

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

- (X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999.
- ( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.  
COMMISSION FILE NO. 333-33397

NRG ENERGY, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
-----

41-1724239  
-----

(STATE OR OTHER JURISDICTION  
OF INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

1221 NICOLLET MALL, SUITE 700

MINNEAPOLIS, MINNESOTA  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

55403  
(ZIP CODE)

(612) 373-5300

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicated by check mark whether the Registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes    X            No  
-----            -----

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes    X            No  
-----            -----

As of May 30, 2000, there were 147,604,500 shares of Class A - common stock, \$.01 par value, outstanding, all of which were owned by Northern States Power Company. No other voting or non-voting common equity is held by non-affiliates of the Registrant.

The Registrant meets the conditions set forth in General Instruction I (1) (a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format. Documents Incorporated by Reference: None

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on June 5, 2000.

NRG ENERGY, INC.

By: /s/ Leonard A. Bluhm

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Leonard A. Bluhm  
Executive Vice President and Chief  
Financial Officer

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15 (d) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

An annual report will be sent to security holders and will be supplementally filed with the Commission. Such annual report to security holders shall not be deemed "filed" with the Commission or otherwise subject to the liabilities of Section 18 of the Securities Exchange Act of 1934. No proxy material will be sent to security holders.

Halle, March 31, 2000

SAALE ENERGIE GMBH,  
SCHKOPAU

Report on the audit of the financial  
statements for the years ended  
December 31, 1999, 1998 and 1997  
in accordance with German GAAP  
and on the audit of the respective  
US GAAP reconciliation

SAALE ENERGIE GMBH  
INDEX TO THE FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of  
Saale Energie GmbH

Schkopau, Germany

We have audited the accompanying balance sheets of Saale Energie GmbH (SEG) as of December 31, 1999 and 1998, and the related statements of income and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of SEG's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Germany and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saale Energie GmbH as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in Germany.

Generally accepted accounting principles in Germany vary in certain significant respects from generally accepted accounting principles in the United States of America. Application of generally accepted accounting principles in the United States of America would have affected the results of operations for the years ended December 31, 1999, 1998 and 1997 and shareholders' equity as of December 31, 1999 and 1998 to the extent summarized in NOTE C to the financial statements.

DELOITTE & TOUCHE GmbH  
Wirtschaftsprüfungsgesellschaft

/s/ Deloitte & Touche GmbH

Halle, Germany  
March 31, 2000

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SAALE ENERGIE GMBH  
STATEMENTS OF INCOME  
(IN THOUSANDS DM)

|                                       | NOTES | YEAR ENDED<br>DECEMBER 31,<br>1999 | YEAR ENDED<br>DECEMBER 31,<br>1998 | YEAR ENDED<br>DECEMBER 31,<br>1997 |
|---------------------------------------|-------|------------------------------------|------------------------------------|------------------------------------|
| Sales                                 | D     | 222,442                            | 218,642                            | 224,502                            |
| Other operating income                |       | 175                                | 27                                 | 21                                 |
| Total revenue                         |       | 222,617                            | 218,669                            | 224,523                            |
| Cost of materials                     | D/M   | 208,864                            | 215,763                            | 225,669                            |
| Depreciation of tangible fixed assets |       | 0                                  | 1                                  | 1                                  |
| Other operating expenses              |       | 1,342                              | 1,112                              | 1,122                              |

|  |   |         |         |         |
|--|---|---------|---------|---------|
| Total operating expenses                               |   | 210,206 | 216,876 | 226,792 |
| Result of operations                                   |   | 12,411  | 1,793   | -2,269  |
| Income from companies in which participations are held |   | 8,667   | 8,515   | 7,162   |
| Interest income (net)                                  | N | 4,946   | 2,280   | -3,152  |
| Results of ordinary activities                         |   | 26,024  | 12,588  | 1,741   |
| Extraordinary profit (net)                             | O | 574     | -4,856  | 0       |
| Profit before taxes on income                          |   | 26,598  | 7,732   | 1,741   |
| Taxes on income  | J | 800     | 0       | 0       |
| Net profit for the year                                |   | 25,798  | 7,732   | 1,741   |
| Accumulated losses brought forward                     | I | -1,910  | -9,642  | -11,383 |
| Transfer from capital reserves                         | I | 46,131  | 0       | 0       |
| Distribution to shareholders                           | I | -46,131 | 0       | 0       |
| Retained income/accumulated losses                     |   | 23,888  | -1,910  | -9,642  |

See accompanying Notes to the Financial Statements

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SAALE ENERGIE GMBH

BALANCE SHEETS  
(IN THOUSANDS DM)

|   | NOTE    | AT DECEMBER 31,<br>1999 | AT DECEMBER 31,<br>1998 |
|---|---------|-------------------------|-------------------------|
|   | -----   | -----                   | -----                   |
| ASSETS                                  |         |                         |                         |
| Outstanding contributions               |         | 713                     | 713                     |
| NON-CURRENT ASSETS                      |         |                         |                         |
| Fixed assets                            |         |                         |                         |
| Tangible assets                         |         |                         |                         |
| Factory and office equipment            | B       | 0                       | 0                       |
| Financial assets                        |         |                         |                         |
| 1. Shares in affiliated companies       | B, E    | 49                      | 49                      |
| 2. Participations                       | B, E    | 204,193                 | 204,193                 |
| 3. Loans to participations              | B, F    | 94,671                  | 83,800                  |
| 4. Loans to shareholding companies      | B, G    | 80,522                  | 0                       |
| TOTAL NON-CURRENT ASSETS                |         | 379,435                 | 288,042                 |
| CURRENT ASSETS                          |         |                         |                         |
| Inventories                             |         |                         |                         |
| Raw materials and supplies              | B       | 763                     | 847                     |
| Receivables and other assets            |         |                         |                         |
| 1. Trade receivables                    | B, D, H | 22,268                  | 22,505                  |
| 2. Receivables from participations      | B, H    | 927                     | 0                       |
| 3. Other assets                         | B, H    | 2,735                   | 4,151                   |
| Bank balances                           | B       | 48,243                  | 107,823                 |
| TOTAL CURRENT ASSETS                    |         | 74,936                  | 135,326                 |
| TOTAL ASSETS                            |         | 455,084                 | 424,081                 |
| SHAREHOLDERS' EQUITY AND LIABILITIES    |         |                         |                         |
| SHAREHOLDERS' EQUITY                    |         |                         |                         |
| Subscribed capital                      | I       | 1,000                   | 1,000                   |
| Capital reserve                         |         | 1,910                   | 48,041                  |
| Retained income/p.y. accumulated losses |         | 23,888                  | -1,910                  |
| TOTAL SHAREHOLDERS' EQUITY              |         | 26,798                  | 47,131                  |
| Accruals                                |         |                         |                         |
| 1. Taxation accruals                    | B, J    | 800                     | 0                       |
| 2. Other accruals                       | B       | 106                     | 3,292                   |
| Liabilities                             |         |                         |                         |
| 1. Trade payables                       | B, K    | 3,383                   | 3,940                   |
| 2. Payables to shareholding companies   | B, K    | 67                      | 77                      |

|  |      |         |         |
|--|------|---------|---------|
| 3. Payables to affiliated companies        | B, K | 390     | 373     |
| 4. Payables to participations              | B, K | 376,657 | 324,663 |
| 5. Other payables                          | B, K | 46,883  | 44,605  |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES |      | 455,084 | 424,081 |

See accompanying Notes to the Financial Statements

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SAALE ENERGIE GMBH  
STATEMENTS OF CASH FLOWS  
(IN THOUSANDS DM)

|  | YEAR ENDED<br>DECEMBER 31,<br>1999 | YEAR ENDED<br>DECEMBER 31,<br>1998 | YEAR ENDED<br>DECEMBER 31,<br>1997 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Cash flows from operations:  |                                    |                                    |                                    |
| Net income for the year  | 25,798                             | 7,732                              | 1,741                              |
| Adjustments to reconcile the net profit to the cash generated by operations: |                                    |                                    |                                    |
| Depreciation on tangible assets  | 0                                  | 1                                  | 1                                  |
| Change in assets and liabilities:  |                                    |                                    |                                    |
| Inventories  | 84                                 | -133                               | -389                               |
| Short-term trade receivables   | 237                                | -3,645                             | 5,904                              |
| Receivables from participations  | -927                               | 0                                  | 0                                  |
| Taxation accruals  | 800                                | 0                                  | 0                                  |
| Other accruals   | -3,186                             | 3,212                              | 40                                 |
| Short-term trade payables  | -557                               | 400                                | -5,295                             |
| Other liabilities  | 54,279                             | 84,717                             | 65,579                             |
| Other items  | 894                                | -610                               | 11,009                             |
| CASH PROVIDED BY OPERATING ACTIVITIES  | 77,422                             | 91,674                             | 78,590                             |
| Cash flows from investment activities:                                       |                                    |                                    |                                    |
| Disbursement of loans to participations                                      | -10,871                            | 0                                  | 0                                  |
| Disbursement of advances to shareholding companies                           | -80,000                            | 0                                  | 0                                  |
| CASH UTILIZED IN INVESTMENT ACTIVITIES                                       | -90,871                            | 0                                  | 0                                  |
| Cash flows from financing activities:  |                                    |                                    |                                    |
| Distribution of capital reserves   | -46,131                            | 0                                  | 0                                  |
| Proceeds from loans  | 0                                  | -373                               | -90,816                            |
| CASH UTILIZED IN FINANCING ACTIVITIES  | -46,131                            | -373                               | -90,816                            |
| NET DECREASE IN CASH   | -59,580                            | 91,301                             | -12,226                            |
| CASH AT BEGINNING OF YEAR  | 107,823                            | 16,522                             | 28,748                             |
| CASH AT END OF YEAR  | 48,243                             | 107,823                            | 16,522                             |

See accompanying notes to the Financial Statements

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SAALE ENERGY GMBH  
NOTES TO THE FINANCIAL STATEMENTS  
(IN THOUSANDS DM)

NOTE A ORIGINATION AND NATURE OF BUSINESS

ORIGINATION: According to the Articles of Association, Saale Energie GmbH ("SEG") was established on November 11, 1993. The company's shares are held at 50% by NRGenerating International B.V., Amsterdam and at 50% by PowerGen Holdings B.V., Rotterdam.

NATURE OF BUSINESS: The operations of SEG include all activities relating to the direct and indirect acquisition, ownership, administration and operation of power generating facilities located in Schkopau, including the purchase of fuel and the sale of energy produced in the facilities. The business of the company further constitutes all activities relating to the supply of management, maintenance and consulting services in respect of power stations and related plants. The company is authorized to take all other actions and engage in all other businesses, which appear to be necessary and useful, in order to carry into effect the purpose of the company. In particular it is authorized to hold, acquire and create subsidiaries, branches, companies and interests in other enterprises.

#### NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES: The financial statements of SEG have been prepared in accordance with the German Commercial Code, which represents accounting principles generally accepted in Germany ("German GAAP"). German GAAP vary in certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). Application of US GAAP would have affected the results of operations for the years ended December 31, 1999, 1998 and 1997 and shareholders equity at December 31, 1999 and 1998 to the extent summarized in NOTE C to the financial statements. All amounts herein are shown in thousands of Deutsche Mark ("TDM") unless otherwise stated.

CONSOLIDATION: SEG does not prepare German GAAP consolidated financial statements. SEG owns a 98% share of its affiliated company (subsidiary) Saale Energie Service GmbH ("SES"). The investment in SES is included at cost in SEG's financial statements. Furthermore, SEG holds a 41.9% share in the Kraftwerk Schkopau GbR ("GbR") and a 44.4% share in the Kraftwerk Schkopau Betriebsgesellschaft mbH. These companies are included at cost and referred to as participations in these financial statements.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

TOTAL COST METHOD: The statement of operations is presented according to the total cost (or type of expenditure) format as commonly used in Germany. According to this format, production and all other expenses incurred during the period are classified by type of expenses.

REVENUE RECOGNITION: Revenue is recognized when title passes or services are rendered, net of discounts, customer bonuses and rebates granted.

FIXED ASSETS: Fixed tangible assets are recorded on the basis of acquisition or manufacturing cost and subsequently reduced by scheduled depreciation charges over the assets' useful lives.

FINANCIAL ASSETS: The long-term loans and investments are recorded at cost.

INVENTORIES: Inventories are accounted for at historical purchase cost.

RECEIVABLES AND OTHER ASSETS: All receivables are recorded at nominal value. An allowance for doubtful accounts is recorded and deducted from the trade receivables balance for unexpected uncollectable accounts.

BANK BALANCES: Bank balances include current accounts and time deposits.

ACCRUALS AND LIABILITIES: Accruals have been recorded for known obligations at the balance sheet date at the amounts of the estimated liabilities. Liabilities

are valued at the amounts outstanding.

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SAALE ENERGY GMBH

NOTES TO THE FINANCIAL STATEMENTS  
(IN THOUSANDS DM)

EXTRAORDINARY ITEMS: These are non-recurring income and expenses, which do not result from the ordinary activities of the company. The extraordinary income and expenses are disclosed in NOTE O to the financial statements.

NOTE C SIGNIFICANT DIFFERENCES BETWEEN GERMAN AND UNITED STATES GENERALLY  
ACCEPTED ACCOUNTING PRINCIPLES

SEG's financial statements comply with German GAAP, which differs in certain significant respects from US GAAP. The differences that would have a significant effect on net income and shareholders' equity are set out below.

1. Consolidation

SEG does not prepare consolidated financial statements according to the German Commercial Code. If US GAAP were applied, SEG would be required to prepare consolidated financial statements, which would include the financial statements of SES.

US GAAP financial statements would therefore include the current year's operating results of SES, net of minority interests, and would exclude the dividend income received by SEG.

2. Accounting for long term service and supply agreements

For German GAAP purposes, the amounts billed to SEG resulting from the use and benefit agreement between SEG and GbR are recorded as expenses of the period. Parallel, the amounts attributable to the long-term electricity supply contract with the company's sole customer, are recorded as revenue in the period they are invoiced (see NOTE D).

In accordance with US GAAP, these agreements would be considered as leasing agreements. The use and benefit agreement would be considered a capital lease, and the long-term sales agreement, as it relates to capacity availability, would be treated as a direct financing lease arrangement. The revenues and expenses recorded based upon current billings would be replaced by the amortization of unearned direct finance lease income and interest expense on lease obligations in accordance with US GAAP.

The net present value of the minimum lease payments to be received by SEG under the terms of the agreement amounts to TDM 784,260, whereas the net present value of the lease obligation payable by SEG over the minimum period of 25 years is TDM 447,444 as of December 31, 1999.

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SAALE ENERGY GMBH

NOTES TO THE FINANCIAL STATEMENTS  
(IN THOUSANDS DM)



### 3. Outstanding contributions from the shareholders

As of December 31, 1999, outstanding contributions from shareholders amounted to TDM 713, which were not deducted from shareholders' equity in the German financial statements. The shareholders' equity for US GAAP purposes has to be reduced by the outstanding contributions.

### 4. Deferred taxes

Under German GAAP, SEG did not accrue for corporate income tax, because the accumulated tax losses of prior years exceed the net profit for the 1999 financial year. SEG raised an accrual for the first time in respect of municipal trade tax during the 1999 financial year (TDM 800). Deferred tax assets and liabilities have not been recorded, because under German GAAP, they are only required to be recognized to the extent that the deferred tax liabilities exceed the deferred tax assets. Deferred tax assets are not recorded for accumulated tax losses brought forward.

For purposes of US GAAP accounting the financial values differ significantly from the tax basis mainly due to the application of lease accounting.

Significant components of SEG's deferred tax liabilities and assets as of December 31, 1999 and 1998, that would have resulted from accumulated tax losses and temporary differences between the US GAAP financial statement basis and tax basis of assets and liabilities are summarized as follows:

|                            | 12/31/1999<br>TDM<br>----- | 12/31/1998<br>TDM<br>----- |
|----------------------------|----------------------------|----------------------------|
| Deferred tax liability:    |                            |                            |
| lease accounting           | 170,423                    | 165,721                    |
|                            | -----                      | -----                      |
| Total deferred liability   | 170,423                    | 165,721                    |
|                            | -----                      | -----                      |
| Deferred tax assets:       |                            |                            |
| accumulated tax losses     | 30,395                     | 48,276                     |
| investment in GbR          | 4,566                      | 3,812                      |
|                            | -----                      | -----                      |
| Total deferred asset       | 34,961                     | 52,088                     |
|                            | -----                      | -----                      |
| Net deferred tax liability | 135,462                    | 113,633                    |
|                            | =====                      | =====                      |

The effect of the decrease of the corporate income tax rate for undistributed earnings from 45% to 40%, effective from 1. January 1999, was a reduction of the net deferred tax liability by TDM 8,053.

RECONCILIATION TO US GAAP

The following is a summary of the significant adjustments to net income for 1999, 1998 and 1997 which would have been required if US GAAP had been applied instead of German GAAP.

| Items   | Year ended<br>December 31,<br>1999<br>TDM | Year ended<br>December 31,<br>1998<br>TDM | Year ended<br>December 31,<br>1997<br>TDM |
|---|---|---|---|
| Net income as reported in the statement of income under German GAAP | 25,798                                    | 7,732                                     | 1,741                                     |
| Consolidation of SES  | 1. -744                                   | 134                                       | -1,578                                    |
| Lease adjustment  | 2. 33,292                                 | 83,757                                    | 71,766                                    |
| Deferred taxes  | 4. -21,829                                | -58,910                                   | -41,636                                   |
| Net profit in accordance with US GAAP                               | 36,517                                    | 32,713                                    | 30,293                                    |

The following is a summary of the significant adjustments to shareholders' equity as of December 31, 1999 and 1998 which would have been required if US GAAP had been applied instead of German GAAP.

| Items   | Year ended<br>December 31,<br>1999<br>TDM | Year ended<br>December 31,<br>1998<br>TDM |
|---|---|---|
| Shareholders' equity as reported in the balance sheet under German GAAP | 26,798                                    | 47,131                                    |
| Adjustments required to conform with US GAAP:                           |   |   |
| Consolidation of SES  | 1. 1,090                                  | 1,834                                     |
| Lease adjustment  | 2. 220,351                                | 187,059                                   |
| Outstanding contributions   | 3. -713                                   | -713                                      |
| Deferred taxes  | 4. -135,462                               | -113,633                                  |
| Shareholders' equity in accordance with US GAAP                         | 112,064                                   | 121,678                                   |

SAALE ENERGY GMBH

NOTES TO THE FINANCIAL STATEMENTS  
(IN THOUSANDS DM)

NOTE D LONG-TERM SALES AND SERVICE AGREEMENTS

According to the long-term electricity supply contract between SEG and its sole customer, SEG supplies its total available electricity capacity to this customer. The contract has a term of 25 years starting at the date of commissioning of the power plant. The customer is obliged to pay on a monthly basis a price that covers (1) the availability of power supply capacity and (2) the operating costs incurred to produce the electricity. The customer has agreed to make minimum payments of TDM 2,392,322 over the period of the agreement (25 years). SEG's entire sales in 1999, 1998 and 1997 were made to this customer, except for an amount of TDM 232, which was invoiced to the Kraftwerk Schopau Betriebsgesellschaft mbH (KSB) in 1999 for start-up operating losses and own

power consumption incurred in the power plant during 1998.

SEG closed a use and benefit agreement with Kraftwerk Schkopau GbR under which GbR grants SEG a notional share of 400 MW (power share) in the total net capacity of the power station for its sole use. The SEG power share encompasses all plant and equipment of the power station. In return SEG is obliged to pay all costs of the GbR related to the SEG-power share as stipulated in the agreement plus a profit margin plus value added tax. Such billings amounted to TDM 122,752, TDM 133,412 and TDM 139,294 in 1999, 1998 and 1997, respectively.

In order to manage and operate its share in the power plant, SEG closed a contract with Kraftwerk Schkopau Betriebsgesellschaft mbH (KSB). SEG commissions KSB with the conversion of coal using its power share of 400 MW of the Schkopau power plant, and KSB accepts responsibility for all costs of operating and maintaining the power plant. In terms of the contract SEG is obliged to pay for KSB's services. The management fees levied by the KSB amounted to TDM 57,274, TDM 54,779 and TDM 54,713 in 1999, 1998 and 1997, respectively.

#### NOTE E INVESTMENTS IN SUBSIDIARIES AND PARTICIPATIONS

SEG holds a 98% share in Saale Energie Services GmbH (SES). The investment is accounted for at its historical acquisition cost of TDM 49. The business of the company consists of all activities relating to the supply of management, maintenance and consulting services in respect of power stations and related plants, especially for the power stations of the Mitteldeutsche Braunkohlengesellschaft mbH (MIBRAG) and its affiliated companies.

SEG holds a 41.9% participation in the GbR, which owns the Schkopau power plant, at the historical cost value of TDM 204,193. SEG's provisional share of 41.1% was adjusted to 41.9% as determined at the GbR shareholders meeting of May 28, 1998. The final "asset split" agreement was, however, only signed on September 30, 1999 (see NOTE O).

SEG's 44.4% share in the Kraftwerk Schkopau Betriebsgesellschaft mbH (KSB) has been recorded at the historical acquisition cost of TDM 22. SEG has assigned its share in KSB to PwC Deutsche Revision AG as security for the other partner in the GbR.

#### NOTE F LOANS TO KRAFTWERK SCHKOPAU GBR

In terms of the loan agreement between the participants of the GbR, SEG has to grant a loan of up to TDM 83,800 to GbR. The full amount has been drawn as of December 31, 1999. The loan is unsecured and bears interest at a fixed rate of 7 % p.a. The interest on the loan for 1999 of TDM 5,866 was set-off from the payables to the GbR (see NOTE K). The loan has been granted for an indefinite period and the repayment terms are not fixed.

As a result of the asset split transaction, SEG was required to grant additional loans amounting to TDM 10,871 to the GbR. The loans are unsecured and bear interest at fixed rates of between 4.75% and 7.79% per annum. The interest on the loans for 1999 amounted to TDM 603, of which TDM 78 was paid during 1999. The balance of TDM 525 is disclosed as receivables from participations (GbR). The accounting treatment of the asset split transaction is disclosed in NOTES N and O.

#### NOTE G LOANS TO SHAREHOLDING COMPANIES

SEG entered into agreements with NRGenerating International B.V. and PowerGen International Ltd. on 10/21/1999 to make loans of TDM 40,000 to each shareholder. The advances plus accrued interest are repayable on 12/31/2005. The advances bear interest at the Euribor rate plus a margin. The margins amount to 0% in respect of the PowerGen advance and 0.275% in respect of the NRG advance. The interest on the advances for 1999 of TDM 522 was added to the loan balance.

NOTE H RECEIVABLES AND OTHER ASSETS

Net trade receivables of TDM 22,268 and TDM 22,505 as reported on December 31, 1999 and 1998, respectively, relate to power supplied to the company's sole customer. The balance as of December 31, 1998 was net of an allowance for doubtful accounts of TDM 75.

The receivables from participations include interest on the additional loans to the GbR (TDM 525), receivables in respect of legal expenses incurred on behalf of the GbR (TDM 131) and receivables from the KSB in respect of compensation for start up losses incurred and own power consumption during 1998 in the power plant (TDM 271).

The other assets are mainly receivables from tax authorities.

SAALE ENERGY GMBH

NOTES TO THE FINANCIAL STATEMENTS  
(IN THOUSANDS DM)

NOTE I CHANGE IN SHAREHOLDERS' EQUITY

|   | Subscribed<br>capital<br>TDM | Capital<br>reserve<br>TDM | Net income<br>for the year<br>TDM | Accumulated<br>losses brought<br>forward<br>TDM | Total<br>TDM |
|---|------------------------------|---------------------------|-----------------------------------|---|--------------|
|   | -----                        | -----                     | -----                             | -----   | -----        |
| Balance at January 1, 1997                    | 1,000                        | 48,041                    | -7,870                            | -3,513  | 37,658       |
| Net profit for the period                     |                              |                           | 9,611                             | -7,870  | 1,741        |
|   | -----                        | -----                     | -----                             | -----   | -----        |
| Balance at January 1, 1998                    | 1,000                        | 48,041                    | 1,741                             | -11,383   | 39,399       |
| Net profit for the period                     |                              |                           | 5,991                             | 1,741   | 7,732        |
|   | -----                        | -----                     | -----                             | -----   | -----        |
| Balance at January 1, 1999                    | 1,000                        | 48,041                    | 7,732                             | -9,642  | 47,131       |
| Net profit for the period                     |                              |                           | 18,066                            | 7,732   | 25,798       |
| Loss carried forward                          |                              |                           | -1,910                            | 1,910   | 0            |
| Transfer from capital reserve                 |                              | -46,131                   | 46,131                            |   | 0            |
| Distribution to the<br>shareholding companies |                              |                           | -46,131                           |   | -46,131      |
|   | -----                        | -----                     | -----                             | -----   | -----        |
| Balance at December 31, 1999                  | 1,000                        | 1,910                     | 23,888                            | 0   | 26,798       |
|   | =====                        | =====                     | =====                             | =====   | =====        |

In accordance with the shareholders resolution of June 30, 1999, TDM 23,065 was distributed from the capital reserve to each of the shareholding companies.

NOTE J TAXATION ACCRUALS

An accrual of TDM 800 was raised for municipal trade tax in respect of 1999.

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NOTES TO THE FINANCIAL STATEMENTS  
(IN THOUSANDS DM)

NOTE K LIABILITIES

The maturity periods of the liabilities are as follows:

|  | Total balance<br>as of<br>12/31/1999<br>TDM | Maturity period<br>of less than<br>1 year<br>TDM | Maturity period<br>between 1 and<br>5 years<br>TDM | Maturity period<br>of more than<br>5 years<br>TDM | Total balance as<br>of 12/31/1998<br>TDM |
|--|---|--|--|---|--|
| Trade payables   | 3,383                                       | 3,383  |  |   | 3,940                                    |
| Payables to shareholding companies                     | 66  | 66   |  |   | 77                                       |
| Payables to affiliated companies                       | 390   | 390  |  |   | 373                                      |
| Payables to companies in which participations are held | 376,658                                     | 20,597   | 175,771  | 180,290   | 324,663                                  |
| Other liabilities                                      | 46,883                                      | 46,883   |  |   | 44,605                                   |
|  | -----                                       | -----  | -----  | -----   | -----                                    |
|  | 427,380                                     | 71,319   | 175,771  | 180,290   | 373,658                                  |
|  | =====                                       | =====  | =====  | =====   | =====                                    |

to 4)

The liability as of December 31, 1999 and 1998 comprises of the following:

|  | 12/31/1999<br>TDM | 12/31/1998<br>TDM |
|--|-------------------|-------------------|
| a) Kraftwerk Schkopau GbR (GbR)                      | 370,862           | 319,159           |
| b) Kraftwerk Schkopau Betriebsgesellschaft mbH (KSB) | 5,795             | 5,504             |
|  | -----             | -----             |
|  | 376,657           | 324,663           |
|  | =====             | =====             |

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NOTES TO THE FINANCIAL STATEMENTS  
(IN THOUSANDS DM)

a) The payables to GbR comprise of the following components:

TDM 328,211 (in 1998, TDM 272,206) refers to the fees related to the use and benefit agreement and represent SEG's share in the power plant's expenses. The gross fees payable was reduced by the interest on the GbR loans, the share in the profit of the GbR as well as cash calls by the GbR.

TDM 42,651 (in 1998, TDM 43,753) results from SEG's obligation to reimburse its share in the shortfall achieved in the 1995 financial statement of the GbR as well as the shortfall achieved in 1996 up to the commissioning date of the power plant (March 31, 1996). In accordance with the terms of the asset split agreement TDM 1,102 was paid during 1999.

The liability in respect of outstanding equity contributions and loans to the GbR as a result of the increase of SEG's interest by 0.8% in the GbR in 1998 amounted to TDM 3,200 as of December 31, 1998. The liability was fully paid during 1999 in accordance with the terms of the asset split agreement.

The payables to the GbR are interest free.

b) The liability to the KSB mainly arises from the coal conversion contract between SEG and KSB. See NOTE D.

to 5)

The other owner of the GbR granted a loan of up to TDM 50 million to SEG for purposes of funding the interest due during the construction period of the power plant. A variable interest rate of 3 months Libor plus 2% p.a. was charged during 1999 and 1998.

NOTE L OTHER FINANCIAL COMMITMENTS

For financial commitments relating to the leased assets and lease commitments see note C.

NOTE M RELATED PARTY TRANSACTIONS

SEG and MIBRAG, a related company with common shareholders NRG Energy Inc. and PowerGen plc., closed a long-term coal supply agreement. Under the terms of this agreement MIBRAG delivers lignite to the power station in Schkopau until 2010 at market prices. The annual volume of coal to be delivered by MIBRAG was not fixed in the agreement. The lignite purchased by SEG from MIBRAG during 1999 amounted to TDM 28,754 (1998: TDM 27,706; 1997: TDM 32,052).

In addition, SES and MIBRAG entered into a consulting and management agreement. In 1999 MIBRAG was billed TDM 3,375 (1998: TDM 4,861; 1997: TDM 4,548) by SES.

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NOTES TO THE FINANCIAL STATEMENTS  
(IN THOUSANDS DM)

NOTE N INTEREST INCOME (NET)

|   | Year ended<br>December 31,<br>1999<br>TDM<br>----- | Year ended<br>December 31,<br>1998<br>TDM<br>----- | Year ended<br>December 31,<br>1997<br>TDM<br>----- |
|---|--|--|--|
| Interest income                               |  |  |  |
| Interest on asset split receivables 1998-1999 | 1,383  |  |  |
| Interest on loans to participations           | 6,469  | 5,866  | 5,754  |
| Interest on loans to shareholding companies   | 522  |  |  |
| Bank interest                                 | 2,392  | 1,473  | 1,023  |
|   | -----<br>10,766                                    | -----<br>7,339                                     | -----<br>6,777                                     |
| Interest expenses                             |  |  |  |
| Interest on construction period loan          | 2,135  | 2,394  | 1,871  |
| Commission for acceptance of liability        | 2,536  | 2,550  | 2,428  |
| Interest on loans from shareholding companies |  |  | 5,412  |
| Bank interest                                 |  |  | 218  |
| Interest on asset split payables 1998-1999    | 1,131  | 50   |  |
| Interest on loan from affiliated company      | 17   | 65   |  |
|   | -----<br>5,819                                     | -----<br>5,059                                     | -----<br>9,929                                     |
| Interest income, net                          | -----<br>4,947<br>=====                            | -----<br>2,280<br>=====                            | -----<br>-3,152<br>=====                           |

The interest income and interest expenses on the asset split receivables and payables respectively mainly relate to the "split external loan" agreements, which were only signed and recorded during 1999. The interest for the financial years 1999 and 1998 were treated as part of ordinary operations as the asset split adjustment entries were basically made to correct the financial entries for the years before 1998 (see NOTE O).

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NOTES TO THE FINANCIAL STATEMENTS  
(IN THOUSANDS DM)

NOTE O EXTRAORDINARY PROFIT (NET)

|   | Year ended<br>December 31,<br>1999<br>TDM<br>----- | Year ended<br>December 31,<br>1998<br>TDM<br>----- | Year ended<br>December 31,<br>1997<br>TDM<br>----- |
|---|--|--|--|
| Extraordinary income                            |  |  |  |
| Interest income from the asset split 1994-1997  | 2,180  | 112  | 0  |
| Interest in the profit of participations 1996   | 0  | 57   | 0  |
|   | -----<br>2,180                                     | -----<br>169                                       | -----<br>0   |
| Extraordinary expenses                          |  |  |  |
| Interest expense from the asset split 1994-1997 | 1,606  | 450  | 0  |
| Use and benefit fees 1996-1997                  | 0  | 4,575  | 0  |
|   | -----<br>1,606                                     | -----<br>5,025                                     | -----<br>0   |
| Extraordinary profit, net                       | -----<br>574<br>=====                              | -----<br>-4,856<br>=====                           | -----<br>0<br>=====                                |

The extraordinary items in 1999 and 1998 relate to the adjustments, in respect of the financial years before 1998, which resulted from the asset split agreement of May 28, 1998. The final asset split contract was signed on September 30, 1999. The asset split interest income and expense items mainly relate to the adjustment of the "split external loans" in respect of the financial years before the asset split.