

EVANS BANCORP INC
Form FWP
January 17, 2017

Common Equity Offering
January 17, 2017
David J. Nasca
President & CEO
John B. Connerton

Executive Vice President & CFO

NYSE MKT:

EVBN

www.evansbank.com

Issuer Free Writing Prospectus

Dated January 17, 2017

Filed Pursuant to Rule 433

Registration Statement No. 333-210443

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December 31, 2015.

Evans Bancorp has filed a registration statement (including a prospectus) and a prospectus supplement which is preliminary and subject to completion, with the

SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement, the preliminary

prospectus supplement and the other documents that Evans Bancorp has filed with the SEC for more complete information about the offering. You may get these documents for free by visiting the SEC website at www.sec.gov. Alternatively, the Company, any participating in the offering will arrange to send you the prospectus if you request it by contacting: Sandler O'Neill & Partners, P.C. or Hovde

Group, LLC at toll-free 1-866-971-0961.

Offering Disclosure

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Offering Summary

Issuer:

Evans Bancorp, Inc.

Offering:

Follow-on

common stock

Gross Amount Offered:

\$14 million

Over-Allotment Option:

15%

Exchange

/ Symbol:

NYSE MKT / EVBN

Market Capitalization¹:

\$152 million

Current Semi-Annual

Dividend:

\$0.38

Dividend

Yield¹:

2.1%

Use of Proceeds:

To support our organic growth and for other
general corporate purposes, including
contributing capital to the Bank

Book-Running Manager:

Sandler O'Neill + Partners, L.P

Co-Manager:

Hovde

Group, LLC

(1)

Based on January 13, 2017 stock price of \$35.43/share and 4,300,634 common shares outstanding

Source: SNL Financial, Company documents

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Corporate Profile
Evans Established: 1920
Headquarters: Hamburg, NY
Bank Branches: 14
Insurance Agency Locations: 7
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Community-based diversified financial services company

Provides banking, insurance and investment services in Western New York

Achieved \$1 billion in assets on record loan growth

Strategy focused on driving greater earnings power and returns

Financial Summary

Q3 2016

Total Assets:

\$1.1 billion

Net Loans:

\$899 million

Total Deposits:

\$898 million

Loans / Deposits:

102%

Nonperforming Assets / Total Assets¹:

1.41%

Total Stockholders' Equity²:

\$95.2 million

Stockholders' Equity

/ Total Assets:

8.8%

Note: List of companies included in Peer Group can be found in the Appendix

(1)

Nonperforming assets defined as nonaccrual loans and loans 90 days or more past due and still accruing

(2)

Stockholders' equity includes \$8.1 million of goodwill, or \$1.89 per share

Source: SNL Financial and Company documents

Tier 1 Leverage:

9.55%

Common Equity Tier 1 Risk-Based Capital:

10.82%

Tier 1 Risk-Based Capital:

10.82%

Total Risk-Based Capital:

12.07%

Stock Price:

\$35.43

52 week

range:

\$22.87

\$37.67

Market Capitalization:

\$152 million

Total Shares

Outstanding:

4.3 million

Ownership:

Insider:

5%

Institutional:

43%

Dividend

Yield:

2.1%

Current Balance Sheet Position

Current Balance Sheet Position

Consolidated Regulatory Capital Ratios

Consolidated Regulatory Capital Ratios

Market Data as of January 13, 2017

Market Data as of January 13, 2017

Valuation as of January 13, 2017

Valuation as of January 13, 2017

EVBN

Peers

Price / BV:

160%

151%

Price / TBV:

174%

162%

Price

/ LTM EPS:

19.9x

19.5x

Price / Est. 2016 EPS:

18.7x

19.8x

Price / Est. 2017 EPS:

15.9x

17.5x

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Management Profile
Executive
Position
Experience
David Nasca
President
and Chief Executive Officer

34 Years

John Connerton

Chief Financial Officer

15 Years

John Eagleton

Chief Lending Officer

32 Years

Robert

Miller Jr.

President of The

Evans Agency, LLC

40 Years

Paul Ulrich

Chief Credit Officer

43 Years

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Average of Over 32 Years of Financial Services Experience

Refocus Community
Banking Model
Executed Strategic Plan (Fiscal Years 2013-2015)
Effective Risk
Management
Effective Lending
Strategy

Fee Based Income
Growth
Strengthen
Operating Model
Optimize Technology:
Execute core
conversion
33% Loans
2013 -
2015
18% Deposits
2013 -
2015
2015 Non-Interest Income
= 30% of Total
Revenue in 2015
Returned
Capital to
Shareholders
Strategic
Plan
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Stock Performance
3-Year Total Return
(1/13/2014 thru
1/13/2017)
5-Year Total Return
(1/13/2012 thru 1/13/2017)
+62%

+67%
+241%
+129%

Note: Market data as of January 13, 2017; list of companies included in Peer Group can be found in the Appendix

Source: SNL Financial

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70%

80%

60%

50%

40%

30%

20%

10%

0%

(10%)

1/13/2014

5/13/2014

9/13/2014

1/13/2015

5/13/2015

9/13/2015

1/13/2016

5/13/2016

9/13/2016

1/13/2017

EVBN

Peer Group

Peer Group

EVBN

300%

250%

200%

150%

100%

50%

0%

1/13/2012

1/13/2013

1/13/2014

1/13/2015

1/13/2016

1/13/2017

Results

Q3 2016

Net Income of \$2.2 million or \$0.51 Per Diluted Share

ROAA: 0.84%

ROAE: 9.23%

Net Interest Income of \$9.1 million

Net Interest Margin: 3.67%

Total Loans of \$913 million¹

Growth of \$60 million in Q3 2016 or 28% annualized

Deposits of \$898 million with Average Cost of 0.45%

Growth of \$28 million in Q3 2016 or 13% annualized

(1)

Includes Loans Held For Sale

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Q3 2016 Performance vs. Peers

Note: List of companies included in Peer Group can be found in the Appendix

Source: SNL Financial, Company documents

Return on Average Assets

Return on Average Equity

Efficiency Ratio

Net Interest Margin

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0.84%

0.84%

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Peer Group

9.23%

8.59%

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Peer Group

70.23%

64.51%

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Peer Group

3.67%

3.47%

EVBN

Peer Group

\$809.7
\$833.5
\$846.8
\$939.1
1,084.7
2012
2013

2014
2015
Q3 2016
8% CAGR
(2012
Q3 2016)
8% CAGR
(2012
Q3 2016)
Over \$1 Billion in Assets
(in millions)
18% YOY
Q3 16 vs Q3 15
Driven by
organic loan
and deposit
growth
Platforms
increased
future earnings
power
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\$581.3
\$647.0
\$695.7
\$774.0
\$912.9
2012
2013

2014

2015

Q3 2016

Record Loan Growth

High quality

in-market

commercial loans

Capturing strong

credits from

competition

Supports core

business strategy

Strong loan

pipeline

(in millions)

86%

92%

98%

96%

102%

Loan to Deposit Ratio

13% CAGR

(2012

Q3 2016)

1

(1)

Excludes \$1.6 million in direct financing leases

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Loan Portfolio Diversification

27%

16%

23%

22%

12%

Q3 2016 Commercial Loan

Portfolio

Non-owner occupied CRE

Owner occupied CRE

C & I

Multi-family

Construction / Development

\$546

\$187

\$2

\$64

\$113

Q3 2016

Total Loan Portfolio: \$913 million¹

Average Yield: 4.39%

Commercial & Multi-Family²

Commercial & Industrial

Consumer & Other

Home Equities

Residential Mortgage²

Note: Dollars in millions

(1)

Total composition does not sum to \$913 million due to rounding

(2)

Includes construction loans

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Solid Credit Fundamentals
Booking high
quality assets
Solid
underwriting

discipline

Strong customer

relationships

Note: List of companies included in Peer Group can be found in the Appendix

(1)

Nonperforming loans defined as nonaccrual loans and loans 90 days past due and still accruing

Source: SNL Financial, Company Documents

ALLL/

NPLs¹/

NCOs/

ALLL/

Total Loans

Total Loans

Avg. Loans

NPLs¹

9/30/2015

1.84%

1.12%

0.03%

164.7%

12/31/2015

1.66%

2.07%

0.42%

80.3%

3/31/2016

1.65%

2.25%

(0.02%)

73.1%

6/30/2016

1.50%

1.88%

(0.01%)

79.5%

9/30/2016

1.50%

1.67%

0.03%

89.7%

Peer Group

(9/30/2016)

1.03%

0.69%

0.05%

142.9%

Conservative Securities Portfolio
10% of Total Assets
94% of Obligations of
States and Political
Subdivisions Rated A
or Higher
Effective Portfolio

Duration is 3.9 Years
\$105 million Total Securities
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\$679.0
\$706.6
\$707.6
\$803.0
\$898.0
2012
2013

2014
2015
Q3 2016
8% CAGR
(2012
Q3 2016)
8% CAGR
(2012
Q3 2016)
55%
13%
32%
Strong Core Deposit Growth
15% YOY
Q3 16 vs Q3 15
15% Demand
9% NOW
14% Savings
(in millions)
Q3 2016 Deposit Composition
Savings & Money Market
Time Deposits
Demand & NOW
Average Cost of Deposits: 0.45%
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New money
market account
Driving new deposits and
cross-sell opportunities
YOY Q3 16 vs Q3 15

15%
5%
Q3 2016 TTM Non-Interest Income:
\$11.5 million
Non-Interest Income Opportunity
25% of total
Q3 2016 TTM

revenue

Emphasis on

expanding:

Financial services

Employee benefits

Insurance

Cash management

21%

Other Income

59%

Insurance

Service &

Fees

Bank-owned

Life Insurance

Bank

Charges

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Capital Overview

Both the Company and the Bank have consistently maintained regulatory capital ratios significantly above the federal "well capitalized" standards indicates minimum level to be considered "well capitalized"

5.00%

8.00%

10.00%

5.00%
8.00%
10.00%
Bank
Consolidated
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18
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
Tier 1 Leverage
Tier 1 RBC
Total RBC
Tier 1 Leverage
Tier 1 RBC
Total RBC
12/31/2014
12/31/2015
9/30/2016
12/31/2014
12/31/2015
9/30/2016
10.78%
10.18%
9.33%
13.65%
11.53%
10.57%
14.91%
12.78%
11.83%
10.84%
10.45%
9.55%
13.60%

11.82%

10.82%

14.85%

13.07%

12.07%

2.1%
1.8%
EVBN
Peer Group
Current Dividend Yield
Returning Capital to Shareholders
\$0.26

\$0.65

\$0.72

\$0.76

\$0.24

2013¹

2014

2015

2016

Dividend Payment History

\$0.50

Note: Market data as of January 13, 2017; list of companies included in Peer Group can be found in the Appendix (1)

One semi-annual dividend of \$0.24 was accelerated into 2012 due to tax policy considerations for shareholders

Source: SNL Financial, Company documents

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Market Opportunity / Future Vision
NYSE MKT:
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Public/Private Project
Evans committed
\$1 million
Housing Opportunity Fund
(Joint with City of Buffalo)
\$475 thousand
over 2 years
The Bank for a Resurgent WNY
Seneca Street Lofts
Tim Hortons Café

& Bake Shop
Stanton Building
Community Reinvestment

-

Buffalo Information Technologies Innovation and
Commercialization Hub

-

High Tech Manufacturing Innovation Hub at River Bend

-

43 North Startup and Innovation Competition

-

Buffalo Medical Innovation and Commercialization Hub

-

Buffalo Manufacturing Works

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Opportunity from Market Disruption

Note: Market share data for Buffalo-Cheektowaga-Niagara Falls, NY Metropolitan Statistical Area as of June 30, 2016; market share data as of June 30, 2016

(1)

Reflects Northwest Bank's purchase of 18 FN branches, consisting of \$1.6B in Deposits, in September 2016

(2)

Reflects KeyBank's acquisition of First Niagara in August 2016

Source: FDIC

Buffalo MSA

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22

1.9%

2.5%

3.9%

4.8%

5.1%

27.7%

54.0%

Total Deposits in Market: \$42.6 billion

All Others (9)

Citizens

Northwest Bank¹

Bank of America

Key Bank²

M&T Bank

Transformative Growth Phase of Strategy
New Four-Year Plan (2016
2020)
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Organic Market
Growth:

Lead with Business
Market
Disruption
Fee-Based
Income Growth
Retail
Transformation
Talent
Acquisition &
Retention
Capital
Management
IT Optimization

Investment Highlights

Strong and growing franchise in resurgent WNY

Diverse revenue mix, strong operating fundamentals

Core deposit and loan growth

Lower-risk balance sheet

with solid capital base

Sophisticated / experienced management team

Shareholder return orientation
Historically reasonable valuation
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Appendix
NYSE MKT:
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Peer Group
Note:
Includes
banks
that
trade
on

a
major
exchange
(NYSE,
NYSE
MKT,
or
NASDAQ)

with
Total
Assets
between

\$1
billion

and
\$3
billion

that
are
headquartered
in
the

Northeast or Mid-Atlantic Regions; exclude targets of announced merger transactions; financial data for the quarter ended Sep

Source: SNL Financial

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Company Name

Ticker

Location

Total Assets

(000s)

Arrow Financial Corporation

AROW

Glens Falls, NY

\$2,580,485

CNB Financial Corporation

CCNE

Clearfield, PA

\$2,539,944

Enterprise Bancorp, Inc.

EBTC

Lowell, MA

\$2,470,849

Sun Bancorp, Inc.

SNBC

Mount Laurel, NJ

\$2,189,346

Peoples Financial Services Corp.

PFIS

Scranton, PA

\$1,971,239
Republic First Bancorp, Inc.
FRBK
Philadelphia, PA
\$1,734,462
Chemung Financial Corporation
CHMG
Elmira, NY
\$1,728,865
BCB Bancorp, Inc.
BCBP
Bayonne, NJ
\$1,678,936
Old Line Bancshares, Inc.
OLBK
Bowie, MD
\$1,650,105
First Bancorp, Inc.
FNLC
Damariscotta, ME
\$1,635,088
Bankwell Financial Group, Inc.
BWFG
New Canaan, CT
\$1,565,586
Codorus Valley Bancorp, Inc.
CVLY
York, PA
\$1,522,981
Orrstown Financial Services, Inc.
ORRF
Shippensburg, PA
\$1,354,154
Penns Woods Bancorp, Inc.
PWOD
Williamsport, PA
\$1,347,412
First United Corporation
FUNC
Oakland, MD
\$1,338,189
Community Financial Corporation
TCFC
Waldorf, MD
\$1,281,874
Citizens & Northern Corporation
CZNC
Wellsboro, PA
\$1,245,333
ACNB Corporation

ACNB
Gettysburg, PA
\$1,208,869
Shore Bancshares, Inc.
SHBI
Easton, MD
\$1,157,866
Unity Bancorp, Inc.
UNTY
Clinton, NJ
\$1,152,896
AmeriServ Financial, Inc.
ASRV
Johnstown, PA
\$1,145,655
Norwood Financial Corp.
NWFL
Honesdale, PA
\$1,125,057
1st Constitution Bancorp
FCCY
Cranbury, NJ
\$1,055,308
Mid Penn Bancorp, Inc.
MPB
Millersburg, PA
\$1,042,687
Howard Bancorp, Inc.
HBMD
Ellicott City, MD
\$1,014,787
First Bank
FRBA
Hamilton, NJ
\$1,007,685
Bar Harbor Bankshares
BHB
Bar Harbor, ME
\$1,717,875

Common Equity Offering
January 17, 2017
NYSE MKT:
EVBN
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ZE="1">

Chief Financial Officer

23,000

5,100

2001

167,290

60,000

33,000

40,000

9,786

2000

145,460

106,900

46,280

8,728

-
- (1) Bonuses represent amounts paid during the period, but accrued with respect to previous periods.
 - (2) Represents matching contributions to CONSOL Energy's 401(k) Plan, except as indicated in footnotes 5 and 6.
 - (3) Mr. Baker served as Executive Vice President-Operations of CONSOL Energy until September 30, 2002.
 - (4) Mr. Florjancic served as Executive Vice President-Marketing of CONSOL Energy until July 8, 2002.
 - (5) Includes \$145,500 severance pay, \$21,825 accrued vacation and \$23,289 regular vacation paid upon termination.
 - (6) Includes \$137,019 severance pay, \$13,702 accrued vacation and \$27,404 regular vacation paid upon termination.
 - (7) Includes \$29,140 for transfer assistance and related payments.
 - (8) Includes \$42,598 for the use of the corporate aircraft.

Stock Option Grants. The Board of Directors of CONSOL Energy granted to certain employees nonqualified stock options to acquire an aggregate of 691,250 shares of Common Stock at an exercise price equal to \$13.61 per share, the closing price on the date of the grant, and an aggregate of 80,000 shares at an exercise price equal to \$13.10 per share, the closing price on the date of the grant. These nonqualified stock options become exercisable in increments beginning in September 2003. The following table sets forth the individual grants of stock options made to Mr. Harvey, Mr. Baker, Mr. FlorJancic, and the other named executive officers of CONSOL Energy or its subsidiaries during the twelve months ended December 31, 2002. There were no stock appreciation rights granted during the twelve months ended December 31, 2002.

Option/SAR Grants in Last Fiscal Year

Name	Number of Securities Underlying Options/SARs Granted	% of Total Options/ SARs Granted to Employees In Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term \$	
					5%	10%
J. Brett Harvey	120,000	15.6	13.61	2012	1,027,200	2,602,800
Ronald J. FlorJancic(1)						
Ronald E. Smith	55,000	7.1	13.61	2012	470,800	1,192,950
Christoph Koether	65,000	8.4	13.61	2012	556,400	1,409,850
Dan R. Baker(2)	45,000	5.8	13.61	2012	385,200	976,050
D. L. Fassio	15,000	1.9	13.61	2012	128,400	325,350
William J. Lyons	20,000	2.6	13.61	2012	171,200	433,800

- (1) Mr. FlorJancic served as Executive Vice President Marketing of CONSOL Energy until July 8, 2002
(2) Mr. Baker served as Executive Vice President Operations of CONSOL Energy until September 30, 2002

The stock options granted to these executive officers will terminate ten years after the date on which they were granted. The stock options will vest 25% per year, beginning one year after the grant date. The vesting of the options will accelerate upon a change of control of CONSOL Energy. The stock options will terminate upon the occurrence of the following events:

immediately, if the employee is terminated for cause or his employment has been terminated for any other reason and he breaches a covenant not to compete with CONSOL Energy;

within three months if the employee is terminated without cause (except for reduction in force) or does so voluntarily; or

within three years following the death of the employee.

The following table sets forth the number of aggregated stock options which became exercisable or which were unexercisable for Mr. Harvey, Mr. Baker, Mr. FlorJancic, and the other named executive officers of CONSOL Energy or its subsidiaries at December 31, 2002. There were no stock appreciation rights which were or became exercisable during the fiscal year ended December 31, 2002.

**Aggregated Option/SAR Exercises in Last Fiscal Year
and Fiscal Year-End Option/SAR Values**

Name	Shares Acquired on Exercise	Value Realized (\$)	Number of	Value of
			Securities	Value of
			Underlying	Unexercised
			Unexercised	in-the-Money
			Options/SARs at	Options/SARs at
			Fiscal Year End	Fiscal Year-End (\$)
			(#)	
			Exercisable/ Unexercisable	Exercisable/ Unexercisable ⁽¹⁾
J. Brett Harvey			180,100/300,000	115,200/478,800
Ronald J. FlorJancic ⁽²⁾			86,350/83,750	57,600/19,200
Ronald E. Smith			68,350/128,750	42,240/215,930
Christoph Koether			24,458/137,042 ⁽³⁾	0/238,550
Dan R. Baker ⁽⁴⁾	9,500	117,683	61,850/128,750	117,209/250,913
D. L. Fassio			19,600/43,500	7,680/62,730
William J. Lyons			32,850/57,250	13,400/77,880

- (1) Calculated on the basis of the closing sale price of \$17.28 per share on December 31, 2002 less the exercise price per share.
- (2) Mr. FlorJancic served as Executive Vice President Marketing of CONSOL Energy until July 8, 2002.
- (3) Includes options to purchase 4,000 shares granted as member of Board of Directors.
- (4) Mr. Baker served as Executive Vice President Operations of CONSOL Energy until September 30, 2002.

The following table summarizes our equity compensation plan information as of December 31, 2002. Information is included for equity compensation plans approved by CONSOL Energy shareholders.

Equity Compensation Plan Information

Plan category	Number of securities to be	Weighted-average	Number of securities remaining
		exercise price of	

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	issued upon exercise of outstanding options, warrants and rights	outstanding options, warrants and rights	available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,137,569	\$ 19.99	0
Equity compensation plans not approved by security holders	41,291	\$ 13.10	
Total	3,178,860	\$ 19.11	

The Equity Incentive Plan was approved prior to CONSOL Energy's initial public offering by its then shareholders. There are not any equity plans that have not been approved by shareholders. In October 2002, in connection with the employment of Peter B. Lilly, Chief Operating Officer-Coal, the Board of Directors approved the grant to him of options for 80,000 shares. The Board of Directors intended the options to be under and subject to the 1999 Incentive Plan. However, at the time of the grant, there remained only 38,709 shares then authorized by the 1999 Incentive Plan. Shareholder approval was not required for the grant to Mr. Lilly under the

current rules of the New York Stock Exchange because the options were issued to a person not previously employed by the Corporation as a material inducement to such person's entering into employment with the Corporation.

Retirement Benefits. Pension benefits for salaried employees under the CONSOL Energy Inc. Retirement Plan are based on an employee's years of service and average monthly pay during the employee's three highest-paid years. Average monthly pay for this purpose includes regular compensation and 100% of annual variable compensation payments, but excludes other bonuses and compensation in excess of limits imposed by the Internal Revenue Code. The Internal Revenue Code limits the amount of annual benefits which may be payable from the pension trust. Retirement benefits provided under the pension plan in excess of these limitations are paid from the Corporation's general revenues under separate, nonfunded pension restoration plans.

Pension Plan Table

Remuneration	Years of Service			
	15	20	25	30
\$ 90,000	\$ 21,600	\$ 28,800	\$ 35,500	\$ 36,700
\$ 145,000	\$ 34,800	\$ 46,400	\$ 57,200	\$ 58,900
\$ 200,000	\$ 48,000	\$ 64,000	\$ 79,000	\$ 81,100
\$ 255,000	\$ 61,200	\$ 81,500	\$ 100,700	\$ 103,300
\$ 310,000	\$ 74,400	\$ 99,100	\$ 122,400	\$ 125,500
\$ 365,000	\$ 87,600	\$ 116,700	\$ 144,100	\$ 147,700
\$ 420,000	\$ 100,800	\$ 134,300	\$ 165,800	\$ 169,900
\$ 530,000	\$ 127,200	\$ 169,500	\$ 209,200	\$ 214,300
\$ 640,000	\$ 153,600	\$ 204,600	\$ 252,600	\$ 258,600
\$ 750,000	\$ 180,000	\$ 239,800	\$ 296,100	\$ 303,000

The foregoing table illustrates the straight life annuity amounts payable under the Pension and Retirement Plan and pension restoration plans to CONSOL Energy employees retiring at age 65 in 2002. Amounts shown above are subject to deduction for Social Security payments. The current years of service credited for retirement benefits for the named executive officers are as follows:

J. B. Harvey	16	Christoph Koether	2
R. E. Smith	27	D. L. Fassio	22
R. J. FlorJancic	27	W. J. Lyons	27
D. R. Baker	17		

Employment Agreements.

Employment Agreement With Mr. Harvey. J. Brett Harvey entered into an employment agreement with CONSOL Energy Inc. on December 11, 1997. Under the terms of this contract, Mr. Harvey assumed his current position as the President and Chief Executive Officer on January 1, 1998. The employment agreement provides for a term through December 31, 2003. The term of the agreement is to be extended for an additional year, or through December 31, 2005, because Mr. Harvey was employed by the Corporation on December 31 of the year 2002. The term of the agreement can be extended for one year in a similar manner in succeeding years, e.g., if employed on December 31, 2003, the term is extended through December 31, 2006, but in no case is the term of the employment agreement to be extended beyond December 31, 2007, and it may be terminated earlier. Mr. Harvey's employment will terminate:

if he becomes disabled and would be eligible to receive disability benefits under CONSOL Energy Inc. s employee retirement plan;

if either party terminates the agreement; or

for cause as determined by the Board of Directors of CONSOL Energy at any time.

If the agreement is terminated other than by CONSOL Energy for cause or if Mr. Harvey resigns, Mr. Harvey will receive severance payments in an amount equal to any incentive compensation received in the preceding 12 months and his then current base salary. These amounts would be paid to Mr. Harvey until the end of the term of the employment agreement. In the event of termination for cause, Mr. Harvey's compensation and benefits terminate at the end of the month in which the notice of termination is given.

Mr. Harvey received a yearly base salary of \$546,450 until his base salary was increased to \$600,000 effective March 1, 2002. The implementation of the increase of Mr. Harvey's base salary was delayed until September 2002. He is entitled to participate in all incentive compensation programs for senior management of CONSOL Energy Inc., including short-term and long-term incentive pay programs. He also is eligible for all employee benefit plans and policies applicable to CONSOL Energy Inc. employees. For employee retirement plan purposes, Mr. Harvey will receive 11 years of additional service credit representing his years of employment at PacifiCorp, deducting from any such benefits amounts paid or payable to him pursuant to any retirement or similar plans of PacifiCorp.

Mr. Harvey's employment agreement contains certain confidentiality and non-competition obligations. Mr. Harvey must keep CONSOL Energy's non-public information confidential during the term of the employment agreement and for a period of 12 months after his termination. Mr. Harvey has agreed not to compete with the business of CONSOL Energy for so long as he receives severance benefits under the terms of the employment agreement.

Agreement with John L. Whitmire. CONSOL Energy Inc. entered into an agreement with Mr. Whitmire on February 22, 1999 pursuant to which he was engaged as the non-executive Chairman of the Board of CONSOL Energy Inc., subject to election by the Corporation's shareholders. Under the terms of the agreement, Mr. Whitmire receives cash compensation of \$100,000, shares of Common Stock having a fair market value of \$225,000 and stock options having a fair market value of \$25,000 each year. Initially, Mr. Whitmire was elected to serve as the Chairman of the Board by the shareholders of CONSOL Energy Inc. on March 3, 1999.

Related Party Transactions.

CONSOL Energy sells coal to RWE Rheinbraun AG and its subsidiaries on a basis reflecting the market value of the product. For the year ended December 31, 2002, such sales amounted to \$0.8 million with related freight revenue of \$0.6 million.

Also, a subsidiary of RWE Rheinbraun AG periodically provides insurance brokerage coverage services to CONSOL Energy Inc. without fee. For the twelve months ended December 31, 2002, CONSOL Energy Inc. has expensed \$1.4 million of insurance expense brokered through this subsidiary of RWE Rheinbraun AG.

STOCK PERFORMANCE GRAPH

The following performance graph compares the cumulative total shareholders' return on CONSOL Energy Common Stock to the cumulative total return of the New York Stock Exchange Composite Index and the S&P 400 (Midcap) Index. CONSOL Energy chose to use the S&P 400 (Midcap) Index as a basis for comparison rather than a published industry or line-of-business index because there are few companies in CONSOL Energy's peer group. The graph assumes the value of the investment in the CONSOL Energy Common Stock and each index was \$100 at April 30, 1999 and that all dividends were reinvested through fiscal year ended December 31, 2002.

Cumulative Total Return Among

CONSOL Energy Inc., NYSE Composite Index, and S&P (Midcap) Index

Assumes \$100 invested on April 30, 1999

Assumes Dividend Reinvestment Fiscal Year Ending June 30, 2001

ACCOUNTANTS AND AUDIT COMMITTEE

Independent Public Accountants. The independent certified public accountant selected by the Corporation for its fiscal year ended June 30, 2001, and the six-month period ended December 31, 2001, is Ernst & Young LLP, and for its fiscal year ended December 31, 2002 and its fiscal year ending December 31, 2003 is PricewaterhouseCoopers LLP.

Audit Fees. The aggregate fees billed by Ernst & Young LLP and PricewaterhouseCoopers LLP for professional services rendered for the audit of CONSOL Energy's annual financial statements and for the review of the financial statements included in CONSOL Energy's Quarterly Reports on Form 10-Q for the fiscal year ended December 31, 2002 were \$537,258, of which \$253,458 was billed by Ernst & Young LLP and \$283,800 was billed by PricewaterhouseCoopers LLP. The aggregate fees billed for professional services rendered for the audit of CONSOL Energy's financial statements and for the reviews of the financial statements included in CONSOL Energy's Quarterly Reports on Form 10-Q for the six-month period ended December 31, 2001, were \$274,041 and for the fiscal year ended June 30, 2001, were \$404,690, all of which were billed by Ernst & Young LLP.

Audit-Related Fees. There were not any fees billed by Ernst & Young LLP and PricewaterhouseCoopers LLP for assurance and related services that are reasonably related to the performance of the audit or review of CONSOL Energy's financial statements for the fiscal year ended December 31, 2002, the six-month period ended December 31, 2001, and the fiscal year ended June 30, 2001.

Tax Fees. The aggregate fees billed by Ernst & Young LLP and PricewaterhouseCoopers LLP for professional services rendered for tax compliance, tax advice, and tax planning for the fiscal year ended December 31, 2002, were \$161,840, of which \$142,218 was billed by Ernst & Young LLP and \$19,622 was billed by PricewaterhouseCoopers LLP. The aggregate fees billed for professional services rendered for tax compliance, tax advice, and tax planning for the six-month period ended December 31, 2001, were \$88,500 and for the fiscal year ended June 30, 2001, were \$81,351, all of which was billed by Ernst & Young LLP. The fees were incurred in connection with tax assessment challenges, tax issues relating to foreign and domestic acquisition matters and obtaining private letter rulings.

All Other Fees. The aggregate fees billed by Ernst & Young LLP and PricewaterhouseCoopers LLP for services rendered to CONSOL Energy for the fiscal year ended December 31, 2002, other than for services described above under Audit Fees , Audit-Related Fees and Tax Fees , were \$399,401, all of which was billed by Ernst & Young LLP. The aggregate fees rendered to CONSOL Energy, other than for services described above under Audit Fees , Audit-Related Fees and Tax Fees , for the six-month period ended December 31, 2001, were \$156,181, and for the fiscal year ended June 30, 2001, were \$377,823, all of which was billed by Ernst & Young LLP. The fees were incurred in connection with pension plan administration, debt refinancing activities, registration filings, acquisitions advice, position papers and executive compensation advisory services. There were not any fees paid for financial information systems design and implementation.

Change in Independent Public Accountant. Effective as of June 5, 2002, CONSOL Energy dismissed Ernst & Young LLP as its independent auditor. Effective as of June 5, 2002, the Corporation appointed PricewaterhouseCoopers LLP as its independent accountant.

Neither Ernst & Young LLP's report on the Corporation's financial statements for the fiscal year ended June 30, 2000, its report for the fiscal year ended June 30, 2001, nor its report for the six-month period ended December 31, 2001, contained an adverse opinion or a disclaimer of opinion, and no such report was qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended June 30, 2000, and June 30, 2001, the six-month period ended December 31, 2001, and the subsequent interim periods preceding the Corporation's dismissal of Ernst & Young LLP, there were no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused them to make reference to the subject matter of the disagreements in connection with its report. There were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K for the periods referred to above.

During the fiscal years of the Corporation ended June 30, 2000, and June 30, 2001, the six-month period ended December 31, 2001, and the subsequent interim periods preceding the date of the Ernst & Young LLP's dismissal, the Corporation did not consult with PricewaterhouseCoopers LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K with respect to the application of accounting principles to a specified transaction, either completed or proposed; or with respect to the type of audit opinion that might be rendered on CONSOL Energy's consolidated financial statements; or with respect to any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K. The Corporation requested that Ernst & Young LLP furnish it with a letter addressed to the Securities and Exchange Commission stating whether it agreed with the foregoing statements. A copy of such letter, dated June 10, 2002, was filed as Exhibit 16.1 to the Corporation's Form 8-K filed on June 10, 2002.

The Audit Committee has considered the requirements of the Sarbanes-Oxley Act of 2002 with respect to the responsibilities of audit committees of public companies. The Audit Committee and CONSOL Energy's Board of Directors are committed to compliance with all provisions of that statute and related regulations. Actions will be taken by the Audit Committee and the Board of Directors as statutory and regulatory provisions become effective for audit committees and independent auditors.

Audit Committee Report. The Audit Committee has reviewed and discussed with management of CONSOL Energy and PricewaterhouseCoopers LLP, the independent auditing firm of the Corporation, the audited financial statements of CONSOL Energy as of December 31, 2002 (the Audited Financial Statements). In addition, we have discussed with PricewaterhouseCoopers LLP the matters required by Codification of Statements on Auditing Standards No. 61 (Communication with Audit Committees).

The Audit Committee also has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standards No. 1 (Independence Discussions with Audit Committees), and the Committee has discussed with that firm its independence from the Corporation. The Committee also discussed with management of the Corporation and the auditing firm such other matters and received such assurances from them as we deemed appropriate.

The Audit Committee has considered whether the provision of the non-audit services by PricewaterhouseCoopers LLP described in this Proxy Statement is compatible with maintaining the independence of PricewaterhouseCoopers LLP.

The Corporation's management is responsible for the Corporation's internal controls and the financial reporting process. PricewaterhouseCoopers LLP is responsible for performing an independent audit of CONSOL Energy's financial statement in accordance with generally accepted auditing standards and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

Based on the foregoing review and discussions and a review of the report of PricewaterhouseCoopers LLP with respect to the Audited Financial Statements, and relying thereon, the Committee has recommended to the Board of Directors the inclusion of the Audited Financial Statements in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 for filing with the Securities and Exchange Commission.

MEMBERS OF THE COMMITTEE:

Philip W. Baxter, Chairman

John L. Whitmire

Patricia A. Hammick

(The foregoing Audit Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing of CONSOL Energy under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Corporation specifically incorporates the Report by Reference therein.)

PROPOSAL #2 RATIFICATION OF INDEPENDENT ACCOUNTANTS

Article III, Section 5 of the Corporation's Bylaws provides that it shall be the duty of the Audit Committee to employ, subject to shareholder ratification at each Annual Meeting, independent accountants to audit the books of account, accounting procedures and financial statements of CONSOL Energy and its subsidiaries for the year and to perform such other duties as prescribed from time to time by the Audit Committee.

Subject to ratification by the shareholders at the Annual Meeting, the Audit Committee has appointed PricewaterhouseCoopers LLP to serve as the independent certified public accountants for CONSOL Energy for the fiscal year ending December 31, 2003. The Audit Committee recommends that the shareholders ratify this appointment.

During 2002, PricewaterhouseCoopers LLP reviewed the financial statements included in CONSOL Energy's Quarterly Reports on Form 10-Q for the periods ended June 30, 2002, September 30, 2002 and audited CONSOL Energy's annual consolidated financial statements and those of its subsidiaries for the fiscal year ended December 31, 2002, reviewed financial information in filings with the Securities and Exchange Commission and other regulatory agencies, audited employee benefit plans and provided various other services.

The affirmative vote of the majority of the votes cast by the holders of CONSOL Energy Common Stock on this proposal shall constitute ratification of the appointment of PricewaterhouseCoopers LLP. If the shareholders by the affirmative vote of a majority of the CONSOL Energy Common Stock represented at the Annual Meeting do not ratify the appointment of PricewaterhouseCoopers LLP, the selection of independent certified public accountants will be reconsidered by the Audit Committee.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the meeting and will have an opportunity to address the meeting and respond to appropriate questions.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE SELECTION OF
PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT ACCOUNTANTS**

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2003.

PROPOSAL #3 AMENDMENT OF EQUITY INCENTIVE PLAN

We are asking you to approve amendments to our 1999 CONSOL Energy Inc. Equity Incentive Plan (1999 Incentive Plan). The amendments would (1) increase the number of shares of CONSOL Energy common stock we may issue under the 1999 Incentive Plan by 3,250,000 shares from 3,250,000 to 6,500,000 shares; (2) limit to 6,500,000 the number of shares that may be subject to incentive stock option grants; (3) increase to 2,500 shares from 2,000 shares the annual grants to Eligible Directors; and (4) change all references in the 1999 Incentive Plan to Rheinbraun AG or Rheinbraun U.S. GmbH to RWE AG or any of its affiliates. The amendments are considered as a single proposal and all amendments will be approved if any are approved.

As of March 12, 2003, the Compensation Committee had granted options to purchase 3,250,000 shares of Common Stock under the 1999 Incentive Plan. As of that date, there were not any shares available for grants under the 1999 Incentive Plan. To date, all awards under the 1999

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Incentive Plan have been in the form of stock options, other than restricted stock awards to the Chairman of the Board, John L. Whitmire, as discussed under Employment Agreements. and there have not been awarded any other stock appreciation rights, restricted stock or restricted stock units, performance awards or other stock-based awards.

A brief summary of the 1999 Incentive Plan as proposed to be amended follows. The 1999 Incentive Plan in the form proposed by this Proposal #3 is attached hereto as Exhibit A. The provisions of the 1999 Incentive Plan which are proposed to be amended are in bold type.

Purpose.

The purposes of the 1999 Incentive Plan are to:

attract and retain eligible directors, executive officers, other key employees and consultants of CONSOL Energy and its affiliates;

motivate such individuals by means of performance-related incentives to achieve long-range performance goals; and

enable such individuals to participate in the long-term growth and financial success of CONSOL Energy.

Administration.

The 1999 Incentive Plan is administered by the Compensation Committee, except that the Board of Directors administers awards to directors who are not employed by CONSOL Energy or any of its affiliates and employees of RWE AG or any of its affiliates (Eligible Directors). Affiliate means (1) any entity that, directly or indirectly, is controlled by CONSOL Energy, (2) any entity in which CONSOL Energy has a significant equity interest, and (3) an affiliate of CONSOL Energy as defined in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as determined by the Compensation Committee. RWE AG is an affiliate of CONSOL Energy. Rheinbraun AG and Rheinbraun U.S. GmbH, which the 1999 Incentive Plan originally referenced, were subsidiaries of RWE AG through which RWE AG owned shares of CONSOL Energy. The Compensation Committee has the authority to construe and interpret the 1999 Incentive Plan and to make all other determinations necessary or advisable for the administration of the 1999 Incentive Plan. Only the Board of Directors may amend or terminate the 1999 Incentive Plan except that the Plan may not be amended or terminated without shareholder approval if shareholder approval is required to comply with any tax or regulatory approval for which or with which the Board of Directors deems it necessary or desirable to comply.

Shares Available for Awards; Limitations.

The total number of shares of CONSOL Energy Common Stock with respect to which awards may be granted under the 1999 Incentive Plan is 3,250,000, which will be increased to 6,500,000 if Proposal #3 is approved, out of which 1,000,000 may be used with respect to awards other than options. If Proposal #3 is approved, the maximum number of shares that may be subject to incentive stock options grants is 6,500,000. If any shares of Common Stock covered by or related to an award granted under the 1999 Incentive Plan are forfeited, or if such an award is settled for cash, otherwise terminated or canceled without the delivery of shares of Common Stock, then the shares covered by or related to such award, or the number of shares otherwise counted against the aggregate number of shares of Common Stock with respect to which awards may be granted, to the extent of any such settlement, forfeiture, termination or cancellation, will again become shares with respect to which awards may be granted. In the event that any option or other award granted under the 1999 Incentive Plan is exercised through the delivery of shares or in the event that withholding tax liabilities arising from such award are satisfied by the withholding of shares, the number of shares available for awards under the 1999 Incentive Plan will be increased by the number of shares so surrendered or withheld. Subject to adjustment, the maximum number of shares with respect to which awards may be granted to any participant during a calendar year is 1,000,000 shares. The maximum annual number of shares in respect of which restricted stock awards, restricted stock units, performance awards and other stock-based awards may be granted under the 1999 Incentive Plan to any participant is 325,000 and the maximum annual amount of any award settled in cash with respect to any participant is \$2,000,000.

Eligibility.

Officers, Eligible Directors, employee-directors and other employees or consultants of CONSOL Energy or any affiliate, who is not a member of the Compensation Committee, are eligible to receive awards. As of March 12, 2003, there were approximately 47 officers, 6 directors and 3,707 employees eligible to receive awards under the 1999 Incentive Plan.

Stock Options.

The 1999 Incentive Plan permits the granting of options, both incentive stock options (ISOs) and non-qualified stock options (NSOs), to purchase shares of CONSOL Energy Common Stock. The Compensation Committee establishes the exercise price at the time each option is granted. The option exercise price for each share covered by an option, including ISOs and NSOs, must equal or exceed the fair market value of a share of CONSOL Energy Common Stock on the date the option is granted. In the case of ISOs, the term of the option may not exceed ten years from the date of the grant.

The exercise price of options granted under the 1999 Incentive Plan may be paid in cash, or its equivalent, or by exchanging shares of CONSOL Energy Common Stock (owned by the participant for at least six months) with a fair market value on the exercise date equal to the aggregate exercise price of the options, or by a combination of the foregoing. A participant may elect to pay all or any portion of the aggregate exercise price by having shares with a fair market value on the date of exercise equal to the aggregate exercise price withheld by CONSOL Energy or sold by a broker-dealer. Section 402 of the Sarbanes-Oxley Act of 2002, which prohibits the extension of credit by an issuer, has been interpreted to prohibit the use of certain cashless exercises.

The 1999 Incentive Plan also provides that the Compensation Committee may provide in an award agreement for the automatic grant of a restoration option to a participant who delivers shares in payment of the exercise price of any option granted under the 1999 Incentive Plan, or in the event that the withholding tax liability arising upon exercise of any such option or option by a participant is satisfied through the withholding by CONSOL Energy of shares otherwise deliverable upon exercise of the option. A restoration option entitles the holder to purchase a number of shares equal to the number of such shares delivered or withheld upon exercise of the original option. A restoration option has an exercise price of not less than 100% of the fair market value on the grant date. To date, the Compensation Committee has not granted any options with a restoration provision.

Stock Appreciation Rights.

Stock Appreciation Rights (SARs) may be granted under the 1999 Incentive Plan to any employee or consultant of CONSOL Energy or any affiliate. SARs may be granted in tandem with another award, in addition to another award, or freestanding and unrelated to another award. SARs granted in tandem with or in addition to an award may be granted either at the same time as the award or, except in the case of ISOs, at a later time. SARs are not exercisable earlier than six months after the date granted, and the Compensation Committee determines the grant price on the grant date.

SARs entitle the participant to receive an amount equal to the excess of the fair market value of a share of CONSOL Energy Common Stock on the date of exercise of the SAR over the grant price. The Compensation Committee determines whether a SAR is settled in cash, shares or a combination of cash and shares.

Restricted Stock and Restricted Stock Units.

Restricted stock and restricted stock units may also be granted under the 1999 Incentive Plan to any employee or consultant of CONSOL Energy or any affiliate. The Compensation Committee determines the number of shares of restricted stock and/or the number of restricted stock units to be granted to each participant, the duration of the period during which, and the conditions under which, the restricted stock and restricted stock

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units may be forfeited to CONSOL Energy, and the other terms and conditions of such awards.

Shares of restricted stock and restricted stock units may not be sold, assigned, transferred, pledged or otherwise encumbered, except, in the case of restricted stock, as provided in the 1999 Incentive Plan or the applicable award agreements. Each restricted stock unit has a value equal to the fair market value of a share. Restricted stock units may be paid in cash, shares, other securities or other property.

Performance Awards.

Performance Awards may also be granted under the 1999 Incentive Plan to any employee or consultant of CONSOL Energy or any affiliate. A Performance Award consists of a right that is

denominated in cash or shares of CONSOL Energy Common Stock,

valued, as determined by the Compensation Committee, in accordance with the achievement of such performance goals during such performance periods as the Compensation Committee shall establish, and

payable at such time and in the form as the Compensation Committee determines.

Performance Awards may be paid in a lump sum or in installments following the close of the performance period or on a deferred basis.

Other Stock-Based Awards.

Other stock-based awards may also be granted under the 1999 Incentive Plan. An Other Stock-Based Award consists of any right that is

not an award described above, and

an award of shares or an award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares (including, without limitation, securities convertible into shares), as deemed by the Compensation Committee to be consistent with the purposes of the 1999 Incentive Plan.

Eligible Directors.

Directors who are not employed by CONSOL Energy or any of its affiliates and directors who are employees of RWE AG or its affiliates (Eligible Directors) are eligible for awards under the 1999 Incentive Plan. As of March 12, 2003, there were six Eligible Directors eligible to receive awards under the 1999 Incentive Plan. Upon an Eligible Director's initial election to the Board of Directors, the Eligible Director receives a NSO to acquire 4,000 shares (Initial Grant).

Effective as of the date of each Annual Meeting of CONSOL Energy's shareholders at which directors are elected or reelected to the Board of Directors, the 1999 Incentive Plan provided that each Eligible Director who has not received an Initial Grant since the immediately preceding annual meeting of CONSOL Energy's shareholders is entitled to receive an option to acquire 2,000 shares. The amendment to the 1999 Incentive Plan increases the number of shares subject to the option to be granted annually to 2,500 shares.

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The exercise price per share of each option granted to an Eligible Director is the fair market value of a share on the grant date. Options vest ratably and become exercisable in one-third increments on each anniversary of the grant date. Options expire ten years from the grant date. Unvested options immediately vest and become exercisable if an individual ceases to be a director on account of death, disability or retirement at normal retirement age for directors, and shall remain exercisable until the normal expiration of the option. Upon termination as a director for any other reason other than cause, unvested options are forfeited and vested options remain exercisable for three months following the termination date. Upon termination as a director for cause, all options (whether or not vested) shall be forfeited as of the termination date.

The Board of Directors may grant deferred stock units to Eligible Directors in lieu of all or any portion of the annual retainer or meeting fees otherwise payable to the Eligible Directors. Each deferred stock unit entitles the Eligible Director to receive one share or an amount of cash equal to the fair market value of a share on the payment date. Eligible Directors may elect to defer receipt of shares or cash to be paid pursuant to deferred stock units in accordance with a deferred compensation policy to be established by CONSOL Energy.

Amendment and Termination.

The 1999 Incentive Plan may be amended, altered, suspended, discontinued, or terminated at any time; provided that no such amendment, alteration, suspension, discontinuation or termination will be made without shareholder approval if approval is necessary to comply with any tax or regulatory requirement for which or with which the Board of Directors deems it necessary or desirable to comply.

The Board of Directors may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any award granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation, or termination that would adversely affect the rights of any participant or any holder or beneficiary of any award previously granted does not to that extent become effective without the consent of the affected participant, holder, or beneficiary. The 1999 Incentive Plan also allows for adjustment of awards upon the occurrence of certain unusual or nonrecurring events.

Term.

No ISO may be granted under the 1999 Incentive Plan after April 7, 2009.

SUMMARY OF CERTAIN INCOME TAX INFORMATION

The following is only a brief summary of the effect of federal income taxation on the recipient of an award and CONSOL Energy under the 1999 Incentive Plan. This summary is not exhaustive and does not discuss the income tax laws of any municipality, state or country outside of the United States in which a recipient of an award may reside.

Stock Options.

If an option granted under the 1999 Incentive Plan is an ISO, the optionee will recognize no income upon grant of the ISO and will incur no tax liability upon exercise unless the optionee is subject to the alternative minimum tax. CONSOL Energy will not be permitted a deduction for federal income tax purposes due to an exercise of an ISO regardless of the applicability of the alternative minimum tax, unless the exercise constitutes a disqualifying disposition of the ISO. Upon the sale or exchange of the shares at least two years after grant of the ISO and one year after exercise by the optionee, any gain (or loss) will be treated as long-term capital gain (or loss). If these holding periods are not satisfied (i.e., a disqualifying disposition occurs), the optionee will recognize ordinary income equal to the difference between the exercise price and the lower of the fair market value of the stock at the date of the option exercise or the sale price of the stock. CONSOL Energy generally will be entitled to a deduction in the same amount as the ordinary income recognized by the optionee. Any gain (or loss) recognized on a disqualifying disposition of the shares in excess of the amount treated as ordinary income will be characterized as capital gain (or loss).

All options that do not qualify as ISOs are taxed as NSOs. An optionee will recognize no income upon grant of an NSO. However, upon the exercise of an NSO, the optionee will recognize ordinary income measured by the excess of the fair market value of the shares over the option price. The income recognized by an optionee who is also an employee of CONSOL Energy will be subject to tax withholding by CONSOL Energy. Upon the sale of such shares by the optionee, any difference between the sale price and the exercise price, to the extent not recognized

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as ordinary income as provided above, will be treated as capital gain (or loss). CONSOL Energy will be entitled to a tax deduction in the same amount as the ordinary income recognized by the optionee with respect to shares acquired upon exercise of an NSO.

Deductibility of executive compensation.

Special rules limit the deductibility of compensation paid to CONSOL Energy's Chief Executive Officer and next four most highly compensated executive officers. Under Section 162(m) of the Internal Revenue Code,

as amended, the annual compensation paid to each of these executives may not be deductible to the extent that their compensation exceeds \$1,000,000. However, CONSOL Energy is able to preserve the deductibility of compensation over \$1,000,000 if the requirements for deductibility under Section 162(m) are satisfied. The 1999 Incentive Plan has been designed to permit certain stock options granted under the 1999 Incentive Plan to satisfy the conditions of Section 162(m).

PARTICIPATION IN THE 1999 INCENTIVE PLAN

The grant of options, SARs, stock purchase rights, restricted stock/restricted stock units and performance awards to employees, including the officers named in the Summary Compensation Table, is subject to the discretion of the Compensation Committee. As of the date of this proxy statement, there has been no determination by the Board of Directors with respect to future awards under the 1999 Incentive Plan. Accordingly, future awards are not determinable at this time. As of March 12, 2003, the fair market value of CONSOL Energy's Common Stock was \$15.77 per share, which was the closing price reported by the New York Stock Exchange. Please refer to the table below for more detail regarding participation in the 1999 Incentive Plan.

The following table summarizes awards granted during fiscal year 2002 to:

- the executive officers named in the Summary Compensation Table;
- all current executive officers as a group;
- all current directors who are not executive officers as a group; and
- all other employees as a group.

1999 INCENTIVE PLAN

Name and Position of Individual	Securities Underlying Awards Granted (#)	Weighted Average Exercise Price Per Share (\$/sh)
J. Brett Harvey President and Chief Executive Officer	120,000	13.61
Dan R. Baker Executive Vice President	45,000	13.61
Ronald J. Florjancic Executive Vice President		
Ronald E. Smith Executive Vice President	55,000	13.61

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Christoph Koether	65,000	13.61
Executive Vice President		
Peter B. Lilly	80,000	13.10
Chief Operating Officer Coal		
D. L. Fassio	15,000	13.61
Vice President and Secretary		
William J. Lyons	20,000	13.61
Senior Vice President and Chief Financial Officer		
All current executive officers as a group	355,000	13.50
All current directors who are not executive officers as a group	16,174	13.61
All other employees as a group	401,913	13.61

All awards granted during fiscal year 2002 were in the form of options, except for 1,837 shares granted to John L. Whitmire, Chairman of the Board, in accordance with his agreement described under Employment Agreements.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE CORPORATION S EQUITY INCENTIVE PLAN

SHAREHOLDER PROPOSALS

Nominations for Director. At each Annual Meeting the Board of Directors will submit to the shareholders its nominations for election of directors. In making such recommendations, the Executive Committee will consider nominations submitted by shareholders. Any shareholder who wishes to submit a nomination for the Board of Directors must provide advance notice of such nomination in writing to be received by the Secretary of CONSOL Energy no later than December 1, 2003. Such notices should be addressed to the Secretary, CONSOL Energy Inc., 1800 Washington Road, Pittsburgh, Pennsylvania 15241. Nominations must be accompanied by a statement of the nominee indicating willingness to serve if elected and disclosing principal occupations or employments held over the past five years.

Other Shareholder Proposals. The Bylaws require that the selection of independent accountants by the Audit Committee of the Board of Directors be submitted for shareholder ratification at each Annual Meeting. In addition, shareholder approval is required pursuant to the rules of the New York Stock Exchange in order to increase the number of shares of Common Stock subject to the Equity Incentive Plan. Other proposals may be submitted by the Board of Directors or shareholders for inclusion in the proxy statement for action at the Annual Meeting. Any proposal submitted by a shareholder for inclusion in the next Annual Meeting Proxy Statement must be received by the Secretary of CONSOL Energy no later than December 1, 2003. Any such proposal should be addressed to the Secretary, CONSOL Energy Inc., 1800 Washington Road, Pittsburgh, PA 15241.

OTHER MATTERS

The Board of Directors knows of no other proposals that may properly be presented for consideration at the Annual Meeting but, if other matters do properly come before the Annual Meeting, the persons named in the proxy will vote your shares according to their best judgment.

By Order of the Board of Directors

of CONSOL Energy Inc.

D. L. Fassio

Secretary

EXHIBIT A

CONSOL Energy Inc. Equity Incentive Plan.

Capitalized terms shall have the meaning set forth in Section 16 of the Plan.

1. PURPOSE.

The purposes of the CONSOL Energy Inc. Equity Incentive Plan are to promote the interests of the Company and its stockholders by (i) attracting and retaining Eligible Directors, executive officers and other key employees and consultants of the Company and its Affiliates; (ii) motivating such individuals by means of performance-related incentives to achieve long-range performance goals; and (iii) enabling such individuals to participate in the long-term growth and financial success of the Company.

2. ADMINISTRATION.

(a) *Authority of Board.* The Plan shall be administered by the Board. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Board by the Plan, the Board shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to an eligible Employee; (iii) determine the number of Shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Board; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) advance the lapse of any waiting period, accelerate any exercise date, waive or modify any restriction applicable to Awards (except those restrictions imposed by law); and (x) make any other determination and take any other action that the Board deems necessary or desirable for the administration of the Plan. The Board may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award Agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect, and it shall be the sole and final judge of such expediency.

(b) *Board Discretion Binding.* Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Board, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award, any stockholder and any Employee.

(c) *Delegation to Committee.* Except with respect to Awards made pursuant to Section 10 to Eligible Directors, the Board may delegate to the Committee any or all authority for administration of the Plan. If authority is delegated to a Committee, all references to the Board of Directors in the Plan shall mean and relate to the Committee except (i) as otherwise provided by the Board of Directors and (ii) that only the Board of Directors may amend or terminate the Plan.

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(d) *Delegation to Officer.* The Board or the Committee, as applicable, may delegate to an executive officer of the Company authority to administer those aspects of the Plan that do not involve the designation of individuals to receive awards or decisions concerning the timing, amounts or other terms of awards. No officer to whom administrative authority has been delegated pursuant to this provision may waive or modify any restriction applicable to an award to such officer under the Plan.

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(e) *No Liability.* No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder.

3. SHARES AVAILABLE FOR AWARDS; LIMITATIONS.

(a) *Shares Available.* Subject to adjustment as provided in Section 3(c), the total number of Shares with respect to which Awards may be granted under the Plan shall be **6,500,000**, out of which 1,000,000 may be used with respect to Awards other than Options. **The total number of Shares which may be granted under the Plan with respect to Incentive Stock Options shall be 6,500,000.** If, after the Effective Date, any Shares covered by an Award granted under the Plan, or to which such an Award relates, are forfeited, or if such an Award is settled for cash or otherwise terminates or is canceled without the delivery of Shares, then the Shares covered by such Award, or to which such Award relates, or the number of Shares otherwise counted against the aggregate number of shares with respect to which Awards may be granted, to the extent of any such settlement, forfeiture, termination or cancellation, shall again become Shares with respect to which Awards may be granted. In the event that any Option or other Award granted hereunder is exercised through the delivery of Shares or in the event that withholding tax liabilities arising from such Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under the Plan shall be increased by the number of Shares so surrendered or withheld.

(b) *Limitations on Awards.* Subject to adjustment as provided in Section 3(c), the maximum number of Shares with respect to which Awards may be granted to any Participant during a calendar year shall be 1,000,000 Shares. The maximum annual number of shares in respect of which Restricted Stock Awards, Restricted Stock Units, Performance Awards and Other Stock-Based Awards may be granted under the Plan to any Participant is 325,000 and the maximum annual amount of any Award settled in cash with respect to any Participant is \$2 million.

(c) *Adjustments.* In the event that the Board determines that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Board to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Board shall, in such manner as it may deem equitable, (i) adjust any or all of (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, (2) the maximum number of Shares subject to an Award granted to a Participant pursuant to Section 3(b) of the Plan, (3) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards, and (4) the grant or exercise price with respect to any Award; (ii) if deemed appropriate, provide for an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect; or (iii) if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, in each case, that (A) with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b)(1) of the Code, as from time to time amended and (B) with respect to any Award no such adjustment shall be authorized to the extent that such authority would be inconsistent with the Plan's meeting the requirements of Section 162(m), unless otherwise determined by the Board.

(d) *Substitute Awards.* Any Shares underlying Substitute Awards shall not, unless required by Section 16, be counted against the Shares available for Awards under the Plan.

(e) *Sources of Shares Deliverable under Awards.* Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

4. ELIGIBILITY.

Any Employee, including any officer or employee-director of the Company or any Affiliate, who is not a member of the Committee, shall be eligible to be designated a Participant. Eligible Directors shall be eligible only for Awards described in Section 10.

5. STOCK OPTIONS.

(a) *Grant.* Subject to the provisions of the Plan, the Board shall have sole and complete authority to determine the Employees to whom Options shall be granted (provided that Incentive Stock Options may only be granted to employees of the Company or a parent or subsidiary of the Company), the number of Shares to be covered by each Option, the option price and the conditions and limitations applicable to the exercise of the Option. The Board shall have the authority to grant Incentive Stock Options, or to grant Non-Qualified Stock Options, or to grant both types of options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code, as from time to time amended, and any regulations implementing such statute.

(b) *Exercise Price.* The Board in its sole discretion shall establish the exercise price at the time each Option is granted. Except in the case of initial Option awards (which may be granted at the initial public offering price), Options granted to new Employees and Substitute Awards, the exercise price of an Option may not be less than the Fair Market Value on the Grant Date.

(c) *Exercise.* Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may, in its sole discretion, specify in the applicable Award Agreement or thereafter. The Board may impose such conditions with respect to the exercise of options, including without limitation, any relating to the application of federal or state securities laws, as it may deem necessary or advisable. Notwithstanding the foregoing, an Incentive Stock Option shall not be exercisable after the expiration of ten years from the Grant Date.

(d) *Payment.* No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price is received by the Company. Such payment may be made in cash, or its equivalent, or by exchanging, actually or constructively, Shares owned by the Participant for at least six months (which are not the subject of any pledge or other security interest), or by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company as of the date of such tender is at least equal to such option price. A Participant may elect to pay all or any portion of the aggregate exercise price by having Shares with a Fair Market Value on the date of exercise equal to the aggregate exercise price withheld by the Company or sold by a broker-dealer.

(e) *Restoration Options.* The Board may provide in an Award Agreement for the automatic grant of a Restoration Option to a Participant who delivers Shares in payment of the exercise price of any Option granted hereunder in accordance with Section 5(d), or in the event that the withholding tax Liability arising upon exercise of any such Option or option by a Participant is satisfied through the withholding by the Company of Shares otherwise deliverable upon exercise of the Option. The grant of a Restoration Option shall be subject to the satisfaction of such conditions or criteria as the Board in its sole discretion shall establish from time to time. A Restoration Option shall entitle the holder thereof to purchase a number of Shares equal to the number of such Shares so delivered or withheld upon exercise of the original Option. A Restoration Option shall have a per share exercise price of not less than 100% of the per Share Fair Market Value on the Grant Date of such Restoration Option and such other terms and conditions as the Board in its sole discretion shall determine.

6. STOCK APPRECIATION RIGHTS.

(a) *Grant.* Subject to the provisions of the Plan, the Board shall have sole and complete authority to determine the Employees to whom Stock Appreciation Rights shall be granted, the number of Shares to be

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covered by each Stock Appreciation Right Award, the grant price thereof and the conditions and limitations applicable to the exercise thereof. Stock Appreciation Rights may be granted in tandem with another Award, in addition to another Award, or freestanding and unrelated to another Award. Stock Appreciation Rights granted in tandem with or in addition to an Award may be granted either at the same time as the Award or, except in the case of Incentive Stock Options, at a later time. Stock Appreciation Rights shall not be exercisable earlier than six months after the Grant Date, and shall have a grant price as determined by the Board on the Grant Date.

(b) *Exercise and Payment.* A Stock Appreciation Right shall entitle the Participant to receive an amount equal to the excess of the Fair Market Value of a Share on the date of exercise of the Stock Appreciation Right over the grant price thereof. The Board shall determine whether a Stock Appreciation Right shall be settled in cash, Shares or a combination of cash and Shares.

(c) *Other Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Board shall determine, at or after the grant of a Stock Appreciation Right, the term, methods of exercise, methods and form of settlement, and any other terms and conditions of any Stock Appreciation Right. Any such determination by the Board may be changed by the Board from time to time and may govern the exercise of Stock Appreciation Rights granted or exercised prior to such determination as well as Stock Appreciation Rights granted or exercised thereafter. The Board may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

7. RESTRICTED STOCK AND RESTRICTED STOCK UNITS.

(a) *Grant.* Subject to the provisions of the Plan, the Board shall have sole and complete authority to determine the Employees to whom Shares of Restricted Stock and Restricted Stock Units shall be granted, the number of Shares of Restricted Stock and/or the number of Restricted Stock Units to be granted to each Participant, the duration of the period during which, and the conditions under which, the Restricted Stock and Restricted Stock Units may be forfeited to the Company, and the other terms and conditions of such Awards.

(b) *Transfer Restrictions.* Shares of Restricted Stock and Restricted Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered, except, in the case of Restricted Stock, as provided in the Plan or the applicable Award Agreements. Certificates issued in respect of Shares of Restricted Stock shall be registered in the name of the Participant and deposited by such Participant, together with a stock power endorsed in blank, with the Company. Upon the lapse of the restrictions applicable to such Shares of Restricted Stock, the Company shall deliver such certificates to the Participant or the Participant's legal representative.

(c) *Payment.* Each Restricted Stock Unit shall have a value equal to the Fair Market Value of a Share. Restricted Stock Units shall be paid in cash, Shares, other securities or other property, as determined in the sole discretion of the Board, upon the lapse of the restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement.

(d) *Dividends and Distributions.* Dividends and other distributions paid on or in respect of any Shares of Restricted Stock or Restricted Stock Units may be paid directly to the Participant, or may be reinvested in additional Shares of Restricted Stock or in additional Restricted Stock Units, as determined by the Board in its sole discretion.

8. PERFORMANCE AWARDS.

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(a) *Grant.* The Board shall have sole and complete authority to determine the Employees who shall receive a Performance Award, which shall consist of a right that is (i) denominated in cash or Shares, (ii) valued, as determined by the Board, in accordance with the achievement of such performance goals during such performance periods as the Board shall establish, and (iii) payable at such time and in such form as the Board shall determine.

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(b) *Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Board shall determine the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award and the amount and kind of any payment or transfer to be made pursuant to any Performance Award.

(c) *Payment of Performance Awards.* Performance Awards may be paid in a lump sum or in installments following the close of the performance period or, in accordance with procedures established by the Board, on a deferred basis.

9. OTHER STOCK-BASED AWARDS.

The Board shall have authority to grant to Participants an Other Stock-Based Award, which shall consist of any right that is (i) not an Award described in Sections 5 through 8 above and (ii) an Award of Shares or an Award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as deemed by the Board to be consistent with the purposes of the Plan. Subject to the terms of the Plan and any applicable Award Agreement, the Board shall determine the terms and conditions of any such Other Stock-Based Award.

10. ELIGIBLE DIRECTORS.

Except as otherwise determined by the Board, Eligible Directors shall receive Awards in accordance with this Section. Except as otherwise provided in this Section, Awards to Eligible Directors shall be subject to the remaining provisions of the Plan.

(a) *Initial Grant.* Each Eligible Director shall receive, upon the later of the Company's initial public offering or initial election to the Board as an Eligible Director, a Non-Qualified Stock Option to acquire 4,000 Shares.

(b) *Annual Grants.* Effective as of the date of each annual meeting of the Company's shareholders at which directors are elected or reelected to the Board, each Eligible Director who has not received a grant pursuant to paragraph (a) above since the immediately preceding annual meeting of the Company's shareholders shall receive an Option to acquire **2,500** Shares.

(c) *Terms of Initial Grants and Annual Grants.* The exercise price per Share of each Option granted to an Eligible Director shall be the Fair Market Value of a Share on the Grant Date. Options shall vest ratably and become exercisable in one-third increments on each anniversary of the Grant Date. Except as otherwise provided in this paragraph, Options shall expire 10 years from the Grant Date. Unvested Options shall immediately vest and become exercisable if an individual ceases to be a director on account of death, disability or retirement at normal retirement age for directors, and shall remain exercisable until the normal expiration of the Option. Upon termination as a director for any other reason other than Cause, unvested Options shall be forfeited and vested Options shall remain exercisable for three months following the termination date. Upon termination as a Director for Cause, all Options (whether or not vested) shall be forfeited as of the termination date.

(d) *Deferred Stock Unit Grants.* The Board may grant Deferred Stock Units to Eligible Directors in lieu of all or any portion of the annual retainer or meeting fees otherwise payable to the Eligible Directors. Each Deferred Stock Unit shall entitle the Eligible Director to receive one Share or an amount of cash equal to the Fair Market Value of a Share on the payment date, on terms and conditions established by the Board.

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The Board may also permit Eligible Directors to elect to defer receipt of Shares or cash to be paid pursuant to Deferred Stock Units in accordance with a deferred compensation policy to be established by the Company.

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11. TERMINATION OF EMPLOYMENT/SERVICE.

The Board shall have the full power and authority to determine the terms and conditions that shall apply to any Award upon a termination of employment/service, including a termination by the Company without Cause, by a Participant voluntarily, or by reason of death, Disability or Retirement.

12. CHANGE IN CONTROL.

In the event that the Company engages in a transaction constituting a Change in Control, the Board shall have complete authority and discretion, but not the obligation, to accelerate the vesting of outstanding Awards and the termination of restrictions on Shares. As part of any agreement in connection with a Change in Control, the Board may also negotiate terms providing protection for Participants, including, the assumption of any Awards outstanding under the Plan or the substitution of similar awards for those outstanding under the Plan.

13. AMENDMENT AND TERMINATION.

(a) *Amendments to the Plan.* The Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to comply.

(b) *Amendments to Awards.* The Board may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation, or termination that would adversely affect the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder, or beneficiary.

(c) *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Board is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 3(c) hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Board determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan; provided that no such adjustment shall be authorized to the extent that such authority would be inconsistent with the Plan's meeting the requirements of Section 162(m) unless otherwise determined by the Board.

(d) *Cancellation.* Any provision of this Plan or any Award Agreement to the contrary notwithstanding, the Board may cause any Award granted hereunder to be canceled in consideration of a cash payment or alternative Award made to the holder of such canceled Award equal in value to the Fair Market Value of such canceled Award.

14. GENERAL PROVISIONS.

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(a) *Dividend Equivalents.* In the sole and complete discretion of the Board, an Award may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities or other property on a current or deferred basis.

(b) *Nontransferability.* Except to the extent provided in an Award Agreement, no Award shall be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant, except by will or the laws of descent and distribution.

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(c) *No Rights to Awards.* No Employee, Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Employees, Eligible Directors, consultants, Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards need not be the same with respect to each recipient.

(d) *Share Certificates.* All certificates for Shares or other securities of the Company or any Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Board may deem advisable under the Plan or the rules, regulations, and other requirements of the SEC, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state laws, and the Board may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(e) *Withholding.* A Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding or other taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Board may provide for additional cash payments to holders of Awards to defray or offset any tax arising from the grant, vesting, exercise, or payments of any Award.

(f) *Award Agreements.* Each Award hereunder shall be evidenced by an Award Agreement that shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto.

(g) *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, Shares and other types of Awards provided for hereunder (subject to stockholder approval if such approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

(h) *No Right to Employment.* The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any Liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(i) *No Rights as Stockholder.* Subject to the provisions of the applicable Award, no Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until he or she has become the holder of such Shares. Notwithstanding the foregoing, in connection with each grant of Restricted Stock hereunder, the applicable Award shall specify if and to what extent the Participant shall not be entitled to the rights of a stockholder in respect of such Restricted Stock.

(j) *Governing Law.* The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware without giving effect to the conflict of law principles thereof.

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(k) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Board, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Board, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

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(l) *Other Laws.* The Board may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b), and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder, or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Board in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the U.S. federal securities laws and any other laws to which such offer, if made, would be subject.

(m) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(n) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Board shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(o) *Headings.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

(p) *Parachute Payments.* The Board may provide in an Award Agreement that no amounts shall be paid or considered paid to the extent that any such payments would be nondeductible by the Company under Code Section 280G.

(q) *Pooling.* If any Award, or any provision of any Award, granted under the Plan would prevent a transaction from being accounted for as a pooling of interests (in the opinion of the Company's accountants), the Award, or the provision, may be deleted or amended by the Board in its sole discretion. No consent shall be required to void or amend the Award or the provision.

15. TERM OF THE PLAN.

(a) *Effective Date.* The Plan shall be effective as of the Effective Date provided it has been approved by the Company's stockholders.

(b) *Expiration Date.* No Incentive Stock Option shall be granted under the Plan after the tenth anniversary of the Effective Date. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under any such Award shall, continue after the authority for grant of new Awards hereunder has been exhausted.

16. DEFINITIONS.

As used in the Plan, the following terms shall have the meanings set forth below:

Affiliate shall mean (i) any entity that, directly or indirectly, is controlled by the Company, (ii) any entity in which the Company has a significant equity interest and (iii) an Affiliate of the Company as

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defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, in either case as determined by the Committee.

Annual Service Period means an annual period determined by the Board, which annual period shall be January 1 through December 31 or such other annual period as may be designated from time to time by the Board.

Award shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit, Performance Award or other Stock-Based Award or any Award granted to an Eligible Director pursuant to Section 10.

Award Agreement shall mean any written agreement, contract, or other instrument or document evidencing any Award, which shall not become effective until executed or acknowledged by a Participant.

Board shall mean the Board of Directors of the Company.

Cause shall mean, unless otherwise defined in the applicable Award Agreement, a determination by the Committee that a Participant has: (1) committed an act of embezzlement, fraud, dishonesty or breach of fiduciary duty to the Company; (2) deliberately and repeatedly violated the rules of the Company or the valid instructions of the Board or an authorized officer of the Company; (3) made any unauthorized disclosure of any of the material secrets or confidential information of the Company; or (4) engaged in any conduct that could reasonably be expected to result in material loss, damage or injury to the Company.

Change in Control shall mean, unless otherwise defined in the applicable Award Agreement, the earliest to occur of: (1) any one person as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than (A) the Company, (B) **RWE AG or its affiliates** (C) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (D) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Shares), or more than one person acting as a group, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of Shares that, together with the Shares held by such person or group, possess more than 50% of the total Fair Market Value or total voting power of the Shares; (2) a majority of members of the Board is replaced during any 12 month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or (3) the sale of all or substantially all of the Company's assets.

Code shall mean the Internal Revenue Code of 1986, as amended from time to time.

Committee shall mean a committee of the Board designated by the Board to administer the Plan. To the extent deemed appropriate by the Board, the Committee shall be composed of not less than two individuals who are outside directors within the meaning of Code Section 162(m) and non-employee directors within the meaning of Section 16.

Company shall mean CONSOL Energy Inc.

Deferred Stock Unit means a right, granted to Eligible Directors in accordance with Section 10, to acquire a Share for no consideration or some other amount determined by the Board.

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Disability shall mean, unless otherwise defined in the applicable Award Agreement, a Participant's inability, because of physical or mental incapacity or injury (that has continued for a period of at least 12 consecutive calendar months), to perform for the Company or an Affiliate substantially the same services as he or she performed prior to incurring such incapacity or injury.

Effective Date shall mean April 7, 1999.

Eligible Director means a director who is not an employee of the Company or any of its Affiliates; provided, however, that directors who are employees of **RWE AG or its affiliates** shall be Eligible Directors.

Employee shall mean an employee or consultant of the Company or of any Affiliate, including any individual who enters into an employment agreement with the Company or an Affiliate which provides for commencement of employment within three months of the date of the agreement.

Exchange Act shall mean the Securities Exchange Act of 1934, as amended.

Fair Market Value shall mean the fair market value of the property or other item being valued, as determined by the Committee in its sole discretion. Fair Market Value with respect to the Shares, as of any date, shall mean (i) if the Shares are listed on a securities exchange or are traded over the NASDAQ National Market System, the closing sales price of the Shares on such exchange or over such system on such date, or in the absence of reported sales on such date, the closing sales price on the immediately preceding date on which sales were reported, (ii) if the Shares are not so listed or traded, the mean between the bid and offered prices of the Shares as quoted by the National Association of Securities Dealers through NASDAQ for such date or (iii) in the event there is no public market for the Shares, the fair market value as determined by the Committee in its sole discretion.

Grant Date means, with respect to an Award, date on which the Board makes the determination to grant such Award, or such other date as is determined by the Board. Within a reasonable time thereafter, the Company will execute and deliver an Award Agreement to the Participant.

Incentive Stock Option shall mean a right to purchase Shares from the Company that is granted under Section 5 of the Plan and that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

Non-Qualified Stock Option shall mean a right to purchase Shares from the Company that is granted under Section 5 of the Plan and that is not intended to be an Incentive Stock Option.

Option shall mean an Incentive Stock Option or a Non-Qualified Stock Option and shall include a Restoration Option.

Other Stock-Based Award shall mean any right granted under Section 9 of the Plan.

Participant shall mean any Employee or Eligible Director who receives an Award under the Plan.

Performance Award shall mean any right granted under Section 8 of the Plan.

Person shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

Plan shall mean this CONSOL Energy Inc. Equity Incentive Plan.

Restoration Option shall mean an Option granted pursuant to Section 5(e) of the Plan.

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Restricted Stock shall mean any Share granted under Section 7 of the Plan.

Restricted Stock Unit shall mean any unit granted under Section 7 of the Plan.

Retirement shall mean with respect to a Participant other than an Eligible Director retirement of a Participant from the employ or service of the Company or any of its Affiliates in accordance with the terms of the applicable Company retirement plan or, if a Participant is not covered by any such plan, retirement on or after such Participant's 65th birthday, unless otherwise defined in the applicable Award Agreement.

SEC shall mean the Securities and Exchange Commission or any successor thereto and shall include the staff thereof.

Section 16 shall mean Section 16 of the Exchange act and the rules promulgated thereunder and any successor provision thereto as in effect from time to time.

Section 162(m) shall mean Section 162(m) of the Internal Revenue Code of 1986 and the rules promulgated thereunder or any successor provision thereto as in effect from time to time.

Shares shall mean shares of the common stock, \$.01 par value, of the Company, or such other securities of the Company as may be designated by the Committee from time to time.

Stock Appreciation Right shall mean any right granted under Section 6 of the Plan.

Substitute Awards shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

A-11

CONSOL ENERGY INC.

C/O EQUISERVE TRUST COMPANY N.A

P.O. BOX 8694

EDISON, NJ 08818-8694

Voter Control Number

Your vote is important. Please vote immediately.

DETACH HERE IF YOU ARE RETURNING YOUR PROXY CARD BY MAIL

x Please mark 4593
votes as in

this example.

CONSOL ENERGY INC.	2. Ratification of Independent Accountants: PricewaterhouseCoopers LLC.	FOR ..	AGAINST ..	ABSTAIN ..	3. Ratification of amendment to CONSOL Energy Inc. Equity Incentive Plan	FOR ..	AGAINST ..	ABSTAIN ..
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1. Election of Directors.
(Please see reverse)

FOR ALL NOMINEES	FOR ..	WITHHELD ..	WITHHELD FROM ALL NOMINEES
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.. _____

For all nominees except as written above

Change of Address/Comments on Reverse Side

Please sign this proxy exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, administrator, trustee or guardian, please give full title as such.

Signature: _____

Date: _____

Signature: _____

Date: _____

ANNUAL MEETING OF SHAREHOLDERS

OF

CONSOL ENERGY

APRIL 30, 2003

DETACH HERE

XXXXXX2

CONSOL ENERGY INC.

Annual Meeting April 30, 2003

PROXY SOLICITED BY THE BOARD OF DIRECTORS

P The undersigned hereby appoints J.B. Harvey and D.L. Fassio, and each of them, proxies with power of substitution to vote on behalf of the undersigned all shares which the undersigned may be entitled to vote at
R the Annual Meeting to Shareholders of CONSOL Energy Inc. on April 30, 2003 and any adjournments
O thereof, with all powers that the undersigned would possess if personally present, with respect to the matters referred to on this proxy. A majority of the proxies or substitutes present at the meeting may exercise all power granted hereby.

X

Y

Nominees for Election as Directors.

John L. Whitmire, J. Brett Harvey,

Philip W. Baxter, Berthold Bonekamp,

Bernd Jobst Breloer, Patricia A. Hammick,

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Christoph Koether, Dr. Rolf Zimmermann

You are encouraged to specify your choices by marking the appropriate boxes. SEE REVERSE SIDE, but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations. The Proxy Committee cannot vote your shares unless you sign and return this card.

PLEASE VOTE, DATE AND SIGN THIS PROXY ON THE OTHER SIDE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

HAS YOUR ADDRESS CHANGED?

DO YOU HAVE ANY COMMENTS?
