are summarized as below.

In 2002, the amortized costs were written down in the amount of €1,480 million (2001: €0 million).

Disposal of securities available-for-sale generated proceeds in the amount of €791 million in 2002 (2001: €621 million) and a net capital gain in the amount of €24 million (2001: €85 million). The Company uses the specific identification method as a basis for determining these amounts.

Non-fixed-term securities include non-marketable securities or investments of €5,921 million.

Securities Available for Sale

	December 31, 2002				December 31, 2001			
€ in millions	Amortized cost	Fair value	Gross unrealized loss	Gross unrealized gain	Amortized cost	Fair value	Gross unrealized loss	Gross unrealized gain
Fixed-term securities								
Less than 1 year	3	3	–	–	379	380	–	1
Between 1 and 5 years	206	207	–	1	313	370	–	57
More than 5 years	108	103	6	1	114	121	–	7
Subtotal	**317**	**313**	**6**	**2**	**806**	**871**	**–**	**65**
Non-fixed-term securities	**6,567**	**6,796**	**–**	**229**	**5,302**	**3,682**	**1,707**	**87**
Total	**6,884**	**7,109**	**6**	**231**	**6,108**	**4,553**	**1,707**	**152**

Long-term loans. Long-term loans were as follows as of December 31, 2002 and 2001:

Loans

	December 31, 2002			December 31, 2001		
	€ in millions	Interest rate up to	Maturity through	€ in millions	Interest rate up to	Maturity through
Loans to affiliated companies	588	3.90%	2015	112	8.00%	2015
Loans to associated companies and other share investments	461	4.60%	2007	823	12.50%	2007
Loans related to banking operations	–	–	–	708	5.60%	2007
Other loans	999	9.00%	2010	1,155	9.00%	2010
Total	**2,048**			**2,798**		

(13) Inventories

The following table provides details of inventories as at the dates indicated:

Inventories

€ in millions	December 31, 2002	2001
Raw materials and supplies by segment		
E.ON Energie	1,058	955
Powergen	439	–
Chemicals	480	585
Real Estate	115	133
Other/Consolidation[1]	–18	234
Total	**2,074**	**1,907**
Work in progress	**463**	**649**
Finished products by segment		
E.ON Energie	10	82
Powergen	–	–
Chemicals	924	1,138
Real Estate	163	140
Other/Consolidation[1]	–	235
Total	**1,097**	**1,595**
Goods purchased for sale	**206**	**846**
Inventories	**3,840**	**4,997**

[1]Inventories related to discontinued operations have been reclassified to Other/Consolidation for the year 2001.

Inventories in the amount of €102 million in 2002 (2001: €641 million) are valued according to the LIFO method, and the remaining inventories are valued at average cost or other admissible methods. The difference between valuation according to LIFO and higher replacement costs is €4 million in 2002 (2001: €121 million).

(14) Receivables and Other Assets

The following table provides details of receivables and other assets as at the dates indicated:

As of December 31, 2002, accounts receivable and other assets in the amount of €3,949 million (2001: €4,051 million) are interest-bearing.

In 2002, other financial assets include clearing accounts with minority owners of nuclear power plants of €683 million and margin account deposits receivable of €342 million.

The reinsurance claim due from the Versorgungskasse Energie Mutual Insurance Fund results from pension obligations payable to E.ON Energie employees. The claims of these employees at the point of retirement are covered to a certain extent by insurance contracts made with the above mutual insurance fund.

Other operating assets include a prepayment of €1.9 billion made related to the Ruhrgas acquisition which is further described in Note 33.

Other operating assets also include tax refund claims of €1,803 million (2001: €1,757 million), financial derivative assets of €1,743 million (2001: €819 million), receivables related to E.ON Benelux's cross-border lease transactions for power stations amounting to €1,235 (2001: €1,470 million), other acquisition and disposition-related receivables of €431 million (2001: €337 million) and accrued interest receivable of €299 million (2001: €78 million).

Receivables and Other Assets

€ in millions	December 31, 2002 With a remaining term up to 1 year	December 31, 2002 With a remaining term of more than 1 year	December 31, 2001 With a remaining term up to 1 year	December 31, 2001 With a remaining term of more than 1 year
Financial receivables from affiliated companies	331	5	13	1
Financial receivables from associated companies	259	1	860	8
Other financial assets	1,194	57	90	472
Financial receivables and other financial assets	**1,784**	**63**	**963**	**481**
Trade receivables	6,805	55	9,218	112
Operating receivables from affiliated companies	40	–	362	24
Operating receivables from associated companies and other share investments	406	–	598	5
Reinsurance claim due from Versorgungskasse Energie (mutual insurance fund)	32	700	19	619
Receivables from banking operations	–	–	165	–
Other operating assets	8,921	50	4,454	1,749
Operating receivables and other operating assets	**16,204**	**805**	**14,816**	**2,509**
Receivables and other assets	**17,988**	**868**	**15,779**	**2,990**

Valuation Allowances for Doubtful Accounts. The valuation allowances for doubtful accounts comprise the following:

Valuation Allowances for Doubtful Accounts

€ in millions	2002	2001
January 1	**486**	**579**
Changes affecting income	–1	316
Changes not affecting income	–273	–409
Dezember 31	**212**	**486**

(15) Liquid Funds

The following table provides details of liquid funds:

Liquid Funds

€ in millions	December 31, 2002	2001
Cash and cash equivalents with an original maturity of 3 months or less	1,268	4,036
Securities with an original maturity of 3 months or less	74	203
Cash and cash equivalents	**1,342**	**4,239**
Other liquid funds with an original maturity greater than 3 months	49	44
Securities with an original maturity greater than 3 months	6,994	7,861
Securities available for sale	**7,043**	**7,905**
Total	**8,385**	**12,144**

Cash and cash equivalents include checks, cash on hand, balances in Bundesbank accounts and at other banking institutions.

Securities available-for-sale that management does not intend to hold long-term are classified as liquid funds.

The securities' amortized costs, fair values, gross unrealised gains and losses, as well as the maturities of fixed-term securities available-for-sale as of the dates indicated were as follows:

Securities Available for Sale

	December 31, 2002				December 31, 2001			
€ in millions	Amortized cost	Fair value	Gross unrealized loss	Gross unrealized gain	Amortized cost	Fair value	Gross unrealized loss	Gross unrealized gain
Fixed-term securities								
Less than 1 year	876	884	2	10	1,583	1,622	–	39
Between 1 and 5 years	3,315	3,216	122	23	759	787	–	28
More than 5 years	450	1,093	3	646	706	924	1	219
Subtotal	**4,641**	**5,193**	**127**	**679**	**3,048**	**3,333**	**1**	**286**
Non-fixed-term securities	**2,330**	**1,875**	**579**	**124**	**4,858**	**4,731**	**304**	**177**
Total	**6,971**	**7,068**	**706**	**803**	**7,906**	**8,064**	**305**	**463**

In 2002, the amortized costs were written down in the amount of €883 million (2001: €44 million).

The disposal of securities available-for-sale that management does not intend to hold long-term generated proceeds in the amount of €1,304 million (2001: €3,572 million). Realized gains from such disposals in an amount of €13 million (2001: €140 million; realized losses) were recorded in 2002. E.ON uses the specific identification method as a basis for determining cost and calculating realized gains and losses on such disposals.

Non-fixed-term securities include non-marketable securities or investments of €12 million.

(16) Prepaid Expenses and Deferred Income

As in prior years, prepaid expenses in the amount of €53 million (2001: €373 million) mature within one year. Deferred income totaled €1,055 million in 2002 (2001: €816 million), of which €12 million (2001: €474 million) matures within one year.

(17) Capital Stock

The Company's authorized capital stock of €1,799,200,000 consists of 692,000,000 ordinary shares issued without nominal value. The number of outstanding shares as of December 31, 2002, totaled 652,341,876 (2001: 652,079,965).

Pursuant to shareholder resolutions approved at the annual general meeting of shareholders held on May 28, 2002, the Board of Management is authorized to buy back up to 10.0 percent of E.ON AG's outstanding share capital through October 31, 2003. Please see Note 21 for further information on treasury stock.

As of December 31, 2002, E.ON AG held a total of 4,407,169 (2001: 4,669,080) treasury shares in the amount of €259 million (equivalent to 0.6 percent or €11,458,639 of the capital stock). During 2002, the company purchased 241,523 (2001: 61,063,908) shares on the market and sold 503,434 (2001: 361,932) shares to employees at preferential prices. Please refer to Note 10 for further information on stock-based compensation.

An additional 35,250,955 shares of E.ON AG are held by its subsidiaries due to the VEBA-VIAG merger. These shares were acquired and considered treasury shares with no purchase price allocated to them.

Authorized Capital. At the annual general meeting of shareholders on May 25, 2000, the Board of Management was authorized to increase the Company's capital stock by a maximum of €180 million ("Authorized Capital I") through the issuance of new shares in return for cash contributions (with the opportunity to exclude shareholders' subscription rights) as well as to increase the Company's capital stock by a maximum of €180 million ("Authorized Capital II") through the issuance of new shares in return for contributions in kind (with the exclusion of shareholders' subscription rights). Following a capital increase in 2000, Authorized Capital II now amounts to €150.4 million.

In addition, the Board of Management was authorized to increase the Company's capital stock by a maximum of €180 million ("Authorized Capital III") through the issuance of new shares in return for cash contributions. Subject to the Supervisory Board's approval, the Board of Management is authorized to exclude shareholders' subscription rights.

All three capital increases are authorized until May 25, 2005.

Furthermore, conditional capital (with the opportunity to exclude shareholders' subscription rights) in the amount of €75.0 million was authorized until May 25, 2005, to issue bonds with conversion or option rights for E.ON shares. Such bonds may be issued also by companies in which E.ON directly or indirectly holds a majority stake.

Disclosure requirements in conjunction with Germany's Securities Trading Act. On April 5, 2002, Allianz AG, Munich, Germany, informed E.ON that pursuant to Art. 41, Par. 2, Sent. 1 of Germany's Securities Trading Act ("WpHG") it holds 7.64 percent of E.ON's voting rights as of April 1, 2002. Of this total Allianz holds 7.57 percent pursuant to Art. 22, Par. 1, Sent. 1, No. 1 of the WpHG, and 0.06 percent pursuant to Art. 22, Par. 1, Sent. 1, No. 6 of the WpHG.

In addition, pursuant to Art. 21, Par. 1 of the WpHG, the Free State of Bavaria informed E.ON on July 20, 2001 that its share of E.ON's voting rights fell below 5.0 percent as of July 16, 2001. With E.ON's repurchase of 7.4 percent of its own shares taken into account, the Free State of Bavaria now holds 4.86 percent of E.ON's voting rights.

(18) Additional Paid-in Capital

Additional paid-in capital results exclusively from share issuance premiums. As of December 31, 2002, the additional paid-in capital totals €11,402 million (2001: €11,402 million).

(19) Retained Earnings

The following table provides details of retained earnings:

Retained Earnings	December 31,	
€ in millions	2002	2001
Legal reserves	45	45
Other retained earnings	13,427	11,750
Total	**13,472**	**11,795**

(20) Other Comprehensive Income

The changes in the components of other comprehensive income and the related tax effects are as follows:

Changes in Other Comprehensive Income	December 31, 2002			December 31, 2001		
€ in millions	Before tax	Tax benefit/ (expense)	Net-of-tax	Before tax	Tax benefit/ (expense)	Net-of-tax
Currency translation adjustments	-438	-55	-493	-39	–	-39
Plus/(less): reclassification adjustment affecting income	-125	–	-125	-36	–	-36
Unrealized holding gains/(losses) arising during period	-514	-20	-534	-1,766	983	-783
Plus/(less): reclassification adjustment affecting income	1,355	-559	796	63	-35	28
Additional minimum pension liability	-116	35	-81	-381	136	-245
Cash flow hedges	-129	65	-64	-67	16	-51
Total	**33**	**-534**	**-501**	**-2,226**	**1,100**	**-1,126**

(21) Treasury Stock Repurchase Program

As of October 31, 2001, the Company had repurchased on market 76,329,887 Ordinary Shares at an average price of €58.69 per share, representing 10.0 percent of E.ON's total share capital. As of November 13, 2001, E.ON's Board of Management decided to cancel 71,298,875 Ordinary Shares. This decision was approved by the Supervisory Board on December 12, 2001. The Board of Management was authorized, with the approval of the Supervisory Board, to cancel the repurchased shares, without seeking further approval by the general meeting of shareholders. The remaining repurchased shares are used for compensation to employees under various incentive plans. These amendments of the by-laws were entered into the Commercial Register of the Düsseldorf District Court (HRB 22 315) on December 27, 2001.

(22) Minority Interests

Minority interests are attributable to the following segments:

Minority Interests	December 31,	
€ in millions	2002	2001
E.ON Energie	3,906	3,629
Powergen	139	–
Chemicals	2,071	2,172
Real Estate	366	14
Other/Consolidation	29	547
Total	**6,511**	**6,362**

(23) Provisions for Pensions

E.ON and its subsidiaries maintain defined contribution plans, as well as defined benefit pension plans, a small number of which are part of multi-employer pension plans. Pension benefits are primarily based on compensation and years of service. Most Germany-based employees who joined the Company prior to 1999 participate in a final pay arrangement, under which their retirement benefits depend on their final salary (averaged over the last years of employment) and on years of service. Most employees who joined the Company in or after 1999 are enrolled in a cash balance plan, under which notional contributions based on current earnings are actuarially converted into pension units. To fund these defined benefit plans, the Company sets aside notional contributions and/or accumulates plan assets. For employees in defined contribution pension plans, under which the Company pays fixed contributions to an outside insurer or pension fund, the amount of the benefit depends on the value of each employee's individual pension claim at the time of his or her retirement from the Company.

The liabilities arising from the pension plans and their respective costs are determined using the projected unit credit method in accordance with SFAS 87. The valuation is based on current pensions and earnings and on economic assumptions that have been chosen in order to reflect realistic expectations. In addition, the obligations arising primarily at U.S. companies from health care and other postretirement benefits for certain employees are calculated in accordance with SFAS 106.

The changes in the projected benefit obligation ("PBO"), of which €296 million (2001: €78 million) is related to health care and other benefits, is shown below. The acquisition of Powergen, which resulted in the addition of €5,684 million in related obligations, is mainly responsible for the change shown as "Change in scope of consolidation" in 2002:

Changes in Projected Benefit Obligations		
€ in millions	2002	2001
Balance as of January 1	**10,643**	**10,084**
Service cost	187	169
Interest cost	694	599
Change in scope of consolidation	4,982	–248
Prior service cost	21	27
Actuarial (gains)/losses	170	553
Exchange rate differences	–157	35
Other	–54	8
Pensions paid	–670	–584
Balance as of December 31	**15,816**	**10,643**

The amount shown for 2001 was not adjusted for discontinued operations in order to maintain comparability. Accordingly, an adjustment was made to net periodic pension costs.

Changes in Plan Assets		
€ in millions	2002	2001
Balance as of January 1	**1,183**	**977**
Actual return on plan assets	-408	-33
Company contributions	68	20
Employees contributions	11	4
Change in scope of consolidation	4,908	237
Exchange rate differences	-89	33
Pensions paid	-203	-72
Other	7	17
Balance as of December 31	**5,477**	**1,183**

The changes in plan assets, which do not include any shares in E.ON Group companies, are shown at left. The acquisition of Powergen, which resulted in the addition of €4,942 million in related assets, is mainly responsible for the amount shown as "Change in scope of consolidation" in 2002.

Provision for Pensions		
	December 31,	
€ in millions	2002	2001
Funded status	10,339	9,460
Unrecognized actuarial loss	-1,883	-1,324
Unrecognized prior service cost	-72	-68
Unfunded accrued benefit cost	**8,384**	**8,068**
Additional minimum liability	779	680
Provisions for pensions	**9,163**	**8,748**

The funded status—the difference between the PBO and the plan assets—including the reconciliation to the provisions shown on the balance sheet is as at left.

An additional minimum liability is accounted for as an intangible asset in the amount of €70 million as of December 31, 2002 (2001: €58 million). The remaining additional minimum liability in the amount of €709 million (2001: €622 million) is charged against stockholders' equity.

Actuarial gains and losses result from variations in valuation assumptions, differences between the estimated and actual changes in plan assets as well as liabilities and are recognized as provisions for pensions on a delayed basis and amortized over the remaining period.

Provisions for pensions shown on the balance sheet as of December 31, 2002, also include obligations of U.S. companies arising from postretirement health care benefits in the amount of €245 million (2001: €72 million).

Based upon actuarial calculations, the total net periodic pension cost is detailed in the table at right. Amounts for 2001 are adjusted accordingly to reflect effects of discontinued operations.

The net periodic pension cost shown at right includes an amount of €17 million in 2002 (2001: €7 million) for retiree health care benefits. A one-percentage-point increase or decrease in the assumed health care cost trend rate would cause a change in net periodic pension cost of +€2 million or –€2 million, respectively. The resulting accumulated post-retirement benefit obligation would change by +€25 million or –€21 million, respectively.

An additional amount of €23 million in 2002 (2001: €38 million) was incurred for defined contribution pension plans, under which the Company pays fixed contributions to external insurers or similar institutions.

Net Periodic Pension Cost

€ in millions	2002	2001
Employer service cost	176	146
Interest cost	694	514
Expected return on plan assets	–238	–84
Prior service cost	17	18
Net amortization of losses	45	6
Total	**694**	**600**

Effective with the 2000 financial year, the Company began using the Klaus Heubeck biometric tables from 1998 ("Richttafeln 1998"), the current industry standard for calculating company pension obligations in Germany. However, the table's disability incidence rates have been reduced by 20.0 percent to better reflect the Company's specific situation.

Actuarial values of the pension obligations of German subsidiaries were computed based on the assumptions as at right.

Actuarial Assumptions

	December 31,	
Percentages	2002	2001
Discount rate	5.75	5.75
Salary increase rate	2.75	2.75
Expected return on plan assets	5.75	5.75
Pension increase rate	1.25	1.25

(24) Other Provisions

The following table provides details of other provisions:

Other Provisions		
	December 31,	
€ in millions	2002	2001
Provisions for nuclear waste management (1)	12,279	10,740
Provisions for taxes (2)	2,813	3,970
Provisions for personnel costs (3)	1,621	1,739
Provisions for outstanding invoices (4)	2,533	2,126
Provisions for environmental remediation (5)	675	680
Provisions for land reclamation (6)	330	255
Miscellaneous (7)	4,895	4,543
Total	**25,146**	**24,053**

As of December 31, 2002, €20,043 million of the above provisions mature after more than one year (2001: €17,816 million).

1) Provisions for nuclear waste management

Germany
Provisions for nuclear waste comprise costs for nuclear fuel rods management, nuclear power plant decommissioning, and the disposal of low-level nuclear waste.

The provisions for nuclear waste management stated above are net of advance payments of €800 million in 2002 (2001: €733 million). The advance payments are prepayments to nuclear fuel reprocessors and to other waste-management companies, as well as to governmental authorities relating to reprocessing facilities for spent fuel rods and the construction of permanent storage facilities. Accruals for the costs of nuclear fuel rods management, of nuclear plant decommissioning, and of the disposal of low-level nuclear waste also include the costs for the permanent storage of radioactive waste.

Permanent storage costs include investment, operating and financing costs for the permanent storage facilities in Gorleben and Konrad and include required advance payments for permanent storage facilities made based on data from the German Federal Office for Nuclear Safety *(Bundesamt für Strahlenschutz)*. Each year the Company makes advance payments to the *Bundesamt für Strahlenschutz*.

Furthermore, in calculating the provisions for nuclear waste management, the Company took into account the effects of the nuclear energy agreement reached by the German government and the country's major energy utilities on June 14, 2000, and the related agreement signed on June 11, 2001.

Management of Nuclear Fuel Rods. The requirement for spent nuclear fuel reprocessing and disposal/storage is based on the German Nuclear Power Regulations Act *(Atomgesetz)*. Operators may either reprocess or permanently store nuclear waste.

E.ON Energie has entered into contracts with two large European fuel reprocessing firms, BNFL in the U.K. and Cogema in France, for the reprocessing of all spent nuclear fuel from its German nuclear plants. The delivery of nuclear fuel rods for reprocessing is restricted up until June 30, 2005. The radioactive waste that results from reprocessing will be returned to Germany to be stored in an authorized storage facility.

The accrual for the costs of used nuclear fuel rods reprocessing includes the costs for all components of the reprocessing requirements, particularly

- the costs of transporting spent fuel to the reprocessing firms,
- the costs of fuel reprocessing, as well as
- the costs of outbound transportation of nuclear waste.

The stated cost estimates are based primarily on existing contracts.

Accruals for the costs of permanent storage of used fuel rods primarily include

- contractual costs for procuring intermediate containers,
- estimated costs of intermediate on-site storage at power stations, estimated costs of transporting spent fuel rods to conditioning facilities, conditioning costs, and estimated costs for procuring permanent storage containers.

The accrual for the management of used fuel rods is provided over the period in which the fuel is consumed to generate electricity.

Nuclear Plant Decommissioning. The obligation with regards to the nuclear portion of nuclear plant decommissioning is based on the *Atomgesetz*, mentioned above, while the obligation for the non-nuclear portion depends upon legally binding civil and public regulations, as well as other agreements.

The accrual for the costs of nuclear plant decommissioning includes the expected costs for run-out operation, closure and maintenance of the facility, dismantling and removal of both the nuclear and non-nuclear portions of the plant, conditioning, and temporary and final storage of contaminated waste. The expected decommissioning and storage costs are based upon studies performed by external specialists and are updated regularly. The accrual is provided over the estimated useful life for each nuclear plant according to the nuclear energy agreement reached by the German government and the country's major energy utilities as mentioned above.

Low-Level Nuclear Waste. The accrual for the costs of the disposal of low-level nuclear waste covers all expected costs for the conditioning and final storage of low-level waste that is generated in the operations of the facilities.

Sweden

Under Swedish law, Sydkraft is required to make advance payments to the country's national fund for nuclear waste management. Each year, the Swedish nuclear energy inspection authority calculates the advance payments for the disposal of high-level radioactive waste and nuclear power plant decommissioning based on the amount of electricity produced at the particular nuclear power station. The calculations are then submitted to government offices for approval. Upon approval, corresponding advance payments are made by Sydkraft to the national fund for nuclear waste management and shown as an expenditure.

In the case of low-level and medium-level radioactive waste, a joint venture owned by Swedish nuclear power station operators levies charges annually for the actual waste management costs accrued. Sydkraft shows the corresponding payments to this venture as an expenditure.

United Kingdom and United States

Neither Powergen nor LG&E operates any nuclear power plants. Therefore they are not required to make payments or accruals similar to those described above with respect to Germany.

2) Provisions for taxes

Provisions for taxes mainly consist of domestic and foreign corporate income taxes.

3) Provisions for personnel costs

Provisions for personnel expenses primarily cover provisions for vacation pay, early retirement benefits, anniversary obligations and other deferred personnel costs.

4) Provisions for outstanding invoices

Provisions for outstanding trade invoices represent the recognition of a liability for cost of products or services received or rendered for which a related invoice has not been received or the risk of loss on open purchase contracts.

5) Provisions for environmental remediation

Provisions for environmental remediation refer primarily to rehabilitating contaminated sites, redevelopment and water protection measures, clearing mining sites and recultivating landfills.

6) Provisions for land reclamation

Of the provisions for reclamation, €150 million in 2002 (2001: €151 million) is for potential damages arising from former hard coal mining activities and €176 million (2001: €99 million) for those from lignite mining.

7) Miscellaneous

Miscellaneous items include provisions for sales-related obligations, asset retirement obligations (non-nuclear), disposition-related obligations, litigation risks and tax-related interest expense.

(25) Liabilities

The following table provides details of liabilities as at the dates indicated:

Liabilities

€ in millions	December 31, 2002 Total	Weighted average interest rate (in %)	With a remaining term of up to 1 year	1 to 5 years	over 5 years	December 31, 2001 Total	Weighted average interest rate (in %)	With a remaining term of up to 1 year	1 to 5 years	over 5 years
Bonds (including Medium Term Note program)	13,074	5.9	1,096	2,830	9,148	1,689	4.6	239	1,238	212
Commercial paper	1,903	3.0	1,903	–	–	100	3.4	100	–	–
Bank loans/liabilities to banks	6,552	4.1	2,080	2,547	1,925	9,167	4.8	2,553	3,890	2,724
Liabilities related to banking operations	–	–	–	–	–	1,110	4.1	642	221	247
Bills payable	144	4.3	43	101	–	30	3.4	30	–	–
Other financial liabilities	1,092	3.5	139	436	517	891	4.2	235	484	172
Financial liabilities to banks and third parties	**22,765**		**5,261**	**5,914**	**11,590**	**12,987**		**3,799**	**5,833**	**3,355**
Financial liabilities to affiliated companies	167	3.2	153	4	10	831	3.5	827	4	–
Liabilities to associated companies and other share investments	2,319	2.1	2,261	14	44	2,501	1.8	2,385	38	78
Financial liabilities to group companies	**2,486**		**2,414**	**18**	**54**	**3,332**		**3,212**	**42**	**78**
Financial liabilities	**25,251**		**7,675**	**5,932**	**11,644**	**16,319**		**7,011**	**5,875**	**3,433**
Accounts payable	3,620		3,607	13	–	4,368		4,365	3	–
Liabilities to affiliated companies	188		188	–	–	334		261	–	73
Liabilities to associated companies and other share investments	131		121	–	10	312		311	1	–
Capital expenditure grants	274		21	80	173	290		21	83	186
Construction grants from energy consumers	3,532		152	639	2,741	3,005		100	460	2,445
Advance payments	443		442	1	–	323		310	13	–
Other	5,998		4,393	180	1,425	5,392		3,072	424	1,896
thereof taxes	479		479			918		918	–	–
thereof social security contributions	109		**109**			170		170	–	–
Operating liabilities	**14,186**		**8,924**	**913**	**4,349**	**14,024**		**8,440**	**984**	**4,600**
Liabilities	**39,437**		**16,599**	**6,845**	**15,993**	**30,343**		**15,451**	**6,859**	**8,033**

In the Consolidated Balance Sheet, liabilities are reported net of the interest portion of non interest-bearing and low-interest liabilities in the amount of €39,036 million (2001: €30,113 million). This interest portion amounts to €401 million (2001: €230 million).

Financial Liabilities. The following is a description of the E.ON Group's material credit arrangements and debt issuance programs. Outstanding amounts under credit lines and bank loans are disclosed in the table above as liabilities to banks. Issuances under a Medium Term Note Program ("MTN program") and Commercial Paper are disclosed in the corresponding line item.

E.ON AG

€1,022 million Multi-Currency Revolving Credit Facility Agreement. E.ON AG and its subsidiary E.ON International Finance B.V. ("E.ON International Finance"), Amsterdam, The Netherlands, (under the unconditional guarantee of the Company) established a revolving credit facility in 1996 that permitted borrowings in an aggregate amount of up to €1,022 million, with no scheduled reduction in credit availability prior to maturity in March 2003. Such borrowings bore interest generally equal to EURIBOR or LIBOR for the respective currency plus a margin of 12.5 basis points. Borrowings may be used for general corporate purposes. This facility was cancelled effective December 13, 2002, when E.ON AG established its new €15 billion syndicated credit facility.

€15 billion Syndicated Multi-Currency Revolving Credit Facility Agreement. E.ON AG and its subsidiaries Hibernia Industriewerte Gesellschaft mit beschränkter Haftung, Düsseldorf, Germany, E.ON International Finance and E.ON UK Finance Ltd., London, U.K., (each under the unconditional guarantee of the Company) established a revolving credit facility on December 13, 2002, that permits borrowings in various currencies in an aggregate amount of up to €15 billion. The facility is divided into Tranche A, a revolving credit facility in the amount of €10 billion, and Tranche B, a revolving credit facility in the amount of €5 billion. Tranche A has an initial maturity of 364 days but includes both an extension option and a term-out option of 364 days each. Amounts raised under Tranche A may be used for general corporate purposes (except for the repayment of commercial paper) and bear interest generally equal to EURIBOR or LIBOR for the respective currency plus a margin of 20 basis points. Tranche B has a maturity of 5 years, and amounts raised under it may be used for refinancing of existing credit facilities and for liquidity back-up. Drawings under this tranche bear interest equal to EURIBOR or LIBOR for the respective currency plus a margin of 25 basis points. As of December 31, 2002, the Company had no borrowings outstanding under this facility.

Bilateral Credit Lines. At year end 2002, E.ON AG had committed short-term credit lines of approximately €480 million (2001: €3,140 million) with maturities of up to one year and variable interest rates of up to 25 basis points above EURIBOR. These credit lines may be used for general corporate purposes. In addition, E.ON AG had several uncommitted short-term credit lines. As of December 31, 2002, the Company had €420 million (2001: €175 million) outstanding under these credit lines.

As of December 31, 2002, E.ON North America Inc. ("E.ON North America"), New York, U.S., a wholly owned subsidiary of E.ON AG, had an USD100 million credit facility. This is an overdraft loan facility to be used for short-term overnight general corporate use. The rate charged on the daily loan balance is 8 basis points over the Federal Funds Rate. There was no outstanding balance under this line at year end 2002 and 2001.

€5 billion Commercial Paper Program. Established in 1994, E.ON AG's commercial paper program was increased in February 2002 to €5 billion. This program allows E.ON AG to periodically issue commercial paper to investors in maturities of up to 729 days. Proceeds from these offerings may be used for general corporate purposes. At December 31, 2002, E.ON AG had issued approximately €1.6 billion (2001: €100 million) in commercial paper, leaving approximately €3.4 billion available under the program.

€20 billion Medium Term Note Program. Established in 1995, the Company's MTN program was increased in August 2002 to €20 billion. This program allows E.ON AG and its wholly owned subsidiaries, E.ON International Finance and E.ON UK plc, London, U.K., under the unconditional guarantee of E.ON AG, to periodically issue debt instruments through syndicated and private placements to investors. On May 17, 2002, E.ON issued its first-ever multi-currency bond in euros and pounds sterling ("GBP") on the international bond markets. At year end 2002, the following bonds were outstanding:

- €4.25 billion issued by E.ON International Finance with a coupon of 5.75 percent and a maturity in May 2009;
- €0.9 billion issued by E.ON International Finance with a coupon of 6.375 percent and a maturity in May 2017;
- €769 million or GBP500 million issued by E.ON International Finance with a coupon of 6.375 percent and a maturity in May 2012; and
- €1.5 billion or GBP0.975 billion issued by E.ON International Finance with a coupon of 6.375 percent and a maturity in June 2032.

None of E.ON AG's credit lines and programs include financial covenants or a rating grid.

E.ON Energie

Bank loans, credit facilities. As of December 31, 2002, E.ON Energie and its subsidiaries had committed short-term credit lines of approximately €778 million with maturities up to 1 year and variable interest rates up to 47.5 basis points above EURIBOR. These credit lines may be used for general corporate purposes. In particular they serve as back-up facilities for letters of credit and bank guarantees. In addition, E.ON Energie had uncommitted short-term credit lines with various banks. €107 million of these lines had been utilized at year end 2002 (2001: €5 million).

Bank loans have been used mainly to finance specific projects or investment programs and include subsidized credit facilities from national and international financing institutions. Bank loans (including short-term credit lines) amount to €2,400 million (2001: €3,442 million).

Included in the above credit facilities are the following arrangements of E.ON Energie's subsidiary Sydkraft:

A USD350 million revolving credit facility was established in 1996 and matures in December 2003. This facility allows Sydkraft to borrow for periods of one to six months at LIBOR for the respective period plus 17.5 basis points. Its main purpose is to back up uncommitted short-term borrowings, but it may also be used for general corporate purposes. As of December 31, 2002, there were no borrowings outstanding (2001: €0 million).

A €51 million revolving credit facility was established in 1998 and matures in March 2005. This facility allows Sydkraft to borrow for periods of one to six months at LIBOR for the respective period plus 14 basis points. Borrowings may be used for general corporate purposes. As of December 31, 2002, there were no borrowings outstanding (2001: €0 million).

In addition Sydkraft has the following debt issuance programs:

A domestic MTN program was established in 1999 and is renewed every year. The maximum allowed outstanding amount is 8 billion Swedish kroner ("SEK") and borrowings can be made up to 15 years against various interest rate structures. The outstanding amount as of December 31, 2002, was €740 million or SEK6,774 million (2001: €826 million or SEK7,687 million).

A domestic commercial paper program was established in 1990 and increased in 1999 to a maximum allowed outstanding amount of SEK3 billion. Borrowings can be made for terms up to 365 days. The outstanding amount as of December 31, 2002, was €249 million or SEK2,285 million (2001: €0 million).

A Euro commercial paper program was established in 1990 with a maximum allowed outstanding amount of USD200 million. Borrowings can be made for terms up to 365 days. The outstanding amount as of December 31, 2002, is approximately €32 million or USD34 million (2001: €0 million).

Powergen

U.K. Operations

GBP1.0 billion and USD1.7 billion Multi-Currency Revolving Credit Facility. In December 2001, Powergen US Holding Ltd., London, U.K., (under Powergen's guarantee) and Powergen UK plc ("Powergen UK"), London, U.K., signed a GBP1.0 billion and USD1.7 billion multi-currency revolving credit facility that was to mature in December 2006. This facility bore interest at variable rates by reference to the relevant LIBOR rate plus a margin of up to 53 basis points. This facility was cancelled on December 13, 2002, owing to E.ON AG's new €15 billion syndicated credit facility.

U.S. Commercial Paper Program. Powergen US Funding LLC ("Powergen US Funding"), Delaware, U.S., (under the guarantee of Powergen) established a USD3.0 billion U.S. commercial paper program in December 2000, allowing the company to periodically issue commercial paper to investors with maturities up to 270 days. Proceeds from the issues can be used for acquisition finance as well as general corporate purposes. As of December 31, 2002, no amount was outstanding under this program.

Euro Commercial Paper Program. Powergen UK established a Euro commercial paper program with an authorized amount up to USD500 million or its equivalent in February 1994. Its proceeds may be used for general corporate purposes. As of December 31, 2002, no amount was outstanding under that program.

Debt falling due within one year. As of December 31, 2002, Powergen and its subsidiaries (excluding LG&E) had the following short-term debt in place:

€385 million or GBP250 million Sterling bond issued by Powergen UK with a coupon of 8.875 percent, maturing in March 2003.

Long-term debt. As of December, 31 2002, Powergen and its subsidiaries (excluding LG&E) had the following long-term debt in place:

- €385 million or GBP250 million Sterling bond issued by Powergen UK with a coupon of 8.5 percent maturing in July 2006.
- €385 million or GBP250 million Sterling bond issued by Powergen UK with a coupon of 6.25 percent maturing in April 2024.
- €500 million Eurobond issued by Powergen UK with a coupon of 5.0 percent maturing in July 2009.
- €393 million or USD410 million Yankee Bond issued by Powergen East Midland, London, U.K., with a coupon of 7.45 percent maturing in May 2007
- €1,008 million or USD1,050 million global U.S. dollar bond issued by Powergen US Funding with a coupon of 4.5 percent maturing in October 2004.

U.S. Operations

Commercial Paper Programs. LG&E has authorized a USD200 million commercial paper program that had no outstanding balance as of December 31, 2002.

LG&E Capital (”LG&E Capital”), Louisville/Kentucky, U.S., has authorized a USD600 million commercial paper program that had no outstanding balance as of December 31, 2002.

Bonds and MTN Programs. LG&E Capital has authorized a MTN program with three series. Series A was authorized for USD500 million, under which €432 million or USD450 million has been issued. Series B was authorized for USD50 million, under which there is no availability after repayment. Series C was authorized for USD500 million, under which €144 million or USD150 million has been issued.

In addition, bonds in the amount of €592 million or USD617 million are outstanding at LG&E, bonds in the amount of €481 million or USD501 million are outstanding at Kentucky Utilities Corp. (”Kentucky Utilities”), Louisville/Kentucky, U.S., and MTNs totaling €432 million or USD450 million are outstanding at LG&E Capital. The LG&E and Kentucky Utilities bonds are collateralized by a lien on substantially all assets of the respective companies.

In addition, at year end 2002, LG&E had short-term and long-term loans totaling €37 million or USD39 million.

Degussa

Multi-Currency Revolving Credit Facility Agreements. Degussa established a revolving credit facility in 1998 that permits borrowings in an aggregate amount of up to €281 million, with no scheduled reduction in credit availability prior to maturity in March 2005. Borrowings may be used for general corporate purposes. No amount was outstanding as of December 31, 2002 (2001: €0 million).

A subsidiary, Degussa Canada Inc., Brampton-Bramalea, Canada, (under Degussa’s unconditional guarantee) established a revolving credit facility in 1998 that permits borrowings in an aggregate amount of up to 204 million Canadian dollars (”CAD”), with no scheduled reduction in credit availability prior to maturity in March 2003. Borrowings may be used for general corporate purposes. At the end of December 2002, this facility was drawn in an amount of €45 million or CAD73 million (2001: €102 million or CAD143 million).

Bilateral Credit Lines. At year end 2002, Degussa had committed short-term credit lines from its core domestic and international banks of approximately €1.0 billion with maturities of up to one year. These credit lines may be used for general corporate purposes. As of December 31, 2002, €166 million were utilized (2001: €143 million).

Long-term Loans. At year end 2002, Degussa and its subsidiaries had various long-term loans from financial institutions and banks in a total amount of €604 million (2001: €1,440 million) with maturities of up to 10 years.

Viterra

Bilateral Credit Lines. At year end 2002, Viterra had committed short-term credit lines from various domestic and international banks of approximately €403 million (2001: €407 million) with maturities of up to one year. These credit lines may be used for general corporate purposes (such as bank guarantees). As of December 31, 2002, there were €225 million utilized (2001: €313 million).

Long-term Loans. At year end 2002, Viterra and its subsidiaries had numerous long-term loans from banks and other creditors totaling €2,552 million (2001: €1,691 million) with maturities of up to 10 years. As of December 31, 2002, a nominal amount of €1,801 million of all loans from banks and other creditors was collateralized by mortgages on real estate and a nominal amount of €642 million was collateralized by pledge of company shares.

The interest rates on these financial liabilities vary between 0 and 10 percent (on average, about 4 percent).

As of December 31, 2002, financial liabilities had the following maturities:

Financial Liabilities to Banks and Third Parties by Maturities

€ in millions	Repayment 2003	Repayment 2004	Repayment 2005	Repayment 2006	Repayment 2007	Repayment after 2007	Total
Bonds (incs. MTN programs)	1,096	1,331	137	801	561	9,148	13,074
Commercial paper	1,903	–	–	–	–	–	1,903
Bank loans/liabilities due to banks	2,080	999	547	438	563	1,925	6,552
Bills payable	43	1	–	–	100	–	144
Other financial liabilities	139	35	77	76	248	517	1,092
Financial liabilities to banks and third parties	**5,261**	**2,366**	**761**	**1,315**	**1,472**	**11,590**	**22,765**
Used credit lines	693	–	6	10	–	1	710
Unused credit lines	12,229	–	–	–	5,000	–	17,229
Used and unused credit lines	**12,922**	**–**	**6**	**10**	**5,000**	**1**	**17,939**

Shown below are bonds, commercial paper and liabilities due to banks by effective interest rate:

Bonds, Commercial Paper, Liabilities due to Banks by Maturities

	December 31, 2002					
€ in millions	0–3%	3.1–7%	7.1–10%	10.1–14%	more than 14%	Total
Bonds (incs. MTN programs)	661	11,027	1,385	1	–	13,074
Commercial paper	1,115	788	–	–	–	1,903
Liabilities due to banks	1,395	4,806	327	10	14	6,552

Bank loans summarized as of December 31, 2002 and 2001, respectively, are shown at right.

Collateralized liabilities to banks totaled €2,826 million as of December 31, 2002 (2001: €2,771 million) including €517 million (2001: €497 million) that bear interest rates below market rates.

Bank loans that bear interest below market rates have been granted mainly to the Real Estate division for financing residential rental real estate. In return, rents below the prevailing market rates are offered to the credit grantor for occupancy rights. Due to these conditions, such loans appear at present value on the balance sheet. The difference resulting from discounting is reported under deferred income and released in subsequent years as rental income. The interest on the liabilities results in increased interest expense.

Financial liabilities include non interest-bearing and low-interest liabilities in the amount of €696 million in 2002 (2001: €748 million).

Operating Liabilities. Operating liabilities in the amount of €14,186 million (2001: €13,267 million) are non interest-bearing.

Capital expenditure grants of €274 million (2001: €290 million) are paid primarily by customers in the electricity division for capital expenditures made on their behalf, while E.ON retains the assets. The grants are non-refundable and are recognized in other operating income over the period of the depreciable lives of the related assets.

Construction grants of €3,533 million (2001: €3,005 million) are paid by customers of the electricity division for costs of connections according to the generally binding linkup terms. The grants are generally non-refundable and are recognized as sales according to the useful live of the related assets.

Bank Loans

€ in millions	December 31, 2002	2001
Bank loans collateralized by mortgages on real estate	1,676	1,465
Other collateralized bank loans	1,150	1,306
Uncollateralized bank loans, drawing on credit lines, short-term loans	3,726	6,396
Total	**6,552**	**9,167**

Operating liabilities also include the negative fair values of derivative financial instruments of €1,982 million (2001: €819 million), E.ON Benelux's cross-border lease transactions for power stations amounting to €1,235 million (2001: €1,470 million) and accrued interest payable of €613 million (2001: €103 million).

Related Parties. Jointly-owned nuclear power plants and related companies that are accounted for under the equity method or at cost have payables in the amount of €1,696 million (2001: €1,796 million) that mainly comprise loans with interest rates between 1 and 1.95 percent and no fixed maturity. The Company purchases nuclear energy from these entities under a cost plus fee agreement. Cost of goods sold includes €102 million in 2002 (2001: €233 million) related to those purchases. The above represent mainly non-cash transactions.

Also included in financial liabilities to associated companies at year end 2002 is a loan from the equity investee AV Packaging in the amount of €476 million (2001: €13 million) with no fixed maturity and an interest rate determined by reference to overnight money market loans.

(26) Contingencies and Commitments

E.ON is subject to contingencies and commitments involving a variety of matters, including different types of guarantees, litigation and claims (as discussed in Note 27), long-term contractual and legal obligations and other commitments.

Financial Guarantees. The Company's financial guarantees at December 31, 2002 principally comprise nuclear-energy-related items which are described below. Financial guarantees also include obligations to creditors of related parties and third parties (maximum potential undiscounted future payments of €866 million) with specified terms up to 2009. €573 million of this amount involves guarantees issued on behalf of related parties, of which €205 million does not have a fixed term. The Company has recorded provisions of €50 million as at year end 2002 with respect to all financial guarantees.

Pursuant to the amendments of the *Atomgesetz* ("AtG") and the amendments to the Regulation regarding the Provision for Coverage of the AtG (*Atomrechtliche Deckungsvorsorge-Verordnung* or "AtDeckV") on April 27, 2002, German nuclear power station operators are required to provide nuclear accident liability coverage of up to €2.5 billion per accident.

Until December 31, 2002, standard insurance policies were in place to cover damages of up to €102.3 million. Damages that exceed this amount were covered up to €255.6 million per accident by an institution called *Nuklear Haftpflicht Gesellschaft bürgerlichen Rechts ("Nuklear Haftpflicht GbR")*. Group companies have agreed to provide that their subsidiaries operating nuclear power stations maintain a level of liquidity that would enable them at all times to meet their obligations as members of the *Nuklear Haftpflicht GbR*, in proportion to their shareholdings in nuclear power stations. Beginning January 1, 2003, a standardized insurance facility for an amount of €255.6 million was set up. The coverage through the *Nuklear Haftpflicht GbR* ceased at January 1, 2003.

To provide liability coverage for the additional €2,244.4 million required by the above-mentioned amendments, E.ON Energie and the other parent companies of German nuclear power station operators reached a Solidarity Agreement *(Solidarvereinbarung)* on July 11, July 27, August 21, and August 28, 2001. If an accident occurs, the Solidarity Agreement calls for the nuclear power station operator liable for the damages to receive—after the operator's own resources and those of its parent company are exhausted—financing sufficient for the operator to meet its financial obligations. Under the Solidarity Agreement, E.ON Energie's share of the liability coverage is 40.6 percent (January 1, 2003: 43.0 percent) and an additional 5 percent charge for the administrative costs of processing damage claims.

In accordance with Swedish law, Sydkraft has issued guarantees to governmental authorities. The guarantees were issued to cover possible additional costs related to the disposal of high-level radioactive waste and to nuclear power plant decommissioning. These costs could arise if actual costs exceed accumulated funds. In addition, Sydkraft is also responsible for eventual costs related to the disposal of low-level radioactive waste if actual waste management costs exceed the advance payments Sydkraft has made in the past to a joint venture owned by Swedish nuclear power station operators.

Neither Powergen nor LG&E operates nuclear power plants and therefor does not have related contingent liabilities.

Indemnification Agreements. Disposition agreements concluded throughout the Group include indemnifications and other guarantees (maximum potential undiscounted future payments of €5,663 million) with terms up to 2041 in accordance with contractual arrangements and local legal requirements. These typically relate to customary guarantees, environmental damages and taxes. Sometimes it is not possible to reliably estimate a maximum obligation because there is no maximum liability specified in the contract. Examples include customary guarantees in certain contracts, as well as certain environmental and tax indemnities. In many cases the buyer is required to either share costs or cover a certain amount of costs before the Company is required to make any payments. Some obligations are to be covered first by insurance contracts or provisions of the disposed companies. The Company has recorded provisions of €287 million at year end 2002 with respect to all indemnities and other guarantees included in disposition agreements. Guarantees given by companies that were later sold by E.ON AG (or VEBA AG and VIAG AG before their merger) are included in the final sales contracts in the form of indemnities *(Freistellungen)*.

Indirect Guarantees of Indebtedness of Others. Indirect guarantees include obligations in connection with cross-border leasing transactions (maximum potential undiscounted future payments of €535 million) with terms up to 2010. Furthermore, indirect guarantees include obligations to provide financial support to related parties with respect to certain loan agreements (maximum potential undiscounted future payments of €218 million) and have terms up to 2028.

Other Guarantees. Other guarantees include contingent purchase consideration (maximum potential undiscounted future payments of €36 million) with an effective period through 2005 and product warranties (€72 million included in provisions as of December 31, 2002).

As of December 31, 2001, prior to adoption of FIN 45 disclosure requirements, the Company reported guarantees of €2,571 million, including *Bürgschaften* of €625 million. These amounts do not include the nuclear power related guarantees in Germany and Sweden.

Long-term Contractual and Legal Obligations. As of December 31, 2002, long-term contractual obligations related to jointly operated power plants exist to purchase fixed quantities of electricity. The purchase price of electricity from jointly operated power plants is determined by the supplier's production cost plus a profit margin that is generally calculated on the basis of an agreed return on capital. Additional contractual obligations refer to operators of wind-driven power plants to whom a regulated remuneration at fixed minimum prices must be paid in accordance with the *Erneuerbare-Energien-Gesetz ("EEG")* and *Kraft-Wärme-Kopplungs-Gesetz ("KWKG")*.

Long-term contractual obligations have also been entered into by E.ON Energie in connection with the reprocessing and storage of spent fuel elements. Respective prices are based on prevailing market conditions.

Purchase commitments for the remaining term of the aforementioned long-term contractual obligations total €4,586 million (2001: €2,532 million) as of December 31, 2002, and are as follows:

Purchase Commitments	
€ in millions	
2003	499
2004	466
2005	443
2006	347
2007	297
Thereafter	2,534
Total	**4,586**

Also, additional customary long-term fuel procurement contracts exist.

Other Commitments. Other commitments arising from rental, tenancy and leasing agreements are due as follows:

Rental, Tenancy and Lease Agreements	
€ in millions	
2003	154
2004	132
2005	114
2006	99
2007	92
Thereafter	969
Total	**1,560**

Expenses arising from such contracts are reflected in the Consolidated Statements of Income and amounted to €133 million in 2002 (2001: €95 million).

Other commitments in the amount of €735 million in 2002 (2001: €1,574 million) include commitments for capital expenditures for expansion and replacements and environmental protection measures, commitments to grant loans of €85 million (2001: €102 million), and other contracted but not yet effective investments in financial assets.

The E.ON Energie segment has made a cash offer to minority shareholders of E.ON Bayern and Contigas. As further discussed in Note 4, in October 2001 E.ON Energie also concluded a put option agreement which allows the minority shareholder to exercise its right to sell its remaining stake in Sydkraft to E.ON Energie for approximately €2 billion through the end of 2005. Furthermore, E.ON Energie has concluded put option agreements related to various acquisitions which allow other shareholders to exercise rights to sell their remaining stakes for an aggregate total of approximately €1.2 billion. In the real estate segment, Viterra has concluded a non-cancelable option agreement with the other shareholders of Deutschbau. This agreement conditionally requires Viterra to purchase part or all of the interests of those shareholders for €409 million subject to certain adjustments. The agreement also includes a purchase option for Viterra. Neither option can be exercised until on or after September 30, 2007.

(27) Litigation and Claims

Various legal actions, including lawsuits for product liability or for alleged price-fixing agreements, governmental investigations, proceedings and claims are pending or may be instituted or asserted in the future against the Company. Since litigation or claims are subject to numerous uncertainties, their outcome cannot be ascertained; however, in the opinion of management, the outcome of these matters will not have a material adverse effect upon the financial condition, results of operations or cash flows of the Company.

In the wake of the various corporate restructurings of the past several years, shareholders have filed a number of claims *(Spruchstellenverfahren)*. The claims contest the adequacy of share exchange ratios or cash settlements paid to former shareholders of the acquired companies. The claims impact the Company's Energy, Chemicals and the former Distribution/Logistics segment, as well as the VEBA-VIAG merger. Because the share exchange ratios and settlements were determined by outside experts and reviewed by independent auditors, E.ON believes that the exchange ratios and settlements are correct. In the Chemical segment a provision of €120 million was provided for relating to the pending antitrust and civil court proceedings relating to alleged price-fixing agreements.

(28) Supplemental Disclosure of Cash Flow Information

The following table provides supplemental disclosure of cash flow information:

Supplemental Disclosure of Cash Flow Information

€ in millions	2002	2001
Cash paid during the year for		
Interest, net of amounts capitalized	918	1,075
Income taxes, net of refunds	1,191	1,950
Non-cash investing and financing activities		
Exchange and contribution of assets as part of acquisitions	167	–
Acquisition of Hein Gas (61.85%)	–	514
Merger of Degussa-Hüls and SKW Trostberg	–	559

The deconsolidation of shareholdings and business units resulting from divestments led to reductions of €20,900 million (2001: €6,912 million) related to assets and €14,535 million (2001: €4,186 million) related to provisions and liabilities. Liquid funds divested herewith amounted to €1,373 million (2001: €188 million).

Cash provided by operating activities increased from €2.7 billion in 2001 to €3.7 billion in 2002 reflecting the Company's focus on its core energy businesses.

Reasons for the significant increase in operating cash flows include the continuation of cost management programs, a modest increase in German electricity prices and improvements in the management of working capital, as well as changes in the scope of consolidation.

The significant increase in investments of €17.3 billion compared with the prior year resulted largely from the acquisition of Powergen, Ruhrgas shares and the retail business of TXU Europe. The investments were principally financed by proceeds from the sale of non-core businesses such as VEBA Oel, VAW and Stinnes and proceeds from new and existing debt programs, as well as from existing cash resources.

Payments for acquisitions of subsidiaries during the current year amount to €12,758 million (2001: €3,387 million). Liquid funds acquired herewith amount to €819 million (2001: €1,348 million). These purchases resulted in assets amounting to €31,018 million (2001: €14,291 million), as well as provisions and liabilities totaling €18,260 million (2001: €9,788 million).

(29) Derivative Financial Instruments

Strategy and Objectives. During the normal course of business, the Company is exposed to foreign currency risk, interest rate risk, and commodity price risk. These risks create volatility in earnings, equity, and cash flows from period to period. The Company makes use of derivative instruments in various strategies to eliminate or limit these risks.

The Company's policy generally permits the use of derivatives if they are associated with underlying assets, forecasted transactions, or legally binding rights or obligations. Some companies in the E.ON Energie and Powergen divisions also engage in the proprietary trading of energy contracts within the risk management guidelines described below.

E.ON AG has enacted general risk management guidelines for the use of derivative instruments which constitute a comprehensive framework for the Company. Each reporting unit has also adopted industry-specific risk management guidelines for commodities to manage the appropriate risks arising from their respective activities. The reporting units' guidelines operate within the general risk management framework of E.ON AG. As part of the Company's framework for interest rate and foreign currency risk management, an enterprise-wide reporting system is used to monitor each reporting unit's exposures to these risks and their long-term and short-term financing needs. The creditworthiness of these counterparties is monitored on a regular basis.

Energy trading activities are subject to the Company's risk management guidelines. The reporting units involved in such activities enter into energy trading contracts for the following purposes: price risk management, system optimization, load balancing and margin improvement. Proprietary trading is only allowed within strict limits, which are established and monitored by a board independent from the trading operations. Limits used mainly include Value at Risk figures, as well as volume and credit limits. Additional key elements of the risk management are the clear division of duties between trading, settlement and control as well as a risk reporting independent from the trading.

Hedge Accounting in accordance with SFAS 133 is used primarily for interest rate derivatives regarding hedges of long-term debts, for foreign currency derivatives regarding hedges of investments in foreign operations ("Hedge of a net investment in a foreign operation") and long-term debts in foreign currency, and for commodities used to hedge forecasted cash flows from the planned sale of electricity.

Fair Value Hedges. The Company generally seeks to maintain a desired level of floating-rate assets and debt. To this end, the Company uses interest rate and cross-currency interest rate swaps to manage interest rate and foreign currency risk arising from long-term loans and debt obligations denominated in euros and foreign currencies (principally USD and GBP). Gains and losses on these hedges are classified as other income or other expense. The ineffective portion of fair value hedges as of December 31, 2002 resulted in a gain of €1.3 million (2001: €4.2 million).

Cash Flow Hedges. Interest rate and cross currency swaps are concluded to hedge the interest rate risk arising from floating-rate debt issued by the Company and its reporting units. By using these swaps, the Company pursues its strategy to hedging payments in foreign currency and in euros from interest-bearing long-term loans and debt obligations in the functional currency of the respective E.ON company by using cash flow hedge accounting. To reduce cash flow fluctuations due to the forecasted sale of electricity at variable spot prices futures and forward contracts are concluded and accounted for using cash flow hedge accounting.

As of December 31, 2002, maturities of floating-rate debt designated as foreign currency cash flow hedges were up to 4 years (2001: 8 years) and up to 18 years (2001: 7 years) for interest rate cash flow hedges. Commodity cash flow hedges have maturities of up to 2 years.

The amount of ineffectiveness for cash flow hedges recorded for the year ended December 31, 2002, was a loss of €0.1 million (2001: €6.9 million loss). For the year ended December 31, 2002, reclassifications from accumulated other comprehensive income for cash flow hedges resulted in a loss of €9.8 million (2001: €14.5 million loss). The Company estimates that reclassifications from accumulated other comprehensive income for cash flow hedges in the next twelve months will result in a loss of €162.2 million. Gains and losses are classified as other income or other expense.

Net Investment Hedges. The Company uses foreign currency loans, forwards and currency swaps to protect the value of its investments in its foreign operations denominated in foreign currencies to an increasing extent. For the year ended December 31, 2002, the Company recorded a loss of €237.5 million (2001: €25.8 million loss) in the form of a cumulative translation adjustment (a component of accumulated other comprehensive income within stockholders' equity) related to net investment hedges.

Valuation of Derivative Instruments. The fair value of derivative instruments is sensitive to movements in underlying market rates and other relevant variables. The Company monitors the fair value of derivative instruments on a periodic basis. Fair values for each derivative financial instrument are determined as being equal to the price at which one party would assume the rights and duties of another party, and calculated using common market valuation methods with reference to available market data as of the balance sheet date.

The following is a summary of the methods and assumptions for the valuation of utilized derivative financial instruments in the Consolidated Financial Statements.

- Currency, electricity, gas, oil and coal forward contracts, as well as swaps, are valued separately at future rates or market prices as of the balance sheet date. The fair values of spot and forward contracts are based on spot prices that consider forward premiums or discounts from quoted prices in the relevant markets.
- Market prices for currency, electricity and gas options are valued using standard option pricing models commonly used in the market. The fair value of caps, floors, and collars are determined on the basis of quoted market prices or on calculations based on option pricing models.
- The fair values of existing instruments to hedge interest rate risk are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for interest rate and cross currency swaps for each individual transaction as of the balance sheet date. Interest exchange amounts are considered with an effect on current results at the date of payment or accrual. Fair values for interest rate options are determined on the basis of quoted market prices or on calculations based on option pricing models.
- Exchange-traded energy future and option contracts are valued individually at daily settlement prices determined on the futures markets that are published by their respective clearing houses. Paid initial margins are disclosed under other assets. Variation margins received or paid during the term of such contracts are stated under other liabilities or other assets, respectively, and are accounted for with an impact on earnings at settlement or realization, respectively.
- Certain long term energy trading contracts are valued by the usage of valuation models which include average probabilities and take into account individual contract details and variables.

The following tables summarize the fair and nominal value of the Company's derivative instruments as of the dates indicated.

Total Volume of Foreign Currency and Interest Rate Derivatives

€ in millions (Remaining maturities)		Total volume of derivative financial instruments December 31, 2002 Nominal value	December 31, 2002 Fair value[1]	December 31, 2001 Nominal value	December 31, 2001 Fair value[1]
FX forward transactions					
Buy		4,486.9	−199.4	2,095.4	35.3
Sell		8,605.8	317.5	2,935.9	−48.5
FX currency options					
Buy		313.2	−20.8	896.4	7.2
Sell		–	–	28.6	1.7
Subtotal		**13,405.9**	**97.3**	**5,956.3**	**−4.3**
Cross currency swaps					
	up to 1 year	162.8	18.4	67.0	−11.9
	1 year to 5 years	2,885.2	75.8	1,892.0	73.9
	more than 5 years	5,810.9	21.3	211.8	−3.4
Interest rate/cross currency swaps					
	up to 1 year	51.1	−0.7	253.4	37.8
	1 year to 5 years	278.4	21.4	629.7	20.0
	more than 5 years	–	–	–	–
Subtotal		**9,188.4**	**136.2**	**3,053.9**	**116.4**
Interest rate swaps					
Fixed rate payer					
	up to 1 year	545.9	−12.6	118.7	−1.1
	1 year to 5 years	2,378.6	−85.2	2,129.8	−25.3
	more than 5 years	1,173.8	−46.4	319.7	−13.2
Fixed rate receiver					
	up to 1 year	559.1	7.5	56.8	0.2
	1 year to 5 years	1,184.6	56.1	391.1	15.2
	more than 5 years	1,368.9	78.1	128.4	3.3
Subtotal		**7,210.9**	**−2.5**	**3,144.5**	**−20.9**
Interest rate options					
Buy	up to 1 year	–	–	–	–
	1 year to 5 years	218.4	0.2	253.2	−0.5
	more than 5 years	–	–	–	–
Sell	up to 1 year	–	–	–	–
	1 year to 5 years	218.4	−3.0	36.3	−0.1
	more than 5 years	–	–	–	–
Subtotal		**436.8**	**−2.8**	**289.5**	**−0.6**
Total		**30,242.0**	**228.2**	**12,444.2**	**90.6**

[1]Fair value deviation from nominal value.

The above table does not include the figures related to discontinued operations, namely the amounts related to VAW as per December 31, 2001. The VAW nominal volume amount in the foreign exchange area is €1,369 million as per December 31, 2001, and the fair value amount was −€35.5 million as per December 31, 2001. The VAW nominal volume amount in the interest rate area amounted to €201 million as per December 31, 2001, and the fair value amount was −€4.3 million as per December 31, 2001. The above table includes both derivatives which qualify for SFAS 133 hedge accounting treatment and those that do not qualify.

Total Volume of Electricity, Gas, Coal and Oil Related Financial Derivatives						
	December 31, 2002		thereof Trading December 31, 2002		December 31, 2001	
€ in millions (Remaining maturities)	Nominal value	Fair value[1]	Nominal value	Fair value[1]	Nominal value	Fair value[1]
Electricity forwards/Energy contracts subject to EITF 98-10						
up to 1 year	8,796.1	−159.1	7,385.2	−124.2	6,524.1	2.8
1 year to 3 years	2,044.8	-37.3	1,435.0	−21.9	1,184.4	1.6
4 years to 5 years	46.0	0.5	36.3	−0.4	–	–
more than 5 years	16.0	0.1	–	–	–	–
Subtotal	**10,902.9**	**−195.8**	**8,856.5**	**−146.5**	**7,708.5**	**4.4**
Electricity swaps						
up to 1 year	24.0	−24.2	24.0	−24.2	1,529.9	−26.4
1 year to 3 years	17.8	-2.4	17.8	-2.4	799.3	−21.3
4 years to 5 years	–	–	–	–	–	–
more than 5 years	–	–	–	–	–	–
Subtotal	**41.8**	**−26.6**	**41.8**	**−26.6**	**2,329.2**	**−47.7**
Electricity options						
up to 1 year	242.4	2.3	242.4	2.3	1,105.3	5.3
1 year to 3 years	239.6	-0.1	232.5	0.5	33.3	3.4
4 years to 5 years	–	–	–	–	–	–
more than 5 years	–	–	–	–	–	–
Subtotal	**482.0**	**2.2**	**474.9**	**2.8**	**1,138.6**	**8.7**
Exchange traded electricity forwards						
up to 1 year	2,760.4	-212.3	2,105.4	204.0	108.5	−1.9
1 year to 3 years	940.3	-54.2	411.0	15.5	105.0	-0.5
4 years to 5 years	–	–	–	–	–	–
more than 5 years	–	–	–	–	–	–
Subtotal	**3,700.7**	**−266.5**	**2,516.4**	**219.5**	**213.5**	**−2.4**
Exchange traded electricity options						
up to 1 year	111.1	-2.7	111.1	-2.7	–	–
1 year to 3 years	313.0	-6.2	295.8	-1.6	–	–
4 years to 5 years	–	–	–	–	–	–
more than 5 years	–	–	–	–	–	–
Subtotal	**424.1**	**-8.9**	**406.9**	**-4.3**	**–**	**–**
Coal forwards and swaps						
up to 1 year	37.9	3.6	–	–	8.9	-0.2
1 year to 3 years	38.7	0.6	–	–	–	–
4 years to 5 years	–	–	–	–	–	–
more than 5 years	–	–	–	–	–	–
Subtotal	**76.6**	**4.2**	**–**	**–**	**8.9**	**−0.2**
Carryover	**15,628.1**	**−491.4**	**12,296.5**	**44.9**	**11,398.7**	**−37.2**

[1]Fair value deviation from nominal value.

Total Volume of Electricity, Gas, Coal and Oil Related Financial Derivatives						
	December 31, 2002		thereof Trading December 31, 2002		December 31, 2001	
€ in millions (Remaining maturities)	Nominal value	Fair value[1]	Nominal value	Fair value[1]	Nominal value	Fair value[1]
Carryover	**15,628.1**	**-491.4**	**12,296.5**	**44.9**	**11,398.7**	**-37.2**
Oil derivatives						
up to 1 year	167.2	9.5	–	–	–	–
1 year to 3 years	51.2	0.4	–	–	–	–
4 years to 5 years	–	–	–	–	–	–
more than 5 years	–	–	–	–	–	–
Subtotal	**218.4**	**9.9**	**–**	**–**	**–**	**–**
Gas forwards						
up to 1 year	3,290.4	1.9	3,290.4	1.9	–	–
1 year to 3 years	1,047.9	-4.1	1,047.9	-4.1	–	–
4 years to 5 years	42.3	0.2	42.3	0.2	–	–
more than 5 years	–	–	–	–	–	–
Subtotal	**4,380.6**	**-2.0**	**4,380.6**	**-2.0**	**–**	**–**
Gas swaps						
up to 1 year	146.4	7.2	4.6	0.2	31.7	-2.3
1 year to 3 years	52.5	-4.1	–	–	–	–
4 years to 5 years	26.1	-2.3	–	–	–	–
more than 5 years	18.4	-1.2	–	–	–	–
Subtotal	**243.4**	**-0.4**	**4.6**	**0.2**	**31.7**	**-2.3**
Gas options						
up to 1 year	31.7	2.9	19.0	2.4	–	–
1 year to 3 years	–	–	–	–	–	–
4 years to 5 years	–	–	–	–	–	–
more than 5 years	–	–	–	–	–	–
Subtotal	**31.7**	**2.9**	**19.0**	**2.4**	**–**	**–**
Total	**20,502.2**	**-481.0**	**16,700.7**	**45.5**	**11,430.4**	**-39.5**

[1]Fair value deviation from nominal value.

The above table does not include the figures related to discontinued operations, namely the amounts related to VAW as per December 31, 2001. The VAW nominal volume amount in the commodity area is €1,449 million as per December 31, 2001 and the fair value amount was -€1.1 million as per December 31, 2001.

Due to the sale of VEBA Oel, oil-related financial derivatives with a nominal amount of €811.5 million and a fair value amount of €3.9 million at December 31, 2001, are not included in the figures above.

Counterparty Risk From the Use of Derivative Financial Instruments. The Company is exposed to credit (or repayment) risk and market risk through the use of derivative instruments. If the counterparty fails to fulfill its performance obligations under a derivative contract, the Company's credit risk will equal the positive market value in a derivative. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, assumes no repayment risk.

In order to minimize the credit risk in derivative instruments, the Company enters into transactions with high quality counterparties which include financial institutions, commodities exchanges, energy distributors and broker-dealers that satisfy the Company's established credit approval criteria. Derivative transactions are generally executed on the basis of standard agreements that allow all outstanding transactions with contracting partners to be offset. Exchange traded electricity forward and option contracts with a nominal value of €4,125 million as of December 31, 2002, bear no counterparty risk. The credit ratings of all derivative counterparties are reviewed on a regular basis using the Company's established credit approval criteria. The reporting units involved in electricity, gas, coal and oil related derivatives also perform thorough credit checks and monitor counterparties' creditworthiness on a regular basis. In exceptional cases, collateral is required.

In summary, as of December 31, 2002, the Company's derivative financial instruments had the following credit structure and lifetime. The netting of transactions with positive and negative outstanding market values is not shown in the table below.

Rating of Counterparties

Standard & Poor's and/or Moody's	December 31, 2002							
	Total		Up to 1 year		1 to 5 years		More than 5 years	
€ in millions	Nominal value	Counter-party risk[2]	Nominal value	Counter-party risk[2]	Nominal value	Counter-party risk[2]	Nominal value	Counter-party risk[2]
AAA and Aaa	1,996.7	43.4	1,069.8	24.0	826.9	19.3	100.0	0.1
AA+ and Aaa or AAA and Aa1 bis AA– and Aa3	19,296.2	594.5	7,728.3	156.0	4,143.9	75.2	7,424.0	363.3
AA– and A1 or A+ and Aa3 through A or A2	13,952.8	349.8	9,490.3	261.9	3,712.5	83.7	750.0	4.2
Other[1]	11,373.7	207.2	8,714.4	162.5	2,545.3	44.0	114.0	0.7
Total	**46,619.4**	**1,194.9**	**27,002.8**	**604.4**	**11,228.6**	**222.2**	**8,388.0**	**368.3**

[1]In addition, other mainly includes domestic counterparties which are not rated by either Standard & Poor´s and/or Moody´s.
[2]Counterparty risk is calculated as the sum of positive market values without netting negative results.

(30) Non-Derivative Financial Instruments

The Company estimates the fair value of its non-derivative financial instruments using available market information and appropriate valuation methodologies. The interpretation of market data to generate estimates of fair value requires considerable judgment. Accordingly, the estimates are not necessarily indicative of the amounts the Company would realize for its non-derivative financial instruments under current market conditions.

The estimated fair value of non-derivative financial instruments at December 31, 2002 and 2001, is summarized as at left.

Non-Derivative Financial Instruments

	December 31, 2002		December 31, 2001	
€ in millions	Book value	Fair value	Book value	Fair value
Assets				
Loans	2,048	2,052	2,798	2,833
Securities	8,587	8,587	9,755	10,459
Financial receivables and other financial assets	1,847	1,847	1,444	1,444
Liquid funds	1,317	1,317	4,080	4,080
Total	**13,799**	**13,803**	**18,077**	**18,816**
Liabilities				
Financial liabilities	24,850	25,352	16,089	16,059

The Company used the following methods and assumptions to estimate the fair value of each class of financial instruments whose value it is practicable to estimate:

The carrying value of cash and cash equivalents is a reasonable estimate of their fair value. The Company calculates the fair value of loans and other financial instruments by discounting the future cash flows by the current interest rate for comparable instruments. The fair value of funds and non-marketable securities is based on their quoted market prices or other appropriate valuation techniques.

Fair values for financial liabilities are estimated by discounting expected cash flows, using market interest rates currently available for debt with similar terms and remaining maturities. The carrying value of commercial paper and borrowings under revolving credit facilities is assumed to approximate fair value due to the short maturities of these instruments.

The Company believes that the overall credit risk related to its non-derivative financial instruments is insignificant.

(31) Segment Information

The reportable segments are presented in line with the Company's internal organizational and reporting structure based on products and services. The key businesses are Energy, Chemicals, and Real Estate. The Company's core energy business consists of two segments, E.ON Energie and Powergen. The Other/Consolidation segment comprises the Company's remaining shareholdings, E.ON AG, and effects from consolidation.

Reportable Segments in 2002

- E.ON Energie was formed on July 14, 2000, by the PreussenElektra-Bayernwerk merger. E.ON Energie supplies electricity and gas and related services in Continental Europe, including Scandinavia.
- The takeover of Powergen was completed on July 1, 2002. Powergen operates as a fully integrated energy service provider, in the U.K. as Powergen UK and in the U.S. as LG&E Energy. TXU's U.K. retail business acquired on October 21, 2002, is an integral part of Powergen UK. Powergen UK became a fully consolidated E.ON division on July 1, 2002.
- The Chemicals division consists of Degussa, which was formed on February 9, 2001, by the merger of two specialty chemicals companies, Degussa-Hüls and SKW Trostberg. The Company has initiated the disposal of Degussa consistent with its strategy of focusing on its core energy business. Note 33 provides more information about the disposal.
- Real Estate consists of Viterra, which realigned its strategy in 2002. Viterra now concentrates on the core business of residential real estate and on the start-up business of real estate development. Viterra intends to withdraw from its other businesses.

Changes in the Reporting Structure. The E.ON Group's reporting structure has changed compared with the prior year.

The Company's telecommunications activities, which in the prior year were reported as a separate segment, comprise Connect Austria and Bouygues Telecom, both wireless communications companies. In early 2003, E.ON reached an agreement to dispose of its interest in Bouygues Telecom. Furthermore, E.ON has accounted for Connect Austria at equity since January 1, 2002. For these reasons, the Company considers its telecommunication activities to be of minor significance and reports them under Other/Consolidation.

The Distribution/Logistics segment ceased to exist in September 2002 with the sale of Stinnes. Klöckner & Co., which was also reported in this segment, was sold in October 2001 and is therefore included in the Other/Consolidation segment until the date of its disposal.

The Company's discontinued operations encompass the following segments and partial entities:

VEBA Oel, Stinnes, VAW, and MEMC; the following Chemicals business units: Gelatin, SKW Piesteritz, Persulfate, Textile Additives, Viatris, Degussa Bank and Zentaris; and Real Estate's Energy Services business unit. Please see Note 4 for further details on these changes in the reporting structure.

The segments' sales, earnings, and investment figures for 2002 and 2001 have been adjusted for the affects of discontinued operations.

Pursuant to SFAS 142, goodwill and intangible assets with indefinite useful lives are no longer periodically amortized. The prior-year figures in the Company's segment reporting were not adjusted for effects resulting from the application of SFAS 142.

Notes

Segment information by division for periods indicated is as follows. As mentioned above, the results in 2001 include goodwill amortization charges:

Segment Information by Division

	E.ON Energie		Powergen		Chemicals		Real Estate		Other/ Consolididation		E.ON affiliated group	
€ in millions	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
External sales	19,481	16,178	4,476	–	11,745	16,269	1,216	852	141	3,974	37,059	37,273
Intersegment sales	37	49	–	–	20	68	10	23	–67	–140	–	–
Total sales	**19,518**	**16,227**	**4,476**	**–**	**11,765**	**16,337**	**1,226**	**875**	**74**	**3,834**	**37,059**	**37,273**
Depreciation, amortization and write-downs	1,632	1,989	307	–	811	1,134	175	116	23	190	2,948	3,429
Interest expense, net	–292	–68	–130	–	–281	–360	–184	–101	45	–9	–842	–538
Internal operating profit	**2,855**	**1,971**	**329**	**–**	**655**	**507**	**203**	**154**	**–152**	**50**	**3,890**	**2,682**
thereof earnings from companies accounted for at equity	461	415	44	–	38	39	2	10	58	301	603	765
Investments	**6,140**	**4,027**	**3,094**	**–**	**1,114**	**2,042**	**386**	**127**	**13,448**	**713**	**24,182**	**6,909**
Companies accounted for at equity	880	755	–	–	6	2	–	–	94	–	980	757
Other financial assets	3,641	2,209	2,546	–	107	691	276	38	13,385	381	19,955	3,319
Other fixed assets	1,619	1,063	548	–	1,001	1,349	110	89	–31	332	3,247	2,833
Total assets[1]	**59,744**	**54,903**	**22,383**	**–**	**15,185**	**18,127**	**6,814**	**4,716**	**8,939**	**23,913**	**113,065**	**101,659**

[1]For 2001, E.ON's total assets include the total assets of VAW aluminium, VEBA Oel and Stinnes, which are included in the column Other/Consolidation.

Internal operating profit is the key figure at E.ON in terms of management control, and serves as an indicator of a business's earnings power. Internal operating profit is an adjusted figure derived from income from continuing operations before income taxes and minority interests. The adjustments include net book gains and net book losses from disposals, restructuring expenses, and other non-operating earnings of an extraordinary nature.

The reconciliation of internal operating profit to income from continuing operations before income taxes and minority interests is as follows:

Income from Continuing Operations

€ in millions	2002	2001
Internal operating profit	3,890	2,682
Net book gains	1,078	890
Cost-management and restructuring expenses	–331	–325
Other non-operating earnings	–5,341	–563
Income from continuing operations before income taxes and minority interests	**–704**	**2,684**

In 2002, net book gains result primarily from the sale of Schmalbach-Lubeca (€558 million) and the Company's shares in Steag (€173 million). Additional book gains in the amount of approximately €440 million were reported at E.ON Energie, principally from the break-up of Rhenag and the disposition of shares in Sydkraft and Watt.

Book gains were partially offset by net book losses, primarily on the sale of securities at E.ON Energie (€182 million) and of the Company's shares in Orange (€103 million).

Restructuring and cost-management expenses in 2002 were recorded mainly in the Chemicals segment in connection with the best@chem performance improvement program (€189 million) and for power station closures at Powergen (€58 million). The expenses related to the phasing out of Viterra's business of developing one and two-family houses reduced earnings by €63 million.

The substantially higher loss recorded under other non-operating earnings is mainly attributable to an impairment charge of approximately €2.4 billion on the goodwill stemming from the Powergen acquisition.

The weak stock market made it necessary to make additional write-downs. A valuation adjustment in the amount of €624 million was made on the Company's Hypo-Vereinsbank shares. This write-down is in addition to the valuation adjustment of roughly €1.2 billion already recognized at June 30, 2002. Market developments necessitated valuation adjustments in the amount of €500 million on other securities held by the Company.

Furthermore, the required market valuation of certain energy derivatives resulted in unrealized expenses in the amount of €188 million. The main cause of the write-down was the sharp increase in electricity prices on the Nordpool power exchange in late 2002. This reduced the value of energy derivatives used to hedge the prices of future electricity output. However, the Company's margin is locked in and will be realized when the underlying transactions and the corresponding hedges are realized.

Other non-operating earnings also include expenses of €140 million relating to Degussa's antitrust proceedings and tax-related interest expenses of €135 million.

For purposes of internal analysis, interest income is adjusted using economic criteria. In particular, the interest portion of additions to provisions for pensions resulting from personnel expenses is allocated to interest income. The interest portions of the allocations of other long-term provisions are treated analogously to the degree that, in accordance with U.S. GAAP, they are reported on different lines of the Consolidated Statements of Income.

In 2002, non-operating interest income (net) primarily reflects tax-related interest expenses.

Interest Income Charged against Internal Operating Profit

€ in millions	2002	2001
Interest and simliar expenses (net)	**–396**	**–74**
Non-operating interest income (net)[1]	184	–16
Interest income of long-term provisions	–630	–448
Interest income (net) charged against internal operating profit	**–842**	**–538**

[1]This figure is calculated by adding interest expenses and subtracting interest income.

Geographic Segmentation. The following table details external sales (by destination and by operation) and internal operating profit and long-lived assets information by geographic area for the years ended December 31.

Geographic Segment Information

€ in millions	Germany 2002	Germany 2001	Europe (Eurozone excluding Germany) 2002	Europe (Eurozone excluding Germany) 2001	Europe (other) 2002	Europe (other) 2001	USA 2002	USA 2001	Other 2002	Other 2001	Total 2002	Total 2001
External sales												
by destination	20,596	18,134	3,198	6,199	6,710	4,403	3,903	4,999	2,652	3,538	37,059	37,273
by operation	23,206	23,441	1,993	3,625	6,311	3,263	4,060	4,938	1,489	2,006	37,059	37,273
Internal operating profit	2,571	2,291	160	–114	729	325	284	136	146	44	3,890	2,682
Long-lived assets	23,463	21,006	1,379	2,659	11,708	7,733	4,941	1,613	498	1,275	41,989	34,286

Information on Major Customers. E.ON's customer structure in 2002 and 2001 did not result in any major concentration in any given geographical region or business area other than Germany. Due to the high volume of the Company's customers and the variety of its business activities, there are no individual customers whose business volume is material compared with the Company's total business volume.

(32) Compensation of Supervisory Board and Board of Management

Supervisory Board

Provided that E.ON's shareholders approve the proposed dividend at the Annual Shareholders' Meeting on April 30, 2003, total remuneration to members of the Supervisory Board will be €2.6 million (2001: €2.4 million). Of this total, €0.7 million (2001: €0.7 million) consists of fixed compensation (including compensation for duties performed at subsidiaries and attendance fees) and €1.9 million (2001: €1.7 million) of variable compensation.

Pursuant to E.ON AG's Articles of Association, members of the Supervisory Board receive an annual fixed fee of €10,000 and are reimbursed each fiscal year for their meeting-related expenses, including reimbursement for the VAT on their remuneration. Members of the Supervisory Board also receive an attendance fee of €1,000 per meeting. In addition, members of the Supervisory Board receive an annual variable fee of €1,250 for each percentage point by which the dividend paid to shareholders exceeds 4 percent of the Company's capital stock. The Chairman of the Supervisory Board receives three times the above-mentioned fees, the Deputy Chairman receives double the above-mentioned fees, and each member of a committee receives one-and-a-half times the above-mentioned fees.

Members of the Supervisory Board who serve less than the entire financial year owing to a change in the Board's composition receive the above-mentioned fees on a proportionate basis. There were no loans to members of the Supervisory Board in the 2002 financial year.

The members of the Supervisory Board are listed on page 13.

Board of Management

Total remuneration to members of the Board of Management was €10.5 million (2001: €8.8 million). Of this total, €4.6 million (2001: €4.0 million) consisted of fixed compensation, including compensation for duties performed at subsidiaries as well as monetary benefits and other compensation. Variable compensation of €5.2 million (2001: €4.8 million) reflects the performance-related bonus members of the Board of Management would receive based on the proposed dividend of €1.75 (2001: €1.60) per E.ON ordinary share. Total remuneration also includes gains totaling €0.7 million (2001: €0 million) from the exercise of 124,750 SARs from the first and second tranche.

In early 2002, members of the Board of Management received a total of 260,000 (2001: 162,500) SARs. These SARs were part of the fourth tranche of the SAR plan described on pages 118 and 119. On the balance-sheet date, the SARs of all tranches had a hypothetical exercise value of zero because the E.ON share price ended the year markedly below the strike prices of the respective tranches.

Total payments to retired members of the Board of Management and their beneficiaries were €4.9 million (2001: €5.6 million). Provisions of €53.9 million (2001: €67.7 million) have been provided for the pension obligations to retired members of the Board of Management and their beneficiaries.

There were no loans to members of the Board of Management in the 2002 financial year.

The members of the Board of Management are listed on pages 8 and 9.

(33) Subsequent Events

In January 2003, E.ON concluded an agreement to sell its nearly 16 percent shareholding in Bouygues Telecom, the third largest cellular phone network company in France. The Bouygues Group will purchase the shares in two tranches for approximately €1.1 billion, including approximately €140 million in shareholder loans. In the first step, Bouygues Group will acquire from E.ON a 5.8 percent stake in Bouygues Telecom for approximately €400 million. In the second step, Bouygues Group has a call option to purchase the remaining 10.1 percent shareholding between April 2003 and October 2005. If Bouygues Group does not exercise its option, E.ON has a put option to sell the 10.1 percent stake to Bouygues Group between October 2005 and February 2007. Both options have an exercise price of approximately €670 million. From the date on which the first step is completed, E.ON will also receive interest at market rates on the exercise price of the second step. E.ON will post a net book gain of about €800 million on the transaction; thereof approximately €300 million will be realized in 2003 as part of the first step of the transaction.

On January 31, 2003, E.ON reached an out-of-court settlement with nine companies that had filed appeals in state Superior Court in Düsseldorf against the ministerial approval of the Ruhrgas takeover. All appeals were withdrawn. E.ON completed its acquisition of RAG's Bergemann shares on the same day. By mid-February 2003, the Company had acquired approximately 60 percent of the shares in Ruhrgas. Under the terms of the ministerial approval, E.ON Energie is required to dispose of its 5.3 percent stake in VNG AG ("VNG"), Leipzig, Germany, its 27.4 percent stake in EWE Aktiengesellschaft, Oldenburg, Germany, its 22.0 percent stake in swb AG ("swb"), Bremen, Germany, its 80.5 percent stake in Gelsenwasser, and its 22.0 percent stake in Bayerngas GmbH ("Bayerngas"), Munich, Germany. In addition, Ruhrgas is required to dispose of its 36.8 percent stake in VNG, its 11.3 percent stake in swb, and its 22.0 percent stake in Bayerngas.

E.ON reached an agreement with Fortum and EnBW to exchange shareholdings in and outside Germany and will acquire an interest in Concord Power.

E.ON reached individual agreements with Stawag, Stadtwerke Rosenheim, Trianel, Ampere, GGEW, and Ares. These agreements are based on electricity and gas supply contracts, the disposal of assets and shareholdings, marketing support, and other financial payments. The agreements are currently being reviewed by Germany's antitrust regulator.

In June 2002, RAG tendered a cash offer of €38 per Degussa share to all Degussa shareholders. The offer was accepted by most of the outstanding Degussa shareholders as well as E.ON which accepted 18.08 percent. The offer was contingent on E.ON's acquisition of the shares of Bergemann and hence indirectly the investment of RAG in Ruhrgas shares by January 31, 2003. All conditions of the deal were met on time, and the takeover offer took effect on January 31, 2003. RAG now owns 46.48 percent of Degussa's stock. E.ON currently also owns shares in Degussa in the same amount. The remaining 7.04 percent is widely held. In a second step to the transaction, RAG will acquire additional Degussa shares from E.ON on May 31, 2004, in order to increase its stake to 50.1 percent.

Düsseldorf, February 17, 2003

The Board of Management

Hartmann

Simson

Gaul

Krüper

Schipporeit

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Summary of financial highlights

€ in millions	pro forma 1999[1]	pro forma 2000	2001[4]	2002
Sales	**69,745**	**88,858**	**37,273**	**37,059**
Income/(loss) from continuing operations before income taxes and minority interests	5,048[2]	6,498	3,201	–704
Income/(loss) from continuing operations	3,095[3]	3,440	2,559	–696
Net income	**2,839**	**3,678**	**2,570**	**2,777**
EBITDA	8,564	8,041	6,649	7,680
EBIT	3,722	2,136	3,695	4,732
Internal operating profit	2,748	2,445	3,157	3,890
ROCE (in %)	8.9	10.1	9.6	9.3
Capital employed (annual average)	51,946	44,376	38,402	51,052
Earnings per share (in €)				
from net income	3.90	5.07	3.81	4.26
from continuing operations	–	4.74	3.80	–1.06
from discontinued operations	–	0.33	0.05	5.03
from cumulative effect of changes in accounting principles, net	–	–	–0.04	0.29
Dividend per share (in €)	1. 25	1.35	1.60	1.75
Asset structure				
Long-term assets	60,169	65,592	64,663	85,636
Short-term assets	34,459	40,623	36,996	27,429
Thereof: liquid funds	9,529	8,501	12,144	8,385
Total assets	94,628	106,215	101,659	113,065
Capital structure				
Stockholders' equity	26,293	28,033	24,462	25,653
Thereof: capital stock	1,985	1,985	1,799	1,799
Minority interests	4,888	5,123	6,362	6,511
Long-term liabilities	41,478	40,821	44,628	58,063
Thereof: provisions	28,683	27,940	26,564	28,721
Thereof: financial liabilities	8,000	7,611	9,308	17,175
Thereof: other liabilities	4,795	5,270	8,756	12,167
Short-term liabilities	21,969	32,238	23,594	22,838
Thereof: provisions	8,371	8,315	6,237	5,588
Thereof: financial liabilities	3,929	11,743	7,011	7,675
Thereof: other liabilities	9,669	12,180	12,959	9,575
Total stockholders' equity and liabilities	94,628	106,215	101,659	113,065
Cash flow and investments				
Cash provided by operating avtivities	4,866	3,413	2,652	3,690
Investments	11,045	14,380	6,909	24,182
Employees at year end	**203,733**	**166,183**	**92,754**	**107,856**
Financial ratios				
Equity ratio (in %)	27.8	26.4	24.1	22.7
Long-term assets as a percentage of property, plant, and equipment	120.8	112.7	116.7	105.5
Return on equity after taxes (in %)	11.2	13.5	9.8[5]	11.1
Net financial position (liquid funds minus financial liabilities)	–2,400	–5,973	–613	–13,979
Cash provided by operating avtivities as a percentage of sales	7.0	3.8	7.1	10.0

[1]Includes MEMC and VAW aluminium.
[2]Net income before taxes.
[3]Net income after taxes.
[4]Adjusted for discontinued operations and goodwill amortization.
[5]Stockholders' equity was not adjusted for goodwill amortization.

Major shareholdings

Name	Location	Stake	Stockholders' equity[1]	Earnings[1]	Sales[1]
I. Consolidated subsidiaries		%	€m	€m	€m
Energy					
E.ON Energie AG	Munich	100.0	3,666.8	641.1[2]	35.7
Avacon AG	Helmstedt	56.5	861.8	144.7	2,267.5
Dél-dunántúli Áramszolgáltató Részvénytársaság	HU, Pécs	92.4	131.1	10.5	265.3
DKCE Debreceni Kobinált Ciklusú Erömü Kft.	HU, Debrecen	100.0	14.5	3.8	30.9
E.DIS Aktiengesellschaft	Fürstenwalde	71.0	777.2	68.9	1,398.9
E.ON Bayern AG	Regensburg	97.3	853.6	152.2[2]	2,381.8
E.ON Benelux Generation n.v.	NL, Voorburg	100.0	511.1	280.6	620.4
E.ON Czech Holding AG	Munich	100.0	552.9	8.0	0.0
E.ON Hungária Energetikai Részvénytársaság	HU, Budapest	100.0	737.6	8.6	9.8
E.ON Kernkraft GmbH[3]	Hanover	100.0	215.0	304.0[2]	1,247.9
E.ON Kraftwerke GmbH[3]	Hanover	100.0	781.2	385.4[2]	1,772.3
E.ON Netz GmbH[3]	Bayreuth	100.0	566.8	151.0[2]	2,352.1
E.ON Sales & Trading GmbH[3]	Munich	100.0	995.1	-240.7[2]	8,291.5
E.ON Wasserkraft GmbH[3]	Landshut	100.0	370.9	133.1[2]	320.5
Elektrizitätswerk Minden-Ravensberg GmbH	Herford	55.2	123.8	10.1	289.1
Energie-Aktiengesellschaft Mitteldeutschland EAM	Kassel	73.3	424.3	209.5	681.6
Espoon Sähkö Oyj	FI, Espoo	65.6	129.0	23.5	207.9
Észak-dunántúli Áramszolgáltató Rt.	HU, Györ	90.6	264.4	21.3[2]	462.4
Hein Gas Hamburger Gaswerke GmbH	Hamburg	100.0	166.0	35.8	871.7
Pesag Aktiengesellschaft	Paderborn	54.5	96.3	18.5	353.5
Schleswag Aktiengesellschaft	Rendsburg	65.3	446.2	77.7	1,264.3
Sydkraft AB	SE, Malmö	55.2	2,546.6	50.7	653.6
Teag Thüringer Energie AG	Erfurt	72.7	544.6	71.1	737.9
Thüga Aktiengesellschaft	Munich	87.1	2,147.0	645.1	341.8
Powergen UK plc	GB, London	100.0	3,290.4	589.0	4,748.9
CRC-Evans Pipeline International. Inc.	USA, Houston	100.0	27.8	-3.3	48.9
Distribuidora de Gas del Centro SA	AR, Córdoba	45.9	216.7	21.7	178.1
DR Corby Limited	GB, London	100.0	81.3	-19.6	0.0
E.ON UK Ltd.	GB, London	100.0	1,649.8	17.5	0.0
East Midlands Electricity Distribution plc	GB, London	100.0	324.8	923.7	1,208.5
Inversora de Gas del Centro SA	AR, Córdoba	75.0	110.6	10.9	178.1
Kentucky Utilities Corp. ("KU")	USA, Lexington	100.0	824.3	107.7	960.3
LG&E Capital Corp.	USA, Louisville	100.0	105.4	-30.8	0.0
LG&E Energy Corp.	USA, Louisville	100.0	1,863.2	-4.5	0.0
LG&E Energy Marketing Inc	USA, Louisville	100.0	-620.0	-3.8	347.1
LG&E Power Inc.	USA, Louisville	100.0	253.5	7.9	0.0
Louisville Gas and Electric Company	USA, Louisville	100.0	939.8	119.3	1,113.6
Powergen CHP Ltd.	GB, London	100.0	94.4	-74.0	181.6
Powergen Group Holdings Ltd.	GB, London	100.0	5,106.9	881.9	0.0
Powergen International Limited	GB, London	100.0	1,030.8	-6.6	5.3
Powergen Ltd.	GB, London	100.0	5,196.7	476.3	0.0
Powergen Renewables Holdings Ltd.	GB, London	100.0	24.4	-0.1	0.0
Powergen Retail Ltd.	GB, Coventry	100.0	73.3	15.0	760.9
Powergen US Holdings Ltd.	GB, London	100.0	-111.0	-126.4	0.0
TXU Europe (AHG) Ltd.	GB, Ipswich	100.0	33.6	13.8	1,376.1
TXU Europe (AHGD) Ltd.	GB, Ipswich	100.0	-38.7	-32.7	108.0
WKE Corp.	USA, Louisville	100.0	-26.3	4.1	0.0

Name	Location	Stake	Stockholders' equity[1]	Earnings[1]	Sales[1]
Chemicals		%	€m	€m	€m
Degussa AG	Düsseldorf	64.6	3,888.2	397.8	3,601.8
ChemRex Inc.	USA, Shakopee	100.0	67.8	14.2	195.9
Degussa Antwerpen N.V.[5]	BE, Antwerpen	100.0	66.7	5.2	368.6
Degussa Canada Inc.	CA, Brampton-Bramalea	100.0	67.7	10.1	105.8
Degussa Construction Chemicals GmbH	Trostberg	100.0	295.0	16.0	0.0
Degussa Corporation	USA, Parsippany	100.0	939.3	–27.1	630.0
Degussa Flavors & Fruit Systems US. LLC	USA, Wilmington	100.0	45.1	7.7	117.6
Degussa Health & Nutrition GmbH	Trostberg	100.0	477.1	141.1[2]	0.0
Degussa Texturant Systems France SAS	FR, Boulogne	100.0	133.6	6.8	173.3
Degussa UK Holdings Limited[5]	GB, London	100.0	771.6	–5.7	0.0
Goldschmidt AG	Essen	98.0	127.0	45.2[2]	302.0
Infracor GmbH	Marl	100.0	65.6	12.3[2]	615.0
Korea Carbon Black Co.. Ltd.	KR, Inchon	100.0	83.1	3.2	132.1
Laporte Amalgamation Ltd.[5]	GB, London	100.0	662.2	5.0	0.0
Laporte Speciality Organics Limited[5]	GB, London	100.0	485.0	4.7	0.0
Master Builders. Inc.	USA, Cleveland	100.0	53.6	27.9	232.6
Oxeno Olefinchemie GmbH	Marl	100.0	38.6	35.6[2]	774.7
Röhm GmbH & Co. KG	Darmstadt	100.0	156.5	14.9	734.5
Stockhausen GmbH & Co. KG	Krefeld	100.0	148.3	60.0	451.2
Stockhausen Inc.	USA, Greensboro	100.0	84.3	6.5	288.7
Real Estate					
Viterra AG	Essen	100.0	666.7	–137.8[2]	417.1
Deutschbau-Holding GmbH	Düsseldorf	50.0	459.2	–40.7	0.0
Frankfurter Siedlungsgesellschaft mbH	Frankfurt am Main	86.3	107.1	12.4	60.8
Viterra Baupartner AG	Bochum	100.0	39.2	–62.5[2]	202.3
Viterra Energy Services AG	Essen	100.0	12.8	21.3[2]	25.6
WBRM-Holding GmbH	Essen	95.0	26.7	–21.4[2]	0.0
Other					
Aviga GmbH	Duisburg	100.0	381.2	81.1	0.0
E.ON North America. Inc.[4]	USA, New York	100.0	57.6	–94.2	0.0
E.ON Telecom GmbH	Düsseldorf	100.0	513.5	991.4[2]	0.0
II. Other shareholdings					
Energy					
badenova AG & Co. KG[4]	Freiburg	48.7	191.9	44.8[2]	0.0
BKW FMB Energie AG[4]	CH, Bern	20.0	290.1	61.4	0.0
EWE Aktiengesellschaft[4]	Oldenburg	27.4	558.2	75.9	0.0
Západoslovenská energetika (ZSE)[4]	SK, Bratislava	49.0	155.0	–10.3	0.0
Corby Power Ltd.	GB, Corby	50.0	47.1	17.4	153.1
Cottam Development Centre Ltd.	GB, London	50.0	42.0	5.8	51.7
Other					
Bouygues Telecom S.A.[4]	FR, Velizy-Villacoublay	15.9	686.4	184.5	3,512.6
RAG Aktiengesellschaft[4]	Essen	39.2	487.0	0.0	4,750.0

[1]Figures comply with the financial statements prepared in accordance with the GAAP of each individual country and do not reflect the amounts included in E.ON's Consolidated Financial Statements. Stockholders' equity is translated at year-end rates; earnings and sales are translated at annual average rates.
[2]Profit and loss pooling agreement (earnings before pooling).
[3]This company exercised its exemption option under Article 264, Paragraph 3 of the German Commercial Code (HGB).
[4]Mainly prior-year figures unless profit and loss pooling agreement exists.
[5]Figures in accordance with U.S. GAAP (HB II).

Group Performance

Net income

1 January – 31 March € in millions	2003	2002	Change
Internal operating profit	**1,496**	**1,121**	**+33%**
Net book gains	390	441	–
Restructuring and cost-management expenses	–48	–41	–
Other nonoperating earnings	60	301	–
Results from ordinary business activities	**1,898**	**1,822**	**+4%**
Income taxes	–298	–379	–
Minority interests	–168	–315	–
Results from continuing operations	**1,432**	**1,128**	**+27%**
Results from discontinued operations	2	1,893	–
Cumulative effect of changes in accounting principles	–448	191	–
Net income	**986**	**3,212**	**–69%**

Group sales

1 January – 31 March € in millions	2003	2002	Change
E.ON Energie	6,292	5,249	+20%
Ruhrgas	3,111	–	–
Powergen	3,154	–	–
Other/Consolidation	–88	–1	–
Core energy business	**12,469**	**5,248**	**+138%**
Viterra	245	258	–5%
Degussa	994	2,873	–65%
Other activities	**1,239**	**3,131**	**–60%**
Total external sales	**13,708**	**8,379**	**+64%**

Group internal operating profit

1 January – 31 March € in millions	2003	2002	Change
E.ON Energie	1,070	962	+11%
Ruhrgas	264	–	–
Powergen	155	–	–
Other/Consolidation	–137	37	–
Core energy business	**1,352**	**999**	**+35%**
Viterra	55	5	–
Degussa	89	117	–24%
Other activities	**144**	**122**	**+18%**
Group internal operating profit	**1,496**	**1,121**	**+33%**

In the first three months of 2003, the E.ON Group's internal operating profit climbed 33 percent year-on-year. The increase primarily reflects the inclusion of Ruhrgas and Powergen as well as improved earnings at E.ON Energie and Viterra.

Net book gains in the first quarter of 2003 resulted mainly from the sale of approximately 5.8 percent of the shares in Bouygues Telecom to the Bouygues Group (€294 million). In addition, E.ON posted a disposal gain of €168 million on the sale of roughly 18 percent of the shares in Degussa. These gains were offset by the net book loss of €76 million on the disposal of 1.9 percent of the stock in HypoVereinsbank.

In the period under review, restructuring expenses were recorded primarily at Powergen relating to the integration of the operations it acquired from TXU.

Other nonoperating earnings mainly reflect unrealized income from the market valuation of energy derivatives at E.ON Energie and Powergen.

Results from ordinary business activities rose 4 percent year-on-year to €1,898 million.

In the first quarter of 2003, the E.ON Group's continuing operations show a tax expense of €298 million.

Minority interests declined to €168 million. This mainly reflects changes in E.ON's portfolio of shareholdings and higher earnings at E.ON Energie companies in the prior year. The decline is also attributable to the deconsolidation of Degussa.

Results from continuing operations rose 27 percent to €1,432 million.

Results from discontinued operations mainly include the following businesses that were reported as discontinued operations after the first quarter of 2002: VEBA Oel, Stinnes, Viterra Energy Services, and certain operations divested by Degussa. In addition, E.ON Energie's Gelsenwasser subsidiary as well as Viterra Contracting are shown under discontinued operations beginning with the first quarter of 2003.

The cumulative effect of changes in accounting principles is exclusively attributable to the application of Statement of Financial Accounting Standards (SFAS) regarding the asset retirement obligation (see explanation to SFAS 143 on page 25 f.)

Owing to the exceptionally high net book gains E.ON reported in the prior year and to charges arising from changes in accounting principles, net income after taxes and minority interests of €986 million was substantially below the prior-year figure. The same applies to the earnings per share of €1.51.

Group sales rose 64 percent in the period under review, primarily because of the inclusion of Ruhrgas and Powergen. In addition, E.ON Energie posted substantially improved sales. By contrast, the deconsolidation of Degussa as of 1 February 2003, served to reduce reported sales by approximately €1.9 billion.

Core Energy Business

E.ON Energie

E.ON Energie's improved sales figure results principally from the inclusion of three German regional utilities and two European regional utilities that were not consolidated for the entire year in 2002: Energie-Aktiengesellschaft Mitteldeutschland EAM (effective 1 June 2002), Elektrizitätswerke Wesertal (effective 1 July 2002), Elektrizitätswerke Minden-Ravensberg (effective 1 August 2002), Espoon Sähkö (effective 1 April 2002), and Edasz (effective 1 December 2002). A weather-related increase in gas sales volumes and the further recovery of electricity prices in Germany also contributed to revenue growth.

The increase in internal operating profit primarily reflects the earnings contributions of newly consolidated E.ON Energie subsidiaries (approximately €90 million). Higher sales volumes in E.ON Energie's gas business and further improvements in the company's electricity operations in Germany contributed roughly €40 million and roughly €30 million, respectively. The adoption of SFAS 143 reduced E.ON Energie's earnings by approximately €50 million.

E.ON Energie AG, Munich

1 January – 31 March € in millions	2003	2002	Change
Sales	6,292	5,249	+20%
Thereof: electricity tax	299	240	+25%
EBITDA	1,676	1,389	+21%
EBIT	1,297	1,032	+26%
Internal operating profit	1,070	962	+11%
Investments	525	690	–24%
Thereof: Property, plant, and equipment	258	291	–11%
Thereof: Financial assets	267	399	–33%

Financial highlights by business unit[1]

1 January – 31 March € in millions	Germany: Electricity 2003	Germany: Electricity 2002	Germany: Gas 2003	Germany: Gas 2002	Foreign 2003	Foreign 2002	Other/ Consolidation 2003	Other/ Consolidation 2002	E.ON Energie 2003	E.ON Energie 2002
Sales[2]	3,266	2,952	1,264	966	1,220	937	243	154	**5,993**	**5,009**
EBITDA	1,027	834	252	198	336	314	61	43	**1,676**	**1,389**
EBIT	838	640	208	159	224	215	27	18	**1,297**	**1,032**
Internal operating profit	805	776	204	160	199	195	–138	–169	**1,070**	**962**

[1]Effective 1 January 2003, Gelsenwasser is reported under discontinued operations. We adjusted the prior-year figures accordingly. Furthermore, a number of changes were made to the organizational structure of E.ON Energie's business units effective 1 January 2003. To improve comparability, we adjusted the prior-year figures to reflect any substantial changes. These changes do not affect E.ON Energie's total earnings.
[2]Excludes electricity tax. Energy trading activities are recognized net.

Comments on internal operating profit by business unit:

The earnings increase at E.ON Energie's electricity business unit results from contributions of the first-time consolidation of the above-mentioned companies and from further operating improvements. This positive development was partially offset by one-off charges in the generation business, mainly related to the unplanned shutdown of Unterweser and Brunsbüttel power stations and the adoption of SFAS 143 to account for provisions for nuclear plant decommissioning.

The earnings improvement at the gas business unit is principally attributable to a weather-related increase in sales volumes and earnings contributions from newly consolidated E.ON Energie subsidiaries.

E.ON Energie's foreign business also posted slightly higher earnings. Operations in Central Europe benefited from the first-time consolidation of the Hungarian Edasz. By contrast, operations in Northern Europe reported a slight earnings decline, resulting chiefly from reduced generation volumes from hydroelectric facilities. This shortfall had to be made up with electricity produced at facilities that use more expensive energy sources like oil and natural gas. Espoon Sähkö, our Finnish subsidiary, was included from the beginning of the year for the first time, which had a positive impact on earnings.

The earnings increase reported under E.ON Energie's Other/Consolidation business unit results primarily from higher financial earnings.

Power supplied[1]			
1 January – 31 March kWh in billions	2003	2002	Change
Standard-rate customers	14.4	9.0	+60%
Special-rate customers	23.8	20.6	+16%
Regional and municipal utilities	35.3	33.9	+4%
Power supplied	**73.5**	**63.5**	**+16%**

[1]Excludes energy trading activities.

Power generation and procurement[1)]			
1 January – 31 March kWh in billions	2003	2002	Change
Proprietary generation	42.4	40.6	+4%
Procurement	34.2	25.8	+33%
Jointly owned power stations	4.6	5.2	–12%
Outside sources	29.6	20.6	+44%
Power procured	**76.6**	**66.4**	**+15%**
Internal use, transmission losses, pumped storage	–3.1	–2.9	–7%
Power supplied	**73.5**	**63.5**	**+16%**

[1]Excludes energy trading activities.

Gas sales volume[1]			
1 January – 31 March kWh in billions	2003	2002	Change
Standard-rate customers	20.5	16.6	+23%
Special-rate customers	13.0	9.2	+41%
Regional and municipal utilities	17.1	13.7	+25%
Gas sales volume	**50.6**	**39.5**	**+28%**

[1]Excludes D-Gas trading activities.

Overall, E.ON Energie sold roughly 10 billion kilowatt-hours (kWh) or 16 percent more power than in the first three months of 2002. The increase in power sold mainly reflects the inclusion from beginning of the year of the companies mentioned above. In particular, more power was supplied to standard-rate and residential customers as well as to industrial and commercial special-rate customers. E.ON Sales & Trading again increased its power trading volume. The physical trading volume totaled 43.2 billion kWh compared with 37.9 billion kWh in the first quarter of last year.

E.ON Energie met around 55 percent or 42.4 billion kWh (1Q02: 61 percent or 40.6 billion kWh) of its power requirements with electricity from its own generation assets. At 34.2 billion kWh (1Q02: 25.8 billion kWh), around 33 percent more power was purchased from other suppliers. The share of power procured from outside sources amounted to 45 percent versus 39 percent a year ago. The significant rise in reported power purchases results in part from the first-time inclusion of Edasz and from increased power purchases at E.ON Benelux.

In the period under review, E.ON Energie's nuclear power stations were responsible for 48.4 percent of its proprietary generation compared with 50.3 percent in the first quarter of 2002. The figure for hard-coal-fired power stations was 28.7 percent versus 24.7 percent a year ago. Electricity generated from lignite accounted for 5.7 percent compared with 7.8 percent in the previous year. Power from hydroelectric stations accounted for 8.7 percent against 11.2 percent in the prior year. The decline was caused by the low water supply in reservoirs at hydroelectric plants in Scandinavia, which prevented hydroelectric power from being utilized to the same degree as in the year-earlier span. The share of electric energy produced from other sources rose to 8.5 percent from 6.0 percent.

The sharp increase in gas sales volumes results from weather-related effects along with the inclusion of EAM's gas operations.

Ruhrgas

Following an out-of-court settlement, E.ON acquired 100 percent of Ruhrgas by early March 2003. Ruhrgas became a fully consolidated E.ON Group company effective 1 February 2003.

With an annual sales volume of roughly 600 billion kWh of natural gas, Ruhrgas ranks among Europe's leading gas companies and is one of the world's largest gas importers. Ruhrgas procures natural gas from supply channels in and outside Germany. Its customers are regional and municipal energy companies, large industrial enterprises, and power stations. Ruhrgas offers a comprehensive array of products and services for the transport, storage, marketing, and utilization of natural gas. In addition, Ruhrgas has ownership interests in energy companies in and outside Germany that it holds through its subsidiary, Ruhrgas Energie Beteiligungs-AG. Ruhrgas also owns shareholdings in industrial enterprises through Ruhrgas Industries GmbH.

The Ruhrgas acquisition gives us a strong competitive position in the European gas market, ideally complementing our existing gas operations, particularly on the downstream side. To go along with our fully integrated electricity business, we are now a major player along the entire energy value chain in natural gas: from production to wholesaling and from transport to retailing.

Ruhrgas AG, Essen[1]

1 January – 31 March € in millions	2003
Sales	3,111
Thereof: gas tax	734
EBITDA	363
EBIT	271
Internal operating profit	264
Investments	131
Thereof: Property, plant, and equipment	46
Thereof: Financial assets	85

[1]Fully consolidated since 1 February 2003.

Gas sales volume

1 January – 31 March kWh in billions	2003	2002	Change
February	80.4	60.0	+34%
March	66.0	57.5	+15%
Gas sales volume	**146.4**	**117.5**	**+25%**

In February and March 2003, Ruhrgas sales totaled €3.1 billion. Internal operating profit was €264 million.

Cool weather in Germany in early 2003 spurred natural gas consumption in particular. In the first quarter of 2003, gas consumption rose 14 percent from the same period in 2002. The average temperature in February 2003 was 6.7 degrees Celsius below the average temperature in the same month a year ago.

Benefiting from the cooler weather, Ruhrgas's gas sales volume climbed 25 percent compared with the first three months of 2002. Ruhrgas reported higher sales volumes across a range of customer segments: exports deliveries were higher (especially to the U.K.), as were deliveries to gas transport companies, local gas companies, industrial enterprises, and state-owned power stations.

Powergen Group 1 January – 31 March € in millions	2003
Sales	3,154
EBITDA	400
EBIT	247
Internal operating profit	155
Investments	152
Thereof: Property, plant, and equipment	127
Thereof: Financial assets	25

Financial highlights by business unit 1 January – 31 March € in millions	Powergen UK	LG&E Energy	Other	Powergen-Group
Sales	2,538	616	–	**3,154**
EBITDA	272	115	13	**400**
EBIT	170	64	13	**247**
Internal operating profit	125	40	–10	**155**

Powergen UK Power sales[1] 1 January – 31 March kWh in billions	2003	2002	Change
Residential, small and medium enterprises	11.2	3.9	+187%
Industrial and commercial	9.0	3.1	+190%
Power supplied	**20.2**	**7.0**	**+189%**
Gas supplied	**41.3**	**15.6**	**+165%**

[1]Excludes wholesale and power trading activities.

LG&E Energy Power sales 1 January – 31 March kWh in billions	2003	2002	Change
Regulated utility business	9.2	9.0	+2%
Retail customers	7.9	7.4	+7%
Off-system sales	1.3	1.6	–19%
Non-utility business	2.6	2.8	–7%
Power supplied	**11.8**	**11.8**	**–**
Gas supplied	**7.1**	**6.1**	**+16%**

Powergen

In the first quarter 2003 Powergen achieved sales of €3.2 billion and an internal operating profit of €155 million. Internal operating profit included €125 million for Powergen UK and €40 million for LG&E Energy. Powergen's investments in the Asia-Pacific region together with Powergen corporate interest and other costs recorded a small internal operating loss of €10 million.

Powergen UK showed strong results for the three-month period, mainly due to the first full-quarter contribution from the former TXU retail business. With 8.9 million electricity and gas customer accounts, Powergen UK is now well balanced between its generation and mass-market retail operations, reducing the impact of wholesale price movements on the company's future profitability. In the first three months of 2003, Powergen sold 20.2 billion kWh of electricity in the retail market, an increase of 13.2 billion kWh compared with the same period in 2002. Gas sales also increased significantly to 41.3 billion kWh. In both cases the increase is primarily attributable to the inclusion of the former TXU retail business in Powergen UK's results.

LG&E Energy's regulated utility operations in Kentucky performed well despite suffering the worst ice storms in the company's history. Internal operating profit for the regulated utilities was €56 million. The cost of the ice storm, together with continuing general cost pressures, was offset by the impact of colder than normal weather and rising wholesale electricity prices for the quarter. LG&E Energy sold 11.8 billion kWh of electricity in the first three months of 2003, consistent with 2002. Gas sales rose by 1.0 billion kWh to 7.1 billion because of the favorable weather conditions.

LG&E Energy's unregulated operations posted an internal operating loss of €16 million, largely caused by continuing high fuel prices and plant outages. This was partly offset by higher wholesale revenues due to rising electricity prices. The economic crisis in Argentina continues to impact profits from our gas distribution business in that country.

Other/Consolidation

The Other/Consolidation segment contains the results of central Group financing, minority interests held directly by E.ON, E.ON AG itself, and the consolidation at the Group level.

The decline in internal operating profit is due above all to lower interest earnings, owing primarily to the financing costs for the Powergen and Ruhrgas acquisitions.

Other/Consolidation			
1 January – 31 March € in millions	2003	2002	Change
Financing	–55	74	–
Investments	–3	7	–
Miscellaneous/Consolidation	–79	–44	–
Internal operating profit	**–137**	**37**	**–**

Other Activities

Viterra

Viterra performed very well in the first quarter of 2003, selling 2,342 housing units compared with 584 units in the prior-year span. The increase was due largely to the sale of multi-family units. The largest single transaction in the current year was the sale of a block of 1,257 housing units in the Ruhr region and Düsseldorf. Viterra Rhein-Main and Deutschbau were also able to sell more units than in the prior year.

Viterra's sales of €245 million were down 5 percent on the prior-year period. The reason was lower rental income as a result of housing units sold in 2002.

Viterra grew its first-quarter internal operating profit to €55 million from €5 million a year ago, in particular by increasing the number of housing units sold. The phasing out of Viterra Baupartner also had a positive impact, markedly reducing the operating loss this business reported in the year-earlier quarter. However, we do not expect Viterra's exceptionally high rate of earnings growth in the first quarter to continue for the full year.

Viterra AG, Essen			
1 January – 31 March € in millions	2003	2002	Change
Sales	245	258	–5%
EBITDA	134	92	+46%
EBIT	95	51	+86%
Internal operating profit	55	5	–
Investments	85	286	–70%
Thereof: Property, plant, and equipment	36	11	+227%
Thereof: Financial assets	49	275	–82%

Other Activities

Degussa

In June 2002 RAG made a cash tender to all Degussa shareholders. The transaction was contingent on E.ON's acquisition of the Bergemann shareholding, and thus indirectly RAG's Ruhrgas shares, by 31 January 2003. All conditions of the deal were met on time, the takeover offer took effect on 31 January 2003. RAG now holds approximately 46.5 percent of the Degussa shares. E.ON currently holds the same amount. Whereas in 2002 Degussa was a fully consolidated E.ON division, effective 1 February 2003 Degussa is accounted for using the equity method in line with E.ON's 46.5 percent shareholding in the company. Degussa's after-tax earnings are included in Group income with a 46.5 percent share starting 1 February 2003. For this reason, Degussa's reported sales of €994 million are nearly €1.9 billion lower than in the prior-year period; the internal operating profit of €89 million is despite operating improvements thus €28 million lower than in the year-earlier span.

Degussa AG, Düsseldorf 1 January – 31 March € in millions	2003[1)]	2002	Change
Sales	994	2,873	–65%
EBITDA	166	396	–58%
EBIT	107	187	–43%
Internal operating profit	89	117	–24%

[1]Degussa was fully consolidated until 31 January 2003. Effective 1 February 2003, Degussa is accounted for using the equity method in line with E.ON's 46.5 percent shareholding in the company.

Employees

Employees[1]	31 March 2003	31 December 2002	Change
E.ON Energie	40,936	41,823	–2%
Ruhrgas	9,855	–	–
Powergen	11,214	11,591	–3%
E.ON AG/Other	591	558	+6%
Core energy business	**62,596**	**53,972**	**+16%**
Viterra	2,012	2,471	–19%
Degussa	–	45,467	–
Other activities	**2,012**	**47,938**	**–96%**
Continuing operations	**64,608[2]**	**101,910**	**–37%**
Discontinued operations[3]	4,778	4,920	–3%

[1]Adjusted less the number of apprentices.
[2]Including Degussa (45,262 employees) total of 109,870 employees. Until the end of April 2004 Degussa will be jointly managed by E.ON and RAG.
[3]Viterra Energy Services and Gelsenwasser as well as Viterra Contracting as of 31 December 2002

At the end of March 2003, the E.ON Group employed 64,608 people in its continuing operations worldwide, of whom 27,078 were employed outside Germany. Thus the workforce has declined by 37,302 persons or 37 percent, mainly owing to the deconsolidation of Degussa (-45,467 employees). For the first time, employee figures have been presented net of apprentices.

In the first quarter of 2003, the number of employees at E.ON Energie declined by 2 percent through the transfer of employees to a nonconsolidated company. The E.ON Group workforce increased by 9,855 employees through the acquisition of Ruhrgas. The number of employees at Powergen declined mainly through the integration of the TXU activities. At the end of the first quarter, the Viterra workforce counted 2,012 in continuing operations, a 19-percent reduction from 31 December 2002. This was due mainly to the disposal of a Deutschbau business unit employing 370 people.

During the reporting period, wages and salaries including social security contributions totaled €1,281 million for continuing operations compared with €1,431 million a year ago.

Investments

During the period under review, E.ON Group investments of €5.1 billion were 296 percent above the prior year's level. €457 million was invested in property, plant, and equipment and intangible assets (prior year: €546 million). Investments in financial assets totaled €4,689 million versus €753 million in the prior year.

E.ON Energie invested 24 percent less than in the prior year. €258 million was invested in property, plant and equipment (prior year: €291 million) and €267 million in financial assets (prior year: €399 million). The greater part of investment in property, plant, and equipment was invested in power generation and distribution. E.ON Energie made no major investments in shareholdings in the first three months of 2003.

In the first quarter of 2003, Ruhrgas invested €46 million in property, plant, and equipment and €85 million in financial assets. Powergen invested €127 million in property plant, and equipment and €25 million in financial assets.

In the first quarter of 2003, Viterra's capital expenditures amounting to €85 million were significantly lower than the substantial prior-year figure of €273 million, which includes the purchase of 86.3 percent of Frankfurter Siedlungsgesellschaft (FSG). The largest single investment of the first quarter was the purchase of the remaining FSG shares (€49.2 million) from the City of Frankfurt.

Investments totaling €4.2 billion, reported under Other/Consolidation, mainly include payments to acquire Ruhrgas shares.

Group investments				
1 January – 31 March € in millions	2003	%	2002	%
E.ON Energie	525	10	690	53
Ruhrgas	131	3	–	–
Powergen	152	3	–	–
Other/Consolidation	4,217	82	64	5
Core energy business	**5,025**	**98**	**754**	**58**
Viterra	85	2	286	22
Degussa	36	–	259	20
Other activities	**121**	**2**	**545**	**42**
Group Investments	**5,146**	**100**	**1,299**	**100**

Financial Results

Financial earnings 1 January – 31 March € in millions	2003	2002	Change
Income from companies accounted for at equity	198	297	–33%
Other income from share investments	25	28	–11%
Income from share investments	**223**	**325**	**–31%**
Income from long-term securities and long-term loans	22	35	–37%
Other interest and similar income	127	167	–24%
Interest and similar expenses	–457	–201	–127%
Interest and similar expenses (net)	**–308**	**1**	**–**
Write-downs of financial assets and long-term loans	–	–7	–
Financial earnings	**–85**	**319**	**–**

Free cash flow 1 January – 31 March € in millions	2003	2002	Change
Cash flow provided by continuing operations	1,051	821	+28%
Investments in intangible and fixed assets	–457	–546	–
Free cash flow	**594**	**275**	**+116%**

The table at left shows financial earnings for the first quarter of 2003 and 2002.

Free cash flow is defined as cash flow from continuing operations versus investments in property, plant, and equipment. E.ON uses its free cash flow primarily for growth investments, dividends, repayments, and cash investments.

Cash flow from continuing operations increased substantially, climbing 28 percent year-on-year to €1,051 million on the back of higher earnings in our core energy business. The key factor behind the increase was the consolidation effect from the inclusion of Ruhrgas. Higher interest payments reported in our Other/Consolidation segment and certain tax payments negatively impacted cash flow.

For the entire 2003 financial year, we also expect cash flow from operations to markedly exceed the figure for 2002.

To improve the information value of our reporting, we now include the fair value of securities in the calculation of the E.ON Group's net financial position. The figures as of 31 March and 31 December 2002 were also adjusted.

As of 31 March 2003, the E.ON Group's net financial position-the difference between its financial assets of €11,928 million and its financial liabilities to banks and third parties of €24,804 million-amounted to -€12,876 million.

Despite the substantial funds that went toward the acquisition of Ruhrgas shares, investments in fixed assets and shareholdings, and the decline in the fair value of securities, the E.ON Group's net financial position is nearly unchanged from the figure of −€12,460 reported as of 31 December 2002. The above factors were offset by improved cash flow from operations, the deconsolidation of Degussa's net financial position, and the divestment of fixed assets and shareholdings, in particular the sale of shares in Degussa and Bouygues Telecom.

E.ON Group net financial position

€ in millions	31 March 2003	31 December 2002	31 March 2002
Bank deposits	4,076	1,317	8,902
Securities and funds (current assets)	6,724	7,068	7,654
Total liquid funds	**10,800**	**8,385**	**16,556**
Securities and funds (fixed assets)	1,128	1,519	2,408
Total financial assets	**11,928**	**9,904**	**18,964**
Financial liabilities to banks/loans	−17,589	−19,554	−10,511
Financial liabilities to third parties	−7,215	−2,810	−1,297
Total financial liabilities	**−24,804**	**−22,364**	**−11,808**
Net financial position	**−12,876**	**−12,460**	**7,156**

Financial key figures by segment

1 January – 31 March	E.ON Energie		Ruhrgas		Powergen		Viterra		Degussa		Other/ Consolidation		E.ON Group	
€ in millions	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Cash provided by continuing operations	712	519	858		−168		64	81	−93	94	−322	127	**1,051**	**821**
Financial assets	9,767	9,970	1,364		287		42	129		570	468	8,295	**11,928**	**18,964**
Financial liabilities	−4,836	−4,628	−780		−8,010		−2,819	−3,350		−3,350	−8,359	−480	**−24,804**	**−11,808**
Net financial position	4,931	5,342	584		−7,723		−2,777	−3,221		−2,780	−7,891	7,815	**−12,876**	**7,156**

Since 18 April 2002, E.ON bonds have a long-term rating of AA- (stable) from Standard & Poor's. Since 10 January 2003, E.ON bonds have a long-term rating of A1 (stable) from Moody's. Commercial paper issued by E.ON is rated A-1+ and P-1 by Standard & Poor's and Moody's, respectively. E.ON has committed itself to maintaining a strong single-A rating.

E.ON Group financial key figures

1 January – 31 March € in millions	2003	2002
Other interest and similar income, excluding affiliated companies	118	163
Interest and similar expenses, excluding affiliated companies	−443	−192
Interest expense (net)	**−325**	**−29**
EBITDA	**2,658**	**1,852**
Cash flow provided by continuing operations	**1,051**	**821**

Highlights

In January 2003, E.ON concluded a contract for the sale of its nearly 16-percent interest in Bouygues Telecom. The Bouygues Group agreed to acquire the shares in two stages for a total of €1.1 billion including shareholder loans. On 5 March 2003, Bouygues Telecom, in a first step, acquired 5.8 percent of the E.ON shares in Bouygues Telecom for a total of €400 million. E.ON recognized a book gain of €294 million. Put/call agreements have been concluded for the acquisition of the remaining 10.1 percent.

In the course of settlement with the leading plaintiffs opposing the ministerial approval for the acquisition of Ruhrgas, E.ON agreed to investment swaps with Fortum. Meanwhile E.ON has sold its indirect shareholdings in three Norwegian energy companies (Hafslund, Östfold, und Frederikstad) and in Russia's Lenenergo. In return, E.ON bought Smaland (distribution operations in Sweden) and Burghausen and Edenderry power stations in Ireland. Certain subsequent conditions must be met before some of the transactions can be executed. The total volume of the investment swaps is around €760 million (purchases and sales). In addition to these investments, E.ON will receive a cash settlement of €160 million from Fortum.

On 8 April 2003, Viterra sold its service company, Viterra Energy Services, to CVC Capital Partners, a financial investor, for €930 million including around €85 million in debt. The transaction completes Viterra's phase of focusing on its residential real estate and real estate development businesses. E.ON will earn a disposal gain of approximately €700 million on the sale, which it expects to record in the second quarter of 2003 under discontinued operations. The transaction is subject to approval by antitrust authorities.

Outlook

In view of the overall positive earnings development in the first quarter of 2003, we expect full-year internal operating profit to slightly exceed the prior year's record figure, though not to maintain the first quarter's high rate of increase. This is due to effects of first-time consolidation, which primarily impact the first half of the year, and the deconsolidation of Degussa, which will affect the coming quarters.

We expect a further improvement in E.ON Energie's internal operating profit. We also anticipate that operating improvements in 2003 will more than compensate for the above-average charges from the change in the accounting of asset retirement obligations required by new U.S. GAAP standards.

At Ruhrgas, we also expect improved results for full year 2003 (pro forma internal operating profit according to U.S. GAAP for full-year 2002: nearly €800 million). Even after charges against earnings from the purchase price allocation (the revaluation of the assets and liabilities acquired) and financing interest, we expect Ruhrgas to make substantial contributions to Group internal operating profit.

We also expect Powergen to increase earnings (pro forma internal operating profit for full-year 2002: nearly €500 million). From today's perspective, we anticipate that Powergen will make a positive contribution to Group internal operating profit after financing costs.

We expect Viterra to report further earnings improvements, owing particularly to the portfolio measures it has executed. However, it will not be possible to maintain the first quarter's very high rate of increase.

We also expect operating improvements at Degussa, above all from best@chem, the company's comprehensive performance-improvement program. The positive development we anticipate will not, however, be reflected in our Consolidated Financial Statements. Whereas in 2002 Degussa was a fully consolidated E.ON division, starting in February of this year Degussa's earnings will be accounted for at equity in line with E.ON's 46.5 percent shareholding in the company. This consolidation effect will lead to a significantly lower contribution from Degussa to Group internal operating profit in 2003. Nevertheless, we anticipate that the substantial earnings contribution of our core business will compensate for the significant decline in Degussa's contribution.

Group net income for 2003 is expected to be higher. We expect substantial disposal gains, in particular from divestments already initiated and the fulfillment of requirements imposed in conjunction with our acquisition of Ruhrgas. From today's perspective, we do not anticipate extraordinary charges of a magnitude similar to those reported in 2002.

Further Segment Information

€ in millions	Reported in 1Q02	Adjust-ments for dis-continued operations	Adjusted figures for 1Q02	1Q03
E.ON Energie	1,004	–42	962	1,070
Ruhrgas	–	–	–	264
Powergen	–	–	–	155
Viterra	39	–34	5	55
Degussa	114	3	117	89
VEBA Oel	24	–24	–	–
Stinnes	76	–76	–	–
Other/Consolidation	36	1	37	–137
Internal operating profit	**1,293**	**–172**	**1,121**	**1,496**
Nonoperating results	1,497	–796	701	402
Results from ordinary business activities	**2,790**	**–968**	**1,822**	**1,898**
Net income	**3,212**	**–**	**3,212**	**986**

The reportable segments are presented in line with the Company's internal organizational and reporting structure based on products and services. The reportable segments are Energy, Chemicals, and Real Estate. The Company's core energy business consists of three segments: E.ON Energie, Ruhrgas, and Powergen. The Other/Consolidation segment contains the results of central Group financing, minority interests held directly by E.ON, E.ON AG itself, and the consolidation at the Group level.

In 2002 E.ON systematically executed its strategy of becoming a leading integrated electricity and gas service provider. This has led to changes in the Company's segment reporting.

This mainly applies to the following businesses we disposed of and that were reported as discontinued operations after the first quarter of 2002: VEBA Oel, Stinnes, Viterra Energy Services, and certain operations divested by Degussa.

In addition, E.ON Energie's Gelsenwasser subsidiary as well as Viterra Contracting are shown under discontinued operations beginning with the first quarter of 2003.

In accordance with SFAS 144, E.ON reports as a discontinued operation an operating segment or substantial component of an entity that has either been disposed of or is intended for sale.

Consolidated sales, earnings, and investment figures for the first quarter of 2003 and 2002 have been adjusted for the effects of discontinued operations.

An indicator of a business's long-term earnings power, internal operating profit is E.ON's key performance metric in terms of management control. Internal operating profit is an adjusted figure derived from

Segment information

1 January – 31 March € in millions	E.ON Energie		Ruhrgas		Powergen	
	2003	2002[1]	2003	2002	2003	2002
External sales	6,292	5,242	2,994		3,154	
Intersegment sales	–	7	117		–	
Total sales	**6,292**	**5,249**	**3,111**		**3,154**	
EBITDA	**1,676**	**1,389**	**363**		**400**	
Depreciation/amortization and write-downs	–379	–357	–92		–153	
EBIT	**1,297**	**1,032**	**271**		**247**	
Interest income	–227	–70	–7		–92	
Internal operating profit	**1,070**	**962**	**264**		**155**	
Thereof earnings from companies accounted for at equity	93	103	57		16	
Investments	**525**	**690**	**131**		**152**	
Intangible and fixed assets	258	291	46		127	
Financial assets	267	399	85		25	
Thereof companies valued at equity	24	102	–		4	

[2]Adjusted for discontinued operations.

results of continuing operations before income taxes and minority interests. The adjustments include book gains and losses on disposals, restructuring expenses, and other nonoperating income and non-recurring expenses.

E.ON also uses EBIT and EBITDA as segment performance indicators. This range of key figures makes it possible to analyze each operating segment's overall business performance according to its operating, investment, and financial drivers.

Because they are adjusted for non-recurring effects, the segment key figures shown in this section of the E.ON Interim Report may differ from the corresponding U.S. GAAP figures reported in the Consolidated Statements of Income.

Furthermore, for purposes of internal analysis, interest income is adjusted using economic criteria. In particular, the interest portion of additions to provisions for pensions resulting from personnel expenses is allocated to interest results. The interest portions of the increases in other long-term provisions are treated analogously to the extent that, in accordance with U.S. GAAP, they are reported on different lines of the Consolidated Statements of Income.

In the first quarter of 2003 and 2002, interest income (net) primarily reflects tax-related interest expenses.

Interest income (net) charged against internal operating profit

1 January – 31 March € in millions	2003	2002[1]
Interest income shown in Consolidated Statements of Income	**−308**	**1**
Interest income (net)[2]	3	7
Interest portion of long-term provisions	−130	−124
Interest income (net) charged against internal operating profit	**−435**	**−116**

[1]Adjusted for discontinued operations.
[2]This figure is calculated by adding in interest expenses and subtracting interest income.

Viterra 2003	Viterra 2002[1]	Degussa 2003	Degussa 2002[1]	Other/Consolidation 2003	Other/Consolidation 2002[1]	E.ON Group 2003	E.ON Group 2002[1]
243	255	994	2,850	31	32	13,708	8,379
2	3	–	23	−119	−33	–	–
245	**258**	**994**	**2,873**	**−88**	**−1**	**13,708**	**8,379**
134	**92**	**166**	**396**	**−81**	**−25**	**2,658**	**1,852**
−39	−41	−59	−209	−5	−8	−727	−615
95	**51**	**107**	**187**	**−86**	**−33**	**1,931**	**1,237**
−40	−46	−18	−70	−51	70	−435	−116
55	**5**	**89**	**117**	**−137**	**37**	**1,496**	**1,121**
–	2	36	10	−4	10	198	125
85	**286**	**36**	**259**	**4,217**	**64**	**5,146**	**1,299**
36	11	36	236	−46	8	457	546
49	275	–	23	4,263	56	4,689	753
–	–	–	–	–	–	28	102

Interim Financial Statements (unaudited)

E.ON AG and Subsidiaries Consolidated Statements of Income		
	1 January – 31 March	
€ in millions	2003	2002[1]
Sales	**13,708**	**8,379**
Electricity/natural gas tax	–1,031	–240
Sales, net of electricity/natural gas tax	**12,677**	**8,139**
Cost of goods sold and services provided	–9,561	–5,837
Gross profit on sales	**3,116**	**2,302**
Selling expenses	–1,263	–903
General and administrative expenses	–363	–425
Other operating income	1,506	1,115
Other operating expenses	–1,013	–586
Financial earnings	–85	319
Income/(loss) from continuing operatings before income taxes and minority interests	**1,898**	**1,822**
Income taxes	–298	–379
Minority interests	–168	–315
Income/(loss) from continuing operations	**1,432**	**1,128**
Income/(loss) from discontinued operations, net	2	1,893
Cumulative effect of changes in accounting principles, net	–448	191
Net income	**986**	**3,212**
Earnings per share (in €)		
from continuing operations	2.20	1.73
from discontinued operations	0.00	2.91
from cumulative effect of changes in accounting principles, net	–0.69	0.29
from net income	**1.51**	**4.93**

[1]Adjusted for discontinued operations.

E.ON AG and Subsidiaries Consolidated Balance Sheet

€ in millions	Mar 31, 2003	Dec 31, 2002
Assets		
Intangible assets	18,136	19,040
Property, plant, and equipment	40,404	41,989
Financial assets	19,409	16,971
Fixed assets	**77,949**	**78,000**
Inventories	2,461	3,840
Financial receivables and other financial assets	2,634	1,847
Operating receivables and other operating assets	16,518	17,009
Assets of disposal groups	1,330	508
Liquid funds	10,800	8,385
Nonfixed assets	**33,743**	**31,589**
Deferred taxes	3,116	3,042
Prepaid expenses	405	434
Total assets	**115,213**	**113,065**
Stockholders' equity and liabilities		
Stockholders' equity	**26,237**	**25,653**
Minority interests	**4,219**	**6,511**
Provisions for pensions	7,135	9,163
Other provisions	25,985	25,146
Accrued liabilities	**33,120**	**34,309**
Financial liabilities	27,407	24,850
Operating liabilities	14,829	14,186
Liabilities	**42,236**	**39,036**
Liabilities of disposal groups	811	339
Deferred taxes	7,362	6,162
Deferred income	1,228	1,055
Total stockholders' equity and liabilities	**115,213**	**113,065**

E.ON AG and Subsidiaries Consolidated Statements of Cash Flow 1 January – 31 March € in millions	2003	2002
Net income	986	3,212
Income applicable to minority interests	168	315
Adjustments to reconcile net income to net cash provided by operating activities		
Income from discontinued operations	–2	–1,893
Depreciation, amortization, impairment	727	620
Changes in provisions	886	75
Changes in deferred taxes	–330	–53
Other non-cash income and expenses	–86	–465
Gain/(loss) on disposal of fixed assets	–540	–306
Changes in non-fixed assets and other operating liabilities	–758	–684
Cash provided by operating activities	**1,051**	**821**
Payments from disposals of		
financial assets	1,731	3,391
intangible and fixed assets	156	124
Purchase of		
financial assets	–4,689	–753
intangible and fixed assets	–457	–546
Changes in other liquid funds	1,114	2,071
Cash provided by (used for) investing activities	**–2,145**	**4,287**
Payments received/made from changes in capital including minority interests	–	–
Payments for treasury stock, net	–	–
Payment of cash dividends to		
stockholders of E.ON AG	–	–
minority stockholders	–38	–8
Changes in financial liabilities	3,504	–211
Cash provided by (used for) financing activities	**3,466**	**–219**
Net increase (decrease) in cash and cash equivalents maturing (< 3 months)	**2,372**	**4,889**
Effect of foreign exchange rates on cash and cash equivalents (< 3 months)	–28	–16
Liquid funds at the beginning of the period (< 3 months)	1,342	4,239
Liquid funds from discontinued operations at the beginning of the period (< 3 months)	–5	–377
Liquid funds from continuing operations at the end of the period (< 3 months)	**3,681**	**8,735**
Securities available for sale from continuing operations at the end of the period (> 3 months)	7,119	7,397
Securities available for sale from discontinued operations at the end of the period (> 3 months)	–	96
Liquid funds from discontinued operations at the end of the period (< 3 months)	–	328
Liquid funds as shown on the balance sheet	**10,800**	**16,556**

Other comprehensive income

€ in millions	Capital Stock	Additional paid-in capital	Retained earnings	Cumulated Other Comprehensive Income: Currency translation adjustments	Cumulated Other Comprehensive Income: Securities available for sale	Cumulated Other Comprehensive Income: Additional minimum pension liability	Cumulated Other Comprehensive Income: Cash flow hedges	Treasury Stock	Total
1 January 2002	**1,799**	**11,402**	**11,795**	**376**	**−265**	**−320**	**−51**	**−274**	**24,462**
Dividends paid									
Net income			3,212						3,212
Other comprehensive income				151	35	−16	−12		158
Total comprehensive income 31 March 2002	**1,799**	**11,402**	**15,007**	**527**	**−230**	**−336**	**−63**	**−274**	**27,832**
1 January 2003	**1,799**	**11,402**	**13,472**	**−242**	**−3**	**−401**	**−115**	**−259**	**25,653**
Dividends paid									
Net income			986						986
Other comprehensive income				−289	−267	47	107		−402
Total comprehensive income 31 March 2003	**1,799**	**11,402**	**14,458**	**−531**	**−270**	**−354**	**−8**	**−259**	**26,237**

Accounting and Valuation Policies

The accounting and valuation policies used to prepare the Interim Financial Statements for the period ended 31 March 2003 correspond to those used for the Consolidated Financial Statements for the year ended 31 December 2002 with the exception of those described below.

As of 1 January 2003 E.ON is subject to new accounting and disclosure requirements set forth in certain new standards and interpretations. These include the Statement of Financial Accounting Standards (SFAS) 143, "Accounting for Asset Retirement Obligations"; SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities"; SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB 123"; FASB Interpretation (FIN) 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"; and FIN 46, "Consolidation of Variable Interest Entities." These new accounting rules are described in detail in E.ON's 2002 Annual Report. Only SFAS 143 has had a material impact on the Company's earnings situation in fiscal year 2003. The Company is currently implementing FIN 46 and is not aware of any case in which the E.ON Group is subject to the reporting requirement's guidance.

SFAS 143 is effective for fiscal years commencing after 15 June 2002. The standard requires that the fair value of a legal obligation arising from the retirement of an asset is to be recorded as a liability in the period in which the obligation arises, to the extent that an reasonable estimate of fair value is possible. At the same time, the carrying value of the asset underlying the obligation is to be increased. Over the estimated life of the asset, the liability is accreted to its present value and the related capitalized charge is depreciated over the useful life of the asset.

FIN 45 expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees. The guarantor is also required to recognize a liability for the fair value of an obligation under a guarantee.

Pro forma Information		
1 January – 31 March € in millions	2003	2002
Sales	14,020	14,792
Net income before cumulative effect of changes in accounting principles	1,492	3,451
Net income	1,056	3,642
Earnings per share (in €)	1.62	5.58

Acquisitions, Disposals and Discontinued Operations

Significant Acquisitions in 2003. On 31 January 2003, E.ON reached an out-of-court settlement with the nine companies that had filed suit in the state Superior Court in Düsseldorf against the ministerial approval of the Ruhrgas acquisition. The acquisition of RAG's Bergemann shares was completed on the same day. By the beginning of March 2003, E.ON had acquired 100 percent of the shares in Ruhrgas for a total purchase price of €10.2 billion. The results of operation of Ruhrgas have been included in E.ON's consolidated income statement from February 1, 2003.

The following unaudited pro forma consolidated results of operations of the Company are presented as if the acquisition of Ruhrgas and other significant 2002 acquisitions (Powergen and TXU) had taken place at the beginning of the periods presented. Adjustments to the Company's historical information have been made for the acquirees' results of operations prior to the respective dates of acquisition. In addition, adjustments were made for depreciation, amortization and related tax effects resulting from the purchase price allocation. The pro forma figures also include adjustments to give effect to interest costs determined on the basis of E.ON's average interest rate for external debt.

This unaudited pro forma information is not necessarily indicative of what the actual combined results of operations might have been had the acquisitions occurred at the beginning of the periods presented.

Significant Disposals in 2003. In accordance with the July 2001 agreement between E.ON AG and BP plc. (BP), London, E.ON AG received preliminary purchase consideration of approximately €2.8 billion in 2002 for 100 percent of the shares in VEBA Oel. Under the terms of the agreement, the final purchase price was to depend on a number of conditions and calculations, in particular on the proceeds BP received from the sale of VEBA Oel's exploration and production operations. Because of the political situation in Venezuela, it is unclear at this time when it will be possible to complete the sale of VEBA Oel's Venezuelan operations. In April 2003, E.ON AG and BP therefore reached an agreement (without prejudice to the usual guarantees) on the final purchase price for VEBA Oel. Under the agreement, the total price for VEBA Oel is approximately €2.9 billion, giving E.ON a total book gain of €1,658 million in 2002 and 2003, of which a negative €37 million is recorded in 2003.

Effective 31 January 2003, E.ON sold 18.08 percent of the Company's interest in Degussa in a cash tender transaction to RAG and recorded a gain on disposal of €168 million. E.ON has retained a 46.48 percent interest in Degussa and accounts for this investment under the equity method.

In January 2003, E.ON concluded an agreement to sell in two steps its nearly 16 percent shareholding in Bouygues Telecom, the third largest cellular phone network company in France. In the first quarter of 2003, the Company sold 5.77 percent of its interest in Bouygues and recorded a gain of €294 million.

Discontinued Operations in 2003. As a legal condition for the acquisition of Ruhrgas, E.ON is required to dispose of its 80.5 percent interest in Gelsenwasser within six months of the effective date of that acquisition. Gelsenwasser provides drinking water, industrial water, natural gas, and other utility services in Germany.

At year end 2002, Viterra Energy Services was treated as a discontinued operation in E.ON's Consolidated Financial Statements. In April 2003 Viterra reached an agreement with CVC Capital Partners to sell 100 percent of its ownership interest in Viterra Energy Services. The Company expects to complete this transaction in June 2003 subject to approval by antitrust authorities. In early 2003 Viterra sold Viterra Contracting, a wholly owned subsidiary. Both of these dispositions are consistent with Viterra's strategic focus on residential real estate and real estate development.

Income from discontinued operations		
1 January – 31 March € in millions	2003	2002
VAW aluminium	–	954
VEBA Oel	–37	885
Stinnes	–	32
Degussa activities	–	–23
Viterra activities	10	20
E.ON Energie activities	29	25
Total	**2**	**1,893**

All of the business components discussed above are classified as discontinued operations in the accompanying Consolidated Statements of Income. The revenues associated with these discontinued operations were €251 million and €5,009 million for the three months ended 31 March 2003 and 2002, respectively. The pretax income associated with discontinued operations was €32 million and €968 million for the first quarter 2003 and 2002, respectively. This includes a net gain (loss) on disposal of discontinued operations of -€47 million and €1,665 million for the three months ended 31 March 2003 and 2002, respectively.

The Consolidated Balance Sheet at 31 March 2003 includes assets and liabilities of disposal groups relating to Gelsenwasser and Viterra Energy Services. The assets of disposal groups include property, plant, and equipment of €535 million, intangible assets of €61 million, goodwill of €72 million, long-term financial assets of €101 million, non-fixed assets of €555 million, and other assets of €6 million. The liabilities of disposal groups held for sale comprise accrued liabilities of €347 million, financial and operating liabilities of €229 million, and other liabilities of €235 million.

Significant disposals and discontinued operations in 2002 are described in detail in our 2002 Annual Report.

Research and development

E.ON AG's research and development expense consists primarily of the R&D expenses of Degussa and Ruhrgas. These totaled €35 million in the first quarter of 2003 compared with €95 million in the first three months of 2002.

Earnings per share

The earnings per share were computed as follows:

Earnings per share 1 January – 31 March € in millions	2003	2002[1]
Income/(loss) from continuing operations	1,432	1,128
Income from discontinued operations	2	1,893
Income/(loss) from cumulative effect of changes in accounting principles, net	–448	191
Net income	**986**	**3,212**
Weighted average number of shares (in 1,000)	652,342	652,030
Earnings per share (in €)		
from continuing operations	2.20	1.73
from disctontinued operations	–	2.91
from cumulative effect of changes in accounting principles, net	–0.69	0.29
from net income	**1.51**	**4.93**

[1]Adjusted for discontinued operations.

Goodwill and intangible assets

Changes in the carrying amount of goodwill in the first quarter of 2003, per segment, are as follows:

Changes in Goodwill per Segment[1] 1 January – 31 March 2003 € in millions	E.ON Energie	Ruhrgas	Powergen	Viterra	Degussa	Other/ Consoli-dation	Total
Book value as of 31 December 2002	**2,958**	**–**	**8,653**	**17**	**2,884**	**–**	**14,512**
Goodwill additions and disposals	134	2,814	–	–	–2,884	–	64
Goodwill impairment	–	–	–	–	–	–	–
Other changes[2]	–300	–	–440	–4	–	–	–744
Book value as of 31 March 2003	**2,792**	**2,814**	**8,213**	**13**	**–**	**–**	**13,832**

[1]Excludes goodwill of companies accounted for at equity.
[2]Other changes include reclassifications and exchange rate differences.

Goodwill of €2,814 million related to the acquisition of Ruhrgas is a preliminary amount. At 31 March 2003, procedures to determine the fair value of certain intangible assets of Ruhrgas were not yet finalized and, accordingly, the amount currently assigned to goodwill is subject to change.

Intangible assets. As of 31 March 2003 and 31 December 2002, the Company's intangible assets, including advance payments on intangible assets, and related accumulated amortization (see table, left) consist of the following:

The Company recorded an aggregate amortization expense of €110 million on its intangible assets in the first quarter of 2003 compared with €58 million in the first quarter of 2002. The Company did not incur impairment charges on intangible assets not subjected to amortization or goodwill in the first quarter of 2003.

Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for the rest of 2003 and each of the five succeeding fiscal years is as follows: 2003 (remaining 9 months): €230 million, 2004: €284 million, 2005: €267 million, 2006: €253 million, 2007: €250 million, 2008: €248 million. As acquisitions and dispositions occur in the future, actual amounts could vary.

Treasury shares outstanding

The number of treasury shares outstanding as of 31 March 2003 remained unchanged in comparison to 31 December 2002. E.ON AG holds a total of 4,407,169 of its own shares. A further 35,250,955 shares in E.ON AG are held by subsidiaries. That comprises 5.7 percent of all shares outstanding.

Dividends paid

On 30 April 2003, the Annual Shareholders Meeting resolved to distribute a dividend increased by €0.15 of €1.75 per eligible share of common stock. This corresponds to a total dividend of €1,142 million.

Intangible Assets

€ in millions	31 Mar 2003	31 Dec 2002
Intangible assets subject to amortization		
Acquisition costs	4,445	4,826
Accumulated amortization	–690	–863
Net book value	**3,755**	**3,963**
Intangible assets not subject to amortization	**549**	**565**
Total	**4,304**	**4,528**

Asset retirement obligations

The Company's asset retirement obligations at 31 March 2003 relate to the decommissioning of nuclear power operations in Germany (€7,864 million) and Sweden (€360 million), recultivation of non-nuclear power station sites, including removal of electricity transmission and distribution equipment (€362 million), and recultivation of gas storage (€77 million) and mining facilities (€61 million). The fair value of obligations arising from decomissioning of nuclear power plants were determined based on third party valuations.

Upon initial application of SFAS 143 on 1 January 2003, the Company recorded an additional liability of €1,370 million, a net asset retirement cost of €276 million capitalized as an increase to the carrying amount of the associated long-lived assets, a long-term receivable of €360 million and a net of tax cumulative effect adjustment in the consolidated income statement of €448 million (pre-tax amount: €734 million).

Accretion expense of €115 million for the current period is included in financial earnings.

If SFAS 143 had been applied for all periods affected, the Company would have reported total asset retirement obligations of €7,080 million and €8,638 million as at 1 January 2002 and 31 December 2002, respectively. In its Consolidated Statements of Income the Company would have reported net income of €1,434 million and €3,168 million and EPS of €2.20 (actual: €1.51) and €4.86 (actual: €4.93) for the three months ended 31 March 2003 and 2002, respectively.

These pro forma amounts were measured using current (that is, as of the date of adoption of SFAS 143) information, current assumptions and current interest rates.

Contingent liabilities arising from guarantees

Financial guarantees. The Company's financial guarantees include both direct and indirect obligations. Direct guarantees involve contracts which contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, a liability, or an equity security of the guaranteed party. Indirect guarantees (guarantees of indebtedness of others) may or may not be based on changes in an underlying that is related to an asset, a liability, or an equity security of the guaranteed party.

At 31 March 2003 the Company's direct financial guarantees principally comprise nuclear energy-related items which are described in detail in our annual report. Direct financial guarantees also include obligations to creditors of related parties and third parties (maximum potential undiscounted future payments €722 million, year end 2002: €866 million) with specified terms up to 2028. €285 million (year end 2002: €573 million) of this amount involves guarantees issued on behalf of related parties, of which €57 million (year end 2002: €205 million) does not have a fixed term.

Indirect guarantees include obligations in connection with cross border leasing transactions (maximum potential undiscounted future payments €532 million, year end 2002: €535 million) with terms up to 2010. Furthermore, indirect guarantees include obligations to provide financial support to primarily related parties with respect to certain loan agreements (maximum potential undiscounted future payments €159 million, year end 2002: €218 million) and have terms up to 2021.

The Company has recorded provisions of €50 million at 31 March 2003 (year end 2002: €50 million) with respect to all financial guarantees.

Indemnification Agreements. Disposition agreements concluded throughout the Group in recent years include indemnifications and other guarantees (maximum potential undiscounted future payments €4,243 million, year end 2002: €5,663 million) with terms up to 2041 in accordance with local legal requirements. These typically relate to customary guarantees, environmental damages and taxes. Sometimes it is not possible to reliably estimate a maximum obligation because there is no maximum liability specified in the contract. Examples include customary guarantees in certain contracts as well as certain environmental and tax indemnities. In many cases the buyer is required to either share costs or cover a certain amount of costs before the Company is required to make any payments. Some obligations are to be covered first by insurance contracts or provisions of the disposed companies. The Company has recorded provisions of €51 million as at 31 March 2003 (year end 2002: €287 million) with respect to all indemnifications and other guarantees included in disposition agreements. Guarantees given by companies which were later sold by E.ON AG (or VEBA AG and VIAG AG before their merger) are included in the final sales contracts.

Other guarantees. Other guarantees include contingent purchase consideration (maximum potential undiscounted future payments €36 million, year end 2002: €36 million) with an effective period through 2005 and product warranties (€20 million included in provisions as of 31 March 2003, year end 2002: €72 million).

Personnel changes in E.ON AG's Board of Management and Supervisory Board

In the September 2002 meeting of the E.ON AG Supervisory Board at which the succession to Board of Management Chairmen Ulrich Hartmann and Prof. Dr. Wilhelm Simson was decided, Dr. Wulf H. Bernotat was appointed to the Board of Management for the term 1 May 2003 – 30 April 2008 and designated its Chairman. In the 5 March 2003 session, Dr. Burckhard Bergmann was appointed to the E.ON AG Board of Management, effective immediately, retaining his position as Chairman of the Board of Management of Ruhrgas AG. Since 1 May 2003, the Board of Management of E.ON AG has been constituted as follows:

Dr. Wulf H. Bernotat (Chairman)
Dr. Burckhard Bergmann
Dr. Hans Michael Gaul
Dr. Manfred Krüper
Dr. Erhard Schipporeit

The term of office of the Supervisory Board expired with the conclusion of the Annual Shareholders Meeting on 30 April 2003. At this Annual Shareholders Meeting Ulrich Hartmann, Prof. Dr. Ulrich Lehner, Prof. Dr. Wilhelm Simson, and Dr. Georg Freiherr von Waldenfels were newly elected to the Supervisory Board. Dr. Jochen Holzer, Dr. h.c. Andre Leysen, Kurt F. Viermetz, and Dr. Bernd W. Voss ended their tenure in the Supervisory Board as of 30 April 2003.

On 20 March 2003, the employee delegates assembly elected Seppel Kraus, Peter Obramski, and Gerhard Skupke as new employee representatives in the E.ON AG Supervisory Board. Margret Mönig-Raane, Jan Kahmann, and Armin Schreiber also ended their tenure in the Supervisory Board as of 30 April 2003.

Since 1 May 2003, the E.ON Supervisory Board has been constituted as follows:

Ulrich Hartmann (Chairman)
Hubertus Schmoldt (Vice Chairman)
Günter Adam
Dr. Karl-Hermann Baumann
Ralf Blauth
Dr. Rolf-E. Breuer
Dr. Gerhard Cromme
Wolf Rüdiger Hinrichsen
Ulrich Hocker
Eva Kirchhof
Seppel Kraus
Prof. Dr. Ulrich Lehner
Dr. Klaus Liesen
Ulrich Otte
Peter Obramski
Klaus-Dieter Raschke
Dr. Henning Schulte-Noelle
Prof. Dr. Wilhelm Simson
Gerhard Skupke
Dr. Georg Freiherr von Waldenfels

E.ON International Finance B.V.

– Issuer –

Incorporation and Seat

E.ON Finance was incorporated on November 14, 1983 under the name of VEBA International Finance B.V. and under the laws of The Netherlands as a private limited liability company *(besloten vennootschap met beperkte aansprakelijkheid)* in Amsterdam for an unlimited period of time. VEBA International Finance B.V. was renamed E.ON International Finance B.V. on September 26, 2000. It has its statutory seat in Amsterdam where it is registered in the commercial register of the Chamber of Commerce and Industry under number 33174429. Its registered office is at Capelseweg 400, 3068 AX Rotterdam, The Netherlands.

E.ON Finance is a direct wholly-owned subsidiary of E.ON AG.

Objects

The objects of E.ON Finance are to borrow, to lend and to raise funds including the issue of bonds, promissory notes or other debt securities as well as to enter into agreements in connection with the aforementioned, to participate in, manage, incorporate and finance other companies and enterprises and to perform without limitation all other activities of a commercial or financial nature.

Capital Stock

As at March 31, 2003 the authorised capital of E.ON Finance amounts to € 900,000 divided into 9,000 ordinary shares with a nominal value of € 100 each and 2,000 shares are issued in registered form which are fully paid.

Capitalisation

The following table shows the capitalisation of E.ON Finance as at March 31, 2003. The figures are derived from E.ON International Finance B.V.'s unaudited internal accounts as of March 31, 2003.

	(€ in thousands)
Shareholders' Equity	
Share capital	200
Share premium reserves	36,991
Other reserves	11,181
Total Shareholders' Equity	48,372
Deferred income	0
Long-term debt	7,256,155
Short-term debt	
Interest payable on EMTN	366,990
Current account with group company	0
Taxation	959
Other short-term debt	92
Total short-term debt	368,041
Total Shareholders' Equity and Debt	7,672,569
Contingent liabilities	0

There has been no material adverse change in the capitalisation of E.ON International Finance since March 31, 2003.

On May 27, 2003, E.ON AG has prepaid a loan of € 900,000,000 to E.ON International Finance and paid a compensation payment of € 170,595,000. The proceeds of the prepayment have been used to issue a loan of € 1,110,000,000 to E.ON UK Ltd. The compensation payment has been added to E.ON Finance's Reserves; at the same time a Provision for Interest Differences has been created for the same amount.

Management

Managing Board

At present, the Managing Board consists of the following members:

Norbert Josef Kostka, Nootdorp, Managing Director of E.ON Benelux Generation nv

Johannes Pieter Pels, Assendelft, employee of ABN AMRO Bank N. V.

Jan Trapman, Sliedrecht, Manager Financing & Risk Management of E.ON Benelux Generation nv

Hendrik Justus Wirix, Ouderkerk aan de Amstel, employee of ABN AMRO Bank N.V.

Supervisory Board

At present the Supervisory Board consists of the following members:

Hans Gisbert Ulmke, Gauting, Executive Vice President of E.ON AG, Chairman

Dr. Michael Bangert, Essen, Vice President of E.ON AG

The business address of the members of the Managing Board and the Supervisory Board is Capelseweg 400, 3068 AX Rotterdam, The Netherlands.

General Meeting of Shareholders

The General Meetings shall be held in Amsterdam. A General Meeting shall be held annually within six months after the end of the foregoing financial year.

Independent Auditors

Independent auditors of E.ON Finance are PricewaterhouseCoopers Accountants N.V., Marten Meesweg 25, 3068 AV Rotterdam, The Netherlands. They have audited the financial statements of E.ON Finance (formerly known as VEBA International Finance B.V.) for the years ended 1998, 1999, 2000, 2001 and 2002 and have issued an unqualified opinion in each case.

Financial Year

The financial year of E.ON Finance is the calendar year.

Report of the Board of Management

The Managing Directors of E.ON International Finance B.V. (hereinafter the "Company") submit their annual report and the financial statements of the Company for the year ended December 31, 2002.

Principal activities and business review

On May 29, 2002 and June 7, 2002 bonds of nominal approximately € 7,4 billion were issued under the E.ON Medium Term Note Programme. The bonds were issued in EUR and GBP. The raised capital was onlent to E.ON AG. In order to partly secure the market level of interest on the bonds, several weeks before the issuance the Company entered into forward rate swaps. These swaps were terminated on the date of issuance of the notes. The realized income on the swaps in the amount of approx. € 13,8 million has been deferred, and is amortized over the period of the related notes.

During the year under review the receivable of € 55 million (as at December 31, 2001) concerning the credit support guarantee by E.ON AG which was called upon was netted with the liability (also E.ON AG) of € 9 million (as at December 31, 2001) and transferred to Hibernia Industriewerte GmbH, also an E.ON Group company.

In December 2002 the Company under the guarantee of E.ON AG, together with E.ON AG, Hibernia Industriewerte GmbH and E.ON UK Finance Ltd., under the guarantee of E.ON AG, entered into the € 15 billion Syndicated Multi-Currency Revolving Credit Facility Agreement. As at December 31, 2002, the Company did not use this facility.

Results

During the year under review the Company recorded a profit of € 2,192,295.

Management

During the year under review the number of members of the Managing Board was increased to five. By Shareholders' resolution, dated May 3, 2002, Mr. N.J. Kostka was appointed as additional Managing Director. On May 5, 2003, Mr. M. Bangert retired as a member of the Managing Board and was appointed as a member of the Supervisory Board. On the same date, Mr. S.A.L. Visser retired from the Managing Board and was replaced by Mr. J. Trapman. On May 5, 2003, Mr. H. Montag retired from the Supervisory Board and was replaced by Mr. M. Bangert.

Future developments

After year-end 2002, the Company entered as additional issuer under the guarantee of E.ON AG into the E.ON € 10 billion Multi Currency Commercial Paper Programme, together with E.ON AG and E.ON UK Finance plc. Up to this moment the Company did not use this facility.

Rotterdam, May 5, 2003

M. Bangert N.J. Kostka J.P. Pels S.A.L. Visser H.J. Wirix J. Trapman

Financial Statements 2002
of E.ON International Finance B.V.

On the following pages 212–221, references in the text to page numbers are to page numbers in the E.ON International Finance B.V. Financial Statements 2002.

Balance sheet as at December 31, 2002 (in euro) after profit appropriation

	2002		2001	
	€	€	€	€
Fixed assets				
Tangible fixed assets				
Furniture and equipment		–		1
Financial fixed assets				
Loans to shareholder		7,385,160,096	–	
Current assets				
Amounts due from shareholders	266,416,679		55,027,416	
Amounts due from group entities	45,566,060			
Corporate income tax	398,476			
		312,381,215		55,027,416
Cash at banks	77,577		23,837	
Cash at banks, coupon accounts	21,117		37,026	
		98,693		60,863
		7,697,640,004		55,088,280

	2002		2001	
	€	€	€	€
Shareholders' equity and liabilities				
Shareholders' equity				
Issued share capital	200,000		200,000	
Share premium reserve	36,991,466		36,991,466	
Other reserves	10,209,875		8,017,579	
		47,401,341		45,209,045
Long-term liabilities				
Debentures loans		7,385,406,548	–	
Current liabilities				
Amounts due to shareholders	–		9,147,978	
Amounts due to others	264,178,925		–	
Other liabilities	21,117		37,026	
Accruals and deferred income	33,842		96,018	
Corporate income tax	598,231		598,213	
		264,832,115		9,879,235
		7,697,640,004		55,088,280

Profit and loss account 2002 (in euro)

	2002		2001	
	€	€	€	€
Wages and salaries	(121,555)		(40,000)	
Other operating charges	(393,590)		(111,326)	
Total operating expenses		(515,145)		(151,326)
Interest and similar income from shareholders	270,660,327		1,564,250	
Interest and similar income from group entities	379,495		6,153,351	
Interest and similar income from others	73,521			
Accrued income from guarantee shareholder	–		32,786,696	
Exchange rate difference gains	60,944,559		–	
Interest and similar expenses to shareholders	(61,019)		(2,100,165)	
Interest and similar expenses to group entities	(50,210)		–	
Interest and similar expenses to others	(267,070,791)		–	
Exchange rate difference losses	(61,015,629)		–	
Guarantee commission shareholder	-		(2,610,831)	
Write-down of loan to group entity	–		(32,786,696)	
Total Financial result		3,860,253		3,006,605
Result on ordinary activities before taxation		3,345,108		2,855,279
Less: corporation tax		(1,152,813)		(740,511)
Less: withholding tax on interest loan MEMC		–		(752,317)
Result after taxation		2,192,295		1,362,451

General notes on the financial statements

General

The Company, a corporation with limited liability, having a statutory seat in Amsterdam, The Netherlands, considers E.ON AG, Düsseldorf, Germany to be its ultimate parent company.

The principal activity of the Company is financing of group entities.

Principles of valuation and determination of result

Accounting policies

Basis of presentation:
The accompanying annual accounts have been prepared in accordance with Generally Accepted Accounting Principles in The Netherlands. Unless indicated otherwise, assets and liabilities are stated at nominal value.

Tangible fixed assets:
Tangible fixed assets are carried at the costs of acquisition or manufacturing price and less straight-line depreciation (on the basis of historical costs), based on the estimated useful life of each of the assets involved.

Financial fixed assets:
The financial fixed assets are stated at the value on the date of issuance. The nominal value noted in GBP is translated into EUR at the rates of exchange prevailing at the balance sheet date.

The premiums and discounts are translated into EUR at the rates of exchange prevailing at the transaction date. They are depreciated on straight-line method (on the basis of historical costs), based on the lifecycle of each of the items involved.

Foreign currencies:
Unless indicated otherwise assets and liabilities denominated in foreign currencies are translated into EUR as follows:

- assets and liabilities, except the items mentioned below, at the rates of exchange prevailing at the balance sheet date;
- assets and liabilities concerning deferred expenses and income stated under current assets and liabilities: at the rates of exchange prevailing at the transaction date.

Resulting net gains or losses from translation of foreign currencies on current assets and current liabilities are immediately charged to the profit and loss account.

Settled transactions in foreign currencies during the reporting period have been incorporated in the financial statements at the rate of settlement.

The following other exchange rate has been applied as at December 31, 2002: 1 EUR = 0.6500 British pound (GBP).

Income and expenses:
Income and expenses are based on historical costs and accounted for in the relevant reporting year.

Derivative financial instrument:
In the reporting year a forward rate swap was used and accounted for. The depreciation is based on straight-line method (on the basis of historical costs), based on the lifecycle of the underlying bonds. They are accounted for under the financial result.

Tax:
The taxes consist of corporation tax on ordinary income in The Netherlands. The effective and used tax percentage are the same.

Notes to the balance sheet

Financial assets

Loans to shareholders
On May 29, 2002 and June 7, 2002 bonds of nominal approximately € 7.4 billion were issued under a Medium Term Note Program. The bonds were issued in EUR and GBP. The raised capital was onlent to E.ON AG.

Maturity date	Amount GBP	Amount EUR	Interest rates
May 29, 2009		EUR 4,250,000,000	5.7700 %
May 29, 2017		EUR 900,000,000	6.4190 %
May 29, 2012	GBP 500,000,000	EUR 769,230,769	6.4010 %
June 7, 2032	GBP 850,000,000	EUR 1,307,692,308	6.5330 %
June 7, 2032	GBP 125,000,000	EUR 192,307,692	6.5150 %
		EUR 7,419,230,769	

The fair value at December 31, 2002 can be estimated at some € 8.0 billion.

The loans to shareholders include the issue costs and discounts on EMTN issues, as well as premiums on loans granted. These amounts are netted with the nominal value of the loans.

The amounts of discount and premium on the loans are amortized over the period of the underlying asset or liability on a straight line basis.

		2002	2001
Amount at January 1		–	–
Increase	7,480,175,328		
Exchange rate difference	(60,944,559)		
		7,419,230,769	
(Discount)/Premium on loans Bookvalue	(36,851,862)		
Amortization through P&L	2,781,189		
		(34,070,673)	
Amount at December 31		7,385,160,096	–

Current assets

Amounts due from shareholders
This item represents the interest receivable from the loans to E.ON AG.

The first coupon date of the loans to E.ON AG is at May 29, 2003 and June 7, 2003.

During the year 2002 the receivables from shareholders (E.ON AG) of approx. € 55 million were transferred into a receivable with group entity (Hibernia Industriewerte GmbH), the receivables are netted with the liabilities of shareholders (E.ON AG).

Amounts due from group entities
During the year under review the receivable of approx. EUR 55 million (as at December 31, 2001) concerning the credit support guarantee by E.ON AG which was called upon was netted with the liability (also E.ON AG) of approx. € 9 million (as at December 31, 2001) and transferred to a receivable from group entities (Hibernia Industriewerte GmbH). The interest on this cash facility is based on market rates.

Corporate income tax
The corporate tax receivable concerns the financial year 2002.

Cash at banks

		2002	2001
Dresdner Bank	EUR	8.224	11.148
ABN-AMRO Bank N.V., Amsterdam	EUR	12.104	4.796
Barclays Bank London	GBP	50.201	–
Deutsche Bank, Düsseldorf	USD	7.047	7.893
		77.577	23.837

Shareholders' equity

The authorised share capital of the Company consist of 9,000 shares of EUR 100 each, of which 2,000 shares have been issued and fully paid-up.

Movements in capital and reserves

	Share capital	Share premium	Other reserves	Total 2002
	€	€	€	€
Amount at January 1	200,000	36,991,466	8,017,580	45,209,046
Issue and paid in new shares	–	–	–	–
Profit appropriation for the year	–	–	2,192,295	2,192,295
Amount at December 31	200,000	36,991,466	10,209,875	47,401,341

Long-term liabilities

Debenture Loans
On the May 29 and June 7, 2002 bonds of nominal approximately € 7.4 billion were issued under a Medium Term Note Program. The bonds are guaranteed by E.ON AG. The bonds were issued in EUR and GBP. The raised capital were on-lent to E.ON AG.

Maturity date	Amount GBP	Amount EUR	Interest rates
May 29, 2009		EUR 4,250,000,000	5.7500 %
May 29, 2017		EUR 900,000,000	6.3750 %
May 29, 2012	GBP 500,000,000	EUR 769,230,769	6.3750 %
June 7, 2032	GBP 850,000,000	EUR 1,307,692,308	6.3750 %
June 7, 2032	GBP 125,000,000	EUR 192,307,692	6.3750 %
		EUR 7,419,230,769	

The fair value at December 31, 2002 can be estimated at some € 8.0 billion.

The EMTN programme is unconditionally guaranteed by E.ON AG.

The debenture loans includes discounts on loans, as well as premiums and issue expenses on EMTN issues. These amounts are netted with the nominal value of the loans.

In order to partly secure the market level of interest on the bonds, several weeks before the issuance the Company entered into a forward rate swaps. These swaps were terminated on the date of issuance of the notes. The realized income on the swaps, in the amount of approx. € 13,8 million has been deferred, and is amortized over the period of the related bonds.

All amounts are amortized over the period of the underlying asset or liability on a straight line basis.

		2002	2001
Amount at January 1		–	–
Increase	7,480,175,328		
Exchange rate difference	(60,944,559)		
		7,419,230,769	
(Discount)/Premium on loans Bookvalue	(50,378,613)		
Amortization through P&L	3,360,761		
		(47,017,852)	
Prehedge result	13,787,698		
Amortization through P&L	594,067		
		13,192,631	
Amount at December 31		7,385,406,548	–

Current liabilities

Amounts due to shareholders

During the year 2002, the amount due to shareholders (E.ON AG) in the amount of approx. € 9.1 million was transferred to a group entity Hibernia Industriewerte GmbH. The amount due from shareholders of approx. € 55 million was transferred to Hibernia Industriewerte GmbH. This resulted in a net receivable from this group entity of approx. EUR 45.6 million per year-end.

Amounts due to others

The first coupon date of the Debenture Loans is at May 29, 2003 and June 7, 2003.

Notes to the profit and loss account

Wages and salaries

The management fees of € 121.555 are the yearly salaries for five managing directors of the company, and include salaries for bookkeeping and travel expense compensation.

The supervisory board of the company did not receive any compensation.

Interest and similar income from shareholders

This item mainly represents the income on the onlending of the proceeds of the EMTN issues of May 29 and June 14, 2002.

	2002	2001
	€	€
– Interest on loans	265,862,299	–
– Amortized deferred income	2,842,208	
– Amortized result pre-hedge agreements	594,068	–
– Interest income intercompany account E.ON AG	1,361,752	1,271,978
– Interest on receivalbe from E.ON AG under guarantee	–	292,272
Net income/(expenses)	270,660,327	1,564,250

Interest and similar expenses to others

This item mainly represents the expenses of the EMTN issues of May 29 and June 14, 2002.

	2001	2000
	€	€
– Interest on Medium-Term Notes	263,636,510	–
– Amortized deferred expenses	3,434,281	
Net income/(expenses)	267,070,791	–

Interest and similar income and expenses group company

This item represents the interest on the receivable on Hibernia Industriewerte GmbH.

Number of employees

There are no employees in the Company.

Corporate tax

This amount consists of corporation tax on ordinary income in The Netherlands. The effective and used tax percentage are the same.

Amsterdam, May 5, 2003

The Board of Management,	**The Supervisory Board,**
M. Bangert	H. Montag
N. J. Kostka	H. Ulmke
J. P. Pels	
S. A. L. Visser	
H. J. Wirix	

Auditors' report

This is set out on the next page.

Appropriation of results as provided for by the Articles of Association

According to Article 15 of the Articles of Association profit shall be at the disposal of the General Meeting of Shareholders.

Proposed profit appropriation

The Board of Directors proposes that the profit of € 2,192,295 be allocated to the general reserves.

This proposal has already been included in the financial statements.

To the General Meeting of Shareholders of E.ON International Finance B.V.

Auditors' report

Introduction

In accordance with your instructions we have audited the financial statements of E.ON International Finance B.V., Amsterdam, for the year 2002. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

May 5, 2003

PricewaterhouseCoopers Accountants N. V.

E.ON UK Finance plc
– Issuer –

Incorporation and Seat

The company was incorporated on October 18, 2002 under the name "Powergen Power No. 4 Limited". Its name was changed to "E.ON UK Finance Limited" on November 25, 2002. The company was re-registered as a public limited company on March 4, 2003.

E.ON UK Finance plc ("E.ON UK Finance") is a public liability company incorporated under the laws of England and Wales and is registered at Companies House with company number 4566794. Its registered office is 53 New Broad Street, London EC2M 1SL, England.

Objects

The objects of E.ON UK Finance are, amongst others:

– To carry on the business of a holding company;

– To carry on business as a general commercial company and any other trade or business whatsoever;

– To subscribe for, take, acquire and hold shares of any other company; and

– To borrow and raise money in any manner.

Capital Stock

The authorised share capital of E.ON UK Finance as at March 31, 2003 amounts to £ 100,000,000.00 divided into 100,000,000 ordinary shares with a value of £ 1.00 each. The issued and paid-up share capital as at March 31, 2003 amounts to £ 1,000,000.00 divided into 1,000,000 ordinary shares with a value of £ 1.00 each.

Capitalisation

The following table shows the capitalisation of E.ON UK Finance as at March 31, 2003, prepared in accordance with UK GAAP. The figures were derived from E.ON UK Finance's management accounts as of March 31, 2003.

	(in £ thousands)
Capital and Reserves	
Called-up equity share capital	1,000
Retained earnings	– 38
Equity Shareholders' Funds	962
Financial Liabilities (*)	
Creditors: Amounts falling due within one year	
Other creditors	-
Creditors: Amounts falling due after more than one year	
Other creditors	–
Total Financial Liabilities	–
Total Financial Liabilities and Equity Shareholders' Funds	962

(*) Excludes accruals and provisions.

There has been no material adverse change in the capitalisation of E.ON UK Finance since March 31, 2003.

Financing Programs

In December 2002, E.ON UK Finance, together with E.ON AG, E.ON Finance and Hibernia Industriewerte GmbH, all under the guarantee of E.ON AG, entered into a Euro 15 billion Syndicated Multi-Currency Revolving Credit Facility Agreement. E.ON UK Finance has no drawings under the facility to date. In March 2003, E.ON UK Finance entered as an additional issuer into the E.ON Euro 10 billion Multi-Currency Commercial Paper Program, together with E.ON AG and E.ON Finance, all under the guarantee of E.ON AG. To date, E.ON UK Finance has not used this facility.

Management

Board of Directors

At present, the Board of Directors consists of the following members:

Chris Salamé (Executive Director) (appointed December 9, 2002)

Graham Wood (Executive Director) (appointed December 9, 2002)

Stefan Hloch (Non-Executive Director) (appointed December 9, 2002)

Hans Gisbert Ulmke (Non-Executive Director) (appointed December 9, 2002)

Independent Auditors

Independent auditors of E.ON UK Finance are PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH, England.

Financial Year

The financial year of E.ON UK Finance is the calendar year.

E.ON UK Finance plc
(formerly Powergen Power No. 4 Limited)
(Registration number: 45 66 794)

REPORT AND ACCOUNTS
FOR THE PERIOD ENDED DECEMBER 31, 2002

Report of the directors for the period ended 31 December 2002

The directors present their report and the audited financial statements of the Company for the period from incorporation on October 18, 2002 to December 31, 2002.

Principal activities, review of business and future developments

The Company was incorporated on October 18, 2002. On November 25, 2002 the Company changed its name to E.ON UK Finance Limited.

The Company is involved in the draw down of authorised funds under an E.ON AG Group syndicated loan facility, to service funding requirements of companies within the Powergen Limited (formerly Powergen plc) group, and also participates as an issuer in the E.ON Medium Term Notes (MTN) Programme and the E.ON Multi Currency Commercial Paper (MCCP) Programme.

To enable participation in the above, the Company was re-registered as a public company on March 4, 2003.

On February 27, 2003, the authorised share capital was increased to £ 100 million. On this date, 49,999 shares were allotted for consideration of £ 49,999. On March 4, 2003, a further 950,000 ordinary shares were allotted for consideration of £ 950,000.

Results and dividends

The Company has not traded during the period to 31 December 2002 and has no profit or loss for the period. The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who held office during the period are given below:

Powergen Directors Limited (*)
Powergen Secretaries Limited (*)
Mr C J Salamé (**)
Mr G J Wood (**)
Mr S Hloch (**)
Mr H G Ulmke (**)

(*) appointed October 18, 2002, resigned December 9, 2002
(**) appointed December 9, 2002

During the period, no director had an interest in either the shares of the Company or of any subsidiary of E.ON AG requiring disclosure.

Introduction of the Euro

The directors of the Company recognise the wide implications of the Euro for businesses, including impacts on commercial arrangements and financial systems. The Company's preparations recognise the uncertain position regarding possible UK entry to the single currency, and the situation is monitored closely.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;

b) make judgements and estimates that are reasonable and prudent;

c) state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and

d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers LLP were appointed auditors of the Company on February 20, 2003 and will remain in office until the next annual general meeting.

BY ORDER OF THE BOARD

C J Salamé

Chris Salamé
E.ON UK Finance plc
53 New Broad Street
LONDON
EC2M 1SL

May 21, 2003

Independent auditors' report to the members of E.ON UK Finance Limited

We have audited the financial statements which comprise the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at December 31, 2002 and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

May 21, 2003

Balance Sheet as at December 31, 2002

	Note	At December 31, 2002 £
Current assets		
Debtors		1
Net assets		1
Capital and reserves		
Called-up share capital	4	1
Equity shareholders' funds		1

The financial statements on pages • to • were approved by the Board on May 21, 2003 and were signed on its behalf by:

C J Salamé

Director

May 21, 2003

The accounting policies and the notes on pages • to • form part of these financial statements.

Notes to the Financial Statements for the Period ended December 31, 2002

1 Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable United Kingdom Accounting Standards all of which have been consistently applied.

(a) Cash flow statement

The Company is a wholly-owned subsidiary undertaking of E.ON AG, the ultimate parent undertaking of the E.ON Group, and is included in the publicly available consolidated financial statements of E.ON AG. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

(b) Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the E.ON Group or investees of the E.ON Group.

2 Profit and Loss Account

The Company has not traded during the period from incorporation to December 31, 2002 and has had no income or costs and therefore no profit or loss account has been prepared. The Company has no other recognised gains and losses and therefore no separate statement of total recognised gains and losses has been presented. The company has no employees.

3 Directors' emoluments

The directors received no emoluments from the Company during the period.

4 Share capital

	At December 31, 2002
	£
Authorised	
1,000 ordinary shares of £ 1 each	1,000
Allotted, called-up and fully paid	
1 ordinary share of £ 1	1

The Company was incorporated on October 18, 2002 with an authorised share capital of 1,000 ordinary shares of £ 1 each.

On February 27, 2003, the authorised share capital was increased by 99,999,000 £ 1 ordinary shares and 49,999 £ 1 ordinary shares were allotted for consideration of £ 49,999.

On March 4, 2003, the Company allotted a further 950,000 £ 1 ordinary shares for consideration of £ 950,000.

5 Post balance sheet events

On March 4, 2003, the Company was re-registered as a public company as part of a restructuring within the E.ON Group.

6 Ultimate parent undertaking and controlling party

The immediate parent undertaking is E.ON UK Limited. The ultimate parent undertaking and controlling party is E.ON AG, a company incorporated in Germany, which is the parent company of the smallest and largest group to consolidate these financial statements. Copies of E.ON AG's accounts are available from the offices of E.ON AG at the following address: E.ON AG, E.ON-Platz 1, D-40479 Düsseldorf, Germany.

Taxation

1. Taxation in the Federal Republic of Germany

The following is a general discussion of certain German income tax consequences of the acquisition and ownership of the Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws (including tax treaties) currently in force and as applied on the date of this Information Memorandum, which are subject to change, possibly with retroactive effect.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws applicable in the Federal Republic of Germany and each country of which they are residents.

Tax Residents

Payments of interest on the Notes, including interest having accrued up to the sale of a Note and credited separately **("Accrued Interest")** to persons who are tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to German personal or corporate income tax (plus solidarity surcharge *(Solidaritätszuschlag)* at a rate of 5.5 per cent. thereon. Such interest is also subject to trade tax if the Notes form part of the property of a German trade or business.

Upon maturity of a Note the initial subscriber to a Note receives, in addition to, or, as in the case of a zero coupon Note, instead of the current interest on the Note, taxable investment income in an amount equal to the difference between the issue price of the Note and the redemption amount **("Original Issue Discount")** if the Original Issue Discount exceeds certain thresholds. Provided that the Note can be classified as a financial innovation *(Finanzinnovation)* under German tax law, including, among other things, zero coupon Notes or discounted Notes, and is purchased or disposed of while outstanding, the Original Issue Discount to the extent attributable to the period over which the holder of a Note has held such Note or, alternatively, the difference between the proceeds from the sale or redemption and the purchase price is subject to personal or corporate income tax in the year of the sale or maturity of the Note, unless the Notes form part of the property of a German trade or business, in which case the annual increase in value of the Note, as calculated at the time of their acquisition, must be taken into account *pro rata temporis* as interest income and also is subject to trade tax.

Capital gains from the disposal of Notes, other than income from Original Issue Discount, as defined above, are only taxable to a German tax-resident individual if the Notes are disposed of within one year after their acquisition or form part of the property of a German trade or business, in which case the capital gains are also subject to trade tax. Capital gains derived by German resident corporate holders of the Notes will be subject to corporate income tax (plus solidarity surcharge at a rate of 5.5 per cent. thereon) and trade tax.

If the Notes are held in a custodial account which the Noteholder maintains with a German branch of a German or non-German financial or financial services institution (the **"Disbursing Agent"**) a 30 per cent. withholding tax on interest payments *(Zinsabschlagsteuer)*, plus 5.5 per cent. solidarity surcharge on such tax, will be levied, resulting in a total tax charge of 31.65 per cent. of the gross interest payment. Withholding tax on interest is also imposed on Accrued Interest. If the Notes qualify as financial innovations, as explained above, and are kept in a custodial account which the Noteholder maintains with a Disbursing Agent such custodian will generally withhold tax at a rate of 30 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon) from the difference between the issue or purchase price of the Notes and the redemption amount or sales proceeds if the Noteholder has kept the Note in the custodial account since the time of issuance or acquisition, respectively. Otherwise the 30 per cent. withholding tax is applied to 30 per cent. of the amounts paid in partial or final redemption of the Notes or the proceeds from the sale of the Notes, respectively.

In computing the tax to be withheld the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest paid by the holder of a Note to the Disbursing Agent during the same calendar year. In general, no withholding tax will be levied if the holder of a Note is an individual (i) whose Note does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property, and (ii) who filed a withholding certificate *(Freistellungsauftrag)* with the Disbursing Agent but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the face of the withholding certificate. Similarly, no withholding tax will be deducted if the holder of the Note has submitted to the Disbursing Agent a certificate of non-assessment *(Nichtveranlagungsbescheinigung)* issued by the relevant local tax office.

If the Notes are not kept in a custodial account with a Disbursing Agent the withholding tax will apply at a rate of 35 per cent. of the gross amount of interest paid by a German branch of a German or non-German financial or financial services institution upon presentation of a Coupon (whether or not presented with the Note to which it appertains) to a holder of such Coupon (other than a non-German financial or financial services institution). In this case proceeds from the disposal or redemption of a Coupon and if the Notes qualify as financial innovations 30 per cent. of the proceeds from the disposal or redemption of a Note will also be subject to withholding tax at a rate of 35 per cent. Where the 35 per cent. withholding tax applies no Accrued Interest can be taken into account in determining the withholding tax base. Again solidarity surcharge at a rate of 5.5 per cent. of the withholding tax applies so that the total tax burden to be withheld is 36.925 per cent.

Withholding tax and solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts overwithheld will entitle the Noteholder to a refund, based on an assessment to tax.

Nonresidents

Interest, including Accrued Interest and Original Issue Discount, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder or (ii) the interest income otherwise constitutes German-source income (such as income from the letting and leasing of certain German-situs property). In the latter case a tax regime similar to that explained above at "Tax Residents" applies; capital gains from the disposition of Notes are, however, only taxable in the case of (i).

Nonresidents of Germany are, in general, exempt from German withholding tax on interest and solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above at "Tax Residents".

Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

Tax Reform Proposals

On June 18, 2003 the German Federal Government resolved to introduce draft legislation for granting tax amnesty to non-compliant taxpayers in case they make a declaration of the income so far unreported and pay a flat tax rate on the respective income. As part of the incentive for taxpayers to become compliant regarding capital income, the Federal Government further intends to change the existing tax regime in respect of interest income, according to a proposal made in March 2003. As far as interest income is taxable in Germany and subject to the withholding tax on interest payments currently imposed at a rate of 30% as a prepayment towards the taxpayer's ultimate tax liability, the liability to income tax of the taxable person shall then be satisfied by the withholding tax on interest payments. The rate of the withholding tax on interest payments, which would be 25% according to the draft legislation, has not yet been determined. Where the individual tax liability falls short of the rate for the withholding tax on interest payments, however, any excess withheld would be refunded based on an assessment to tax.

The Federal Government has declared its intention to implement the change in the taxation of interest income along with the application of the EU Savings Tax Directive scheduled to become effective January 1, 2005. It can not currently be estimated whether these plans will be implemented at the scheduled date, and if so, in which form.

2. Taxation in The Netherlands

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Information Memorandum and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Save as otherwise indicated, this summary only addresses the position of investors who do not have any connection with The Netherlands other than the holding of the Notes. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of the Notes under the laws of their country of citizenship, residence, domicile or incorporation.

Withholding Tax

All payments by E.ON Finance of interest and principal under the Notes can be made free of withholding or deduction for, or on account of, any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, unless the Notes qualify as debt as referred to in Article 10, paragraph 1 sub d of the Dutch Corporate Income Tax Act (*Wet op de vennootschapsbelasting 1969*).

Taxes on Income and Capital Gains

A holder of a Note who derives income from a Note or who realises a gain on the disposal or redemption of a Note will not be subject to Dutch taxation on such income or capital gains unless:

(i) the holder is, or is deemed to be resident in The Netherlands, or, where the holder is an individual, such holder has elected to be treated as a resident of The Netherlands; or.

(ii) such income or gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or

(iii) the holder is not an individual and has, directly or indirectly, a substantial interest *(aanmerkelijk belang)* or a deemed substantial interest in E.ON Finance and such interest does not form part of the assets of an enterprise; or

(iv) the holder is an individual and such income or gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Gift, Estate or Inheritance Taxes

Dutch gift, estate or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder, unless:

(i) the holder is, or is treated as, resident of The Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or as a gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident of The Netherlands for the purpose of the relevant provisions; or

(iii) such Note is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment or a permanent representative in The Netherlands.

Value Added Tax

There is no Dutch value added tax payable by a holder of a Note in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes, or the transfer of the Notes.

Other Taxes and Duties

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in The Netherlands by a holder of a Note in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of the Notes or the performance of the Issuer's obligations under the Notes.

Residence

A holder of a Note will not be treated as resident of The Netherlands by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Notes.

3. Taxation in the United Kingdom

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with any other United Kingdom taxation aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes.

Prospective holders of Notes should be aware that the particular terms of issue of any series of Notes as specified in the relevant Pricing Supplement may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Holders of Notes who are in any doubt as to their tax position should consult their professional advisers. Holders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, holders of Notes should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

United Kingdom Withholding Tax on UK Source Interest

Notes which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. On the basis of the United Kingdom Inland Revenue's published interpretation of the relevant legislation, securities which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country; securities which are to be listed on a stock exchange in any other country will satisfy this requirement if they are admitted to trading on a recognised stock exchange in that country. The Frankfurt Stock Exchange and the Luxembourg Stock Exchange are each recognised stock exchanges for these purposes.

Accordingly, payments of interest on the Notes which are and continue to be quoted Eurobonds, may be made without withholding or deduction for or on account of United Kingdom income tax.

In other cases United Kingdom income tax may have to be withheld at the lower rate (currently 20 per cent.) from payments of interest on the Notes (where such interest has a United Kingdom source), subject to such relief as may be available under the provisions of any applicable double taxation treaty. Interest on Notes issued by E.ON UK Finance will have a United Kingdom source. Interest on Notes issued by E.ON AG and E.ON Finance may have a United Kingdom source where, for example, the Notes are secured on assets situated in the United Kingdom or the interest is paid out of funds maintained in the United Kingdom.

Payments of interest on the Notes may be made without withholding or deduction if the Notes have a maturity date of less than one year from the date of issue and are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

Guarantee Payments

If the Guarantor, in its capacity as guarantor of the Issuer's obligations under the Notes, makes any payments in respect of interest on the Notes (or other amounts due under such Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 22 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty. Such payments by the Guarantor may not be eligible for any of the other exemptions described above.

Provision of Information

Holders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by E.ON UK Finance or, any person in the UK acting on behalf of any Issuers (a "paying agent"), or is received by any person in the United Kingdom acting on behalf of the relevant holder (other than solely by clearing or arranging the clearing of a cheque) (a "collecting agent"), then E.ON UK Finance, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the holder of a Note (including the holder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the holder of a Note is resident in the United Kingdom for United Kingdom tax purposes. Where the holder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the holder is resident for taxation purposes. These provisions may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than their issue price.

For the above purposes, "interest" should be taken, for practical purposes, as including payments made by a guarantor in respect of interest on Notes.

Other Rules Relating to UK Withholding Tax

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any payments in respect of any discount element on any such Notes will not be made subject to any United Kingdom withholding tax but may be subject to reporting requirements as outlined above.

Where Notes are issued on terms that a premium is or may be payable on redemption, as opposed to being issued at a discount, then it is possible that any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of United Kingdom income tax, holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to § 10 of the Terms and Conditions of the Notes and does not consider the tax consequences of any such substitution.

4. EU Council Directive on Taxation of Savings Income

On June 3, 2003 the Council of the European Union approved a directive regarding the taxation of savings income in the form of interest. By provisions implementing the directive each EU Member State must require paying agents established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, Austria, Belgium and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the directive at a rate of 15 per cent. during the first three years of the transitional period, 20 per cent. for the subsequent three years and 35 per cent. thereafter. The transitional period is to commence on the date from which the directive is to be applied by EU Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

The EU Member States are scheduled to apply the respective provisions as from January 1, 2005 provided that (i) Switzerland, Liechtenstein, San Marino, Monaco and Andorra apply from that same date measures equivalent to those contained in the directive, in accordance with agreements entered into by them with the European Community, following unanimous decisions of the Council and (ii) all agreements or other arrangements are in place, which provide that all the relevant dependent or associated territories (the Channel Islands, the Isle of Man and the dependent or associated territories in the Carribean) apply from that same date automatic exchange of information or during the transitional period described above, apply a withholding tax in the described manner. The Council shall adopt a new date for the application of the provisions unless it decides unanimously at the latest on July 1, 2004 that the conditions will be met in time.

In view of the conditions mentioned before, it is presently not yet possible to predict when the directive will ultimately be applicable.

Holders who are individuals should note that the Issuer will not pay additional amounts under § 7 of the Terms and Conditions of the Notes in respect of any withholding tax imposed as a result of this EU directive.

General Information

Clearing Systems

The relevant Pricing Supplement will specify which clearing system or systems (including CBF, CBL and/or Euroclear) has/have accepted the relevant Notes for clearance and provide any further appropriate information.

Selling Restrictions

1. General

Each Dealer has represented and agreed that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Information Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the Guarantor (if E.ON Finance or E.ON UK Finance is the Issuer) and any other Dealer shall have any responsibility therefor.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

2. United States of America (the "United States")

(a) The Notes have not been and will not be registered under the Securities Act, and, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Note constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Dealer has further represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to a Note.

(b) From and after the time that the Issuer notifies the Dealers in writing that it is no longer able to make the representation set forth in Article 4 (1) (n) (i) of the Dealer Agreement, each Dealer (i) acknowledges that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act; (ii) has represented and agreed that it has not offered and sold any Notes, and will not offer and sell any Notes (x) as part of its distribution at any time and (y) otherwise until 40 days after the later of the commencement of the offering and closing date only in accordance with Rule 903 of Regulation S under the Securities Act; and (iii) accordingly has further represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S; and (iv) has also agreed that, at or prior to confirmation of any sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the **"Securities Act"**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons by any person referred to in Rule 903 (b) (2) (iii) (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

(c) Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and notify to the Fiscal Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Fiscal Agent has agreed to notify such Dealer/Lead Manager of the end of the restricted period with respect to such Tranche.

Terms used in this paragraph 2 have the meanings given to them by Regulation S.

(d) Each Dealer has represented and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of Notes, except with its affiliates or with the prior written consent of the Issuer.

(e) Notes, other than Notes with an initial maturity of one year or less, will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(C) (the **"C Rules"**), or in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (the **"D Rules"**), as specified in the applicable Pricing Supplement.

In addition, where the C Rules are specified in the relevant Pricing Supplement as being applicable to any Tranche of Notes, Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented and agreed in connection with the original issuance of Notes in bearer form, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such Dealer or purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

In addition, in respect of Notes issued in accordance with the D Rules, each Dealer has represented and agreed that:

(i) except to the extent permitted under U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D), (x) it has not offered or sold, and during the restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (y) such Dealer has not delivered and will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(ii) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(iii) if such Dealer is a United States person, it has represented that it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if such Dealer retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D)(6); and

(iv) with respect to each affiliate that acquires from such Dealer Notes in bearer form for the purposes of offering or selling such Notes during the restricted period, such Dealer either (x) has repeated and confirmed the representations and agreements contained in sub-clauses (i), (ii) and (iii) on such affiliate's behalf or (y) has agreed that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (i), (ii) and (iii).

Terms used in this paragraph (e) have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

(f) Each issue of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the Pricing Supplement. Each Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

3. United Kingdom of Great Britain and Northern Ireland ("United Kingdom")

Each Dealer has represented and agreed that:

(i) in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the Issue Date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(ii) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

(iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and

(iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

4. Federal Republic of Germany

Each Dealer has agreed not to offer or sell Notes in the Federal Republic of Germany other than in compliance with the Securities Selling Prospectus Act *(Wertpapier-Verkaufsprospektgesetz)* of December 13, 1990 (as amended), or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

5. The Netherlands/Global

(I) Any Notes (including rights representing an interest in a Note in global form) issued under the Programme that are *offered anywhere in the world* (as far as Notes issued by E.ON Finance are concerned) or that are offered, as part of their initial distribution or by way of re-offering, in The Netherlands (as far as Notes issued by E.ON AG or by E.ON UK Finance are concerned), shall, in order to comply with the Netherlands Securities Market Supervision Act 1995 *(Wet toezicht effectenverkeer 1995, hereinafter the "WTE")* only be offered in accordance with any one of the following selling restrictions (to be specified in the relevant Pricing Supplement):

(i) subject to the proviso stated below, in the event that (a) such Notes have been admitted to the official listing on a stock exchange or have otherwise been publicly offered in another state which is a party to the Treaty on the European Economic Area (hereinafter the "EEA") and (b) the Information Memorandum has been approved by, and the applicable Pricing Supplement has been submitted to or approved by, the competent authority as referred to in Article 20 or Article 21 of EC Directive 89/298/EEC (hereinafter the "Competent Authority") and (c) the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten, hereinafter the "AFM") has confirmed, where necessary, the availability of recognition in respect of such documents; or

(ii) if they are part of an issue of Notes comprising only Notes with a denomination of at least EUR 50,000 or the equivalent in any other currency (as far as Notes issued by E.ON Finance are concerned) or if the Notes offered in The Netherlands have a denomination of at least EUR 50,000 or the equivalent in any other currency (as far as Notes issued by E.ON AG or by E.ON UK Finance are concerned) provided that if any such Notes are issued:

(1) at a discount, they may only be offered if their issue price is no less than EUR 50,000 (or its equivalent in any other currency) ;

(2) on a partly-paid basis, they may only be offered if paid-up by their initial holders at least to an amount of EUR 50,000 (or its equivalent in any other currency) ;

(3) with a denomination of precisely EUR 50,000 (or its equivalent in any other currency), they may only be offered on a fully-paid basis and at par or at a premium; or

(iii) to individuals or legal entities situated *anywhere in the world* (in case of Notes issued by E.ON Finance) or *in The Netherlands* (in case of Notes issued by E.ON AG or by E.ON UK Finance) who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealer and brokers), insurance companies, pension funds, collective investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities, "Professional Investors"), provided that it must be made clear both upon making the offer and in any documents or advertisements in which a forthcoming offering of such Notes is publicly announced (whether electronically or otherwise) that such offer is exclusively made to such Professional Investors; or

(iv) (for a syndicated issue of Notes) if the following criteria are met:

(a) the Notes are subscribed for and placed by a syndicate of which at least two members have their statutory seats in different states that are a party to the Treaty on the EEA; and

(b) 60 percent. or more of the relevant issue amount of Notes is offered in one or more states other than the jurisdiction of incorporation of the relevant Issuer;

(c) investors may only acquire the Notes being offered through the intermediary of a credit institution (registered with the Dutch Central Bank) or another financial institution which in the conduct of business or profession provides one or more of the services described in paragraphs 7 and 8 of the Annex to the Banking Coordination Directive (2000/12/EC);

(d) no generalised advertising or cold-calling campaign is conducted in respect of the Notes anywhere in the world for Notes issued by E.ON Finance and in The Netherlands for Notes issued by E.ON AG or by E.ON UK Finance; or

(v) (in case of Notes issued by E.ON Finance) to persons or entities who or which are established, domiciled or have their usual residence (collectively, **"are resident"**) outside The Netherlands, provided that (a) in the offer, the applicable Pricing Supplement and in any advertisements or documents in which a forthcoming offer of the Notes is announced (whether electronically or otherwise; collectively **"announcements"**) it is stated that the offer is not and will not be made to persons or entities who or which are resident in The Netherlands, (b) the offer, this Information Memorandum, the applicable Pricing Supplement and any announcements comply with the laws and regulations of any state where persons or entities to whom or which the offer is made are resident, and (c) a statement by the Issuer that those laws and regulations are complied with is submitted to the AFM before the offer or any such announcement is made and is included in the applicable Pricing Supplement and each such announcement; or

(vi) (in case of Notes issued by E.ON Finance) to persons or entities as referred to in (v) above and to Professional Investors situated in The Netherlands, provided the conditions in (v) and (iii) above are complied with;

(vii) if any other exemption from the prohibition contained in Article 3 paragraph 1 of the WTE applies or if the AFM has granted an (individual) dispensation from the above prohibition and the conditions attached to such exemption or dispensation are fully complied with.

Provided that in the case the selling restriction under (i) above is selected for any issue, the offer is made within one year after the date of this Information Memorandum and its approval by the competent authority and:

(1) the relevant Issuer and the relevant Dealer or Dealers procure that any advertisement or document in which a forthcoming offering of Notes is publicly announced (whether electronically or otherwise) will be submitted to the AFM prior to publication thereof and will mention the respective dates on which the Information Memorandum and the applicable Pricing Supplement were published and were made available or (as the case may be) will be published and will be made available for inspection at the registered office of the relevant Issuer and at the office of the Fiscal Agent; and

(2) each relevant Dealer severally represents and agrees that prior to the submission of the Information Memorandum (with the approval of the Competent Authority) and the applicable Pricing Supplement to the AFM and the publication thereof in accordance with (1) above:

(i) it has not offered, transferred or sold any Notes and will not, directly or indirectly, offer, transfer or sell any Notes except to individuals or legal entities as referred to in (iv) above; and

(ii) either it has not distributed and will not distribute any offering or promotional materials in respect of the Notes (whether electronically or otherwise) or it has complied and will comply with the conditions under (iii) above;

and each invitation telex and Pricing Supplement in respect of such Notes will set forth the restrictions under (i) and (ii) above; and

(3) if after the date of the Information Memorandum new relevant facts occur or become known, Section 6 of the Decree on the Securities Market Supervision Act 1995 *(Besluit toezicht effectenverkeer 1995)* is complied with.

(II) In addition and without prejudice to the relevant restrictions set out under (I) above, Zero Coupon Notes (as defined below) in definitive form of either E.ON Finance, E.ON AG, or by E.ON UK Finance may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or a member of Euronext Amsterdam N.V., with due observance of the Dutch Savings Certificates Act *(Wet inzake spaarbewijzen)* of May 21, 1985 (as amended) and its implementing regulations. No such mediation is required (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a

Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. In the event that the Savings Certificates Act applies, certain identication requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with and, in addition thereto, if such Zero Coupon Notes in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of February 2, 1987 attached to the Royal Decree of March 11, 1987 *(Staatscourant 129)* (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Notes. As used herein "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

6. Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the **"Securities and Exchange Law"**) and are subject to the Special Taxation Measures Law of Japan (Law No. 26 of 1957) (as amended) (the **"Special Taxation Measures Law"**). Each of the Dealers has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell Notes in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan.

7. France

The relevant Issuer and each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France the Information Memorandum or any other offering material relating to the Notes and that such offers, sales and distributions have been and will only be made in France to qualified investors *(investisseurs qualifiés)* acting for their account, all as defined in, and in accordance with, articles L.411-1 and L.411-2 of the French *Code monétaire et financier* and décret no. 98-880 dated 1 October 1998. Notes may only be issued, directly or indirectly, to the public in France in accordance with articles L.411-1 and L.411-2 of the French *Code monétaire et financier*.

Use of Proceeds

The net proceeds from each issue will be used for general financing purposes of E.ON companies.

Listing Information

The Notes to be issued under the Programme are admitted for official quotation on the Frankfurt Stock Exchange and application has been made to list the Notes issued under the Programme on the Luxembourg Stock Exchange. Notes may be issued pursuant to the Programme which will not be listed on the Frankfurt or Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the relevant Issuer and the relevant Dealer(s) may agree.

Undertaking

Each of the Issuers and the Guarantor have undertaken, in connection with the listing of the Notes, that if, while Notes of an Issuer are outstanding and listed on the Frankfurt and/or Luxembourg Stock Exchange, there shall occur any adverse change in the business, financial position or otherwise of such Issuer or the Guarantor that is material in the context of issuance under the Programme which is not reflected in the Information Memorandum (or any of the documents incorporated by reference in the Information Memorandum), such Issuer and Guarantor will prepare or produce the preparation of an amendment or supplement to the Information Memorandum or, as the case may be, publish a new Information Memorandum in connection with any offering by such Issuer of Notes under the Programme to be listed on the Frankfurt and/or Luxembourg Stock Exchanges.

If the Terms and Conditions of the Notes (as set out in the Information Memorandum) are modified or amended in a manner which would make the Information Memorandum, as amended or supplemented, inaccurate or misleading, a new Information Memorandum will be prepared to the extent required by law.

Each of the Issuers will, at the specified offices of the Paying Agents, provide, free of charge, a copy of the Information Memorandum (or any document incorporated by reference in the Information Memorandum according to the rules of the Luxembourg Stock Exchange).

Luxembourg Stock Exchange

General

Prior to the listing of the first Series of Notes issued under the Programme, the statutory documents of the Issuers and the Guarantor and the legal notice relating to the issue will have been registered with the Register of Commerce and Companies in Luxembourg *(Registre de Commerce et des Sociétés à Luxembourg)* where copies of these documents may be obtained upon request.

In addition to the most recent Annual Report of E.ON AG also its most recent interim reports which are issued quarterly each year, the most recent Annual Report of E.ON Finance and E.ON UK Finance, may be obtained without charge at the specified office of the Paying Agent in Luxembourg, Banque de Luxembourg S.A., at 14, Boulevard Royal, L-2449 Luxembourg. Neither E.ON Finance nor E.ON UK Finance publish interim reports.

Each Pricing Supplement relating to the Notes which shall be quoted on the Luxembourg Stock Exchange may be obtained from the Paying Agent in Luxembourg.

The Luxembourg Stock Exchange has allocated to the Programme the No 12113 for listing purposes.

The Issuers have undertaken to ensure service of the Definitive Notes through a credit institution located in Luxembourg as long as any Definitive Notes remain outstanding and listed on the Luxembourg Stock Exchange.

Documents incorporated by reference

The Annual Report of E.ON AG (including consolidated financial information only) and the Annual Report of E.ON International Finance B.V. for the financial year ended December 31, 2002, the Reports and Accounts 31 December 2002 of E.ON UK Finance plc are incorporated by reference into the Information Memorandum. Copies thereof and of any other documents incorporated herein by reference may be obtained without charge at the head office of the Paying Agent in the city of Luxembourg.

The following documents shall be deemed to be incorporated in, and form part of, the Information Memorandum:

(1) the most recently published annual report of E.ON AG and its interim report (each including consolidated financial information only; the interim report will be published quarterly), the most recently published annual report of E.ON Finance (E.ON Finance does not produce interim reports) and the most recently published financial statements of E.ON UK Finance (E.ON UK Finance does not produce interim reports),

(2) all amendments and supplements to the Information Memorandum prepared by each of the Issuers and the Guarantor from time to time,

save that any statement contained in the Information Memorandum or in any of the documents incorporated by reference in, and forming part of, the Information Memorandum shall be deemed to be modified or superseded for the purpose of the Information Memorandum to the extent that a statement contained in any documents subsequently incorporated by reference modifies or supersedes such statement.

Documents available for inspection

For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the following documents may be inspected (and, in the case of (d) and (e) obtainable) during normal business hours on any working day at the specified offices of Citibank AG as Paying Agent, the Principal Paying Agent and the Paying Agent in Luxembourg (free of charge), namely:

(a) the Amended and Restated Fiscal Agency Agreement dated August 1, 2003;

(b) the Amended and Restated Dealer Agreement dated August 1, 2003;

(c) the Procedures Memorandum;

(d) any Pricing Supplement relating to Notes which are listed on any stock exchange. (In the case of any Notes which are not listed on any stock exchange, copies of the relevant Pricing Supplement will only be available for inspection by the relevant Noteholders); and

(e) the constitutional documents of each of the Issuers.

Authorisation

The establishment of the Programme was authorised by the Supervisory Board of VEBA AG on December 7, 1993 and by the Board of Management of VEBA AG on May 17, 1995 and by the Board of Managing Directors of VEBA International Finance B.V. on June 30, 1995 and the Supervisory Board of VEBA International Finance B.V. on July 4, 1995. The Programme was increased from DM 1,000,000,000 to EURO 2,000,000,000 pursuant to resolutions of the Board of Management of VEBA AG of December 1, 1998 and of the Supervisory Board of December 16, 1998, and pursuant to resolutions of the Board of Managing Directors of VEBA International Finance B.V. of January 5, 1999 and of the Supervisory Board of VEBA International Finance B.V. of January 11, 1999 respectively. The 2000 update of the Programme was authorised by the Board of Management of E.ON AG on October 25, 2000 and by the Board of Managing Directors of E.ON Finance on October 31, 2000. E.ON AG, E.ON Finance and E.ON UK Finance will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The 2001 update and the increase in the Programme Amount from Euro 2,000,000,000 to Euro 7,500,000,000 was authorised by the Board of Management of E.ON AG on October 8, 2001, by the Board of Managing Directors of E.ON Finance on October 22, 2001, by the Supervisory Board of E.ON Finance on October 22, 2001, and by the Board of Directors of E.ON UK Finance plc on October 17, 2001, subject, at the time, to re-registration as plc. The update and the increase in the Programme Amount from Euro 7,500,000,000 to 20,000,000,000 was authorised by the Board of Management of E.ON AG on June 10, 2002, by the Board of Managing Directors of E.ON Finance on July 22, 2002, by the Supervisory Board of E.ON Finance on August 2, 2002, by the Board of Directors of E.ON UK Finance plc on August 13, 2002. The 2003 update was authorised by the Board of Management of E.ON AG on July 7, 2003, by the Board of Managing Directors of E.ON UK Finance on August 1, 2003, by the Supervisory Board of E.ON Finance on July 28, 2002 and by the Board of Directors of E.ON UK Finance plc on July 25, 2003.

Litigation

None of the Issuers nor their respective subsidiaries is or has during the past two fiscal years been engaged in any litigation or arbitration proceedings which may cause or have caused during such period a material change in the financial conditions of E.ON AG and its subsidiaries taken as a whole that is material in the context of the issue of Notes under the Programme, nor as far as each Issuer is aware, are any such litigation or arbitration proceedings pending or threatened.

Material Change

Save as disclosed herein, there has been no material adverse change in the financial position of E.ON AG and its subsidiaries taken as a whole since the date of the last published Interim Report (for the period ending on March 31, 2003). Save as disclosed herein, there has been no material adverse change in the financial position of E.ON Finance since the date of the last published Annual Report (December 31, 2002). Save as disclosed herein, there has been no material adverse change in the financial position of E.ON UK Finance since the date of the audited Reports and Accounts (December 31, 2002).

Düsseldorf, Amsterdam and London, August 2003

E.ON AG

E.ON International Finance B.V.

E.ON UK Finance plc

Aufgrund des vorstehenden Prospekts werden unter dem

EURO 20.000.000.000
Medium Term Note Programm

der

E.ON AG

Düsseldorf, Bundesrepublik Deutschland

als Emittentin und Garantin für Schuldverschreibungen der

E.ON International Finance B.V.

Rotterdam, Niederlande

und der

E.ON UK Finance plc

London, Vereinigtes Königreich

innerhalb von zwölf Monaten nach dem Datum dieses Prospektes zu begebende Schuldverschreibungen gemäß § 44 Börsenzulassungs-Verordnung an der Frankfurter Wertpapierbörse zum Börsenhandel im amtlichen Markt zugelassen.

Frankfurt am Main, im August 2003

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ABN AMRO Bank N.V.

Barclays Bank PLC

Bayerische Hypo- und Vereinsbank AG

Bayerische Landesbank

BNP Paribas S.A.

Citigroup Global Markets Limited

Commerzbank
Aktiengesellschaft

Credit Suisse First Boston (Europe) Limited

Crédit Agricole Indosuez

Dresdner Bank Aktiengesellschaft

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HSBC Bank plc

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