

# Report on the first three quarters of 2000/2001

July 2000 to March 2001



- Operating result 34 % up on previous year due to first-time consolidations and record petroleum profits
- Thames Water already making high profit contribution as it is included in the financial statements for the first time
- Cost offensive in the Energy division proceeds according to plan
- Joint venture with Shell in the filling station and refinery business



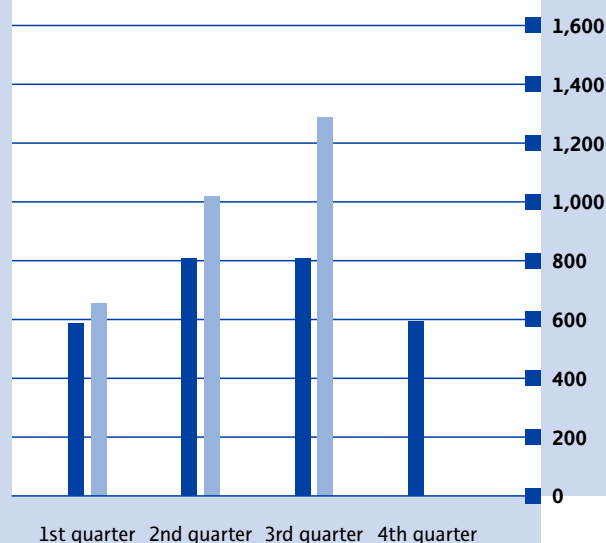
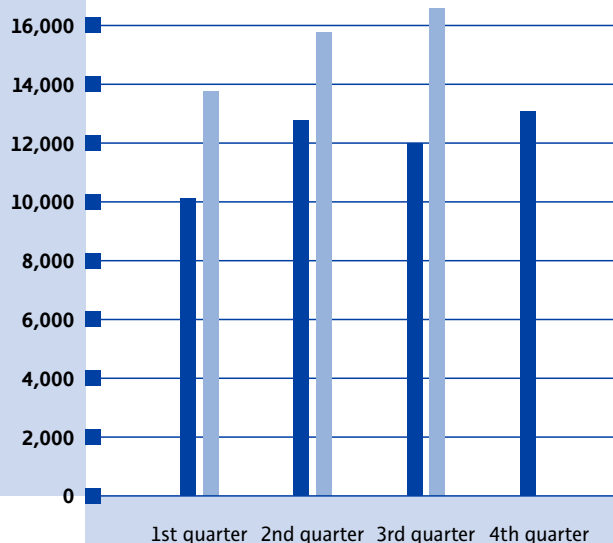
**RWE Group  
in figures**

	July 2000 – March 2001 € million	July 1999 – March 2000 € million	Change +/- in %	Full year 1999/2000 € million
Consolidated external net sales	<b>46,112</b>	<b>34,845</b>	+ 32.3	<b>47,918</b>
EBITDA*)	<b>4,594</b>	<b>3,687</b>	+ 24.6	<b>4,708</b>
Operating result*)	<b>2,961</b>	<b>2,205</b>	+ 34.3	<b>2,804</b>
Net profit	<b>1,096</b>	<b>1,088</b>	+ 0.7	<b>1,212</b>
Earnings per share				
without goodwill amortization (€)	<b>2.40</b>	<b>2.21</b>	+ 8.6	<b>2.62</b>
incl. goodwill amortization (€)	<b>1.94</b>	<b>1.99</b>	- 2.5	<b>2.24</b>
Cash flow	<b>2,704</b>	<b>2,004</b>	+ 34.9	<b>3,354</b>
Capital expenditure	<b>13,242</b>	<b>3,522</b>	+ 276.0	<b>4,923</b>
	03/31/2001	06/30/2000	+/- in %	
Employees	<b>172,146</b>	<b>152,132</b>	+ 13.2	

\*) 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

**Consolidated external net sales (€ million)**

**Operating result (€ million)**



■ 1999/2000    ■ 2000/2001

## Further substantial progress on the road to becoming a focused Multi-Utility Group.

### Dear Shareholders,

This Interim Report demonstrates to you once again that we are consistently and urgently pursuing our strategy of concentration on our core business. Following our merger with VEW, we are able to report two further important steps on the road to becoming a focused Multi-Utility Group:

■ The RWE water business is a new division which has already taken on clear shape. Thames Water has been consolidated for the first time in the present financial statements. The integration process has been concluded. On December 1, 2000, Thames Water took over the leadership of the new division. Thus the water business is now firmly established as the fourth cornerstone of our core business. And the attractive key data highlight the key role to be played by the division in future.

■ Focus on value is also the central feature of the planned joint venture of RWE-DEA with Shell in the refinery and gas station business. Thus we are creating clearly-defined and, above all, competitive future prospects for this part of our business. It does not belong to RWE's core business areas. Through cooperation with Shell, the world No. 2, we will make a decisive improvement to our position in a market characterized by extreme volatility and high cost pressure. As early as fiscal 2003, the synergies will exceed the one-off costs. In addition to this, we have an option to sell our 50 % share to Shell effective January 1, 2004, tax-free at a price that has already been fixed. If the option is not exercised in 2004, Shell will be able to acquire the majority by purchasing an additional percentage point. The merger is subject to the approval of the cartel authorities.

■ Thanks to the inclusion of VEW and Thames Water, the key data in the nine-month financial statements are greatly improved. However, even after adjustment for these two first-time consolidations, we still succeeded in improving the operating result by 4 %. This was above all due to the above-average earnings figure from the Petroleum and Chemicals division combined with the ongoing cost offensive. Besides this, as expected we experienced a boost from the reduction in the tail effect of power supply contracts with price discounts concluded in the early stages of liberalization of the electricity market: The price-related fall in sales in the third quarter was only around € 100 million compared to € 300 million in the second quarter. By contrast, there were negative effects due to the implementation of the laws designed to promote renewable energies and combined heat and power and due to increased fuel costs.

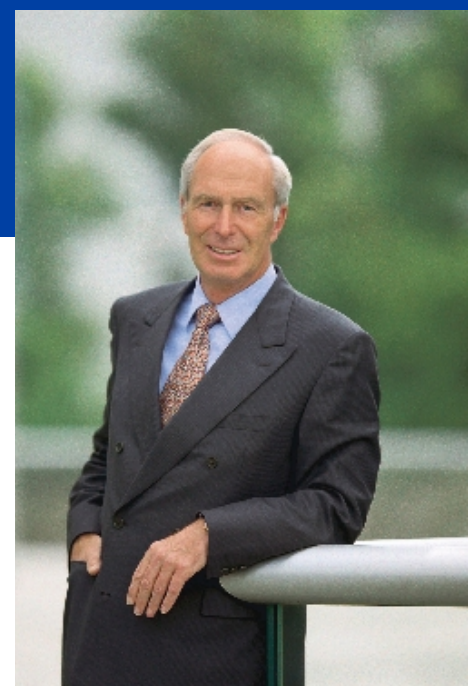
■ We are confident regarding the 2000/01 year as a whole. Overall, we are benefiting greatly from the far-reaching effects of first-time consolidation and record profits in the Petroleum division. In the Energy division, we are managing with increasing effectiveness to absorb the negative factors referred to – by means of cost discipline throughout all the management companies as well as a profit-oriented pricing policy. In addition to this, prices in the German electricity market have stabilized.

Essen, May 2001



Dr. Dietmar Kuhnt

President and Chief Executive Officer

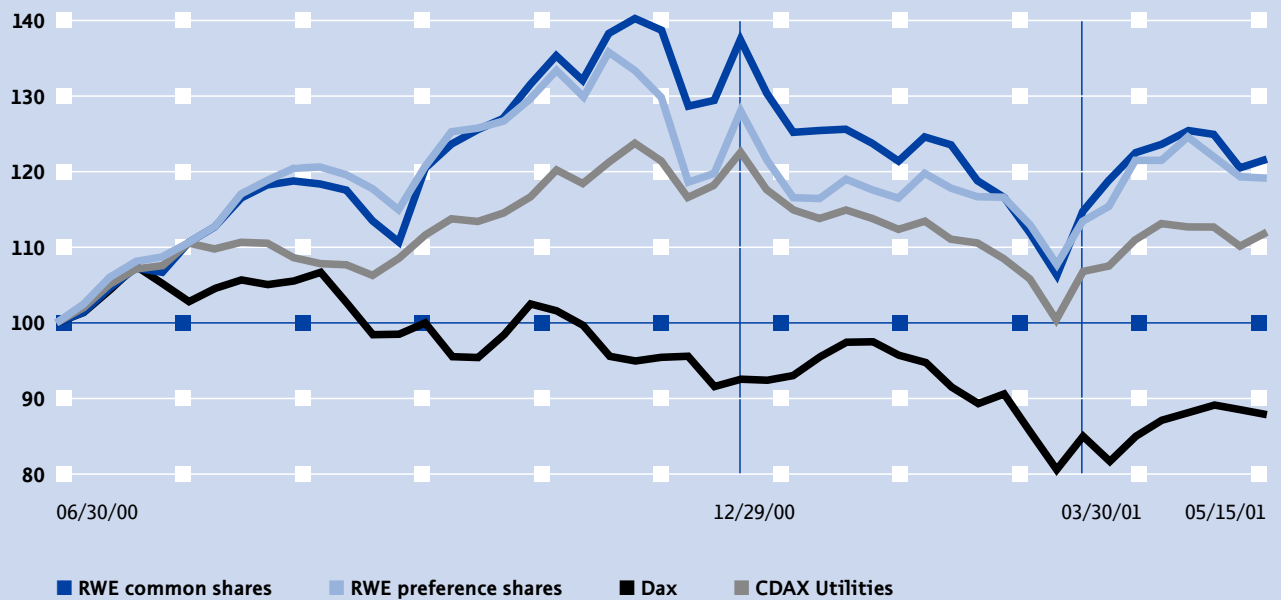


## Performance of both share classes remains ahead of DAX

The first three quarters of the RWE Group fiscal year featured substantial share price losses on the German stock market. Between June 30, 2000, and March 30, 2001, the DAX fell by 15.5 % to 5,830 points. After the “year-end rally” anticipated by numerous analysts for December 2000 failed to materialize, the weakness of the DAX continued from January to March. During this period, the Index fell 9.4 %. On March 22, it reached its previous low for the year of 5,388 points. In a subsequent recovery

these were partly the result of portfolio restructuring away from the technology sector in favor of defensive stocks (pharmaceuticals, mechanical engineering, utilities). From January to March 2001, by contrast, development of the RWE share price was largely in line with the market as a whole. The common share lost 14.9 % of its value in the third quarter, the preference share 9 %. Following the performance of the DAX, in the second half of March the RWE share price fell to its lowest point

RWE shares compared to DAX and CDAX Utilities



phase which lasted beyond the end of the period under review, the DAX – due among other things to interest rate reductions in the U.S. – again passed the 6,000 mark.

Between June 30, 2000, and March 30, 2001, the RWE common share increased in value – against the market trend – by 14.6 % to € 40.70. The value of the preference share increased by 12.5 % to € 31.50. This was mainly due to large price rises in the first half of the fiscal year;

for the year. By the middle of May, however, the common share had risen again by 16.6 %, and the preference share by 10.5 %. Thus the performance of RWE stock recently has been better than that of the DAX. This development was assisted, among other things, by the announcement of the joint venture with Shell Deutschland in the refinery and filling station business.

## International water business already a solid pillar in RWE's Multi-Utility portfolio

### Global economy with less momentum

Growth of the global economy has slowed down considerably. This was triggered by the cooling of the U.S. economy. Thanks to robust domestic demand, however, the economic situation in western Europe remained stable. In contrast to other EU countries, the growth trend in Germany has weakened noticeably. This was above all due to falling investment in construction and the slowdown in export growth. Nevertheless, private consumption increased. The eastern European markets were strong. In the newly industrializing countries of the Far East, there were clear signs of falling foreign demand, while the key markets of Latin America remained stable.

### New Water division: Thames Water included in the consolidated financial statements for the first time

A major feature of the RWE Group report on the first

three quarters of 2000/01 is the first-time inclusion of Thames Water. Since December 1, 2000, the new Group company has been the management company of the newly-created Water division. It was included in the Group financial statements with effect from November 9, 2000.

### Further effects of consolidation

Leighton Holdings Ltd., which was previously only an affiliated company, is now a fully-consolidated company as part of the Construction and Civil Engineering division with effect from January 1, 2001. In addition, the Turner Group was still not fully consolidated in the equivalent period of the previous year. With effect from February 28, 2001, the chemicals activities of the Petroleum and Chemicals division have been removed from the scope of consolidation following approval by the cartel authorities at the end of February of their disposal to Sasol.

	July 2000 – March 2001	July 1999 – March 2000	Change +/- in %	Full year 1999/2000
<b>RWE Group</b>	€ million	€ million		€ million
<b>External net sales</b>				
Energy	15,026	10,367	+ 44.9	13,536
of which electricity/ natural gas tax	494	340	+ 45.3	443
Water	1,030	*)	*)	*)
Environmental Services	1,527	1,161	+ 31.5	1,524
Industrial Services	1,595	1,587	+ 0.5	2,239
Petroleum and Chemicals	15,476	13,101	+ 18.1	18,008
of which mineral oil tax	4,020	3,761	+ 6.9	5,049
Printing Systems	3,546	3,076	+ 15.3	4,602
Construction and Civil Engineering	7,703	5,518	+ 39.6	7,960
Other activities	209	35	+ 497.1	49
<b>Total</b>	<b>46,112</b>	<b>34,845</b>	<b>+ 32.3</b>	<b>47,918</b>
Germany	29,170	22,904	+ 27.4	30,290
International	16,942	11,941	+ 41.9	17,628

\*) The water division has existed since November 2000.

**Sales: Strong increase due to first-time consolidations and successful petroleum business**

At € 46.1 billion, Group sales were 32.3 % above the figure for the previous year. This was primarily due, apart from the merger with VEW (€ 3.8 billion), to the effects of consolidation already referred to: Turner (€ 1.5 billion), Thames Water (€ 1 billion) and Leighton Holdings (€ 0.6 billion). Adjusted for all major effects of consolidation, we succeeded in increasing Group sales by 13 %.

The most important factor here was the Petroleum and Chemicals division, the sales of which developed very positively due to prices. In the Energy division, increased trading volumes and higher gas prices contributed to the growth in overall volume. The Industrial Services division (TESSAG) succeeded in maintaining its volume of business at the same level as the previous year despite deconsolidations. In the Printing Systems division (Heidelberger Druckmaschinen), we achieved double-digit growth, both organic and due to foreign exchange effects. In the Construction and Civil Engineering division, the successful business development of Turner

was reflected in particular. Thanks to this, we were more than able to compensate for the fall in sales in the domestic business of Hochtief AG. The foreign component of sales increased from 34.3 % to 36.7 %.

**Operating result: Double-digit improvement due to first-time consolidations and high profit contribution from the petroleum business**

The operating result increased 34.3 % year-on-year to € 2,961 million. The main factors in the strong increase were VEW and Thames Water and the record profits from the Petroleum and Chemicals division. Adjusted for the effects of consolidation of VEW and Thames Water, Group earnings were up by around 4 % compared to the previous year.

The Petroleum and Chemicals division succeeded in more than doubling its result thanks to higher refinery margins combined with increased crude oil prices.

The Energy division improved by around 4 %. With the inclusion of VEW in the year-earlier figure, there would

<b>RWE Group Operating result</b>	July 2000 – March 2001 € million	July 1999 – March 2000 € million*)	Change +/- in %	Full year 1999/2000 € million
Energy	1,609	1,544	+ 4.2	1,834
Water	358	**)	**)	**)
Environmental Services	102	78	+ 30.8	122
Industrial Services	28	17	+ 64.7	56
Petroleum and Chemicals	646	262	+ 146.6	407
Printing Systems	300	307	- 2.3	463
Construction and Civil Engineering	121	139	- 12.9	156
Other activities/ holding company/consolidation	- 203	- 142	- 43.0	- 234
<b>Operating result</b>	<b>2,961</b>	<b>2,205</b>	<b>+ 34.3</b>	<b>2,804</b>
Non-operating result	117	765	- 84.7	282
Financial result	- 1,180	- 931	- 26.7	- 935
<b>Profit before tax</b>	<b>1,898</b>	<b>2,039</b>	<b>- 6.9</b>	<b>2,151</b>
<b>Net profit</b>	<b>1,096</b>	<b>1,088</b>	<b>+ 0.7</b>	<b>1,212</b>

\*) 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.

\*\*) The water division has existed since November 2000.

have been a fall of 9 %. In the first half, the result after adjustment for VEW was 11 % down year-on-year. Extensive cost reductions were offset by three important negative factors:

- Tail effects from last year's electricity price reductions, which were nevertheless much lower, at around € 100 million, than in the last two quarters (1st quarter: € 400 million, 2nd quarter € 300 million)
- Costs of the implementation of the laws designed to promote renewable energies (Renewable Energies Act) and power production by means of combined heat and power (CHP)
- Increased fuel costs for power production.

The operating result in the Environmental Services division increased by around 31 %, which was for the most part due to the inclusion of VEW subsidiary Edelhoff. The Industrial Services division (TESSAG) succeeded in improving its result substantially in spite of a fall in earnings in individual business segments, though this was based on a low earnings figure in the previous year. The Printing Systems division (Heidelberg Druckmaschinen) was approximately 2 % down year-on-year. The most important reason for this was expenditure on the DRUPA 2000 print fair incurred in the first quarter of the fiscal year. We shall nevertheless achieve a result here for the year as a whole, better than that in the previous year. In the Construction and Civil Engineering division earnings fell of around 13 % due to the extremely unfavorable market situation in Germany.

**Net profit: Only slightly improved, due to the above-average comparative figure of the previous year**

At € 1,096 million, net profit was 0.7 % above the level of the previous year. This was due to both positive and negative developments: Whereas on the one hand we were able to report a much improved operating result combined with tax relief, on the other hand the non-operating and financial results were substantially down. The fall in the non-operating result by 84.7 % to € 117 million is for the most part due to the high profits from disposals of the previous year, in particular the sale of the telecommunications business. Increased goodwill

amortization was also added to the equation here, above all due to the merger with VEW and the takeover of Thames Water. The financial result fell by 26.7 % to € -1,180 million. This was primarily due to interest charges for the financing of the acquisition of Thames Water and the first-time inclusion of the Thames Water balance sheet. There was also increased interest on long-term provisions resulting from the integration of VEW.

**Progress with the cost reduction program**

As at March 31, 2001, we have already implemented measures securing potential cost reductions totaling around € 860 million. These are for the most part savings programs in the Energy division, merger synergies with the former VEW divisions, and efficiency improvements at RWE Environmental Services, TESSAG and RWE-DEA. Our staff reduction measures are progressing according to plan. As at June 30, we will have implemented approximately a third of the announced reduction of 12,500 jobs.

**Key data from cash flow statement**

On March 31, 2001, net financial assets were € 1.4 billion, which is around € 14 billion short of the figure on June 30, 2000. The main reason for the fall is the high capital expenditure on tangible and financial assets especially for the acquisition of Thames Water. To this must be added the acquisition of RWE (old) and VEW shares in the framework of the merger. The inflow of new funds from current operations had an enhancing effect.

Cash flow increased compared to the previous year by € 700 million to € 2,704 million. The main reason for this is the improved operating result of the Petroleum and

Chemicals division and the first-time inclusion of Thames Water. Overall, net cash from operations totalled € 2,591 million. This was primarily due – besides the cash flow – to the reduction of short-term provisions. In order to fund the capital expenditure, we sold securities and cash investments and increased financial debt. Cash and cash equivalents are also changing through the cash position of the companies fully consolidated for the first time at the time of acquisition (“other items” € 1,446 million, essentially Thames Water and Leighton Holdings).

#### Capital expenditure: Increase due to Thames Water acquisition

At € 13.2 billion, capital expenditure has increased more than three-fold. The increase is primarily due to the acquisition of Thames Water. The acquisition boosted capital expenditure on financial assets by € 7.2 billion. In addition, the acquisition of further international participating interests by Thames Water fell within the period under review: E'town in the U.S., ESSBIO in Chile, and the majority stake in Izmit water supply in Turkey. Due to various acquisitions of participating interests, the Energy division expenditure was above the level of the previous year. The Environmental Services division

<b>RWE Group Capital expenditure including acquisitions</b>	July 2000 – March 2001 € million	July 1999 – March 2000 € million	Change +/- in %	Full year 1999/2000 € million
Energy	1,548	1,299	+ 19.2	1,960
Water	2,904	**)	**)	**)
Environmental Services	261	154	+ 69.5	241
Industrial Services	106	65	+ 63.1	99
Petroleum and Chemicals	442	481	- 8.1	729
Printing Systems	212	298	- 28.9	481
Construction and Civil Engineering	458	511	- 10.4	564
Other activities/holding company	7,311	714	+ 923.9	849
<b>Total</b>	<b>13,242</b>	<b>3,522</b>	<b>+ 276.0</b>	<b>4,923</b>
Capital expenditure on tangible assets	2,534	1,948	+ 30.1	2,827
Capital expenditure on financial assets*)	10,708	1,574	+ 580.3	2,096

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

\*\*\*) The Water division has existed since November 2000.

<b>RWE Group Employees</b>	03/31/2001	As at: 06/30/2000	Change +/- in %
Energy	61,497	62,740	- 2.0
Water**)	14,754	**)	**)
Environmental Services	14,570	10,120	+ 44.0
Industrial Services	15,305	16,647	- 8.1
Petroleum and Chemicals	4,790	9,517	- 49.7
Printing Systems	25,405	23,962	+ 6.0
Construction and Civil Engineering	34,896	28,782	+ 21.2
Other*)/holding company	929	364	+ 155.2
<b>Total</b>	<b>172,146</b>	<b>152,132</b>	<b>+ 13.2</b>
Germany	102,442	106,691	- 4.0
International	69,704	45,441	+ 53.4

\*) The change is for the most part due to the inclusion of Harpen.

\*\*\*) The water division has existed since November 2000.

acquired the remaining 25 % of the Edelhoff Group from RAG. In the Construction and Civil Engineering division, capital expenditure following last year's Turner acquisition fell off sharply despite the participating interest in Hamburg Airport. The increase of around 30 % in tangible assets is due to the extensive capital expenditure of Thames Water in the British water business.

#### **Employees: Down 3.6 % not counting effects of consolidation**

The number of employees has increased by 13.2 % to 172,146 compared to the previous year. Adjusted for the effects of consolidation, however, there is a decline of 4,802 employees or 3.6 %.

The increase is due to the inclusion of VEW (+13,862 employees) and the first-time consolidation of Thames Water (+14,448 employees) and Leighton Holdings (+12,471 employees). There was a counter-effect from the deconsolidation in particular of LAUBAG, the CONDEA chemicals business, the medical systems business (Maquet), and certain companies in the Construction and Environmental Services divisions. This meant a reduction of a total of 17,084 employees. The largest operational

manpower reductions took place in the Construction and Civil Engineering and Energy divisions, the headcounts of which fell by 2,926 and 2,650 respectively. For market-driven reasons, by contrast, we increased personnel especially in the Printing Systems division. Adjusted for the effects of consolidation, 1,127 new jobs were added there.

#### **Joint venture with Shell Deutschland: Increased competitiveness in the volatile gas station and refinery business**

In October 2001, with retrospective effect from July 1, 2001, RWE-DEA and Shell Deutschland will merge their respective refineries and gas stations in a joint venture company to be known as Shell & DEA Oil GmbH. The partners will each own a 50 % stake in the venture. This step greatly enhances the competitiveness of our downstream activities, which do not form part of the Group's core business areas. The petroleum market is characterized by extreme volatility and high cost pressure.

With a total of 3,200 gas stations, 34 million tonnes of refinery capacity, sales of more than € 30 billion (incl. mineral oil tax) and 7,500 employees, the joint venture

will be the new No. 1 in the German downstream market. The merger makes possible annual synergies of the order of € 150 million as well as one-off savings of more than € 60 million. We are awaiting approval from the EU antitrust authorities.

Thanks to cooperation agreements with Shell, the world No. 2 in this market, the joint venture has access to the infrastructure and know-how of a global supplier. By means of a put option, we will also be able to sell our stake in the joint venture to Shell tax-free on January 1, 2004. In the event that RWE chooses not to make use of this option, Shell will acquire an additional one percentage point in the joint venture with effect of July 1, 2004.

#### **Takeover bid for Spanish energy utility**

##### **Hidrocantábrico withdrawn**

On February 6, 2001, we submitted a takeover bid worth € 26 per share for 100 % of the fourth-largest Spanish energy utility Hidroeléctrica del Cantábrico S.A. (Hidrocantábrico). This corresponds to a transaction value of € 2,943 million. However, we withdrew our offer on April 5, 2001, after the bidding consortium formed by southern German energy group EnBW and Spanish industrial company Ferroatlántica had increased its joint offer to € 27.30 per share.

##### **Natural Gas Association Agreement concluded**

In March 2001, with a supplement to the Natural Gas Association Agreement, the German natural gas industry provided proof of the viability of self-regulation in the domestic gas market. As urged by the minister for economic affairs, the participant associations have

supplemented their agreement made on July 4, 2000, in respect of certain central points. These include improved transparency and easier network access, storage access, balance equalization and management of bottlenecks. In the course of the summer of 2001, the participants will present the key points for the implementation of a system of free choice of gas supplier for small business and residential customers.

#### **RWE Gas: Further expansion of the market position in the Netherlands and Germany envisaged**

In February 2001, we made a contractual agreement with Obragas Holding N.V., Helmond, to acquire a 90 % participating interest in the fifth-largest Dutch gas utility. However – in the same way as the previous acquisition of Intergas – the takeover has not yet been approved by the Dutch government.

By acquiring a participating interest of 20.8 % in Stadtwerke Worms Energie GmbH (SWE) in March of this year, RWE Gas has also strengthened its position in the national market. We wish to use the Worms location as a base for further activities in the region. In fiscal 2000, SWE achieved sales of € 34 million and supplied an area with 82,000 inhabitants.

#### **Hochtief: Reorganization of domestic operations**

Hochtief will further streamline the Group structure. Now that the Airport, Development, North America and International subdivisions are managed by independent companies, with retrospective effect from January 1, 2001, we are pooling Civil and Building as subdivisions of an independent business unit. Following the restructuring, all operating units will be led by the management holding company Hochtief AG. Our objective is thus to further improve the transparency and speed of decision-making of the company.

#### **Hochtief: Athens Airport opened**

The new Athens Airport, which was planned, financed and built by Hochtief, became operational on March 29, 2001. The project is the world's first and until now only example of a public-private partnership in the airport sector. Hochtief Airport will operate the new Athens Airport jointly with partners for 25 years.

**Prospects for the 2000/01 year as a whole: Previous operating result forecast likely to be outstripped**

The operating result is expected to improve by a greater margin than that announced at the half-year stage of at least 25 % year-on-year. Besides the effects of first-time consolidation referred to above, this development is in particular due to an above-average improvement in the Petroleum and Chemicals division.

The earnings position in the Energy division is characterized, on the one hand, by the inclusion of the former VEW companies. On the other hand, we are forced to absorb charges here relating to the laws designed to promote renewable energies (Renewable Energies Act) and combined heat and power (CHP) as well as to increased fuel costs in power production. In addition, the tail effects of last year's electricity price reductions are having a negative influence. However, the current cost reduction measures are increasingly compensating for the latter factor. Overall, we anticipate a slightly improved result in the Energy division.

The Water division will already make a substantial contribution to Group earnings. The Environmental Services division will develop positively as planned. The significant improvement in the result of the Petroleum and Chemicals division – we anticipate a high double-digit increase – is characterized by continued positive development in the downstream and upstream segments. In the Industrial Systems division (TESSAG), we assume that earnings will be on the lower side due to the deconsolidation of Maquet. Were it not for this effect, the result here would be about the same as last year.

Among our financial investments, the Printing Systems division (Heidelberger Druckmaschinen) will be up on the previous year's result. In the Construction and Civil Engineering division, despite the particularly unfavorable situation in the domestic market, we are reckoning with a higher contribution to earnings expecting that of the previous year. The reasons for this are the first full consolidation of Leighton Holdings and the positive development of business at Turner.

For **Group sales**, we anticipate an increase of more than 20 %. This is primarily due to the following factors:

- the consolidation effects already referred to,
- price-driven sales growth in the Petroleum and Chemicals division, and
- increased trading volumes and prices in the Energy division

At the end of the current fiscal year on June 30, 2001, the Group will begin a short fiscal year of six months' duration. This is due to the **changeover of the Group fiscal year to the calendar year** as of January 1, 2002. RWE AG already changed at the beginning of 2001.

## Energy division

- Net sales and operating result up 45 % and 4 % respectively year-on-year due to integration of VEW
- Negative effects of last year's electricity price reductions diminish further

**Electricity consumption** in Germany continued to develop at only a modest rate in the third quarter. Prices for residential and business customers continued to stabilize. For redistributors, too, the price level remained steady for the most part, while there was a slight upward trend for industrial customers.

Our **electricity sales volume** increased by 48.4 % to 190.4 billion kWh. The reasons for this are the inclusion of VEW, successes with key accounts, and the significant expansion of electricity trading. The considerable increase of 484.5 % in **gas sales volume** is due to the first-time consolidation of former Westfälische Ferngas AG (now RWE Gas).

The merger with VEW was the crucial factor in the 44.9 % growth in **external net sales**. Further factors were price increases due to the Renewable Energies Act and the CHP legislation, increased trading volumes, and higher gas prices. By contrast, the negative tail effects of last

year's electricity price reductions continued. Besides this, our east German regional utility envia is only consolidated for six months of the period due to the conditions imposed by the Federal Cartel Office, still valid in the quarter just ended, in connection with the disposal of VEAG and LAUBAG. The external net sales of CONSOL increased by 15.5 %. The reasons are the high prevailing price of bituminous coal and the expansion of the gas business.

The **operating result** increased by 4.2 %. With the inclusion of VEW in the year-earlier figure, it would have been 9 % down on the previous year. Extensive cost reductions were offset in particular by three negative factors: Firstly the tail effects of electricity price reductions already referred to, which were nevertheless much lower than in the first two quarters, secondly the costs of the implementation of the Renewable Energies Act and the CHP legislation, and thirdly increased fuel costs. CONSOL made a greatly improved contribution to the operating result.

<b>Energy Division</b>	July 2000 – March 2001	July 1999 – March 2000	Change +/- in %	Full year 1999/2000
<b>Sales volume</b>				
Electricity million kWh	<b>190,410</b>	<b>128,345</b>	+ 48.4	<b>170,571</b>
of which trading million kWh	<b>33,591</b>	*)	*)	*)
Gas million kWh	<b>108,922</b>	<b>18,636</b>	+ 484.5	<b>26,854</b>
Refined lignite products thousand tons	<b>3,407</b>	<b>6,367</b>	- 46.5	<b>8,352</b>
Bituminous coal thousand sht	<b>58,117</b>	<b>59,530</b>	- 2.4	<b>78,714</b>
<b>External net sales**)</b> € million	<b>15,026</b>	<b>10,367</b>	+ 44.9	<b>13,536</b>
Electricity € million	<b>8,809</b>	<b>6,788</b>	+ 29.8	<b>8,750</b>
Gas € million	<b>2,639</b>	<b>443</b>	+ 495.7	<b>571</b>
District heat € million	<b>183</b>	<b>76</b>	+ 140.8	<b>116</b>
Refined lignite products € million	<b>220</b>	<b>314</b>	- 29.9	<b>400</b>
Bituminous coal € million	<b>1,536</b>	<b>1,384</b>	+ 11.0	<b>1,900</b>
Other activities***) € million	<b>1,639</b>	<b>1,362</b>	+ 20.3	<b>1,799</b>
<b>Operating result</b> € million	<b>1,609</b>	<b>1,544</b>	+ 4.2	<b>1,834</b>

\*) no previous years' figures due to change in customer segmentation

\*\*\*) of which electricity/natural gas tax paid directly: € 494 million (previous year: € 340 million)

\*\*\*) Including run-of-mine lignite

## Water division

- Thames Water consolidated with retrospective effect from November 2000
- After only four and a half months, the new division already accounts for 12 % of Group profit

The Water division was created as Thames Water Plc. was included for the first time. Thames Water is the management company of this new division and is already included in the quarterly financial statements as of March 31, 2001, with retrospective effect from November 9, 2000. With effect from January 1, 2001, the activities of the RWE Aqua Group (previously part of RWE Umwelt) are included in the division. Thames Water previously filed its financial statements according to UK GAAP. For this reason we are unable to provide comparable figures for the previous year in this Interim Report.

The water business is the fastest-growing core business of the RWE Group. The international trend toward privatization or outsourcing of municipal utilities is growing constantly. The already privatized British water sector, which is currently the market providing the highest volumes in our new division, is characterized by periodic price adjustments by the state regulatory authority. However, the regulatory system in that country offers

attractive earnings prospects to utilities with above-average efficiency.

At € 1,030 million, **net sales** were well above the equivalent period for the previous year. The reason for this are corporate acquisitions in the U.S. (E'town) and Chile (ESS-BIO). Sales in the regulated British business, contributing around 65 % to the total volume, fell as expected due to the regulatory price adjustments as of April 1, 2000.

The **operating result** was € 358 million. A large percentage of earnings comes from the regulated British water business (UK Utility). The UK Commercial subdivision, with its products in the non-regulated British business, benefited from the development of its real estate business, which was better than plan. The good earnings position in the international business was due to acquisitions and increased participating interests abroad as well as price increases in Jakarta/Indonesia.

### Water Division

Nov. 2000 –  
March 2001  
€ million

External net sales	<b>1,030</b>
UK Utility	<b>665</b>
UK Commercial	<b>248</b>
International	<b>113</b>
RWE Aqua*)	<b>5</b>
<b>Operating result</b>	<b>358</b>

\*) until December 31, 2000, operated as a subdivision of Environmental Services, essentially at-equity holdings

## Environmental Services division

- Operating result and net sales up by more than 30 % year-on-year, for the most part due to the integration of Edelhoff
- Water/Wastewater subdivision transferred to the new Water division since January 1, 2001

<b>Environmental Services Division</b>	July 2000 – March 2001 € million	July 1999 – March 2000 € million	Change +/- in %	Full year 1999/2000 € million
<b>External net sales</b>	<b>1,527</b>	<b>1,161</b>	<b>+ 31.5</b>	<b>1,524</b>
Waste Disposal and Recycling Germany	<b>1,426</b>	<b>894</b>	<b>+ 59.5</b>	<b>1,219</b>
Waste Disposal and Recycling International	<b>70</b>	<b>57</b>	<b>+ 22.8</b>	<b>75</b>
Water/Wastewater*)	<b>16</b>	<b>30</b>	<b>- 46.7</b>	<b>41</b>
Environmental Consulting	<b>15</b>	<b>180</b>	<b>- 91.7</b>	<b>189</b>
<b>Operating result</b>	<b>102</b>	<b>78</b>	<b>+ 30.8</b>	<b>122</b>

\*) Allocated to the Water division since January 1, 2001

The **German waste management sector** is anticipating a slight weakening in demand overall. In the residential waste sector and in the DSD business there were no changes worthy of note either in terms of volumes or of prices. In the secondary raw materials market, by contrast, there were slight volume increases, in particular in waste plastic and waste wood. Prices in the German waste paper market nevertheless stagnated at a low level following a significant fall in prices in the last quarter. The merging of the EU markets is also providing positive impetus to waste management, leading to the emergence of growing demand for cross-border waste management services.

The **external net sales** of RWE Umwelt increased by 31.5 %. With an increase of 59.5 %, the Waste Disposal & Recycling Germany subdivision achieved the highest

growth. This is for the most part due to the first-time consolidation of the VEW subsidiary Edelhoff. The sales growth of 22.8 % in the Waste Disposal and Recycling International subdivision is similarly almost exclusively the result of consolidation effects. In the Water/Wastewater subdivision, sales were down by 46.7 %. The reason for this is the deconsolidation of the RWE Ambiente Group and the transfer of RWE Aqua to the newly-created Water division. We have sold nearly all our activities in environmental consulting.

The improvement in the **operating result** by 30.8 % compared to the previous year is predominantly due to the first-time consolidation of the Edelhoff Group and restructuring operations carried out to date. A further positive effect on earnings is due to increases in prices and volumes in the incineration of special waste.

## Industrial Services division (TESSAG)\*

- Operating result up 65 % on the albeit low figure for the previous year
- Net sales up slightly year-on-year despite deconsolidation of Lahmeyer International GmbH

Lively demand and growing earnings were reported by TESSAG in its Power Engineering Systems and Networks subdivisions. By contrast, the **market environment** in the Industry and Building Services Systems subdivisions continued to be difficult. The reasons were reduced capital expenditure among the domestic energy utilities and the weak German construction sector.

The companies in the TESSAG Group succeeded in increasing **order inflow** by 2.5 % in the first three quarters of the current fiscal year. Adjusted for first-time consolidation and deconsolidation effects, growth was 4.3 %. With an increase of 53.7 %, Power Engineering Systems took pole position. In the Industry subdivision, order inflow was down 15.2 %, above all due to the deconsolidation of Lahmeyer International. In Building Services Systems, too, new business fell short of the equivalent figure for the previous year.

**External net sales** were up 0.5 % on the figure for the previous year. After adjustment for the effects of consolidation, the increase was 3.3 %. In the Industry subdivision, sales were down 40.3 % due to the deconsoli-

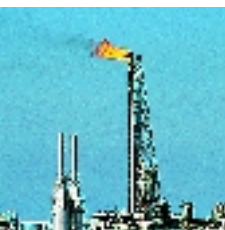
dation of Lahmeyer International. This was countered by an increase of 86.2 % in Power Engineering Systems. The success factor was the high level of demand for uninterrupted power supply.

At € 28 million, the **operating result** was up 64.7 % on the albeit low equivalent figure of the previous year. This was due, on the one hand, to the repeated high total operating performance accompanied by a significant reduction in manpower. On the other hand, it was due to the very positive development in Power Engineering Systems. By contrast, we had to accept a fall in earnings in the Industry and Building Services Systems subdivisions.



<b>Industrial Services Division (TESSAG)</b>	July 2000 – March 2001 € million	July 1999 – March 2000 € million	Change +/- in %	Full year 1999/2000 € million
Order inflow	1,625	1,585	+ 2.5	2,207
Orders on hand (03/31)	1,590	1,686	- 5.7	1,589
External net sales	1,595	1,587	+ 0.5	2,239
<b>Operating result</b>	<b>28</b>	<b>17</b>	<b>+ 64.7</b>	<b>56</b>

\*Until June 30, 2000, operated as a subdivision of the former Industrial Systems division



## Petroleum and Chemicals division

- Operating result up 147 % and net sales up 18 % year-on-year
- Above-average development in the upstream and downstream business segments

The **international oil market** was characterized by heavy price fluctuations. After peaks of up to 38 \$/b in the second half of 2000, the price of crude oil fell for a short time to as low as 22 \$/b. In the third quarter, oil prices stabilized between 23 and 30 \$/b after OPEC had announced a reduction in output.

**Petroleum consumption in Germany** was 2 % above that of the previous year. The reason was sales growth in light fuel oil of 14 %. Since the summer of 2000, consumers have again been increasing their reserves of fuel oil. By contrast, consumption of motor fuels (-5.5 %) and diesel (-0.5 %) fell.

RWE-DEA succeeded in increasing **petroleum production** by 9.7 %. The main contributory factor here was the start of production in the spring of 2000 at the Dieksand on-shore facility in the Mittelplate field. Our **gas production** fell by 3.3 %, which is due to exceptional sales during the equivalent period in the previous year. **Petroleum shipments** increased by 0.4 %. Our fuel oil business developed slightly less well than the market as a whole, though fuel sales in filling stations were substantially better than the market. We succeeded in

increasing **petrochemical sales volume** by 6.5 %. Due to planned major outages in the refineries at Wesseling and PCK, Schwedt, we refined 3.2 % less crude oil and semi-refined feedstocks than in the previous year. **Chemical sales volume** was down 9.0 % as our CONDEA chemicals activities were sold as of February 28, 2001.

**External net sales** increased 18.1 % to € 15.5 billion due to high crude oil prices.

At € 646 million, the **operating result** was 146.6 % above the figure for the previous year. In the upstream business segment (exploration and production), we benefited from the increase in crude oil prices as well as from increased crude oil production in Germany. The increase in the downstream segment is above all due to improved margins in petroleum processing. There was also a greatly improved result in petrochemicals. The gas stations result fell short of that of the previous year. Margins have improved here since February 2001. Earnings in the deconsolidated Chemicals subdivision were also down on the previous year because it was not possible to pass on to customers the full effects of price increases in feedstocks.

### Petroleum and Chemicals Division

		July 2000 – March 2001	July 1999 – March 2000	Change +/- in %	Full year 1999/2000
<b>Sales volume and production</b>					
Petroleum production	thousand tons	2,936	2,677	+ 9.7	3,593
Natural gas production	million m <sup>3</sup>	1,537	1,590	- 3.3	2,103
Petroleum product sales	thousand tons	15,770	15,710	+ 0.4	20,757
Petrochemical sales	thousand tons	2,024	1,901	+ 6.5	2,554
Chemical sales	thousand tons	2,842	3,122	- 9.0	4,212
<b>External net sales</b>					
	€ million	15,476	13,101	+ 18.1	18,008
Upstream	€ million	653	462	+ 41.3	636
Downstream	€ million	12,890	10,739	+ 20.0	14,801
of which mineral oil tax	€ million	4,020	3,761	+ 6.9	5,049
Chemicals	€ million	1,930	1,894	+ 1.9	2,566
Other activities	€ million	3	6	- 50.0	5
<b>Operating result</b>	€ million	646	262	+ 146.6	407

## Printing Systems division (Heidelberger Druckmaschinen AG)\*

- Operating result 2 % down on previous year, above all due to high expenditure on DRUPA trade fair
- The Sheetfed and Digital operations made a substantial net sales improvement of 15 % possible



The **printing press industry** enjoyed stable demand for the most part despite the global economic slowdown. Nevertheless, the reduced momentum of the U.S. economy is already slowing down the rate of new orders received in the world's largest printing technology market.

**Order inflow** in the Heidelberg Group increased by 28.8 % to € 4,397 million. This was primarily due to the successful trade fair business at DRUPA 2000, which resulted in an order volume three times that of the previous fair. Among the sales regions, the Asia-Pacific region developed especially well.

Heidelberg achieved **external net sales** of € 3,546 million. This corresponds to an increase of 15.3 %. This development was above all due to the Sheetfed and Digital subdivisions. Foreign currency and first-time consolidation effects also contributed toward improved net sales.

At € 300 million, the **operating result** was down 2.3 % from the previous year's figure. The decline is for the most part due to the up-front spending in the run-up to DRUPA 2000 and to a drop in earnings in the Prepress subdivision. Nevertheless, a result better than that of the previous year is anticipated for the year as a whole.

### Printing Systems

#### Division

(Heidelberger

Druckmaschinen AG)

	July 2000 – March 2001 € million	July 1999 – March 1999 € million	Change +/- in %	Full year 1999/2000 € million
Order inflow	4,397	3,414	+ 28.8	4,694
Orders on hand (12/31)	2,195	1,387	+ 58.3	1,346
External net sales	3,546	3,075	+ 15.3	4,602
<b>Operating result</b>	<b>300</b>	<b>307</b>	<b>- 2.3</b>	<b>463</b>

\*Until June 30, 2000, operated as a subdivision of the former Industrial Systems division



## Construction and Civil Engineering division

- Operating result 13 % down from previous year due to difficult situation on the German market
- External net sales up 40 % due to consolidation of Turner and Leighton

The situation in the **international construction sector** continues to be varied. North America is still in a slow growth phase. Market development in eastern Europe is also positive. The same is true of the Middle East and the Asia-Pacific region. By contrast, the German market offers little justification for confidence. Continued stagnating demand, low margins and a fall in the number of public construction contracts are having a severely negative effect on the German construction sector. New orders received in Germany were down 13 % compared to the previous year. There is no sign of a turnaround.

The Construction and Civil Engineering division increased its **order inflow** by 32.9 % year-on-year to € 10,240 million. The increase abroad was 58.4 %, which is primarily due to the inclusion of U.S.-based Turner (from October 1, 1999). But even without taking Turner into account, new orders received abroad increased 5 % to € 3,227 million. Besides the first-time inclusion of the Canadian company Armbro / BFC and Czech-based VSB (both as of January 1, 2000), the crucial factor here was the growth at Dutch company Ballast Nedam. New orders received by our Australian company Leighton

Holdings were slightly short of the figure for the previous year. New orders received in the domestic market were down 27 % at € 1,676 million.

**External net sales** were up 39.6 % at € 7,703 million. This was due to the effects of the consolidation of the Turner Group, which was not fully included in the equivalent period of the previous year (€ 1.5 billion), and of Leighton Holdings, which was fully consolidated for the first time in the third quarter of 2000/2001 (€ 0.6 billion). Without Turner and Leighton, sales would be down by 24 %, above all due to the weak domestic business.

At € 121 million, the **operating result** of the Construction and Civil Engineering division was down 12.9 % from the previous year's figure. Adjusted for the consolidation effects already referred to, the result would be down some 30 %. In particular, the domestic business of Hochtief AG declined strongly. Reasons for this were the extremely unfavorable competitive situation and difficult negotiations on contract supplements.

<b>Construction and Civil Engineering Division</b>	July 2000 – March 2001 € million	July 1999 – March 2000 € million	Change +/- in %	Full year 1999/2000 € million
<b>Order inflow</b>	<b>10,240</b>	<b>7,705</b>	<b>+ 32.9</b>	<b>11,792</b>
Germany	1,676	2,297	- 27.0	2,861
International	8,564	5,408	+ 58.4	8,931
<b>Orders on hand (03/31)</b>	<b>12,661</b>	<b>11,242</b>	<b>+ 12.6</b>	<b>12,188</b>
Germany	2,207	3,049	- 27.6	2,822
International	10,454	8,193	+ 27.6	9,366
<b>Performance</b>	<b>9,937</b>	<b>7,809</b>	<b>+ 27.3</b>	<b>10,987</b>
Germany	2,100	2,655	- 20.9	3,482
International	7,837	5,154	+ 52.1	7,505
<b>External net sales</b>	<b>7,703</b>	<b>5,518</b>	<b>+ 39.6</b>	<b>7,960</b>
Germany	1,743	2,390	- 27.1	2,873
International	5,960	3,128	+ 90.5	5,087
<b>Operating result</b>	<b>121</b>	<b>139</b>	<b>- 12.9</b>	<b>156</b>

### envia to remain with RWE

The Federal Cartel Office has approved the takeover of VEAG Vereinigte Energiewerke AG and Lausitzer Braunkohle AG (LAUBAG) by Hamburgische Electricitätswerke (HEW). By inclusion of BEWAG into "the fourth power" on the German electricity market, envia Energie Sachsen Brandenburg AG can now remain with its majority shareholder, RWE Plus. RWE holds 64.3 % of the shares in envia, which according to the original plans of the Cartel Office were to be included in the combine formed by VEAG, LAUBAG and HEW. Instead, a purchase guarantee by RWE for part of VEAG's power production becomes effective until 2007.

### Progress in formation of GEW Rheinland AG

On April 24, RWE Plus, RWE Net and rhenag as well as GEW Köln AG signed a syndicate agreement on the formation of a joint regional energy utility with the working name "GEW Rheinland AG". GEW Köln AG will contribute its entire operating business and will thus have a 74.9 percent participating interest. We will contribute stakes in energy utilities in the Cologne/Bonn region and will make additional cash and non-cash capital contributions. In return, the RWE companies will receive altogether 25.1 % of the new enterprise. "GEW Rheinland AG" is to generate annual sales of around € 1.2 billion. Approval by the cartel authorities has not yet been granted.

### RWE-DEA: Successful further expansion of the upstream position in Norway

This year, RWE-DEA has again successfully applied for oil and gas concessions in Norway. In the framework of the "North Sea Round 2000", we were offered participation in two exploration licenses. The participating interests are

51 % and 30 %. As with the three licenses for the Norwegian Sea already awarded in the spring of 2000, this again provides us with the opportunity to increase our current oil and gas reserves by a considerable amount.

### Hochtief: Further portfolio adjustment through sale of Hochtief Umwelt

In April 2001, Hochtief sold its wholly-owned subsidiary Hochtief Umwelt GmbH to RAG Umwelt GmbH in Saarbrücken/Bottrop. Thus we have freed ourselves from another peripheral activity in the construction sector. In 2000, Hochtief Umwelt GmbH generated € 148 million with 460 employees.

### RWE AG: First issue of corporate bonds successfully completed

At the beginning of April, we made our debut on the bond market with a multi-currency issue worth € 3.5 billion. The individual bonds were issued in the framework of the "Debt Issuance Programme" of RWE Finance B.V. (Netherlands), guaranteed by RWE AG. In terms of volume, this is the largest new issue ever undertaken by a German utility company. With the issue of a 15-year eurobond, we have opened up a new market segment for corporate bonds in the bond market.

### First step initiated for the disposal of the financial holding in Heidelberger Druckmaschinen

RWE has taken a first step to reduce its participating interest in Heidelberger Druckmaschinen AG. In May 2001, we borrowed 6.15 % of the share capital of Heidelberg from Almüco Vermögensverwaltung and placed it by way of a bookbuilding process with institutional investors. The resulting increase in the free float of Heidelberg to 26 % is designed to ensure that the stock remains in the important German share indices and to increase its attractiveness to institutional investors. At the earliest in the second quarter of the calendar year 2002, RWE will return stock for the borrowed shares from the directly held own share capital, thus reducing its holding to just over 50 %. This capital market transaction takes us another step toward focussing on the core business.

## Supervisory Board

**Dr. h.c. Friedel Neuber**

– since January 5, 2001 –  
Chairman since January 19, 2001

**Erwin Winkel \*)**

– since September 11, 2000 –  
Vice Chairman since January 19, 2001

**Dr. Paul Achleitner**

– since September 11, 2000 –  
Chairman until January 5, 2001

**Carl-Ludwig von Boehm-Bezing**

– since January 5, 2001 –

**Frank Bsirske \*)**

– since January 9, 2001 –

**Burkhard Drescher**

– since January 5, 2001 –

**Dr. Friedhelm Gieske**

– since January 5, 2001 –

**Erwin Hahn \*)**

– since January 9, 2001 –

**Johann Heiß \*)**

– since January 9, 2001 –

**Heinz-Eberhard Holl**

– since September 11, 2000 –  
Vice Chairman  
– until January 5, 2001 –

**Berthold Huber \*)**

– since January 9, 2001 –

**Berthold Krell \*)**

– since January 9, 2001 –

**Dr. Gerhard Langemeyer**

– since January 5, 2001 –

**Dr. Wolfgang Reiniger**

– since January 5, 2001 –

**Günter Reppien \*)**

– since January 9, 2001 –

**Bernhard von Rothkirch \*)**

– since January 9, 2001 –

**Dr. Manfred Schneider**

– since January 5, 2001 –

**Ernst-W. Stuckert \*)**

– since January 9, 2001 –

**Klaus-Dieter Südhofer \*)**

– since January 9, 2001 –

**Dr. Alfons Friedrich Titzrath**

– since January 5, 2001 –

## Executive Board

**Dr. Dietmar Kuhnt**

Chairman  
– since September 11, 2000 –

**Dr. Richard R. Klein**

– since November 24, 2000 –

**Dr. Gert Maichel**

– since November 24, 2000 –

**Manfred Remmel**

– since November 24, 2000 –

**Dr. Klaus Sturany**

– since September 11, 2000 –

**Jan Zilius**

– since September 11, 2000 –

\*) Supervisory Board  
employee representative

<b>Consolidated income statement</b>	Jan. – March 2001 € million	Jan. – March 2000 € million	July 2000 – March 2001 € million	July 1999 – March 2000 € million
<b>Net sales</b>	<b>16,593</b>	<b>11,985</b>	<b>46,112</b>	<b>34,845</b>
Mineral oil/natural gas/electricity tax	- 1,502	- 1,314	- 4,514	- 4,101
Net sales (excl. mineral oil/natural gas/electricity tax)	<b>15,091</b>	<b>10,671</b>	<b>41,598</b>	<b>30,744</b>
Changes in finished goods and work in progress/ own work capitalized	95	109	375	288
Cost of materials/staff costs/depreciation/ amortization	- 12,763	- 9,710	- 36,517	- 26,955
Other operating income	- 1,336	- 2,417	- 2,961	- 3,936
Profit from operating activities	<b>1,087</b>	- 1,347	<b>2,495</b>	<b>141</b>
Result of investments	264	2,694	550	2,791
Financial results	- 423	- 359	- 1,147	- 893
<b>Profit before tax</b>	<b>928</b>	<b>988</b>	<b>1,898</b>	<b>2,039</b>
Taxes on income	- 175	- 212	- 458	- 672
<b>Profit after tax</b>	<b>753</b>	<b>776</b>	<b>1,440</b>	<b>1,367</b>
Minority interests	- 150	- 116	- 344	- 279
<b>Net profit</b>	<b>603</b>	<b>660</b>	<b>1,096</b>	<b>1,088</b>
<b>Earnings per share*)</b>				
without goodwill amortization	€ 1.34	1.30	2.40	2.21
incl. goodwill amortization	€ 1.07	1.24	1.94	1.99

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

	March 31, 2001	June 30, 2000
	€ million	€ million
<b>Consolidated balance sheet</b>		
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible assets	8,287	1,421
Tangible assets	30,857	17,344
Financial assets	17,381	15,728
	<b>56,525</b>	<b>34,493</b>
<b>Current assets</b>		
Inventories	3,573	3,282
Accounts receivable and other assets	14,167	9,959
Securities	3,131	7,339
Cash and cash equivalents	2,722	2,812
	<b>23,593</b>	<b>23,392</b>
Deferred taxes	7,783	6,881
Prepaid expenses	511	223
<b>Total ASSETS</b>	<b>88,412</b>	<b>64,989</b>

	March 31, 2001	June 30, 2000
	€ million	€ million
<b>Consolidated balance sheet</b>		
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>7,964</b>	<b>6,366</b>
Minority interests	3,562	3,191
<b>Equity and minority interests</b>	<b>11,526</b>	<b>9,557</b>
Provisions	39,209	35,082
Liabilities	30,056	15,479
Deferred tax	5,071	2,958
Deferred income	2,550	1,913
<b>Total EQUITY AND LIABILITIES</b>	<b>88,412</b>	<b>64,989</b>

<b>Consolidated cash flow statement</b>	July 2000 – March 2001 € million	July 1999 – March 2000 € million
<b>Cash flow</b>	<b>2,704</b>	<b>2,004</b>
Changes in working capital/other items	- 113	- 341
<b>Change in net cash from operating activities</b>	<b>2,591</b>	<b>1,663</b>
Capital expenditure on tangible and financial assets	- 13,242	- 3,522
Proceeds from sale of tangible and financial assets	1,785	5,524
Changes in securities and cash investments	4,279	- 1,229
<b>Change in net cash used in investing activities</b>	<b>- 7,178</b>	<b>773</b>
<b>Change in net cash used in financing activities</b>	<b>3,051</b>	<b>- 1,530</b>
Other items	1,446	89
<b>Net change in cash and cash equivalents</b>	<b>- 90</b>	<b>995</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,812</b>	<b>2,980</b>
<b>Cash and cash equivalents at end of reporting period</b>	<b>2,722</b>	<b>3,975</b>
<b>Changes in financial assets</b>	<b>- 2,640</b>	<b>2,568</b>
<b>Financial assets at beginning of year</b>	<b>18,162</b>	<b>16,135</b>
<b>Financial assets at end of reporting period</b>	<b>15,522</b>	<b>18,703</b>
<b>Net financial assets at beginning of year</b>	<b>15,097</b>	<b>13,336</b>
<b>Net financial assets at end of reporting period</b>	<b>1,440</b>	<b>15,656</b>

<b>Change in equity and minority interests</b>	Group interests € million	Minority interests € million	Total € million
<b>At 07/01/2000</b>	<b>6,366</b>	<b>3,191</b>	<b>9,557</b>
Capital contributions	0	0	0
Merger RWE/VEW	1,058	456	1,514
Dividend payments	- 523	- 180	- 703
Currency adjustments/other items	- 33	- 249	- 282
Profit after tax	1,096	344	1,440
<b>At 03/31/2001</b>	<b>7,964</b>	<b>3,562</b>	<b>11,526</b>

### Principles of reporting

Like all previous interim reports, the present Interim Report has been prepared in compliance with the Rules for Interim Financial Reporting (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 March 31, 2001, 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 determined 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.

Thames Water Plc, which was acquired by way of a public offer of November 9, 2000, was consolidated in the Group financial statements for the first time as of the 3rd quarter, all of its 118 companies being included. Jointly with the water/wastewater companies previously consolidated with the Environmental Services division, it now forms the new Water division. Chamlian Enterprises Inc.

of the Environmental Services division has been sold, as has Maquet AG of the Industrial Services division. The Chemicals subdivision of the Petroleum and Chemicals division was deconsolidated following its sale to the South African Sasol group on February 28, 2001. Leighton Holdings Ltd., previously valued at equity, is being fully consolidated for the first time by means of an increased shareholding.

Following the acquisition of 20 % of Stadtwerke Duisburg AG by RWE Plus AG and of 40 % of NAFTA a.s., Slovakia, by RWE Gas AG, these companies will be consolidated at equity for the first time.

A significant factor in the present interim financial statements of March 31, 2001, is the inclusion of VEW on July 1, 2000, the restructuring of Group operations (in particular the Energy and Environmental Services divisions), and the first-time consolidation of Thames Water Plc as of the 3rd quarter of 2000/01.

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 renders any comparison with the previous year impossible.

The consolidated group is as follows:

	03/31/2001	06/30/2000
Number of fully consolidated companies	850	518
Number of shareholdings recognized using the equity method	253	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 the East German utility VEAG and in LAUBAG has been initiated. Management of these companies has been placed in the hands of a trustee; they have therefore been deconsolidated as of July 1, 2000.

### Earnings per share

The earnings per share are calculated as follows:

		Jan. – March 2001	Jan. – March 2000	July 2000 – March 2001	July 1999 – March 2000
<b>Net profit</b>	€ million	<b>603</b>	<b>660</b>	<b>1.096</b>	<b>1.088</b>
Number of shares outstanding (weighted average)	thousand	<b>562,357</b>	<b>533,197</b>	<b>565,371</b>	<b>547,378</b>
Earnings per share	€	<b>1.07</b>	<b>1.24</b>	<b>1.94</b>	<b>1.99</b>

### Contingent liabilities

The contingent liabilities relate primarily to liabilities from guarantees; they have been reduced by € 200 million since June 30, 2000. The reduction is almost exclusively accounted for by the Construction and Civil Engineering division.

### Derivation of operating result

	Jan. – March 2001 € million	Jan. – March 2000 € million	July 2000 – March 2001 € million	July 1999 – March 2000 € million
<b>Profit on operating activities</b>	<b>1,087</b>	<b>- 1,347</b>	<b>2,495</b>	<b>141</b>
+ result of investments	<b>264</b>	<b>2,694</b>	<b>550</b>	<b>2,791</b>
- non-operating result	<b>76</b>	<b>550</b>	<b>117</b>	<b>765</b>
+ interest credit on prepayments received	<b>12</b>	<b>12</b>	<b>33</b>	<b>38</b>
<b>Operating result</b>	<b>1,287</b>	<b>809</b>	<b>2,961</b>	<b>2,205</b>

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 here. Due to the first-time amortization this year of the goodwill of certain units, in particular of VEW and Thames Water, 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 Group received income from the sale of E-Plus and TeleColumbus, which contrasted with the restructuring costs relating to staff measures due to competition- and merger-related requirements.

- 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.

