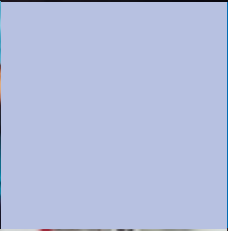
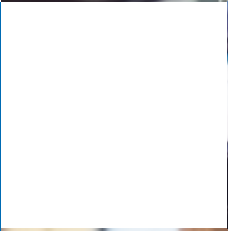
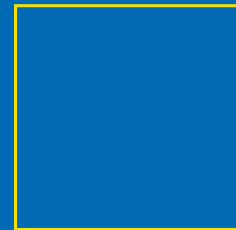
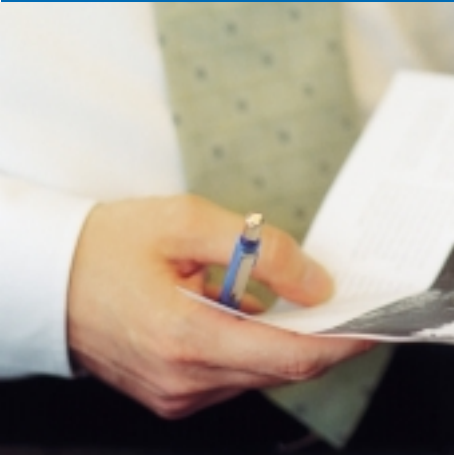
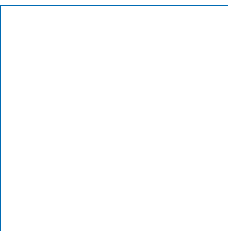
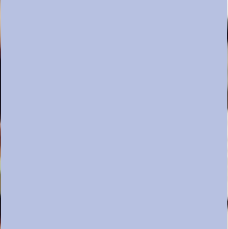
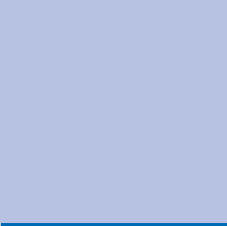
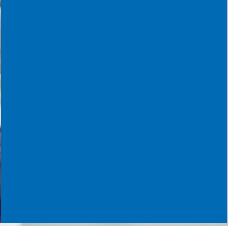
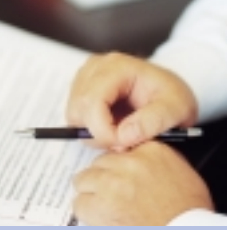
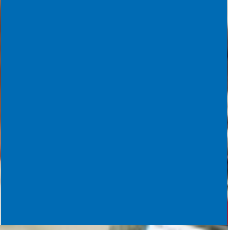


Report on the first six months of fiscal 2000/2001

July through December 2000



- Former VEW business included in the financial statements for the first time
- Operating result up year-on-year despite the negative effects of the electricity business
- Price situation stabilized in the German power market
- Thames Water has been the management company of the newly-created Water division since December 1, 2000
- Further strengthening of core business

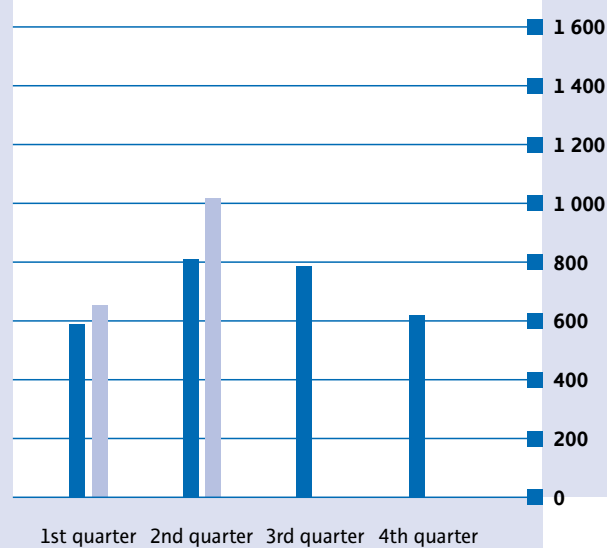
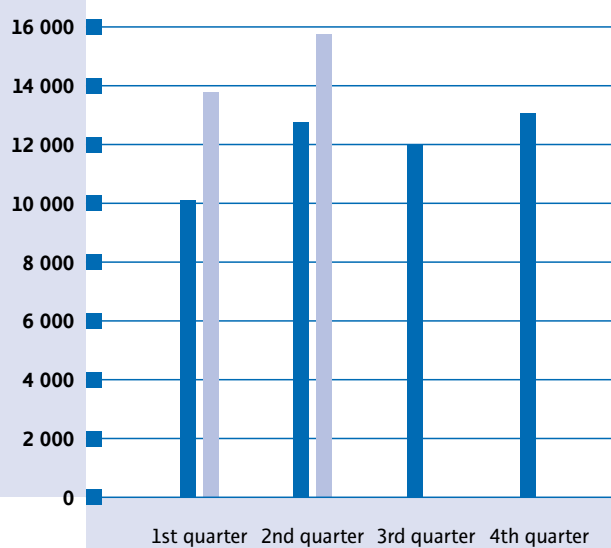


RWE Group	July - Dec. 2000 € million	July - Dec. 1999 € million	Change +/- in %	Full year 1999/2000 € million
Consolidated external net sales	29 519	22 860	+ 29.1	47 918
Operating result*	1 674	1 396	+ 19.9	2 804
EBITDA*	2 731	2 375	+ 15.0	4 708
Net profit	493	428	+ 15.2	1 212
Earnings per share (€)	0.87	0.78	+ 11.5	2.24
Cash flow	1 660	1 461	+ 13.6	3 354
Capital expenditure	8 878	2 419	+ 267.0	4 923
	12/31/00	06/30/00	+/- in %	
Employees	154 103	152 132	+ 1.3	

*) 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

The new RWE: Positioned for further profitable growth

Dear Shareholders,

This Interim Report provides you for the first time with a complete picture of the new RWE. The interim financial statements already take account of the business of the former VEW companies, and this will have a lasting effect on all the Group's key figures. It is clear at a glance that the integration of VEW has greatly strengthened the Energy and Environmental Services divisions. Taken together with the acquisition of Thames Water, the world number three in the water sector, we now have a far more competitive presence in our core businesses.

On the whole, we are able to report on successful first six months. When including VEW in the prior-year figure, we have improved the operating result by around 5%. The reasons for this success were, on the one hand, the strong result of the Petroleum and Chemicals division, and, on the other hand, the ongoing cost-reduction offensive, by means of which we were able to cushion the effects of the power supply contracts that could be concluded only with substantial price discounts in the early stages of liberalization of the energy market. As anticipated, however, this negative pressure continues to diminish: the price-related fall in sales in the second quarter of this fiscal year was about € 300 million (incl. VEW) compared to € 400 million in the first quarter.

We have as yet, however, been unable to achieve a recovery in power generation earnings. This was also due to additional charges arising from the energy business, these being the costs of applying the new laws designed to promote renewable energies and power production by means of combined heat and power together with increased fuel costs.

We feel confident as far as the rest of the year is concerned:

- Compared to the dramatic fall in prices of the previous year, market prices for electricity have stabilized at a slightly higher level.
- More and more power supply contracts from last year with substantial price concessions are expiring. We are concluding new contracts on the basis of prevailing wholesale market prices.
- The new Group structure is proving to be effective. Increased transparency and faster decision-making processes are supporting the implementation of cost-reduction measures.

The integration of Thames Water has been completed from an organizational point of view. It will be included in the consolidated financial statements for the third quarter. At the turn of the year, the newly-created water division proved its value with the majority acquisition of Chile's second-largest water utility and the award of what is currently the largest wastewater project in eastern Europe, namely the sewage disposal for Zagreb.

RWE is therefore on the right track. We continue to work at building on our leading position in the European Multi Utility-sector.



Dr. Dietmar Kuhnt
President and Chief Executive Officer

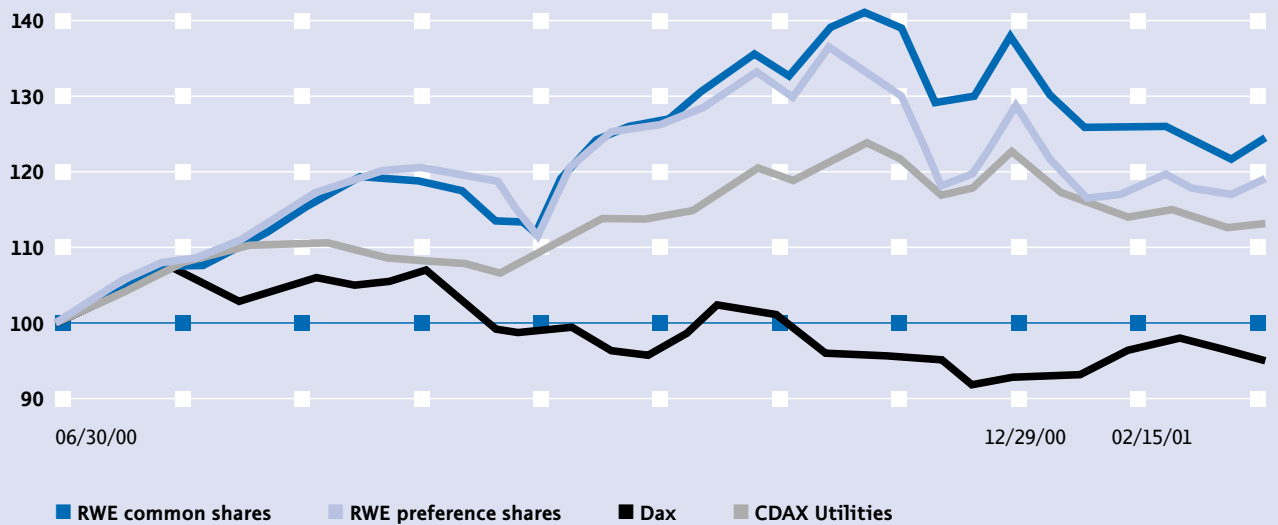


Common shares significantly up since June 30, 2000

In the first six months of the RWE Group's fiscal year, the German stock market continued its steady bear run which began in the spring of 2000. Between June 30, 2000, and December 29, 2000, the DAX fell by more than 7% to 6 898 points. Technology stocks continued to be a major factor in the overall trend. Given the absence of the end-of-year rally expected in early December, defensive stocks were again at the top of investors' shopping lists (pharmaceuticals, mechanical engineering, utilities) over the last few weeks of the year.

Nevertheless, early in the third quarter, the share price fell once again. In particular the renewed interest in the technology sector to the detriment of defensive stocks led to a fall in the price of the common shares by 7.5% to € 43.70 (February 15, 2001). Preference shares fell over the same period by 6.0% to € 32.70.

RWE share performance vs. DAX and CDAX Utilities



Between June 30 and December 29, 2000, common shares increased in value by 37%. Our preference share improved by 28% during this period. Even though toward the end of the first quarter speculation surrounding the takeover of Thames Water gave rise to a short-lived fall in price, by December RWE shares had not only made up this deficit, but had even outstripped the CDAX Utilities sector index.

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."

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%.

RWE Group External net sales	July –	July –	Change	Full year
	Dec. 2000	Dec. 1999	+/- in %	1999/2000
	€ million	€ million		€ 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

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: 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.

RWE Group 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.

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 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 € 600 million. These consist of savings in the Energy division, 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 € 1 660 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 totaled € 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: 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.

RWE Group 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

RWE Group	12/31/2000	06/30/2000	Change	
Employees	Number	Number	+/- 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

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 volume 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 to 36 million.

RWE Plus: position with German distributors reinforced

With participating interests in three large regional 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 cooperating 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 the German energy traders which has applied for a banking license for derivatives business.

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, 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 co-generation (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

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

Energy Division		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 tons	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

Petroleum and Chemicals

Division

		July – Dec. 2000	July – Dec. 1999	Change +/- in %	Full year 1999/2000
Sales volume and production					
Petroleum production	thousand tons	1 946	1 790	+ 8.7	3 593
Natural gas production	million m ³	924	1 065	- 13.2	2 103
Petroleum product sales	thousand tons	10 692	10 825	- 1.2	20 757
Petrochemical sales	thousand tons	1 354	1 222	+ 10.8	2 554
Chemical sales	thousand tons	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

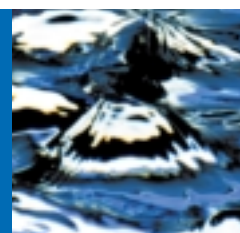
Petroleum and Chemicals

- 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 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 continued 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 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

- Operating result and net sales up 48% and 37% respectively year-on-year, for the most part due to integration of VEW
- RWE Aqua integrated into the newly-created Water division as of December 1, 2000

Environmental Services Division	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

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 paper 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% rise 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)*

- 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%.

Industrial Services Division (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

Printing Systems (Heidelberger Druckmaschinen AG)*

- Operating result down 10% year-on-year due to costs of DRUPA and digital print
- Net sales up 19% 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.

Printing Systems

Division

(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

Construction and Civil Engineering

- 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.

Construction and Civil Engineering Division	July – Dec.	July – Dec.	Change	Full year
	2000	1999	+/- in %	1999/2000
	€ million	€ million		€ 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

Federal Cartel Office requirements for merger with VEW: disposal of envia required

We have complied with the requirements of the Federal Cartel Office as part of the merger with VEW. This also includes the disposal of our shareholdings in the East German power utility VEAG and in the opencast lignite mining operations of LAUBAG. The buyer is the Hamburg-based regional utility HEW. Owing to its sufficient own market strength, the latter company did not take advantage of the opportunity granted by the Cartel Office to take over our East German regional utility, envia.

This is precisely what the Cartel Office is now demanding in order to allow HEW and VEAG/LAUBAG additional access to the end consumer market. In so doing, the Cartel Office is rejecting, for the time being, the option offered to the VEAG/LAUBAG buyer of demanding a purchase guarantee for VEAG power instead of buying envia. We hope to reach agreement on amicable terms.

RWE Power acquiring majority of Portuguese power plant Tapada

In December 2000, RWE Power acquired the shares of the energy utility PowerGen in the power plant Tapada, Porto. In so doing, we have increased the previous 25% shareholding to a majority stake of 75% in the power plant company Turbogás. The acquisition also comprises the takeover of 75% of the operating company Portugén Energia. The power plant with state-of-the-art combined-cycle technology has a capacity of 990 MW and generates almost a fourth of the Portuguese electricity demand.

RWE Plus steps up involvement in Belgium

In January 2001, in cooperation with Belgian-based Energy Group, Vlimmeren, RWE Plus formed the marketing company RWE Plus Belgium. The aim of the joint venture is to acquire industrial customers and distributors in Belgium primarily in the power sector. RWE Plus is already supplying 2 TWh of electricity in the Belgian market.

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 4, 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 4, 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 –

*) Supervisory Board employee representative

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 for modems and network equipment with Swiss Ascom group. The license for the product, which gives customers high-speed internet access from any wall socket at home, has already been granted. Overall, the pilot test with 200 residential households met with a positive response. We can therefore start the full-scale market launch in July of this year.

New management structure for RWE Umwelt

In the course of the integration of Thames Water, the Environmental Services division has been given a new management structure. Since December 1, 2000, RWE Umwelt has been the immediate operating holding company. The intermediate holding level (RWE Umwelt Services Deutschland and RWE Umwelt Services International) has thus been eliminated.

Berlin Airport: European Commission approves merger of Hochtief and IVG consortia

On February 5, 2001, the European Commission approved the merger of the consortia led by Hochtief Airport and IVG for the construction of Berlin-Brandenburg Airport. Thus the way is open for privatization discussions between BBIP – the company run jointly with IVG – and the public sector.

Hochtief acquires majority interest in Australian company Leighton Holdings

With the increase of its holding from 49.8% to 50.3%, Hochtief has now secured a majority interest in Leighton Holdings Ltd., Sydney. With 12 500 employees, output worth € 2.2 billion and pre-tax earnings of € 120 million (1999/00), Leighton Holdings is one of Australia's leading project developers and building contractors. The company will be fully consolidated as of January 1, 2001.

Executive Board

Dr. Dietmar Kuhnt
Chairman
– since September 11, 2000 –

Dr. Richard R. Klein
– since November 24, 2000 –

Dr. Klaus Sturany
– since September 11, 2000 –

Dr. Gert Maichel
– since November 24, 2000 –

Jan Zilius
– since September 11, 2000 –

Manfred Remmel
– since November 24, 2000 –

Consolidated income statement	Oct. – Dec.	Oct. – Dec.	July – Dec.	July – Dec.
	2000	1999	2000	1999
	€ million	€ million	€ million	€ 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
Taxes 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	At 06/30/2000
Assets	€ million	€ million
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
Prepaid expenses	244	223
Total ASSETS	78 516	64 989

Shareholders' Equity and Liabilities	At 12/31/2000	At 06/30/2000
	€ million	€ million
Equity	7 238	6 366
Minority interests	2 992	3 191
	10 230	9 557
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.	July – Dec.
	2000	1999
	€ million	€ 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

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 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 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.

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

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

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).

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. 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 (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 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

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 € million	Oct. – Dec. 1999 € million	July – Dec. 2000 € million	July – Dec. 1999 € million
Profit on operating activities	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 trans-

ferred 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 divi-

sion 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.

