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POWERGEN PLC
Form SC TO-C
April 09, 2001

Securities and exchange commission
Washington, DC 20549

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

Powergen plc
(Name of Subject Company)

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

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

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

Michael C. Wilhelm
E.ON AG
Benningssenplatz 1
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55 Basinghall Street
London EC2V 5EH
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011 44 20 7614 2200

(Name, Address and Telephone Numbers of Persons
Authorized to Receive Notices and Communications on Behalf of Filing Persons)

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

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

third-party tender offer subject to Rule 14d-1.

going-private transaction subject to Rule 13e-3.

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issuer tender offer subject to Rule 13e-4.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

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DOCUMENT 1

Press Release

April 9, 2001

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E.ON AG: Recommended pre-conditional cash offer for Powergen plc

The boards of E.ON and Powergen announce that they have reached agreement on the terms of a recommended cash offer to be made by Goldman Sachs International on behalf of E.ON for all the issued and to be issued share capital of Powergen. The making of the Offer is subject to certain Pre-Conditions set out in Appendix I.

The Offer

On behalf of E.ON and subject to the conditions and further terms set out in Appendices I, II and III and the terms and conditions that will be set out in the Offer Document and Acceptance Forms, Goldman Sachs International will offer to acquire all of the Powergen Shares and Powergen ADSs on the following basis:

for each Powergen Share	(pound) 7.65
for each Powergen ADS	(pound) 30.60
(each representing four Powergen Shares)	

In addition, Powergen shareholders will have the right to receive certain dividends prior to completion of the acquisition.

The Offer values the whole of Powergen's share capital at approximately (pound)5.1 billion (assuming the exercise in full of all outstanding options under the Powergen Share Option Schemes).

Before taking account of future dividends payable to Powergen shareholders, the Offer represents a premium of:

- o 8.4 % over the price of Powergen Shares of 706.0 pence as at the close of business on 6th April, 2001;
- o 25.8 % over the closing price of Powergen Shares of 608.0 pence on 16th January, 2001, the last business day before the announcement by Powergen

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that it was in preliminary talks with E.ON in relation to the Offer; and

- o 35.2 % over the average price of Powergen Shares of 565.7 pence over the 6 months ended 16th January, 2001.

The directors of Powergen, who have been so advised by Dresdner Kleinwort Wasserstein, their financial adviser, consider the terms of the Offer to be fair and reasonable. In giving advice to the directors of Powergen, Dresdner Kleinwort Wasserstein has taken into account the directors' commercial assessments. Accordingly, the directors of Powergen intend unanimously to recommend all holders of Powergen Securities to accept the Offer when it is made, as they intend to do in respect of their own respective beneficial shareholdings at that time.

Summary of Background and Intentions for the Combined Group

E.ON's strategy is to become a leading pure play global integrated utility company. Acquiring Powergen is in line with this strategy as it will:

- o provide E.ON with a leading position in the UK utilities market, the third largest European electricity market;
- o represent an important platform for growth in the US utilities market;
- o reduce E.ON's reliance on the German utilities market;
- o add two high quality operating businesses to the E.ON Group;
- o bring together two proven management teams with a common focus on global growth and value enhancement; and
- o provide immediate earnings enhancement (pre-goodwill amortisation) for E.ON's shareholders.(1)

E.ON intends to divest its non-utility assets in a three to five year timespan and to redeploy the proceeds of these divestments in the growth of its utility activities.

Commenting on the acquisition, Ulrich Hartmann, Chairman of the Management Board and CEO of E.ON, said:

"The acquisition of Powergen is one major step - but certainly not the last one - in the growth strategy that we are pursuing in the energy sector, our core business area. Our successful strategy of "focus and growth" is now entering a new phase in which we will fully concentrate on the energy service business, which we intend to steer to a new growth dimension.

We have used the short three-year period since liberalisation to pursue a resolute growth policy. With our E.ON merger, we have positioned ourselves as one of the top players in Europe. And we are now getting ready for a "double jump" across the Channel and from there on across the Atlantic Ocean. We will continue to pursue our expansion course as systematically and as persistently as we have in the past. Step by step, we will continue to consolidate and expand our international platform."

Ed Wallis, Chairman of Powergen said:

"I am delighted we have been able to reach agreement with E.ON. This is a good deal for our shareholders, our employees and our customers as well as for E.ON. Our management teams share a common vision and strategy for the future growth of our company, which can become reality more quickly by our working as part of a group with E.ON's strength.

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Since the liberalisation of the electricity industry, Powergen has become a leading integrated player in the UK's electricity and gas markets and is now also very well placed to exploit its position in the liberalising electricity and gas markets in the Midwest of the US. To continue our ability to consolidate in a global market we will benefit from the scale we will gain from joining E.ON. That is why the Powergen board and I have given this deal our unanimous support."

- (1) This statement should not be interpreted to mean that earnings per share of E.ON in its current or any future financial year will necessarily be greater than those in the year ended 31st December, 2000.

The posting of the Offer Document is subject to certain Pre-Conditions attached as Appendix I, including Pre-Conditions relating to the obtaining of certain regulatory clearances. The necessary approvals are expected to be obtained by early 2002 and the transaction is expected to be closed in Spring 2002.

E.ON intends to make the Offer as soon as practicable after these Pre-Conditions are satisfied or waived.

The Offer, including the Loan Note Alternative, will be subject to the applicable requirements of both the City Code and the United States Federal securities laws.

This summary should be read in conjunction with the full text of this announcement.

E.ON has been advised by Goldman Sachs International who will be making the Offer on behalf of E.ON and is acting as corporate broker to E.ON. E.ON has also been advised by Rothschild. Powergen has been advised by Dresdner Kleinwort Wasserstein. Dresdner Kleinwort Wasserstein and UBS Warburg are joint corporate broker to Powergen.

There will be an analyst conference call at 8.00 a.m. (Central European Time)/7.00 a.m. (UK time) today (dial-in number: +44 (0) 20 8781 0576).

There will be an analysts and investors conference in London at 4.30 p.m. (UK time) at The Brewery, Chiswell Street, London EC1Y 4SD with a simultaneous web-casting facility on E.ON's and Powergen's web sites. There will also be a teleconference for the analyst conference; dial-in details are as follows:

UK/Europe: +44 (0) 20 8240 8243

US: +1 303 267 1002

High resolution photographs can be downloaded from NewsCast from 3.00 p.m. (UK time) onwards at www.newscast.co.uk.

Enquiries:

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The Offer, including the Loan Note Alternative, will not be made, directly or indirectly, in or into Canada, Australia or Japan. Accordingly, copies of this announcement are not being, and must not be, mailed or otherwise distributed or sent in or into Canada, Australia or Japan.

Goldman Sachs International, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for E.ON and for no one else in connection with the Offer and will not be responsible to anyone other than E.ON for providing the protections afforded to its customers or for giving advice in relation to the Offer. Goldman Sachs International will be acting through Goldman, Sachs & Co. for the purposes of making the Offer in and into the United States. Goldman Sachs International will be acting as corporate broker to E.ON in relation to the Offer.

Rothschild, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for E.ON and for no one else in connection with the Offer and will not be responsible to anyone other than E.ON for providing the protections afforded to its customers or for giving advice in relation to the Offer.

Dresdner Kleinwort Wasserstein, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for Powergen and for no one else in connection with the Offer and will not be responsible to anyone other than Powergen for providing the protections afforded to customers of Dresdner Kleinwort Wasserstein or for providing advice in relation to the Offer.

UBS Warburg, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for Powergen and for no one else in connection with the Offer and will not be responsible to anyone other than Powergen for providing the protections afforded to customers of UBS Warburg or for providing advice in relation to the Offer.

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

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DOCUMENT 2

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In addition, Powergen shareholders will have the right to receive certain dividends prior to completion of the acquisition.

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- o 8.4% over the price of Powergen Shares of 706.0 pence as at the close of business on 6th April, 2001;
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- o 35.2% over the average price of Powergen Shares of 565.7 pence over the 6 months ended 16th January, 2001.

The directors of Powergen, who have been so advised by Dresdner Kleinwort Wasserstein, their financial adviser, consider the terms of the Offer to be fair and reasonable. In giving advice to the directors of Powergen, Dresdner Kleinwort Wasserstein has taken into account the directors' commercial assessments. Accordingly, the directors of Powergen intend unanimously to recommend all holders of Powergen Securities to accept the Offer when it is made, as they intend to do in respect of their own respective beneficial shareholdings at that time.

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Commenting on the acquisition, Ulrich Hartmann, Chairman of the Management Board and CEO of E.ON, said:

"The acquisition of Powergen is one major step - but certainly not the last one - in the growth strategy that we are pursuing in the energy sector, our core business area. Our successful strategy of "focus and growth" is now entering a new phase in which we will fully concentrate on the energy service business, which we intend to steer to a new growth dimension.

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The Offer, including the Loan Note Alternative, will be subject to the applicable requirements of both the City Code and the United States Federal securities laws.

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E.ON AG: Recommended pre-conditional cash offer for Powergen plc

1. Introduction

The boards of E.ON and Powergen announce that they have agreed the terms of a recommended cash offer to be made by Goldman Sachs International on behalf of E.ON for the whole of the issued and to be issued share capital of Powergen. The making of the Offer is subject to certain Pre-Conditions described below.

The directors of Powergen, who have been so advised by Dresdner Kleinwort Wasserstein, their financial adviser, consider the terms of the Offer to be fair and reasonable. In giving advice to the directors of Powergen, Dresdner Kleinwort Wasserstein has taken into account the directors' commercial assessments. Accordingly, the directors of Powergen intend unanimously to recommend all holders of Powergen Securities to accept the Offer, when made, as

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they intend to do in respect of their own respective beneficial shareholdings at that time.

The sources and bases of information contained in this announcement are set out in Appendix V and the definitions of certain expressions used in this announcement are contained in Appendix VI.

2. The Offer

The Offer, the full terms and conditions of which will be set out in the Offer Document when issued, will be made on the following basis:

for each Powergen Share	(pound)7.65
for each Powergen ADS (representing four Powergen Shares)	(pound)30.60

The Offer values the whole of Powergen's share capital at approximately (pound)5.1 billion (assuming the exercise in full of all outstanding options under the Powergen Share Option Schemes).

E.ON and Powergen have agreed that, if E.ON so elects with Powergen's agreement, the transaction will be implemented by a Scheme of Arrangement under section 425 of the Companies Act. In this event, the Scheme will be implemented on the same terms, so far as applicable, as those which would apply to the Offer.

Before taking account of the future dividends payable to Powergen shareholders, the Offer represents a premium of:

- o 8.4% over the price of Powergen Shares of 706.0 pence as at the close of business on 6th April, 2001;
- o 25.8% over the closing price of Powergen Shares of 608.0 pence on 16th January, 2001, the last business day before the announcement by Powergen that it was in preliminary talks with E.ON in relation to the Offer; and
- o 35.2% over the average price of Powergen Shares of 565.7 pence over the 6 months ended 16th January, 2001.

The Powergen Shares will be acquired by E.ON fully paid or credited as fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other rights of any nature and together with all rights now or hereafter attaching to them, including the right to receive in full dividends and other distributions, if any, declared, made or paid after the date of this announcement, subject to the following paragraphs.

The holders of Powergen Shares will be entitled to retain such of the quarterly dividends in respect of the first three quarters of 2001 (to be paid on 15th June, 2001, 14th September, 2001 and 14th December, 2001) as become payable prior to the date on which the Offer becomes wholly unconditional and by reference to a record date consistent with Powergen's previous dividend practice.

Holders of Powergen Shares will also be entitled to retain the quarterly dividend in respect of the fourth quarter of 2001 if the Offer is declared wholly unconditional after 31st December, 2001. In addition, holders of Powergen Shares will be entitled to retain the dividends for quarters commencing 1st January, 2002 and ending on or before the first closing date of the Offer (or, in the case of a Scheme of Arrangement, its effective date) (the "First Closing Date"). Any such dividends will be payable on a date consistent with Powergen's

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previous dividend practice or, if earlier, with payment of the Offer consideration and it is a condition of the Offer that such quarterly dividends in respect of 2001 and 2002 do not exceed 9.2 pence per Powergen Share.

In addition, the value of the Offer will be increased, on a daily basis, at a rate of 9.2 pence per quarter, in respect of the period commencing immediately after the last quarter end date before the First Closing Date and ending on the First Closing Date.

If after this announcement, any dividend other than the dividends set out above is paid or becomes payable, E.ON will have the right, as an alternative to lapsing the Offer for non-fulfilment of the Conditions, to reduce the consideration for each Powergen Share (including each Powergen Share represented by a Powergen ADS) by an amount equal to the excess.

The making of the Offer and the posting of the Offer Document is subject to the Pre-Conditions set out in Appendix I. E.ON intends to make the Offer as soon as practicable after satisfaction or waiver of the Pre-Conditions.

The Offer will extend to all existing issued Powergen Shares and to any Powergen Shares which are unconditionally allotted or issued prior to the date on which the Offer closes (or such earlier date as E.ON may, subject to the City Code, decide) including Powergen Shares issued pursuant to the exercise of options under the Powergen Share Option Schemes or otherwise. In conjunction with the offer for the Powergen Shares, an offer will be made to holders of Powergen ADSs to tender the Powergen Shares underlying such ADSs into the Offer.

The Offer will be subject to the Conditions and further terms set out in Appendix II and III of this document, the Acceptance Form and the Offer Document and also to the applicable requirements of both the City Code in the United Kingdom and United States Federal securities laws.

3. Loan Note Alternative

If the requisite consent of the SEC under the US Public Utility Holding Company Act of 1935 is received, accepting shareholders of Powergen Shares (other than certain overseas shareholders) will be entitled to elect to receive Loan Notes to be issued by E.ON instead of some or all of the cash consideration which would otherwise be receivable under the Offer on the following basis and on the further terms and conditions set out in Appendix IV:

for every (pound)1 of cash consideration (pound)1 nominal of Loan Notes

The Loan Notes will be issued, credited as fully paid, in multiples of (pound)1 nominal amount. Fractional entitlements to Loan Notes will be disregarded. The Loan Notes will bear interest from the date of issue to the relevant holder of the Loan Notes at a rate of one-half of one per cent. per annum below LIBOR for six month sterling deposits payable six monthly in arrear. The Loan Notes will be transferable, but no application will be made for them to be listed or dealt in on any stock exchange. The Loan Notes will be redeemable at par at the holder's option, in part or in whole, on any interest payment date on or following the date falling six months following the date of issue of the relevant Loan Notes, and any Loan Notes not previously repaid, redeemed or purchased will be repaid in full at par on the first interest payment date falling on or after the fifth anniversary of the first issue of the Loan Notes.

If valid elections for the Loan Note Alternative do not require the issue of Loan Notes exceeding (pound)25 million in nominal value of Loan Notes, no Loan Notes will be issued unless E.ON determines otherwise, and holders of Powergen Shares who have elected for the Loan Note Alternative will receive cash in accordance with the basic terms of the Offer.

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The Loan Note Alternative will be conditional upon the Offer becoming or being declared unconditional in all respects and will remain open for so long as the Offer remains open for acceptance. Full details of the Loan Note Alternative will be set out in the Offer Document.

If E.ON elects to make the Offer through another member of the Wider E.ON Group, E.ON will guarantee the Loan Notes.

4. Information on Powergen

Powergen is a leading international vertically integrated energy company with its principal operations in the UK and the US. It has interests in electricity generation, distribution, energy trading and retailing. It is one of the leading suppliers of gas to homes and businesses in its respective markets.

Powergen was created as one of the four successors of the Central Electricity Generating Board, following the privatisation of the UK electricity industry under the Electricity Act of 1989. Powergen has been pursuing a strategy of transformation from pure UK generator into a vertically integrated utility focused on UK and US markets. Following its 1998 acquisition of East Midlands Electricity, one of the largest Regional Electricity Companies in England and Wales, and its acquisition in December 2000 of LG&E Energy Corp., a vertically integrated electricity and gas group based in Kentucky (US), Powergen's interests are principally:

- o UK: a strong presence across the value chain with a low cost flexible portfolio of assets, 7,836 MW of core generation capacity, a distribution network that reaches 2.4 million business and residential customers and over 3 million retail customer accounts in total. Powergen's strategy includes building the strength of its brand name by offering retail and business customers a range of essential services for the home and business;

- o US: over 8,263 MW of generation capacity, of which 6,492 MW is regulated, with 1.2 million electricity and gas retail customer accounts. The US business includes power generation, retail gas and electricity distribution, gas and oil pipeline equipment and gas processing;

- o International: equity and operating interests in energy assets in selected countries.

For the year ended 31st December, 2000, Powergen reported sales of (pound)4,191 million (2nd January, 2000: (pound)3,746 million) and net income of (pound)429 million (2nd January, 2000: (pound)708 million). As at 31st December, 2000, Powergen had net assets of (pound)2,286 million (2nd January, 2000: (pound)1,984 million) and Powergen has a market capitalisation of approximately (pound)4.6 billion (as of 6th April, 2001).

5. Information on E.ON

E.ON is Germany's third-largest industrial group, with more than 180,000 employees. Based in Dusseldorf, E.ON's strategy is to focus exclusively on its utility activities (electricity, gas, water and related business). It is a leading integrated electricity business in Germany with a strong portfolio of energy assets covering substantial areas of Europe. E.ON currently also operates in a series of additional activities including specialty chemicals, telecommunications, real estate and certain other industrial activities.

E.ON was created through the merger of Veba and Viag in 2000. At the time, it was E.ON's stated strategy to grow internationally based on a focus on energy and chemicals. Since that time, E.ON has further focused its growth strategy. Today, E.ON's strategy is to focus on growing globally its key utilities businesses with a particular focus on energy utilities.

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E.ON currently has utility operations in Germany in electricity, gas and water. In electricity it holds a number of majority and minority stakes in electricity distributors. In gas supply, it has a leading position with more than 30% of gas sales in Germany. In water supply, it also has a strong position in Germany through its 81% stake in Gelsenwasser, which also has gas distribution activities.

Internationally, E.ON has a well-established European position in electricity, with a presence in all major European electricity markets except the UK, France and Spain. E.ON's generation assets are favourably located and have a balanced primary energy mix that includes hard coal, nuclear energy, lignite, gas and hydro energy. Its high-voltage grid stretches from Scandinavia to the Alps. After the transaction E.ON's reliance on the German energy market will drop substantially, with the proportion of its revenues derived from physical electricity sales falling from 75% to 56%.

For the year ended 31st December, 2000, E.ON had reported sales of Euro 83.0 billion (1999: Euro 50.5 billion), and net income of Euro 3,570 million (1999: Euro 2,991 million). As at 31st December, 2000, E.ON had net assets of Euro 28,033 million and E.ON has a market capitalisation of approximately Euro 36.6 billion (as of 6th April, 2001). Its shares are traded on all German stock exchanges, Xetra (Germany's 24-hour electronic trading system), the Swiss Stock Exchange and as ADRs on the New York Stock Exchange.

6. Background to and Reasons for the Offer

E.ON's strategy is to become a leading global integrated utility. In line with this strategy, E.ON views the acquisition of Powergen as a natural step towards further building its global presence.

The acquisition will provide E.ON with a leading pan-European position in energy utilities, with a first time presence in the UK, the third largest European electricity market. Powergen also brings with it substantial energy trading experience.

E.ON believes the acquisition will also provide a platform on which to build profitable future growth in the attractive US utility markets. The US, an energy market that is eight times the size of the Germany energy market, represents a highly fragmented market with further growth opportunities, both organic and by acquisition. Powergen's US operation, LG&E, benefits from regional price and cost advantages, owns a high quality asset base and has been ranked number one in cross industry customer surveys.

In addition to providing greater global scale, the acquisition of Powergen will accelerate E.ON's strategic move towards becoming a pure-play global integrated utility business. E.ON intends to divest its non-utility assets in a three to five year timespan and to redeploy the proceeds of these divestments in the growth of its utility activities.

The Management Board of E.ON believes that Powergen and E.ON share a common managerial philosophy, comparable cultures and strategic objectives. These key areas of commonality, the Management Board of E.ON believes, will facilitate a rapid extraction of the benefits of the business combination. The transaction will also provide E.ON's shareholders with immediate earnings enhancement (pre-goodwill amortisation).(1)

E.ON recognises the success that Powergen has enjoyed in building its UK and US businesses and is supportive of its strategy for the further development of these businesses.

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- (1) This statement should not be interpreted to mean that earnings per share of E.ON in its current or any future financial year will necessarily be greater than those in the year ended 31st December, 2000.

7. Management and employees

E.ON attaches great importance to the skills and experience of the existing management and employees of Powergen. Upon completion of the acquisition, Powergen will operate as a separate subsidiary of E.ON. Powergen's management team will be responsible for the development and operation of E.ON's Anglo-American energy business. The board of Powergen will be chaired by Ulrich Hartmann, with Nick Baldwin as Chief Executive. There will be three executive directors: Peter Hickson, Vic Staffieri and a representative of the UK business. They will be joined by Dr. Hans Michael Gaul, Dr. Hans-Dieter Harig and a member of the E.ON Energie Management Board and two independent directors based in the UK. Ed Wallis will be Deputy Chairman and will join the E.ON Energie Supervisory Board. Nick Baldwin will join the E.ON Energie Management Board.

The employment rights, including pension rights, of Powergen Group employees will be fully safeguarded in accordance with applicable law.

8. Regulation

The acquisition of Powergen by E.ON requires the approval of regulatory authorities in a number of jurisdictions. These include the State utility regulators in Kentucky and Virginia, where LG&E carries on business, the Federal Energy Regulatory Commission and the SEC, which administers the United States Public Utility Holding Company Act of 1935. The acquisition also requires clearances from the European Commission and confirmations from the Office of Gas and Electricity Markets in the United Kingdom. The necessary approvals are expected to be obtained by early 2002 and the transaction is expected to be closed in Spring 2002.

9. Powergen Share Option Schemes

The Offer will extend to any Powergen Shares which are unconditionally allotted or issued while the Offer remains open for acceptance (or such earlier date as E.ON may, subject to the City Code, decide) pursuant to the exercise of options under the Powergen Share Option Schemes.

Appropriate proposals will, in due course, be put to the holders of options under the Powergen Share Option Schemes if the Offer becomes or is declared unconditional in all respects.

10. Holdings in Powergen

Neither E.ON nor any of the members of the Management Board of E.ON, nor, so far as E.ON is aware, any party acting in concert with E.ON, owns or controls any Powergen Securities or holds any options to purchase Powergen Shares or Powergen ADSs or holds any derivatives referenced to Powergen Securities.

11. Financing

E.ON will finance the Offer from its existing resources and available financing arrangements.

12. Compulsory acquisition and application for de-listing of Powergen Securities

It is the intention of E.ON, if sufficient acceptances of the Offer are received and/or sufficient Powergen Shares and Powergen ADSs are otherwise acquired, to

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apply the provisions of sections 428 to 430F (inclusive) of the Companies Act to acquire compulsorily any outstanding Powergen Shares (including Powergen Shares represented by Powergen ADSs) to which the Offer relates.

It is also intended that, following the Offer becoming or being declared unconditional in all respects, and subject to applicable requirements of the London and New York Stock Exchanges, E.ON will procure that Powergen will apply to those exchanges for the Powergen Securities to be de-listed. De-listing would significantly reduce the liquidity and marketability of any Powergen Securities not assented to the Offer. It is anticipated that the cancellation of Powergen's listing on the London Stock Exchange will take effect no earlier than 20 business days after the Offer becomes or is declared unconditional in all respects.

13. Offer Agreement

In connection with the Offer, E.ON and Powergen have entered into an agreement which, among other things, provides that Powergen will not solicit competing proposals and relates to the steps that are to be taken in order to satisfy the Pre-conditions. Under this agreement, certain fees may be payable by either E.ON or Powergen to the other in certain circumstances. Further details of this agreement are set out in Appendix III.

14. General

E.ON intends to make the Offer by posting the Offer Document and related Acceptance Forms as soon as practicable after the Pre-Conditions of the Offer are satisfied or waived.

E.ON has been advised by Goldman Sachs International who will be making the Offer on behalf of E.ON and who is acting as corporate broker to E.ON. E.ON has also been advised by Rothschild. Powergen has been advised by Dresdner Kleinwort Wasserstein. Dresdner Kleinwort Wasserstein and UBS Warburg are joint corporate brokers to Powergen.

15. Recommendation

The directors of Powergen, who have been so advised by Dresdner Kleinwort Wasserstein, their financial adviser, consider the terms of the Offer to be fair and reasonable. In giving advice to the directors of Powergen, Dresdner Kleinwort Wasserstein has taken into account the directors' commercial assessments. Accordingly, the directors of Powergen intend unanimously to recommend all holders of Powergen Securities to accept the Offer, when made, as they intend to do in respect of their own respective beneficial shareholdings at that time.

Enquiries:

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Dresdner Kleinwort Wasserstein	Jim Hamilton Jeremy Miller Mark Greenberg David Hutchinson	+ 44 20 7623 8000

Goldman Sachs International, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for E.ON and for no one else in connection with the Offer and will not be responsible to anyone other than E.ON for providing the protections afforded to its customers or for giving advice in relation to the Offer. Goldman Sachs International will be acting through Goldman, Sachs & Co. for the purpose of making the Offer in and into the United States. Goldman Sachs International will be acting as corporate broker to E.ON in relation to the Offer.

Rothschild, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for E.ON and for no one else in connection with the Offer and will not be responsible to anyone other than E.ON for providing the protections afforded to their customers or for giving advice in relation to the Offer.

Dresdner Kleinwort Wasserstein, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for Powergen and for no one else in connection with the Offer and will not be responsible to anyone other than Powergen for giving the protections afforded to customers of Dresdner Kleinwort Wasserstein or for giving advice in relation to the Offer.

UBS Warburg, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for Powergen and for no one else in connection with the Offer and will not be responsible to anyone other than Powergen for providing the protections afforded to customers of UBS Warburg or for providing advice in relation to the Offer.

The members of the Management Board of E.ON accept responsibility for the information contained in this announcement, except for the information relating to the Powergen Group. To the best of the knowledge and belief of the members of the Management Board of E.ON (who have taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Directors of Powergen accept responsibility for the information relating to the Powergen Group contained in this announcement. To the best of the knowledge and belief of the Directors of Powergen (who have taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

This announcement does not constitute an offer to purchase or a solicitation of an offer to sell any securities. If and when E.ON commences its offer for ordinary shares or any other securities of Powergen, it will file a Tender Offer Statement with the U.S. Securities and Exchange Commission and Powergen will file a Solicitation/ Recommendation Statement with respect to the Offer. The Tender Offer Statement (including an Offer to Purchase, Letter of Transmittal and related tender documents) and the Solicitation/ Recommendation Statement will contain important information that should be read carefully before any decision is made with respect to the Offer. These documents will be made available to all holders of relevant Powergen securities at no expense to them. The Tender Offer Statement (including the Offer to Purchase, the related Letter

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of Transmittal and all other offer documents filed with the SEC) and the Solicitation/ Recommendation Statement also will be available free of charge at the SEC website at www.sec.gov.

The Loan Notes to be issued pursuant to the Offer, if made, have not been, nor will be, registered under the United States Securities Act of 1933, as amended, or under any relevant securities laws of any States or district of the United States and will not be registered under any relevant securities laws of any other country. Accordingly, unless an exemption under such Act or laws is available, the Loan Notes may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia or Japan.

The availability of the Offer and the Loan Note Alternative to persons outside the United Kingdom may be affected by the laws of the relevant jurisdiction. Such persons should inform themselves about, and observe, any applicable requirements of the relevant jurisdiction.

Unless E.ON determines otherwise, the Offer will not be made, directly or indirectly, in or into, Australia, Japan or Canada and will not be capable of being accepted from within, Australia, Japan or Canada. Accordingly, copies of this announcement are not being, and must not be, mailed, or otherwise forwarded, distributed or sent in, into or from Australia, Japan or Canada and persons receiving this announcement (including custodians, nominees and trustees) must not distribute or send it in, into or from Australia, Japan or Canada.

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

The Panel wishes to draw the attention of member firms of the New York Stock Exchange to certain UK dealing disclosure requirements following the announcement by Powergen of a possible offer. The announcement made on 17th January, 2001 commenced an Offer Period in accordance with the City Code which is published and administered by the Panel. The Offer Period is deemed to commence at the time when an announcement is made of a proposed or possible offer, with or without terms. Powergen has equity securities traded on the London Stock Exchange and the New York Stock Exchange.

The disclosure requirements referred to above are set out in more detail in Rule 8 of the Code. In particular Rule 8.3 requires public disclosure of dealings during the Offer Period by persons who own or control, or who would as a result of any transaction own or control, 1 per cent. or more of any class of relevant securities of Powergen. Relevant securities include Powergen Securities and instruments convertible into Powergen Securities. In the case of the Offer for Powergen, this requirement will apply until the end of the Offer Period.

Disclosure should be made on an appropriate form no later than 12 noon London time on the business day following the date of the dealing transaction. These disclosures should be sent to the Company Announcements Office of the London

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Stock Exchange (fax number: +44 (0)20 7588 6057).

The Panel requests that member firms advise those of their clients who wish to deal in the relevant securities of Powergen, whether in New York or in the UK, that they may be affected by these requirements. If there is any doubt as to their application, the Panel should be consulted (telephone number: +44(0)20 7638 0129, fax number: +44 (0)30 7638 1554).

APPENDIX I

Pre-Conditions of the Offer

The making of the Offer, by the posting of the Offer Document and related Forms of Acceptance, will take place once the following Pre-Conditions are satisfied or waived by E.ON:

1. Insofar as the Offer constitutes a concentration with a Community dimension within the scope of Council Regulation (EEC) 4064/89 (as amended) (the "Merger Regulation"):-
 - (A) the European Commission shall have made (or be deemed to have made) a decision, in terms satisfactory to E.ON acting reasonably, not to initiate proceedings under Article 6(1)(c) of the Regulation or, if such proceedings are initiated, the European Commission shall have made (or be deemed to have made) a declaration or issued a decision, in terms satisfactory to E.ON acting reasonably, that the concentration (or such part of the concentration as has not been referred to a competent authority as described in (b) below) is compatible with the common market; and
 - (B) if the European Commission has made a referral to a competent authority under Article 9(1) of the Regulation in connection with the Offer, such competent authority shall have issued such decision, finding or declaration, in terms satisfactory to E.ON acting reasonably, as is necessary to approve the Offer and permit the closing of the Offer to occur without any breach of applicable law.
2. All filings in connection with the Offer and the proposed acquisition of any Powergen Securities or control of Powergen by E.ON or any member of the Wider E.ON Group and matters arising therefrom having been made under the Hart-Scott-Rodino Antitrust Improvements Act 1976 (as amended) of the United States and the regulations made thereunder, all or any appropriate waiting and other time periods (including extensions thereof) having expired, lapsed or been terminated.
3. The Director-General of the Office of Gas and Electricity Markets indicating:
 - (A) that it is not his intention to seek modifications to any of the Wider Powergen Group's licences under the Electricity Act 1989 or the Gas Act 1986 as amended by the Gas Act 1995 and subsequent legislation, including the Utilities Act 2000 (except on terms satisfactory to E.ON acting reasonably);
 - (B) that it is not his intention to seek undertakings or assurances from any member of the Wider E.ON Group or the Wider Powergen Group (except on terms satisfactory to E.ON acting reasonably); and
 - (C) that in connection with the acquisition by E.ON of Powergen he will give such consents and/or directions (if any) and/or seek or agree to such

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modifications (if any) as are in the reasonable opinion of E.ON necessary in connection with the licences referred to in paragraph (A).

4. E.ON having obtained clearance in respect of the acquisition of Powergen under the utility regulations of the States of Kentucky and Virginia, in terms satisfactory to E.ON acting reasonably.
5. E.ON having obtained clearance in respect of the acquisition of Powergen under the Federal Power Act, in terms satisfactory to E.ON acting reasonably.
6. The SEC having granted prior approval to the acquisition by E.ON of the Powergen Securities under section 9 of PUHCA on terms satisfactory to E.ON acting reasonably.
7. E.ON having received confirmation satisfactory to E.ON that it will be registered as a public utility holding company under PUHCA on terms satisfactory to E.ON acting reasonably.
8. Review and investigation of the Offer under the Exon-Florio Amendment to the Defense Production Act of 1950 having been terminated and the President of the United States having taken no action thereunder with respect to the Offer.

E.ON reserves the right to waive, in whole or in part, all or any of the Pre-Conditions.

Unless E.ON and the Panel otherwise agree, in the event that any of the Pre-Conditions has not been satisfied or waived by close of business (London time) on 9th July, 2002, the Offer will not be made.

APPENDIX II

Conditions of the Offer

The Offer, which will be made by Goldman Sachs International on behalf of E.ON, will comply with the applicable rules and regulations of the City Code. The Offer will be governed by English law and will be subject to the jurisdiction of the courts of England and to the terms and conditions set out in the Offer Document and related Forms of Acceptance. This announcement does not constitute an extension of the Offer into the United States. However, it is intended to extend the Offer, if and when made, into the United States in compliance with the procedural and filing requirements of the Exchange Act and the rules of the SEC thereunder except to the extent that exemptive relief therefrom has been granted by the SEC. As a result, the Offer, if extended into the United States, will also be subject to the US Federal securities laws and the applicable rules and regulations of the New York Stock Exchange.

The Offer will be subject to the following conditions:

1. Valid acceptances being received (and not, where permitted, withdrawn) by not later than 3.00 p.m. (London time) (10.00 a.m. (New York time)) on the first closing date of the Offer (or such later time(s) and/or date(s) as E.ON may, with the consent of the Panel or in accordance with the City Code, decide) in respect of not less than 90 per cent. (or such lesser percentage as E.ON may decide) in nominal value of the Powergen Shares (including the Powergen Shares represented by Powergen ADSs) to which the Offer relates, provided that this Condition 1 will not be satisfied unless E.ON and/or any of its subsidiaries shall have acquired or agreed to acquire (whether pursuant to the Offer or otherwise) Powergen Shares (including the Powergen

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Shares represented by Powergen ADSs) carrying in aggregate more than 50 per cent. of the voting rights then exercisable at a general meeting of Powergen. For the purposes of this Condition 1:

- (A) Powergen Shares which have been unconditionally allotted but not issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise shall be deemed to carry the voting rights they will carry upon being entered in the register of members of Powergen;
 - (B) the expression "Powergen Shares (including Powergen Shares represented by Powergen ADSs) to which the Offer relates" shall be construed in accordance with sections 428 to 430F of the Companies Act; and
 - (C) valid acceptances shall be treated as having been received in respect of any Powergen Shares which E.ON shall, pursuant to section 429(8) of the Companies Act, be treated as having acquired or contracted to acquire by virtue of acceptances of the Offer.
2. If Pre-Condition 1 to the Offer is waived, insofar as the Offer constitutes a concentration with a Community dimension within the scope of Council Regulation (EEC) 4064/89 (as amended) (the "Merger Regulation"):
- (A) the European Commission shall have made (or be deemed to have made) a decision, in terms satisfactory to E.ON acting reasonably, not to initiate proceedings under Article 6(1)(c) of the Regulation or, if such proceedings are initiated, the European Commission shall have made (or be deemed to have made) a declaration or issued a decision, in terms satisfactory to E.ON acting reasonably, that the concentration (or such part of the concentration as has not been referred to a competent authority as described in (B) below) is compatible with the common market; and
 - (B) if the European Commission has made a referral to a competent authority under Article 9(1) of the Regulation in connection with the Offer, such competent authority shall have issued such decision, finding or declaration, in terms satisfactory to E.ON acting reasonably, as is necessary to permit the closing of the Offer to occur without any breach of applicable law.
3. If Pre-Condition 2 is waived, all filings in connection with the Offer and the proposed acquisition of any Powergen Securities or control of Powergen by E.ON or any member of the Wider E.ON Group and matters arising therefrom having been made under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) of the United States and the regulations made thereunder, all appropriate waiting and other time periods (including extensions thereof) having expired, lapsed or been terminated.
4. If Pre-Condition 3 is waived, the Director General of the Office of Gas and Electricity Markets indicating:
- (A) that it is not his intention to seek modifications to any of the Wider Powergen Group's licences under the Electricity Act 1989 or the Gas Act 1986 as amended by the Gas Act 1995 and subsequent legislation, including the Utilities Act 2000 (except on terms satisfactory to E.ON acting reasonably);
 - (B) that it is not his intention to seek undertakings or assurances from any member of the Wider E.ON Group or the Wider Powergen Group (except on terms satisfactory to E.ON acting reasonably); and

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- (C) that in connection with the acquisition by E.ON of Powergen, he will give such consents and/or directions (if any) and/or seek or agree to such modifications (if any) as are, in the reasonable opinion of E.ON, necessary in connection with the licences referred to in paragraph (A).
5. If Pre-Condition 4 is waived, E.ON having obtained clearance in respect of the acquisition of Powergen under the utility regulations of the States of Kentucky and Virginia, in terms satisfactory to E.ON acting reasonably.
 6. If Pre-Condition 5 is waived, E.ON having obtained clearance in respect of the acquisition of Powergen under the Federal Power Act, in terms satisfactory to E.ON acting reasonably.
 7. If Pre-Condition 6 is waived, the SEC having granted prior approval to the acquisition by E.ON of the Powergen Securities under section 9 of PUHCA on terms satisfactory to E.ON acting reasonably.
 8. If Pre-Condition 7 is waived, E.ON having received confirmation satisfactory to E.ON that it will be registered as a public utility holding company under PUHCA on terms satisfactory to E.ON acting reasonably.
 9. If Pre-Condition 8 is waived, review and investigation of the Offer under the Exon-Florio Amendment to the Defense Production Act of 1950 having been terminated and the President of the United States having taken no action thereunder with respect to the Offer.
 10. In each case to the extent material in the context of the Offer:-
 - (A) all necessary notifications and filings having been made, all necessary waiting and other time periods (including extensions thereof) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated and all relevant statutory or regulatory obligations in any relevant jurisdiction having been complied with, in each case in connection with the Offer, the acquisition or proposed acquisition of shares in Powergen, or control (directly or indirectly) of any member of the Wider Powergen Group by E.ON;
 - (B) all necessary authorisations, orders, grants, recognitions, confirmations, consents, clearances, certificates, permissions and approvals ("Authorisations") in any relevant jurisdiction for or in respect of the Offer, the acquisition or the proposed acquisition of any shares in Powergen, or control (directly or indirectly) of any member of the Wider Powergen Group by E.ON, having been obtained in terms and in a form reasonably satisfactory to E.ON from all appropriate governments, government departments or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative or investigative bodies, authorities, trade agencies, courts, professional associations, institutions, associations or any other similar bodies or persons in any relevant jurisdiction (each a "Third Party");
 - (C) all such Authorisations necessary to carry on the business of any member of the Wider Powergen Group in any jurisdiction having been obtained in a form reasonably satisfactory to E.ON from all appropriate Third Parties and from any persons, or bodies with whom any member of the Wider Powergen Group has entered into contractual arrangements and all such Authorisations remaining in full force and effect at the time at which the Offer becomes otherwise wholly unconditional and there being no notice or intimation of any intention to revoke, suspend, restrict, modify or not to renew such Authorisations.
 11. No Third Party having notified a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference,

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or having required any action to be taken or having enacted or made or proposed any statute, regulation, decision or order or having taken any measures or other steps, and there not continuing to be outstanding any statute, regulation, decision or order, which would or might reasonably be expected to, in any case, to an extent which is material in the context of the Wider E.ON Group or Wider Powergen Group, as the case may be, taken as a whole:

- (A) make the Offer or its implementation, the acquisition or proposed acquisition by E.ON of any or all Powergen Shares, Powergen ADSs or other securities (or the equivalent) in, or control of, Powergen void, unenforceable, illegal and/or prohibited in or under the laws of any relevant jurisdiction or otherwise directly or indirectly restrict, restrain, prohibit, delay or otherwise interfere with the implementation of, or impose additional conditions or obligations with respect to, or require amendment of, or otherwise challenge or interfere with the Offer or the acquisition by E.ON of any or all Powergen Shares or Powergen ADSs or control of Powergen;
- (B) require, prevent or delay the divestiture by any member of the Wider E.ON Group as a consequence of the Offer or the Wider Powergen Group of all or any part of any of their respective businesses, assets or property or impose any limitation on the ability of any of them to conduct any of their respective businesses (or any of them) or to own any of their respective assets or properties or any part thereof in the case of the Wider E.ON Group as a consequence of the Offer;
- (C) impose any limitation on, or result in a delay in, the ability of any member of the Wider E.ON Group directly or indirectly to acquire or hold or to exercise effectively all or any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in any member of the Wider Powergen Group or the Wider E.ON Group or to exercise management control over any such member;
- (D) require any member of the Wider E.ON Group, or the Wider Powergen Group to acquire or offer to acquire any shares or other securities (or the equivalent) or any interest in any member of the Wider Powergen Group or the Wider Powergen Group owned by any third party;
- (E) require a divestiture by any member of the Wider E.ON Group or the Wider Powergen Group of any shares or other securities (or the equivalent) in, or any asset of any member of, the Wider Powergen Group as a consequence of the Offer;
- (F) otherwise materially and adversely affect the business, assets or profits of any member of the Wider Powergen Group or, as a consequence of the Offer, any member of the Wider E.ON Group; or
- (G) impose any limitation on the ability of any member of the Wider Powergen Group to co-ordinate its business, or any part of it, with the businesses of any other members,

and all applicable waiting and other time periods during which any such Third Party could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or otherwise intervene under the laws or regulations of any relevant jurisdiction in respect of the Offer or the acquisition or proposed acquisition of any Powergen Shares having expired, lapsed or been terminated.

12. There being no provision of any arrangement, agreement, licence, permit, lease or other instrument to which any member of the Wider Powergen Group is

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a party or by or to which any such member or any of their respective assets is or may be bound, entitled or subject which, as a consequence of the Offer or any matter arising directly therefrom or the proposed acquisition of any Powergen Securities or because of a change in the control or management of any member of the Wider Powergen Group would or could reasonably be expected to result in, in any case, to an extent which is material in the context of the Wider Powergen Group taken as a whole:

- (A) any monies borrowed by, or any other indebtedness (actual or contingent) of, or grant available to or received by, any member of the Wider Powergen Group being repayable, or capable of being declared repayable, immediately or prior to its or their stated maturity date or repayment date or the ability of any such member to borrow moneys or incur any indebtedness being withdrawn or inhibited or being capable of being withdrawn or inhibited;
- (B) any such agreement, arrangement, licence, permit, lease or instrument or the rights, liabilities, obligations, interests or business of any member of the Wider Powergen Group under any such arrangement, agreement, licence, permit, lease or instrument being terminated, or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken thereunder;
- (C) any assets or interests of any member of the Wider Powergen Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged or ceasing to be available to any member of the Wider Powergen Group, in each case, otherwise than in the ordinary course of business;
- (D) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Powergen Group or any such security interest being enforced;
- (E) the rights, liabilities, obligations or interests of any member of the Wider Powergen Group in, or the business of any such member with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or affected;
- (F) the financial or trading position of any member of the Wider Powergen Group being adversely affected;
- (G) any member of the Powergen Group ceasing to be able to carry on business under any name under which it presently does so; or
- (H) the creation of any liability (actual or contingent) by any member of the Wider Powergen Group,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider Powergen Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, could result in any of the events or circumstances as are referred to in sub-paragraphs (A) to (H) of this Condition 12 in any case, to an extent which is, or could reasonably be expected to be, material in the context of the Wider Powergen Group taken as a whole.

13. No member of the Wider Powergen Group having since 31st December, 2000:

- (A) issued or agreed to issue or authorised or proposed the issue of additional shares or securities of any class, or securities convertible

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into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares, equity securities or securities convertible into shares (save as between Powergen and wholly-owned subsidiaries of Powergen or between wholly-owned subsidiaries of Powergen and save for the issue of Powergen Securities on the exercise of options granted before the date of this announcement or in accordance with past practice) in each case, except to the extent the same is not material in the context of the Offer or in accordance with the Powergen Share Option Schemes;

- (B) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution whether payable in cash or otherwise, other than to Powergen or one of its wholly-owned subsidiaries, excluding any other dividend or distribution to be recommended, declared, paid or made by Powergen which is specifically referred to as such in this announcement or any dividends payable on the LG&E Preferred Shares;
- (C) save for the acquisition of LG&E and the disposals of Rye House, Turbogas and various international businesses (India, Australia, Indonesia and Thailand) to China Light & Power International and intra-Powergen Group transactions, merged with or demerged or acquired or disposed of any body corporate, partnership interest or business, or acquired or disposed of, transferred, mortgaged or charged or created any security interest over, any assets or any right, title or interest in any asset (including shares and trade investments) (in each case, other than in the ordinary course of business or to the extent the same is not material in the context of the Wider Powergen Group taken as a whole);
- (D) save for intra-Powergen Group transactions, made, committed to make, or authorised any change in its loan capital except (in the case of members of the Wider Powergen Group other than Powergen) to the extent the same is not material in the context of the Wider Powergen Group taken as a whole;
- (E) save as between Powergen and its wholly-owned subsidiaries or in the ordinary course issued or authorised any debentures or incurred or increased any indebtedness or become subject to any contingent liability which, in any case, is material in the context of the Wider Powergen Group taken as a whole;
- (F) other than in the ordinary course of business entered into or varied or authorised any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which is materially restrictive on the businesses of any member of the Wider Powergen Group or the Wider E.ON Group and, in each case, which has a material adverse effect on the Wider Powergen Group taken as a whole;
- (G) save for normal annual salary and other related increases in accordance with past remuneration policies entered into or materially varied or made any offer to enter into or materially vary the terms of any agreement, contract, commitment or arrangement to an extent which is material with any director of Powergen or LGE
- (H) implemented, effected or authorised any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement otherwise than in the ordinary course of business which, in any case, is material in the context of the Wider Powergen Group taken as a whole;
- (I) save as between Powergen and its wholly-owned subsidiaries, purchased,

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redeemed or repaid any of its own shares except to an extent which is not material in the context of the Wider Powergen Group taken as a whole;

- (J) in the case of Powergen, or any member of the Wider Powergen Group that is not a wholly-owned subsidiary of Powergen, made any alteration to its memorandum or articles of association that is material in the context of the Offer or the Wider Powergen Group taken as a whole;
- (K) (other than in respect of a member of the Wider Powergen Group which is dormant and was solvent at the relevant time) taken any corporate action or had any legal proceedings instituted or threatened against it for its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of any administrator, administrative receiver, receiver, trustee or similar officer of all or any part of its assets or revenues or any analogous proceedings in any jurisdiction or had any analogous person appointed in any jurisdiction and which, in any case, is material in the context of the Wider Powergen Group taken as a whole;
- (L) been unable, or admitted in writing that it is unable to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business and which, in any case, is material in the context of the Wider Powergen Group taken as a whole;
- (M) waived or compromised any claim otherwise than in the ordinary course of business and which, in any case, is material in the context of the Wider Powergen Group taken as a whole; or
- (N) entered into any contract, commitment, agreement or arrangement or passed any resolution or made or announced any offer (which remains open for acceptance) or announced any intention or proposal to effect any of the transactions, matters or events referred to in this Condition.

14. Since 31st December, 2000:

- (A) there having been no material adverse change in the assets, business, financial or trading position or profits of the Wider Powergen Group taken as a whole;
- (B) no litigation, arbitration proceedings, prosecution or other legal proceedings or inquiry or investigation having been threatened, announced or instituted by or against or remaining outstanding against any member of the Wider Powergen Group which, in any such case, might be expected adversely to affect any member of the Wider Powergen Group to an extent which is material in the context of the Wider Powergen Group taken as a whole;
- (C) no contingent or other liability having arisen which would adversely affect, or could reasonably be expected adversely to affect, any member of the Wider Powergen Group to an extent which is material in the context of the Wider Powergen Group taken as a whole; and
- (D) no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Powergen Group which is necessary for the proper carrying on of its business to an extent which is material in the context of the Wider Powergen Group taken as a whole.

15. E.ON not having discovered that:

- (A) that any financial, business or other information concerning Powergen or

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the Wider Powergen Group publicly disclosed or disclosed to E.ON by or on behalf of any member of the Wider Powergen Group prior to the date of this announcement was misleading, contained a misrepresentation of fact or omitted to state a fact necessary to make that information not misleading to an extent which, in any case, is material and adverse in the context of the Wider Powergen Group taken as a whole; or

- (B) that any member of the Wider Powergen Group is subject to any liability, contingent or otherwise, which is material in the context of the Wider Powergen Group taken as a whole.

16. E.ON not having discovered that:

- (A) that any past or present member of the Wider Powergen Group has not complied with any and/or all applicable legislation or regulation of any relevant jurisdiction in which it carries on business with regard to the disposal, discharge, spillage, release, leak or emission of any waste or hazardous substance or any substance which would likely impair the environment or harm human health or animal health, or otherwise relating to environmental matters, or that there has otherwise been any such disposal, spillage, release, discharge, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation or regulations, and wherever the same may have taken place) any of which non-compliance, disposal, spillage, release, discharge, leak or emission would likely give rise to any liability (whether actual or contingent) on the part of any member of the Wider Powergen Group in each case to an extent which, in any case, is material and adverse in the context of the Wider Powergen Group taken as a whole;
- (B) that there is any material liability (actual or contingent) of any past or present member of the Wider Powergen Group which is material in the context of the Wider Powergen Group taken as a whole to make good, repair, reinstate or clean up any property or any controlled waters now or previously owned, occupied, operated or made use of or controlled by any such past or present member of the Wider Powergen Group, under any environmental legislation, regulation, notice, circular or order of any government, governmental, quasi-governmental, state or local government, supranational, statutory or other regulatory body, agency, court, association or any other person or body in any relevant jurisdiction; or
- (C) that a person, persons or class or classes of person could reasonably be expected to have any claim or claims in respect of any product or process of manufacture or materials used therein now or previously manufactured, sold or carried out by any past or present member of the Wider Powergen Group which claim or claims would materially and adversely affect the Wider Powergen Group taken as a whole.

E.ON shall not invoke any of Conditions 12, 13, 14, 15 or 16 in relation to matters or circumstances which would otherwise give rise to a right to invoke any such Condition where the relevant matters or circumstances have, prior to the date of this announcement, been fairly and adequately disclosed in writing by or on behalf of the Powergen Group to E.ON or any of its representatives or disclosed in the Annual Report and Accounts of Powergen for the financial year ended 31st December, 2000, or otherwise publicly announced by Powergen in accordance with the Listing Rules of the UK Listing Authority or by LG&E in accordance with the requirements of the SEC, in each case, prior to the date of this announcement.

E.ON reserves the right to waive, in whole or part, any of Conditions 2 to 16 (inclusive). E.ON reserves the right, subject to the consent of the Panel, to extend the time allowed under the City Code for satisfaction of Condition 1.

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The Offer will lapse unless Conditions 2 to 16 are fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by E.ON in its reasonable opinion to be and remain satisfied, by no later than 21 days after the later of the first closing date of the Offer and the date on which the Offer becomes or is declared unconditional as to acceptances, or such later date as E.ON and Powergen may, with the consent of the Panel, agree.

E.ON shall be under no obligation to waive, to determine to be or to treat as satisfied any of Conditions 2 to 16 (inclusive) by a date earlier than the latest date for the satisfaction thereof notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.

If E.ON is required by the Panel to make an offer for any Powergen Shares (including Powergen Shares represented by Powergen ADRs) under the provisions of Rule 9 of the City Code, E.ON may make such alterations to the Conditions as are necessary to comply with the provisions of that Rule.

If the Offer is extended into the United States, E.ON may amend the Conditions at the time the Offer Document is posted to the effect that Condition 1 may only be treated as satisfied at a time when all of the other Conditions have been either satisfied, fulfilled or, to the extent permitted, waived and make consequential amendments as may be required to reflect the same.

If the Offer is extended into the United States, the first closing date shall be the day following the 20th US business day from the date of posting the Offer Document.

E.ON reserves the right to amend the Conditions at the time the Offer is made to delete references to the Pre-Conditions in Conditions 2 to 9.

E.ON reserves the right to substitute one of its wholly-owned subsidiaries for itself as the entity on whose behalf the Offer is made and to substitute any or all references to E.ON in any of the Conditions at the time the Offer is made with reference to such a wholly-owned subsidiary. In the event of such substitution, the obligations of the subsidiary will be guaranteed by E.ON.

E.ON reserves the right, with the consent of Powergen, to elect to implement the acquisition of the Powergen Securities by way of a Scheme of Arrangement under section 425 of the Companies Act. In such event, the Scheme of Arrangement will be implemented on the same terms (subject to appropriate amendments), so far as applicable, as those which would apply to the Offer. In particular, Condition 1 will not apply and the Scheme of Arrangement will become effective and binding following:

- (a) approval at the Court Meeting by a majority in number, representing 75 per cent. or more in value present and voting, either in person or by proxy, of the holders of the Powergen Shares (or the relevant class or classes thereof);
- (b) the resolution(s) required to approve and implement the Scheme of Arrangement and to be set out in the notice of Extraordinary General Meeting of the holders of Powergen Shares being passed by the requisite majority at such Extraordinary General Meeting; and
- (c) sanction of the Scheme of Arrangement and confirmation of the reduction of capital involved therein by the Court (in both cases with or without modifications, on terms reasonably acceptable to E.ON) and an office copy of the order of the Court sanctioning the Scheme of Arrangement and confirming the cancellation of share capital which forms part of it being delivered for registration to the Registrar of Companies in England and

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Wales and being registered by him.

If Pre-Condition 1 to the Offer is waived, the Offer will lapse unless otherwise agreed with the Panel if the European Commission either initiates proceedings under Article 6(1)(c) of the Merger Regulation or makes referral to a competent authority of the United Kingdom under Article 9(3) of the Merger Regulation and there is a subsequent reference to the Competition Commission, before in each case the later of the first closing date of the Offer and the time and date at which the Offer becomes or is declared unconditional as to acceptances. If the Offer so lapses, the Offer will cease to be capable of further acceptance and accepting Powergen Shareholders and E.ON will cease to be bound by acceptances submitted before the time when the Offer lapses.

APPENDIX III

Further information about the Offer

Further terms and conditions of the Offer

Unless E.ON determines otherwise, the Offer will not be made, directly or indirectly, in or into, Australia, Japan or Canada and the Offer will not be capable of being accepted from within Australia, Japan or Canada. Accordingly copies of this announcement are not being, and must not be, mailed or otherwise forwarded, distributed or sent in, into or from Australia, Japan or Canada.

The Loan Notes to be issued pursuant to the Offer have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan.

The Powergen Shares will be acquired by E.ON under the Offer, if made, fully paid or credited as fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other rights of any nature and together with all rights now or hereafter attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid after the date of this announcement save as set out in this announcement.

Offer Agreement

In connection with the Offer, E.ON and Powergen have entered into a letter agreement dated 8th April, 2001 (the "Agreement"). Under the Agreement:-

- (a) Powergen has agreed that it will not, without the consent of E.ON, solicit or initiate discussions with third parties in relation to the acquisition of 10% or more of the share capital of Powergen. However, Powergen is permitted to implement a competing proposal which has not been initiated by Powergen if required by the fiduciary duties of the directors;
- (b) Powergen has undertaken not to take any action which it is aware would cause any of the Pre-conditions or Conditions not to be satisfied in a material respect in the period prior to the Offer becoming unconditional, without the consent of E.ON (such consent not to be unreasonably withheld or delayed);
- (c) Powergen has agreed to pay an inducement fee of (pound)50 million if (i) the Offer lapses or is withdrawn following a competing proposal that is recommended by the Powergen board, and such proposal is completed; (ii) the Offer lapses or is withdrawn following a withdrawal of the recommendation of the Offer by more than one member of the Powergen board; (iii) E.ON elects, with the consent of Powergen, to implement the acquisition by way of Scheme of Arrangement and the Scheme of Arrangement does not become

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effective as a result of the directors of Powergen failing to take the necessary agreed action; or (iv) the Offer lapses or is withdrawn following a material breach of the Agreement by Powergen or Powergen knowingly taking any action which prevents a Pre-condition or Condition from being satisfied in a material respect and intending to prevent it from being so satisfied. E.ON has agreed to pay to Powergen an inducement fee of at least (pound)50 million, depending on the circumstances, if it does not fulfil certain of its obligations under the Agreement or if certain other requirements relating to the Pre-conditions are not fulfilled; and

- (d) E.ON and Powergen have agreed to co-operate in respect of filings with regulatory authorities and E.ON has agreed that it will not refuse to accept regulatory requirements that both parties have been advised will be necessary. E.ON and Powergen have agreed that the Panel will determine issues as to materiality that arise in respect of the Pre-conditions.

The Agreement will terminate (and the obligations of the parties, including E.ON's obligation to make the Offer, will lapse) if the Pre-conditions are not satisfied by 9th July, 2002.

APPENDIX IV

Loan Note Alternative

Provided that any necessary consent of the SEC is obtained for the purposes of PUHCA, eligible accepting shareholders will be entitled to elect to receive Loan Notes instead of some or all of the cash consideration which would otherwise be receivable under the Offer on the basis of (pound)1 nominal of Loan Notes for every (pound)1 of cash consideration under the Offer. The principal terms of the Loan Notes will be as set out below.

Issuer:	E.ON.
Form and Status:	Registered form and issued in units of (pound)1 nominal value or multiples thereof. Unsecured and unsubordinated obligations.
Maturity Date:	The first interest payment date falling on or after the fifth anniversary of the first issue of Loan Notes.
Interest Rate:	6 month sterling LIBOR less one-half of one per cent. per annum.
Interest Payment Dates:	Interest payable in arrear on 30th June and 31st December in each year except that the first Interest Payment Date will not fall less than three months after the date on which the Offer becomes or is declared unconditional in all respects.
Repayment and redemption:	Redeemable at par at the holder's option on each Interest Payment Date falling at least six months after the date of issue of the relevant Loan Notes. Any Loan Notes not previously redeemed will be repaid at par (together with accrued interest) on the Maturity Date.

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Redeemable by E.ON at par on any Interest Payment Date prior to the Maturity Date if the aggregate nominal amount of Loan Notes in issue is less than 20 per cent. of the Loan Notes originally issued by way of consideration for the Offer.

Redeemable by E.ON at par on any Interest Payment Date if interest payable under the Loan Notes falls, or would upon enactment of a change in law that has been officially proposed fall, to be treated as a distribution or otherwise non-deductible for tax purposes, on any Interest Payment Date (or, if earlier, the date on which the tax treatment arises).

On a redemption by E.ON on the Maturity Date, E.ON shall have the right to pay (subject to certain limitations) in lieu and in satisfaction of the sterling amount equal to the principal amount of the Loan Notes to be redeemed an amount of US dollars equal to the amount in US dollars that such sterling amount could have purchased on the date 28 days before the Maturity Date, provided that such amount shall not be more or less than 99.5% or 100.5% of the amount in US dollars that the sterling principal amounts of the Loan Notes to be redeemed could have purchased on the Maturity Date.

Events of Default:

Noteholders shall be entitled to require redemption of Loan Notes on events of default relating to insolvency or non-payment of amounts in respect of the Loan Notes to be specified in the Offer Document.

Substitution or Exchange:

E.ON or its successors may substitute on one or more occasions, any subsidiary of E.ON and/or any member of the Wider E.ON Group as the principal debtor under the Loan Notes (or any part thereof) or to require such holders to exchange their Loan Notes (or any part thereof) for Loan Notes issued on the same terms by any subsidiary of E.ON and/or any member of the Wider E.ON Group, in each case with the consent of the holders of the Loan Notes at such time provided that such substitution or exchange shall not have a material adverse effect on the UK tax position of UK resident holders. The new obligations of any such substituted or new issuer will be guaranteed by E.ON.

Registration:

The Loan Notes will be registered and transferable in minimum amounts of (pound)1,000 or the entire holding.

Listing:

The Loan Notes will not be listed and no application will be made for the Loan Notes to be dealt in on any stock exchange.

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Governing Law: English.

APPENDIX V

Sources and bases of information

Save as otherwise set out in this announcement, the following constitute the bases and sources of certain information and calculations referred to in this announcement:

Financial Information

- (i) Financial information in relation to E.ON has been extracted from its audited accounts for the years to which such information relates.
- (ii) Financial information in relation to Powergen has been extracted from the audited accounts of Powergen for the years to which such information relates.

Price of Powergen Shares and Market Capitalisation of Powergen

The price of Powergen Shares on any particular date is, unless otherwise stated, the middle market price on the London Stock Exchange at close of business on such date, derived from Datastream, and the market capitalisation of Powergen on any particular date is calculated on the basis of such price.

Value of the Offer

The value placed by the Offer on the whole of Powergen's share capital, assuming the exercise in full of all outstanding options under the Powergen Share Option Schemes, has been calculated on the basis of 652,232,294 Powergen Shares in issue on 6th April, 2001 (as sourced from Powergen) and outstanding options in respect of 17,849,938 Powergen Shares under the Powergen Share Option Schemes as at 6th April, 2001 (as sourced from Powergen).

Market Capitalisation of E.ON

The market capitalisation of E.ON has been calculated after deducting from E.ON's issued share capital shares repurchased by it, and using the closing quotation of E.ON's shares at close of business on 6th April, 2001 reported on the XETRA trading system.

Powergen Generation Capacity

The figure of 7,840 MW of core generation capacity of the Powergen Group is a pro forma figure taking into account the divestiture of Powergen's Cottam and Rye House power stations. On 1st April, 2001, Powergen announced its intention to seek a purchaser for its Combined Heat and Power business, which represents approximately 600 MW of generation capacity. Powergen expects the sale process to be completed in 2001.

APPENDIX VI

Definitions

The following definitions apply throughout this document unless the context otherwise requires:

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"Acceptance"	Form(s)" the Form of Acceptance and, with respect to the Powergen ADSs only, the Letter of Transmittal and the Notice of Guaranteed Delivery;
"Australia"	the Commonwealth of Australia, its states, territories and possessions;
"Canada"	Canada, its provinces and territories and all areas subject to its jurisdiction and any political sub-divisions thereof;
"City Code"	The City Code on Takeovers and Mergers;
"Companies Act"	the Companies Act 1985, as amended;
"Conditions"	the conditions of the Offer set out in Appendix II and "Condition" means any one of them;
"Court"	the High Court of Justice in England and Wales;
"Court Meeting"	the meeting or meetings of the holders of Powergen Shares (or different classes thereof) as may be convened pursuant to an order of the Court under section 425 of the Companies Act for the purposes of considering and, if thought fit, approving a Scheme of Arrangement (with or without amendment) in the event the acquisition of Powergen Shares by E.ON is agreed to be implemented by a Scheme of Arrangement; "Dresdner Kleinwort Wasserstein" Kleinwort Benson Limited;
"E.ON"	E.ON AG and, in the event the Offer is made by a wholly-owned subsidiary of E.ON, E.ON and/or such subsidiary, as appropriate in the context;
"E.ON Group"	E.ON and its subsidiaries and subsidiary undertakings and, where the context permits, each of them;
"Exchange Act"	the United States Securities Exchange Act of 1934, as amended;
"Federal Power Act"	the United States Federal Power Act;
"Form of Acceptance"	the form of acceptance relating to the Offer which will accompany the Offer Document and "Forms of Acceptance" shall be construed accordingly; "Japan" Japan, its cities, prefectures, territories and possessions;
"Letter of Transmittal"	the letter of transmittal relating to the Offer for use by holders of Powergen ADSs;

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"LG&E"	LG&E Energy Corp.;
"LG&E Preferred Shares"	(i) 860,287 outstanding 5% Cumulative Preferred Stock (\$25 par value); 250,000 outstanding \$5.875 Cumulative Preferred Stock (without par value); and 500,000 outstanding Auction Rate, Series A Preferred Stock (without par value) issued by Louisville Gas and Electric Company; and (ii) 200,000 outstanding 4.75% Preferred Stock (\$100 stated value (without par value)); and 200,000 outstanding 6.53% Preferred Stock (\$100 stated value (without par value)) issued by Kentucky Utilities Company;
"Loan Note Alternative"	the right of eligible holders of Powergen Shares who validly accept the Offer to elect to receive Loan Notes instead of all or part of the cash, to which they would otherwise have been entitled under the Offer;
"Loan Notes"	the unsecured loan notes to be issued by E.ON pursuant to the Loan Note Alternative, having rights and being subject to the restrictions summarised in Appendix IV;
"London Stock Exchange"	London Stock Exchange plc;
"Notice of Guaranteed Delivery"	the notice of guaranteed delivery relating to the Offer for use by holders of Powergen ADSs;
"Offer"	the recommended offer to be made by Goldman Sachs International on behalf of E.ON, once the Pre-Conditions have been satisfied or waived, to acquire the Powergen Shares, including as appropriate the offer to holders of Powergen ADSs in respect of the Powergen Shares underlying such ADSs on the terms and conditions set out in this announcement and to be set out in the Offer Document including, where the context requires, any subsequent revision, variation, extension or renewal of such Offer;
"Offer Document"	the document to be dispatched on behalf of E.ON to holders of Powergen Shares and Powergen ADSs (other than to certain overseas shareholders) and, subject as described in this document, Powergen ADSs, once the Pre-Conditions have been satisfied or waived, containing and setting out the full terms and

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	conditions of the Offer;
"Panel"	The Panel on Takeovers and Mergers;
"Powergen"	Powergen plc;
"Powergen ADSs"	American Depositary Shares of Powergen, each representing four Powergen Shares;
"Powergen Group"	Powergen and its subsidiary undertakings and, where the context permits, each of them;
"Powergen Securities"	Powergen Shares and Powergen ADSs;
"Powergen Share Option Schemes"	all executive and employee-wide share option incentive schemes established by Powergen under which any employee and/or director has unexercised options or other rights in respect of Powergen Shares;
"Powergen Shares"	the existing issued or unconditionally allotted or issued and fully paid ordinary shares of 50 pence each in the capital of Powergen and any further shares which are unconditionally allotted or issued prior to the date on which the Offer closes (or such earlier date as E.ON may decide, not being earlier, unless the Panel so permits, than the date on which the Offer becomes or is declared unconditional as to acceptances or, if later the first closing date of the Offer, as E.ON may decide);
"Pre-Conditions"	the pre-conditions to the posting of the Offer Document and related Forms of Acceptance set out in Appendix I and "Pre-Condition" means any one of them;
"PUHCA"	the United States Public Utility Holding Company Act of 1935, as amended;
"Scheme of Arrangement"	the acquisition of Powergen Securities by E.ON by way of a scheme of arrangement under section 425 of the Companies Act in accordance with this announcement;
"SEC"	the US Securities and Exchange Commission;
"subsidiary", "subsidiary undertaking", "associated undertaking" and "undertaking"	shall be construed in accordance with the Companies Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A of the Companies Act);
"UK Listing Authority"	the Financial Services Authority in its capacity as the authority responsible for the Official Listing of securities

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under Part IV of the Financial Services Act 1986;

"UK" or "United Kingdom"

the United Kingdom of Great Britain and Northern Ireland;

"US"

or "United States" the United States of America, its territories and possessions, and States of the United States of America and the District of Columbia and all other areas subject to the jurisdiction of the United States;

"Wider E.ON Group"

E.ON and any of its subsidiaries or subsidiary undertakings or associated undertakings and any other body corporate, partnership, joint venture or person in which E.ON and such undertakings (aggregating their interests) have an interest of 20 per cent. or more of the voting or equity capital or the equivalent and any "affiliated companies" within the meaning of section 15 of the German Stock Corporation Act; and

"Wider Powergen Group"

Powergen and any of its subsidiaries or subsidiary undertakings or associated undertakings and any other body corporate, partnership, joint venture or person in which Powergen and such undertakings (aggregating their interests) have an interest of 20 per cent. or more of the voting or equity capital or the equivalent.

DOCUMENT 3

E.ON Logo

April 2001

Background briefing note

Overview

E.ON is Germany's third-largest industrial group, employing more than 180,000 people. It has a market capitalisation of approximately 36.6 billion Euros (as of 6th April 2001).

Based in Dusseldorf, E.ON's business is focused on utilities (electricity, gas and water), particularly energy utilities. It is a leader in German electricity generation and distribution with a strong portfolio of international energy assets covering substantial areas of Europe. In addition E.ON operates in a series of activities including specialty chemicals, real estate, telecommunications and other industrial activities.

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The company was created through the merger of Veba AG and Viag AG in June 2000, which was then Germany's largest ever merger. At the time, E.ON's stated strategy was to grow internationally, based on a focus on energy and chemicals. Since announcing the merger, E.ON has generated proceeds of roughly 21 billion Euros from disposals.

E.ON has further focused its growth strategy to concentrate on developing its core utilities businesses globally.

In its core utility business, E.ON currently has operations in Germany in electricity, gas and water:

- o In electricity, it holds a number of majority and minority stakes in electricity distributors
- o In gas, it has a leading position with approximately 30% of the market being served by E.ON or an E.ON affiliate
- o In water, it also has a leading position through its 81% stake in Gelsenwasser, Germany's largest private water utility

Internationally, E.ON has a strong European position in electricity, with a presence in practically all major European markets except the UK, France and Spain. Following the acquisition of EZH in the Netherlands, E.ON's intention to acquire a controlling majority in its Swedish subsidiary, Sydkraft, represents the second significant acquisition of a majority stake outside Germany.

Following the acquisition of Powergen, E.ON's reliance on the German energy market will drop substantially, with the proportion of its revenues derived from physical electricity sales falling from 75% to 56%.

Strategy

E.ON's strategy is to become a leading pure play utilities company with high consumer brand recognition in all its major markets. It aims to achieve this by building on its expertise in all its sectors and markets, both through organic growth as well as through acquisition.

Acquiring Powergen is in line with this strategy as it:

- o Creates the world's second largest electricity and gas utility
- o Provides E.ON with a leading position in the UK, the third largest European electricity market
- o Represents an important platform in the US utilities market
- o Reduces E.ON's reliance on the German market

E.ON Energy

Through its wholly-owned subsidiary, E.ON Energie, E.ON supplies Germany and many other European countries with electricity, district heating, natural gas and water.

E.ON Energie supplies roughly one third of Germany's electricity consumption. The E.ON group also supplies more than 30% of gas consumption. It has stakes in energy utilities in Sweden, Switzerland, the Netherlands, Italy, Poland, Russia, Latvia, Hungary, Austria and the Czech Republic. E.ON's generation assets are favourably located and have a balanced primary energy mix that includes hard coal, nuclear energy, lignite, gas and renewables. Its high-voltage grid

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stretches from Scandinavia to the Alps.

In addition to the electricity business, E.ON Energie is also expanding its gas and water activities. The company already has a solid position in gas distribution. E.ON Energie's water business is centred around its majority stake in Gelsenwasser AG.

Following its acquisition of Powergen, E.ON intends to divest its non-utility businesses within three to five years, which include amongst others:

Specialty Chemicals

E.ON's two chemicals subsidiaries, Degussa-Huls AG and SKW Trostberg AG merged in February 2001, creating Degussa - the world's largest specialty chemicals group. Following this transaction E.ON owns 64% of Degussa. Degussa expects to achieve merger-related synergy effects totalling approximately 50 million Euros annually from 2003 onwards. Degussa's takeover of Laporte, the UK-based fine chemicals company, is expected to complete shortly.

Real Estate

With approximately 125,000 housing units, E.ON's Viterra subsidiary is one of Germany's leading real-estate companies and contributes sustained earnings growth to the E.ON Group. In addition, Viterra's energy-related services complement the service activities of E.ON's Energy Division.

Oil

VEBA Oel's operations encompass global petroleum exploration and production, petroleum refining and petrochemicals, and petroleum product retailing. Via its Aral subsidiary, VEBA Oel is Germany's premier service station operator. VEBA Oel also operates Germany's largest refinery system.

Telecommunications

E.ON divested a number of its stakes in telecoms companies in 2000 and early 2001.

E.ON's telecommunications activities today are managed by two wholly-owned subsidiaries: VIAG Telecom and E.ON Telecom. VIAG Telecom has a majority stake (50.1%) in ONE, which has 20% of Austria's cellular phone market. E.ON Telecom holds a 17.5% stake in French mobile communications operator Bouygues Telecom with over 5.2 million customers in the growing French mobile market.

E.ON disposals

E.ON has realised substantial value via the disposals of E-Plus, Cablecom, Switzerland's Orange Communications and VIAG Interkom, prior to the re-rating of telecoms stocks. Last year, E.ON also disposed of VEBA Electronics, Gerresheimer Glas and Schmalbach-Lubeca. All in all, the divestitures generated proceeds in total of roughly 21 billion Euros since the announcement of the VEBA/VIAG merger.

E.ON's shares

E.ON's shares trade on all German stock exchanges, the Swiss Stock Exchange and as ADRs on the New York Stock Exchange.

Institutional and retail investors in Germany hold around 58% of E.ON's shares. Shareholders in the rest of Europe hold 30% and those in the US approximately 11% of the company's equity.

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The following shareholders own more than 5% of E.ON's stock:

- o Allianz Aktiengesellschaft
- o Free State of Bavaria

Recent financial results

E.ON announced its year-end financial results (for the full year ended 31 December 2000) on Tuesday 27 March 2001.

Commenting on the results, Ulrich Hartmann, Chairman of the Board of Management and CEO, said, "The Group got off to a great start in its first full financial year. We will carry this momentum into the current year".

E.ON key figures

Euro millions (pro-forma)	2000	1999	% change

Sales	93,240	69,745	+34

Internal operating pr