



Chief Executive's statement

In today's business world, companies must increasingly demonstrate that they understand all of their stakeholders' expectations and are taking steps to address them.

We are pleased to present our first Corporate Responsibility Report, 2001, which describes our activities across a range of issues. After a decade of environmental reporting, we have broadened our reporting scope to include also the marketplace, workplace and community involvement. This framework closely resembles the one proposed by Business in the Community (BiTC) in its 'Winning with Integrity' document.

Last year was particularly challenging as we refocused our operations. We pressed ahead with the integration of LG&E Energy into the Powergen Group, whilst disposing of our other international assets, all aimed at improving the quality of our earnings.

In April, the Powergen Board unanimously recommended a pre-conditional offer for the purchase of Powergen by the German utility company E.ON. Over the last year, we have been working in partnership with E.ON to achieve regulatory approval for the deal in America, Europe and the UK. I am pleased to say that we have now achieved all necessary approvals. On July 1 2002 Powergen became a fully-owned subsidiary of E.ON, the world's largest investor-owned energy service company whose headquarters is in Dusseldorf, Germany.

During 2001 we introduced our Business Transformation initiative. The aim of Business Transformation is to improve the way we operate and to create a platform from which we can grow the business. It's about reviewing – and challenging – the current way in which we work. An early initiative has been our clicks@home campaign to offer reduced cost PCs to employees for home use by themselves and their families. The aim is to encourage employees to make better and more imaginative use of technology.

In the US, LG&E's customer service performance has consistently been rated highly. In early 2002, reflecting our performance in 2001, LG&E gained its fifth JD Power award earning high marks for power quality and reliability, customer service and billing. It was rated highest nationally in customer satisfaction among medium sized businesses.

The year saw us maintain our strong record on our environmental and health and safety performance. We were also active in promoting energy efficiency, the alleviation of fuel poverty and various charitable causes. These efforts were reflected in our inclusion in the Dow Jones Sustainability Indices (DJSI) where we were judged to be a 'Sustainability Leader' within the Electric Utilities sector. However, we did not fare as well as we had hoped in other benchmarks, most notably the new FTSE4Good Index.

We were excluded from initial entry into the FTSE4Good Index, due to a lack of formal public information regarding our stance on human rights. We have always addressed this issue through our Values and Group HR and Business Conduct Policies – components of employee training at all our sites. I hope this Report demonstrates that we are committed to looking after our staff as well as being a 'responsible operator' beyond the workplace.

On a wider front, Powergen is aware of the challenges facing the energy industry. Key among these is how to reconcile the world's increasing demand for power with the consequential environmental impact. A wide range of initiatives can help reduce this impact. They include, an increase in gas-fired electricity generation, more energy from renewables and energy conservation, whether in industry, commerce or homes.

Feedback

We aim to keep all of our stakeholders well informed and see the Corporate Responsibility Report as a significant addition to our existing dialogue.

As this is our first attempt at integrated corporate responsibility reporting we would very much welcome your views on it. This feedback will make an important contribution to the way in which we take our reporting forward.

A handwritten signature in black ink, appearing to read 'Ed Wallis', is written over a long, thin horizontal line that also extends to the left and right of the signature.

Ed Wallis, Group Chief Executive, Powergen plc.