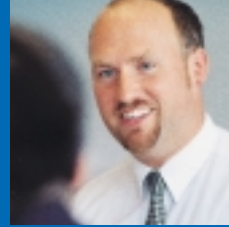


Report on the first quarter of fiscal 2000/2001

July through September 2000

- Takeover of Thames Water: RWE to be no. 3 in the worldwide water market
- New Group structure instituted as of October 1 – Merger with VEW complete in operational terms
- Operating result up on the year before despite negative impact of electricity business
- 10 % of RWE shares taken off the market

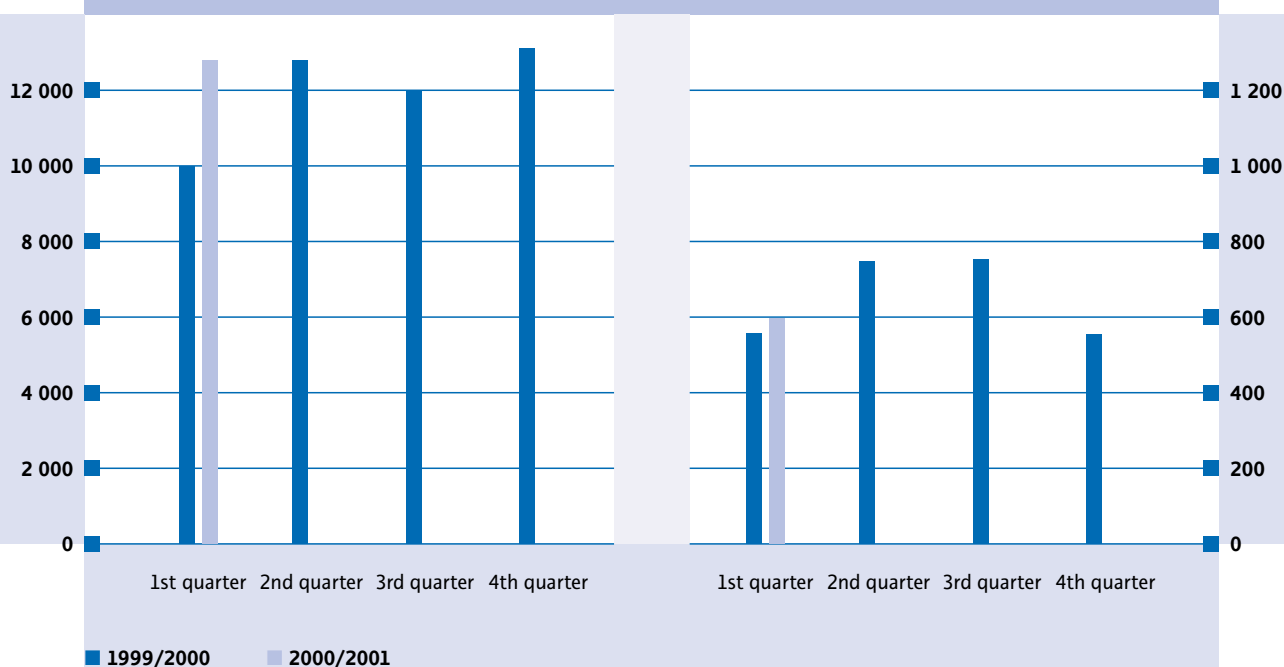


RWE Group	July -	July -	Change	Full year
	Sept. 2000	Sept. 1999	+/- in %	1999/2000
	€ million	€ million	+/- in %	€ million
External net sales	12 684	10 101	+ 25.6	47 918
Operating result *	605	567	+ 6.7	2 664
EBITDA*	1 004	1 022	- 1.8	4 688
Net profit	250	264	- 5.3	1 212
Net earnings per share (€)	0.48	0.48	0.0	2.24
Cash flow	674	723	- 6.8	3 354
Capital expenditure	856	1 725	- 50.4	4 923
	30/09/00	30/06/00	+/- in %	
Employees	143 806	152 132	- 5.5	

* Year-earlier values adjusted for changes in the calculation of the interest credit on prepayments received.

External net sales € million

Operating result € million



Prospects are brightening: Electricity prices have bottomed out – water business has been expanded into strong foothold

Dear shareholders,

As expected, our profitability in the first quarter still reflected the impact of the fall in electricity prices during the last fiscal year. We had already informed you about this in our publications in October of this year. A high profit contribution from the Petroleum and Chemicals division, however, enabled us to more than offset the earnings decline in the electricity business. This increased the operating result by some 7%.

The dramatic price competition in the German electricity market is not over yet. However, the negative impact declined in the first quarter compared with the two preceding quarters: The electricity price-related drop in sales amounted to approx. € 290 million compared with € 360 million in the fourth quarter of 1999/2000. Supply contracts with high price discounts are gradually expiring. When negotiating new contracts, we aim to obtain more favorable terms in light of the currently improved level of wholesale prices.

Moreover, we have taken proactive steps in response:

- First, through our cost-cutting program stepped up in February 2000. In the current fiscal year, we will reduce the costs in the energy business by another € 925 million, which includes the synergies resulting from the integration of VEW. We aim to rank among the cost leaders in the European electricity competition.
- Second, by a sales strategy focused on earnings. All contracts are based on the principle "margin takes precedence over market share". Wholesale prices which are transparent to all operators in the market provide the basis for these negotiations.

- Third, by shutting down power plants. Before the end of the fiscal year, we will begin to cut our power generation capacity by altogether 5000 MW.

These measures taken together will reduce the price-related adverse effects in the following quarters so that the negative impact can increasingly be cushioned by operations. We are also confident that electricity prices will recover on a lasting basis albeit on a low level.

We have also made a major step forward in the implementation of our international Multi-Utility strategy. We have successfully completed the takeover of Thames Water. The highly profitable British water utility will manage RWE's new Water division and lead the international expansion. With Thames Water we have not only become no. 3 in the worldwide water business, but have also gained broad-based access to a market with above-average growth rates and high earnings potential.

The next quarterly report will already come from the new RWE. The go-ahead for our new organizational structure was given on October 1, 2000, as part of the merger with VEW. We are proud of the smooth merger process. We believe that this will also play a key role in continuously enhancing the value of your shares.



Dr. Dietmar Kuhnt
President and Chief Executive Officer

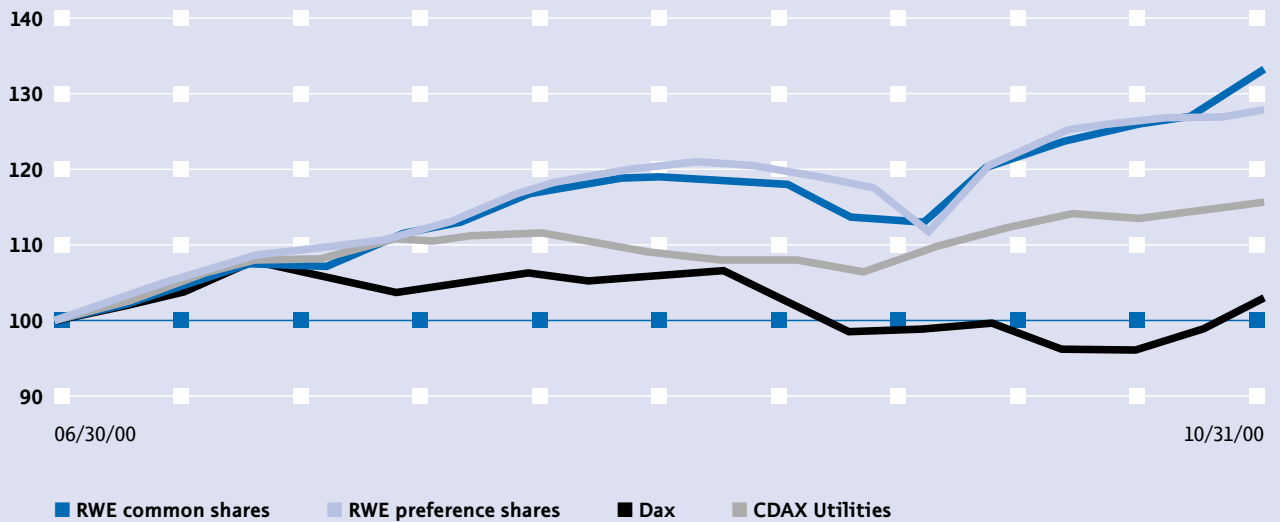


Performance of RWE shares improved significantly

In the first three months of RWE's current fiscal year, the German stock market lost momentum. Compared with June 30, 2000, the DAX index fell by 2% to 6798 points (September 29, 2000). This was, on the one hand, attributable to the high oil price and the low exchange rate of the euro. On the other hand, it was the result of a significant slowdown in the performance of technology stocks which led to increased interest in the less volatile shares of the "old economy". This stimulated the development of German utility shares significantly during this period.

Water led to a more favorable assessment of RWE shares by several investment banks. In conjunction with the general upward trend in the old economy, this lifted the value of shares again at the beginning of the second quarter. Compared with September 29, our common shares rose by 18% to € 47.25 (October 31, 2000), while the preference shares were up 15% at € 35.81.

RWE share performance vs. DAX and CDAX utilities



The nuclear energy agreement with the federal government as well as stabilizing electricity prices supported this trend.

Since the beginning of fiscal 2000/01, the performance of RWE shares improved significantly. As of September 29, 2000, the price of the common shares rose by 13% compared with June 30, 2000. The preference shares gained 11% during this period. At the end of the quarter, the announcement of the proposed takeover of the British water utility Thames

The total number of RWE shares will increase by only 3% to 570 million despite the share swap as part of the merger with VEW. This has been achieved by taking three measures: The cash purchase of approx. 30% of the VEW shares, the repurchase of about 43 million RWE preference shares and the purchase of approx. 12 million RWE common shares by VEW before the merger. This has taken altogether 10% of the RWE shares off the market and increased the market capitalization while the number of shares remained almost unchanged.

Operating result up 7 % on the year before despite negative impact from electricity business

Expansion of the world economy continues

The upward trend of the world economy continued during the period under review, albeit at a slower pace. The US economy was slowed down by lower growth rates of private consumption and construction spending towards the end of the period. Japan remained weak overall. Economic growth in western Europe continued to be stable. Key factors for this were the dynamic export industry and buoyant investment. As in other regions of the world, however, the purchasing power of private households was increasingly affected adversely by rising oil prices.

The German economy remained on a growth path. Continuing growth rates in the export sector and increasing capital expenditure on machinery and equipment proved to be the most important drivers. Overall growth was curbed, however, by lower private consumption demand than in the preceding quarter. Construction spending which continued to decline had an adverse effect.

Net sales: 26 % higher

In the first quarter, external net sales rose by 25.6 % to € 12.7 billion. This is largely the result of first-time consolidations and higher product prices in the petroleum business. When adjusted for consolidation effects, external net sales were up 13.1% on the corresponding year-earlier level. The foreign share increased from 28.8 % to 37.0 %.

Net sales growth was highest in the Construction and Civil Engineering division. This was due to the consolidation of the US construction company Turner as of October 1, 1999. In the Petroleum and Chemicals division, the rise in net sales was driven by prices. In addition, there was consolidation and currency-related sales growth in the Printing Systems division (Heidelberger Druckmaschinen AG).

Lower net sales in the Energy division, which after the amalgamation of RWE Energie's electricity generation from lignite with the lignite mining operations of Rhein-

RWE Group	July – Sept. 2000	July – Sept. 1999	Change	Full year 1999/2000
External net sales	€ million	€ million	+/- in %	€ million
Energy	3 158	3 254	– 3.0	13 536
of which electricity/ natural gas tax	105	88	+ 19.3	443
Petroleum and Chemicals	5 264	4 188	+ 25.7	18 008
of which mineral oil tax	1 335	1 258	+ 6.1	5 049
Environmental Services	357	384	– 7.0	1 524
Industrial Services (TESSAG)	430	373	+ 15.3	2 239
Printing Systems	996	836	+ 19.1	4 602
Construction and Civil Engineering	2 466	1 052	+ 134.4	7 960
Other activities	13	14	– 7.1	49
Total	12 684	10 101	+ 25.6	47 918
Germany	7 985	7 192	+ 11.0	30 290
International	4 699	2 909	+ 61.5	17 628

braun also comprises the Mining and Raw Materials division, had the opposite effect. The deconsolidation of LAUBAG as of July 1, 2000, which we have to sell in compliance with antitrust requirements imposed in connection with the VEW merger, is mainly reflected here. Knock-on effects of electricity price cuts made in the last fiscal year also had an impact. These two factors could not be sufficiently compensated for by the significantly higher sales in the trading business of RWE Trading. In the Environmental Services division, the business volume declined owing to the disposal of the non-European environmental consulting activities.

Operating result: Increase despite adverse effects from electricity business

Compared with the year before, the operating result increased by 6.7 % to € 605 million. This was attributable to the significantly higher downstream result in the Petroleum and Chemicals division. This, in turn, was due to the margins which were higher again in the refineries of RWE-DEA. The first-time consolidation of Turner as of October 1, 1999, also had a positive impact.

These factors more than compensated for the negative impact on the results especially in the Energy division. This reflected the deconsolidation of LAUBAG and electricity price reductions from the year before which could not entirely be cushioned by cost-cutting measures. Moreover, the result in the Printing Systems division was adversely affected by expenditure incurred for the DRUPA 2000 print trade fair and for the integration of the acquired digital printing activities.

Net profit: Slight decline following high disposal gains in the year-earlier period

Compared with the year before, the net profit dropped by 5.3 % to € 250 million. This was due to a lower non-operating result attributable to the high corresponding figure for the year-earlier quarter which included the gain on the disposal of the TV cable company TeleColumbus. An improved financial result, which had reflected high writedowns on securities the year before, and lower tax expenditure had the opposite effect.

Key data of the cash flow statement

On September 30, 2000, the net financial assets of altogether € 12.8 billion were € 2.3 billion lower than on June 30, 2000. This is essentially attributable to the following: The reduction of investments held as fixed assets through the deconsolidation of LAUBAG, the capital expenditure on tangible and financial assets, the repurchase of own shares and the net cash used for operations.

Compared with the year-earlier quarter, the cash flow of € 674 million was 6.8 % lower. The release of short-term provisions and the building up of working capital lead to the use of net cash of € 276 million for operations. Capital expenditure on tangible and financial assets, however, was significantly lower at € 856 million than the year before.

RWE Group Operating result	July – Sept. 2000 € million	July – Sept. 1999 € million	Change +/- in %	Full year 1999/2000 € million
Energy	332	393	- 15.5	1 757
Petroleum and Chemicals	192	82	+ 134.1	387
Environmental Services	27	25	+ 8.0	101
Industrial Services* (TESSAG)	- 11	- 14	+ 21.4	45
Printing Systems*	29	86	- 66.3	429
Construction and Civil Engineering*	28	14	+ 100.0	149
Other activities/ Holding company/ Consolidation	8	- 19	+ 142.1	- 204
Total	605	567	+ 6.7	2 664

* Year-earlier values adjusted for changes in the calculation of the interest credit on prepayments received.

Capital expenditure: 50 % down from the year before

At € 856 million, capital expenditure amounted to only about half the high year-earlier level. This was primarily attributable to the much lower financial investments. The year before, these had essentially included the increase of the stake in the joint venture VR Telecommunications (VRT), the acquisition of Turner by Hochtief and of Kodak's digital printing activities by Heidelberg. In the quarter under review, our financial investments related primarily to the acquisition of VEW shares.

Capital expenditure on tangible assets was slightly lower than the year before. In the Energy division, it increased as a result of the construction work for the 950 MW lignite-fired unit at Niederaußem and through higher expenditure at CONSOL. By contrast, our expenditure was reduced in the divisions of Petroleum and Chemicals, Printing Systems and Environmental Services.

RWE Group Capital expenditure including acquisitions	July- Sept. 2000 € million	July- Sept. 1999 € million	Change +/- in %	Full year 1999/2000 € million
Energy	372	313	+ 18.8	1 960
Petroleum and Chemicals	108	135	- 20.0	729
Environmental Services	19	60	- 68.3	241
Industrial Services (TESSAG)	18	27	- 33.3	99
Printing Systems	59	202	- 70.8	481
Construction and Civil Engineering	18	341	- 94.7	564
Other activities	262	647	- 59.5	849
Total	856	1 725	- 50.4	4 923
Capital expenditure on tangible assets	540	565	- 4.4	2 827
Capital expenditure on financial assets*	316	1 160	- 72.8	2 096

* Excl. investments held as fixed assets and other lendings

Employees: Downsizing in the Energy and Construction divisions

At 143 806, the number of employees was 5.5% lower than on June 30, 2000. This was essentially attributable to the deconsolidation of LAUBAG in the Energy division and of Streif AG and Prüm-Türenwerk GmbH in the Construction and Civil Engineering division. In addition, we cut our workforce in the Energy and Civil Engineering divisions as part of early-retirement and restructuring schemes. When adjusted for consolidation effects, the number of employees in the Group fell by 1.1%.

RWE to be no. 3 in worldwide water business: Takeover of Thames Water

On September 25, we publicly announced our takeover bid for Thames Water plc. Thames Water, London, is the third-largest supplier in the water market worldwide. In fiscal 1999/2000, the company generated sales of € 2.25 billion with 14,000 employees, supplying approx. 23 million people with water and wastewater services. An operating result of € 919 million makes Thames Water one of the most profitable companies of the industry.

On October 2, 2000, we submitted an official takeover bid to the shareholders of Thames Water. The company's management supported the offer from the outset. We have meanwhile successfully completed the takeover. The total acquisition price is € 7.1 billion. Including the assumption of liabilities of Thames Water, the enterprise value totals € 11.1 billion. This also comprises the enterprise value of the US water utility E'town (sales of € 184 million in 1999), which Thames Water is currently taking over.

"The new RWE": VEW integrated in operational terms – fundamental realignment of the Group structure

As part of the integration of VEW, we have fundamentally restructured the RWE Group as of October 1, 2000, sooner than originally planned. This is aimed at making our core business much leaner and more responsive. The energy and environmental activities of RWE and VEW are now managed by eight independent companies, of which five are new companies. They focus on their respective core skills along the value chain of Multi Utility, ranging from generation and power grids right down to sales/marketing, trading and general service functions. A lean organizational and operational structure, focus on core skills and close proximity to markets with fast decision-making processes are the requirements to be met by the new companies.

RWE Group	At 09/30/2000	At 06/30/2000	Change
Employees	Number	Number	+/- in %
Energy	56 183	62 498	- 10.1
Petroleum and Chemicals	9 604	9 517	+ 0.9
Environmental Services	10 267	10 120	+ 1.5
Industrial Services (TESSAG)	16 793	16 647	+ 0.9
Printing Systems	24 317	23 962	+ 1.5
Construction and Civil Engineering	26 046	28 782	- 9.5
Other activities	596	606	- 1.7
Total	143 806	152 132	- 5.5
Germany	98 677	106 691	- 7.5
International	45 129	45 441	- 0.7

Operating result for 2000/01 expected at least on a par with the year before despite impact of tumbling electricity prices

Our energy core business continues to be impacted by a difficult market environment. We are nonetheless optimistic for the Group's new fiscal year 2000/01*. The first quarter has largely developed as expected. Our target for the year as a whole is in line with the outlook published in the Annual Report in October.

This outlook does not reflect the positive effects on earnings from the inclusion of VEW (retroactively as of July 1, 2000) and Thames Water (probably as of December 1, 2000). The previous VEW business will be included in the half-year interim report which will be published at the end of February 2001. Thames Water will be included in the consolidated financial statements on the first nine months, to be published in May 2001.

We anticipate to close with a consolidated **operating result** at least matching the year-earlier level. The competition-related price concessions made in the fiscal year ended will lead to further knock-on effects owing to the contracts previously concluded with customers. However, the adverse effects on the result will decline from quarter to quarter. Negative impact will be caused by the Acts on the Promotion of Renewable Energies and on the

Promotion of Combined Heat-and-Power Generation (CHP) as well as by higher fuel prices. This is why we rely even more on cost cutting. We furthermore expect a positive impetus from the divisions of Petroleum and Chemicals, Environmental Services and Printing Systems. In the Construction and Civil Engineering division, we expect earnings to decline further owing to the more difficult economic environment for the German building industry.

Our targets for the **cost-cutting program** in 2000/01: We will reduce costs in the energy business by another € 800 million. Additional savings of € 125 million will come from synergies of the merger with VEW. € 100 million will be saved in other divisions of the Group.

We expect **consolidated net sales** to be roughly on a par with the year-earlier level. Sales will be increased by the expansion of trading in the Energy division, by higher prices in the Petroleum and Chemicals division and a high order inflow in the Printing Systems division. The first full-year inclusion of the US construction company Turner will be added to this. By contrast, we are giving up a sales volume of at least € 3 billion as non-core businesses are divested. The antitrust requirements imposed by the Cartel Office for the merger will lead to a decline in sales by roughly € 2 billion.

* Unlike the current fiscal year of the Group (July 1, 2000 through June 30, 2001), the current fiscal year of RWE AG has been shortened to six months (July 1 – December 31, 2000) because of changing over to the calendar fiscal year.

Energy*

- Operating result down 15.5% from the year before primarily because of electricity price cuts from 1999/2000
- Net sales down only 3% owing to buoyant gas business

Prices have bottomed out in the **German electricity market**. In the wholesale sector, electricity prices have even picked up again slightly since the middle of the year. This was due to higher hard coal and gas prices and the first effects of announced power plant shutdowns. Prices for industrial customers were rising slightly. Prices also increased moderately in the segment of residential and commercial customers. However, this reflects primarily the passing on of the cost burden caused by the Renewable Energies Act (EEG) and the Act on the Promotion of Cogeneration (KWK). Against this backdrop, RWE raised the general tariff rate by 0.55 ct/kWh as of September 15, 2000.

The 12% higher **electricity sales volume** was due to our fast entry to electricity trading and increased deliveries to industrial key accounts and business customers. In the **gas business**, too, where we sold 69% more, we benefited from our new trading activities and successful canvassing for new customers.

External net sales declined by 3.0%. Apart from the deconsolidation of LAUBAG (antitrust requirement in

connection with the VEW merger), this was the result of electricity price cuts made the year before. Adjusted for the electricity tax, net sales of electricity dropped by 6.9%. Gas sales increased on higher sales volumes and prices as well as through the start of gas trading. Net sales of hard coal (CONSOL) dropped by some 12% when adjusted for currency effects. This decline was due to maintenance measures and unforeseeable, but temporary geological disruptions in individual mines.

The **operating result** fell 15.5% short of the year-earlier level. This was caused by the aforementioned electricity price effects and the deconsolidation of LAUBAG. These burdens could not entirely be compensated for by our cost-cutting measures. Savings were achieved especially in respect of material expenditure by way of lower costs of purchased electricity. Payroll costs were also reduced by the early-retirement measures taken so far.

Energy Division		July – Sept. 2000	July – Sept. 1999	Change +/- in %	Full year 1999/2000
Sales volume					
Electricity	million kWh	43 256	38 552	+ 12.2	170 571
Gas	million kWh	4 880	2 888	+ 69.0	26 854
Refined lignite products	thousand tons	1 088	1 684	- 35.4	8 352
Hard coal	thousand sht	19 723	21 218	- 7.0	78 714
External net sales* € million					
Electricity	€ million	2 024	2 143	- 5.6	8 750
Gas	€ million	102	62	+ 64.5	571
District heat	€ million	31	22	+ 40.9	116
Refined lignite products	€ million	66	87	- 24.1	400
Hard coal	€ million	499	479	+ 4.2	1 900
Other activities**	€ million	436	461	- 5.4	1 279
Operating result € million					
		332	393	- 15.5	1 757

* This division comprises the previous divisions of Energy as well as Mining and Raw Materials because RWE Energie's electricity generation from lignite was merged with Rheinbraun's lignite mining operations as of April 1, 2000.

Petroleum and Chemicals		July – Sept.	July – Sept.	Change	Full year
Division		2000	1999	+/- in %	1999/2000
Sales volume and production					
Oil production	thousand tons	946	880	+ 7.5	3 593
Natural gas production	million m ³	205	487	- 57.9	2 103
Petroleum product sales	thousand tons	5 452	5 217	+ 4.5	20 757
Petrochemical sales	thousand tons	677	578	+ 17.1	2 554
Chemical sales	thousand tons	1 007	1 170	- 13.9	4 212
External net sales					
	€ million	5 264	4 188	+ 25.7	18 008
Upstream	€ million	166	123	+ 35.0	636
Downstream	€ million	4 407	3 444	+ 28.0	14 801
of which mineral oil tax	€ million	1 335	1 258	+ 6.1	5 049
Chemicals	€ million	690	620	+ 11.3	2 566
Other activities	€ million	1	1	0.0	5
Operating result					
	€ million	192	82	+ 134.1	387

Petroleum and Chemicals

- Operating result more than doubled through successful downstream operations
- Higher product prices lifting net sales by 26% compared with the year-earlier quarter

Prices in the **international oil market** continued to rise in the first quarter. At the beginning of September 2000, Brent crude peaked at USD 37.80 per barrel.

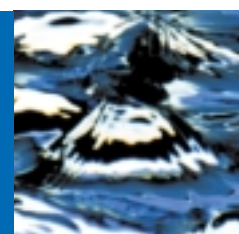
Our **oil production** increased by 7.5%. The **production of natural gas** decreased. However, this is only a quarterly effect: Unlike the year-earlier quarter, our customers hardly purchased gas beyond the contractually agreed minimum volumes.

The sales volume of **petroleum products** grew by 4.5%. The sales volume at DEA's service stations developed more favorably than that of our competitors. After the commissioning of the new oil gasification plant in Wesseling, the sales volume of **petrochemical products**, too, grew significantly. The utilization of the **refineries** was high. The decline of the **sales volume of chemicals** is essentially due to the disposal of CONDEA Vista's PVC operations in November 1999.

Compared with the year-earlier period, **external net sales** of the RWE-DEA group rose by 25.7% to € 5.3 billion. This was mainly the result of higher prices, but also of increased sales volumes of petroleum and petrochemical products.

In the first quarter, the **operating result** was significantly up on the year-earlier level. In the downstream operations (petroleum processing and petrochemicals), the margins were significantly above those of the year before. The service station result, however, declined owing to lower margins. The result of the upstream operations improved on increased crude oil prices and the higher domestic oil production.

The initiated **disposal of the chemicals operations under the Condea brand** (sales of approx. € 2.3 billion) is proceeding on schedule. We expect the negotiations to be concluded successfully by the end of 2000.



Environmental Services

- Operating result improved by 8% in the wake of portfolio streamlining the year before
- Net sales 7% down from the year before owing to disposal of US environmental consulting operations

Environmental Services Division	July – Sept. 2000 € million	July – Sept. 1999 € million	Change +/- in %	Full year 1999/2000
External net sales	357	384	- 7.0	1 524
Waste disposal and recycling Germany	325	295	+ 10.2	1 219
Waste disposal and recycling International	19	18	+ 5.6	75
Water/wastewater	6	12	- 50.0	41
Environmental consulting	7	59	- 88.1	189
Operating result	27	25	+ 8.0	101

Following many years of stagnation, slightly higher sales are expected for the first time this year in the private **waste management market in Germany**. The emerging upward trend is essentially sustained by higher secondary raw material prices for waste paper, plastics and waste wood. Additional opportunities are opening up through the continuing trend towards the partial privatization and contracting of municipal waste management activities. In the **water/wastewater market**, too, increasing privatization trends are emerging.

Our **external net sales** dropped by 7.0%. This is essentially the result of the disposal of the non-European environmental consulting activities. When adjusted for this effect, external net sales were up 8.1% on the year-earlier level. This sales rise was primarily accounted for

by the German waste disposal and recycling operations where we benefited from higher prices for secondary raw materials. The sales decline in the water/wastewater operations is due to the sale of companies the year before.

We improved the **operating result** by 8%. On the one hand, this was achieved by the continued streamlining of the company portfolio the year before. On the other hand, it was the result of improved operations in the segment of German waste disposal and recycling.

Industrial Services (TESSAG)

- Operating result still negative owing to adverse effects from industrial plant engineering
- Net sales up 15 % due to successful telecommunications and Internet infrastructure projects

In the first three months, TESSAG met with more dynamic **export demand**. Cost cuts and reduced capital expenditure of domestic energy utilities, however, led to a continuing decline of order volume and prices in subsegments. As the internationalization of our operations continued to gather momentum, the lower demand in Germany could be more than compensated for by a successful export performance. The higher order volume was primarily accounted for by the Power Systems subdivision. **Order inflow** of these operations doubled compared with the year before.

Net sales grew by 15.3%, primarily due to the favorable development of infrastructural projects for telecommunications and the Internet. In the industrial operations, net sales dropped owing to the deconsolidation of the Lahmeyer International group.

The **operating result** of the TESSAG group amounted to € -11 million following € -14 million the year before. The loss is essentially attributable to the continuing difficulties in the market for industrial plant engineering. For the year as a whole, we expect a positive result on a par with the year-earlier period.

Industrial Services Division (TESSAG)	July - Sept.	July - Sept.	Change		Full year 1999/2000
	2000	1999	+/- in %		
	€ million	€ million			
Order inflow	558	534	+	4.5	2 207
Orders on hand (09/30)	1 753	1 773	-	1.1	1 589
External net sales	430	373	+	15.3	2 239
Operating result*	- 11	- 14	+	21.4	45

* Year-earlier values adjusted for changes in the calculation of the interest credit on prepayments received.

Printing Systems (Heidelberger Druckmaschinen AG)

- Operating result down 66% from the year before owing to expenditure on DRUPA and digital printing
- Net sales 19% higher due to consolidation and currency effects

Heidelberger Druckmaschinen benefited from pleasing growth of **demand** in the international printing press sector as part of the predominantly favorable economic development worldwide.

Compared with the year before, Heidelberg increased its **order inflow** significantly. This was mainly due to the

favorable outcome of the DRUPA 2000 print fair where we concluded contracts in a total volume of € 1.5 billion. This is roughly equivalent to three times the level of the last trade fair five years ago. The successful outcome was mainly driven by our product innovations. Moreover, order inflow benefited from exchange rate

effects and the inclusion of the digital printing activities. The 19.1% growth of **net sales** is essentially attributable to the aforementioned initial consolidation and currency effects. The contracts concluded at DRUPA are not yet reflected in the first-quarter sales.

The **operating result** was down 66.3% from the corresponding year-earlier level. This reflected the high expenditure on DRUPA as well as the costs incurred for the integration of the digital printing activities. The outlook for the year as a whole remains bright.

Printing Systems

Division (Heidelberger Druckmaschinen AG)

	July – Sept. 2000	July – Sept. 1999	Change	Full year 1999/2000
	€ million	€ million	+/- in %	
Order inflow	1 778	1 051	+ 69.2	4 694
Orders on hand (09/30)	2 168	1 270	+ 70.7	1 346
External net sales	996	836	+ 19.1	4 602
Operating result*	29	86	- 66.3	429

* Year-earlier values adjusted for changes in the calculation of the interest credit on prepayments received.

Construction and Civil Engineering

- Operating result doubled through inclusion of US construction company Turner
- Net sales 134% up on year-earlier quarter through Turner effect

The situation varies in the **international construction markets**. The momentum is still strong in North America, although economic growth is expected to slow down. In Central and Western Europe, there are only occasional opportunities for large-scale projects. In Eastern Europe, bright prospects may arise in terms of infrastructural development. Following the end of the building boom triggered by the Olympic Games, the Australian market has slowed down. The markets in Southeast Asia and South America are still developing rather slowly.

The downturn continues in the **domestic construction market**. This is essentially driven by the reluctance to invest on the part of large customers in industry and the public sector.

Order inflow more than doubled in the first quarter. The order volume abroad grew significantly through the first-time consolidation of the US construction company Turner as of October 1, 1999. Even without the inclusion of Turner, order inflow would have been 72.4% higher than the year before. This is essentially attributable to the favorable development of our Dutch affiliate Ballast

Nedam. The substantially improved performance was due to the consolidation of Turner and the development of Ballast Nedam and Leighton Holdings.

Owing to the desperate situation in the German building industry, our order inflow from domestic customers fell 31.2% short of the year-earlier level. Domestic performance was down from the year-earlier level as a result of a lower order inflow the year before.

External net sales of the Construction and Civil Engineering division also more than doubled compared with the year before on account of the first-time consolidation of Turner. Without the inclusion of Turner, the order volume would have been 12.6% lower than in the

year-earlier quarter. Fewer orders were invoiced at home due to the lower order inflow the year before. The decline in net sales abroad is attributable to the conclusion of large-scale projects.

The **operating result** doubled as Turner was consolidated for the first time. Without Turner, the operating result would have dropped by 46.8% because the operating results declined in the domestic business. This is primarily attributable to extremely protracted supplementary negotiations with key accounts. An improved result from investments on higher earnings at Leighton Holdings, Ballast Nedam and Flughafen Düsseldorf GmbH had the opposite effect.

Construction and Civil Engineering Division	July – Sept.	July – Sept.	Change	Full year 1999/2000
	2000	1999	+/- in %	
	€ million	€ million		
Order inflow	3 272	1 343	+ 143.6	11 792
Germany	490	712	- 31.2	2 861
International	2 782	631	+ 340.9	8 931
Orders on hand (09/30)	12 138	6 248	+ 94.3	12 188
Germany	2 589	3 139	- 17.5	2 822
International	9 549	3 109	+ 207.1	9 366
Performance	3 322	1 735	+ 91.5	10 987
Germany	724	980	- 26.1	3 482
International	2 598	755	+ 244.1	7 505
External net sales	2 466	1 052	+ 134.4	7 960
Germany	714	838	- 14.8	
International	1 752	214	+ 718.7	
Operating result*	28	14	+ 100.0	149

* Year-earlier values adjusted for changes in the calculation of the interest credit on prepayments received.

Signal to the market: Decommissioning of power plant capacities

In 2001, we will start to decommission 5 000 MW of our power plant capacities. After the pooling of RWE's and VEW's power plants as of October 1, 2000, the demand for reserve capacity is lower. The move is also designed to improve the overall efficiency of our power plant portfolio and to send a signal to the electricity market which is characterized by unsatisfactory prices due, among other things, to surplus capacities.

Apart from the decommissioning of 3 000 MW of owned power plant capacity, we will terminate non-competitive electricity purchases of 900 MW at the earliest possible time. In addition, we will abandon the recommissioning of the Mülheim-Kärlich nuclear power plant with some 1 200 MW as part of the nuclear energy agreement concluded with the federal government.

Cartel Office requirements imposed on the merger with VEW being met as planned

The Federal Cartel Office has required us to sell our shares in the eastern German electricity producer VEAG, the opencast lignite mining operations of LAUBAG and the regional utility envia. The sale of envia, however, is only an option for the buyer of VEAG/LAUBAG. The buyer can alternatively ask for a guarantee that VEAG electricity will be purchased. On the effective date of November 15, 2000, we received binding acquisition bids which we are currently examining. LAUBAG had already been deconsolidated as of July 1, 2000. Owing to the

requirements imposed by the Cartel Office, the controlling influence of the Group no longer exists. The at-equity consolidation of VEAG also lapsed as of this date. RWE and E.ON will carry out an assets split of the company in order to meet the requirement of the Cartel Office to break up the regional utility rhenag. rhenag's own business and the shareholdings in North Rhine-Westphalia will be allocated to RWE, the shareholdings in Saxony, Hesse and Rhineland-Palatinate to E.ON.

RWE Power as successful systems partner for customer-based power plants

In September 2000, we commissioned a CCGT co-generation plant involving total capital expenditure of € 230 million at Bayer AG in Dormagen. The power plant has an electrical capacity of 480 MW and produces up to 490 tons of steam per hour. The carbon dioxide emissions at the Dormagen works are at the same time reduced by 600,000 tons annually. For ThyssenKrupp Stahl AG in Duisburg-Hamborn, we will erect and operate a new cogeneration plant involving total capital expenditure of € 150 million by October 2002. The new power plant will be designed for a maximum electrical capacity of 255 MW and generate up to 180 tons of steam per hour.

Production interrupted at unit A of Biblis nuclear power plant

A crack in a welding seam, which dates back to the time when the plant was built, was discovered in the cooling system during a scheduled outage. However, this did

Supervisory Board

Dr. h.c. Friedel Neuber
Chairman

Erwin Winkel *)
Vice Chairman since
September 23, 2000

Alwin Fitting *)
– until September 22, 2000 –
Vice Chairman

Dr. Paul Achleitner
Carl-Ludwig von Boehm-Bezing
Wilfried Eickenberg *)
– since September 26, 2000 –
Dr. Friedhelm Gieske
Erwin Hahn *)
Johann Heiß *)
Heinz-Eberhard Holl

Rudolf Kersting
Berthold Krell *)
Dr. Walter Mende
Wilhelm Nowack
Branko Rakidzija *)
– since August 22, 2000 –
Bernhard von Rothkirch *)
Klaus Schmid *)

Dr. Manfred Schneider
Ernst-W. Stuckert *)
Klaus-Dieter Südhof *)
Dr. Alfons Friedrich Titzrath
Ralf Zimmermann *)
– until July 31, 2000 –

*) Supervisory Board employee representative

and does at no time entail any operational risk. We have nonetheless undertaken not to restart unit A before this damage has been repaired. We expect the plant to resume operation in December 2000.

One-stop-shop gas supplies from RWE in the future

We intend to pool our gas operations under one umbrella. To this end, the gas activities of RWE Energie and VEW Energie, including their subsidiaries, are to be contributed to Westfälische Ferngas AG (WFG). In return, our share of WFG will increase from 58% to approx. 80%. The remaining 20% are held by municipal shareholders. "RWE Gas" is to be the future name of WFG.

TESSAG widening competence in electrical power equipment

On August 2, 2000, TESSAG announced its intention to submit a public offer for the takeover of SMIT Transformatoren N.V., Nijmegen. SMIT ranks among the leading suppliers of network transformers. In 1999, the Dutch company generated sales of approx. € 70 million with 336 employees. The takeover was concluded in November.

Hochtief completes construction of Athens airport

In October 2000, we completed the work at Athens airport after a construction period of only 51 months. The airport is due to be commissioned on March 1, 2001, following five months of trial operation. We will operate

the airport jointly with ABB and the Greek government for 25 years. Hochtief has a 40% interest in the operating company.

Hochtief back in the lists for Berlin airport

The Berlin airport project has taken a pleasing change for the better: The consortium of investors lead-managed by Hochtief has agreed with IVG to submit a joint bid for the construction and operation of the airport. The agreement had become possible after the Brandenburg Higher Regional Court had overturned the decision to exclude Hochtief.

The compromise settlement concluded between the court and the two consortiums provides for a combination of both consortiums on an equal footing and under the joint management by Hochtief and IVG. The cooperation has already been approved by the responsible "Project Planning Company" Schönefeld but is still subject to the approval of the antitrust authorities.

Hochtief abandoning road construction in Germany

Hochtief has divested the difficult road construction business by selling the transport infrastructure group and continued its process of focussing on the core business. The activities have been taken over by STRABAG, Cologne, effective retroactively December 31, 2000.

Executive Board

Dr. Dietmar Kuhnt
Chairman

Dr. Richard R. Klein

Manfred Remmel

Dr. Klaus Sturany

Jan Zilius

Consolidated income statement	July – Sept.	July – Sept.
	2000	1999
	€ million	€ million
Net sales	12 684	10 101
Mineral oil/natural gas/electricity tax	- 1 441	- 1 341
Net sales (excl. mineral oil/natural gas/electricity tax)	11 243	8 760
Change in stocks and work in progress/other own work capitalized	223	173
Cost of materials/payroll costs/depreciation/amortization	- 10 170	- 7 627
Other operating income	- 737	- 591
Profit on operating activities	559	715
Result from investments	126	110
Financial result	- 215	- 264
Profit before tax	470	561
Taxes on income	- 147	- 238
Profit after tax	323	323
Minority interests	- 73	- 59
Net profit	250	264
Earnings per share* (€)	0.48	0.48

* The diluted and the undiluted earnings per share match.

Consolidated balance sheet	At	At
	09/30/2000	06/30/2000
Assets	€ million	€ million
Fixed assets		
Intangible assets	1 451	1 421
Tangible assets	16 967	17 344
Financial assets	14 599	15 728
	33 017	34 493
Current assets		
Inventories	3 586	3 282
Accounts receivable and other assets	11 637	9 959
Securities	3 886	7 339
Cash and cash equivalents	4 883	2 812
	23 992	23 392
Deferred taxes	6 830	6 881
Prepaid expenses	217	223
Total ASSETS	64 056	64 989

Shareholders' Equity and Liabilities	At	At
	09/30/2000	06/30/2000
	€ million	€ million
Equity	6 395	6 366
Minority interests	2 744	3 191
	9 139	9 557
Equity and minority interests	9 139	9 557
Provisions	33 761	35 082
Liabilities	16 469	15 479
Deferred taxes	2 809	2 958
Deferred income	1 878	1 913
Total SHAREHOLDERS' EQUITY AND LIABILITIES	64 056	64 989

Consolidated cash flow statement	July – Sept.	July – Sept.
	2000	1999
	€ million	€ million
Cash flow	674	723
Change in net working capital/other items	- 950	25
Change in net cash from operating activities	- 276	748
Capital expenditure on tangible and financial assets	- 856	- 1 725
Proceeds from disposals of tangible and financial assets	160	574
Change in securities and cash investments	3 092	- 643
Change in net cash from investing activities	2 396	- 1 794
Change in net cash from financing activities	18	- 104
Other items	- 67	22
Change in cash and cash equivalents	2 071	- 1 128
Cash and cash equivalents at beginning of year	2 812	2 980
Cash and cash equivalents at end of reporting period	4 883	1 852
Change in financial assets	- 1 861	- 487
Financial assets at beginning of year	18 162	16 135
Financial assets at end of reporting period	16 301	15 648
Net financial assets at end of reporting period	12 781	12 940

Change in equity and minority interests	Group interests € million	Minority interests € million	Total € million
At 07/01/2000	6 366	3 191	9 557
Capital contributions of minority shareholders			0
Repurchase of RWE AG shares	- 332		- 332
Dividend payments		- 20	- 20
Currency adjustments/other items	111	- 500	- 389
Profit after tax	250	73	323
At 09/30/2000	6 395	2 744	9 139

Accounting methods

The interim report of September 30, 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 of the year-earlier period have been determined according to the same standards.

The consolidation principles and accounting methods have not changed compared with June 30, 2000. The effects of the Tax Relief Act on deferred taxes have been recognized as expenses in the amount of € 20 million.

For further information, we refer to the consolidated financial statements as of June 30, 2000, which form the basis for the present interim financial statement.

Consolidated group

Apart from RWE AG, all domestic and foreign companies in which RWE AG directly or indirectly controls the majority of votes are included in the consolidated financial statements.

	09/30/2000	06/30/2000
Number of fully consolidated companies	527	518
Number of shareholdings recognized using the equity method	207	197

Following approval of the General Meetings, the merger of RWE and VEW will be economically effective retroactively as of July 1, 2000; it will be legally effective after November 23, 2000. VEW will be consolidated for the first time in the quarterly financial statements as of December 31, 2000.

With a view to meeting the requirements imposed by the Cartel Office for approval of the merger of RWE and VEW, the disposal of shareholdings of RWE and VEW in the eastern German electricity utility VEAG and in LAUBAG has been initiated. The management of these companies has been transferred to a trustee; as a result, they were deconsolidated as of July 1, 2000.

Earnings per share

Earnings per share are calculated as follows::

		1 st quarter 2000/2001	1 st quarter 1999/2000
Net profit	€ million	250	264
Number of shares outstanding (weighted average)	thousand	520 867	555 251
Earnings per share	€	0.48	0.48

Contingent liabilities

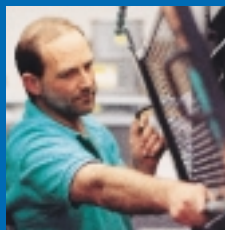
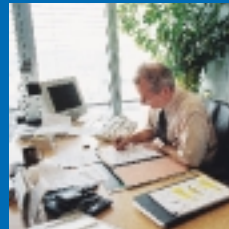
Contingent liabilities relate predominantly to liabilities from guarantees; compared with June 30, 2000, they have increased by € 250 million.

Derivation of operating result

	July – Sept. 2000 € million	July – Sept. 1999 € million
Profit on operating activities	559	715
+ result from investments	126	110
- non-operating result	93	269
+ interest credit on prepayments received	13	11
Operating result	605	567

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 extraordinary 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 the reporting period and the year-earlier quarter, the non-operating result includes disposal proceeds from telecommunications. In the year under review, provisions from the telecommunications sector, which were no longer needed, were written back.
- Prepayments received for long-term production contracts in the Civil Engineering and Construction 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 previous year's figure has been adjusted for a change in the method of calculation.



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