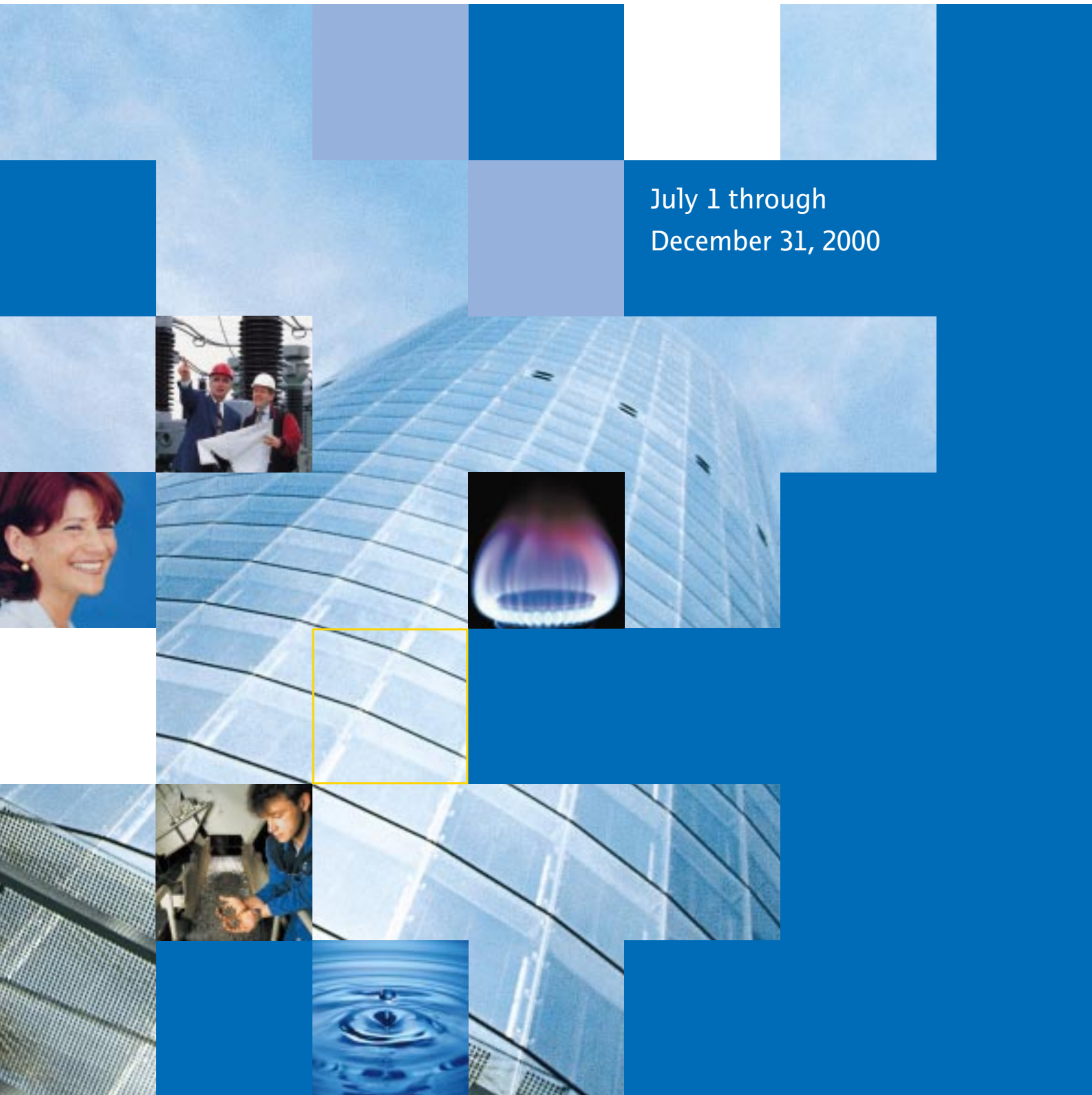
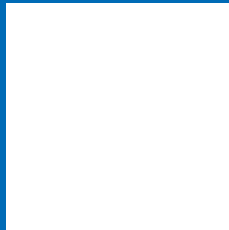
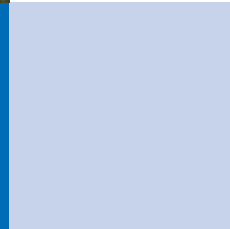
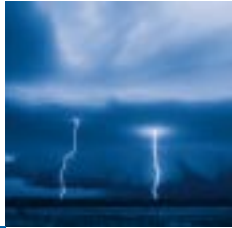


Annual Report 2000 of RWE AG

July 1 through
December 31, 2000







The new RWE: lean and responsive

The merger of RWE and VEW has been successfully concluded. We have also put our core energy and environmental businesses on a more efficient and market-led footing.

Quantum leap in water business

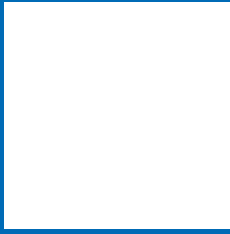
RWE's takeover of Thames Water has made it the third largest enterprise on the worldwide water market. This is the utility sector with the most promising growth outlook.

Fiscal year aligned with calendar year

In compliance with international standards, RWE AG adopted the calendar year as its fiscal year effective January 1, 2001. The 2000 fiscal year therefore embraces only six months.

Proposed dividend 1.00 Euro

Although fiscal 2000 is a short fiscal year, we shall propose that the General Meeting distribute an unchanged dividend of € 1.00 per share.



Annual Report of RWE AG

July 1 through December 31, 2000

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“Not only does the new RWE have more potent structures, but it is also more responsive.”

*Dear Shareholders and
Friends of the Company,*

You are reading the first Annual Report of the new RWE. We have successfully concluded the merger of RWE and VEW. The key data of the Group illustrate that the former VEW companies have considerably reinforced our core business.

The present Annual Report is also the first since the takeover of the British company, Thames Water. Although the consolidated figures do not yet include the world's third-largest water utility, we executed its integration effective December 1, 2000. Your company has thus achieved a substantial advance in the water and international Multi-Utility businesses.



Dr. Dietmar Kuhnt, born in Breslau in 1937, studied law, since 1968 with the RWE Group, from 1992 to 1994 President and Chief Executive Officer of RWE Energie AG and Executive Vice President of RWE AG, since January 1995 President and Chief Executive Officer of RWE AG, portfolios: Corporate Communications, Auditing, and responsible for Financial Investments.

This Annual Report marks a change from a formal perspective as well. It contains the financial statements of the six-month short fiscal year of the new RWE AG. The first full fiscal year of RWE AG coinciding with the calendar year began on January 1, 2001. The adoption of this accounting period brings us into line with international practice. For organizational reasons, the consolidated financial statements cannot be prepared until six months later. You will be receiving these in the fall. Nonetheless, we are taking the opportunity provided by the present Annual Report to give an account of current developments at the Group companies as well. The financial statements of RWE are thus followed by the Group's interim report as of December 31, 2000, which we published on February 28, 2001.

From an operating viewpoint the Group can look back on a successful half-year. We increased our operating result by about 20% or, if the previous year's figures are adjusted to include VEW, by some 5%. The success was driven in part by the high result posted by the Petroleum and Chemicals Division. It was also fueled by the sustained cost cutting offensive that has cushioned the effect of electricity supply agreements that could not have been concluded without substantial discounts in the immediate aftermath of the energy market's deregulation. The impact of this factor is diminishing as anticipated. We have so far been unable, however, to register a sustained improvement in the result of the electricity business because of the rise in fuel costs. A burden of similar amount was imposed by costs arising from new legislation to promote renewable energies and cogeneration. The political climate continues to impair the competitiveness of German energy companies.

Dr. Richard R. Klein, born in Bad Oeynhausen in 1943, studied economics, until 1994 Chief Administrative Officer of the city of Duisburg, since 1994 with the RWE Group, since December 1996 Executive Vice President of RWE AG, portfolio: Corporate Development/Mergers & Acquisitions.



Manfred Remmel, born in Offenburg/Baden in 1946, studied industrial engineering, until 1998 Member of the Divisional Board of Daimler Benz AG responsible for passenger car production and materials management, since January 1999 Executive Vice President of RWE AG, portfolio: Multi Utility, since October 2000 President and Chief Executive Officer of RWE Plus AG.

We nonetheless anticipate a favorable pattern of business for the rest of the year:

- Measured against last year's dramatic decline, electricity market prices are a little higher and stable.
- Heavily discounted electricity supply agreements, which impaired last year's performance, are expiring at an increasing rate. We are concluding new agreements on the basis of current wholesale market prices.
- The new Group structure is bearing fruit. Greater transparency and faster decision-making are fostering implementation of the cost cutting programs.

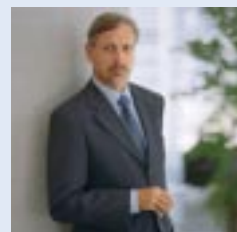
We intend to pay our shareholders a dividend in the customary amount in 2001. We shall thus propose to the General Meeting on June 7, 2001, a dividend for the short fiscal year of € 1.00 per no-par-value share.

By way of further acquisitions we are seeking continuously to extend our leading position in the European Multi-Utility sector. Following the purchase of several relatively small gas and water companies, for example, we are better placed to exploit international growth opportunities. By tabling a takeover bid for Hidrocantábrico, Spain's fourth-largest utility, we are also committed to vigorous growth in the international electricity business.



Dr. Klaus Sturany, born in Wehrda/Hesse in 1946, studied mathematics, until May 1999 Chief Executive Officer of GEA AG, since December 1999 Executive Vice President of RWE AG, portfolios: Finance, Controlling, Investor Relations.

Jan Zilius, born in Marburg in 1946, studied law, until 1990 Head of the Legal Department of IGBE Trade Union, since 1990 with the RWE Group, since April 1998 Executive Vice President of RWE AG and Labor Director, portfolios: Human Resources and Law.



Dr. Gert Maichel, born in Timmendorfer Strand in 1949, studied agricultural economics and law, until 2000 President and Chief Executive Officer of VEW AG, since October 2000 President and CEO of RWE Power AG, since November 2000 Executive Vice President of RWE AG, portfolio: Multi Energy.

The aggregate of these endeavors underscores RWE's gathering momentum. It is clearly in the vanguard of change in the energy markets. We have already sharpened our focus as a Multi-Utility Group. In the interests of our shareholders and employees, we are committed to maintaining and hastening our present course.

Yours sincerely,

A handwritten signature in blue ink, reading "Dietmar Kuhnt".

Dr. Dietmar Kuhnt
President and Chief Executive Officer of RWE AG



Dr. h.c. Friedel Neuber

The company was established as RWE AG für Beteiligungen by a change in legal form on September 11, 2000. At the time it was a subsidiary of the former RWE AG. Upon execution of the transformation it had a Supervisory Board comprising three members and chaired by Dr. Paul Achleitner. In the context of the merger of the former RWE AG and VEW AG, RWE AG für Beteiligungen acted as the transferee or absorbing company.

In the period until the merger, the Supervisory Board of the former RWE AG discharged its obliga-

tions pursuant to the law and the Articles of Incorporation, and monitored the management of the company by the Executive Board. The Supervisory Board received regular and comprehensive oral and written reports from the Executive Board concerning the pattern of business and the Group’s economic position and development, its envisaged business policy, and other significant corporate planning issues. It discussed the reports with the Executive Board and took the decisions required by law and the Articles of Incorporation.

Overview of Supervisory Boards:

July 1, 2000 through November 24, 2000	Supervisory Board of RWE AG (old)
January 1, 2000 through November 24, 2000	Supervisory Board of VEW AG
September 11, 2000 through January 5, 2001	Inaugural Supervisory Board of RWE AG für Beteiligungen, the company that changed its name to RWE AG effective November 24, 2000
January 5, 2001 (shareholders’ representatives) and January 9, 2001 (employees’ representatives)	Codetermined Supervisory Board of RWE AG

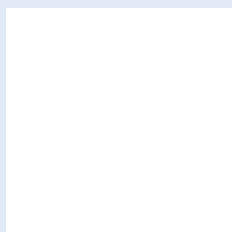
In the period from July 1 through November 24, 2000, the Supervisory Board met on two occasions. The presiding committee of the Supervisory Board and the Executive Board personnel committee each met once. The mediation committee pursuant to section 27, subsection 3, Codetermination Act, did not hold any meetings. Outside of the Supervisory Board's meetings the chairman of the Supervisory Board and his counterpart on the Executive Board discussed major issues concerning the company and Group in separate talks.

The Supervisory Board considered several investment projects in detail. At the meeting in September it approved the acquisition of all the shares in Thames Water plc. It also considered the procurement of all the share certificates in SMIT Transformatoren N.V. and the sale of the shares in Maquet AG held by TESSAG Technische Systeme und Services AG. In the electricity segment, the Supervisory Board approved the acquisition of a majority stake in Turbogás S.A.

and Portugén S.A. It also consented to the acquisition of an interest in Flughafen Hamburg GmbH by Hochtief AG.

The Executive Board gave the Supervisory Board in-depth information concerning the new Group structure that was introduced on October 1, 2000. The consultations also covered the effects of the collapse in electricity prices and the statutory measures to promote renewable energies and cogeneration. The Supervisory Board approved the agreement between the federal government and the utilities concerning the future use of nuclear energy.

The Supervisory Board of RWE AG für Beteiligungen initially considered the company's transformation to RWE AG on the basis of written decision-making documents. In particular this concerned the capital resources of the company required for the merger and the amendment of the Articles of Incorporation. It further approved the sale of the chemicals



business of RWE-DEA AG, having considered the preliminary deliberations of the former parent company's Supervisory Board, and the company's launch of debt issuance and commercial paper programs.

The financial statements and annual review of RWE AG for the short fiscal year from July 1 through December 31, 2000, including the accounting records, have been examined and certified without qualification by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Essen branch, who were appointed auditors at the General Meeting on October 13, 2000, and mandated to perform the audit by the Supervisory Board.

The financial statements and annual review of RWE AG, the Annual Report, the proposal for the appropriation of profit and the auditors' report were submitted to all members of the Supervisory Board in good time before the balance sheet meeting on March 27, 2001. These documents were discussed in detail at the meeting. The auditors who signed the audit report reported on the material findings of their audit and were available to answer questions. The Supervisory Board has approved the findings of the auditors' examination of the financial statements.

The Supervisory Board has examined the financial statements prepared by the Executive Board, the annual review of RWE AG, and the proposal for the appropriation of profit. The final result of this examination reveals no grounds for objections. The Supervisory Board has given its approval to the financial statements as of December 31, 2000, as prepared by the Executive Board, which are hereby adopted. It concurs with the proposal of the Executive Board

concerning the appropriation of profit, which envisages a dividend of € 1.00 per entitled class A and B common share and preference share and an additional dividend of € 0.38 per entitled class B common share.

By reason of the merger of the former RWE AG and VEW AG, the composition of the Supervisory Board, which initially consisted of three members, changed. Following completion of a status procedure, it is now constituted according to the Codetermination Act and comprises 20 members. The Supervisory Board was formed on January 19, 2001, and elected the undersigned as its chairman and Mr. Erwin Winkel as his deputy. The Supervisory Board thanks the members of the Supervisory Boards of former RWE AG and VEW AG, who retired from office in the context of the merger, for their commendable work.

In connection with the change of legal form, the Supervisory Board initially appointed Dr. Dietmar

Kuhnt, Dr. Klaus Sturany and Mr. Jan Zilius to the Executive Board of the former RWE Aktiengesellschaft für Beteiligungen (now RWE AG), and nominated Dr. Kuhnt as its chairman; before the merger was executed Dr. Richard R. Klein, Dr. Gert Maichel and Mr. Manfred Remmel were appointed to the company's Executive Board. Mr. Zilius was nominated personnel director. The Supervisory Board thanks the members who retired from the Executive Board of VEW AG in the context of the merger for their commitment.

Essen, March 27, 2001

The Supervisory Board



Dr. h.c. Friedel Neuber
– Chairman –



Common share price increases in short fiscal year

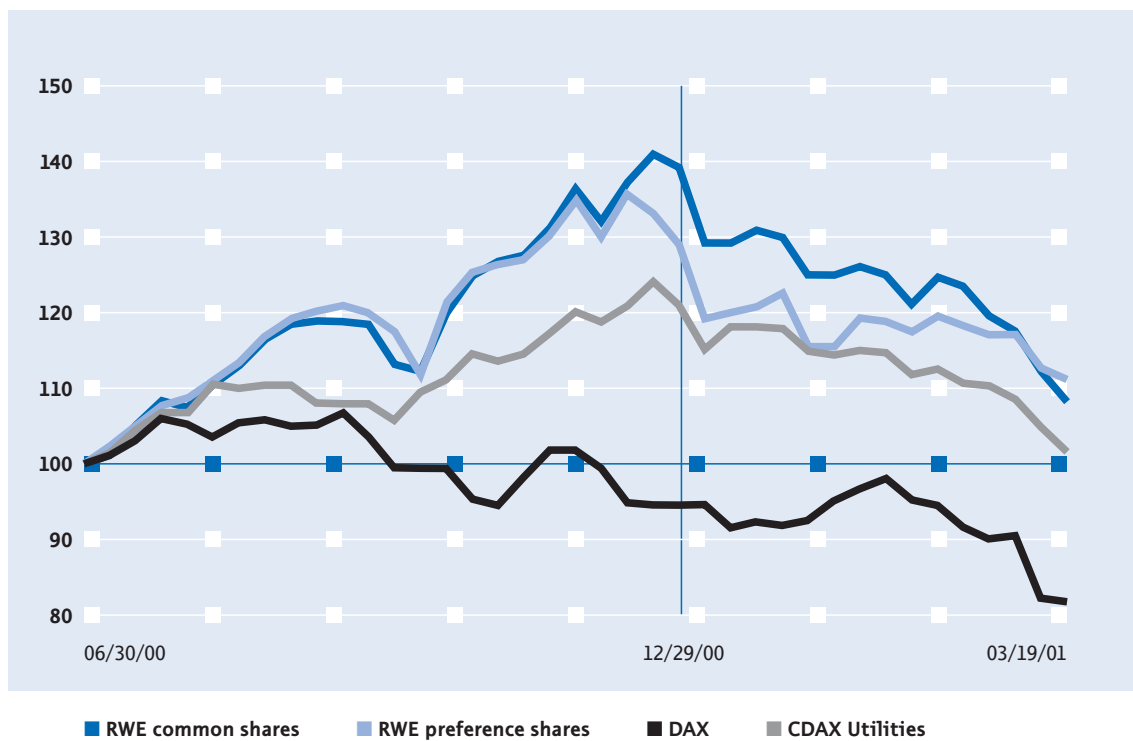
The German stock market remained weak in the period from spring 2000 through the short fiscal year of RWE AG. Between June 30 and December 29, 2000, the DAX fell by more than 7% to 6,898 points. Technology shares in particular continued to determine the general trend. The recovery that was still anticipated at the beginning of December 2000 failed to materialize; investors' caution was reflected in their focus on dependable stocks (pharmaceuticals, mechanical engineering and utilities) in the final weeks of the year.

From June 30 through December 29, 2000, the RWE common share price rose by 37%. Our preference share advanced by 28% in the same period. Following a brief downturn towards the end of the first quarter triggered by speculation concerning the takeover of Thames Water, RWE's shares outperformed the CDAX Utilities index by December.

At the beginning of the new fiscal year, the share price slipped again. Whereas technology stocks proved more popular than the blue chips at the start of the year, practically all sectors lost a lot of ground as the year unfolded. In anticipation of a slowdown in the US economy, the world's stock markets were in uncertain mood in early March. From the beginning of the year through March 19, 2001, the DAX lost about 12% of its value. The price of the RWE AG common share declined by some 21% to about € 37.65 (March 19, 2001). In the same period the preference share fell by some 12% to € 30.25.



RWE share performance vs. DAX and CDAX Utilities





Successful realignment

The short fiscal year 2000 signaled the launch of the new RWE. We have successfully concluded the integration of RWE and VEW while putting our core energy and environmental businesses on a competitive footing. They are leaner, more responsive and focused on generating returns. The acquisition of Thames Water has made us the world's third largest water company. By way of extensive cost reductions and a price strategy to enhance income, we have also laid the foundations for an improved result in the electricity sector.

Short fiscal year heralds coincidence with calendar year

The present Annual Report contains the financial statements for the short fiscal year of RWE AG from July 1 through December 31, 2000. The limitation to a six-month reporting period was prompted by our alignment of the fiscal year with the calendar year effective December 31, 2000. The consolidated financial statements are to be brought into line in a second step. To implement the change as efficiently as possible, the majority of Group companies have initially retained June 30, 2001, as their balance sheet date.

The next Annual Report for the Group will cover the fiscal year from July 1, 2000, through June 30, 2001; the consolidated financial statements will contain the interim accounts of RWE AG. The principal Group companies will align their fiscal year with the calendar year as of December 31, 2001. The subsequent Group Annual Report will thus embrace the short fiscal year from July 1, 2001, through December 31, 2001. After December 31, 2001, the fiscal years of RWE AG and the Group will once again coincide.

Since a Group Annual Report was not prepared as of December 31, 2000, the present Report contains the Group interim report for the period from July 1 through December 31, 2000, in compliance with International Accounting Standards (IAS).

Conversion secures major benefits

We decided to adopt the calendar year for financial reporting purposes for compelling reasons. First, RWE's figures will be more readily comparable because a fiscal year coinciding with the calendar year is the accepted international standard. The extent of work is reduced by diminishing the need to prepare interim financial statements for divisions with different reporting cycles. Second, due to the redefining of the fiscal year, the Tax Relief Act takes effect for RWE from January 1, 2001.

Merger concluded

The Ordinary General Meeting of VEW AG on June 27, 2000, the Extraordinary General Meeting of RWE AG on June 29, 2000, and the General Meeting of RWE Gesellschaft für Beteiligungen mbH on July 4, 2000, voted clearly in favor of the companies' merger. The Federal Cartel Office gave the go-ahead on July 3, 2000. Its consent was granted subject to compliance with several conditions in the electricity, gas and waste disposal sectors. Apart from the required sale of our east German regional utility, envia, we have largely satisfied these conditions already.

The change in legal form that transformed RWE Gesellschaft für Beteiligungen mbH into RWE Aktiengesellschaft für Beteiligungen took effect on September 11, 2000. RWE AG and VEW AG transferred their assets to this company by way of the merger. The merger's entry in the Commercial Register was allowed after the close of the final Ordinary General Meeting of the old RWE on November 23, 2000, and took place on November 24, 2000. This marked the conclusive legal effectiveness of the merger. The company has since been trading as RWE Aktiengesellschaft. The merger took economic effect retroactively on July 1, 2000.

Share exchange completed

The entry of the merger in the Commercial Register paved the way for the exchange of shares, which commenced on November 27, 2000. RWE shareholders obtained shares of the same class in the new RWE at a ratio of 1:1. VEW shareholders received five shares in the new company for each VEW share having a par value of DM 50. This reflects a comparative valuation of the companies of 83.4 % (RWE) to 16.6 % (VEW).



Merger prompts only marginal rise in number of shares in new RWE

Measured against the capital stock of the old RWE AG at the start of the share redemption program, the capital stock carrying dividend rights of the new RWE AG increased by only € 20 million to € 1,459 million. Despite the share exchange associated with the merger, the total number of RWE shares has risen by some 3% to 570 million. We accomplished this result by three measures:

- Acquisition of about 31% of the VEW shares
- Buyback of some 43 million RWE preference shares (including 11,290,353 after July 1, 2000)
- Purchase of 12,406,557 RWE common shares by VEW that were eliminated in the course of the merger

This program withdrew from circulation a total of 10% of the shares in RWE and raised the company's capitalization without substantially increasing the number of shares.

Commentary on financial position and performance

Additions arising from merger

The merger with VEW AG brought into the new RWE AG the following principal investments:

- VEW Energie AG
- Westfälische Ferngas AG (WFG)
- Edelhoff AG & Co.
- Mitteldeutsche Energieversorgung AG (MEAG)
- Harpen AG

The new RWE: Clear focus – clear functions – competitive units

Core business	Electricity, Gas, Waste & Recycling, Water & Wastewater	RWE Plus AG, RWE Trading GmbH, RWE Gas AG, RWE Power AG, RWE Net AG, RWE Rheinbraun AG, RWE Umwelt AG, RWE-DEA Upstream, Thames Water plc., RWE Systems AG, TESSAG
Supplementary business segment	Downstream oil business	RWE-DEA Downstream
Financial investments		Hochtief AG, Heidelberger Druckmaschinen AG, Harpen AG

The activities conducted by these companies are almost exclusively within our core energy and environmental businesses.

Complete realignment of Group structure

In the context of integrating RWE and VEW, we adopted a fundamentally new structure for the RWE Group effective October 1, 2000. The aim was to make our core business appreciably leaner and more responsive. The energy and environmental activities of RWE and VEW were assigned to autonomous management companies. This reorganization was based on the principle of breaking down the value chain in our core businesses to form potent operating units. Each of these is to focus on a key competence, from power generation, the grid and gas to sales and trading. The new companies must seek to achieve lean structures and procedures, concentration on core expertise, and close market proximity coupled with faster decision-making processes. As the holding company, RWE AG directly controls the operating management companies. We have thus entirely revised the organizational nucleus of RWE and VEW.

We are operating the companies with activities outside the core business as financial investments. These are Hochtief, Heidelberger Druckmaschinen and Harpen.

Program to establish new management companies

The new management companies were established by spinning off activities to renamed existing companies. RWE Energie AG became RWE Power AG, our electricity generating company; VEW Energie AG became the grid company, RWE Net AG; and Aktiengesellschaft für Energieversorgung (AfE) became RWE

Plus AG, the sales company. We separated and transferred parts of RWE Energie and VEW Energie to the forenamed management companies as well as the service company, RWE Systems AG; RWE Trading GmbH; and RWE Gas AG (formerly WFG AG).

Following this reengineering, the financial assets of the new RWE AG show the following companies as investments in subsidiaries:

- RWE Power AG, Essen (100 %)
- RWE Rheinbraun AG, Cologne (100 %)
- RWE Net AG, Dortmund (100 %)
- RWE Plus AG, Essen (100 %)
- RWE Trading GmbH, Essen (100 %)
- RWE Gas AG (formerly WFG AG), Dortmund (approx. 80 %)
- RWE Systems AG, Dortmund (100 %).

In the Environmental Services division, Edelhoff AG & Co was merged with RWE Umwelt Services Deutschland GmbH.

Foundation and financing of intermediate holding company for Thames Water acquisition

We formed GBV Gesellschaft für Beteiligungsverwaltung mbH effective September 12, 2000, with the object of acquiring and managing shareholdings in companies in Germany and abroad. By December 31, 2000, 95.23 % of the common shares in Thames Water plc. had been acquired via GBV. This holding pays due regard to the conversion of all the preference shares in Thames Water to common stock. To finance the acquisition of all the shares, RWE AG extended GBV a long-term credit line in the amount of € 7 billion; as of December 31, 2000, drawings totaled € 6.5 billion. The share purchases in GBP were hedged by means of interest rate and currency swaps.



Takeover of Thames Water gives RWE third place in worldwide water business

We submitted an official takeover bid to the shareholders of Thames Water plc. via GBV on October 2, 2000. The British company, whose headquarters are in London, is the third-largest provider on the worldwide water market. In fiscal 1999/2000, the 14,000 employees of Thames Water generated sales of € 2.25 billion and supplied water and waste water services to about 23 million people. With an operating result of € 919 million, Thames Water ranks among the most profitable companies in its sector.

The company's management supported our takeover bid from the outset. The purchase price for a 100% stake is € 7.2 billion. Including the assumption of liabilities of Thames Water, its capitalization totals € 11.2 billion. This also includes the capitalization of the US water utility, E'town (€ 184 million sales in 1999), which Thames Water took over with economic effect from November 29, 2000.

The aim of the takeover bid was to reinforce our existing water activities as well as our international Multi-Utility position. The water business is the utility segment that is growing fastest worldwide; it

offers substantial and sustainable income potential. Until now RWE has lacked the critical mass required to sustain an internationally successful operation in this market. Thames Water has made us the third largest company worldwide.

Thames Water heads RWE's new Water division

Thames Water has been the management company responsible for RWE's new Water division since December 1, 2000. RWE Aqua is now being managed from London. GBV is to acquire the shares in RWE Aqua GmbH held by RWE Umwelt AG at book value with retroactive effect from January 1, 2001. Thames Water's initial consolidation and thus the first report on the development of business in the new Water division will coincide with the third quarter of the Group's 2000/01 fiscal year.



RWE Umwelt adopts new management structure

Within the framework of spinning off the water activities from RWE Umwelt AG, the Environmental Services division adopted a new management structure. RWE Umwelt became a direct operating holding company on December 1, 2000, thus eliminating the intermediate holding tier that embraced RWE Umwelt Services Deutschland GmbH and RWE Umwelt Services International GmbH.

Financial position and performance of RWE AG

The financial position is largely determined by activities in the Group. RWE AG does not conduct any operating business, but functions as a holding company. The Group's financial position is outlined in the half-year interim report as of December 31, 2000.

The key factor influencing the performance of RWE AG is the absence of its principal controlled subsidiaries' direct investment income from the income statement as of December 31, 2000. This is the result of the principal subsidiaries aligning their fiscal years with the calendar year at a later date. The controlled subsidiaries close their fiscal year on June 30, 2001. The income from the profit and loss transfer agreements will not influence the result of the

present short fiscal year, therefore, but will accrue to RWE AG in fiscal 2001. This explains the loss on ordinary activities of € -285 million.

The net profit for the short fiscal year of RWE AG totaled € 927 million. It is largely attributable to the extraordinary result of € 1,212 million that stemmed primarily from the tax-exempt revaluation of the shares in BGI (Beteiligungsgesellschaft für Informationstechnologieunternehmen) associated with bringing in the former RWE Telliance AG. In the 2000 calendar year, RWE Telliance AG sold its indirect interest in the telecommunications company e-plus. We disclosed the gain on the sale of e-plus in the consolidated financial statements as of June 30, 2000.

Dividend proposal of € 1.00 per share despite short fiscal year

We intend to pay a dividend in the customary amount in 2001. The Executive and Supervisory Boards will thus propose to the General Meeting on June 7, 2001, a dividend of € 1.00 per entitled common share (class A and B) and preference share as well as an additional dividend of € 0.38 per class B common share. In addition, the entitled shareholders are to receive a corporate income tax credit of € 0.43 per class A common share and preference share, and of € 0.59



per class B common share. Dividend payments totaling € 563 million are envisaged from the net profit for the year of RWE AG; € 364 million are to be allocated to retained earnings.

Merger and share buyback program trigger equity changes

The merger of RWE and VEW gave rise to a book merger profit in the amount of € 223 million, which was allocated to the capital reserve. The profit arose from the difference of the acquired net assets of RWE AG (old) and VEW AG and the book values of the own shares held by RWE (old), the shares in VEW and RWE (new), as well as the shares in RWE AG (old) held by VEW. The capital stock of RWE AG carrying dividend rights following the merger, totaling € 1,459 million, is only € 20 million higher than that of RWE AG (old) before withdrawal of the preference shares repurchased in the previous year. This comparison includes the own shares still held by RWE Power AG.

Explanatory comment on pension provisions

The provisions for pensions in the amount of € 5,147 million include the entitlements of the current and retired employees of the former RWE Energie AG and VEW Energie AG who were assigned to the new

management companies by way of the spin-offs. The companies concerned reimburse the arising pension expenses. Our balance sheet also contains the pension obligations relating to the former employees of Lahmeyer AG, which merged with RWE AG (old) in the previous year.

Research and development

As in the past, we will be reporting on research and development in the Annual Report for the RWE Group, which next appears for the fiscal year that closes on June 30, 2001.

Risk management system and existing risks

The active control of business risks and opportunities forms an integral part of our management policy. Against this background we have developed our existing early warning and monitoring instruments in the form of a comprehensive risk management system. It complies with the provisions of the German Corporate Control and Transparency Act (KonTraG) that extends the Executive Board's reporting obligations to the Supervisory Board. Beyond the scope of the Act, the system also contributes to developing a value-driven risk culture within the RWE Group and forms the basis of our business decisions.



The operating units of our divisions and the holding company continuously identify, evaluate, monitor and control their risk situation within the framework of a standardized process. We assess the identified risks according to potential loss and probability of occurrence, and classify them at both divisional and Group level. The likely loss associated with a specific risk is measured against the operating result and equity of the unit concerned. This enables us systematically to analyze our current exposure to risk according to a uniform procedure throughout the Group, and to formulate appropriate plans of action. Within the framework of our standardized planning and controlling process, the management and supervisory bodies of the RWE Group are regularly informed of the risk situation.

The internal control system and audit teams, as well as the company that audits our financial statements, monitor the efficiency and effectiveness of the risk management system. We have installed a special risk controlling system for our trading activities that pays due regard to the particular requirements of this business.

We differentiate between the following risk categories:

Market risks: The RWE Group companies are exposed to the price and sales risks inherent in a market that is being shaped by globalization and deregulation. We are addressing these risks with selective pricing and an aggressive sales policy, in particular by way of a Multi-Utility strategy that offers a variety of supply services from a single source. The merger of RWE and VEW and the reengineering of the future RWE Group with independent management companies accountable for their own results are further strengthening our competitive position. Moreover, rigorous cost management policies are being pursued throughout the Group. The result can be jeopardized if our scheduled cost cutting programs are not implemented as planned, or by unforeseeable fuel cost increases. In the trading business the exposure to market price fluctuations is restricted by continuously reexamining the portfolio's compliance with the set risk limits.

Operating risks: By way of our divisional management companies we operate technologically complex, networked production installations at every stage of the value chain. We counter the risk of



malfunctions and production shortfalls with the potential to impair our result by means of systematic maintenance and quality assurance, by continuously improving our production methods, and employing highly skilled personnel. Where appropriate, insurances restrict the potential impact of losses.

Financial risks: To hedge against the interest rate, currency and price risks associated with the RWE Group's operating business, the individual companies make use of primary and derivative financial instruments linked to underlying transactions.

Structural risks: The political, legal and social framework in which the RWE Group operates is subject to constant change. Adequate security as a planning basis can be obtained only in a stable and socially accepted environment. We have identified material structural risks associated with the ecological tax reform and new statutory provisions relating to the promotion of cogeneration and renewable energies. We are seeking to mitigate these risks by engaging in intensive dialog and contributing our expertise to general debates, including on the introduction of a system of price regulation for use of the electricity grid, and the creation of a regulatory authority for electricity and gas. In view of the high

proportion of lignite and hard coal-fired power plants in our portfolio, the introduction of an emission tax represents another major risk. We are addressing this threat by way of measures to enhance efficiency, modernizing our power stations and optimizing the mix of primary energies.

Review of the Group's position

Information on the Group's position is given in the half-year interim report of the RWE Group covering the period from July 1 through December 31, 2000 and contained in the present Annual Report.



Events after the end of the fiscal year

RWE-DEA: joint venture with Shell in service station and refinery business

With economic effect from July 1, 2001, RWE-DEA and Shell intend to bring in their downstream activities in the oil business (service stations and refineries) to a joint venture. Each partner is to hold a 50% interest in the venture which is scheduled to commence operations on October 1, 2001. With a total of 3,200 own service stations, a refinery capacity of 34 million tons, sales of more than € 30 billion (incl. mineral oil tax) and 7,500 employees, the joint venture would become the new leader of the German downstream market. The amalgamation can give rise to annual synergies in the amount of about € 150 million as well as non-recurring savings of more than € 60 million. The consent of the EU anti-trust authority is awaited.

The tie-up will enable us significantly to enhance the competitiveness of our downstream activities, which do not form part of RWE's core business. The petroleum market is extremely volatile and typified by substantial cost pressure. In conjunction with Shell, the world's second largest company in this market,

the joint venture will have access to the infrastructure and know-how of a global provider. By way of a put option we will be able to sell our stake in the joint venture to Shell exempt of tax after two and a half years effective January 1, 2004. If we do not exercise this option, Shell can add a further one percentage point to its interest in the venture effective June 1, 2004.

Cartel Office demands sale of envia as condition of merger

We have complied with the principal conditions imposed by the Federal Cartel Office in the context of the merger of RWE and VEW. These included the sale of our interests in VEAG, the east German electricity generating company, and in the opencast lignite mining operation of LAUBAG, which have been purchased by HEW, the Hamburg-based interconnection utility. In view of its existing market strength, HEW declined the option granted by the Cartel Office to take over envia, our east German regional utility, as well. In January 2001, the Cartel Office called for this disposal in order to give HEW and VEAG/LAUBAG additional access to ultimate consumers in this sector. It therefore considers that the conditions concerning the sale of VEAG and LAUBAG have not yet been fulfilled.

Acquisition of Thames Water shares concluded

In March 2001, we acquired the final outstanding shares in Thames Water and now hold 100 % of the capital. The acquisition has thus been brought to a successful conclusion.

Takeover bid for Hidrocantábrico

On February 6, 2001, we submitted a takeover bid for all the shares in the Spanish utility, Hidroeléctrica del Cantábrico, S.A. (Hidrocantábrico). It was approved by CNMV, the Spanish stock market watchdog, on March 7, 2001, and made public on March 8. The offer in the amount of € 26 per share constitutes a transaction volume of € 2.943 billion. The capitalization, including liabilities, totals some € 3.7 billion. By bidding for Spain's fourth-largest energy company, we are seeking to extend our leading position in the European Multi-Utility sector. In view of anticipated average growth of 4 %, Spain is Europe's fastest growing energy market. In 2000, Hidrocantábrico generated about 13 TWh of electricity, and its 1,365 employees gave rise to sales of some € 1.2 billion and an EBITDA of € 344 million.

RWE Power obtains majority stake in Portuguese power station Tapáda

In December 2000, RWE Power acquired the shares held by PowerGen, the utility, in the Tapáda power station, Porto. This raised our interest of 25 % in Turbogás, the power station company, to a majority shareholding of 75 %. The purchase also embraces the takeover of a 75 % interest in the operating company, Portugén Energía. The power station, a modern CCGT plant, has a capacity of 990 MW and generates almost one-quarter of the electricity consumed in Portugal.

RWE Plus reinforces presence in Belgium

In January 2001, RWE Plus joined forces with the Belgian energy group, Vlimmeren, to found a sales company, RWE Plus Belgium. The joint venture intends to acquire industrial customers and distributing utilities primarily in the electricity sector. RWE Plus already sells 1.4 TWh of electricity in Belgium.

Market launch of Powerline in July 2001

In February 2001, RWE Powerline GmbH, a subsidiary of RWE Plus AG, concluded a long-term supply contract relating to modems and network equipment with the Swiss Ascom group. The Powerline product, which has already been approved, gives customers high-speed Internet access from any electricity socket-outlet in the home. The product and pricing scheme was successfully presented at CEBIT in March 2001. Trials conducted with 200 households have elicited thoroughly positive results, so that we are ready to commence the full market launch in July of this year.

RWE Gas extends potential sales volume in Europe

By way of acquisitions, we are steadily developing our position on the attractive European gas market. With an interest of 40% in the Slovakian gas storage company, Nafta (1999 sales € 74 million), we now have a natural gas storage capacity of 2 billion m³ in eastern Europe. In January 2001, we acquired a majority shareholding in the Dutch company, Intergas N.V. (1999 sales € 83 million). This transaction is subject to approval by the company's bodies. With a gas sales volume of 5 billion kWh and 137,000 customers, Intergas is the eighth-largest gas utility in the Netherlands. In February we obtained a majority interest in another Dutch gas utility by acquiring a 90% shareholding in Obragas Holding N.V. (1999 sales € 133 million). Obragas, which ranks fifth on its domestic market, supplies some 184,000 customers with 7.3 billion kWh of gas a year.

Berlin airport: EU Commission approves amalgamation of Hochtief and IVG consortiums

On February 5, 2001, the EU Commission consented to the tie-up of the consortiums building Berlin-

Brandenburg airport, which are headed by Hochtief Airport and IVG. This paves the way for privatization talks between BBIP, the company that is managed together with IVG, and the public sector.

Hochtief acquires majority interest in Leighton Holdings of Australia

By raising its shareholding from 49.8% to 50.3% Hochtief has secured a majority stake in Leighton Holdings Ltd., Sydney. With 12,500 employees, an annual construction volume of € 2.2 billion and a profit before tax of € 120 million (1999/00), Leighton Holdings ranks among Australia's foremost property developers and building service companies. It is to be fully consolidated effective January 1, 2001.

Outlook for the period January 1 through December 31, 2001

The performance of RWE AG in the current fiscal year is being shaped by the principal Group companies' adoption of the calendar year as their financial year. RWE AG will thus be receiving the material results of the core businesses over a period of 18 months, arising from the fiscal year of the subsidiaries that closes on June 30, 2001, in compliance with current practice and from the subsequent short fiscal year that runs until December 31, 2001.

We have summarized the earnings prospects of the Group in its interim report on the first half of fiscal 2000/2001.

The present report contains forward-looking statements concerning the projected course of business, including economic and political forecasts, as well as the anticipated development of our compa-

ny. These statements are based on our own prudent assumptions. In view of residual risks and uncertainties, however, we cannot warrant their accuracy either wholly or in part.



The financial statements and the annual review of RWE AG for the short fiscal year from July 1, 2000, to December 31, 2000, are published in the German Federal Gazette (Bundesanzeiger) and filed with the Commercial Register at the Essen Local Court, HRB 14 525.

A listing of the investments of RWE AG in accordance with section 285, no. 11, of the German Commercial Code (HGB) is filed with the Commercial Register at the Essen Local Court.

Financial Statements of RWE AG for the short fiscal year from July 1, 2000, to December 31, 2000

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Balance Sheet as at December 31, 2000

Assets		12/31/2000 € million	06/30/2000 € million
	Notes		
Fixed assets	(1)		
Financial assets		21,269	3,043
Current assets			
Accounts receivable and other assets	(2)		
Accounts receivable from subsidiaries		3,864	460
Accounts receivable from investees		199	
Other assets		241	1
Securities	(3)	1,391	
Cash and cash equivalents	(4)	537	
Prepaid expenses	(5)	13	
		27,514	3,504
Equity and Liabilities		12/31/2000 € million	06/30/2000 € million
	Notes		
Equity	(6)		
Subscribed capital			
Common shares/share capital contributions		1,359	1,211
Preference shares		100	
		1,459	1,211
(contingent capital € 51 million)			
Capital reserve		1,269	1,294
Retained earnings		364	
Distributable profit		563	999
		3,655	3,504
Special reserves with an equity portion	(7)	•	
Provisions	(8)		
Provisions for pensions and similar obligations		5,147	
Tax provisions		587	
Other provisions		579	
		6,313	
Liabilities	(9)		
Accounts payable to banks		3,863	
Trade accounts payable		10	•
Accounts payable to subsidiaries		9,134	
Accounts payable to investees		4,374	
Other liabilities		165	
		17,546	
		27,514	3,504

•) Negligible amount

Income Statement for the short fiscal year

from July 1, 2000, to December 31, 2000

	Notes	07/01/2000 – 12/31/2000 € million	12/20/1999 – 06/30/2000 € million
Net income from financial assets	(12)	113	
Net interest	(13)	– 152	•
Other operating income	(14)	62	
Staff costs	(15)	– 23	
Other operating expenses	(16)	– 285	•
Profit from ordinary activities		– 285	•
Extraordinary result	(17)	1,212	
Taxes on income	(18)	0	– 1
Net profit for the year		927	– 1
Transfer to retained earnings		– 364	
Transfer from capital reserve			1,000
Distributable profit		563	999

• Negligible amount

Changes in fixed assets	Cost of acquisition or construction						
	Balance at 07/01/2000	Merger transactions	Post-merger balance	Additions	Disposals	Balance at 12/31/2000	
€ million							
Financial assets							
Investments in subsidiaries	3,043	6,083	9,126	4,680	– 2,577	11,229	
Loans to subsidiaries	–	1,315	1,315	6,820	– 20	8,115	
Investments	–	65	65	–	–	65	
Loans to investees	–	•	•	–	–	•	
Fixed asset securities ¹⁾	–	1,851	1,851	6	–	1,857	
Other loans	–	8	8	•	– 1	7	
	3,043	9,322	12,365	11,506	– 2,598	21,273	

• Negligible amount

1) In the short fiscal year, the fixed asset securities were written back in the amount of € 0.2 million.

General principles RWE Gesellschaft für Beteiligungen mbH, Düsseldorf, was founded on December 13, 1999, by RWE AG (RWE AG (old)) as the sole shareholder. The company was entered in the Commercial Register of the Düsseldorf Local Court under no. HRB 38 331 on December 20, 1999. By means of a capital increase in exchange for contributions in kind, RWE AG (old) first contributed 98% on December 23, 1999, and then, on April 17, 2000, contributed the remaining shares of RWE Energie AG, Rheinbraun AG and Victoria Mathias Verwaltungsgesellschaft mbH to RWE Gesellschaft für Beteiligungen mbH.

By resolution of the General Meeting of RWE Gesellschaft für Beteiligungen mbH on August 10, 2000, RWE Gesellschaft für Beteiligungen mbH was converted by a change in legal form to a stock corporation named „RWE Aktiengesellschaft für Beteiligungen“, with RWE AG (old) as the sole shareholder. The change in legal form became effective on September 11, 2000, upon entry in the Commercial Register of the Düsseldorf Local Court.

The legal domicile of RWE Aktiengesellschaft für Beteiligungen was then moved from Düsseldorf to Essen. RWE Aktiengesellschaft für Beteiligungen was entered in the Commercial Register of the Essen Local Court under HRB 14 525.

On May 3, 2000, the Executive Boards of RWE AG (old) and VEW AG as well as the Managing Directors of the former RWE Gesellschaft für Beteiligungen mbH prepared a draft merger agreement. The agreement was approved by the Ordinary General Meeting of VEW AG on June 27, 2000, by the Extraordinary General Meeting of RWE AG (old) on June 29, 2000, and by the General Meeting of RWE Gesellschaft für Beteiligungen mbH on July 4, 2000. The merger agreement was notarized on July 4, 2000. With the last entry of the merger in the Commercial Register in Essen on November 24, 2000, the merger took legal effect. The merger became economically effective as of July 1, 2000.

	Accumulated depreciation	Carrying amounts				Depreciation for the reporting period
	Balance at 12/31/2000	Balance at 07/01/2000	Merger transactions	Post-merger balance	Balance at 12/31/2000	
	4	3,043	6,079	9,122	11,225	–
	–	–	1,315	1,315	8,115	–
	•	–	65	65	65	–
	•	–	0	0	0	–
	•	–	1,851	1,851	1,857	–
	–	–	8	8	7	–
	4	3,043	9,318	12,361	21,269	–

Directly after the taking effect of the merger of RWE AG (old), Essen, and VEW AG, Dortmund, to create RWE Aktiengesellschaft für Beteiligungen, the company's name was changed to „RWE Aktiengesellschaft“ (RWE AG (new)). Previously, the fiscal year of RWE Aktiengesellschaft was changed to the calendar year. Thus, the reporting period is a short fiscal year extending from July 1, 2000, to December 31, 2000.

The financial statements have been prepared in compliance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). Some individual items of the balance sheet and the income statement have been combined in order to improve clarity. These items are stated and explained separately in the notes. The income statement has been prepared using the nature of expenditure method. The financial statements have been drawn up in euros (€); all amounts are stated in millions of euros (€ million).

Due to the transformation processes under company law and the different reporting periods of the companies involved in the merger, the figures of the reporting year cannot be compared with those of the previous year (short fiscal year of RWE Gesellschaft für Beteiligungen mbH, Düsseldorf, from December 20, 1999, to June 30, 2000). As far as necessary for a better understanding, the transactions resulting from the merger are shown separately.

Accounting policies The investments in subsidiaries and other enterprises are carried at cost, in individual cases at lower fair values.

The fixed asset securities are measured at the lower of cost and quoted market price.

Loans and employer-to-employee loans are recognized at nominal value.

Accounts receivable and other assets are disclosed at nominal value after deduction of necessary value adjustments. All identifiable individual risks are taken into account. Current asset securities are carried at the lower of cost and quoted market price.

Provisions for pensions and similar obligations are set up on the basis of actuarial computations taking into account the 1998 guide tables by Prof. Dr. Klaus Heubeck at an interest rate of 6 %.

All identifiable risks, contingent liabilities and anticipated losses are taken into account in the assessment of the other provisions.

Liabilities are generally stated at the amounts repayable.

Contingent liabilities are valued according to the extent of liability existing at the balance sheet date.

Foreign currency transactions are measured at the exchange rate applicable at the time of first entry or, when hedged by forward contracts, at the forward rate. In the case of accounts receivable, accounts payable and foreign exchange holdings, losses from fluctuations in the exchange rates are included in the results at the balance sheet date.

Notes to the balance sheet

(1) Fixed assets The breakdown of the fixed asset items summarized in the balance sheet and their changes in the short fiscal year are shown on pages 30 to 31.

The additions to the investments in subsidiaries essentially involve the shares added in the course of the merger of RWE AG (old) and VEW AG to form RWE AG (new), the shares added in the course of the spin-offs to the new divisional management companies, the foundation and increase in the carrying amounts of BGI Beteiligungsgesellschaft für Informationstechnologieunternehmen mbH, Essen, (BGI mbH) (now: RWE Com Geschäftsführungs GmbH, Essen) as well as the foundation and capital increase at GBV Gesellschaft für Beteiligungsverwaltung mbH, Essen. The Commercial Register entries of the spin-offs will be completed by early 2001.

The disposals particularly refer to the decrease in the carrying amounts of RWE Energie AG (now: RWE Power AG), Essen, and VEW Energie AG (now: RWE Net AG), Dortmund, in the course of the spin-offs of the divisional management companies, the contribution of Edelhoff AG & Co., Dortmund, to RWE Umwelt AG, Essen, as well as the contribution of almost 100% of the shares of RWE Telliance AG, Essen, to BGI mbH.

A genuine securities repurchase agreement has been concluded between RWE AG and RW Beteiligungsgesellschaft für Bau und Logistik GmbH, Cologne.

The additions to and disposals from the loans to subsidiaries predominantly concern the divisions of water, environmental services and gas.

The fixed asset securities are almost exclusively placed in special funds.

(2) Accounts receivable and other assets

€ million	12/31/2000	Thereof RT* > 1 year	06/30/2000	Thereof RT* > 1 year
Accounts receivable from subsidiaries	3,864	–	460	–
Accounts receivable from investees	199	–	–	–
Other assets	241	28	1	–
	4,304	28	461	–

*) RT = Remaining term

The accounts receivable from subsidiaries include claims from loans, tax group accounting settlements and ongoing clearing transactions.

The other assets primarily contain interest accruals and receivables, company shares not included in fixed assets and tax refund claims.

(3) Securities The securities are fixed interest securities from the placement of liquid funds.

During the fiscal year, 20 common shares were purchased at a price of € 44.75. Employees of RWE received these on the occasion of service anniversaries at an average price of € 24.30. The respective differential amounts in respect of the purchase price were recognized in results. They account for a share capital portion of € 51.20 (less than 0.01 % of the subscribed capital).

In the course of the merger on November 24, 2000, of RWE AG (old) and VEW AG to form RWE AG (new), the wholly-owned subsidiary RWE Power AG received 7,595,000 common shares in RWE AG (new) for its interest in VEW AG. These shares are not entitled to dividends as RWE AG owns 100 % of the shares in RWE Power. They account for a share capital portion of € 19,443,200 (1.33 % of the subscribed capital).

(4) Cash and cash equivalents The cash and cash equivalents refer almost exclusively to balances with banks.**(5) Prepaid expenses** This item primarily covers rent prepayments.

(6) Equity

Changes in equity	Balance at 06/30/2000	Dividend payments	Book profit from merger	Net profit for the year	Other changes	Balance at 12/31/2000
€ million						
Subscribed capital	1,211	–	–	–	248	1,459
Capital reserve	1,294	–	223	–	248	1,269
Retained earnings						
Other retained earnings	–	–	–	364	–	364
Distributable profit	999	– 999	–	563	–	563
	3,504	– 999	223	927	0	3,655

The capital increases from corporate funds in the amount of € 248 million resolved at the Universal General Meeting of RWE AG (new) on September 22, 2000, became effective upon entry in the Commercial Register on October 5, 2000.

The total share capital of RWE AG (new) in the amount of € 1,459,200,000 is structured as follows:

Common shares: 528,656,535 no-par-value common shares (class A) made out to bearer with 528,656,535 votes (92.7 % of the subscribed capital)

2,343,465 no-par-value common shares (class B) made out to bearer with additional dividend rights (0.4 % of the subscribed capital)

Preference shares: 39,000,000 no-par-value preference shares made out to bearer without voting rights (6.9 % of the subscribed capital)

With the entry of the merger in the Commercial Register at the Essen Local Court on November 24, 2000, RWE AG (old) and VEW AG have ceased to exist. Their shareholders have become shareholders with conversion rights of RWE AG (new). A capital increase was not necessary for the merger to be carried out.

Pursuant to the provisions of the merger agreement, the shareholders with conversion rights of the former RWE AG (old) received at the exchange ratio stipulated

- for each no-par-value common share made out to bearer of RWE AG (old) – German securities identification no. 703 700 – one no-par-value common share (class A) made out to bearer of RWE AG (new) – German securities identification no. 703 712 – and
- for each no-par-value preference share made out to bearer without voting rights of RWE AG (old) – German securities identification no. 703 703 – one no-par-value preference share made out to bearer without voting rights of RWE AG (new) – German securities identification no. 703 714 –.

The shareholders with conversion rights of the former VEW AG received at the exchange ratio stipulated

- for each registered share of VEW AG with a par value of DM 50 – German securities identification no. 761 220 – five no-par-value common shares (class A) made out to bearer of RWE AG (new) – German securities identification no. 703 712 – and
- for each share made out to bearer of VEW AG with a par value of DM 50 – German securities identification no. 761 221 – five no-par-value common shares (class A) made out to bearer of RWE AG (new) – German securities identification no. 703 712 – and
- for each share made out to bearer of VEW AG with a par value of DM 100 – German securities identification no. 761 221 – ten no-par-value common shares (class A) made out to bearer of RWE AG (new) – German securities identification no. 703 712 – and
- for each share made out to bearer of VEW AG with a par value of DM 1000 – German securities identification no. 761 221 – 100 no-par-value common shares (class A) made out to bearer of RWE AG (new) – German securities identification no. 703 712 – and
- for each registered share of VEW AG with a par value of DM 50 with dividend rights starting

October 1, 1999 – German securities identification no. 761 222 – five no-par-value common shares made out to bearer with additional dividend rights (class B) of RWE AG (new) – German securities identification no. 703 713 –.

The merger has led to a book merger profit of € 223 million which is the difference between the net assets of RWE AG (old) and VEW AG taken over and the carrying amounts of the previously held own shares of RWE AG (old), the shares of VEW AG and of RWE AG (new) as well as the shares held by VEW AG in RWE AG (old). This profit has been allocated to the capital reserve.

By resolution of the Universal General Meeting of RWE AG (new) of September 22, 2000, the capital was conditionally increased by € 51,200,000.00 to service stock options for common bearer shares to members of the Executive Board as well as other executives of RWE AG and subordinate subsidiaries. This corresponds to the contingent capital of RWE AG (old).

The Executive Boards of RWE AG (old) and RWE AG (new) have been authorized by resolution of the General Meeting of November 18, 1999, and the Universal General Meeting of September 22, 2000, respectively, to issue non-transferable stock options up until March 8, 2004, for up to 20,000,000 common shares to the persons mentioned above. The stock options have a term of five years as from their respective date of issue and may only be exer-

To date, the following stock options have been issued:

	Originally issued	Balance at 06/30/2000 RWE AG (old)	Expired between 07/01/2000 and 12/31/2000	Balance at 12/31/2000 RWE AG (new)
1999 tranche	1,935,800	1,744,000	– 19,700	1,724,300
2000 tranche	4,336,500	4,192,500	– 147,300	4,045,200
	6,272,300	5,936,500	– 167,000	5,769,500

cised after expiry of a three-year waiting period. The stock options may only be exercised if the quoted market price of the common shares (calculated on the basis of the total return approach) has increased on average by at least 6% annually until exercised (absolute performance) and, over the same period, has not lagged more than 10 percentage points behind the Dow Jones STOXX share index (relative performance). The respective exercise periods of four weeks begin on the 21st day of trading on the stock exchange following the announcement of the provisional sales and earnings figures of the past fiscal year and following the announcement of the half-year results.

The stock options may only be exercised against

payment of the exercise price. The exercise price corresponds to the quoted market price of the common shares on the first day of trading on the stock exchange following expiry of the relevant exercise period, less a markdown made up of the absolute and relative performance components. The markdown is limited to 40 percentage points.

The exercise conditions stipulate that the stock options may be serviced with previously issued common shares instead of new shares from the contingent capital or that, instead of common shares, the markdown can be paid in cash. If the persons holding stock options are not employed by RWE AG, the expenses connected with the exercise are borne by the respective Group company.

(7) Special reserves with an equity portion

The special reserves with an equity portion amounting to € 0.1 million have been released in

accordance with section 52, subsection 16, of the Income Tax Act.

(8) Provisions

€ million	12/31/2000	06/30/2000
Provisions for pensions and similar obligations	5,147	–
Tax provisions	587	–
Other provisions	579	•
	6,313	•

•) Negligible amount

The provisions for pension obligations disclosed also include the claims of current and former employees of the former RWE Energie AG and VEW Energie AG which have been allocated to the new divisional management companies in the course of the spin-offs. Also reported on the balance sheet are the pension obligations for the former employees of LAHMEYER AG which was merged into RWE AG (old) in the previous year. The expenses incurred for the retirement benefits of the companies concerned are reimbursed by them.

The tax provisions predominantly concern the reporting year as well as tax auditing periods which are still open.

The other provisions primarily refer to interest payment obligations as well as risks in connection with investments.

(9) Liabilities

€ million	12/31/2000	Thereof		06/30/2000	Thereof RT* < 1 year
		RT* < 1 year	RT* > 5 years		
Accounts payable to banks	3,863	3,863	–	–	–
Trade accounts payable	10	10	–	–	–
Accounts payable to subsidiaries	9,134	9,134	–	–	–
Accounts payable to investees	4,374	4,374	–	–	–
Other liabilities	165	56	104	–	–
of which taxn	(45)	(45)	–	–	–
of which under social security	(•)	(•)	–	–	–
	17,546	17,437	104	–	–

*) RT = Remaining term •) Negligible amount

The accounts payable to banks mainly consist of obligations arising from securities repurchase agreements, short-term borrowings and interest accruals from existing swap agreements.

The accounts payable to subsidiaries contain the transfer of financial resources as well as ongoing clearing transactions.

The accounts payable to investees mainly result from the transfer of financial resources.

(10) Contingent liabilities, other financial obligations The contingent liabilities contain liabilities from guarantees and warranty agreements. The guarantees are performance and warranty guarantees totaling € 49 million (previous year: € 0 million) from the current business of subsidiaries. Three guarantees have not been recorded in figures.

Additionally, there are joint and several liabilities from the transfer of pension obligations to a subsidiary in the amount of € 5 million and to an investment of RWE Plus AG in the amount of € 6 million.

The future – undiscounted – other financial obligations from leases and rents amount to € 220 million at December 31, 2000. They solely exist towards subsidiaries.

In the context of the debate about the tax recognition of certain elements of the nuclear waste management obligations under public law, the tax authorities of North Rhine-Westphalia have disputed some partial amounts in the form of the operating and financing costs of final repositories. Until the fiscal courts reach a decision in the representative proceedings, which are either pending or have been agreed throughout the industry, the relevant taxes are not being levied.

(11) Derivative financial instruments We use derivative financial instruments to hedge currency, interest rate and price risks from foreign currency items, cash investments and financing transactions. The nominal volume of the derivatives concluded with external counterparties amounts to € 9,737 million at the balance sheet date. Offsetting derivatives with a nominal volume of € 6,603 million have been concluded with Group companies.

In the course of currency hedging, interest rate/currency swaps in the total amount of € 6.5 billion and matching offsetting interest rate/currency swaps with the wholly-owned subsidiary GBV have been concluded, among other things. At RWE AG, the interest rate/currency swaps concluded with banks and the respective matching offsetting transactions constitute a hedging relationship for accounting purposes without any gains or losses to be recognized in net profit or loss. In the fiscal year, GBV acquired a stake of 95.23 % in Thames Water plc. at a price of GBP 4.1 billion or € 6.8 billion. GBV has used the interest rate/currency swaps to hedge the currency risk inherent in the purchase price. Upon termination of an interest rate/currency swap, the difference between the re-exchange rate of the swaps and the GBP spot rate is offset against the acquisition cost of the stake in

Thames Water without profit/loss effect. The interest rate/currency swaps have a positive market value of € 166 million at the balance sheet date.

Moreover, RWE AG has concluded foreign exchange contracts and options for contractually agreed and forecast payments received by Group companies, which on balance have a positive market value of € 83 million as at December 31, 2000.

All in all, interest rate hedging transactions have a negative market value of € 1 million as at December 31, 2000.

20 % of the total volume of derivatives concluded with external counterparties have a remaining term of less than one year.

Binding internal directives define the range of action, responsibilities and controls for RWE AG and its Group companies. In particular, with the exception of arbitrage deals in energy trading, derivative financial instruments must only be used to hedge risks arising from related hedged items or transactions and the associated liquidity investment and financing procedures. The external counterparties are exclusively top-rated banks.

Notes to the income statement

(12) Net income from financial assets

€ million	07/01/2000 – 12/31/2000	12/20/1999 – 06/30/2000
Income under profit transfer agreements with subsidiaries	13	–
other enterprises	5	–
	18	–
Income from investments in subsidiaries	40	–
other enterprises	3	–
	43	–
Expenses from loss transfers from subsidiaries	•	–
Income from other financial asset securities and loans	52	–
of which from subsidiaries	(46)	–
	113	–

•) Negligible amount

(13) Net interest

€ million	07/01/2000 – 12/31/2000	12/20/1999 – 06/30/2000
Interest income	194	•
of which from subsidiaries	(40)	(•)
Interest expenses	– 346	•
of which for subsidiaries	(– 146)	(•)
	– 152	•

•) Negligible amount

(14) Other operating income The other operating income mainly consists of income from write-backs

of securities, foreign currency gains and from the release of provisions.

(15) Staff costs

€ million	07/01/2000 – 12/31/2000	12/20/1999 – 06/30/2000
Wages and salaries	– 19	–
Cost of social security, retirement and other benefits of which for retirement benefits	– 4 (– 2)	–
	– 23	–

Average number of employees for the year	07/01/2000 – 12/31/2000	12/20/1999 – 06/30/2000
Wage earners	8	–
Salary earners	283	–
	291	–
of which part-time and fixed-term employees	(25)	(–)
Apprentices	5	–
	296	–

At June 30, 2000, the average number of employees for the year at RWE AG (old) was 297 employees, including 4 apprentices. The number

of staff at VEW AG was 165 employees at June 30, 2000. RWE Gesellschaft für Beteiligungen mbH had no staff of its own.

(16) Other operating expenses The other operating expenses predominantly concern the interest share to be credited to the divisional management companies of the RWE Group for the pension provi-

sions reported on RWE AG's balance sheet, expenses from studies and consulting, foreign currency losses as well as rent and maintenance.

(17) Extraordinary result The extraordinary result comprises income of € 1,181 million from the increase of the carrying amount of BGI mbH (now: RWE Com Geschäftsführungs GmbH) as part of the contribution of RWE Telliance AG, whose affiliate

VRT sold the stake in e-plus in the calendar year 2000, as well as a spin-off profit resulting from the spin-off of Aktiengesellschaft für Energieversorgung (now: RWE Plus AG) from RWE Energie AG (now: RWE Power AG).

(18) Taxes on income The taxes on income primarily contain the reduction in corporate tax and the allocation to the provision for corporate tax and trade income tax risks.

Other disclosures

The information on the members of the Supervisory Board and the Executive Board pursuant to section 285, no. 10, of the German Commercial Code is provided on pages 49 to 61.

The effects on the net profit for the year due to tax regulations resulted from the release of special reserves with an equity portion of € 0.1 million.

Provided that the General Meeting passes the proposed dividend, the remuneration paid to the Executive Board for the short fiscal year from July 1, 2000, to December 31, 2000, shall total € 2,655,654.60 and that of the Supervisory Board € 40,962.62.

Former members of the Executive Board of RWE AG and their surviving dependants received € 2,901,419.77. Provisions of € 63,290,179.62 have been made for pension obligations to former members of the Executive Board and their surviving dependants.

The Economic Advisory Board received € 234,151.64.

Under the stock option scheme, the Executive Board and former members of the Executive Board hold non-transferable stock options on 400,000 and 80,000 common shares of RWE AG, respectively, at the balance sheet date. The details of the stock option scheme are explained under equity.

On the occasion of the merger of RWE AG (old) and VEW AG to create RWE AG, we have been informed about the existence of the following investments (voting shares) pursuant to section 21 (1) of the German Securities Trading Act (WpHG):

11.58 % through Allianz Aktiengesellschaft, Munich (including 10.54 % through Quarta-Vermögensverwaltungsgesellschaft mbH, Munich), 10.94 % through RW Holding, Düsseldorf, 10.01 % through Kommunale Energie-Beteiligungsgesellschaft mit beschränkter Haftung, Dortmund.

Proposal for the Appropriation of Profit

The distributable profit developed as follows:

Net profit for the year	€ 927,603,522.49
Profit carried forward from the previous year	€ 0.00
Transfer to retained earnings	€ 364,000,000.00
Distributable profit	€ 563,603,522.49

We suggest to the General Meeting that the distributable profit of RWE AG be used as follows:

Payout of a dividend of € 1.00 per class A and B common share and per preference share plus an additional dividend of € 0.38 per class B common share on the dividend-bearing capital stock of € 1,439,756,800	€ 563,295,516.70
Profit carried forward	€ 308,005.79
Distributable profit	€ 563,603,522.49

The amount payable to shareholders is reduced by the partial amount which would have to be distributed on the own shares held by the company at the time of the profit appropriation resolution and not entitled to dividend payments pursuant to section 71 b of the German Stock Corporation Act. The profit carried forward is increased by this partial amount.

The tax credit for shareholders entitled to an imputation credit is € 0.43 per class A common share and preference share and € 0.59 per class B common share.

Essen, March 27, 2001

The Executive Board

Kuhnt

Klein

Maichel

Remmel

Sturany

Zilius

Auditors' Report

We have audited the financial statements, including the accounting records, and the annual review of RWE Aktiengesellschaft, Essen, for the short fiscal year from July 1, 2000, to December 31, 2000. The accounting records and the preparation of the financial statements and the annual review in compliance with the German regulations under commercial law and the additional rules as laid down in the Articles of Incorporation are the responsibility of the company's Executive Board. Based on the audit we have performed, it is our task to give an opinion on the financial statements, including the accounting records, and on the annual review.

We have audited the financial statements pursuant to section 317 of the German Commercial Code in line with the German principles of proper auditing as laid down by the Institute of German Certified Public Accountants (IDW). These principles require that we plan and perform the audit so as to identify with sufficient reliability any errors and infringements which have a material effect on the financial position and performance as presented in the financial statements in line with the principles of proper accounting and in the annual review. In determining the audit activities, the knowledge about the business activities and the economic and legal environment of the company as well as

the expectations regarding possible errors are taken into consideration. In the course of the audit, the effectiveness of the internal accounting control system as well as evidence relevant to the disclosures in the accounting records, financial statements and the annual review are chiefly examined on the basis of random samples. The audit includes an assessment of the accounting principles used and of the significant estimates made by the Executive Board as well as an evaluation of the overall presentation of the financial statements and the combined annual review. We believe that our audit provides a sufficiently reliable basis for our opinion.

Our audit did not result in any objections.

In our opinion the financial statements, with due regard to the principles of proper accounting, give a true and fair view of the financial position and performance of the enterprise. The annual review overall gives an adequate impression of the position of the enterprise and adequately describes the risks of future development.

Essen, March 19, 2001

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

P. Albrecht
Wirtschaftsprüfer
(Auditor)

H. Suhrbier
Wirtschaftsprüfer
(Auditor)

at December 31, 2000

I. Consolidated subsidiaries	Investment in acc. with section 16 of the German Stock Cor- poration Act %	Equity of the last fiscal year € '000	Net profit/ loss of the last fiscal year € '000	Net sales 1999/2000 € million	Annual average number of employees 1999/2000
RWE Aktiengesellschaft, Essen ^{3) 6)}		3,655,687	927,603	–	296
Power generation					
RWE Power Aktiengesellschaft, Essen ⁴⁾	100	1,556,036	– ¹⁾	6,736	16,659
Kernkraftwerke Gundremmingen Betriebsgesellschaft mbH, Gundremmingen	75	1,245	31	165	821
Kernkraftwerke Lippe-Ems GmbH, Lingen (Ems) ⁶⁾	88	465,545	– ¹⁾	–	289
Société Luxembourgeoise de Centrales Nucléaires S.A., Luxembourg/Luxembourg	100	30,998	1,087	37	1
Lignite-based power generation					
RWE Rheinbraun Aktiengesellschaft, Cologne	100	1,068,885	– ¹⁾	1,383	12,499
Consol Energy Inc., Wilmington/Delaware/USA; Consol Energy group ²⁾ with 56 subsidiaries in the USA, Belgium and Canada	72	265,515	107,832	2,110	7,115
Mátra Erőmű Rt. (MÁTRA), Visonta/Hungary	50	167,426	19,503	132	3,653
RBB Vermögensverwaltungs GmbH, Cologne	100	56,295	10,527	2	–
Rheinbraun Engineering und Wasser GmbH, Cologne	100	22,782	1,697	9	–
Rheinische Baustoffwerke GmbH, Bergheim	100	8,016	– ¹⁾	69	158
RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne	100	76,694	– ¹⁾	6	8
Trading					
RWE Trading GmbH, Essen	100	100	–	–	–
Grids					
RWE Net Aktiengesellschaft, Dortmund ^{5) 6)}	100	591,680	– ¹⁾	981	4,097
Sales and Marketing					
RWE Plus Aktiengesellschaft, Essen ⁷⁾	100	16,873	– ¹⁾	161,971	287
Budapesti Elektromos Művek Rt. (ELMÜ), Budapest/Hungary	55	270,887	31,500	500	3,480
Emscher Lippe Energie GmbH, Gelsenkirchen	79	79,484	9,938	307	858
Envia Energie Sachsen Brandenburg AG, Chemnitz	63	678,350	69,621	1,148	3,624
Észak-magyarországi Áramszolgáltató Rt. (ÉMÁSZ), Miskolc/Hungary	54	114,546	7,687	244	2,069
EWV Energie- und Wasser-Versorgung GmbH, Stolberg	54	29,427	2,185	218	712
Koblenzer Elektrizitätswerk und Verkehrs-AG, Koblenz	57	76,437	8,766	190	789
Kraftwerk Altwürttemberg AG, Ludwigsburg	80	42,924	3,417	175	400
Lech-Elektrizitätswerke AG, Augsburg	90	181,667	21,822	579	1,460
Main-Kraftwerke AG, Frankfurt/Main	72	132,352	22,729	436	1,049
Mitteldeutsche Energieversorgung Aktiengesellschaft, Halle (Saale) ⁶⁾	53	260,460	6,560	232	979
Gas					
RWE Gas AG, Dortmund ⁸⁾	80	130,809	8,040	471	281
rhenag Rheinische Energie AG, Cologne	54	228,840	27,737	154	517

1) Profit and loss transfer agreement

2) Data from the enterprise's consolidated financial statements

3) Data as at December 31, 2000

4) Data of the former RWE Energie AG, Essen

5) Data of the former VEW Energie AG, Dortmund

6) Short fiscal year

7) Data of the former Aktiengesellschaft für Energiewirtschaft, Bad Homburg v. d. Höhe

8) Data of the former Westfälische Ferngas-AG, Dortmund, as at December 31, 1999

at December 31, 2000

I. Consolidated subsidiaries	Investment in acc. with section 16 of the German Stock Cor- poration Act %	Equity of the last fiscal year € '000	Net profit/ loss of the last fiscal year € '000	Net sales 1999/2000 € million	Annual average number of employees 1999/2000
Water ¹²⁾ Thames Water plc., London/Great Britain ²⁾	95	3,773,173	565,761	2,190	12,074
Environmental Services RWE Umwelt Aktiengesellschaft, Essen	100	383,469	— ¹⁾	—	102
RWE Umwelt Aqua GmbH, Berlin	100	15,975	— 2,689	5	120
RWE Umwelt Services Deutschland GmbH, Essen	100	230,601	2,293	—	26
Trienekens AG, Viersen	50	190,575	17,727	499	1,950
Industrial Services TESSAG Technische Systeme & Services AG, Frankfurt/Main	100	180,405	— ¹⁾	276	2,218
Angewandte Solarenergie – ASE GmbH, Alzenau	100	13,830	— ¹⁾	43	242
Piller-GmbH, Osterode am Harz	100	24,296	3,914	132	984
Rheinelektra Technik GmbH, Mannheim	100	11,692	— 9,265	242	1,817
Starkstrom-Gerätebau GmbH, Regensburg	100	9,247	64	60	418
TESSAG Industrie-Anlagen GmbH, Duisburg ⁹⁾ ; INA group with 2 subsidiaries in France and Canada	100	9,152	— 9,314	660	495
Corporate Services RWE Systems AG, Dortmund ¹¹⁾	100	542,176	— ¹⁾	35	148
Petroleum RWE-DEA Aktiengesellschaft für Mineralöl und Chemie, Hamburg	99	1,411,589	— ¹⁾	1,705	3,234
CONDEA Augusta S.p.A., Palermo/Italy	100	90,675	— 24,429	775	1,074
CONDEA Chemie GmbH, Hamburg	100	511	— ¹⁾	—	—
CONDEA Vista Company, Houston/Texas/USA ²⁾	100	120,329	41,463	916	962
DEA Mineralöl AG, Hamburg	100	360,972	— ¹⁾	13,375	2,751
DEA petroleum marketing companies ⁹⁾ 19 companies in Germany, 1 company abroad	100	91,879	— ¹⁾	2,509	972
Printing Systems Heidelberger Druckmaschinen AG, Heidelberg	56	1,541,528	167,385	2,029	11,465
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH, Heidelberg	100	40,337	— ¹⁾	676	1,129
Heidelberg USA, Inc., Kennesaw/Georgia/USA ²⁾	100	204,342	28,807	811	1,305
Heidelberg Web Systems, Inc., Dover/New Hampshire/USA ²⁾	100	144,112	— 9,741	423	1,477
Construction and Civil Engineering HOCHTIEF Aktiengesellschaft, Essen ¹⁰⁾	62	1,194,998	72,000	2,386	11,974
HOCHTIEF AirPort GmbH, Essen	100	109,310	— ¹⁾	32	52
HOCHTIEF Verkehrswegebau GmbH, Essen	100	12,792	— ¹⁾	1	28
The Turner Corporation, Wilmington/Delaware/USA; Turner group ²⁾ with 35 subsidiaries in the USA and in Brazil, Great Britain and Singapore	100	353,738	4,080	4,124	2,607
Harpen Harpen Aktiengesellschaft, Dortmund ¹⁰⁾	72	218,745	16,310	35	148
Other subsidiaries RWE Telliance Aktiengesellschaft, Essen	100	154,678	— ¹⁾	—	57
RWE International Financial Services Ireland Ltd., Dublin/Ireland	100	265,077	10,304	—	3

1) Profit and loss transfer agreement

2) Data from the enterprise's consolidated financial statements

9) Summary from separate financial statements

10) Data as at December 31, 1999

11) Data of the former Victoria Mathias Verwaltungsgesellschaft mbH, Essen

12) Thames Water consolidated as of 3rd quarter 2000/01; RWE Umwelt Aqua GmbH as of January 1, 2001 in the Water division

at December 31, 2000

II. Associates accounted for using the equity method	Investment in acc. with section 16 of the German Stock Corporation Act %	Equity of the last fiscal year € '000	Net profit/loss of the last fiscal year € '000
Lignite-based power generation TCP Petcoke Corporation, Dover/Delaware/USA	50	8,746	7,019
Sales and Marketing Motor-Columbus AG, Baden/Switzerland ²⁾ Niederrheinische Versorgung und Verkehr AG, Mönchengladbach ²⁾	20 50	319,733 380,758	30,659 20,558
Gas Stadtwerke Essen AG, Essen Thyssengas GmbH, Duisburg TIGÁZ Tiszántúli Gázszolgáltató Rt., Hajdúszoboszló/Hungary	29 75 44	121,602 125,905 130,750	8,149 23,008 15,656
Environmental Services AVE Beteiligungsgesellschaft mbH, Hörsching/Austria RWE/VIVENDI Berlinwasser Beteiligungs AG, Berlin	50 50	52,147 8,055	997 – 2,732 ⁶⁾
Petroleum FUCHS DEA Schmierstoffe GmbH & Co. KG, Mannheim Oberrheinische Mineralölwerke GmbH, Karlsruhe PCK Raffinerie GmbH, Schwedt/Oder	50 42 38	47,574 79,747 444,292	11,337 3,915 8,827
Construction and Civil Engineering Athens International Airport S.A., Spata/Greece Ballast Nedam N.V., Amstelveen/Netherlands ²⁾ Flughafen Düsseldorf GmbH, Düsseldorf KITCHELL CORPORATION, Phoenix/Arizona/USA ²⁾ Leighton Holdings Limited, Sydney/Australia ²⁾	40 48 50 35 50	936,930 255,374 25,565 54,715 391,511	– 9,393 17,298 7,930 74,067
Others VR Telecommunications GmbH & Co., Norderfriedrichskoog RAG Aktiengesellschaft, Essen ²⁾	48.75 30	2,346,279 2,146,403	834,689 169,237

2) Data from the enterprise's consolidated financial statements

6) Short fiscal year

Dr. h.c. Friedel Neuber

Duisburg

– since January 5, 2001 –

Chairman since January 19, 2001

President and CEO,
Westdeutsche Landesbank Girozentrale

- Babcock Borsig AG (Chairman)
- Deutsche Bahn AG
- Douglas Holding AG
- PREUSSAG AG (Chairman)
- ThyssenKrupp AG
- TUI Group GmbH
- AXA S.A.

Erwin Winkel*

Niederzier

– since September 11, 2000 –

Deputy Chairman since
January 19, 2001

Power systems electronics engineer

Dr. Paul Achleitner

Munich

– since September 11, 2000 –

Chairman – until January 5, 2001 –

Executive Vice President, Allianz AG

- ConSors Discount-Broker AG
- MAN AG
- Österreichische Industrieholding AG

Carl-Ludwig von Boehm-Bezing

Bad Soden

– since January 5, 2001 –

Executive Vice President, Deutsche Bank AG

- Deutsche Grundbesitz-Anlagegesellschaft mbH (Chairman)
- Deutsche Grundbesitz-Investmentgesellschaft mbH (Chairman)
- EUROHYPO AG Europäische Hypothekenbank der Deutsche Bank (Chairman)
- Messer Griesheim GmbH
- RÜTGERS AG
- Schiffshypothekenbank zu Lübeck AG (Chairman)
- Steigenberger Hotels AG
- ThyssenKrupp AG
- AKA Ausfuhrkredit-Gesellschaft mbH (Chairman)
- Deutsche Bank S.A.E. (Chairman)
- Deutsche Bank S.A./N.V. (Chairman)
- Deutsche Bank S.p.A.
- Deutsche Grundbesitz Management GmbH (Chairman)
- Deutsche Immobilien Leasing GmbH (Chairman)
- FIAT S.p.A.
- Messer Industrie GmbH (Chairman)

Frank Bsirske *

Hanover

– since January 9, 2001 –

Chairman of ÖTV Trade Union

- BGAG Beteiligungsgesellschaft der Gewerkschaften AG

Burkhard Drescher

Oberhausen

– since January 5, 2001 –

Lord Mayor of the city of Oberhausen

- Energieversorgung Oberhausen AG
- RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH
- Stadtwerke Oberhausen AG (Chairman)
- DSM Deutsche Städte-Medien GmbH
- ENO Entwicklungsgesellschaft Neu-Oberhausen mbH (Chairman)
- LGO Landesgartenschau Oberhausen GmbH i. L. (Chairman)
- PBO Projektentwicklungs- und Beteiligungsgesellschaft Oberhausen mbH (Chairman)
- Stadtparkasse Oberhausen (Chairman)

Dr. Friedhelm Giese

Essen

– since January 5, 2001 –

Former President and CEO of RWE AG

- KarstadtQuelle AG
- MAN AG
- National-Bank AG

Erwin Hahn*

Bettingen

– since January 9, 2001 –

Electrician

Johann Heiß*

Landshut

– since January 9, 2001 –

Electrician

- TESSAG Technische Systeme & Services AG

Heinz-Eberhard Höl

Osnabrück

– since September 11, 2000 –

Deputy Chairman

– until January 5, 2001 –

Chief Administrative Officer,
Osnabrück rural district

- Georgsmarienhütte GmbH
- Georgsmarienhütte Holding GmbH

*) Employees' representative on the Supervisory Board

■) Member of other mandatory Supervisory Boards

■) Member of comparable German and foreign supervisory bodies of business enterprises

Berthold Huber*

Stuttgart

– since January 9, 2001 –

Head of Baden-Württemberg district of
IG Metall Trade Union

- Audi AG
- Dillinger Hüttenwerke AG
- Dillinger Hüttenwerke Saarstahl AG
- Saarstahl AG

Berthold Krell*

Wenden-Hünsborn

– since January 9, 2001 –

Chief fitter

- RWE Net AG

Dr. Gerhard Langemeyer

Dortmund

– since January 5, 2001 –

Lord Mayor of the city of Dortmund

- Dortmunder Stadtwerke AG (Chairman)
- Dortmunder Energie und Wasser GmbH
- Schüchtermann Schiller'sche Kliniken KG

Dr. Wolfgang Reiniger

Essen

– since January 5, 2001 –

Lord Mayor of the city of Essen

- Deutsche Städte-Medien GmbH
- Entwicklungsgesellschaft Universitätsviertel Essen mbH (Chairman)
- Essener Wirtschaftsförderungsgesellschaft mbH (Chairman)
- Margarethe Krupp-Stiftung für Wohnungsfürsorge (Chairman)
- Messe Essen GmbH (Chairman)
- Sparkasse Essen (Chairman)

Günter Reppien*

Lingen

– since January 9, 2001 –

Workshop foreman

- RWE Power AG

Bernhard von Rothkirch*

Frechen

– since January 9, 2001 –

Chief engineer

Dr. Manfred Schneider

Leverkusen

– since January 5, 2001 –

President and CEO, Bayer AG

- Allianz AG
- DaimlerChrysler AG
- Metro AG

Ernst-W. Stuckert*

Hamburg

– since January 9, 2001 –

Commercial officer

Klaus-Dieter Südhofer*

Recklinghausen

– since January 9, 2001 –

Trade Union Secretary
Deputy Chairman, IG Bergbau, Chemie,
Energie Trade Union

- BGAG Beteiligungsgesellschaft der Gewerkschaften AG
- BHW Holding AG
- Harpen AG
- RAG AG
- RAG Immobilien AG
- RWE-DEA AG für Mineralöl und Chemie
- RWE Rheinbraun AG

Dr. Alfons Friedrich Titzrath

Cologne

– since January 5, 2001 –

Chairman of the Supervisory Board,
Dresdner Bank AG

- Allianz AG
- Celanese AG
- Deutsche Lufthansa AG
- Dresdner Bank AG (Chairman)
- Münchener Rückversicherungs-Gesellschaft AG
- VAW aluminium AG

*) Employees' representative on the Supervisory Board

■) Member of other mandatory Supervisory Boards

■) Member of comparable German and foreign supervisory bodies of business enterprises

Dr. Dietmar Kuhnt

Essen

President and CEO, RWE AG

– since September 11, 2000 –

- Allianz Versicherungs-AG
- Dresdner Bank AG
- Hapag-Lloyd AG
- Heidelberger Druckmaschinen AG (Chairman)
- HOCHTIEF AG (Chairman)
- mg technologies ag
- PREUSSAG AG
- RWE-DEA AG für Mineralöl und Chemie (Chairman)
- RWE Plus AG (Chairman)
- RWE Power AG (Chairman)
- Thames Water plc. (Chairman)

Dr. Richard R. Klein

Essen

Executive Vice President, RWE AG

– since November 24, 2000 –

- Berlinwasser Holding AG
- DEA Mineralöl AG
- RWE Systems AG (Chairman)
- RWE Umwelt AG
- RWE Com Geschäftsführungs-GmbH
- Thames Water plc.

Dr. Gert Maichel

Dortmund

Executive Vice President, RWE AG

– since November 24, 2000 –

- Harpen AG (Chairman)
- RAG AG
- RWE Gas AG
- RWE Rheinbraun AG (Chairman)
- TÜV Rheinland Holding AG
- RWE Trading GmbH (Chairman)

Manfred Remmel

Essen

President and CEO, RWE Plus AG

Executive Vice President, RWE AG

– since November 24, 2000 –

- AXA Colonia Versicherung AG
- DEA Mineralöl AG
- Kraftwerk Altwürttemberg AG (Chairman)
- Main-Kraftwerke AG (Chairman)
- Mitteldeutsche Energieversorgung AG (Chairman)
- rhenag Rheinische Energie AG (Chairman)
- RWE Gas AG (Chairman)
- RWE Net AG (Chairman)
- RWE Umwelt AG (Chairman)
- TESSAG Technische Systeme & Services AG (Chairman)
- VSE AG
- Theater- und Philharmonie GmbH

Dr. Klaus Sturany

Dortmund

Executive Vice President, RWE AG

– since September 11, 2000 –

- Babcock Borsig AG
- Commerzbank AG
- DEA Mineralöl AG (Chairman)
- Hannover Rückversicherungs-AG
- Heidelberger Druckmaschinen AG
- HOCHTIEF AG
- RAG AG
- RWE-DEA AG für Mineralöl und Chemie
- RWE Plus AG
- RWE Power AG
- TESSAG Technische Systems & Services AG
- RWE Trading GmbH
- Thames Water plc.

Jan Zilius

Essen

Executive Vice President, RWE AG

– since September 11, 2000 –

- Anhaltinische Braunkohlesanierungs-gesellschaft mbH
- Energieversorgung Oberhausen AG
- Rheinkraftwerk Albbrock Dogern AG
- RWE Net AG
- RWE Rheinbraun AG
- RWE Systems AG
- Schluchseewerk AG
- VSE AG

Edmond Alphandéry

Paris
Président du Conseil de Surveillance de CNP

Dr. h.c. Manfred Bodin

Hanover
– since October 1, 2000 –
President and CEO,
Norddeutsche Landesbank Girozentrale

Dr. F. Wilhelm Christians

Düsseldorf
– until December 31, 2000 –

Erwin Conradi

Baar
Managing Director, Beisheim Holding GmbH

Dr. Gerhard Cromme

Düsseldorf
President and CEO, ThyssenKrupp AG

Jürgen Dormann

Schiltigheim
President and CEO, Aventis

Dr. Michael Frenzel

Hanover
President and CEO, PREUSSAG AG

Dr. Dr. h.c. Joachim Funk

Düsseldorf

Dr. Jürgen Großmann

Georgsmarienhütte
– since October 1, 2000 –
Shareholder of Georgsmarienhütte GmbH

Helmut Haumann

Cologne
– since December 15, 2000 –
Executive Board Spokesman, Gas-, Elektrizitäts- und
Wasserwerke Köln AG

Dr. Georg Holzhey

Augsburg
– since October 1, 2000 –
Managing Director, Haindl Papier GmbH

Dieter Kauffmann

Esslingen
Executive Vice President, Schutzgemeinschaft der
Kleinaktionäre e.V.

Dr. Dr. E.h. Günther Klätte

Essen
Former Executive Vice President of Rheinisch-
Westfälisches Elektrizitätswerk AG

Dr. h.c. Martin Kohlhausen

Frankfurt/Main
– since October 1, 2000 –
Executive Board Spokesman, Commerzbank AG

Professor Dr. E.h. Berthold Leibinger

Ditzingen
Managing partner, Trumpf GmbH & Co. KG

Professor Dr. Hubert Markl

Munich
President, Max-Planck-Gesellschaft zur Förderung
der Wissenschaften e.V.

Rafael Miranda

Madrid
– since October 1, 2000 –
Consejero Delegado del Grupo Endesa

Dr. h.c. Tyll Necker †

Cologne
– until December 31, 2000 –
Chairman of the General Meeting and the Advisory
Board of the Hako group

Dr. Karl Josef Neukirchen

Frankfurt/Main
– since October 1, 2000 –
President and CEO, mg technologies ag

Dr. Udo Oels

Leverkusen
– since October 1, 2000 –
Executive Vice President, Bayer AG

Alfred Freiherr von Oppenheim

Cologne
Chairman of the Supervisory Board,
Sal. Oppenheim jr. & Cie. KGaA

Dr. Heinrich von Pierer

Munich
President and CEO, Siemens AG

Berndt Pischetsrieder

Wolfsburg
– since October 1, 2000 –
Executive Vice President, Volkswagen AG

Dr. Wolfgang Röllner

Neu-Isenburg
Honorary Chairman of the Supervisory Board, Dresdner Bank AG

Diethelm Sack

Frankfurt/Main
– since October 1, 2000 –
Executive Vice President, Deutsche Bahn AG

Dr. Ernst Schadow

Frankfurt/Main
– since October 1, 2000 –
Executive Vice President, Celanese AG

Prof. Dr. Dieter Schmitt

Essen
– since October 1, 2000 –
Chairman of energy economics at Essen University

Hans Peter Schreib

Düsseldorf
Attorney-at-law, Executive Vice President of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

Dr. Walter Seipp

Frankfurt am Main
– until December 31, 2000 –
Honorary Chairman of the Supervisory Board, Commerzbank AG

Dr. Ron Sommer

Bonn
– since October 1, 2000 –
President and CEO, Deutsche Telekom AG

Karl Starzacher

Essen
– since October 1, 2000 –
President and CEO, RAG AG

Prof. Dr. Jürgen Strube

Ludwigshafen
President and CEO, BASF AG

Marcus Wallenberg

Stockholm
Executive Vice President, Investor AB

Dr. E.h. Jürgen Weber

Frankfurt/Main
– since February 1, 2001 –
President and CEO, Deutsche Lufthansa AG

Prof. Dr. Carl Christian von Weizsäcker

Cologne
– since October 1, 2000 –
Director of the Energy Economics Institute at Cologne University

Wilhelm Werhahn

Neuss
Executive Vice President, Messrs. Wilh. Werhahn

Dr. Jürgen Wilhelm

Cologne
– until December 31, 2000 –
First Deputy Chairman of Landschaftsversammlung and First Deputy Chairman of Landschaftsausschuss of Landschaftsverband Rheinland

Dr. Mark Wössner

Gütersloh
Former Chairman of the Supervisory Board of Bertelsmann AG

Dr. h.c. Wolfgang Ziemann

Essen
Former Executive Vice President of RWE AG

Dr. h.c. Friedel Neuber

Duisburg

Chairman

– until November 24, 2000 –

President and CEO,
Westdeutsche Landesbank Girozentrale

- Babcock Borsig AG (Chairman)
- Deutsche Bahn AG
- Douglas Holding AG
- PREUSSAG AG (Chairman)
- ThyssenKrupp AG
- TUI Group GmbH
- AXA S.A.

Erwin Winkel*

Niederzier

Deputy Chairman

– since September 23, 2000 –

– until November 24, 2000 –

Power systems electronics engineer

- RWE Aktiengesellschaft für Beteiligungen

Alwin Fitting*

Westhofen

Deputy Chairman

– until September 22, 2000 –

Power plant engineer

Dr. Paul Achleitner

Munich

– until November 24, 2000 –

Executive Vice President, Allianz AG

- ConSors Discount-Broker AG
- RWE Aktiengesellschaft für Beteiligungen (Chairman)
- Österreichische Industrieholding AG

Carl-Ludwig von Boehm-Bezing

Bad Soden

– until November 24, 2000 –

Executive Vice President, Deutsche Bank AG

- Deutsche Grundbesitz-Anlagen-gesellschaft mbH (Chairman)
- Deutsche Grundbesitz-Investment-gesellschaft mbH (Chairman)
- EUROHYPO AG Europäische Hypothekenbank der Deutschen Bank (Chairman)
- Messer Griesheim GmbH
- Rütgers AG
- Schiffshypothekenbank zu Lübeck AG (Chairman)
- Steigenberger Hotels AG
- ThyssenKrupp AG
- AKA Ausfuhrkredit-Gesellschaft mbH (Chairman)
- Deutsche Bank S.A.E. (Chairman)
- Deutsche Bank S.A./N.V. (Chairman)
- Deutsche Bank S.p.A.
- Deutsche Grundbesitz Management GmbH (Chairman)
- Deutsche Immobilien Leasing GmbH (Chairman)
- FIAT S.p.A.
- Messer Industrie GmbH (Chairman)

Wilfried Eickenberg*

Cologne

– since September 26, 2000 –

– until November 24, 2000 –

Engineer (Dipl.-Ing.)

- RWE Plus AG
- RWE Trading GmbH

Dr. Friedhelm Gieske

Essen

– until November 24, 2000 –

Former President and CEO of RWE AG

- KarstadtQuelle AG
- MAN AG
- National-Bank AG

The information refers to the date of retirement.
*) Employees' representative on the Supervisory Board

■) Member of other mandatory Supervisory Boards
■) Member of comparable German and foreign supervisory bodies of business enterprises

Erwin Hahn*

Bettingen
 – until November 24, 2000 –
 Electrician

Johann Heiß*

Landshut
 – until November 24, 2000 –
 Electrician
 ■ TESSAG Technische Systeme & Services AG

Heinz-Eberhard Höl

Osnabrück
 – until November 24, 2000 –
 Chief Administrative Officer, Osnabrück rural district
 ■ Georgsmarienhütte GmbH
 ■ Georgsmarienhütte Holding GmbH
 ■ RWE Aktiengesellschaft für Beteiligungen

Rudolf Kersting

Kleve
 – until November 24, 2000 –
 Chief Administrative Officer, Kleve district
 ■ GVV-Kommunal Versicherung VVaG (Chairman)
 ■ GVV-Privatversicherung AG (Chairman)

Berthold Krell*

Wenden-Hünsborn
 – until November 24, 2000 –
 Chief fitter
 ■ RWE Net AG

Dr. Walter Mende

Leverkusen
 – until November 24, 2000 –
 Attorney-at-law
 First Mayor of the city of Leverkusen
 ■ Kraftverkehr Wupper-Sieg AG
 ■ RW Holding AG (Chairman)
 ■ Wirtschaftsförderung Leverkusen GmbH

Wilhelm Nowack

Essen
 – until November 24, 2000 –
 Managing Director, Büro Nowack Gesellschaft für Projektplanungs mbH
 ■ Entsorgungsbetriebe Essen GmbH (Chairman)
 ■ Messe Essen GmbH
 ■ VEKS-Verwertung und Entsorgung Karnap-Städte Holding GmbH (Chairman)

Branko Rakidzija*

Ludwigsburg
 – since August 22, 2000 –
 – until November 24, 2000 –
 Managing Director of Federal Supply and Disposal Division at the Central Executive Board of ÖTV Trade Union
 ■ E.ON Energie AG
 ■ E.ON Kernkraft GmbH
 ■ RWE Power AG

Bernhard von Rothkirch*

Frechen
 – until November 24, 2000 –
 Chief engineer

The information refers to the date of retirement.
 *) Employees' representative on the Supervisory Board

■) Member of other mandatory Supervisory Boards
 ■) Member of comparable German and foreign supervisory bodies of business enterprises

Klaus Schmid*

Bischofswiesen

– until November 24, 2000 –

Coordinating Department Head, Executive Board of
IGM Trade Union, ret.

Dr. Manfred Schneider

Leverkusen

– until November 24, 2000 –

President and CEO, Bayer AG

- Allianz AG
- DaimlerChrysler AG
- Metro AG

Ernst-W. Stuckert*

Hamburg

– until November 24, 2000 –

Commercial officer

Klaus-Dieter Südhofer*

Recklinghausen

– until November 24, 2000 –

Trade Union Secretary

Deputy Chairman, IG Bergbau, Chemie,
Energie Trade Union

- BGAG Beteiligungsgesellschaft der
Gewerkschaften AG
- BHW Holding AG
- Harpen AG
- RAG AG
- RAG Immobilien AG
- RWE-DEA AG für Mineralöl und Chemie
- RWE Rheinbraun AG

Dr. Alfons Friedrich Titzrath

Cologne

– until November 24, 2000 –

Chairman of the Supervisory Board,
Dresdner Bank AG

- Allianz AG
- Celanese AG
- Dresdner Bank AG (Chairman)
- Münchener Rückversicherungs-Gesellschaft AG
- VAW aluminium AG

Ralf Zimmermann*

Rüsselsheim

– until July 31, 2000 –

Member of the Central Executive Board, ÖTV Trade
Union, until July 31, 2000

Executive Vice President, RWE Umwelt AG, from
August 1, 2000

- BGAG Beteiligungsgesellschaft der
Gewerkschaften AG
- LSG Lufthansa Service Deutschland GmbH
- LSG Lufthansa Service Holding AG

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*) Employees' representative on the Supervisory Board

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■) Member of comparable German and foreign supervisory bodies of business enterprises

Dr. Dietmar Kuhnt

Essen

President and CEO, RWE AG

– until November 24, 2000 –

- Allianz AG
- Dresdner Bank AG
- Hapag-Lloyd AG
- Heidelberger Druckmaschinen AG (Chairman)
- HOCHTIEF AG (Chairman)
- mg technologies ag
- PREUSSAG AG
- RWE-DEA AG für Mineralöl und Chemie (Chairman)
- RWE Plus AG (Chairman)
- RWE Power AG (Chairman)
- Thames Water plc. (Chairman)

Dr. Richard R. Klein

Essen

Executive Vice President, RWE AG

– until November 24, 2000 –

- Berlinwasser Holding AG
- DEA Mineralöl AG
- Maquet AG (Chairman)
- RWE Systems AG (Chairman)
- RWE Telliance AG
- RWE Umwelt AG
- Thames Water plc.

Manfred Remmel

Essen

President and CEO, RWE Plus AG

Executive Vice President, RWE AG

– until November 24, 2000 –

- AXA Colonia Versicherung AG
- DEA Mineralöl AG
- Kraftwerk Altwürttemberg AG (Chairman)
- Main-Kraftwerke AG (Chairman)
- rhenag Rheinische Energie AG (Chairman)
- RWE Net AG (Chairman)
- RWE Umwelt AG (Chairman)
- TESSAG Technische Systeme & Services AG (Chairman)
- VEW AG
- VSE AG
- Theater und Philharmonie GmbH
- Thyssengas GmbH

Dr. Klaus Sturany

Dortmund

Executive Vice President, RWE AG

– until November 24, 2000 –

- Commerzbank AG
- DEA Mineralöl AG (Chairman)
- Hannover Rückversicherungs-AG
- Heidelberger Druckmaschinen AG
- HOCHTIEF AG
- RWE-DEA AG für Mineralöl und Chemie
- RWE Plus AG
- RWE Power AG
- RWE Umwelt AG
- TESSAG Technische Systeme & Services AG
- RWE Trading GmbH
- Thames Water plc.

Jan Zilius

Essen

Executive Vice President, RWE AG

– until November 24, 2000 –

- Anhaltinische Braunkohlesanierungsgesellschaft mbH
- Energieversorgung Oberhausen AG
- Rheinkraftwerk Albbrock Dogern AG
- RWE Net AG
- RWE Rheinbraun AG
- RWE Systems AG
- Schluchseewerk AG
- VSE AG

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■) Member of other mandatory Supervisory Boards
 ■) Member of comparable German and foreign supervisory bodies of business enterprises

Günter Samtlebe

Dortmund
 Chairman
 – until November 24, 2000 –
 Former Lord Mayor of the city of Dortmund
 ■ Dortmunder Energie- und Wasserversorgung GmbH
 ■ RWE Net AG
 ■ Harpen AG

Hildegard Beck*

Dortmund
 Deputy Chairwoman
 – until November 24, 2000 –
 Full-time works council member

Dr. Rüdiger Bäumer*

Dortmund
 – until November 24, 2000 –
 Executive employee
 ■ RWE Trading GmbH

Wolfgang Becker

Herne
 – until November 24, 2000 –
 Lord Mayor of the city of Herne
 ■ Energie- und Wasserversorgung Mittleres Ruhrgebiet GmbH (Chairman)
 ■ RWE Systems AG
 ■ Stadtwerke Herne AG (Chairman)

Josef Cieniewicz*

Moers
 – until November 24, 2000 –
 Secretary of DAG Trade Union, North Rhine-Westphalian office
 ■ RWE Net AG
 ■ RWE Plus AG

Ulrich Dettmann*

Unna
 – until November 24, 2000 –
 Managing Director of Dortmund district office, ÖTV Trade Union
 ■ Dortmunder Stadtwerke AG
 ■ Entsorgung Dortmund GmbH
 ■ RWE Systems AG
 ■ Flughafen Dortmund GmbH

Hubert Finkennest*

Hamm
 – until November 24, 2000 –
 Chairman of the works council at Gersteinwerk power plant

Ralf Hiltenkamp*

Arnsberg
 – until November 24, 2000 –
 Full-time works council member
 ■ Edelhoff Geschäftsführung AG

Heinz Hossiep

Bochum
 – until November 24, 2000 –
 Managing Director, VBW BAUEN UND WOHNEN GMBH
 ■ BBP Energy GmbH
 ■ Harpen AG
 ■ RWE Plus AG
 ■ Entwicklungsgesellschaft Ruhr Bochum GmbH (Chairman)
 ■ Wasserbeschaffung Mittlere Ruhr GmbH (Chairman)
 ■ WSG Wohnungs- und Siedlungs-GmbH

Georg Krupp

Frankfurt
 – until November 24, 2000 –
 Former Executive Vice President of Deutsche Bank AG
 ■ BHS tabletop AG
 ■ Gerling-Konzern Versicherungs-Beteiligungs-AG
 ■ IVECO Magirus AG
 ■ Rheinmetall Berlin AG
 ■ Strabag AG
 ■ WMF AG
 ■ Bizerba Beteiligungsgesellschaft mbH
 ■ IVECO N.V.
 ■ Kunz Holding GmbH & Co. KG

Lorenz Ladage

Dortmund
 – until November 24, 2000 –
 Former Mayor of the city of Dortmund

Irmgard Lawnik*

Halle
 – until November 24, 2000 –
 Engineer (Dipl.-Ing.)
 ■ Mitteldeutsche Energieversorgung AG

The information refers to the date of retirement.
 *) Employees' representative on the Supervisory Board
 ■) Member of other mandatory Supervisory Boards

■) Member of comparable German and foreign supervisory bodies of business enterprises

Franz-Josef Leikop

Brilon

– until November 24, 2000 –

Chief Administrative Officer,
Hochsauerland district

Dr. Otto Majewski

Munich

– until July 13, 2000 –

Deputy President and CEO,
E.ON Energie AG

- Bayerische Versicherungsbank AG
- Bewag Aktiengesellschaft
- Bilfinger + Berger Bauaktiengesellschaft
- CONTIGAS Deutsche Energie-AG (Chairman)
- EVO Energieversorgung Oberfranken AG (Chairman)
- Isar-Amperwerke AG (Chairman)
- OBAG AG (Chairman)
- Thüga AG
- ThyssenKrupp Materials & Services GmbH
- VEAG Vereinigte Energiewerke AG
- VEW Energie AG
- BKW FMB Energie AG
- Watt AG

Harald Pohl*

Dessau

– until November 24, 2000 –

Master craftsman, transformer substations

- Mitteldeutsche Energieversorgung AG

Dr. Wolf-Albrecht Prautzsch

Münster

– until September 30, 2000 –

Deputy President and CEO,
Westdeutsche Landesbank Girozentrale

- Gerry Weber International AG
- Howaldtswerke-Deutsche Werft AG
- Rethmann Beteiligungs AG
- RIAG Beteiligungen AG
- RWE Power AG
- TA Triumph Adler AG (Chairman)
- Viterra AG
- Westfalen AG
- Asset Immobilienbeteiligungen GmbH
- DEG Deutsche Investitions- und Entwicklungsgesellschaft mbH
- Deutsche Anlagen-Leasing GmbH
- Hamburgische Landsbank Girozentrale
- Investitionsbank des Landes Brandenburg
- Landesbank Rheinland-Pfalz Girozentrale
- Landesbank Rheinland-Pfalz International S.A.
- Landesbank Schleswig-Holstein Girozentrale
- Landesbank Schleswig-Holstein International S.A.
- SIV-Sparkassen Informatikverbund GmbH
- Sparkassen-Informatik-Services West GmbH
- WestConsult Westdeutsche Consulting GmbH
- Westdeutsche Immobilienbank
- Westfälische Provinzial-Feuersozietät, Versicherung der Sparkassen
- Westfälische Provinzial-Lebensversicherungsanstalt, Versicherung der Sparkassen

The information refers to the date of retirement.
*) Employees' representative on the Supervisory Board

■) Member of other mandatory Supervisory Boards
■) Member of comparable German and foreign supervisory bodies of business enterprises

Dr. Klaus Rauscher

Deisenhofen

- since August 2, 2000 –
- until November 24, 2000 –

Executive Vice President, Bayerische Landesbank
Girozentrale

- Bewag Aktiengesellschaft
- Deutsche Post AG
- Fränkische Überlandwerk AG
- Hamburgische Electricitäts-Werke AG
- rhenag Rheinische Energie AG
- Thüga AG
- Thyssen-Krupp Industries AG
- Überlandwerk Unterfranken AG
- Bauland GmbH
- BAWAG Bank für Arbeit und Wirtschaft AG
- Bayerische Kapitalbeteiligungsgesellschaft mbH
- Bayerische Landessiedlung GmbH
- Bayerische Landesanstalt für Aufbau-
finanzierung AdÖR
- BLB ASIA PACIFIC LTD. (Chairman)
- BLB-Equity Management GmbH
- BLB-Wachstumskapital Bayern GmbH
- Ferngas Nordbayern GmbH
- Gasbetriebe GmbH
- Rijecka Banka D.D.

Manfred Remmel

Essen

- until November 24, 2000 –

President and CEO, RWE Plus AG
Executive Vice President, RWE AG

- AXA Colonia Versicherung AG
- DEA Mineraloel AG
- Kraftwerk Altwürttemberg AG (Chairman)
- Main-Kraftwerke AG (Chairman)
- rhenag Rheinische Energie AG (Chairman)
- RWE Net AG (Chairman)
- RWE Umwelt AG (Chairman)
- TESSAG Technische Systeme & Services AG
(Chairman)
- VSE AG
- Theater- und Philharmonie GmbH
- Thyssengas GmbH

Karl-Heinz Risse*

Unna

- until November 24, 2000 –

Engineer (Dipl.-Ing.)

- RWE Trading GmbH

Karl-Heinz Römer*

Mülheim/Ruhr

- until November 24, 2000 –

District Managing Director of Supply and
Disposal Division at ÖTV Trade Union, NW II
district office

- ELEKTROMARK Kommunales Elektrizitätswerk
Mark AG
- RWE Net AG
- RWE Plus AG
- RWE Power AG

Wolfgang Schäfer

Dortmund

- until November 24, 2000 –

Director of Landschaftsverband
Westfalen-Lippe

- ELEKTROMARK Kommunales Elektrizitätswerk
Mark AG
- RWE Systems AG
- Westfälische Ferngas-AG
- Ruhr-Lippe Wohnungsgesellschaft mbH
- WestBahn GmbH
- Westdeutsche Landesbank Girozentrale
- Westfälische Provinzial-Versicherungen

The information refers to the date of retirement.
*) Employees' representative on the Supervisory Board

■) Member of other mandatory Supervisory Boards
■) Member of comparable German and foreign supervisory bodies of business enterprises

Dr. Gert Maichel

Dortmund

President and CEO, VEW AG

– until November 24, 2000 –

- Edelhoff Geschäftsführung AG (Chairman)
- Gelsenwasser AG
- Harpen AG (Chairman)
- Mitteldeutsche Energieversorgung AG (Chairman)
- RAG AG
- RWE Rheinbraun AG (Chairman)
- Westfälische Ferngas-AG (Chairman)
- RWE Trading GmbH

Dr. Burkhard Dreher

Dortmund

Executive Vice President, VEW AG

– until September 30, 2000 –

- Deutsche Steinkohle AG
- Edelhoff Geschäftsführung AG
- ELMOS Semiconductor AG
- Gelsenwasser AG
- Harpen AG
- Mitteldeutsche Energieversorgung AG

Heinz Fennekold

Dortmund

Executive Vice President, RWE Plus AG

Executive Vice President, VEW AG

– until November 24, 2000 –

- AVU Aktiengesellschaft für Versorgungsunternehmen
- Mitteldeutsche Energieversorgung AG
- Arbeiterwohlfahrt
- ASB Arbeiter-Samariter-Bund
- DASA
- Gesellschaft der Freunde der Uni Dortmund e. V.
- Hans Böckler Stiftung
- Liesel-Fennekold-Unterstützungsfonds
- Internationaler Schubert-Wettbewerb Dortmund e.V. (Chairman)

Dr. Wolfgang Kässer

Dortmund

President and CEO, RWE Net AG

Executive Vice President, VEW AG

– until November 24, 2000 –

- Gelsenwasser AG
- Harpen AG
- Lech Elektrizitätswerke AG
- Mitteldeutsche Energieversorgung AG
- RAG AG
- RAG Saarberg AG
- Westfälische Ferngas-AG
- Société Nouvelle Sidéchar

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 *) Employees' representative on the Supervisory Board

■) Member of other mandatory Supervisory Boards
 ■) Member of comparable German and foreign supervisory bodies of business enterprises



Improved result once again despite negative effects of electricity business

Slowdown in world economic growth

The global economy reached its cyclical peak in mid-2000 and showed the first signs of weakening. The slowdown was particularly apparent in the U.S., and this led in turn to a weakening of demand in the Asian economies. In Europe, too, the economic upturn lost momentum.

The German economy recorded its strongest growth since 1991. A substantial contribution to this was made by corporate investment in plant and by the external trade surplus. By contrast, construction investment was down by a large amount.

First-time consolidation of the former VEW business

A major feature of the first half is the consolidation of former VEW AG with effect retroactively from July 1, 2000, and the introduction of the new Group structure as of October 1, 2000. We included VEW's core businesses in the management companies of our new Group structure. At the same time, VEW's existing reporting under the German Accounting Standard HGB was brought into line with the International Accounting Standards (IAS) system used by RWE. For this reason, comparison of previous-year results in the Energy and Environmental Services divisions is no longer possible. We are operating Harpen AG as a financial investment. On account of its comparatively small trading volume, it is shown in this Interim Report under "Other activities."

External net sales	July – Dec. 2000 € million	July – Dec. 1999 € million	Change +/- in %	Full year 1999/2000 € million
Energy	9,141	6,933	+ 31.8	13,536
of which electricity/natural gas tax	304	225	+ 35.1	443
Petroleum and Chemicals	10,857	8,704	+ 24.7	18,008
of which mineral oil tax	2,708	2,562	+ 5.7	5,049
Environmental Services	1,058	773	+ 36.9	1,524
Industrial Services (TESSAG)	1,117	1,042	+ 7.2	2,239
Printing Systems (Heidelberg)	2,195	1,846	+ 18.9	4,602
Construction and Civil Engineering	5,020	3,539	+ 41.8	7,960
Other activities	131	23	+ 469.6	49
Total	29,519	22,860	+ 29.1	47,918
Germany	19,188	15,383	+ 24.7	30,290
International	10,331	7,477	+ 38.2	17,628

Sales: double-digit growth due to first-time consolidations and strong petroleum result

External net sales increased in the first six months by 29.1% to € 29.5 billion. Besides the VEW integration, which made a contribution of around € 2.45 billion, the most significant factor in this development was the Turner Group, which was not included in the first quarter of the previous year. By contrast, our LAUBAG participating interest was deconsolidated. This took place in the framework of compliance with the Federal Cartel Office requirements for the merger with VEW. Adjusted for the effects of consolidation, we increased sales by about 13.5%. The crucial factor in this growth was the extremely positive development of business in the Petroleum and Chemicals division. The foreign share of net sales increased slightly from 32.7% to 35%.

The first-time consolidation of the former VEW companies gave rise to a considerable expansion of business in the Energy and Environmental Services divisions.

The growth in the Petroleum and Chemicals division is due to higher product prices in the upstream and downstream operations. In the Industrial Services division (TESSAG), we achieved sales increases in most segments. In the Printing Systems division (Heidelberg), net sales were up in particular due to organic growth and currency effects. In Construction and Civil Engineering, the effects of the first-time consolidation of Turner far outweighed the continued slow development of domestic business.

Operating result*	July – Dec. 2000 € million	July – Dec. 1999 € million	Change +/- in %	Full year 1999/2000 € million
Energy	985	960	+ 2.6	1,834
Petroleum and Chemicals	466	178	+ 161.8	407
Environmental Services	77	52	+ 48.1	122
Industrial Services (TESSAG)	23	4	+ 475.0	56
Printing Systems (Heidelberg)	152	168	- 9.5	463
Construction and Civil Engineering	65	82	- 20.7	156
Other activities/ holding company/consolidation	- 94	- 48	- 95.8	- 234
Total	1,674	1,396	+ 19.9	2,804

*) Figures for the previous year have been adjusted due to a change in the method of calculation of the interest credit on prepayments received and the reclassification of goodwill amortization from capital consolidation to the non-operating result.

Operating result: negative effects of power generation business more than compensated for

The operating result was up 19.9% year-on-year to € 1,674 million. This is for the most part due to the first-time consolidation of VEW and a better than average result from the Petroleum and Chemicals division as well as our cost-cutting program. Including VEW in the figure for the previous year, we have achieved an increase of around 5%. In order to preserve the operative character of the operating result, it has been corrected for the first time for goodwill amortization of majority acquisitions. These are now part of the non-operating result.

In spite of the additional business from VEW and our comprehensive cost-reduction program, the Energy division only succeeded in improving its result by around 3%. When including VEW in the prior-year figure, the decline would be 11%. This was due to a number of important factors:

- Knock-on effects of power supply contracts with high price discounts
- Increased fuel costs, particularly for bituminous coal

- Exceptional charges arising from the implementation of laws designed to promote renewable energies (EEG) and power production by means of combined heat and cogeneration (KWK)
- Increased cost of external power procurement

The Environmental Services division benefited from the first-time consolidation of the Edelhoff companies and Edelhoff's successful productivity improvement program.

The result at TESSAG was improved in accordance with plans. The enhanced result was achieved by means of increased volumes.

The Printing Systems division did not quite succeed in offsetting the DRUPA expenses arising in the first quarter with earnings contributions from expanded business volume. Nevertheless, the final result here will be an improvement on that of the previous year. The Construction and Civil Engineering division continued to suffer from the unsatisfactory situation in the domestic construction market and was therefore down year-on-year.

Net profit: 15 % increase compared to low figure for previous year

Net profit for the half-year was € 493 million and thus increased by 15.2 % compared to what was nevertheless a very low figure for the previous year. This was in stark contrast to the substantial decline in the non-operating result. In the previous year, this essentially included high profits especially from disposals of parts of the telecommunications business. The financial result was also down in the period under review. This was a reflection in particular of interest charges and a higher interest component of long-term provisions resulting from the integration of VEW.

Progress with the cost reduction program

We have achieved our interim target for staff reduction. As at December 31, 2000, we had already implemented measures securing potential cost reductions totaling around € 500 million. These consist of savings in the Energy division and synergies resulting from the merger with VEW as well as improved efficiencies at RWE Umwelt, TESSAG and RWE-DEA. Still open is the result of the renegotiation of conditions for external power procurement.

Key data of cash flow statement

As of December 31, 2000, the net financial assets of € 5.2 billion were some € 10 billion down from the level of June 30, 2000. The decline is essentially attributable to the high capital expenditure on financial assets as a result of the acquisition of Thames Water. In addition, VEW shares were purchased and RWE shares were bought back. Net cash from operations had an increasing effect.

At € 1660 million, the cash flow was € 199 million higher than the year before. The main reason for this was the improved operating result of the Petroleum and Chemicals division. Overall, net cash from operations totalled € 801 million. Apart from the higher cash flow, this was attributable to an increase in net working capital. Securities and cash investments were sold and financial debt was raised to finance the capital expenditure.

Capital expenditure including acquisitions

	July – Dec. 2000 € million	July – Dec. 1999 € million	Change +/- in %	Full year 1999/2000 € million
Energy	1,003	702	+ 42.9	1,960
Petroleum and Chemicals	245	319	- 23.2	729
Environmental Services	182	103	+ 76.7	241
Industrial Services (TESSAG)	69	42	+ 64.3	99
Printing Systems (Heidelberg)	123	178	- 30.9	481
Construction and Civil Engineering	359	409	- 12.2	564
Other activities	6,897	666	+ 935.6	849
Total	8,878	2,419	+ 267.0	4,923
Capital expenditure on tangible assets	1,337	1,212	+ 10.3	2,827
Capital expenditure on financial assets*	7,541	1,207	+ 524.8	2,096

*) Not including investments held as fixed assets and other lendings

Employees

	12/31/2000 Number	06/30/2000 Number	Change +/- in %	
Energy	62,622	62,740	-	0.2
Petroleum and Chemicals	9,565	9,517	+	0.5
Environmental Services	15,740	10,120	+	55.5
Industrial Services (TESSAG)	15,128	16,647	-	9.1
Printing Systems (Heidelberg)	24,863	23,962	+	3.8
Construction and Civil Engineering	25,257	28,782	-	12.2
Other activities	928	364	+	154.9
Total	154,103	152,132	+	1.3
Germany	109,289	106,691	+	2.4
International	44,814	45,441	-	1.4

Capital expenditure: substantial increase due to acquisition of Thames Water

The investment volume of € 8,878 million has more than tripled due to capital expenditure on financial assets for the acquisition of Thames Water.

In the Energy division, financial investments increased due to several investment projects in the electricity and gas sector. The year-on-year increase of 10% in capital expenditure on tangible assets reflects investments in the Niederaußem power plant project and expansion of gas activities at CONSOL.

Employees: only slightly up despite integration of VEW

The size of our staff increased slightly by 1.3% to 154,103. Not taking account of the changes in the scope of consolidation, the payroll contracted by 2.5%. While 14,015 employees were added due to first-time consolidation of the former VEW companies, around 8,500 were lost due to deconsolidation of LAUBAG, Maquet and two companies in the Construction and Civil Engineering division. Due to downsizing of the workforce in the Energy, Industrial Services and Construction and Civil Engineering divisions, we reduced the number of employees by 3,612.

Further disposals of non-core businesses

The sale of two further business units has concluded our program announced in February 2000 to dispose of non-core operations to a total value of € 3 billion. An important step in this context was the disposal in December 2000 of the CONDEA chemicals operations by the Petroleum and Chemicals division. The buyer of the operations (1999/2000 sales: € 2.6 billion) is South-African-based Sasol Group.

In the same month, TESSAG sold its Maquet subsidiary to the Swedish company Getinge Industrier AB. The deconsolidation of the specialized medical systems company (1999/2000 sales: € 155 million) was carried out with retroactive effect as of November 30, 2000.

New division: Thames Water heads up the water business

Since December 1 of last year, Thames Water has been the management company for RWE's new Water division. RWE Aqua is therefore being hived off from RWE Umwelt and will be managed from London. We shall have completed the full process of integration by the end of June. First-time consolidation and thus the first report on business development in the new division will take place in the third quarter of 2000/01.

Expansion of international market share in the Water division

In December, following the takeover in November 2000 of American water utility E'town (1999 sales: € 184 million), Thames Water increased its shareholding in Chile's second-largest water utility ESSBIO (1999 sales: € 50 million) to 50.9%. December also saw the award to RWE Aqua of a contract for the construction and operation of the central sewage treatment plant for the city of Zagreb (total capital expenditure: € 180 million). This is currently the largest wastewater project in eastern Europe and the largest private sector investment project in Croatia. As a result RWE will increase the number of people served by its utilities by 3.5 million to 36 million.

RWE Plus: position with German distributors reinforced

With participating interests in three large regional utilities and municipal utilities, we have expanded our position as an upstream supplier in the German market. On December 31, 2000, RWE Plus acquired a 20% holding in the Duisburg municipal utility. In addition to this, in return for contribution of its own operations, RWE Plus joined forces with rhenag to acquire a 13.7% participating interest in the Bonn municipal utility. The most important measure was carried out in the Cologne region. Here, we are co-operating with the regional utility GEW to acquire a participating interest of at least 25% in return for assets and customers.

RWE Gas: expansion of our sales position in Europe

By means of relatively small acquisitions, we are gradually expanding our position in the attractive European gas market. With a 37.5% interest in Slovakian gas storage company Nafta (1999 sales: € 74 million) we now have at our disposal 2 billion m³ of natural gas storage capacity in eastern Europe. In January 2001, we acquired a majority interest in Netherlands-based Intergas N.V. (1999 sales: € 83 million) subject to board approval of the company. With gas sales of 5 billion kWh and 137,000 customers, Intergas is the eighth-largest gas utility in the Netherlands.

RWE establishes its position in the corporate bond market

By issuing corporate bonds, we will finance part of the Thames Water acquisition and provide ourselves with scope for additional strategic advances. Subject to the market situation, we will be issuing our bonds as of the beginning of April 2001. The total volume is € 3 billion. Afterwards we will start up a commercial paper program worth a total of € 2 billion.

RWE Trading: second-largest European power trader in only a year

Since its formation in October 1999, RWE Trading has developed very successfully. For fiscal 2000/2001, we forecast gross power trading volume with external trading partners well in excess of 200 TWh. RWE is the only trading company in Germany offering all the major fuels. In addition, we are the first among German energy traders which has applied for a banking license for derivatives business.

Outlook

Operating result for 2000/01 at least 10 % up year-on-year

Despite the negative effects of the power generation business, we are optimistic in respect of development of earnings for the year as a whole. The **operating result** will be up by at least 10 %. Decisive factors affecting this improvement are the first-time consolidation of VEW and the positive development in the Petroleum and Chemicals division. Besides this, Thames Water will make a substantial profit contribution to operating earnings, though this is not included in this forecast.

In the Energy division we will see a slight improvement over the previous year. Here we are faced with both positive and negative factors: On the one hand, we will benefit from the positive effects of the first-time consolidation of VEW and from our cost-reductions. On the other hand, we must bear the negative knock-on effects of the electricity price reductions of the previous year, higher fuel costs for power production, and charges arising from the laws designed to promote renewable energies (EEG) and cogeneration (KWK).

We anticipate a double-digit improvement in earnings from the Petroleum and Chemicals division in spite of the disposal of the chemicals operations. This comes as a result of higher margins in the downstream segment and high crude oil and gas prices in the upstream business.

The Environmental Services division should also improve by a double-digit amount. The successful efficiency improvement and the integration of Edelhoff are having a positive impact on earnings here.

As things stand at present, the Industrial Services division will finish with a result about the same as that of the previous year.

Among our financial investments, the Printing Systems division is also expected to deliver a greatly improved result thanks to its substantial sales expansion.

By contrast, given the difficult situation in the domestic market, we forecast a fall in earnings in the Construction and Civil Engineering division.

We anticipate considerable growth in **Group net sales**. This is due to the following factors:

- The first-time consolidation of VEW and Thames Water
- Price-related sales growth in the Petroleum business
- Increased prices and volumes in energy trading
- The full consolidation of Leighton Holdings in the Construction division (shareholding increased to 50.3 % in January 2001)

We have begun the **realignment of the fiscal year to correspond with the calendar year**.

As of January 1, 2001, following a short fiscal year of six months' duration, RWE AG is now in its first fiscal year aligned with the calendar year. The report on the short fiscal year will be presented at the Annual General Meeting on June 7, 2001. The RWE Group is to be realigned in the secondary stage. After this fiscal year is completed, we will have a short fiscal year from July 1, 2001, until December 31, 2001. We will then, also for the first time, report on this period according to the new Group structure introduced on October 1, 2000. The Group's first calendar-based fiscal year will then begin on January 1, 2002.

Energy

Energy		July – Dec. 2000	July – Dec. 1999	Change +/- in %		Full year 1999/2000
Sales volume						
Electricity	million kWh	117,493	81,996	+	43.3	170,571
Gas	million kWh	49,626	10,522	+	371.6	26,854
Refined-lignite products	thousand t	2,450	4,251	–	42.4	8,352
Bituminous coal	thousand sht	38,441	41,210	–	6.7	78,714
External net sales*						
	€ million	9,141	6,933	+	31.8	13,536
Electricity	€ million	5,581	4,536	+	23.0	8,750
Gas	€ million	1,363	236	+	477.5	571
District heat	€ million	114	50	+	128.0	116
Refined-lignite products	€ million	163	225	–	27.6	400
Bituminous coal	€ million	1,032	966	+	6.8	1,900
Other activities**	€ million	888	920	–	3.5	1,799
Operating result	€ million	985	960	+	2.6	1,834

*) Of which electricity and natural gas tax € 304 million (previous year: € 225 million)

**) Including run-of-mine lignite

■ Sales and operating result up 32 % and 3 % year-on-year due to integration of VEW ■ Price situation further stabilized in the German power generation market

Due to the economic upturn, **power consumption in Germany** increased by 1.6 % in the first six months. Power prices continued to stabilize. In the wholesale market, increased primary energy prices in particular led to growth. Competition for major customers continued on its trend toward normality. Prices increased for private and small business customers. However, this was due especially to additional costs arising from the Renewable Energies Act (EEG) and the law designed to promote power production by means of combined heat and power (KWK). Our **electricity sales volume** increased by 43.3 % to 117.5 TWh. Important factors here were the first-time inclusion of VEW and growth in key account business. The **gas sales volume** increased by a factor of five due to the first-time consolidation of the former WFG. **External net sales** increased by 31.8 %. This was largely due to the inclusion of the VEW business. Our successful trading operations also contributed to the strong growth.

This was assisted by the partial passing on of charges resulting from the EEG and KWK laws. Gas sales greatly improved, not only due to consolidation. The linking of the gas price to the price of oil also played a part in increasing the sales figure. Sales of bituminous coal by CONSOL again improved, this time by 6.8 %, due to the rise in the value of the dollar. The contraction of business volume in refined lignite products was due to the deconsolidation of LAUBAG. The **operating result** improved by 2.6 %. As before, we had to absorb the negative effects of supply contracts concluded in the previous year, though these effects were further reduced. In addition, higher fuel costs and non-budgeted substitute power purchases gave rise to increased costs. Besides this, we have been unable as yet to pass on the costs resulting from the EEG and KWK laws to certain customers. Rheinbraun was able to partly compensate for the deconsolidation of LAUBAG by means of an improved result at CONSOL.

Petroleum and Chemicals

Petroleum and Chemicals		July – Dec. 2000	July – Dec. 1999	Change +/- in %		Full year 1999/2000
Sales volume and production						
Petroleum production	thousand t	1,946	1,790	+	8.7	3,593
Natural gas production	million m³	924	1,065	–	13.2	2,103
Petroleum product sales	thousand t	10,692	10,825	–	1.2	20,757
Petrochemicals sales	thousand t	1,354	1,222	+	10.8	2,554
Chemical Sales	thousand t	1,971	2,188	–	9.9	4,212
External net sales						
	€ million	10,857	8,704	+	24.7	18,008
Upstream	€ million	421	291	+	44.7	636
Downstream	€ million	9,032	7,156	+	26.2	14,801
of which mineral oil tax	€ million	2,708	2,562	+	5.7	5,049
Chemicals	€ million	1,402	1,255	+	11.7	2,566
Other activities	€ million	2	2		0.0	5
Operating result	€ million	466	178	+	161.8	407

■ Operating result more than doubled – net sales up 25 % year-on-year

■ CONDEA chemicals business successfully disposed of

Following a price peak of \$37.80/barrel in September 2000, prices on the **international oil market** fell as low as \$21.80/barrel at the end of December. This was due to global overproduction of oil since the last OPEC production increases. The announcement by OPEC that it intends to cut back production has given rise to somewhat more stable prices since the beginning of the year.

Our **petroleum production** increased by 8.7%. **Gas production** fell by 13.2% to 924 million m³. This was due to an exceptional sale during the the year before.

Petroleum sales volume fell by 1.2%. Nevertheless, sales volume achieved by our DEA service stations improved by more than the market as a whole. The **petrochemicals sales volume** was up by 10.8%.

Refinery capacity utilization fell slightly overall. The reason for this was a scheduled production break at the Wesseling refinery. The **chemicals sales volume** fell by 9.9%. This fall was caused for the most part by the PVC activities of CONDEA Vista, which con-

tinued to be consolidated up until November 1999.

RWE-DEA succeeded in achieving substantial growth in external net sales. This figure rose by 24.7 % year-on-year, predominantly due to higher product prices. At € 466 million, the **operating result** was more than double the figure for the previous year. Both in the downstream operations (refineries and service stations) and in the upstream business (oil and gas production), our improvement was better than average. The growth in the downstream business was due to a considerable improvement in margins in petroleum processing. There was also a greatly improved result in petrochemicals. Earnings of service stations, on the other hand, were down year-on-year due to lower margins. The upstream result improved for the most part due to improved crude oil prices. The result from the CONDEA chemicals business, which we sold as planned at the end of 2000, was down compared to the previous year. Here, we were unable to pass on to our customers the full extent of the increased cost of our feedstocks.

Environmental Services

	July – Dec. 2000 € million	July – Dec. 1999 € million	Change +/- in %	Full year 1999/2000 € million
External net sales	1,058	773	+ 36.9	1,524
Waste Disposal and Recycling				
Germany	984	598	+ 64.5	1,219
Waste Disposal and Recycling				
International	47	38	+ 23.7	75
Water/Wastewater	14	20	- 30.0	41
Environmental Consulting	13	117	- 88.9	189
Operating result	77	52	+ 48.1	122

■ **Operating result and net sales up 48 % and 37 % respectively year-on-year, for the most part due to the integration of VEW**

■ **RWE Aqua integrated into the newly-created Water division as of December 1, 2000**

Growth in the **German waste management sector** fell to around 1 % in spite of anticipated sales growth in certain segments of the secondary raw materials market (waste plastic, waste wood, electrical scrap). This is due in particular to the downward price trend for waste wood resulting from the weakening of demand in South-East Asia.

External net sales were up 36.9 %. This was largely due to the inclusion for the first time of former VEW subsidiary Edelhoff. If the VEW activities had been included in the figures for the previous year, the decline would have been 5.8 %. It has to be taken into consideration in this context that we sold our environmental consulting activities. To a limited extent, increased prices of secondary raw materials

and higher volumes at waste incineration plants and landfills contributed to the increase in sales. The fall in net sales in the Water subdivision is due to the deconsolidation of the Ambiente group. Effective as of December 1, 2000, we have transferred entire RWE Aqua in operational terms to the newly-created Water division managed by Thames Water.

The 48.1 % improvement in the **operating result**, too, is above all due to the first-time consolidation of Edelhoff. In addition, the far-reaching restructuring of the division also contributed to the improved result.

Industrial Services (TESSAG)*

	July – Dec. 2000 € million	July – Dec. 1999 € million	Change +/- in %	Full year 1999/2000 € million
Order inflow	1,099	995	+ 10.5	2,207
Orders on hand (09/30)	1,547	1,589	- 2.6	1,589
External net sales	1,117	1,042	+ 7.2	2,239
Operating result	23	4	+ 475.0	56

*Until 06/30/2000 operated as a subdivision of the former Industrial Systems division

- **Operating result up year-on-year as anticipated due to increased sales and efficiency**
- **Continued weak demand at energy utilities compensated for by intensified foreign and industrial-sector business**

The situation in important **markets** of TESSAG continued to be dominated by the reticence to invest of domestic energy utilities. This was exacerbated by the continuing weakness of the construction market. By contrast, development in the power generating plant and networks sectors was positive.

The TESSAG group companies increased **order inflow** by 10.5 %. Adjusted for first-time consolidation and deconsolidation effects, there was growth of 13.2 %. Through expansion of activities in the industrial sector and abroad we succeeded in more than compensating for declining domestic business with energy utilities.

Net sales were up 7.2 % on the previous year. This increase was largely due to the billing of major projects in the networks segment and continued strong demand in the power supply operations.

We were able to increase the **operating result** in line with plan, and growth in volumes brought about improvements. In addition, TESSAG succeeded in improving total operating performance and at the same time in reducing staff costs by more than 10 %.

Printing Systems

(Heidelberger Druckmaschinen AG)*

	July – Dec. 2000 € million	July – Dec. 1999 € million	Change +/- in %	Full year 1999/2000 € million
Order inflow	3,073	2,040	+ 50.6	4,694
Orders on hand (09/30)	2,263	1,232	+ 83.7	1,346
External net sales	2,195	1,846	+ 18.9	4,602
Operating result	152	168	- 9.5	463

*Until 06/30/2000 operated as a subdivision of the former Industrial Systems division

■ Operating result down 10 % year-on-year due to costs of DRUPA and digital printing

■ Net sales up 19 % primarily due to good sheetfed printing business

In spite of the global economic downturn, the **printing press sector** reported a pleasing level of demand.

The Heidelberg group increased its **order inflow** by 50.6%. The main reason for this was the extremely successful printing trade fair DRUPA 2000, which alone resulted in contracts worth € 1.5 billion. The Sheetfed and Finishing subdivisions also achieved considerable growth, in particular in Asia and North America.

Net sales increased in the first half of 2001 by 18.9%. The Sheetfed and Digital subdivisions made substantial progress. The Web subdivision managed to exceed the sales figure for the previous year, but was still below plan for the half-year.

The **operating result** for the Heidelberg group fell 9.5% short of the previous year's figure. This was primarily due to expenditure on DRUPA and the integration of the Kodak digital printing operations. Prospects for the full year remain very bright.

Construction and Civil Engineering

	July – Dec. 2000 € million	July – Dec. 1999 € million	Change +/- in %	Full year 1999/2000 € million
Order inflow	6,647	4,143	+ 60.4	11,792
Germany	1,166	1,257	- 7.2	2,861
International	5,481	2,886	+ 89.9	8,931
Orders on hand (12/31)	11,858	10,682	+ 11.0	12,188
Germany	2,448	2,696	- 9.2	2,822
International	9,410	7,986	+ 17.8	9,366
Output	6,936	4,807	+ 44.3	10,987
Germany	1,499	1,968	- 23.8	3,482
International	5,437	2,839	+ 91.5	7,505
External net sales	5,020	3,539	+ 41.8	7,960
Germany	1,330	1,802	- 26.2	2,873
International	3,690	1,737	+ 112.4	5,087
Operating result	65	82	- 20.7	156

■ Operating result down 21 % year-on-year due to difficult domestic business

■ External net sales up 42 % due to first-time consolidation of Turner

The situation in the **international construction market** remained mixed. The markets in North and South America and in the Asia-Pacific region continued to show growth potential, albeit to varied degrees. In eastern Europe prospects improved, while in central and western Europe there were only limited opportunities for realization of major projects. The German construction market was characterized by continued softening of demand and falling prices.

Order inflow at Hochtief was up 60.4%. This growth was entirely due to our international activities. In particular the first-time consolidation of U.S.-based construction company Turner meant that order inflow in foreign business almost doubled. Orders received in the domestic business were down 7.2%.

External net sales were up 41.8%. While foreign sales more than doubled due to the inclusion of Turner, net sales achieved by our German operations were down 26.2%.

The **operating result** was down 20.7% in spite of the positive effect of the integration of Turner. This was due to operational deterioration in the domestic market. This was for the most part related to an extremely large number of slow-moving negotiations on contract supplements. With the disposal of the companies in the transport infrastructure construction group, we have divested the difficult road construction business and have thus improved the profitability of our domestic investment portfolio.

Consolidated income statement

	Oct. – Dec. 2000 € million	Oct. – Dec. 1999 € million	July – Dec. 2000 € million	July – Dec. 1999 € million
Net sales	15,740	12,759	29,519	22,860
Mineral oil/natural gas/electricity tax	- 1,544	- 1,445	- 3,012	- 2,787
Net sales (excl. mineral oil/natural gas/ electricity tax)	14,196	11,314	26,507	20,073
Change in stocks and work in progress/other own work capitalized	50	5	280	179
Cost of materials/payroll costs/depreciation/amortization	- 12,513	- 9,688	- 23,754	- 17,315
Other operating income	- 899	- 858	- 1,625	- 1,449
Profit on operating activities	834	773	1,408	1,488
Result from investments	147	- 13	286	97
Financial result	- 397	- 270	- 724	- 534
Profit before tax	584	490	970	1,051
Tax on income	- 223	- 222	- 283	- 460
Profit after tax	361	268	687	591
Minority interests	- 128	- 104	- 194	- 163
Net profit	233	164	493	428
Earnings per share* (€)	0.41	0.30	0.87	0.78

*) The diluted and the undiluted earnings per share match.

Consolidated balance sheet

	At 12/31/2000 € million	At 06/30/2000 € million
Assets		
Fixed assets		
Intangible assets	3,777	1,421
Tangible assets	20,850	17,344
Financial assets	24,094	15,728
	48,721	34,493
Current assets		
Inventories	3,750	3,282
Accounts receivable and other assets	12,835	9,959
Securities	3,603	7,339
Cash and cash equivalents	1,804	2,812
	21,992	23,392
Deferred taxes	7,559	6,881
Prepays expenses	244	223
Total ASSETS	78,516	64,989

	At 12/31/2000 € million	At 06/30/2000 € million
Shareholders' Equity and Liabilities		
Equity	7,238	6,366
Minority interests	2,992	3,191
Equity and minority interests	10,230	9,557
Provisions	38,912	35,082
Liabilities	23,658	15,479
Deferred tax	3,261	2,958
Deferred income	2,455	1,913
Total SHAREHOLDERS' EQUITY AND LIABILITIES	78,516	64,989

Consolidated cash flow statement

	July – Dec. 2000 € million	July – Dec. 1999 € million
Cash flow	1,660	1,461
Change in net working capital/other items	– 859	– 1,038
Change in net cash from operating activities	801	423
Capital expenditure on tangible and financial assets	– 8,878	– 2,419
Proceeds from disposals of tangible and financial assets	545	944
Change in securities and cash investments	3,663	– 65
Change in net cash from investing activities	– 4,670	– 1,540
Change in net cash from financing activities	2,749	– 589
Other items	112	261
Change in cash and cash equivalents	– 1,008	– 1,445
Cash and cash equivalents at beginning of year	2,812	2,980
Cash and cash equivalents at end of reporting period	1,804	1,535
Change in financial assets	– 3,059	– 1,330
Financial assets at beginning of year	18,162	16,135
Financial assets at end of reporting period	15,103	14,805
Net financial assets at beginning of year	15,097	13,336
Net financial assets at end of reporting period	5,160	11,902

Change in Equity and Minority Interests

	Group interests € million	Minority interests € million	Total € million
At 07/01/2000	6,366	3,191	9,557
RWE/VEW merger	1,058	456	1,514
Dividend payments	- 523	- 167	- 690
Currency adjustments/other items	- 156	- 682	- 838
Profit after tax	493	194	687
At 12/31/2000	7,238	2,992	10,230

Notes

Reporting Like all previous interim reports, the present Interim Report has been prepared in compliance with the Rules for Interim Reports (IAS 34). In the framework of the realignment of the financial statements from the current non-calendar fiscal year (July 1 to June 30 of the subsequent year) to the calendar year, RWE AG is already changing over to the calendar year in an initial stage starting on

January 1, 2001. For this purpose, the period from July 1 to December 31, 2000, is being counted as a short fiscal year. As far as the consolidated financial statements are concerned, due to the time-consuming task of changing over throughout the entire scope of consolidation, we shall only change to the calendar year after a short fiscal year from July 1 to December 31, 2001.

Accounting methods The Interim Report of December 31, 2000, has been prepared in compliance with the International Accounting Standards (IAS) of the International Accounting Standards Committee (IASC). The interpretations of the Standing Interpretations Committee (SIC) have been observed. All figures for the previous period have been deter-

mined according to the same standards. The consolidation principles and the accounting methods have not changed compared with June 30, 2000. For further information we refer to the Consolidated Financial Statements of June 30, 2000, which form the basis for the present Interim Financial Statements.

Consolidated group Included in the consolidated financial statements, apart from RWE AG, are all domestic and foreign companies in which RWE AG directly or indirectly holds the majority of voting rights.

The merger of RWE AG (old) and VEW AG took place after approval of the shareholders' meetings with commercial effect as of July 1, 2000, through contribution of both companies to RWE AG (new); it became legally effective as of November 24, 2000. VEW is consolidated for the first time in the present quarterly financial statements.

A significant factor in the present Interim Report of December 31, 2000, is the inclusion of VEW and the restructuring of Group operations (in particular the Energy and Environmental Services divisions). The changeover for VEW of accounting methods

from those prescribed by the German Commercial Code (HGB) to IAS connected with the consolidation and the restructuring of VEW and RWE companies render any comparison with the previous year impossible. The in some cases substantial changes in the structure of the financial statements and in the key data in the Energy and Environmental Services divisions are primarily due to the first-time consolidation of the former companies VEW Energie, WFG, Edelhoff and MEAG.

The first-time inclusion of the VEW group gave rise to goodwill of € 2.3 billion and additional equity capital of € 1.0 billion.

Thames Water plc. acquired in a public tender offer of November 9, 2000, will be consolidated for the first time in the 3rd quarter.

The consolidated group is as follows:

	12/31/2000	06/30/2000
Number of fully consolidated companies	639	518
Number of shareholdings recognized using the equity method	235	197

In the framework of the Cartel Office requirements in respect of approval of the merger of RWE and VEW, disposal of the participating interests in East German utility VEAG and in LAUBAG has been initi-

ated. Management of these companies has been placed in the hands of a trustee; they have therefore been deconsolidated as of July 1, 2000.

Notes

Equity capital In the course of the contribution of RWE AG (old) and VEW AG to RWE AG (new) and the resulting share swap, the composition of the equity capital has changed. The total capital stock of RWE AG (new) amounts to € 1,459,200,000 and the value of the capital reserve is € 1,268,883,761.68. No capital increase was required for the purpose of executing the merger.

The total capital stock of RWE AG (new) in the amount of € 1,459,200,000 is structured as follows:

Common shares: 528,656,535 non-par common shares (type A) made out to bearer with 528,656,535 votes (92.7% of subscribed capital). 2,343,465 non-par common shares (type B) made out to bearer with additional dividend right (0.4% of subscribed capital).

Preference shares: 39,000,000 non-voting non-par preference shares made out to bearer (6.9% of subscribed capital).

Stock option plans Under the stock option plan for executive employees, the Executive Board has been authorized to issue non-transferable subscription rights until March 8, 2004, for up to 20,000,000 common shares to members of the Executive Board

and to other executive employees of RWE AG and subordinate associated companies. The subscription rights have a term of five years as from their respective date of issue and may only be exercised after expiry of a three-year waiting period.

To date, the following subscription rights have been issued:

	Originally issued	At 06/30/2000 RWE AG (old)	Expired between 07/01/2000 and 12/31/2000	At 12/31/2000 RWE AG (new)
1999 tranche	1,935,800	1,744,000	– 19,700	1,724,300
2000 tranche	4,336,500	4,192,500	– 147,300	4,045,200
	6,272,300	5,936,500	– 167,000	5,769,500

The subscription rights may only be exercised if the stock exchange price of the common shares (calculated on the basis of the total return approach) has increased on average by at least 6% annually up until the point at which the subscription rights are exercised (absolute performance), and, over the same period, have remained not more than 10 percentage points behind the Dow Jones STOXX share index (relative performance). The respective exercise periods of four weeks begin on the 21st day of trading on the stock exchange following the announcement of the provisional sales and profit figures of the past fiscal year and following the announcement of the half-year results.

The subscription rights may only be exercised against payment of the exercise price. The exercise

price corresponds to the stock exchange price of the common shares on the first day of trading on the stock exchange following expiry of the relevant exercise period, less a discount made up of the absolute and relative performance components. The discount is limited to 40 percentage points. The conditions for the exercise of the rights stipulate that the subscription rights may be redeemed with previously issued common shares instead of new shares from the authorized but unissued capital or that, instead of common shares, the discount can be paid in cash.

Under a stock option plan launched simultaneously for employees, for each purchased employee share entitled staff were granted up to three non-transferable subscription rights each for one common share of RWE AG.

Notes

To date, the following subscription rights have been issued:

	Originally issued	At 06/30/2000 RWE AG (old)	Expired between 07/01/2000 and 12/31/2000	At 12/31/2000 RWE AG (new)
1999 tranche	1,445,040	1,389,801	– 86,345	1,303,456
2000 tranche	1,476,366	1,465,836	– 57,583	1,408,253
	2,921,406	2,855,637	– 143,928	2,711,709

The subscription rights may be exercised if the stock exchange price of the common shares has risen to at least 110 % of the fixed base price. The employees may then either purchase previously

issued common shares at a reduced price or have the price advantage paid out. The financial benefit is limited to 20 % of the base price.

Own shares During the fiscal year, 20 common shares were purchased at a price of € 44.75. Employees of RWE AG received these on the occasion of employment anniversaries at an average price of € 24.30. The respective differential amounts in respect of the purchase price were accounted for by RWE AG as affecting net income. They account for a capital stock portion of € 51.2 (less than 0.01 % of the subscribed capital).

In the course of the merger on November 24, 2000, of RWE AG (alt) and VEW AG to form RWE AG (new), the wholly-owned subsidiary RWE Power AG received 7,595,000 common shares in RWE AG (new) for its participating interest in VEW AG. These shares do not entitle the holder to receive dividends, as RWE AG owns 100 % of the shares in RWE Power. They account for a capital stock portion of € 19,443,200 (1.33 % of subscribed capital).

Earnings per share

Earnings per share are calculated as follows:

		2 nd quarter 2000/2001	2 nd quarter 1999/2000	1 st half 2000/2001	1 st half 1999/2000
Net profit	€ million	233	164	493	428
Number of shares outstanding (weighted average)	thousand	562,582	552,863	566,878	551,532
Earnings per share	€	0.41	0.30	0.87	0.78

Notes

Contingent liabilities The contingent liabilities relate primarily to liabilities from guarantees; compared with June 30, 2000, they have increased in

value by € 377 million, primarily due to the first-time consolidation of VEW.

Derivation of operating result

		Oct. – Dec. 2000	Oct. – Dec. 1999	July – Dec. 2000	July – Dec. 1999
Profit on operating activities	€ million	834	773	1,408	1,488
+ Result from investments		147	– 13	286	97
– Non-operating result		– 30	– 34	41	215
+ interest credit on prepayments received		8	15	21	26
Operating result		1,019	809	1,674	1,396

The derivation concerns the following items:

- The result from investments includes all costs and income which have arisen in connection with the operating investments. The result from investments thus constitutes an integral part of the Group's operating activity.
- Income and costs which are unusual from an economic point of view or are the result of exceptional events prejudice the assessment of operating activities. They are reclassified to the non-operating result, which is a separate part of the return on capital concept. In accordance with international practices, amortization of goodwill resulting from the capital consolidation is reported for the first time here, for the reporting period and the equivalent period for the previous year. Due to the first-time amortization of VEW's goodwill, this is well in excess of the figure for the previous year. The non-operating result for the reporting period contains a lower

figure for proceeds from disposals. In the previous year, the income from the sale of TeleColumbus was collected. In the year under review, provisions no longer required in the Telecommunications division were also written back. Profit from Telecommunications, which had previously been reported as operating income and which consisted for the most part of interest income from VRT, was transferred to the non-operating result in order to make the operating result more meaningful.

- Prepayments received which are made for long-term production contracts in the Construction and Civil Engineering division are not to be assigned to financing activities from a commercial perspective, but are induced by operations. The operating result of this division is therefore corrected by an interest credit on prepayments received. The figure for the previous year has been adjusted due to a change in the method of calculation.

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Financial Calendar

■ Interim report on the first three quarters of fiscal 2000/01	05/29/2001
■ General Meeting	06/07/2001
■ Provisional report on fiscal 2000/01 of the RWE Group	07/03/2001
■ Financial press conference of the RWE Group 2000/01 Analyst conference (Essen) Publication of Annual Report of the 2000/01 fiscal year of the RWE Group	09/26/2001
■ Interim report on the first three months of the 2001 fiscal year of the Group (July 1/September 30, 2001)	11/22/2001



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