

Corporate Responsibility.

Status 2006

68.0

3.8

9.9

19.0

47.3

148.0



Foreword

Dear Readers,

At the RWE AG Annual General Meeting on April 18, 2006 we presented our second comprehensive Corporate Responsibility Report. For the first time we are supplementing it with an "intermediate" status report relating to the past business year, which refers to the past financial year. The next full report will be published on the occasion of the Annual General Meeting in April 2008.

When we speak in terms of corporate responsibility (CR) we mean the contribution that we as a corporation can make towards sustainable development. In our opinion this involves picking up on and responding to social needs and integrating them in our decisions. Climate protection represents the greatest challenge to RWE.

The conversion of lignite and coal to electricity makes us Europe's largest emitter of CO₂, yet at the same time it is the cornerstone of a reliable and affordable energy supply. In the face of rising climate protection requirements and increasingly tight production capacities, we are planning an investment offensive to modernise and extend our European power plant portfolio with highly efficient installations. At the same time we wish to contribute towards an economic approach to handling energy by giving our customers intensive support in using energy efficiently.

Consequently, climate protection and energy efficiency remain central fields of action and our activities will continue to focus on them. By contrast, in other fields of action, which we had defined in the context of our CR strategy, developed for the first time in 2003, the emphases have shifted significantly. Therefore, last year we began revising the fields of action for the sake of sustained development at RWE. In association with this we engaged in an intensive dialogue with our stakeholders. We wish to continue the open and con-

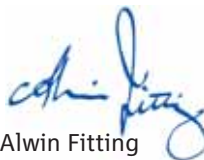
structive exchange of ideas with representatives of major stakeholder groups that characterised the RWE dialogue forum in November 2006, also in 2007. Furthermore, we are aware of the urgent tasks involved in improving occupational safety and health protection and overcoming the problems of demographic change.

Two important forms of appraisal show that our contribution to a sustainable development is recognized:

- In September 2006 RWE received distinction as "Best in Class" for the transparency of its climate protection strategy and was included in the "Climate Leadership Index" of the Carbon Disclosure Project.
- Also in September 2006 RWE was again able to gain a place in the Dow Jones Sustainability Index (World and STOXX) as a Sustainability Leader and is therefore one of the few German companies that has been listed since 1999.






The present status report is at the same time our progress report for the United Nations Global Compact, which we joined in 2003. By doing so we have undertaken the obligation to actively support ten principles of sustained action. Last year we were able to comply with this in particular by drafting and implementing our climate protection strategy (principle 7), by deciding to invest in the development of a virtually CO₂-free power plant (principle 9) and by implementing our Code of Conduct (principle 10).

We are always pleased to receive suggestions, information and constructive criticism at:
inforantwortung@rwe.com.



Alwin Fitting
Member of the Executive Board of RWE AG
and in charge of Corporate Responsibility

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Economic development



Focus on electricity and gas

At the end of 2005 RWE came to the strategic decision to withdraw from the water business in Great Britain and North America. On December 1, 2006, we sold Thames Water, our UK water supply company. The value of the transaction is equivalent to €11.9 billion. The sale of American Water is planned for 2007. In May 2006, after the Regenerative Energies and Decentralised Energies divisions had been transferred to RWE Power and RWE Energy respectively, Harpen AG had already been restructured as a pure real estate company, which we sold to a bidding consortium in December 2006. This means that in its European market the corporation focuses on electricity and gas.



Gas business reinforced

To strengthen our position on the gas market, we launched RWE Gas Midstream GmbH on January 1, 2007. RWE Gas Midstream currently handles all the gas procurement contracts with third parties as well as transport, transit and storage contracts for non-regulated activities. RWE Dea, which is occupied with the exploration of gas and oil, was also separated out of RWE Power and is now an independent business area within the Group.

National allocation plans partially approved subject to conditions

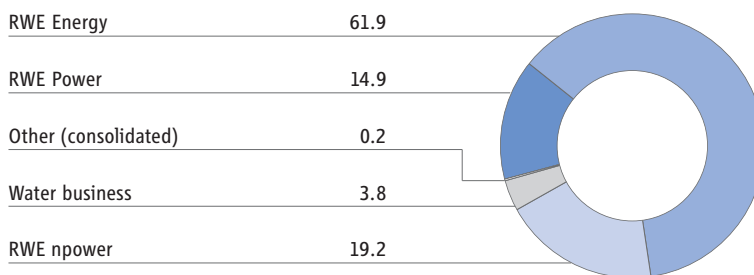
In the summer of 2006, Germany and the UK submitted their first drafts of the National Allocation Plans for the trading period from 2008 to 2012 to the European Commission for approval. In its decision published on November 29, 2006, the European Commission approved the UK plan with virtually no changes, but it announced stricter parameters for Germany. This prompted the German government to thoroughly revise its allocation plan. The results of this revision are to be transferred into a new allocation act by the middle of 2007.

Profit targets met

Again in business year 2006 RWE has accomplished considerable growth. External revenue, adjusted to accommodate the change in the activities of the RWE Group and modifications to the accounting regulations, rose by 12.1 percent to €44,256 million. The sustained net result which is relevant for the dividend policy rose by 9.3 percent to €2,466 million. We succeeded in transforming the net financial debts of €11,438 million at the end of 2005 into net financial assets of €4,720 million at the end of 2006. RWE's ordinary shares were listed at an all-time high of €89.85 on December 15, 2006.

RWE AG external revenue by business area 2006

percentage (€44,256 billion in core business)*



*Including RWE Systems, Group Center, consolidated

Status: “Strategy and management”

By corporate responsibility (CR) we mean the company’s responsibility to contribute towards sustainable development. For reasons of consistency, from here on, we will refer to CR strategy, CR management, CR audits and CR key indicators.



In our “Sustainability Roadmap” in the 2005 report the following goals for the further development of strategy and management up to 2010 are listed:

- CR firmly established in all business areas,
- CR key indicator concept and internal CR audits as well as an
- Institutionalised stakeholder dialogue.

As the following passages show, we were able to make significant progress along this path last year. This makes us confident that we shall be able to achieve the defined goals by 2010.

New assessment of fields of action initiated

In mid-2006 we started to revise our CR areas of action. This was necessary because in the meantime the focal points of the fields of action initially defined in 2003 have shifted significantly. In the course of reassessing this situation we also want to define specific areas for the fields of action in order to be able to better establish them in the business areas. Besides, we want to link the fields of action to key indicators to enhance process control.

In order to create a basis for this, from August to December 2006 responsible persons in very diverse business areas in all RWE companies were questioned as to the areas in which RWE can and should contribute towards sustainable development. Ultimately, by the end of 2006 over 60 interviews provided a wide variety of assessments and expectations. The great willingness of the employees interviewed to deal with the topics of sustainability and responsibility within their own working environment was impressive.

A further element in reassessing our fields of action was an internal workshop held in early January 2007 at which some 40 RWE employees from all areas and companies met to discuss the revision of the fields of action. The results of the 60 interviews that had been held beforehand served as a basis. The consolidation of the fields of action in the workshop led by Prof. Ulrich Steger from the Institute for International Management Development (IMD), Lausanne (Switzerland) proved a good basis to realign our CR strategy with a five-year time horizon.

First dialogue forum staged

In November 2006 a representative group of 20 stakeholders, including representatives from politics, authorities, local authorities, trade unions and customers as well as from NGOs such as Greenpeace, WWF and Germanwatch met with Alwin Fitting, member of the Executive Board and in charge of Corporate Responsibility, other members of the Executive Board from the group companies and senior RWE managers at Paffendorf castle near Cologne. The objective was to obtain an overview of the expectations of the stakeholders from a frank and constructive discussion of our positions. The central recommendations from the dialogue forum are an important input incorporated in the revision of our CR strategy.

Transparency: RWE should persevere along the path to greater transparency and, rather than shying away from the specific comparison with other energy producers, it should push forward with it. RWE should generate CO₂-related key indicators and derive ambitious goals from them. It is not the absolute benchmark which is crucial, but the goals that RWE sets for itself.

Production strategy: If the conversion of coal into electricity is an indispensable part of the energy generation portfolio, RWE must prove that its production strategy is reconcilable with the climate objectives of the Federal German government and set up a clear climate protection programme for it.

Energy efficiency: To fully optimise its climate strategy RWE must consider the entire chain from production to the customer, work towards changing the awareness of customers and create programmes to enhance energy efficiency.

The most constructive discussion at the dialogue forum and the utterly positive reaction have greatly encouraged us to continue with the dialogue. Therefore we have also sent the participants in the dialogue forum the initial draft of the fields of action, which have meanwhile been revised, requesting their comments.

Status: “Energy and environment”

In the 2005 report we presented a veritable bundle of projects for reducing CO₂ emissions. Accordingly, first of all we intend to modernise our power plant portfolio with new, highly efficient plants and to exhaust the entire potential for further increasing efficiency. It is still our ambitious goal to commission the world’s first industrial-scale virtually CO₂-free power plant by the year 2014.



Investment initiative planned

In the light of mounting demands concerning climate protection and the declining availability of generation capacity, we plan to invest heavily in modernising and expanding our European power plant portfolio. However, the implementation of some of these projects is still subject to certain conditions. Most importantly, the political framework must not jeopardise their economic feasibility.

RWE Power plans to build the world’s first large-scale coal-fired power plant with integrated coal gasification and CO₂ separation. The plant is designed to handle a capacity of roughly 450 megawatt (MW) and is scheduled to be put into service in 2014, given optimal planning and implementation progress. RWE npower is still also planning for CO₂ separation and storage at the new 1,600-MW coal power station scheduled to be built at Tilbury (UK).

Work began on the construction of the second and third BoA units at the Neurath plant (Germany) in January 2006: the twin-unit power plant, which has an overall net output of 2,100 MW, will replace RWE’s outdated facilities and is expected to achieve an efficiency level of over 43 percent, saving up to six million tonnes of CO₂ annually compared to the existing old plants.

RWE Group investments in power plants

(Status 28 Feb 2007)

Investment project	Output	Status	Commissioning
Lignite power plant BoA 2/3 Neurath (Germany)	2,100 MW	Start of construction start 01/2006	End 2009/beginning 2010
Lignite power plant Matra (Hungary)	400 MW	Under inspection	Possibly 2012
Coal-fired power plant Enseldorf (Germany)	1,530 MW	Approval planning	2012 at the earliest
Coal-fired power plant Hamm (Germany)	1,530 MW	Application for approval submitted	Possibly 2012
Coal-fired power plant Tilbury (UK)	1,600 MW	In process of planning	Possibly 2013
Coal-fired power plant (Netherlands)	1,560 MW	Approval planning	Possibly 2012
Combined-cycle gas turbine power plant Lingen (Germany)	875 MW	Construction probably to start 04/2007	2009
Combined-cycle gas turbine power plant Pembroke or Staythorp (UK)	Maximum 2,000 MW	Location under inspection; Construction may start 2007	2009
Topping gas turbines Weisweiler (Germany) and Matra (Hungary)	2 x 270 MW 2 x 30 MW	Commissioning completed	08/2006 and 12/2006 12/2006 and 02/2007
Retrofitting measures Niederaußem (Germany)	50 MW	In process of planning	
Renewable energies	700 MW	Ongoing implementation	

Energy efficiency initiative launched

Handling energy efficiently is increasingly gaining a political dimension. Therefore, since the beginning of 2006, together with other companies, RWE has been supporting the energy efficiency initiative of the German Energy Agency (dena). At the same time we are building up a broad efficiency initiative of our own to support both industry and households in using energy efficiently. By means of a joint campaign with the weekly magazine "Stern" we wish to make a contribution towards greater energy efficiency in German households. The RWE programme to promote heat pumps has been very well received by our customers. With a market share of some 25 percent RWE is Germany's leading provider. Each of the 32,500 heat pumps that have meanwhile been installed reduces CO₂ by two to four tons per year compared to conventional heating.

Renewable energies expanded

Wind energy is still the main focus of our power production from renewable energy. In 2006 RWE npower was able to increase its generation capacity by 133 MW and is seeking planning permission for new wind farms. RWE Power concentrates on Spain and France. For example in France RWE is helping to build a 90-MW wind farm, the biggest in the country, by 2008. RWE sees further potential in biomass. At the Neurath location near Cologne we are building a 700 kilowatt (kW) biogas plant in which primarily locally grown maize is to be fermented in future. In 2006 RWE npower succeeded in doubling CO₂-neutral power generation by means of the co-incineration of renewable raw materials to 683 gigawatt hours (GWh). To utilise the movement of the water in the oceans RWE npower is launching first trials with wave technology on the coast of Scotland.

In the UK our customers are increasingly asking for "green" electricity. RWE npower signed the biggest green electricity supply contract in the company's history with British Telecom in January 2007: over the next 3 years the telecommunications company will receive 4.8 terawatt hours (TWh) of environmentally friendly electricity.

JI/CDM measures extended

Under the Kyoto Protocol RWE has prepared a €150 million budget for investments in Joint Implementation- und Clean Development (JI/CDM) projects. RWE intends to purchase emission certificates from projects developed by third parties and thus contribute towards the implementation of such projects. At the same time, projects of its own are to be initiated in order to generate emission certificates directly. For this purpose a joint venture was entered with the Austrian company, Carbon Projektentwicklung GmbH, which is a leader in JI/CDM projects backing the avoidance of nitrous oxide emissions in saltpetre plants (nitrous oxide is 310 times more harmful than CO₂). Two such projects have already been implemented in Egypt and South Korea. JI/CDM projects are to be implemented shortly or are presently at the practical planning stage.

Dismantling of Garzweiler II started

In June 2006, after a 20-year planning and preparation phase, operations started in the Garzweiler II mining district (Germany). A 1.3 billion-ton lignite deposit is available over an area of 48 square kilometres. The mining area is immediately adjacent to the Garzweiler I district and over the next 40 years the annual output of some 40 million tons will constitute roughly 40 percent of the lignite output from the Rhenish coalfields. This means that Garzweiler II guarantees the supply to the BoA twin-unit power plant currently under construction at the Neurath location and an estimated six percent of the German power supply. Some 7,600 people are affected by resettlement within the Garzweiler II mining district. The first phase has been completed with a gratifyingly high participation in the resettlement of around 80 percent of the population affected. The second phase for resettling four further communities is currently being implemented.

Gas exploration increased

In 2006 RWE Dea, which is occupied with the exploration and production of gas and oil, received several licenses to drill for gas in Egypt. Participating interests in licenses to drill before the coast of Norway were added to these at the beginning of 2007. By 2010 RWE Dea gas production is expected to increase by 49 percent. In the case of oil production, if the participating interests are relinquished in Kazakhstan and Dubai, a daily yield of approximately 50,000 barrels is to be anticipated.

Application to extend service life of Biblis nuclear power plant

In September 2006, RWE Power filed a request for an extension of the service life of Block A of the Biblis nuclear power station with the German government. Our power plant subsidiary intends to transfer 30 TWh to the facility in Biblis A (Germany) from the electricity allowance of RWE's Mülheim-Kärlich (Germany) nuclear power plant, which is being dismantled. This is possible under the German Nuclear Energy Act, but requires approval from the Federal Environment and Economics Ministries as well as from the Chancellor's Office. The Biblis nuclear power station is currently out of operation. During inspection work incorrectly mounted dowels were discovered that need to be replaced. At present we assume that it will not be put back into service before the summer of 2007.

Building started on flue-gas desulphurization (FGD) system for the Aberthaw power plant

The introduction of the European Large Combustion Plant Directive (LCPD) signifies a considerable reorientation for our coal-fired power plants in UK. In order to still be able to meet the permitted limit values after 2008 we are retrofitting the Aberthaw (UK) at a cost equivalent to €150 million with a flue-gas desulphurization system. The system is expected to be put into service in 2008 to remove over 95 percent of the sulphur emissions from the flue-gas.

Status “Marketplace”

Since the 2005 report was published the price discussion has become much tougher. We and other energy supply companies are increasingly the subject of criticism from politicians and consumers. Yet in Germany – by contrast with Great Britain, for example – around 40 percent of the electricity costs for end consumers are caused by the state for VAT, the Eco-tax and fiscal charges under the terms of the Combined Heat and Power Generation Act and the Renewable Energies Act (KWKG, EEG).



Position assumed on electricity price debate

In the autumn of 2006 RWE published a position paper on the electricity price debate, providing the facts and data required for setting prices. It is intended as a contribution towards putting the discussion on a more objective plane and to indicate that the major German energy suppliers do not abuse their market position or manipulate the price of electricity on the European Energy Exchange in EEX (Germany). After investigations were made, the European Commission reached the conclusion that there are indeed no anti-competitive agreements on prices and capacities. When compared with the rest of Europe, the wholesale trade prices on the EEX are among the lowest and in 2006 were lower than those in the UK or the Netherlands. The flyer, “Energiewissen kompakt” (compact information about energy) provides key facts and our position in the electricity price debate and is available at infoverantwortung@rwe.com.

Grid fees approved by German Federal Network Agency for the first time

In November 2005, we submitted applications to the Federal Network Agency to obtain approval for our electricity and gas grid fees. The electricity grid fees for which RWE Transportnetz Strom sought approval were reduced by 9 percent. Cuts imposed on our electricity distribution grid operators amounted to between 10 percent and 14 percent. Our revenue was down by €165 million compared with 2005. For 2007 we are anticipating drops in sales in the power grid amounting to €600 million compared to the revenue level before grid regulation began. In the gas sector applications by three of our grid operators at the end of 2006 received a negative response. The negative impact on revenue for 2006 was €15 million.

Long-term supply contracts signed

In December 2006 Trimet Aluminium AG, Essen (Germany) and RWE Key Account GmbH agreed on a new power supply contract for the aluminium works in Hamburg (formerly HAW, Germany). The contract volume is for two terawatt hours per annum and is valid from 2008 until at least 2010. This put Trimet in a position to put the aluminium works, that had been closed down by the previous owner because it was unprofitable, back into operation and create 400 jobs.

Code of Conduct implemented

The Code of Conduct adopted in October 2005 was established in all of the RWE operating companies as a "compass" for day-to-day behaviour in dealing with employees, customers and suppliers. So RWE has adopted the principles of the United Nations Global Compact and is applying it in operational practice. Employees who find out about breaches of the Code of Conduct can approach the Group's compliance officers or contact a neutral lawyers' office commissioned by RWE for this purpose. In collaboration with the Institute for Business Ethics RWE npower offers its managers additional training modules on ethical behaviour.

Expert report on 2005 power failure presented

In November 2005 our Münsterland (Germany) supply territory was affected by a widespread power failure lasting several days. It was suspected that the pylons snapped because of embrittlement and poor maintenance. In February 2006 an independent expert's report commissioned by us came to the conclusion that RWE could not be blamed for neglecting maintenance, corrosion protection and maintenance of the pylons, an opinion that was confirmed by the German Federal Network Agency in June 2006. In a "Network Audit Report" presented at the end of May 2006, the German technical inspection association (TÜV) attested that RWE consistently met all technical specifications for the planning, construction and maintenance of high and highest voltage overhead lines in accordance with the state of the art.

Supply Chain Management extended

In further developing our Supply Chain Management we focus on the procurement of fuels and the purchase of standard products, catalogue merchandise and services. Within the context of counterparty risk management we have introduced a system for checking trade partners in the fuel sector for possible infringements of environmental and social standards. We intend to pay attention to sustainable production when procuring renewable raw materials as substitute fuels. Therefore RWE npower, after a review of the technical, economic and sustainability issues, decided not to convert Littlebrook power plant (UK) to biomass. At present palm oil from verifiably and unquestionably sustainable cultivation sources cannot yet be supplied in sufficient quantities.

With regard to the purchase of standard products and catalogue merchandise the analysis showed that less than five percent originates from countries that are not members of the OECD and might therefore be at an increased risk of being produced under ecologically and socially critical conditions. However, in view of the fact that we are planning to extend our procurement in low-wage countries, we have incorporated the environmental and social aspects in the assessment of potential business partners. By contrast, services are still almost exclusively rendered by companies from OECD member states, although from the point of view of our occupational health and safety management we shall in future treat outside employees in the same way as our own employees. Compliance with the principles of the Code of Conduct has become an integral part of the purchasing regulations.

Status: "Workplace"

The important challenges named in our 2005 report were the demographic development and the necessity to further extend our social commitments in the regions.



First measures relating to demographic change implemented

Imminent demographic change poses new challenges for the RWE corporation. It has launched a number of interconnected projects to enable it to assess the impact and develop appropriate action. The operating companies have developed an analysis instrument for the purpose that permits a comparison between the development of the human resources inventory and future personnel requirements. At the same time, an integrated Age Management concept has been prepared to examine the effects of the aging process on employees. It provides a fundament for measures to uphold the long-term fitness, efficiency and satisfaction of the employees and takes into account the specific aging profiles of individual organisational units. The advantage of proceeding in this manner is that it links the possibility of diagnosis (analysis instrument) with a therapeutic concept (age management). This makes it possible to recommend specific measures that match the actual needs of the individual organisational units.

In this connection knowledge management is also gaining increasing significance. Already in 2006 RWE initiated a programme to bring together young and older employees in teams, thus enabling experience to be passed on. In view of the fact that against the background of demographic change it is becoming increasingly important to promote our female employees, RWE is looking to rigorously improve the work-life balance. The first of the Group companies to submit to the work-life balance audit "berufundfamilie" of the charitable Hertie Foundation, RWE AG, received the basic certificate in June 2006. So a beginning has been made. By the time of the reaudit in 2009 further agreed measures must have been implemented. These include, for example, an increased range of flexitime models, more telework options and support for a flexible form of child care. The work-life balance audit "berufundfamilie" is to be extended to all Group companies in 2007.

Occupational health and safety policy adopted

In the RWE Group occupational health and safety has high priority as is proved by the continuous certification of occupational health and safety management at RWE Power. However benchmarks show that there is still potential for improvement. For this reason Group-wide coordination of occupational health and safety and health protection is to be developed by 2008. For this purpose there are plans to introduce a coordinated Occupational Health and Safety Management (OHSM) under the specialist responsibility of occupational medicine. The OHSM concept is to be tied in with the existing structures in the corporation as a means of sustainably optimising health protection for employees.

We made good progress with this last year: in August 2006, the Executive Board of RWE adopted a uniform occupational and health safety policy. It calls on all our divisions to determine further steps en route to improving safety at work. One aspect involves including a reduction in accidents in target agreements reached with our executives. Moreover, we launched a comprehensive campaign to inform our workforce of issues pertaining to occupational safety. The campaign is already bearing its first fruit: in 2006, the number of reportable work-related incidents per million work hours dropped from 6.4 to 5.6. We recorded 8.2 accidents for every 1,000 staff members. In 2005, this ratio was still 10.6. In the space of five years, we succeeded in nearly halving our accident rate. All measures are to be coordinated throughout the Group by the steering group of the main safety engineers and occupational medicine.

Local commitments increased

In all regions in which we operate, we seek to promote society in its development beyond the scope of our business operations and back up our employees in their voluntary commitments (Corporate Volunteering). An outstanding example of this in 2006 was support for the "4th INAS-FID World Football Championship", which took place in the cities of North Rhine-Westphalia. Not only was RWE the main sponsor, it was also involved from the very beginning through the voluntary commitment of over 150 of its employees. For our exemplary communicative support of the event we were distinguished by being presented with the "Paralympic Media Award" from the Deutscher Behindertensportverband (German Disabled Sports Association) in November 2006.

RWE npower focuses its activities on education, environment and health. For example, RWE npower cooperates very successfully with the English Federation of Disability Sport (EFDS) and promotes disabled sports particularly at the local level. RWE npower is equally involved in introducing children to cricket as a sport through urban cricket. In the context of its education initiative RWE npower informs schoolchildren in all matters connected with power generation, renewable energies and technology. RWE npower supports environmental projects both in the form of financial and in kind contributions and voluntary work on the part of its employees. In all RWE npower supported environmental projects to the tune of €7.8 million in 2006. 1,168 employees took part in the realisation of the project and contributed almost 10,000 hours of work.

Good examples in 2006 were the initiation of the first "Muelheim Water Award" by RWE and the RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH as a distinction for good ideas for drinking water supplies and wastewater disposal, support for the "Netzwerk Ruhrgebiet für bürgerschaftliches Engagement" (Ruhr district network for committed citizenship) from RWE Rhein-Ruhr and RWE Westfalen-Weser as well as the diverse projects sponsored by the RWE Jugendstiftung (www.rwe.com > RWE Group > Responsibility > RWE Youth Foundation).

Training project extended

One of our commitments in the various regions is the qualification of young people. In the autumn of 2006 RWE extended the successful nationwide "I can do it" apprenticeship project for a further three years. By means of this programme RWE will qualify up to 400 young people with no school leaving certificate to take up an apprenticeship.

Research cooperation further developed

Basic scientific research and the training of qualified engineers is the fundament for the long-term success of our company. RWE Power is extending the cooperation with scientific institutions in the field of nuclear technology. Together with ThyssenKrupp AG RWE Power sponsors the chairs at the Rheinisch-Westfälischen Technischen Hochschule (RWTH), Aachen and the Research Centre in Jülich (both in Germany) for reactor safety and reactor technology, model building and simulation in nuclear technology as well as the supply and disposal of nuclear fuels. In all €3.5 million are provided for this.

Employees affected by train accident

Grief was caused by the tragic accident suffered by 11 employees of RWE Westfalen-Weser-Ems (WWE) in September 2006. In all 23 people lost their lives in the Transrapid accident in Lathen (Germany). Ten of them were network planners from the regional centre in Nordhorn. One of our employees survived with severe injuries. RWE WWE organised immediate aid as support for relatives and colleagues and contributed €50,000 to a relief fund for the surviving dependents.

Update of important key indicators

Below we present an update of the environmental, economic and social key indicators presented in the 2005 report for business year 2006. An important change that should be mentioned for the period under review is the deconsolidation of Thames Water and RWE Solutions.

Key Environmental data

The figures below relate exclusively to our own power station operations in Germany, the UK and Hungary. They do not include reference quantities and emissions for those power plants where we have secured long-term generation contracts but where we have no control whatsoever over plant operations and environmental management. This line of demarcation is needed in order to ensure consistency with the CO₂ data ascribed to us under the National Allocation Plans. We have included all those plants that are consolidated in the Group financial statement.

Power plant capacity of plants in 2006

Plant type	Number of sites	Capacity in MW (net)
Lignite	9	10,729
Hard coal	11	7,503
additional contract capacity available	10	6,483
Nuclear	3	6,308
Natural gas	32	6,892
of which own CCGT plants	21	3,643
Petroleum	4	1,602
Hydro (excl. pumped reservoir)	128	731
additional contract capacity available	4	135
Windparks	10	181
additional contract capacity available	17	392
Biomass	4	68
Other (excl. district heat)	4	80

Group environmental impact in thousand metric tonnes

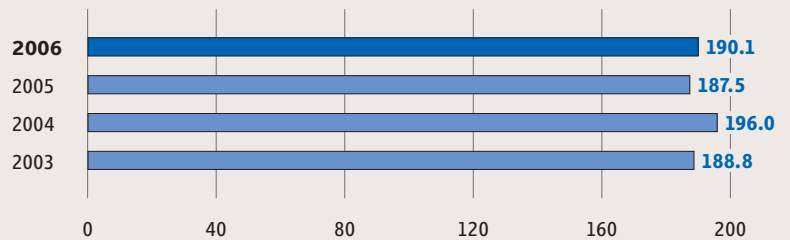
	2006	2005	2004	2003	2002
CO ₂ emissions	150,500	149,900	151,927	155,787	149,814
SO ₂ emissions	115	113	140	170	172
NO _x emissions	150	138	142	158	145
Waste volume	11,842	8,765	7,589	7,533	7,291
Spec. CO ₂ emissions tonnes/MWh	0.784	0.808	0.775	0.822	0.798

Power generation and fuel consumption

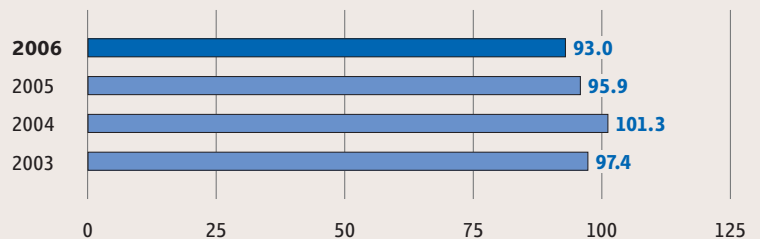
Our own power generation increased by 1.4 percent compared to the previous year. There was a significant increase in production from hard coal because we were able to benefit from the favourable market conditions. Production of nuclear energy also rose after the Biblis power station started up again. However, it was only partially available in 2006, too, because inspection work was taking place again since October 2006 and will continue on into the Summer of 2007.

We cut back our gas-fired power stations in 2006 because of poor margins. This had to do with the high prices for power plant gas. There was also a drop in power produced from lignite, among other things owing to scheduled stoppage for inspection work and the shutdown of a lignite unit.

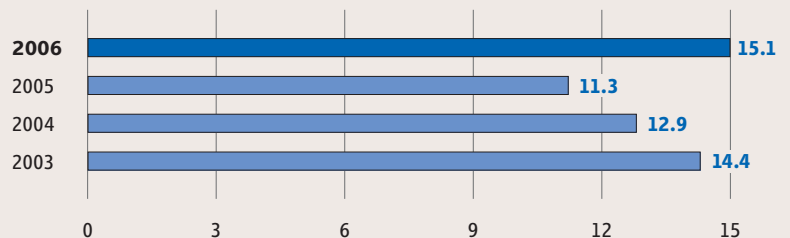
Electricity volumes generated by RWE power plants in terawatt hours (TWh)



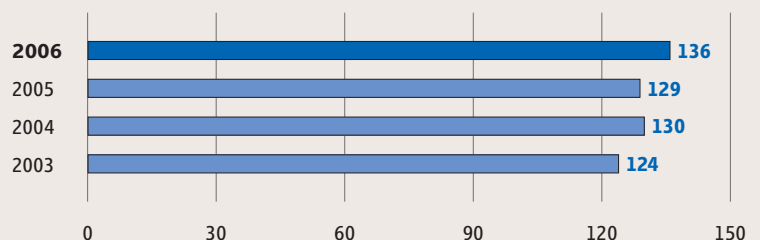
Use of lignite in RWE power plants in million metric tonnes



Use of hard coal in RWE power plants in million metric tonnes



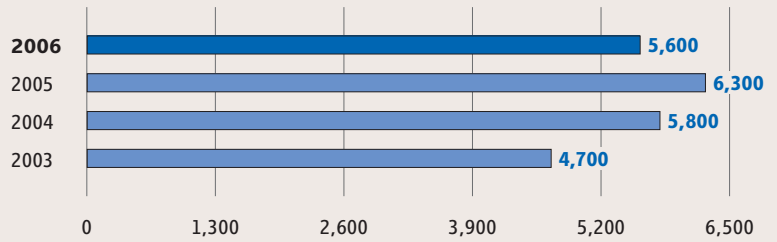
Use of nuclear fuel in RWE power plants in metric tonnes



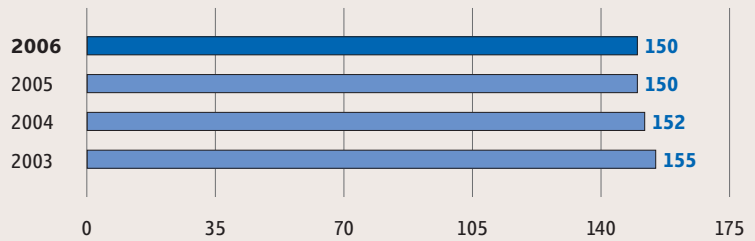
Emissions

As a consequence of these developments the specific CO₂ emissions dropped to 0.784 tonnes of CO₂ per megawatt-hour (MWh). The output of SO₂ and NO_x emissions also depends essentially on the same set of parameters. The increasing use of low-sulphur coal in the UK has had a positive impact and further reductions in SO₂ emissions are anticipated once the new flue-gas desulphurisation plant comes on stream at Aberthaw power station (UK).

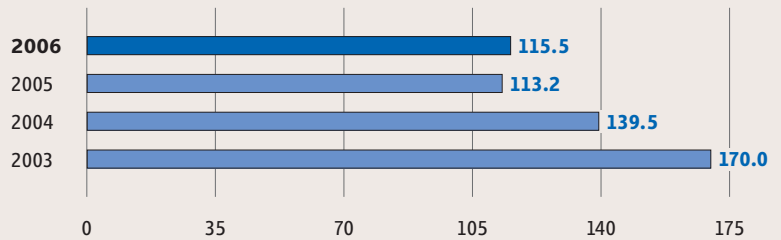
Use of natural gas in RWE power plants
in million cubic metres



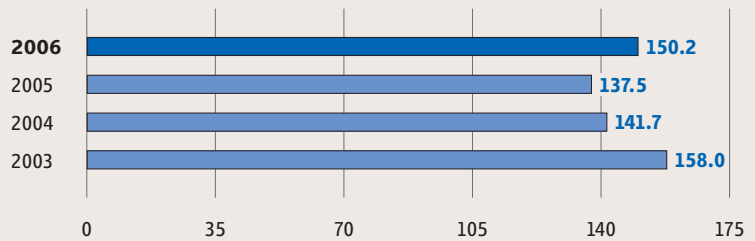
CO₂ emissions from RWE power plants
in million metric tonnes



SO₂ emissions from RWE power plants
in thousand metric tonnes



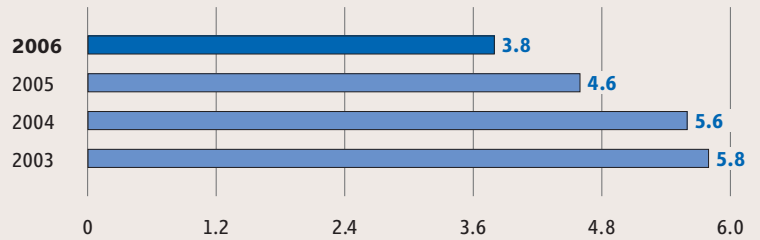
NO_x emissions from RWE power plants
in thousand metric tonnes



Exploration

We were able to increase natural gas exploitation by 27 percent in 2006. This was partially because each year, in 2005 and 2006, in the autumn we started up production in gas fields in the North Sea. By contrast, crude oil production is still declining and has dropped to a volume that is 18 percent lower than the previous year.

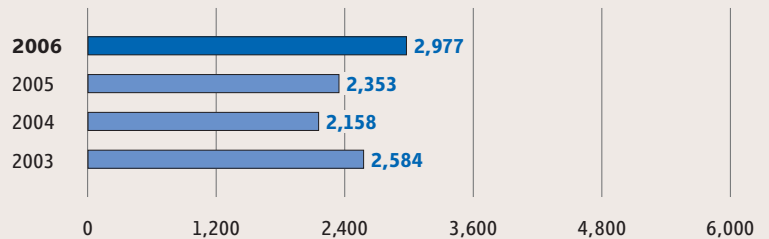
Crude oil production
in million cubic metres



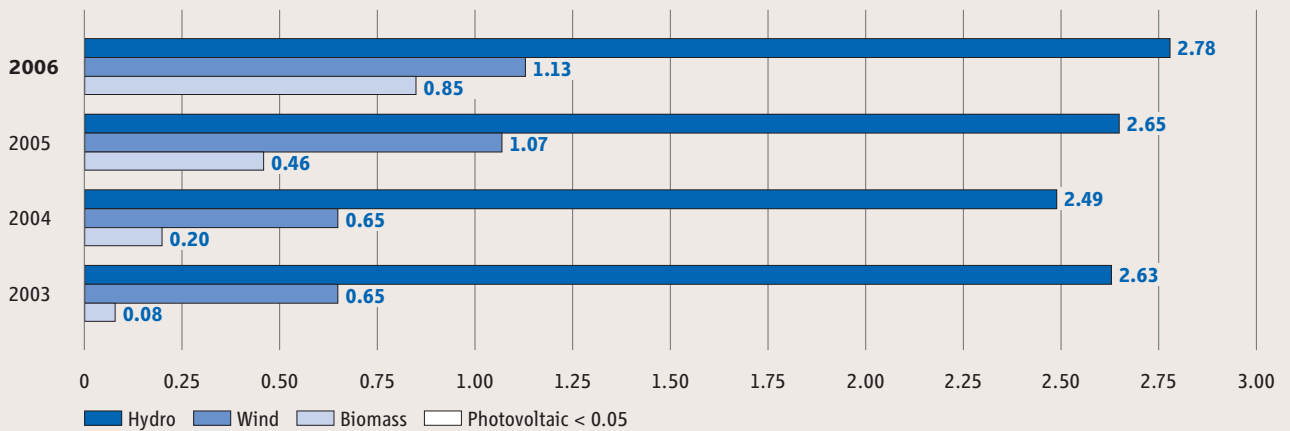
Renewable energies

There has been a significant increase in wind power owing to the continuous development in the UK. Equally, power generation from biomass has also increased, particularly in the UK. In 2006 the co-firing of biomass more than doubled there.

Natural gas production
in million cubic metres



Annual generation from renewables
in terawatt hours



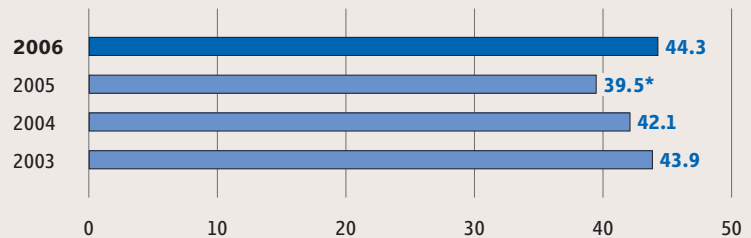
Key economic data

Business development

In 2006 the RWE Group brought in external revenue worth €44.256 billion. The increase by twelve percent compared to the previous year is due to price-related excess sales revenues in the electricity and gas business of RWE Energy. Net income was €3.847 billion.

External revenue of the RWE Group

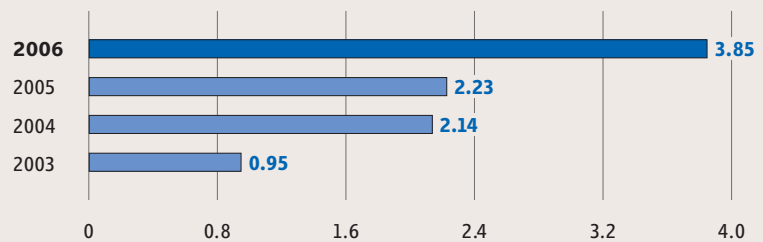
in € billion



*Adjusted in accordance with discontinued activities
(Thames Water and RWE Solutions)

Net income

in € billion



Value added distribution

In business year 2006 of the sales revenue after deduction of material costs, a total of €16.197 billion remained in value added. Staff costs have more or less become stable.

Value added distribution

in € billion

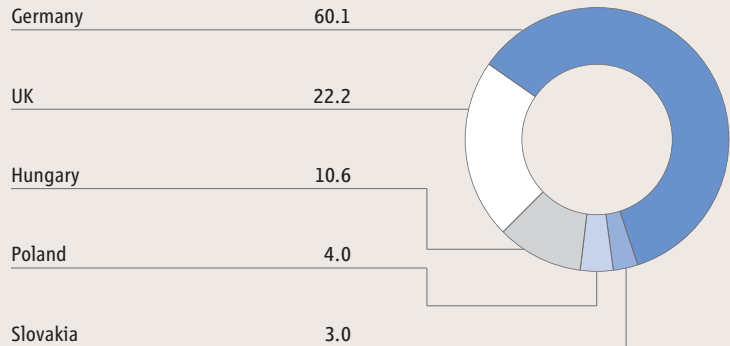
	2006	2005*	2004	2003
Value added	16.197	13.793	15.638	15.564
Distribution				
To employees (wages, salaries, benefits)	4.900	4.969	6.122	7.530
To the government (taxes and duties)	2.367	2.387	2.662	2.291
To creditors	4.917	3.982	4.440	4.807
To minority interest	0.166	0.224	0.277	-0.017
Net income	3.847	2.231	2.137	0.953
thereof to shareholders	1.968	0.984	0.844	0.703

*Adjusted in accordance with discontinued activities (Thames Water and RWE Solutions)

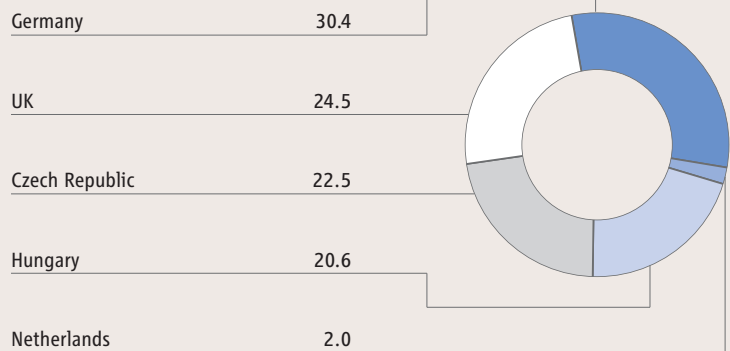
Customer profile

60 percent of our electricity customers are from Germany, which continues to be our most important market. In the gas business, too, we also have the largest proportion of customers in Germany. However, in the UK in 2006 we succeeded in gaining new customers. The shares in the Czech Republic and in Hungary remained at a more or less constant level. We can still see prospects for growth in central and Eastern Europe.

**Distribution of our customers in the electricity business
percentage (31 Dec 2006)**



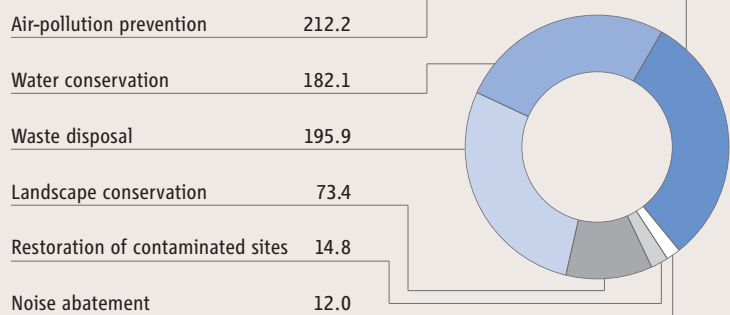
**Distribution of our customers in the gas business
percentage (31 Dec 2006)**



Environmental costs.

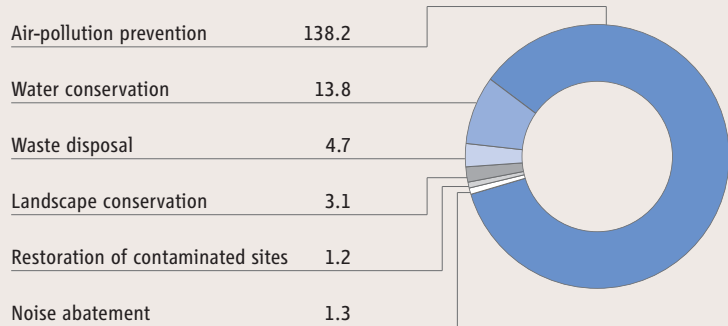
In the 2006 business year the RWE Group as a whole spent €690 million on environmental services, which includes the operation of pollution control systems, the deployment of environmental protection staff and the payment of external services and fees. Because RWE Thames Water was sold, in 2006 the high expenditure for water protection and especially for wastewater treatment was no longer an issue. Spending on air pollution prevention has gone down, whereas the costs of waste disposal have risen slightly.

**Expenses for environmental protection by area in 2006
in € million**



Spending on new pollution control technology (downstream systems) totalled around €162 million in 2006. Anti-air pollution systems in particular require ongoing investments. This also applies to the costs of flue-gas desulphurisation equipment, which we have begun building in Aberthaw (UK).

Expenses for environmental protection by area in 2006
in € million



Key social data

Workforce

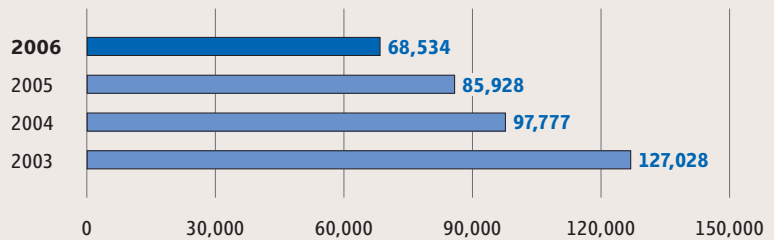
The number of employees was reduced during the past year by the number of employees at Thames Water. This taken into account, it indeed rose within the Group by 1,586 new jobs.

Social provisions.

In view of the fact that we do not yet have any exact data for this we can only present a qualitative review of the current situation: all our employees in Europe, the USA and Canada are normally protected by a basic sickness insurance and retirement pension scheme. This applies to over 99 percent of our total staff. However this basic level of protection may vary from one country to another, depending on the general statutory requirements in place.

Workforce

in employee equivalents



Workforce by region

in employee equivalents

	2006	2005	2004	2003
Germany	37,782	43,579	55,407	59,504
UK	11,647	16,847	15,881	15,814
Other European countries	12,151	15,698	16,276	18,424
USA and Canada	6,809	7,115	7,335	7,895
Other	145	2,689	2,878	3,355

Equal opportunities

According to the Group-wide standardised grading, at RWE some 1,000 persons currently count as management staff. In 2006 women made up 8 percent of this category. In 2006 our female employees accounted for 28.3 percent of the workforce of the RWE Group as against 23.4 percent in the previous year.

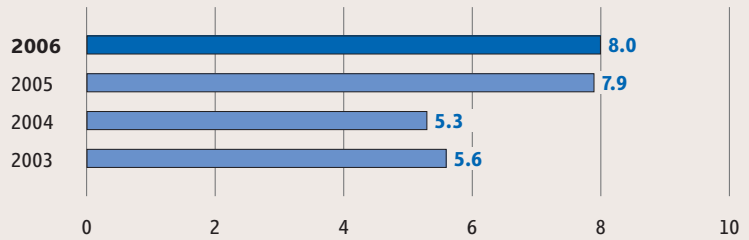
The age structure of the workforce

A very large group of employees is between 45 and 55 years of age. This means that in the near future a drastic increase in the number of employees leaving the company for reasons of age must be anticipated.

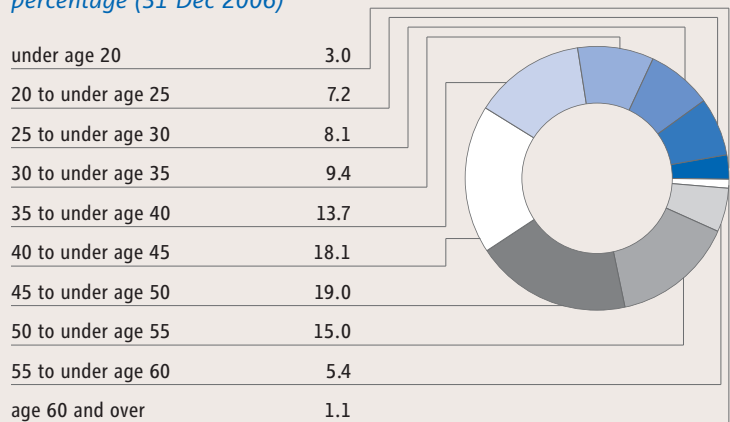
Occupational health and safety.

We have also been successful in reducing the number of notifiable accidents per thousand employees. This is due to the increased Group-wide activities in the field of occupational health and safety. By the way, Germany is unique in this respect in that its accident figures also include incidents occurring en route to the workplace.

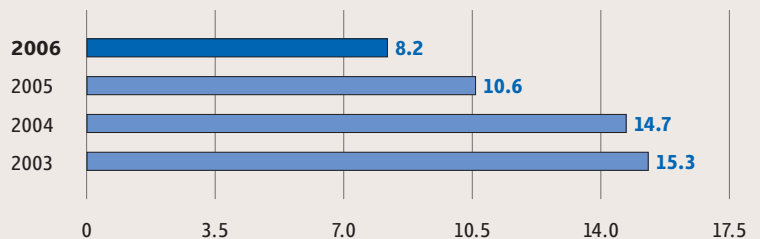
Women in senior management
percentage



Integral planning of employment life phases
percentage (31 Dec 2006)



Accident rate*
per thousand employees



*Subject to registration according to national criteria

Fluctuation

Thankfully, employee retention has increased. This is at least partially attributable to the deconsolidation of Thames Water, since in the UK people change their jobs more frequently than in Germany.

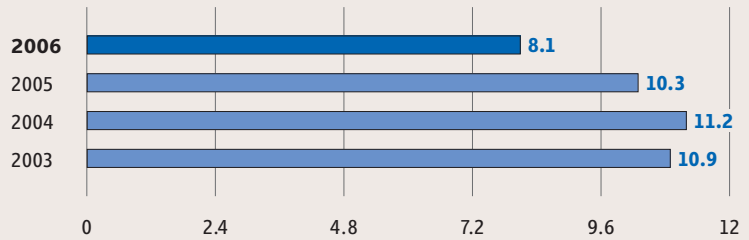
Trainees.

By providing apprenticeships we wish to contribute towards reducing juvenile unemployment. In Germany this aspect is particularly important because of the formalised arrangements for vocational training and its significance for a person’s career. As the other countries in which we operate have no comparable system in place, we present here only the figures as they apply to Germany. The number of traineeships was 2,699 in 2006.

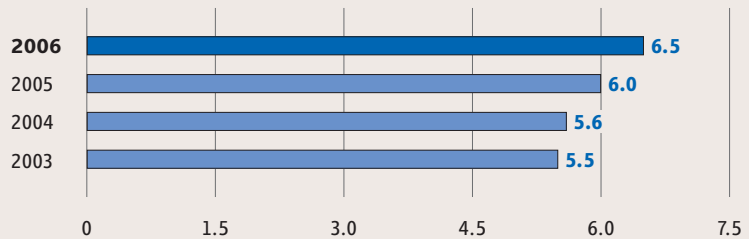
Careers for the severely disabled

Disabled persons must also have opportunities to develop their talents and skills in the course of their working life. Companies operating in Germany are therefore required to make five percent of their employment opportunities available to disabled persons, a rate we almost attained last year. In the UK it is not possible to collect data in this way as there is no comparable system for registering disabilities in the UK. It is up to employees to register their level of disability with their employer in the UK.

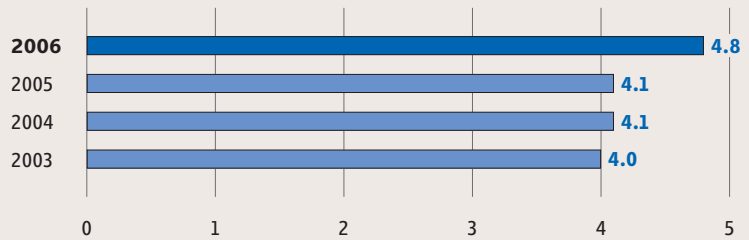
Fluctuation of employees
percentage



Ratio of trainees in Germany
percentage



Ratio of employees with disabilities in Germany
percentage



Targets achieved in the period under review 2006

We have amended our sustainability programme, which was presented in the 2005 report, by adding the status on target achievement and new objectives. Targets identified as having been achieved in the 2005 report are not included in the following.

Key issues	Deadline	Status/commentary
Climate protection		
Testing of the JI/CDM mechanisms within the framework of the Prototype Carbon Fund and e8	ongoing	The JI/CDM measures were extended considerably. For this purpose a special organisational unit was created at RWE Power and €150 million in funds provided. A first project was implemented in 2006 with 2.6 million emission certificates
Development of new technologies to enhance efficiency	2009	The construction of a prototype plant for fluidised-bed drying of lignite was started in 2006; commissioning is planned for early 2008; new high-temperature materials are being tested
Development of a carbon-neutral coal power plant	2014	Development of the IGCC process (Integrated Gasification Combined Cycle) started in March 2006, running to schedule; investigations into the feasibility of CO ₂ washing initiated, for example for a 1,600 MW coal-driven power plant in Tilbury (UK)
Increase of wind power by approx. 100 MW/year	2010	€650 million earmarked for the medium-term planning; additional capacity mainly for wind energy in the UK and France, in 2006 approx. 150 MW wind power put into service
Social responsibility		
Further advancement of international cooperation between employees and management	ongoing	Organisational prerequisites created by establishing the Workers' Forums at RWE Energy and RWE Power
Development of a strategy to address demographic change	12/07	Project being implemented for the exchange of experience between younger and older employees; prophylactic programmes initiated to maintain the health of the employees
Improvement of work-life balance	12/08	First work-life balance audit ("berufundfamilie") in 2006 at RWE AG (Group center), basic certificate received; increased child care assistance, flexitime and telework initiated
Sustainability management		
Extension of the Corporate Directive on Environmental Management to include sustainability aspects	12/04	Postponed in order to gain more experience in Group-wide CR coordination; CR management by Coordination Committee established in 2006; appointment of CR officers facilitated; revision of the CR fields of action initiated for the purpose of putting the CR management on a more practical footing (see below)
Extension of internal reporting to incorporate sustainability aspects	12/05	Implementation to take place in connection with the revision of the CR fields of action; to be continued until 12/07
Application of sustainability criteria to the chain of suppliers	12/04	Included in the Code of Conduct as a regulation; implementation in the procurement of fuels within the framework of counter-party risk management; implementation projects underway relating to the procurement of standard products; programme launched to involve contractors in occupational health and safety management
Reassessment of the fields of action for sustainable development and the derivation of appropriate indicators for the purpose of control and monitoring	12/07	Proposal developed for the revised fields of action in February 2007; harmonisation to take place in 2007
Group-wide harmonisation in the field of occupational health and safety	12/08	Group-wide occupational health and safety policy adopted in 2006

Key issues	Deadline	Status/commentary
Stakeholder dialogue		
Establishment of an ongoing institutionalised stakeholder dialogue	from 06/04	Established in the UK; first Dialogue Forum took place in Germany in 2006; discussion of CR fields of action with stakeholders up to 12/07
Registering and evaluation of results	ongoing	Evaluation of market analyses and discussion forums
Continuation of Group-wide staff survey	ongoing	First survey was conducted in 2005; next survey scheduled for 2007
Development of specific reporting criteria for the electricity industry	12/07	Collaboration with the Global Reporting Initiative (GRI) and with the Deutsche Vereinigung für Finanzanalyse und Asset Management (Society for Investment Professionals in Germany (DVFA)); draft of the GRI Energy Utilities Sector Supplement available for public comments until 04/07
Efficient utilisation of resources		
Improvement in registration and allocation of environmental costs	12/01	Group-wide harmonisation in the registration of environmental costs initiated (already implemented at RWE Power); environmental officers must be involved in the controlling of environmental costs as well as in the implementation of the new legislation by 12/07 (took place at the end of 2006 at RWE Power).
Identification of best practice within the Group and in cooperation with customers	12/04	Group-wide working party established in 2005; preparation of a brochure on examples of Best Practice started 2006 ("Energy efficiency is our business RWE")
Application of results throughout the Group	12/05	Development of measures to improve efficiency consulting for customers in the first quarter 2007

Contacts, imprint and editorial deadline

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RWE's Annual Report 2006, Personnel Report 2006 and additional information are available on the Internet at:
www.rwe.com > RWE Group > Press > Media center
www.rwe.com > RWE Group > Responsibility > Dialogue
 > Reports and brochures

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Lignite



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Hard coal²

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