

Report on the first quarter of fiscal 2002

January through March 2002

- Group operating result 11% up year-on-year
- Core business 18% up year-to-date
- Non-core business 33% down on previous year
- Recommended offer for Innogy, No. 1 on the UK power market

Gas

Waste
management



Electricity

Water



RWE Group		January – March 2002	January – March 2001 pro forma ¹⁾	+/- in %	Full year 2001 pro forma ¹⁾
External net sales	€ million	14,695	13,978	+ 5.1	52,788
EBITDA	€ million	1,883	1,713	+ 9.9	6,790
Operating result	€ million	1,317	1,184	+ 11.2	3,908
Profit before tax	€ million	1,045	974	+ 7.3	2,194
Net profit	€ million	693	635	+ 9.1	1,350
Earnings per share					
excl. goodwill amortization	€	1.45	1.34	+ 8.2	3.20
incl. goodwill amortization	€	1.23	1.13	+ 8.8	2.40
Cash flow	€ million	1,343	1,044 ²⁾	+ 28.6	-
Capital expenditure	€ million	1,529	4,298	- 64.4	7,560
		03/31/2002	12/31/2001	+/- in %	
Workforce	FTEs ³⁾	123,771	123,423	+ 0.3	

1) Previous year's figure is adjusted (see explanation on p. 3).

2) Unadjusted year-earlier figure.

3) Full time equivalents (FTEs), according to the percentage of full-time employment.

Strong core business enables another jump in results



Dear Shareowners,

Key figures posted in the first quarter clearly demonstrate why we will bank exclusively on our core multi-utility business. It lets us generate stable growth in income even in times of economic instability. This allowed us to lift our operating result by 11%. Without the significant burden resulting from non-core businesses, the result would have risen even more. But the course has been set. We intend to divest all remaining non-core activities by the end of fiscal 2003. In addition, we will expand our core business substantially with the takeover of the Czech gas industry and the ongoing acquisitions of Innogy (electricity/gas) and American Water Works (water).

I would like to summarize the key facts and figures relating to the first quarter in the three following points.

- The operating result produced by our core businesses in the fields of electricity, gas, water and waste and recycling advanced 18%. By contrast, the operating result generated by our non-core operations, i.e. our 50% stake in the Shell & DEA Oil joint venture, Heidelberger Druckmaschinen and HOCHTIEF, declined by 33%. HOCHTIEF's net profit has been included in the Group's operating result only at equity since its deconsolidation.

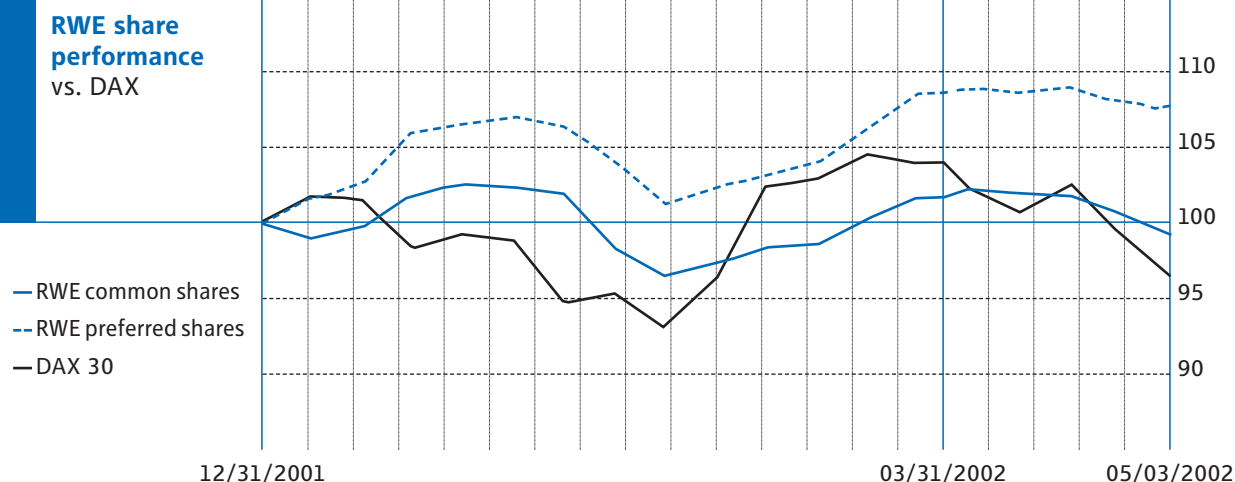
- The electricity business was our No. 1 earnings mainstay, boosting its operating result by 50%. However, one should take the previous year's low comparable figure into account in this context. Our German power operations are the major value contributors in the 2002 financial year. We have beaten all of our cost-cutting program's internal targets. Market prices continue to be stable.
- By making a recommended offer for the UK-based multi-utility Innogy at the end of March, we strengthened our competitive position in the European power business. The company is the largest electric utility and the second-largest gas utility in the UK. Once the deal closes, we will have strengthened our No. 3 position in the European electricity sector. Furthermore, we will have synergies with Thames Water. Innogy will contribute significant operating and market experience to the RWE Group. Great Britain has more than ten years of experience in deregulation.

The challenges we will face over the remainder of the financial year are clear. We must constantly improve performance in our core business, integrate acquired companies efficiently, and accelerate the divestment of non-core activities. This will lay the groundwork for continued earnings growth. We are optimistic about being able to grow our operating result for fiscal 2002 as a whole despite our weak non-core business.

Essen, May 2002

Dr. Dietmar Kuhnt

Chairman of the Executive Board



Stable performance in an uncertain stock market environment

The German stock market experienced a slight upward trend in the first quarter of fiscal 2002. From December 31, 2001 to March 31, 2002, the German Stock Index (DAX) climbed 4.6% to 5,397 points. However, the index slipped markedly in the first half of the reporting period due to the initial poor economic outlook. Closing at 4,746 points, the DAX hit its provisional year low on February 21. Subsequently, the DAX recovered above all due to more favorable US economic figures.

The intensified Middle East crisis and negative news from the technology and media sectors caused some nervousness among investors on conclusion of the period under review. This was compounded by the fact that the economic outlook for Germany worsened again. As a result, the DAX declined significantly, slipping below the 5,000-point mark at the beginning of May.

RWE's share price also increased in the period being reviewed. At the end of March, common shares closed at €43.08, recording a slight 2.1% uptick. Partially owing to speculations, preferred share prices rose 9.2% to €34.13. RWE issues once again showed evidence of their stability, with common shares displaying less fluctuation than the DAX. RWE benefited from the fact that utility stocks are classified as "safe havens" in times of cyclical uncertainty, especially at the beginning of the reporting period. Accordingly, RWE's share price did not react as strongly to positive economic indicators. Common share prices declined on conclusion of the first quarter, but again put in a more stable performance than the DAX.



Success in German power operations drives double-digit boost in core business results

Transition to calendar year completed

With its truncated financial year from July through December 2001 behind it, the RWE Group's fiscal year now corresponds to the calendar year for the first time. Consequently, the third quarter of the 2000/01 financial year from January through March 2001 is the basis for comparison in our commentary on the first quarter of fiscal 2002.

To improve comparability, we adjusted the previous year's figures (excluding those included in the cash flow statement) ex post facto to reflect the current changes in the Group's structure. This principally relates to the following issues:

- We stopped including our investment in HOCHTIEF on a fully consolidated basis as of January 1, 2002; it is now accounted for at equity in the Consolidated Financial Statements. By consequence, HOCHTIEF's net profit is considered in the Group's operating result only on a prorated basis. Sales, employees and capital expenditure are no longer included in the Group's figures. Therefore, we have ceased to issue a separate commentary on developments at HOCHTIEF.
- We started accounting for Harpen, our subsidiary that specializes in renewable and distributed power generation, in the Electricity Business Area under "Other activities" as of January 1, 2002. At the same time, we spun the Corporate Services Division, which primarily provides internal personnel, purchasing and IT infrastructure services, out of the Electricity Business Area. It is now stated under "Other activities" at the Group level.
- Thames Water was included in the report for the Water Business Area for the first time as of January 2001 although the UK-based water utility was consolidated for the first time as early as November 9, 2000. As a result, the previous year's unadjusted figures cover four-and-a-half months. To improve comparability, we adjusted these figures to cover three months.
- We brought RWE and Heidelberger Druckmaschinen's reporting periods, which used to deviate from each other by three months, in sync. Consequently, Heidelberg's year-earlier figures relate to the period from January through March 2001 (Q 1) and January through December 2001 (full year).

External net sales € million	January–March 2002	January–March 2001 pro forma	+/- in %	Full year 2001 pro forma
Electricity	6,853	5,295	+ 29.4	21,590
Gas	1,688	1,328	+ 27.1	3,724
Water	698	692	+ 0.9	2,746
Environmental Services	511	469	+ 9.0	2,055
Total core business	9,750	7,784	+ 25.3	30,115
RWE Dea Downstream	3,471	3,858	- 10.0	16,641
Heidelberger Druckmaschinen	1,443	1,757	- 17.9	5,330
Total non-core business	4,914	5,615	- 12.5	21,971
Other activities	31	579	- 94.6	702
Total	14,695	13,978	+ 5.1	52,788
Germany	10,611	9,455	+ 12.2	37,049
Foreign	4,084	4,523	- 9.7	15,739

A one-off effect results from the spin-out of RWE Dea's downstream operations into the Shell & DEA Oil GmbH joint-venture company effective January 2, 2002. They are consolidated pro-rata based on our 50% stake. The previous year's figures still include 100% of RWE Dea's downstream business.

Global economy slow to pick up pace

Economic prospects have been looking a little more promising since the turn of the year from 2001 to 2002 following a marked decline in growth. In the US, the slightly positive development experienced in the fourth quarter of 2001 carried over into the period under review. The US economy's gradual resurgence caused Western European markets to show first signs of recovery

as well. However, expansion continued to be limited. Hungary and the Czech Republic, both emerging Eastern European markets, showed indications of a long-term upward economic trend. Asia's economic situation improved, too. By contrast, Latin America's driving forces are still being subdued by the effects of the crisis in Argentina.

Germany continued to be the laggard in the Euro-zone. Weak demand for investment assets and—above all—the persistently contracting construction industry had a dampening effect on the economy in the first quarter of 2002. Germany's leading economic research institutes expect the country's real gross domestic product to rise by about 0.9% for the year 2002 as a whole.

EBITDA € million	January–March 2002	January–March 2001 pro forma	+/- in %	Full year 2001 pro forma
Electricity	873	667	+ 30.9	3,378
Gas	357	327	+ 9.2	877
Water	377	344	+ 9.6	1,327
Environmental Services	69	57	+ 21.1	321
Total core business	1,676	1,395	+ 20.1	5,903
RWE Dea Downstream	16	124	- 87.1	525
Heidelberger Druckmaschinen	245	268	- 8.6	574
Total non-core business	261	392	- 33.4	1,099
Other/holding/consolidation	- 54	- 74	+ 27.0	- 212
Total	1,883	1,713	+ 9.9	6,790

Sales: further growth owing to consolidation effects and expansion of power trading operations

Consolidated external net sales totaled €14.7 billion—5.1% up on the comparable year-earlier figure. The rise is principally due to first-time consolidations mainly relating to SSM Coal (+ €181 million) at RWE Trading, Thyssengas (+ €390 million) at RWE Gas and the renewed inclusion of our East German regional utility envia (+ €336 million) at RWE Plus.

Excluding envia and all of the consolidations, revenue was up 1.1%. Electricity posted a substantial €0.9 billion rise in sales principally due to an increase in business volumes. Price-induced declines in sales at RWE Gas and RWE Dea Downstream had a counteractive effect. Core businesses boosted sales by 25.3%, while revenues generated by non-core operations contracted by 12.5%. The foreign share of sales slipped from 32.4% to 27.8%.

Considerable rise in EBITDA and operating results

EBITDA advanced 9.9% to €1,883 million. Core businesses boosted EBITDA by 20.1%. By contrast, EBITDA generated by non-core operations decreased by 33.4%.

The operating result climbed 11.2% to €1,317 million. Whereas our core businesses improved by 18.4%, non-core activities slipped 32.7%.

The increase in the Group's operating result was nearly exclusively driven by the Electricity Business Area, which boosted its operating result by 50.1%. This performance is partially due to the unusually low year-earlier figure, with just 23% of the year's total recorded in the first quarter of 2001. Normally, this figure is markedly higher. Also contributing to the rise in results are improved margins achieved through cost reductions as well as our return-oriented sales policy. CONSOL's significant drop in results had a counteractive effect.

Operating result € million	January–March 2002	January–March 2001 pro forma	+/- in %	Full year 2001 pro forma
Electricity	611	407	+ 50.1	1,805
Gas	295	329	- 10.3	699
Water	257	245	+ 4.9	865
Environmental Services	28	25	+ 12.0	147
Total core business	1,191	1,006	+ 18.4	3,516
RWE Dea Downstream	- 16	92	- 117.4	392
Heidelberger Druckmaschinen	176	210	- 16.2	356
HOCHTIEF (at equity)	46	4	-	15
Total non-core business	206	306	- 32.7	763
Other/holding/consolidation	- 80	- 128	+ 37.5	- 371
Total	1,317	1,184	+ 11.2	3,908

Gas closed the reporting period 10.3% down on the previous year. Thyssengas' first-time consolidation only partially offset the negative effects principally stemming from lower oil and gas prices.

Water improved its result by 4.9%. This was due to tariff increases in the UK and US regulated businesses and the positive effect of currency exchange rates.

Environmental Services was 12.0% up year-on-year. The rise was due to consolidation effects and constant enhancements in efficiency.

Our non-core operation, RWE Dea Downstream, closed the period under review with a negative result contribution of -€16 million. Across the board, results posted by downstream activities in the industry were well shy of the good levels posted a year earlier. The steep decline in earnings is principally due to the considerable drop in refinery margins. Heidelberger Druckmaschinen—another peripheral activity—closed the reporting period 16.2% down year-to-date owing to the cyclical downturn. HOCHTIEF's contribution to results (at equity) rose to €46 million mainly as a result of higher proceeds from the divestment of the real-estate company Monachia.

Reconciliation to net profit € million	January–March 2002	January–March 2001 pro forma	+/- in %	Full year 2001 pro forma
Operating result	1,317	1,184	+ 11.2	3,908
Non-operating result	297	171	+ 73.7	38
Financial result	- 569	- 381	- 49.3	- 1,752
Profit before tax	1,045	974	+ 7.3	2,194
Net profit	693	635	+ 9.1	1,350

Net profit up 9%

Net profit advanced 9.1% to €693 million year-on-year. This corresponds to €1.45 in earnings per share excluding goodwill amortization and €1.23 including goodwill amortization. Factors responsible for this development were the rise in the operating result and strong growth in non-operating results, which was driven by sales proceeds. The financial result decreased partially because the Group had more net debt than it did at the end of the first quarter of 2001.

Cost-cutting program: milestone reached

We aim to achieve €590 million in cost reductions for fiscal 2002 as a whole. Measures implemented already secured some €150 million in cost savings in the first quarter alone.

Cash flow statement—key figures

Cash flow rose by 28.6% to €1,343 million primarily because of the Electricity Business Area's improved cash flow. Net cash from operating activities advanced 3.6% to €1,855 million. This was a result of the increased cash flow as well as the accrual of short-term provisions. The less pronounced reduction in net current assets vis-à-vis the previous year had a contrasting effect. Net cash used in investing activities amounted to €1,543 million and was 38.5% down on the year-earlier level. This development primarily reflected the lower volume of financial investment in the Water Business Area. The assumption of additional financial debt resulted in net cash provided by financing activities of €1,696 million. Cash and cash equivalents increased by €1,199 million to €5,041 million.

As of March 31, 2002, net financial assets were slightly down on the December 31, 2001 level, slipping by €21 million to -€1,147 million. Adjusted to account for the deconsolidation of HOCHTIEF, this figure would have improved by some €1.5 billion.

Capital expenditure € million	January–March 2002	January–March 2001 pro forma	+/- in %	Full year 2001 pro forma
Electricity	663	561	+ 18.2	2,896
Gas	253	180	+ 40.6	468
Water	279	2,904	- 90.4	2,643
Environmental Services	108	79	+ 36.7	428
Total core business	1,303	3,724	- 65.0	6,435
RWE Dea Downstream	13	31	- 58.1	110
Heidelberger Druckmaschinen	120	122	- 1.6	360
Total non-core business	133	153	- 13.1	470
Other activities	93	421	- 77.9	655
Total	1,529	4,298	- 64.4	7,560
Capital expenditure on fixed assets	853	1,158	- 26.3	3,910
Capital expenditure on financial assets	676	3,140	- 78.5	3,650

Capital expenditure markedly lower year-on-year

Capital expenditure in the first quarter totaled €1,529 million. This roughly corresponds to a mere third of the amount spent in the corresponding period a year earlier. The marked decline is principally due to the Water Business Area's lower capital expenditure on financial assets. Counteractive effects were felt from RWE Dea's acquisition of UK-based Highland Energy in the Gas Business Area and RWE Plus' acquisition of a majority stake in VSE AG, a power utility domiciled in the Saarland, in the Electricity Business Area. All in all, capital expenditure on financial assets decreased by more than three-fourths of the previous year's level to €676 million. Capital expenditure on fixed assets dropped by 26.3% to €853 million. The greatest reduction occurred in the upstream sector, which had invested money to buy shares in licenses in Egypt in the prior year.

Employees: operational staff shrinks by about 1%

As of March 31, 2002, the RWE Group employed 123,771 people. The workforce was thus essentially unchanged from its December 31, 2001 level. Net of first-time consolidations and deconsolidations, the Group's labor force shrank by 1,167 people, or approximately 1%.

Workforce in FTEs^{*)}	As of 03/31/2002	As of 12/31/2001	+/- in %
Electricity	63,578	63,607	-
Gas	2,920	2,795	+ 4.5
Water	11,757	11,586	+ 1.5
Environmental Services	14,509	14,453	+ 0.4
Total core business	92,764	92,441	+ 0.3
RWE Dea Downstream	3,455	3,212	+ 7.6
Heidelberger Druckmaschinen	24,248	24,489	- 1.0
Total non-core business	27,703	27,701	-
Other/holding	3,304	3,281	+ 0.7
Total	123,771	123,423	+ 0.3
Germany	81,150	80,205	+ 1.2
Foreign	42,621	43,218	- 1.4

*) Full time equivalents (FTEs), according to the percentage of full-time employment.

RWE set to become largest UK electric utility: recommended offer for Innogy

On March 22, 2002, we announced our bid to acquire the UK-based electric and gas utility Innogy Holdings plc, Swindon. Our offer amounts to 275 pence per Innogy share. This values the company's issued share capital at about €5.0 billion. Including liabilities, the enterprise value totals €8.5 billion.

Innogy is the UK's leading electric utility and the country's No. 2 gas player. The enterprise serves some 6.6 million energy customers. The transaction is already expected to be earnings-accretive to RWE's earnings per share excluding goodwill amortization in Innogy's first full year of consolidation. The return on capital employed (ROCE) generated by Innogy's core business including goodwill is expected to exceed the Electricity Division's pretax cost of capital of 10% in the third year of full consolidation at the latest. We anticipate closing the deal in mid-2002.

American Water Works shareholders vote in favor of acquisition by RWE

On January 17, 2002, American Water Works' shareholders approved their company's acquisition by RWE by majority vote at an Extraordinary General Meeting. Approval procedures before antitrust and regulatory authorities required to consummate the acquisition are expected to have been concluded by mid-2003.

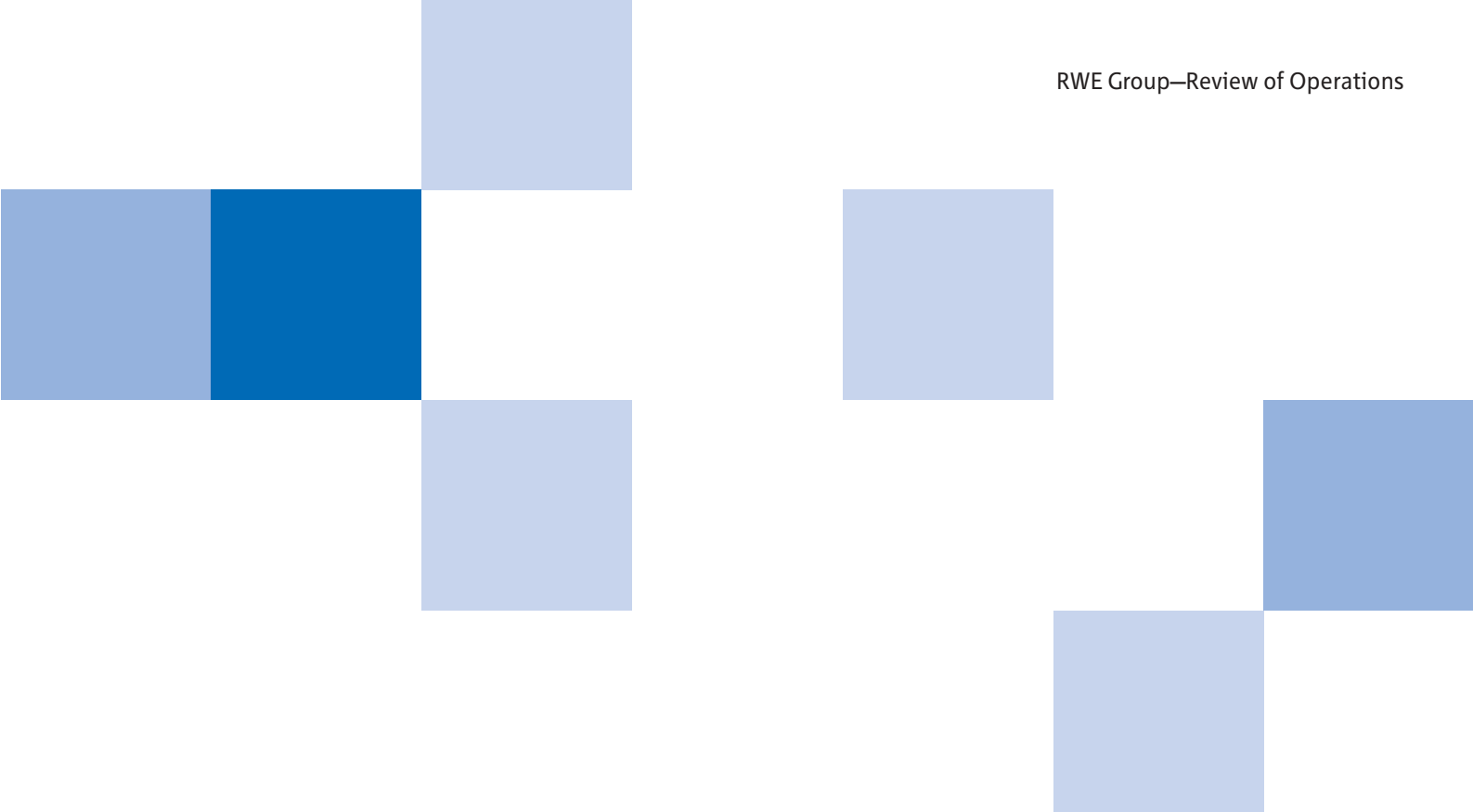
Outlook: continued growth in sales and operating results

We continue to expect to be able to meet the forecast we made at the end of March in the 2001 Financial Statements for the financial year underway. The aforementioned acquisitions will lead to additional effects in the Electricity and Gas Business Areas.

We expect **consolidated sales** to surpass the pro forma figure posted in the 2001 calendar year by at least 10%. Here, the main driver will be the inclusion of our new Czech activities and Innogy in our accounts. Our core business is set to post significant growth even without taking the first-time consolidation of these two companies into consideration. This is largely due to the expansion of our trading activities. Conversely, we anticipate our non-core business to record a marked drop in sales.

We expect to be able to improve our **operating result** considerably over the level achieved in the 2001 pro forma calendar year despite the substantial losses being incurred in the non-core business. In this context, we will benefit from the German power operations' upward trend as well as the aforementioned effects of consolidation.

As regards the Electricity Business Area, we expect electricity prices to remain stable. German energy operations will make considerable gains in earning power above all in the generation business. Once again, our cost-cutting program will be the key success factor. By contrast, CONSOL will close the financial year significantly down year-on-year owing to the most recent weakness in demand on the US hard coal and gas markets caused by weather and economic conditions. We anticipate posting substantial double-digit growth in results even without including Innogy.



With respect to the Gas Business Area, we expect crude oil and gas prices to be lower than in 2001. Therefore, the Upstream Division will fall shy of the previous year's high result. We are counting on our midstream and downstream operations to lift their result due to the first-time consolidation of Transgas. All in all, the Gas Business Area will thus best the performance displayed in the prior year.

We envision our Water Business Area performing markedly better than in the previous year as a result of our acquisitions in Chile, improved operating results, and price increases.

Environmental Services is expected to slightly improve its operating result over the prior year.

According to our predictions, the non-core operations' earnings situation will deteriorate significantly. Primarily owing to the decrease in refinery margins, the portion of the result contributed by our 50% stake in Shell & DEA Oil joint venture will be substantially lower year-on-year. Heidelberger Druckmaschinen will fall short of the result it produced in 2001 as well. This is principally due to the continued downturn in that branch of industry. From our current perspective, HOCHTIEF, which is consolidated based on its prorated net profit, will close slightly up on the prior year.



Electricity

- Upward trend in German power business continues
- Operating result 50% up on previous year despite CONSOL's weak earnings situation

Key figures		January – March	January – March	+/- in %	Full year
		2002	2001 pro forma		2001 pro forma
Electricity sales volume	kWh million	97,494	72,967	+ 33.6	288,413
	thereof traded kWh million	45,026	20,895	+ 115.5	77,268
External net sales¹⁾	€ million	6,853	5,295	+ 29.4	21,590
	Electricity € million	4,267	3,222	+ 32.4	12,858
	thereof traded € million	1,288	601	+ 114.3	1,945
EBITDA	€ million	873	667	+ 30.9	3,378
Operating result	€ million	611	407	+ 50.1	1,805
Capital expenditure	€ million	663	561	+ 18.2	2,896
		03/31/2002	12/31/2001	+/- in %	
Workforce	FTEs ²⁾	63,578	63,607	-	

1) Includes €230 million in electricity taxes (previous year: €194 million).

2) Full time equivalents (FTEs), according to the percentage of full-time employment.

Preliminary forecasts have **German power consumption** slightly down on the previous year. Germany is our largest electricity market. Electricity consumed by industry declined by some 3% for cyclical reasons. Demand for power for heating purposes decreased due to the mild weather. Wholesale prices paid for electricity rose slightly. Average one-year forward prices paid for power deliveries in 2003 (day's prices) were €23.08 per megawatt hour of base-load power and €32.85 per megawatt hour for peak-load power in the first quarter of 2002. Electricity prices in the household customer business also increased slightly.

Our **electricity sales volume** was up 33.6% to 97.5 billion kWh, principally as a result of the substantial expansion of RWE Trading's power trading operations. The steep climb in trading volume was also reflected in **external net sales**, which advanced 29.4% to €6,853 million. Furthermore, the first-time consolidations of the Dutch-based coal-trading enterprise SSM Coal and the Saarland's power utility VSE AG as well as the reinclusion of our East German regional utility envia all contributed to the growth in revenues.



The upward trend in our German power business is reflected in a substantial increase in results. **EBITDA** improved 30.9% to €873 million. The **operating result** amounted to €611 million—50.1% up on the year-earlier level. This is in part due to the unusually low figure recorded in the corresponding period last year. Only 23% of the year's total was achieved in the first quarter of 2001. This

figure is normally much higher. Moreover, the rise in the result is due to improved margins through reduced costs as well as our return-oriented sales policy. Earnings shortfalls at CONSOL had a counteractive effect. Our US subsidiary saw its result decline by about 17% owing to a dramatic drop in gas prices as well as the cyclically and weather-induced decrease in hard coal sales volumes.

Electricity Business Area Key financials by business unit € million	Total sales		EBITDA		Operating result	
	January–March		January–March		January–March	
	2002	2001	2002	2001	2002	2001
Power generation	1,212	659	161	7	121	– 19
Lignite-fired power generation and mining	1,227	1,102	279	195	149	82
Trading	3,667	2,569	29	31	30	30
Net	1,107	1,014	208	191	160	130
Sales	2,885	2,898	174	206	150	169
Industrial Services	540	527	– 8	21	– 21	5
Other/electricity consolidation	– 3,028	– 2,495	30	16	22	10
of which Harpen	67	73	20	30	13	23
Total	7,610	6,274	873	667	611	407

We expect electricity prices to remain stable for the **2002 financial year** as a whole. Our German power business will make substantial gains in earning power especially in the field of generation. Our cost-cutting program will continue to be the main success factor. By contrast, CONSOL will close the current fiscal year significantly down on the pre-

vious year due to the most recent cyclically and weather-induced weakness in demand on the US hard coal and gas markets. We expect the Electricity Business Area to post a considerable double-digit increase in results even without including Innogy.



Gas

- Gas sales volumes soar through inclusion of Thyssengas
- Operating result 10% down on previous year due to declining oil and gas prices

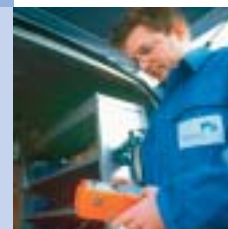
Key figures		January – March 2002	January – March 2001 pro forma	+/- in %	Full year 2001 pro forma
Production (RWE Dea)					
Natural gas	million m ³	635	613	+ 3.6	2,016
Petroleum crude	thousand mt	1,089	990	+ 10.0	4,482
Natural gas sales volume (RWE Gas)					
	million kWh	57,765	36,359	+ 58.9	99,541
External net sales ¹⁾	€ million	1,688	1,328	+ 27.1	3,724
EBITDA	€ million	357	327	+ 9.2	877
Operating result	€ million	295	329	- 10.3	699
Capital expenditure	€ million	253	180	+ 40.6	468
		03/31/2002	12/31/2001	+/- in %	
Workforce	FTEs ²⁾	2,920	2,795	+ 4.5	

1) Includes €203 million in natural gas taxes (previous year: €122 million).

2) Full time equivalents (FTEs), according to the percentage of full-time employment.

Prices on the **world oil market** were stable again at the beginning of 2002, but remained clearly below the previous year's high level. A barrel of Brent crude cost an average of \$21.1 compared with \$25.8 in the first quarter of the 2001 calendar year. The restrictive policies implemented by OPEC and other major oil-producing countries, the global economic recovery that became apparent, and the intensification of the Middle East crisis were responsible for the trend to higher prices witnessed at the beginning of the year.

Gas prices follow the development of oil prices with a time lag of about six months. As a result, the reporting period was characterized by declining oil prices in the third quarter of the 2001 calendar year. Average prices paid by municipal and regional utilities for gas deliveries were some 3% down year-on-year, while prices paid by private and commercial customers were about 4% lower compared with the previous year.



We stepped up our **gas production** by 3.6%. The main factor was the acquisition of the Scottish-based gas producer Highland Energy. **Natural gas sales volumes** rose by 58.9% to 57.8 billion kWh. This was primarily due to the first-time consolidation of Thyssengas, which added 19.6 billion kWh

in sendout. We increased **petroleum production** by 10.0%. Among other things, this growth was the result of the acquisition of additional shares in three oilfields in the Gulf of Suez and the expansion of our production capacity in Norway.

Gas Business Area Key financials by business unit € million	Total sales January–March		EBITDA January–March		Operating result January–March	
	2002	2001	2002	2001	2002	2001
Mid-/Downstream	1,426	1,100	226	187	201	218
Upstream	341	397	131	140	94	111
Total	1,767	1,497	357	327	295	329

External net sales were up 27.1% to €1,688 million in the Gas Business Area. In the Upstream Division, only half of the sales relating to RWE Dea Downstream are considered as external net sales because the operation was brought into the Shell & DEA Oil joint venture. This figure climbed 27.7%, whereas upstream revenues recorded an overall decline. Owing to the first-time consolidation of Thyssengas, the mid- and downstream sectors posted significant growth in external net sales and total sales.

EBITDA was up 9.2% to €357 million. Conversely, the **operating result** was down 10.3% to €295 million. The disparity in developments is first and foremost due to the drop in results from investments generated by the regional utility rhenag after the company was split up. Operating results posted by our mid- and downstream activities declined by 7.8%, reflecting the margins which deteriorated due to the reduction in gas prices.

The full consolidation of Thyssengas had a counteractive effect. Owing to the significant decline in oil and gas prices vis-à-vis the previous year, the Upstream Division's operating result decreased by 15.3%.

We anticipate crude oil and gas prices to be lower than 2001 levels for the **2002 financial year** as a whole. Therefore, the Upstream Division will not be able to match the high result achieved in the 2001 pro forma calendar year. We expect the Mid- and Downstream Divisions to grow their results due to the first-time consolidation of Transgas. All in all, the Gas Business Area will put in a better performance than in the previous year.



Water

- Water business on stable course for growth despite the recent economic slowdown
- Operating result some 5% up year-on-year

Key figures		January – March 2002	January – March 2001 pro forma	+/- in %	Full year 2001 pro forma
External net sales	€ million	698	692 ¹⁾	+ 0.9	2,746
UK	€ million	503	–	–	–
Germany/Europe	€ million	62	–	–	–
Americas	€ million	110	–	–	–
Asia-Pacific	€ million	23	–	–	–
EBITDA	€ million	377	344	+ 9.6	1,327
Operating result	€ million	257	245	+ 4.9	865
Capital expenditure	€ million	279	2,904	– 90.4	2,643
		03/31/2002	12/31/2001	+/- in %	
Workforce	FTEs ²⁾	11,757	11,586	+ 1.5	

1) Breakdown by region only of limited informational value due to change in reporting structure and one-off effects.

2) Full time equivalents (FTEs), according to the percentage of full-time employment.

The **global water market** was stable in spite of the poor development of the global economy. Growth continued above all in the regulated water and wastewater services business. Demand was favorable because of the increase in quality and environmental standards as well as the progressing trend to privatization.

External net sales produced by the Water Business Area amounted to €698 million and were thus slightly up on the year-earlier level. Additional revenue was generated from the first-time consolidation of operations in Chile, China and the UK, tariff increases in the UK and US regulated businesses, and currency exchange effects. This was contrasted by declines in sales through the divestment of peripheral activities in the UK.

EBITDA advanced 9.6% to €377 million. The **operating result** amounted to €257 million—up 4.9% on the previous year's level. This rise reflected the impact of the aforementioned effects of first-time consolidations, increases in tariffs and currency fluctuations.

We anticipate the operating result to come in markedly higher than in the previous year for the **2002 financial year** as a whole. Improvements in operating results and rate adjustments provide the basis for this development. The consolidation of Chilean-based ANSM (formerly known as ESSAM) and the majority stake we acquired in RWW Rheinisch-Westfälische Wasserwerksgesellschaft in the spring will also have an impact to this end.



Environmental Services

- Operating result jumps 12%
- Efficiency enhancements are basis for further profit increase

Key figures		January – March 2002	January – March 2001 pro forma	+/- in %	Full year 2001 pro forma
External net sales	€ million	511	469	+ 9.0	2,055
EBITDA	€ million	69	57	+ 21.1	321
Operating result	€ million	28	25	+ 12.0	147
Capital expenditure	€ million	108	79	+ 36.7	428
		03/31/2002	12/31/2001	+/- in %	
Workforce	FTEs ^{*)}	14,509	14,453	+ 0.4	

*) Full time equivalents (FTEs), according to the percentage of full-time employment.

Germany's waste disposal sector still finds itself in a difficult situation due to the cyclical downturn. The country's "dual" recycling system did not experience any noteworthy changes in volumes or prices. New market potential can be tapped in the residential waste sector thanks to the implementation of the Technical Instruction for Residential Waste (TASi). The secondary raw material sector is characterized by oversupply and—in certain cases—declining prices for waste paper.

At €511 million, **external net sales** were 9.0% higher than in the previous year. This rise is a result of the acquisition of Thames Water's waste disposal business, among other things. Also contributing to this development were the first-time consolidation of the Remex Group, Germany's

market leader in the field of construction site clean-ups, and the Kanal-Müller Group, a specialist for sewer system redevelopments. Net of consolidation effects, sales grew by 6.6%.

EBITDA climbed 21.1% to €69 million, while the **operating result** advanced 12.0% to €28 million. Providing the basis for these developments were the first-time consolidations of Thames Waste and Remex along with constant improvements in efficiency.

We have a positive outlook for **fiscal 2002** as a whole. Thanks to our improved cost position, we believe we stand a good chance of achieving an operating result that exceeds the comparable pro forma figure recorded 2001.

RWE Dea Downstream

- Reporting is based on our 50% stake in Shell & DEA Oil GmbH for the first time
- Result drops markedly owing to steep decline in refinery margins

Key figures		January – March 2002	January – March 2001 pro forma	+/- in %	Full year 2001 pro forma
External net sales ¹⁾	€ million	3,471	3,858	- 10.0	16,641
EBITDA	€ million	16	124	- 87.1	525
Operating result	€ million	- 16	92	- 117.4	392
Capital expenditure	€ million	13	31	- 58.1	110
		03/31/2002	12/31/2001	+/- in %	
Workforce	FTEs ²⁾	3,455	3,212	+ 7.6	

1) Includes €1,257 million in petroleum taxes (previous year: €1,312 million).

2) Full time equivalents (FTEs), according to the percentage of full-time employment.

On receiving the go-ahead from the German Cartel Office and the European Commission on December 20, 2001, RWE Dea and Shell Germany combined their downstream operations in the **Shell & DEA Oil GmbH** joint-venture company at the beginning of January 2002. We now consolidate these activities on a prorated basis in line with our 50% stake. Figures previously published for RWE Dea Downstream are disclosed for the previous year.

At €3,471 million, **external net sales** were 10.0% lower than the year-earlier figure primarily due to the decline in heating oil sales volumes and the reduction in product prices. RWE Dea Downstream closed the period under review with an 87.1% drop in **EBITDA** to €16 million and a negative **operating result** of – €16 million. Results posted by downstream activities throughout the industry are significantly down on the good levels achieved in the corresponding year-earlier period. The collapse in revenues is principally due to the steep decline in refinery margins.

Against this backdrop, RWE Dea Downstream is expected to close the **2002 financial year** as a whole markedly down on the high pro forma figures recorded in the 2001 calendar year.

Heidelberger Druckmaschinen

- Operating result 16% down on previous year due to cyclical weakness
- Earliest upturn in second six months

Key figures		January – March 2002	January – March 2001 pro forma	+/- in %	Full year 2001 pro forma
External net sales	€ million	1,443	1,757	- 17.9	5,330
EBITDA	€ million	245	268	- 8.6	574
Operating result	€ million	176	210	- 16.2	356
Capital expenditure	€ million	120	122	- 1.6	360
		03/31/2002	12/31/2001	+/- in %	
Workforce	FTEs ^{*)}	24,248	24,489	- 1.0	

*) Full time equivalents (FTEs), according to the percentage of full-time employment.

The general trend in the printing machine industry remained difficult in the period being reviewed. As a result, **orders received** by the Heidelberg Group decreased by 11.0% to €1,015 million.

External net sales were down 17.9% to €1,443 million for cyclical reasons. **EBITDA** dropped 8.6% to €245 million, while the **operating result** declined by 16.2% to €176 million. Weak demand was chiefly responsible for these developments—above all in the US.

Despite far-reaching measures taken to reduce costs, Heidelberg will close **RWE's 2002 financial year** with an operating result that is lower than the comparable pro forma figure for 2001. We expect to see a cyclical upturn in the second half of the year at the earliest. However, even in this event, an ensuing increase in order intake will not make a significant impact on results for the 2002 calendar year.



Czech antitrust authorities give go-ahead for Transgas acquisition

The Czech Republic's Cartel Office approved the acquisition of a 97% stake in Transgas as well as 46% to 58% of the country's eight regional gas utilities on May 3, 2002. Clearance was granted subject to few restrictions, which principally relate to a minority interest of Transgas.

Natural Gas II Association Agreement signed

On May 3, 2002, the lead associations of Germany's industry and gas sector signed the new Natural Gas II Association Agreement. The key points of the Agreement are a simplified fee structure, the application of the comparative market principle in the field of long-distance gas supply and the elimination of the "stamp tariff" for those customers, who consume more than 20 million kWh per year. Furthermore, the structure and detailed statements included in the guideline for calculating prices in the power industry are to be applied when determining gas network fees. The new rule will come into effect on October 1, 2002 and initially remain valid for one year.

RWE places €6.5 billion European bond issue

On April 19, 2002, RWE AG placed a €6.5 billion multi-currency European bond issue. The issue was placed through RWE Finance B.V. (Netherlands) within the scope of the Debt Issuance Program and is collateralized by RWE AG. It consists of two euro tranches: one of €2.5 billion (5 years) and the other of €1.5 billion (10 years) as well as two tranches in pound sterling: one of £300 million (28 years) and the other of £750 million (11 years). As far as the two pound sterling tranches combined are concerned, this is the biggest issue by a single company in this segment of the capital market to date.

RWE extends market leadership in German water business

April 30, 2002 saw RWE Aqua increase its stake in RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH, Mülheim an der Ruhr, from 14.3% to 74.9%. Adding the one million-odd residents served by RWW in the Ruhr region and western part of Münsterland enables RWE Aqua to lift its German customer base to some 13 million people. The purchase price for the 60.6% shareholding is €194 million.

Gas production stepped up via acquisition of Highland Energy

RWE Dea acquired the UK-based gas producer Highland Energy at the beginning of 2002. The acquisition provides us with an important basis on which to establish an upstream position in the British North Sea that can be developed even further in the future. With the addition of Highland Energy, RWE Dea has expanded its current gas reserves by 13 million cubic meters in oil equivalent to 76.5 million cubic meters of oil equivalent. We can use existing network connections to market our product in the UK and Continental Europe.

Harpen successful in rollout of divestment program

Harpen followed up the sale of the Toman Group including the car wash operator IMO Deutschland in January 2002 with the divestment of Harpen Transport AG, thus shedding its logistics arm. Primarily active in the inland navigation sector, the Harpen subsidiary generated €73 million in sales in the 2001 calendar fiscal year.

Position on growth market for solar technology strengthened

RWE Solutions and Mainz-based Schott Glas will combine their photovoltaic operations in a joint venture in which we currently hold a 51% stake. Named RWE Schott Solar GmbH, the new company will be headquartered in Alzenau and is scheduled to take up operation in mid-2002. Plans envision the joint venture handling the joint development and production of crystalline technologies (wafers, cells and modules) as well as thin-film production and worldwide sales and marketing of these components, going as far as to include all-inclusive photovoltaic systems.

RWE expands range of natural gas logistics services

In January of 2002, RWE Gas and the UK-based Lattice Group agreed to establish a jointly run natural gas logistics enterprise. Operating as "Viavera," the company will focus on providing services to natural gas traders and distribution companies. Center stage is to be taken by the management of logistics running the gamut from negotiations with network operators to the complete monitoring of transport agreements. RWE Gas will hold a 60% interest in the joint venture.

Supervisory Board

Dr. h.c. Friedel Neuber

Chairman

Frank Bsirske^{*)}

– Deputy chairman –

Dr. Paul Achleitner

Carl-Ludwig von Boehm-Bezing

Burkhard Drescher

Wilfried Eickenberg^{*)}

Ralf Hiltenkamp^{*)}

Heinz-Eberhard Holl

Berthold Huber^{*)}

Berthold Krell^{*)}

Dr. Gerhard Langemeyer

Josef Pitz^{*)}

Dr. Wolfgang Reiniger

Günter Reppien^{*)}

Bernhard von Rothkirch^{*)}

Dr. Manfred Schneider

Klaus-Dieter Südhofer^{*)}

Dr. Alfons Friedrich Titzrath

Prof. Karel Van Miert

Erwin Winkel^{*)}

^{*)} Employee representative.

Executive Board

Dr. Dietmar Kuhnt

Chairman

Dr. Richard R. Klein

Dr. Gert Maichel

Manfred Rimmel

Dr. Klaus Sturany

Jan Zilius

Consolidated income statement € million	January–March 2002	January–March 2001 pro forma	January–March 2001
Net sales	14,695	13,978	16,593
Mineral oil tax/natural gas tax/electricity tax	- 1,495	- 1,502	- 1,502
Net sales (without mineral oil tax/ natural gas tax/electricity tax)	13,200	12,476	15,091
Changes in finished goods and work in progress/other own work capitalized	108	- 21	95
Cost of materials	- 8,427	- 7,449	- 9,542
Staff costs	- 1,845	- 1,879	- 2,316
Depreciation and amortization	- 791	- 776	- 905
Other operating result	- 1,230	- 1,221	- 1,336
Profit from operating activities	1,015	1,130	1,087
Result of investments	599	225	264
Financial result	- 569	- 381	- 423
Profit before tax	1,045	974	928
Taxes on income	- 182	- 169	- 175
Profit after tax	863	805	753
Minority interests	- 170	- 170	- 150
Net profit	693	635	603
Earnings per share^{*)}			
excl. goodwill amortization	€ 1.45	1.34	1.34
incl. goodwill amortization	€ 1.23	1.13	1.07

*) Undiluted earnings per share are identical to diluted earnings per share.

Consolidated balance sheet Assets € million	As of 03/31/2002	As of 12/31/2001
Fixed assets		
Intangible assets	8,935	8,502
Tangible assets	31,569	32,310
Financial assets	9,560	8,370
	50,064	49,182
Current assets		
Inventories	3,577	3,643
Accounts receivable and other assets	12,103	15,244
Securities	8,757	10,611
Cash and cash equivalents	5,041	3,842
	29,478	33,340
Deferred taxes	7,794	8,399
Prepaid expenses	488	528
Total ASSETS	87,824	91,449

Consolidated balance sheet Equity and Liabilities € million	As of 03/31/2002	As of 12/31/2001
Equity	7,954	7,730
Minority interests	2,590	3,399
Equity and minority interests	10,544	11,129
Provisions	39,974	40,383
Liabilities	28,573	30,535
Deferred taxes	5,703	6,206
Deferred income	3,030	3,196
Total EQUITY AND LIABILITIES	87,824	91,449

Consolidated cash flow statement € million	January–March 2002	January–March 2001
Cash flow	1,343	1,044
Changes in net current assets/other	512	746
Cash from operating activities	1,855	1,790
Capital expenditure on tangible and financial assets	- 1,529	- 4,364
Proceeds from disposition of tangible and financial assets	920	1,240
Changes in securities and cash investments	- 934	616
Cash used for investing activities	- 1,543	- 2,508
Cash used for financing activities	1,696	302
Currency translation	3	- 18
Changes in scope of consolidation	- 812	1,352
Change in cash and cash equivalents	1,199	918
Cash and cash equivalents at beginning of year	3,842	1,804
Cash and cash equivalents at end of reporting period	5,041	2,722
Change in financial assets	697	419
Financial assets at beginning of year	18,127	15,103
Financial assets at end of reporting period	18,824	15,522
Net financial assets at beginning of year	- 1,126	5,160
Net financial assets at end of reporting period	- 1,147	1,440

Change in equity and minority interests € million	Group interests	Minority interests	Total
As of 12/31/2001	7,730	3,399	11,129
Capital payments made by outside shareholders	-	-	-
Dividends paid	-	- 37	- 37
Other comprehensive income/other	- 469	- 942	- 1,411
Profit after tax	693	170	863
As of 03/31/2002	7,954	2,590	10,544

Accounting and valuation methods The Interim Report for the Period Ended March 31, 2002 has been prepared in compliance with International Accounting Standards (IAS). The interpretations of the Standing Interpretations Committee (SIC) have been observed.

For further information, please consult the Consolidated Financial Statements for the Period Ended December 31, 2001, which provide the basis for this Interim Report.

Scope of consolidation Included in the Consolidated Financial Statements besides RWE AG are all domestic and foreign companies in which RWE directly or indirectly holds the majority of voting rights. The Shell & DEA Oil GmbH joint-venture

company has been consolidated at a prorated 50% for the first time. We stopped consolidating our financial investment in HOCHTIEF fully as of January 1, 2002 and now account for it at equity.

The scope of consolidation breaks down as follows.

	03/31/2002	12/31/2001
Fully consolidated companies	652	848
Joint ventures accounted for pro-rata	29	-
Investments accounted for at equity	218	238

These Interim Financial Statements for the Period Ended March 31, 2002 are principally characterized by the transition from the full consolidation to the equity-based valuation of the financial investment in HOCHTIEF. Furthermore, due to its first-time consolidation, four-and-a-half months of Thames Water's figures were included in the previous year's corresponding quarter as published.

To improve comparability, figures disclosed for the period under review are also compared to pro forma figures excluding the aforementioned effects for the period from January 1 through March 31, 2001. We also synchronized the latter figures with Heidelberger Druckmaschinen's financial year.

Earnings per share

Earnings per share are calculated as follows.

		January – March 2002	January – March 2001 pro forma	January – March 2001
Net profit	€ million	693	635	603
Number of shares outstanding (weighted average)	thousands	562,405	562,357	562,357
Earnings per share	€	1.23	1.13	1.07
Earnings per share net of goodwill amortization	€	1.45	1.34	1.34

Contingent liabilities principally relate to liabilities ensuing from guarantees. They have declined by €361 million since the December 31, 2001 cut-off date. The

decrease is nearly exclusively due to the fact that the financial investment in HOCHTIEF is no longer fully consolidated.

Reconciliation to the operating result

Reconciliation of profit from operating activities to the operating result € million	January–March 2002	January–March 2001 pro forma	January–March 2001
Profit from operating activities	1,015	1,130	1,087
+ Result of investments	599	225	264
– Non-operating result	– 297	– 171	– 76
+ Interest credit on advance payments received	0	0	12
Operating result	1,317	1,184	1,287

The reconciliation addresses the following points:

- The result of investments includes all costs and income that have arisen in connection with operating investments. The result of investments thus constitutes an integral part of the Group's operating activity.
- Income and costs that are unusual from an economic perspective, or are the result of exceptional events, prejudice the assessment of operating activities. They are reclassified as part of the non-operating result, which is a separate part of the return-on-capital concept. Furthermore, the non-operating result includes goodwill amortization from capital

consolidation. The non-operating result also contains the release of negative goodwill.

- Prepayments received that were made for long-term production contracts belonging to our financial investment in HOCHTIEF are not to be assigned to financing activities from a commercial perspective, but are instead induced by operations. HOCHTIEF's operating result has therefore been adjusted by way of an interest credit on received prepayments. Because the HOCHTIEF Group is now valued at equity, the net profit allocable to RWE is now stated as a result of an investment and disclosed as part of the operating result.

Reconciliation from EBITDA to the operating result € million	January–March 2002	January–March 2001 pro forma	January–March 2001
EBITDA	1,883	1,713	1,863
– Operating write-downs	– 669	– 658	– 747
EBIT	1,214	1,055	1,116
+ Operating result of investments	103	129	171
Operating result	1,317	1,184	1,287





RWE AG

Opernplatz 1
45128 Essen
Germany

T +49(0)201/12-00
F +49(0)201/12-1 51 99
I www.rwe.com

