REPORT ON THE FIRST HALF OF 2014

- Operating result of €2.3 billion as forecast
- RWE Dea reported as a discontinued operation for the first time
- Outlook for 2014 confirmed: operating result of €3.9 billion to €4.3 billion expected
- Decision made to decommission further power stations

RWE
The energy to lead

AT A GLANCE

RWE Group – key figures[1]		Jan – Jun 2014	Jan – Jun 2013	+/– %	Jan – Dec 2013
Electricity production	billion kWh	100.1	112.1	–10.7	218.2
External electricity sales volume	billion kWh	128.4	135.9	–5.5	270.9
External gas sales volume	billion kWh	148.2	189.0	–21.6	320.7
External revenue	€ million	25,087	27,739	–9.6	52,425
EBITDA	€ million	3,426	5,040	–32.0	7,904
Operating result	€ million	2,271	3,793	–40.1	5,369
Income from continuing operations before tax	€ million	1,502	1,841	–18.4	–2,016
Net income	€ million	1,024	979	4.6	–2,757
Recurrent net income	€ million	749	1,988	–62.3	2,314
Earnings per share	€	1.67	1.59	5.0	–4.49
Recurrent net income per share	€	1.22	3.23	–62.2	3.76
Cash flows from operating activities of continuing operations	€ million	1,977	1,107	78.6	4,803
Capital expenditure	€ million	1,489	1,541	–3.4	3,978
Property, plant and equipment and intangible assets	€ million	1,433	1,508	–5.0	3,848
Financial assets	€ million	56	33	69.7	130
Free cash flow	€ million	544	–401	235.7	960
		30 Jun 2014	31 Dec 2013		
Net debt	€ million	31,452	30,727	2.4	
Workforce[2]		62,693	64,896	–3.4	

1 See commentary on reporting on page 10.
2 Converted to full-time positions.

Contents

Dear Shareholders, Customers and Friends of the Company,

So far, the 2014 financial year has progressed as planned. Unfortunately, “as planned” in this context means that we had to stomach substantial earnings shortfalls, to the tune of 40% by the half-year mark. We informed you of the main reasons for this in earlier financial reports. In particular, the large compensatory payments we were awarded as a result of the price revision proceedings regarding our loss-making gas purchase agreement with Gazprom had a positive impact in 2013, which will not recur this year. The extremely mild winter is also leaving its mark on earnings. Whereas both have a one-off impact, another negative factor will continue to affect us in 2014 and beyond: the crisis in conventional electricity generation.

The expansion of renewable energy and significant decline in wholesale electricity prices have caused the utilisation and margins of our power plants to deteriorate significantly. Many of these stations are incapable of covering their operating costs, forcing us to take them offline either temporarily or permanently. Since the summer of 2013, we have decided to take such steps several times, most recently earlier this August. In total, they relate to gas and coal-fired power stations in Germany and the Netherlands, accounting for about 6,300 megawatts in net installed capacity. In addition, we decided against extending contracts for the use of German hard coal units owned by third parties. This will end our access to a total capacity of approximately 2,700 megawatts.

Conventional electricity generation is losing ground – not just at RWE. According to the German Federal Network Agency, German power plant operators plan to shut down stations accounting for over 11,000 megawatts of generation capacity by the end of 2018. As a result, far more secured capacity will probably be taken off the market than will be added through investments. This does not bode well for security of supply, to which wind turbines and solar panels cannot make a large contribution. In European countries outside Germany, some of which have similar problems, action has already been taken. For example, the United Kingdom recently paved the way for a comprehensive capacity market. In addition to receiving payment for the electricity generated, most UK power plant operators will also be compensated for contributing to security of supply by keeping secured capacity on tap. The EU Commission approved this mechanism in July. France will also introduce a capacity market, which will be non-discriminatory and open to all technologies. Germany could take the same approach to create an economically feasible basis for the construction and continued operation of indispensable generation facilities to supplement the expansion of renewable energy. Now the ball is in the policymakers’ court. But this does not mean that we will only rely on the actions taken by the German government. The command of our business and our commercial success mainly depend on us.

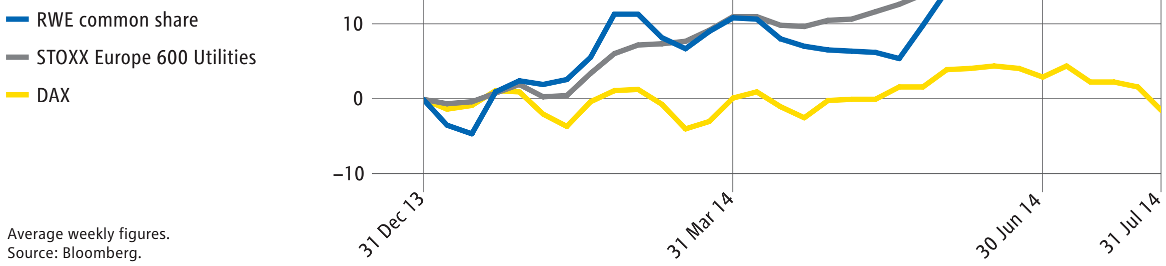
This brings me back to our business performance in 2014. We expect the earnings trend to remain within the targeted range. We confirm our forecast for the full year in respect of the operating result (€3.9 billion to €4.3 billion) and recurrent net income (€1.2 billion to €1.4 billion). These figures already consider the impending sale of RWE Dea. Our prognosis concerning the progress of this transaction also remains unchanged: we are confident of being able to announce the completion of this sale before the end of the year.

Sincerely yours,

Peter Terium
CEO of RWE AG
Essen, August 2014

RWE COMMON SHARES ACHIEVE FIRST-HALF TOTAL RETURN OF 22%

Performance of the RWE common share compared with the DAX and STOXX Europe 600 Utilities
%

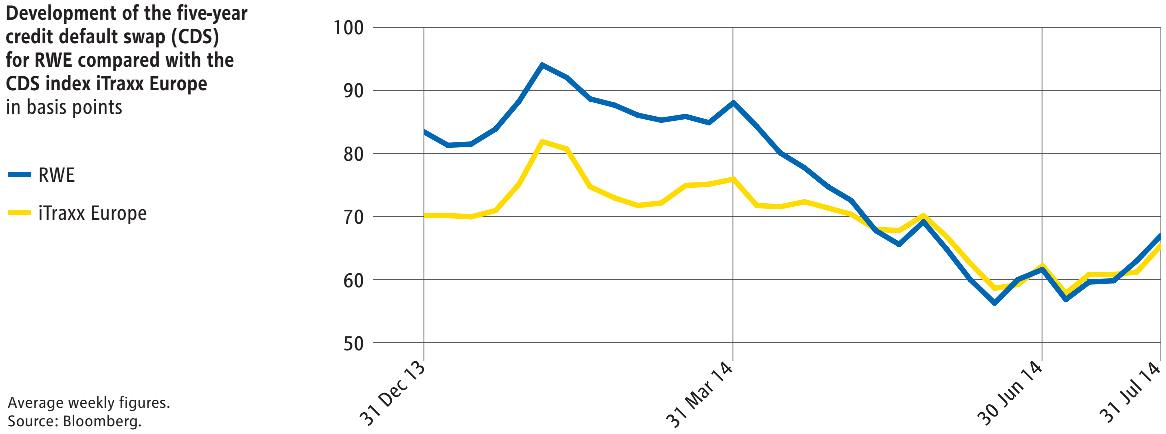


Average weekly figures.
Source: Bloomberg.

After share prices rallied in 2013, Germany's lead index, the DAX, barely rose in the first half of 2014. It closed June at 9,833 points, 3% up on its level at the end of 2013. Sentiment on the stock markets at the beginning of the year was clouded especially by the Ukraine conflict and the waning momentum of the economies in emerging markets such as China. Share prices were positively affected by the fact that the European Central Bank (ECB) reduced the base lending rate to an all-time low of 0.15% in June 2014. In addition, encouraging economic data from Europe and the USA bolstered investor confidence. At the beginning of June, the DAX surpassed the 10,000-point mark for the first time.

RWE shareholders have experienced a very upbeat stock market performance in the first half of the year. Our common and preferred shares closed the month of June at €31.37 and €24.30, respectively. This corresponds to returns on the share price and dividend of 22% and 9%, respectively. Investors apparently felt that RWE shares had the potential to make up lost ground after their weak performance last year. Furthermore, several analysts raised their price targets for RWE shares.

Development of the five-year credit default swap (CDS) for RWE compared with the CDS index iTraxx Europe
in basis points



Average weekly figures.
Source: Bloomberg.

The situation on the debt capital market is influenced by the expansionary monetary policy pursued by leading central banks. In the first half of the year, the average yield of ten-year German government bonds was a mere 1.2%. The cost of hedging credit risks via Credit Default Swaps (CDSs) was also very low. The iTraxx Europe Index, which consists of the prices of the CDSs of 125 major European companies, averaged 71 basis points. This is the lowest half-year average since 2007, when the sub-prime crisis began. At 78 basis points, quotations for the five-year CDS for RWE were slightly higher. However, they dropped considerably in the second quarter, reaching the level of the index.

ECONOMIC ENVIRONMENT

Economy gains momentum

The revitalisation of the economy observed at the end of 2013 carried over to 2014. Based on initial estimates, global gross domestic product (GDP) in the first six months was about 3% higher than a year earlier. The increase approximated for the Eurozone is 1%. Whereas Germany benefited from robust consumer spending and therefore occupied one of the top spots within the currency union with growth of 2%, Dutch GDP was only just higher year on year. Economic output in the United Kingdom, our largest market outside the Eurozone, rose by nearly 3%. This upswing was mainly driven by the service sector. Our Central Eastern European markets also displayed a clear upward trend. However, only data for the first quarter was available for the countries of relevance in this region when this report went to print. Based on this information, GDP increased by 3.5% in Poland, 3.2% in Hungary and 2.5% in the Czech Republic.

Extremely mild weather in Europe

Whereas the economic trend primarily impacts on demand for energy among industrial enterprises, residential energy consumption is influenced more by weather conditions. For instance, the dependence of the need for heating on temperatures leads to seasonal fluctuations in sales volume and earnings. This can also prove important when comparing one financial year to the next, as demonstrated by these interim financial statements. In nearly the whole of Europe, temperatures in the first six months of 2014 were far above the ten-year seasonal average. In contrast, it was colder than average in the same period last year, especially in Western Europe. The change from very cold to very warm weather resulted in a decrease in sales volume, particularly in the gas business.

In addition to energy consumption, the generation of electricity is also subject to weather-related influences, with wind levels playing a major role. In Germany, the Netherlands and Poland, utilisation of our wind farms in the first six months was higher than in the same period in 2013, whereas in the United Kingdom, Spain and Italy, it was lower. Electricity generation by our run-of-river power plants is affected by precipitation, which in Germany was much lower than the high level witnessed in the first half of last year. Sunshine has also come to have a significant impact on the supply of electricity, not least due to the considerable rise in German photovoltaic capacity in accordance with the German Renewable Energy Act. Based on figures published by Germany's National Meteorological Service, the country had an average of 885 hours of sunshine in the first six months of 2014, compared to 660 in last year's corresponding period.

Weather-induced collapse in demand for gas

Energy usage in our key markets was affected positively by the economy. In contrast, the extremely mild winter weather curtailed the need for heating. Moreover, for a long time we have seen a trend towards saving energy. According to preliminary estimates made by the German Association of Energy and Water Industries (BDEW), electricity consumption in Germany in the first half of 2014 was more than 5% lower than in the same period last year. Based on expert estimates, demand for electricity also declined in the United Kingdom, the Netherlands and Poland, whereas in Hungary, it was roughly on a par with 2013. Gas consumption was strongly affected by the weather. Initial data published by BDEW indicates that demand for gas in Germany declined by 20%. Network operators in the Netherlands and the United Kingdom calculated drops of 24% and 17%, respectively. Demand in the aforementioned countries was further characterised by a market-driven decrease in the utilisation of gas-fired power stations. Gas consumption in the Czech Republic also fell substantially: the estimated decline is 16%.

Mild weather weighs on prices in gas spot trading

Gas prices were also affected by the mild weather. Averaged for the first half of the year, spot prices at the Title Transfer Facility (TTF), the Dutch trading hub and reference market for Continental Europe, amounted to €22 per megawatt hour (MWh), €6 less than the comparable figure for 2013. In TTF forward trading, contracts for delivery in the coming calendar year (2015 forward) were settled for €25 per MWh, €2 down on the price of the 2014 forward in the same period last year. The retail business developed as follows: based on available data, in Germany gas became slightly more expensive for households and 5% cheaper for industrial customers. Prices also displayed disparate developments in the United Kingdom: compared to the first half of 2013, they were 5% higher for households and 8% lower for industrial enterprises. Both customer groups paid less than a year before in the Netherlands: approximately 1% and 5%, respectively. Data collected for the Czech Republic indicates declines of 6% and 10%.

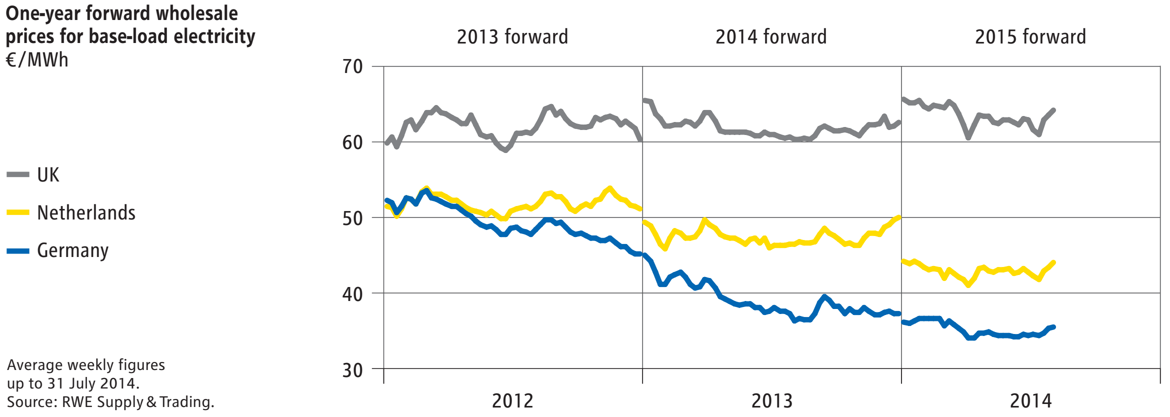
Hard coal prices remain low

The downward trend of hard coal prices witnessed since 2011 slowed. However, there are still no signs of recovery. In the first half of the year, coal deliveries including freight and insurance to Amsterdam/Rotterdam/Antwerp (known as the ARA ports) were quoted at an average of US$77 (€56) in spot trading, US$6 less than in 2013. The 2015 forward (API 2 Index) was listed at an average of US$82 (€60), US$12 down on the 2014 forward in last year's comparable period. In general, the global coal market tends to be oversupplied. Many countries expanded their production capacities in the past. In China, the world's biggest coal importer, decelerated growth came to bear. In addition, reductions in the price of domestic hard coal put the price of imported coal under pressure. The development of quotations in international coal trading is also influenced by overseas shipping costs. Freight rates are low, but have been trending slightly upwards since the middle of 2013. In the first half of 2014, the standard route from South Africa to Rotterdam cost an average of US$9 per metric ton, US$2 more than in the same period last year.

Slight rise in CO_2 emission allowance prices

European emissions trading is characterised by a slump. The dampening effect of the euro crisis on industrial output comes to bear. It is becoming apparent that the CO_2 emission allowances available for the third trading period, which ends in 2020, clearly exceed the actual requirement. However, prices have stabilised at a low level since the beginning of 2013. In the first six months, the standard certificate (EUA) for 2014 traded at an average of just under €6 per metric ton of carbon dioxide. The comparable figure for 2013 was more than €1 lower. Prices were supported by the fact that in March the EU began to reduce the surplus of certificates by temporarily withholding emission allowances (referred to as backloading). Positive stimulus was also provided by the climate and energy package submitted by the EU Commissioner for Climate Action, Connie Hedegaard, at the end of January 2014. Mrs. Hedegaard proposes reducing the EU's greenhouse gas emissions by 40% by 2030 compared to 1990. Furthermore, she intends to strengthen the European emissions trading system after 2020 by making the supply of certificates flexible.

One-year forward wholesale prices for base-load electricity
€/MWh



Average weekly figures up to 31 July 2014.
Source: RWE Supply & Trading.

Decline in wholesale electricity prices

The decrease in the price of hard coal and the increase of feed-ins under the German Renewable Energy Act (REA) caused wholesale electricity prices in Germany, our largest generation market, to drop considerably. In the first half of 2014, a megawatt hour (MWh) of base-load power sold for an average of €32 on the spot market, €5 less than in the same period in 2013. Quotations on the forward market also fell: the 2015 forward cost €35 per MWh of base-load power in the period under review. A year earlier, the 2014 forward settled for €41.

In the United Kingdom, where we have our second-largest generation position, base-load power traded at an average of £42 (€51) per MWh on the spot market and was therefore £9 cheaper than in 2013. The weather-induced decline in gas prices played a large role: in the United Kingdom, gas-fired power plants account for a much bigger share of electricity production than in Germany and therefore have a stronger influence on electricity prices. Conversely, UK forward prices were flat: the 2015 base-load forward was settled at an average of £52 (€63) per MWh in the first half of 2014, falling just shy of last year's comparable figure. In euro terms however, the forward rose marginally in price due to the appreciation of the British pound.

Wholesale electricity prices in the Netherlands, our third-largest generation market, are greatly influenced by developments in Germany and therefore also by the rise in feed-ins pursuant to the REA. This is due to cross-border electricity flows. However, as network capacity is limited, quotations in the two countries can differ from one another considerably. In fact, wholesale electricity prices in the Netherlands have recently been much higher than in Germany. One of the main reasons for this is that, similar to the United Kingdom, gas-fired power stations in the Netherlands have a greater impact on prices than in Germany. In the first half of 2014, base-load power cost an average of €41 per MWh on the Dutch spot market, compared to €54 in last year's corresponding period. The price curve in forward trading also trended downward. Electricity supply contracts for 2015 were quoted at €43 per MWh, which was €5 less than what was paid for the 2014 forward in 2013.

Power plant margins down year on year

We sell forward most of the output of our power stations and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, the most recent developments on the market only had a minor impact on the income we generated in the reporting period. What is decisive instead is the conditions at which electricity contracts for delivery in 2014 were concluded in preceding years. As wholesale electricity prices in Continental Europe have been trending downwards since the middle of 2011, the average price which we realised for this year's in-house generation was lower than the comparable figure for 2013. Therefore, we achieved lower margins with our German lignite and nuclear power stations, the fuel costs of which are typically stable. The earnings of our gas-fired power plants also worsened. In addition to the development of electricity prices, this is due to lower plant capacity utilisation, as gas-fired power stations in particular are being forced off the market by the increase in electricity feed-ins from solar panels and wind turbines. In the hard coal-based generation business, we benefited from price relief relating to fuel purchases. However, in Germany these price reductions failed to compensate for the negative effect on margins of declining electricity quotations.

Retail business: rise in German and UK residential tariffs

Unlike on the wholesale market, electricity prices in the German retail business rose. Year on year, the average rate of increase was 2% for households and 3% for industrial enterprises. This was largely due to the state surcharges included in electricity bills, which account for half of the total price paid by households. A main contributing factor is the REA apportionment, which has repeatedly experienced significant increases in recent years and rose by another 0.96 euro cents to 6.24 euro cents per kilowatt hour (kWh) as of 1 January 2014.

In the United Kingdom, average residential electricity tariffs were up by 6%. One of the reasons is the increasing costs of energy savings measures in households, which the government obliges major utilities to take. For industrial enterprises, electricity prices rose by 5%.

In contrast, tariffs in the Dutch customer business declined: households and industrial enterprises paid 1% and 5% less, respectively. Lower quotations on the wholesale market played an important role.

Decreasing commodity and wholesale electricity prices also characterised developments on our supply markets in Central Eastern Europe. In Hungary, this was exacerbated by regulatory intervention: electricity tariffs were 15% and 8% cheaper for households and industrial enterprises, respectively. Compared to 2013, tariffs in Poland dropped slightly in the residential segment and by 5% for industry. Declines of 6% and 7% were recorded in Slovakia.

MAJOR EVENTS

In the period under review

Go-ahead for nationwide energy supply in Romania

RWE has begun to supply energy nationwide in Romania through the newly established RWE Energie Srl, headquartered in Bucharest. We opened our office in the country's capital with a celebratory event at the end of June. We will initially focus on the industrial and commercial customer business. We have been active in the country since 2011, albeit on a small scale in the region bordering our established market, Hungary. Since then, we have won more than 80 commercial customers. Over the next ten years, we intend to become one of the leading electricity suppliers in Romania, as the country's market continues to liberalise.

Germany reforms green energy subsidies

At the end of June, the German Lower House passed the "act for the fundamental reform of the German Renewable Energy Act (REA) and for amendments to further provisions of German energy law." The objective is to gain better control over green energy expansion and to rein in the rise in associated costs. The act took effect on 1 August after the German Upper House approved it in the middle of July. It limits the net installed capacity added by solar panels and onshore wind turbines every year to 2.5 gigawatts (GW). If this threshold is exceeded, a reduced feed-in tariff would be paid for the additional generation units. The replacement of existing wind turbines by more powerful ones has not been factored into the cap. The capacity target of offshore wind power through to the end of 2020 is 6.5 GW. Operators of new plant with a system size of 500 kilowatts or more are now obliged to market green energy directly. This requirement will gradually be imposed on smaller generation units. The act further envisages new renewable energy being subsidised via auctions from no later than 2017 onwards. The amendment to the REA thus conforms with the new EU guidelines for state aid in the fields of environmental protection and energy, which were adopted by the European Commission at the beginning of April. However, there was dissent on several points between the German government and the EU Commission. One such issue is the degree to which electricity produced for self-consumption, which has been exempted from the REA apportionment, should also contribute to financing renewable energy. The act envisages this only for new plant, whereas small self-consumers and companies that already use self-generated electricity are still being spared this burden. This provision shall be reviewed by 2017 at the insistence of the EU Commission. As a result, RWE may face new burdens relating to self-consumption of electricity in our Rhenish opencast lignite mines. Another point of contention was the REA apportionment rebates granted to energy-intensive companies, which the EU Commission believes distort competition within Europe. A compromise was also reached on this issue: pursuant to the new act, 68 energy-intensive sectors will be charged a maximum of 15% of the apportionment. The share can be reduced to 0.5% for particularly large power consumers such as aluminium and steel mills.

Major events that occurred in the period from January to April 2014 were presented on pages 7 to 10 of the report on the first quarter of 2014.

After the period under review

First block of Hamm hard coal power station takes up commercial operation

The first of the two units of our hard coal-fired power plant at the 'Westphalia' site in Hamm began generating electricity commercially at the beginning of July. It has a net installed capacity of 764 megawatts (MW). The second block is under construction and scheduled to follow in the middle of 2015. Once its planned total net installed capacity of 1,528 MW is online, it will be able to supply electricity to over three million households and its high efficiency will enable it to realise annual carbon emission savings of about 2.5 million metric tons compared to old hard coal-fired power stations. RWE is the majority shareholder, with 23 municipal utilities holding a stake in the facility. It is part of our new-build power plant programme, which has a project volume of over 12,000 MW and is about to be completed. Another facility under construction is a dual-block hard coal-fired power station at Eemshaven (Netherlands). Once it has been completed in 2015, it will have a net installed capacity of 1,544 MW.

RWE plans to shut down further power plants

In view of the significant decline in wholesale electricity prices, in the middle of August 2014 the Executive Board of RWE Generation decided to take further generation capacity offline. This affects the Goldenbergwerk lignite-fired station at Hürth (near Cologne), where we will take 110 megawatts off the market in the middle of next year, and a 285 MW hard-coal unit at the 'Westphalia' site in Hamm, which will be decommissioned at the beginning of 2016. The German Federal Network Agency has already been informed. If market conditions do not change, a 608 MW hard-coal block belonging to Gersteinwerk in Werne an der Lippe will be shut down in 2017. The reason is that a maintenance outage is scheduled for that year, and the necessary investments would no longer be economically viable. Furthermore, additional contracts entitling us to use German hard-coal units owned by third-parties with a total of 470 MW in net installed capacity will expire at the end of the year.

Since August 2013, we have made several decisions to take generation capacity offline in Germany and the Netherlands either temporarily or permanently. The measures relate to gas and coal-fired power plants with a total net installed capacity of about 4,700 MW and about 1,600 MW, respectively. These figures take account of the most recent decisions to shut down stations. In addition, we did not extend contracts for the use of German hard-coal units accounting for a total of 2,700 MW in capacity. Whereas these decisions were mostly based on commercial considerations, in the United Kingdom stricter regulatory requirements are the main reason we took some 4,000 MW in generation capacity offline last year and will decommission another 1,000 MW in 2015.

Munich Fiscal Court suspends payment of nuclear fuel tax for Gundremmingen power station

At the end of July, the Munich Fiscal Court issued a preliminary injunction, ordering that nuclear fuel tax payments for our Gundremmingen B and C power plant be suspended. The ruling relates to the €532 million in payments we have made for the period from 2011 to 2013. The judges doubt that the levy, which was introduced with effect from 1 January 2011, is legal. For this reason, the Hamburg Fiscal Court had already granted us a preliminary injunction for our Emsland nuclear power plant at Lingen in April 2014. We were then refunded the €393 million in taxes that we had paid for this facility since 2011. However, the main customs office responsible for levying the tax filed an appeal against the Hamburg decision, on which the Federal Fiscal Court will rule this year. The final decision on the legality of the nuclear fuel tax will be made by the Federal Constitutional Court or the European Court of Justice (ECJ). However, this is not expected to happen until after 2014. Until then, we will accrue provisions to cover the tax payments which we withhold or have been refunded to us. Therefore, the rulings of the Hamburg and Munich Fiscal Courts do not have a significant effect on our earnings.

EU Commission gives green light for UK capacity market

At the end of July, the European Commission approved the introduction of a capacity market for electricity generators planned by the United Kingdom. The Competition Commissioner Joaquín Almunia is of the opinion that the endeavour complies with EU subsidy regulations. This paves the way for its implementation. A capacity market will ensure that power producers are compensated for putting secured power plant capacity at the market's disposal in addition to receiving income from the sale of electricity. The goal behind this second compensation component is to ensure the economic attractiveness of building and operating plant necessary to ensure security of supply. The UK model envisages annual capacity auctions of predetermined volumes of secured capacity. The highest accepted bid that only just ensures that the required volume is covered determines the price of capacity for all providers. Participation in the auctions is voluntary and technology-neutral. However, participants must pass a pre-qualifying check which involves determining the secured capacity of each facility. Power stations which will be receiving payments under other subsidy schemes in the relevant year are not admitted. The auctions will take place four years in advance of each provision period. Short-term additional needs will be satisfied through a second auction with a lead-in time of one year. The first auction has been scheduled for December 2014 and relates to the provision of power plant capacity between 1 October 2018 and 30 September 2019. The price of capacity for new plant will be guaranteed for another 14 years in addition to the aforementioned period. In contrast, operators of old plant will have to participate in annual auctions.

NOTES ON REPORTING

Change in reporting methodology due to the impending sale of RWE Dea

As set out on page 7 of the report on the first quarter of 2014, we contractually agreed with the Luxembourg-based investment company LetterOne that it will acquire RWE Dea, our subsidiary which specialises in the exploration and production of oil and gas (Upstream Gas & Oil Segment). We expect to be able to complete the transaction this year. The sale will take retrospective effect to 1 January 2014.

This causes adjustments to reporting to be made in compliance with International Financial Reporting Standards (IFRS): from this interim report onwards, we will present RWE Dea as a 'discontinued operation' for the full reporting period. In detail, we will proceed as follows:

- We now recognise RWE Dea in the income statement in condensed form under 'income from discontinued operations.' Prior-year figures are adjusted accordingly. The consequence for the presentation in the review of operations is that Group figures for the 2014 and 2013 sales volume, revenue, EBITDA, operating result, non-operating result, financial result and income taxes now only relate to continuing operations. Deliveries from RWE companies to RWE Dea are presented in the external sales volume and external revenue. In line with the approach taken in respect of personnel costs, we are also limiting employee figures to continuing operations. Conversely, the RWE Group's net income continues to include the upstream business. As regards recurrent net income, we will proceed as follows: on completion of the sale of RWE Dea, we will include the interest on the price we are paid by the purchaser for the period from 1 January 2014 to the effective closing date of the transaction. Recurrent net income disclosed for 2013 will remain unchanged and therefore continue to include the operating activities of RWE Dea.

- On the consolidated balance sheet, the upstream business for 2014 is summarised under 'assets held for sale' and 'liabilities held for sale.' In accordance with IFRS, we will maintain the presentation of last year's balance sheet figures.

- In the cash flow statement in the interim financial statements, we recognise the cash flows from discontinued operations for 2014 and 2013 separately. Conversely, the cash flow statement in the review of operations solely relates to continuing operations for both years. The latter also applies to the presentation of capital expenditure.

Effects of the new accounting standard IFRS 11 Joint Arrangements (2011)

Further deviations from figures published previously result from the fact that we began applying the new accounting standard IFRS 11 Joint Arrangements (2011) in fiscal 2014. Under this standard, certain investments which have so far been accounted for using the equity method will be reported as joint operations from now on (see commentary in the notes on page 37). The new procedure applies retrospectively to last year's financial statements, which must be adjusted accordingly.

RWE Group

Conventional Power Generation	Supply/ Distribution Networks Germany	Supply Netherlands/ Belgium	Supply United Kingdom	Central Eastern and South Eastern Europe	Renewables	Trading/ Gas Midstream
RWE Generation	RWE Deutschland	Essent	RWE npower	RWE East	RWE Innogy	RWE Supply & Trading

RWE Dea (discontinued operation)

Internal Service Providers
- RWE Consulting
- RWE Group Business Services
- RWE IT
- RWE Service

As of 30 June 2014.

Group structure with seven divisions

Due to the impending sale of RWE Dea, the RWE Group is now divided into seven instead of eight segments (divisions), which are based on geographic and functional criteria as follows.

- Conventional Power Generation: Our conventional electricity generation activities in Germany, the United Kingdom, the Netherlands and Turkey are subsumed under this division. It also includes RWE Power's opencast lignite mining in the Rhineland and RWE Technology, which specialises in project management and engineering. All of these activities are overseen by RWE Generation.

- Supply/Distribution Networks Germany: This division is in charge of the supply of electricity, gas and heat as well as energy services in our main market, Germany, and the operation of our German electricity and gas distribution networks. It is overseen by RWE Deutschland, to which Westnetz, RWE Vertrieb (including eprimo and RWE Energiedienstleistungen), RWE Effizienz, RWE Gasspeicher and our German regional companies belong. Our minority interests in Austria-based KELAG and Luxembourg-based Enovos are also assigned to this division.

- Supply Netherlands/Belgium: This is where we report on our Dutch and Belgian electricity and gas retail business. The division is managed by Essent, one of the largest energy utilities in the Benelux region.

- Supply United Kingdom: Assigned to this division is our UK electricity and gas supply business operated by RWE npower, which ranks among the six leading energy companies in the United Kingdom.

- Central Eastern and South Eastern Europe: This division contains our activities in the Czech Republic, Hungary, Poland, Slovakia, Croatia, Romania and Turkey. Our market-leading Czech gas business encompasses storage, distribution and supply. It no longer includes the transmission or transit of gas, as we sold the subsidiary in charge of those activities, NET4GAS, at the beginning of August 2013. In 2010, we also started selling electricity in the Czech Republic. In Hungary, we cover the entire value chain in the electricity business, from production through to the operation of the distribution system and the supply of customers. We were also active in the Hungarian gas supply sector via minority stakes, but have discontinued this business. Our Polish operations focus on the distribution and sale of electricity in Greater Warsaw. In Slovakia, we are active in the electricity network and electricity retail businesses via a minority interest and in the gas supply sector via a subsidiary. In Croatia, we have an established position as a wastewater management company in the capital Zagreb and as a co-owner of the Plomin hard-coal fired power plant. In addition, we are setting up a local energy supply business. This also applies to Romania and Turkey.

- Renewables: This is where we present the figures of RWE Innogy, which generates electricity from wind, water and – to a limited extent – biomass. Its major production sites are located in Germany, the United Kingdom, the Netherlands, Spain and Poland.

- Trading/Gas Midstream: This division encompasses the activities of RWE Supply & Trading. The company is responsible for trading energy and commodities, marketing and hedging the RWE Group's electricity position, and running the entire gas midstream business. Furthermore, it supplies some major German and Dutch industrial and corporate customers with electricity and gas.

The 'other, consolidation' item

We present certain groupwide activities outside the divisions as part of 'other, consolidation.' These are the Group holding company RWE AG as well as our in-house service providers RWE IT, RWE Service, RWE Group Business Services and RWE Consulting. This item also includes our minority interest in the German electricity transmission system operator Amprion.

BUSINESS PERFORMANCE

Electricity production by division January – June	Lignite		Hard coal		Gas		Nuclear		Renewables		Pumped storage, oil, other		RWE Group	
Billion kWh	2014	2013	2014	2013[1]	2014	2013	2014	2013[1]	2014	2013	2014	2013	2014	2013[1]
Conventional Power Generation	35.3	37.0	21.7	26.0	17.2	18.8	14.6	15.9	0.5	3.3	1.2	1.5	90.5	102.5
of which:														
Germany[2]	35.3	37.0	12.9	15.7	1.1	3.3	14.2	15.4	0.2	0.3	1.2	1.5	64.9	73.2
Netherlands/Belgium	–	–	5.2	3.1	2.2	3.3	0.4	0.5	0.3	0.5	–	–	8.1	7.4
United Kingdom	–	–	3.6	7.2	12.1	12.2	–	–	–	2.5	–	–	15.7	21.9
Turkey	–	–	–	–	1.8	–	–	–	–	–	–	–	1.8	–
Central Eastern and South Eastern Europe	2.6	2.6	–	0.1	–	–	–	–	–	–	–	–	2.6	2.7
Renewables[2]	–	–	–	–	–	0.1	–	–	4.1	4.2	–	–	4.1	4.3
RWE Group[3]	**37.8**	**39.6**	**23.8**	**27.7**	**17.7**	**19.3**	**14.6**	**15.9**	**5.0**	**8.1**	**1.2**	**1.5**	**100.1**	**112.1**

1 Prior-year figures adjusted due to the first-time application of IFRS 11; see page 10.
2 Including electricity from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the first half of 2014, it amounted to 8.1 billion kWh in the Conventional Power Generation Division (first half of 2013: 11.3 billion kWh), of which 5.8 billion kWh were generated from hard coal (first half of 2013: 9.7 billion), and to 0.3 billion kWh in the Renewables Division (first half of 2013: 0.4 billion kWh).
3 Including small generation volumes of other divisions.

Electricity generation down 11 %

In the first half of 2014, the RWE Group produced 100.1 billion kWh of electricity. This was 12.0 billion kWh, or 11 %, less than in last year's corresponding period. One of the reasons was that we had to shut down our 1,958 MW UK hard coal-fired power station Didcot A at the end of March 2013. The facility was subject to a lifetime limitation resulting from EU pollutant emission regulations applicable to large combustion plants. Margins forced us to make less use of our German hard coal units. In contrast, our generation from hard coal was up in the Netherlands as utilisation of the two units of the Amer power station rose following outages for maintenance last year and due to the first trial runs of the power plant at Eemshaven, which is under construction. The situation on the market for our Continental gas-fired power stations deteriorated further. A positive effect was felt from our new combined-cycle generation facility near the west Turkish town of Denizli beginning commercial operation in early August 2013. Unscheduled outages curtailed production from our lignite and nuclear power plants. The contribution made by renewables declined substantially. The main reason is that we were forced to shut down Tilbury power station in the UK in the summer of 2013. The plant had a net installed capacity of 742 MW and was converted to biomass combustion in 2011, before which it ran on hard coal. Despite the conversion, it was also subject to a lifetime limitation. In addition, utilisation of our German run-of-river power plants was far below the high level recorded in the first half of 2013, owing to the unusually low levels of rainfall and melt water, which caused rivers to carry less water. In contrast, the expansion of our wind power capacity added generation volume, with the gradual commissioning of the turbines of the UK offshore wind farm Gwynt y Môr playing a role.

In addition to our in-house generation, we procure electricity from external suppliers. In the first six months of 2014, these purchases amounted to 34.7 billion kWh compared to 31.2 billion kWh in the same period last year. In-house generation and purchases from third parties added up to 134.8 billion kWh. The comparable figure for 2013 stood at 143.3 billion kWh.

External electricity sales volume January – June	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2014	2013	2014	2013	2014	2013	2014	2013
Conventional Power Generation	0.1	0.1	1.1	0.5	5.0	4.5	6.2	5.1
Supply/Distribution Networks Germany	11.0	12.4	14.8	14.6	37.4	38.3	63.2	65.3
Supply Netherlands/Belgium	5.7	5.8	4.9	5.7	–	0.8	10.6	12.3
Supply United Kingdom	7.3	9.2	14.8	14.7	1.0	–	23.1	23.9
Central Eastern and South Eastern Europe	4.3	4.2	4.6	4.5	3.4	2.7	12.3	11.4
Renewables	–	0.1	–	–	1.0	1.1	1.0	1.2
Trading/Gas Midstream	–	–	11.9	9.7	–	–	11.9[1]	16.7[1]
RWE Group[2]	**28.5**	**31.8**	**52.1**	**49.7**	**47.8**	**47.4**	**128.4**	**135.9**

1 Including volume effects of the sale of self-generated electricity on the wholesale market. If these sales volumes exceed the purchases made for supply purposes, the positive balance is recognised in the sales volume. This was not the case in the first half of 2014. Conversely, in the same period last year, there was a balance of +7.0 billion kWh.

2 Including small amounts recognised under 'other, consolidation.'

Electricity sales volume 6% down on 2013

In the first half of 2014, we sold 128.4 billion kWh of electricity to external customers, 6% less than in 2013. This was mainly due to the decline in our generation volumes, which resulted in RWE Supply & Trading selling less electricity produced by our power stations on the wholesale market. In the residential and commercial customer segment, an effect was felt from the fact that the 2013/2014 winter was extremely mild, whereas the preceding winter was unusually harsh. In consequence, households with electric heating had a lower demand for electricity. Moreover, we suffered moderate customer losses and, for some time, we have seen a trend towards saving energy. Another reason for the drop in sales volume in the residential customer business is that we sold our UK supply subsidiary Electricity Plus Supply at the end of last year (see page 51 of the 2013 Annual Report). Instead of being supplied by us directly, its customers now buy electricity from us indirectly via a supply agreement with the new owner Telecom Plus. We now state volumes supplied to Telecom Plus in the distributors segment, where we posted a slight gain despite losing a Dutch key account. New supply agreements with some industrial and corporate customers had a positive impact on the development of sales volumes. Furthermore, several major existing customers increased their electricity purchases from us, especially in the Trading/Gas Midstream Division. However, the significant rise in volume we recorded through industrial and corporate customers in this division is partially due to the change in the assignment of customers between Essent and RWE Supply & Trading.

External gas sales volume[1] January – June	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2014	2013	2014	2013	2014	2013	2014	2013
Supply/Distribution Networks Germany	12.8	17.7	10.2	11.9	23.2	22.1	46.2	51.7
Supply Netherlands/Belgium	18.0	27.4	15.0	24.0	–	–	33.0	51.4
Supply United Kingdom	18.3	27.8	1.1	1.1	3.3	–	22.7	28.9
Central Eastern and South Eastern Europe	8.4	11.6	14.1	16.1	0.8	1.0	23.3	28.7
Trading/Gas Midstream	–	–	10.8	9.1	12.2	19.2	23.0	28.3
RWE Group	**57.5**	**84.5**	**51.2**	**62.2**	**39.5**	**42.3**	**148.2**	**189.0**

1 Excluding discontinued operations (RWE Dea); see page 10.

Gas sales volume down 22%

Our gas sales volume declined by 22% to 148.2 billion kWh. The much milder weather compared to last year clearly left its mark, especially on the residential and commercial customer business. We suffered a substantial drop in sales volume in this supply segment. Customer losses and the aforementioned trend towards saving energy played a minor role. Furthermore, the sale of the UK supply subsidiary Gas Plus Supply to Telecom Plus, which was completed at the end of 2013, caused sales volume to be shifted from the residential and commercial customer group to the distributor segment, as did the divestment of Electricity Plus Supply mentioned earlier. Distributor volume was down nevertheless, in part due to the weather and the expiry of a supply agreement with a key account. In the industrial and corporate customer segment, we felt the mounting competitive pressure, particularly in the Netherlands.

External revenue[1] € million	Jan – Jun 2014	Jan – Jun 2013	+/– %	Jan – Dec 2013
Conventional Power Generation	896	803	11.6	1,570
Supply/Distribution Networks Germany	13,098	13,272	–1.3	25,718
Supply Netherlands/Belgium	2,540	3,770	–32.6	6,308
Supply United Kingdom	4,595	4,715	–2.5	8,982
Central Eastern and South Eastern Europe	2,107	2,644	–20.3	4,852
Renewables	133	200	–33.5	402
Trading/Gas Midstream	1,675	2,289	–26.8	4,499
Other, consolidation	43	46	–6.5	94
RWE Group	**25,087**	**27,739**	**–9.6**	**52,425**
Natural gas tax/electricity tax	1,240	1,482	–16.3	2,677
RWE Group (excluding natural gas tax/electricity tax)	**23,847**	**26,257**	**–9.2**	**49,748**

1 Excluding discontinued operations (RWE Dea) and reflecting adjustments to prior-year figures due to the first-time application of IFRS 11; see page 10.

External revenue 10% down year on year

RWE recorded €25,087 million in external revenue (including natural gas and electricity taxes), 10% less than in the first six months of last year. The significant drop is attributable to the gas business, where revenue dropped by 23% to €6,519 million, largely due to the weather-induced decrease in sales volume. Electricity revenue declined by 2% to €17,014 million. Drops in volume were again the main reason, whereas price increases in the German and UK customer businesses had a counteracting effect. In Germany, some of our regional companies raised tariffs for residential and commercial customers. This was in response to the increase in run-up costs caused predominantly by the apportionment for electricity generated in accordance with the German Renewable Energy Act. Our UK residential tariffs were also higher than in the same period last year after an adjustment in December 2013. One of the price-driving factors is the substantial expenses incurred for energy savings in UK households, which major energy companies are obliged to achieve under the Energy Companies Obligation (ECO) state programme. However, the UK government intends to reduce the ECO burdens. RWE npower took this occasion to lower residential tariffs somewhat as of 28 February 2014. To a limited extent, consolidated revenue was also affected by the sale of business activities and changes in currency exchange rates. Averaged for the first half of the year, the British pound cost €1.22, slightly more than in 2013 (€1.17). Conversely, other currencies of importance to us such as the US dollar and the Czech crown depreciated compared to the euro. Net of material consolidation and currency effects, external revenue decreased by 8%.

External revenue by product[1] € million	Jan – Jun 2014	Jan – Jun 2013	+/– %	Jan – Dec 2013
Electricity revenue	17,014	17,347	–1.9	34,896
of which:				
Supply/Distribution Networks Germany	10,347	10,279	0.7	20,643
Supply Netherlands/Belgium	996	1,263	–21.1	2,278
Supply United Kingdom	3,152	2,945	7.0	6,168
Central Eastern and South Eastern Europe	1,092	1,147	–4.8	2,310
Trading/Gas Midstream	952	1,271	–25.1	2,701
Gas revenue	6,519	8,490	–23.2	14,274
of which:				
Supply/Distribution Networks Germany	2,214	2,394	–7.5	4,128
Supply Netherlands/Belgium	1,507	2,401	–37.2	3,850
Supply United Kingdom	1,211	1,344	–9.9	2,312
Central Eastern and South Eastern Europe	958	1,439	–33.4	2,421
Trading/Gas Midstream	627	911	–31.2	1,561
Other, consolidation	1,554	1,902	–18.3	3,255
RWE Group	**25,087**	**27,739**	**–9.6**	**52,425**

1 Excluding discontinued operations (RWE Dea) and reflecting adjustments to prior-year figures due to the first-time application of IFRS 11; see page 10.

Internal revenue[1] € million	Jan – Jun 2014	Jan – Jun 2013	+/– %	Jan – Dec 2013
Conventional Power Generation	3,791	4,634	–18.2	9,096
Supply/Distribution Networks Germany	561	583	–3.8	1,244
Supply Netherlands/Belgium	14	176	–92.0	186
Supply United Kingdom	135	148	–8.8	277
Central Eastern and South Eastern Europe	108	168	–35.7	292
Renewables	285	295	–3.4	534
Trading/Gas Midstream	11,307	11,480	–1.5	23,627

1 Excluding discontinued operations (RWE Dea) and reflecting adjustments to prior-year figures due to the first-time application of IFRS 11; see page 10.

EBITDA[1] € million	Jan – Jun 2014	Jan – Jun 2013	+/– %	Jan – Dec 2013
Conventional Power Generation	1,036	1,225	–15.4	2,455
of which:				
Continental Western Europe	1,013	1,096	–7.6	2,274
United Kingdom	18	110	–83.6	165
Supply/Distribution Networks Germany	1,375	1,305	5.4	2,316
Supply Netherlands/Belgium	127	315	–59.7	368
Supply United Kingdom	173	244	–29.1	366
Central Eastern and South Eastern Europe	520	771	–32.6	1,281
Renewables	216	231	–6.5	454
Trading/Gas Midstream	109	1,033	–89.4	841
Other, consolidation	–130	–84	–54.8	–177
RWE Group	**3,426**	**5,040**	**–32.0**	**7,904**

1 Excluding discontinued operations (RWE Dea) and reflecting adjustments to prior-year figures due to the first-time application of IFRS 11; see page 10.

Operating result[1] € million	Jan – Jun 2014	Jan – Jun 2013	+/– %	Jan – Dec 2013
Conventional Power Generation	593	690	–14.1	1,384
of which:				
Continental Western Europe	688	697	–1.3	1,451
United Kingdom	–90	–25	–260.0	–76
Supply/Distribution Networks Germany	1,022	971	5.3	1,626
Supply Netherlands/Belgium	98	272	–64.0	278
Supply United Kingdom	133	206	–35.4	290
Central Eastern and South Eastern Europe	409	651	–37.2	1,032
Renewables	81	109	–25.7	203
Trading/Gas Midstream	104	1,029	–89.9	831
Other, consolidation	–169	–135	–25.2	–275
RWE Group	**2,271**	**3,793**	**–40.1**	**5,369**

1 Excluding discontinued operations (RWE Dea) and reflecting adjustments to prior-year figures due to the first-time application of IFRS 11; see page 10.

Operating result down 40% year on year

In the first half of 2014 we achieved EBITDA of €3,426 million and an operating result of €2,271 million. This was 32% and 40% less than in the corresponding period in 2013. The main reason was that the figures for 2013 included substantial extraordinary income from the arbitral ruling in the price revision proceedings with Gazprom (see page 10 of the report on the first half of 2013). In addition, we experienced a deterioration in margins in the conventional electricity generation business and weather-induced revenue shortfalls in gas supply. Furthermore, the earnings of the Czech long-distance gas network operator NET4GAS, which was sold last year, were no longer recognised. Disregarding major deconsolidation and currency effects, EBITDA and the operating result declined by 29% and 37%, respectively.

The operating results of our divisions developed as follows:

- Conventional Power Generation: This division posted an operating result amounting to €593 million, a 14% decrease year on year. The main reason for this is that we realised a lower market price for this year's German and Dutch electricity generation than for last year's production. This was only somewhat cushioned by price-driven relief in the purchase of fuel (especially hard coal) and CO_2 emission allowances. Further earnings shortfalls resulted from the decommissioning of the Didcot A and Tilbury power stations (see page 13). Conversely, continued cost-cutting measures had a positive effect. Moreover, last year we took a non-recurring charge resulting from our topping-up of a provision for impending losses from an electricity purchase agreement. In addition, depreciation was lower year on year. This was largely due to the substantial impairments which we recognised in 2013 for our Dutch generation portfolio.

- Supply/Distribution Networks Germany: The operating result achieved by this division grew by 5% to €1,022 million despite earnings shortfalls in the gas business caused by the weather. Progress made in implementing our efficiency-enhancement programme made a contribution to the supply business closing the first six months up year on year. The operating result posted by our distribution network activities was stable, although the framework conditions in the German electricity network business have become more challenging since the beginning of the new regulatory period, which runs from 2014 to 2018. We benefited from cost-reducing measures here as well. Furthermore, we achieved higher income from the sale of networks.

- Supply Netherlands/Belgium: The operating result posted by this segment totalled €98 million, much less than the year-earlier level (€272 million), which was characterised by positive effects from the release of provisions. The extremely mild weather and competition-induced drop in margins weighed on us in the gas supply business. We recorded additional income from the successful marketing of new supply offerings.

- Supply United Kingdom: This division's operating result dropped by 35% to €133 million. Net of currency effects, the decline was 38% in part due to the rise in expenses associated with network usage as well as electricity and gas purchases. The milder weather also left its mark. In addition, there was an increase in expenses incurred for necessary improvement measures in the customer service business and the implementation of the ECO programme, which was still in its startup phase in last year's corresponding period. The aforementioned sale of the supply subsidiaries Electricity Plus Supply and Gas Plus Supply also had an earnings-reducing impact, because we now only serve their 770,000 customers indirectly via their new owner Telecom Plus, causing us to realise lower margins. RWE npower raised its residential tariffs at the beginning of December 2013 and took extensive measures within the scope of our efficiency-enhancement programme. However, the aforementioned burdens were only partially mitigated.

- Central Eastern and South Eastern Europe: The operating result of this division decreased by 37% to €409 million, in particular due to the divestment of NET4GAS as of 2 August 2013. In the first six months of last year, the Czech long-distance gas network operator contributed earnings of €151 million. Net of the effects of the sale of NET4GAS and currency translation, the Central Eastern and South Eastern Europe Division closed the reporting period down 15% year on year. One of the reasons is that we now recognise certain transactions concluded to hedge currency risks, which had a positive impact on the operating result in 2013, in the non-operating result. In the Czech Republic, the weather-induced drop in gas sales volumes led to earnings shortfalls. Moreover, local gas supply and storage margins declined due to changes in prices. In contrast, the earnings of our Polish electricity activities improved marginally.

- Renewables: RWE Innogy's operating result decreased by 26% to €81 million. This is partially due to the substantial reduction in subsidies for existing renewable energy plants by the Spanish government. The decline in utilisation of our German hydroelectric power stations and the drop in wholesale electricity prices in Continental Europe also weighed on earnings. In addition, we had to recognise an impairment loss on our new biomass-fired power plant near the Scottish town of Markinch because construction was delayed and became more expensive. The station has a net installed electric capacity of 46 MW and began operating commercially in March 2014. Further earnings shortfalls resulted from the fact that we almost entirely transferred our German biomass activities to the Supply/Distribution Networks Germany Division with effect from 1 January 2014. The commissioning of new wind turbines had a positive impact. Furthermore, the operating result achieved in the same period last year reflected one-off charges, partially resulting from the impairment charge on our minority interest in the Spanish solar thermal power station Andasol 3.

- Trading/Gas Midstream: This division posted an operating result of €104 million. We benefited from the settlement reached in the most recent price revision with Gazprom at the end of February 2014. As a result, our gas procurement agreement with the Russian gas group will not curtail our earnings until the next price revision, which is scheduled for June 2016 (see page 7 of the report on the first quarter of 2014). Burdens imposed by gas storage and transmission capacity contracted over the long term, the management and marketing of which do not cover their costs, had a negative effect. Furthermore, the decline in wholesale gas prices caused us to make a downward correction to the valuation of the gas we have stored in Germany and the Netherlands. The performance of the trading business was much better than in 2013. Overall, however, as expected the operating result recorded by the division fell markedly short of the strong figure achieved a year before, which was unusually high because we were granted compensatory payments in the middle of 2013 by an arbitration court for losses incurred from our gas procurement contract with Gazprom.

Non-operating result[1] € million	Jan – Jun 2014	Jan – Jun 2013	+/– € million	Jan – Dec 2013
Capital gains	179	22	157	471
Impact of commodity derivatives on earnings	15	147	–132	72
Goodwill impairment losses	–	–	–	–1,404
Restructuring, other	–56	–1,180	1,124	–4,619
Non-operating result	**138**	**–1,011**	**1,149**	**–5,480**

1 Excluding discontinued operations (RWE Dea); see page 10.

Reconciliation to net income affected by absence of one-off burdens

The non-operating result totalled €138 million, significantly more than the negative figure recorded in last year's corresponding period (–€1,011 million). The main driver was the 'restructuring, other' item, which was curtailed in 2013 by an impairment of about €800 million recognised for our Dutch generation portfolio and the accrual of provisions for risks associated with participations. Moreover, in 2014 we benefited from income on the sale of the Duisburg-Huckingen gas-fired power station, the Hungarian gas business and the Dutch district heating activities. These transactions have been commented on in more detail on page 7 et seq. of the report on the first quarter of 2014. The accounting treatment of certain derivatives with which we hedge price fluctuations resulted in a gain of €15 million compared to €147 million in the same period last year. Pursuant to IFRS, the derivatives are accounted for at fair value at the corresponding balance sheet date, whereas the underlying transactions (which display the opposite development) are only recognised as a profit or loss when they are realised. These timing differences result in short-term effects on earnings, which are neutralised over time.

Financial result[1] € million	Jan – Jun 2014	Jan – Jun 2013	+/– € million	Jan – Dec 2013
Interest income	102	222	–120	316
Interest expenses	–524	–596	72	–1,103
Net interest	**–422**	**–374**	**–48**	**–787**
Interest accretion to non-current provisions	–491	–470	–21	–953
Other financial result	6	–97	103	–165
Financial result	**–907**	**–941**	**34**	**–1,905**

1 Excluding discontinued operations (RWE Dea) and reflecting adjustments to prior-year figures due to the first-time application of IFRS 11; see page 10.

Our financial result improved slightly to –€907 million. However, there was a reduction in the net interest it included, in part because it did not contain exceptional income received in last year's corresponding period. The latter was a result of the interest included in the entitlement to compensation which we were granted in the middle of 2013 for earlier losses on our gas procurement contract with Gazprom. However, in addition to our interest income, our borrowing expenses also dropped, not least due to the low level of market interest rates. The interest accretion to non-current provisions was slightly up. One of the reasons was adjustments to 'other non-current provisions,' resulting from a reduction in discount rates. The 'other financial result' experienced a strong improvement, in particular because we recognised income from the valuation of financial transactions as opposed to the expenses incurred a year before. In addition, we achieved higher book gains on the sale of securities.

Reconciliation to net income[1]		Jan – Jun 2014	Jan – Jun 2013	+/– %	Jan – Dec 2013
EBITDA	€ million	**3,426**	**5,040**	**–32.0**	**7,904**
Operating depreciation and amortisation	€ million	–1,155	–1,247	7.4	–2,535
Operating result	€ million	**2,271**	**3,793**	**–40.1**	**5,369**
Non-operating result	€ million	138	–1,011	113.6	–5,480
Financial result	€ million	–907	–941	3.6	–1,905
Income from continuing operations before tax	€ million	**1,502**	**1,841**	**–18.4**	**–2,016**
Taxes on income	€ million	–412	–804	48.8	–739
Income from continuing operations	€ million	**1,090**	**1,037**	**5.1**	**–2,755**
Income from discontinued operations	€ million	124	161	–23.0	312
Income	€ million	**1,214**	**1,198**	**1.3**	**–2,443**
Minority interest	€ million	138	168	–17.9	210
RWE AG hybrid investors' interest	€ million	52	51	2.0	104
Net income/RWE AG shareholders' share in net income	€ million	**1,024**	**979**	**4.6**	**–2,757**
Recurrent net income	€ million	**749**	**1,988**	**–62.3**	**2,314**
Earnings per share	€	1.67	1.59	5.0	–4.49
Recurrent net income per share	€	1.22	3.23	–62.2	3.76
Number of shares outstanding (average)	millions	614.7	614.7	–	614.7
Effective tax rate	%	27	44	–	–

1 See commentary on page 10.

Income from continuing operations before tax amounted to €1,502 million, 18% less than in 2013. At 27%, our effective tax rate was much lower than the figure for the same period last year (44%), which was characterised by the substantial write-down of deferred taxes in the Netherlands. After tax, income from continuing operations was €1,090 million. This exceeded the comparable figure for 2013 by 5%.

The contribution from discontinued operations (RWE Dea) to income after tax amounted to €124 million, 23% less year on year. One of the factors was a significant rise in RWE Dea's effective tax rate, which is in part due to the fact that the company achieved a higher proportion of its income in countries with high tax rates such as Norway. Furthermore, it realised much lower gas prices than in 2013. This was contrasted by the positive effects of higher production volumes.

The minority interest dropped by 18% to €138 million, because several fully consolidated companies in which third parties hold stakes suffered earnings shortfalls. This primarily affected our Czech gas distribution system operator and certain German regional utilities.

The portion of our earnings attributable to hybrid capital investors amounted to €52 million (first half of 2013: €51 million). This sum corresponds to the finance costs after tax. Of our five hybrid bonds, only two are considered here, namely those which are attributable to equity pursuant to IFRS. These are the issuances of €1,750 million in September 2010 and of £750 million in March 2012.

The developments presented above are the reason for the 5% increase in net income to €1,024 million compared to 2013. Based on the 614.7 million RWE shares outstanding, this corresponds to earnings per share of €1.67 (first half of 2013: €1.59).

Recurrent net income down 62% year on year

The yardstick of our dividend policy is recurrent net income, which is adjusted for exceptional items. When calculating this figure, the non-operating result and the tax on it as well as major non-recurrent effects in the financial result and income taxes are deducted. In the first half of 2014, recurrent net income totalled €749 million, less than half the figure recorded in the same period last year (€1,988 million). This reflects the deterioration in operating activities. Furthermore, the upstream business, which we are selling, is not contributing to recurrent net income in the financial statements for the first half of 2014, as opposed to the €158 million recorded in last year's corresponding period. Only after the completion of the sale will the interest on the purchase price be included in recurrent net income.

Capital expenditure[1] € million	Jan – Jun 2014	Jan – Jun 2013	+/– € million	Jan – Dec 2013
Capital expenditure on property, plant and equipment				
Conventional Power Generation	602	672	–70	1,374
Supply/Distribution Networks Germany	190	178	12	871
Supply Netherlands/Belgium	4	14	–10	28
Supply United Kingdom	55	34	21	106
Central Eastern and South Eastern Europe	95	110	–15	320
Renewables	437	458	–21	1,077
Trading/Gas Midstream	7	2	5	14
Other, consolidation	43	40	3	58
Total	**1,433**	**1,508**	**–75**	**3,848**
Capital expenditure on financial assets	**56**	**33**	**23**	**130**
Total capital expenditure	**1,489**	**1,541**	**–52**	**3,978**

1 Excluding discontinued operations (RWE Dea) and reflecting adjustments to prior-year figures due to the first-time application of IFRS 11; see page 10.

Capital expenditure slightly lower year on year

Our capital expenditure totalled €1,489 million, nearly on a par with the figure recorded in the equivalent period last year. We spent €1,433 million on property, plant and equipment and intangible assets, €75 million less than in the first half of 2013. Capital expenditure on financial assets amounted to €56 million and was therefore of minor significance (first half of 2013: €33 million). The expansion and modernisation of our electricity generation capacity continue to be the focal points of our investing activity. This holds true especially for the Conventional Power Generation Division, in which most of the capital was spent on our new-build power plant programme, which we intend to bring to an end in 2015 on completion of the dual-block hard coal power stations at Hamm (1,528 MW) and Eemshaven (1,554 MW). We also invested heavily in renewable energy. The largest projects in this area are the offshore wind farms Gwynt y Môr off the north coast of Wales (576 MW) and Nordsee Ost near the German island of Heligoland (295 MW), which are scheduled to put all their turbines online in the first half of next year. Capital expenditure in the Supply/Distribution Networks Germany and Central Eastern and South Eastern Europe Divisions was primarily earmarked for measures to improve electricity and gas network infrastructure. In our UK supply business, spending focused on the development and introduction of smart meters.

Cash flow statement[1] € million	Jan – Jun 2014	Jan – Jun 2013	+/– € million	Jan – Dec 2013
Funds from operations	1,632	3,691	–2,059	6,134
Change in working capital	345	–2,584	2,929	–1,331
Cash flows from operating activities of continuing operations	**1,977**	**1,107**	**870**	**4,803**
Cash flows from investing activities of continuing operations	**–1,127**	**–919**	**–208**	**–1,699**
Cash flows from financing activities of continuing operations	**–938**	**–884**	**–54**	**–1,857**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	7	–29	36	–18
Total net changes in cash and cash equivalents[2]	**–81**	**–725**	**644**	**1,229**
Cash flows from operating activities of continuing operations	1,977	1,107	870	4,803
Minus capital expenditure on property, plant and equipment and on intangible assets	–1,433	–1,508	75	–3,843
Free cash flow	**544**	**–401**	**945**	**960**

1 Excluding discontinued operations (RWE Dea) and reflecting adjustments to prior-year figures due to the first-time application of IFRS 11; see page 10.
2 Including discontinued operations, cash and cash equivalents decreased by €88 million in the first half of 2014 and €723 million in the first half of 2013.

Substantial improvement in operating cash flows

The cash flows from operating activities which we achieved from our continuing operations climbed by €870 million, or 79 %, to €1,977 million, despite the deterioration in operating earnings. The difference in the development of earnings and cash flows partially stems from the arbitral ruling on the price revision proceedings with Gazprom in the middle of 2013. The judgement led to significant exceptional income in the interim financial statements for last year's corresponding period, but it did not have an effect on cash flows at the time because we did not receive the compensatory payments we were granted until after 30 June 2013. Our operating cash flows improved considerably year on year in part because we received higher advance payments in our retail business due to changes in prices. In addition, pursuant to a ruling handed down by the Hamburg Fiscal Court, in 2014 we were refunded the nuclear fuel taxes paid for the Emsland power station at Lingen since 2011. Since the decision on the legality of the tax is still pending, we accrued provisions commensurate with the tax refunds, which therefore do not impact on earnings for the time being.

Cash outflows for investing activities in the period under review amounted to €1,127 million, which was less than what we spent on property, plant and equipment as well as on intangible and financial assets. This is due to proceeds from the sale of investments and property, plant and equipment, which are offset. Our financing activities led to cash outflows of €938 million, of which €615 million is allocable to the dividend payment we made in April. Furthermore, we paid dividends to minority interests and pledged collateral for forwards. On balance, the aforementioned cash flows reduced our cash and cash equivalents by €81 million.

Deducting capital expenditure on property, plant and equipment and intangible assets from cash flows from the operating activities of continuing operations results in free cash flow. At €544 million, the latter was much higher than the negative figure recorded in the same period last year (–€401 million).

Net debt[1] € million	30 Jun 2014	31 Dec 2013	+/– %
Cash and cash equivalents	3,857	3,950	–2.4
Marketable securities	3,655	3,262	12.0
Other financial assets	1,720	1,156	48.8
Financial assets	**9,232**	**8,368**	**10.3**
Bonds, other notes payable, bank debt, commercial paper	16,819	16,224	3.7
Other financial liabilities	2,348	2,464	–4.7
Financial liabilities	**19,167**	**18,688**	**2.6**
Net financial debt	**9,935**	**10,320**	**–3.7**
Provisions for pensions and similar obligations	6,682	6,227	7.3
Provisions for nuclear waste management	10,578	10,411	1.6
Mining provisions	2,475	2,952	–16.2
Adjustment for hybrid capital (portion of relevance to the rating)	818	817	0.1
Plus 50% of the hybrid capital stated as equity	1,355	1,351	0.3
Minus 50% of the hybrid capital stated as debt	–537	–534	–0.6
Net debt of continuing operations	**30,488**	**30,727**	**–0.8**
Net debt of discontinued operations	**964**	**–**	**–**
Net debt of the RWE Group	**31,452**	**30,727**	**2.4**

1 Including RWE Dea, which is reported under 'net debt of discontinued operations' for 2014, and reflecting adjustments made to prior-year figures due to the first-time application of IFRS 11; see page 10.

Marginal rise in net debt

Our net debt was slightly up since the end of 2013, amounting to €31.5 billion as of 30 June 2014. It includes the net debt of RWE Dea (€964 million), which is disclosed as 'net debt of discontinued operations' in the table above. In contrast, figures for last year's corresponding period are presented using the old methodology. The increase in net debt is mainly due to the rise in provisions for pensions, with our dividend payments also playing a role. Provisions for pensions grew because we reduced the discount rate from 3.5% to 3.0% for pension obligations in Germany and from 4.3% to 4.1% for those in the United Kingdom. By making these adjustments, we are taking account of the change in market interest rates. There was hardly any effect on net debt from our disclosure of much lower provisions for mining in 2014, as this change is largely due to the fact that the portion of provisions allocable to RWE Dea was reclassified to 'net debt of discontinued operations.' In contrast, the positive free cash flow strengthened our financial position. The same holds true for our proceeds from asset disposals, which amounted to €0.5 billion.

Balance sheet structure[1]	30 Jun 2014		31 Dec 2013	
	€ million	%	€ million	%
Assets				
Non-current assets	54,139	63.5	56,905	69.9
Intangible assets	12,764	15.0	13,409	16.5
Property, plant and equipment	31,599	37.1	34,217	42.0
Current assets	31,144	36.5	24,476	30.1
Receivables and other assets[2]	17,281	20.3	15,326	18.8
Assets held for sale	4,564	5.4	–	–
Total	**85,283**	**100.0**	**81,381**	**100.0**
Equity and liabilities				
Equity	11,727	13.8	12,137	14.9
Non-current liabilities	45,662	53.5	47,383	58.2
Provisions	27,463	32.2	27,351	33.6
Financial liabilities	15,071	17.7	16,539	20.3
Current liabilities	27,894	32.7	21,861	26.9
Other liabilities[3]	15,863	18.6	13,323	16.4
Liabilities held for sale	2,248	2.6	–	–
Total	**85,283**	**100.0**	**81,381**	**100.0**

1 Including RWE Dea, which is reported under 'assets held for sale' for 2014, and reflecting adjustments made to prior-year figures due to the first-time application of IFRS 11; see page 10.
2 Including financial accounts receivable, trade accounts receivable and tax refund claims.
3 Including financial accounts payable and income tax liabilities.

Balance sheet structure: equity ratio of 13.8%

As of 30 June 2014, we had a balance sheet total of €85.3 billion as opposed to €81.4 billion as of 31 December 2013. For the current fiscal year, we will report RWE Dea under 'assets held for sale' (€4.6 billion) and 'liabilities held for sale' (€2.2 billion). Last years's corresponding figures were not adjusted accordingly in compliance with IFRS. The change in the presentation of RWE Dea did not affect the development of the balance sheet total, but it did impact on certain items on the balance sheet. On the assets side, intangible assets declined by €0.6 billion and property, plant and equipment decreased by €2.6 billion, whereas accounts receivable and other assets rose by €2.2 billion. On the equity and liabilities side, provisions were down by €0.5 billion, as opposed to accounts payable, which were up by €2.7 billion. Including RWE Dea, the RWE Group's equity decreased by €0.4 billion to €11.7 billion. Accordingly, its share of the balance sheet total (the equity ratio) dropped by 1.1 percentage points to 13.8%. A central role was played by the adjustment to the discount rate applicable to provisions for pensions mentioned on page 23.

Workforce[1]	30 Jun 2014	31 Dec 2013	+/– %
Conventional Power Generation	15,962	16,311	–2.1
Supply/Distribution Networks Germany	18,758	19,127	–1.9
Supply Netherlands/Belgium	2,791	3,115	–10.4
Supply United Kingdom	8,246	8,730	–5.5
Central Eastern and South Eastern Europe	9,966	10,062	–1.0
Renewables	1,195	1,482	–19.4
Trading/Gas Midstream	1,468	1,524	–3.7
Other[2]	4,307	4,545	–5.2
RWE Group	**62,693**	**64,896**	**–3.4**
In Germany	37,232	38,197	–2.5
Outside of Germany	25,461	26,699	–4.6

1 Converted to full-time positions. RWE Dea, which is no longer included in the figures for 2014 and 2013, had 1,433 employees on its payroll as of the balance sheet date (end of 2013: 1,445).
2 As of 30 June 2014, 1,990 thereof were accounted for by RWE IT (end of 2013; 2,239), 1,144 were accounted for by RWE Service (end of 2013: 1,650), 688 were accounted for by RWE Group Business Services (end of 2013: 96) and 389 were accounted for by the holding company RWE AG (end of 2013: 456).

Headcount down by about 2,200

The RWE Group had 62,693 people on its payroll as of 30 June 2014. Part-time positions were included in this figure on a prorated basis. Since the end of 2013, 2,203 employees have left the Group, 965 of whom worked at our German sites and 1,238 of whom worked at locations outside Germany. We recorded declines across all divisions. Efficiency measures played a central role. Furthermore, sales and acquisitions of companies took a net 609 people off the Group's payroll. The single-largest effect (–620) was the deconsolidation of the IT service provider GISA, which is domiciled in Halle, Germany.

OUTLOOK

Development of the economy in 2014: experts predict upturn

Based on the most recent forecasts, global economic output will be approximately 3% higher this year than in 2013. In the Eurozone, measures required to consolidate state budgets may well continue to curtail growth. The currency union's gross domestic product (GDP) might increase by 1% after having declined in 2013. Relative to the aforementioned, Germany's prospects are brighter: according to the German Council of Economic Experts, the country's economic output may rise by 1.9% in 2014. Growth stimulus is expected to be provided primarily by the strong labour market and the increase in disposable income. GDP is currently expected to rise marginally at best in the Netherlands and by over 1% in Belgium. Economic output in the United Kingdom may well expand by more than 2%. Experts anticipate growth of 3% in Poland and of 2% in both the Czech Republic and Hungary.

Decline in electricity and gas consumption in Western Europe anticipated

This year, the development of energy usage is being determined by mutually opposing effects. Whereas positive stimulus is expected to come from economic growth, the unusually high temperatures to date and continued energy savings are having a dampening impact. Our electricity consumption forecast envisages the latter factors prevailing in Germany, the Netherlands and the United Kingdom and includes the expectation of corresponding declines. Conversely, minor increases in consumption may be achieved in our Central Eastern European electricity markets, namely Hungary, Poland and the Czech Republic. Demand for gas may well be down year on year in most RWE markets due to the weather. Gas-fired power plants are not expected to stimulate demand, as the capacity utilisation of these facilities is likely to worsen further compared to 2013.

German forward electricity prices: signs of bottoming out

German wholesale electricity forward prices have recently stabilised at a low level. There are indications that they have bottomed out. One reason for this is that a large number of power stations are being closed. Furthermore, there are several signs that hard coal prices have also troughed. This is important as the generation costs of hard coal-fired power stations have a substantial influence on the formation of prices on the German electricity market. The development of gas prices will partly depend on how the crisis in Ukraine progresses. CO_2 emission allowance trading is also very much subject to political influence: certificate prices may rise if the EU member states agree on more ambitious climate protection goals or further measures to reduce the number of available emission allowances. However, none of this will have a significant effect on our earnings in the current fiscal year as we have already sold nearly all of our electricity generation for 2014 and hedged the prices of the required fuel and emission allowances.

Group earnings forecast unchanged

We largely confirm the forecast for this year's business trend, which we published on pages 26 et seqq. of the report on the first quarter of 2014. Only in the Renewables Division has our earnings expectations worsened. The outlook for the Group as a whole remains unchanged. In line with the methodology applied for the first half of the year, we are disclosing the upstream business as a 'discontinued operation' in the financial statements for fiscal 2014 and 2013. Our forecast for revenue, EBITDA, the operating result and capital expenditure therefore no longer considers RWE Dea. Recurrent net income includes the interest on the sale price we will receive from LetterOne for the period from 1 January 2014 to the closing of the transaction. We assume that RWE Dea will be deconsolidated by the end of 2014.

Outlook for fiscal 2014[1]	2013 actual € million	May 2014 forecast	Update
External revenue	52,425	In the order of €51 billion	–
EBITDA	7,904	€6.4 billion to €6.8 billion	–
Operating result	5,369	€3.9 billion to €4.3 billion	–
Conventional Power Generation	1,384	Significantly below previous year	–
Supply/Distribution Networks Germany	1,626	Moderately above previous year	–
Supply Netherlands/Belgium	278	Significantly below previous year	–
Supply United Kingdom	290	Moderately below previous year	–
Central Eastern and South Eastern Europe	1,032	Significantly below previous year	–
Renewables	203	Moderately above previous year	Significantly below previous year
Trading/Gas Midstream	831	Significantly below previous year	–
Recurrent net income	2,314	€1.2 billion to €1.4 billion	–

1 Deviating from the outlook published on pages 101 et seqq. of the 2013 Annual Report, RWE Dea is being considered under 'discontinued operations' for 2014 and 2013 – furthermore, the first-time application of IFRS 11 required prior-year figures to be adjusted; see page 10.

Excluding RWE Dea, we anticipate consolidated external revenue in fiscal 2014 in the order of €51 billion, EBITDA of €6.4 billion to €6.8 billion and an operating result of €3.9 billion to €4.3 billion. Recurrent net income including the interest on the sale price for RWE Dea is expected to total between €1.2 billion and €1.4 billion.

We expect the operating results of our divisions to develop as follows:

- Conventional Power Generation: Here, we anticipate that earnings will drop significantly. We have already sold most of this year's electricity generation. Overall, the margins we realised were smaller than in 2013. In addition, expenses incurred to maintain our power plants will probably rise compared to last year, when very few plant overhauls were undertaken. In addition, the Didcot A and Tilbury power stations, which were decommissioned last year, stopped contributing to earnings. This will be contrasted by the positive effects of efficiency-enhancement measures and lower depreciation. Furthermore, the exceptional burden experienced last year from the increase in provisions for impending losses from an electricity supply contract, will not recur this year.

- Supply/Distribution Networks Germany: Despite weather-induced earnings shortfalls, the operating result achieved by this division should post a moderate rise. Our efficiency-enhancement programme will be the key contributing factor. Furthermore, we anticipate that the sale of network assets will result in higher earnings compared to 2013.

- Supply Netherlands/Belgium: The operating result of this division will probably decrease significantly, primarily due to the unusually mild weather and decline in gas sales margins. In addition, we released a substantial amount of provisions in 2013. Conversely, we expect to see a positive effect from the marketing of new supply offerings.

- Supply United Kingdom: Competition in the retail business is becoming tougher in the United Kingdom and at the same time the regulatory environment is becoming tighter. In 2014 we expect a significant increase in network fees as well as weather-induced earning shortfalls. In addition, the customers of the two divested supply companies Electricity Plus Supply and Gas Plus Supply are now only supplied by us indirectly, which reduces our margins. Furthermore, improvement measures in the customer service business will result in one-off costs. Despite all these factors, the operating result of RWE npower will probably only decrease moderately. Efficiency enhancements and the adjustments to residential tariffs as of December 2013 will curtail the decline in earnings. Our expenditure under the ECO programme will probably be lower than in 2013. However, we have passed the relief on to our residential customers through a corresponding reduction in tariffs (see page 15).

- Central Eastern and South Eastern Europe: The earnings level posted by this division will be significantly down year on year, primarily due to the sale of NET4GAS in August 2013. Last year, the Czech long-distance gas network operator contributed €171 million to the operating result. However, even without this deconsolidation effect, the division is likely to close the financial year with earnings down on last year's figure, which contained substantial exceptional income from transactions used to hedge currency risks. In the Czech Republic, we expect margins in the gas business to shrink across all stages of the value chain (storage, distribution and supply). In addition, the electricity prices realisable by power plant operators have also declined in Hungary. This will be reflected in the earnings of our lignite-based electricity generator Mátra.

- Renewables: We previously expected RWE Innogy to close 2014 moderately up year on year. Now we anticipate a significant decline in earnings. Reasons include an impairment for our new biomass facility near the Scottish town of Markinch and the low utilisation of our German run-of-river power plants to date (see page 13). This was not considered in our original planning. In addition, the substantial deterioration in conditions for generating renewable energy in Spain is imposing a huge burden on us. Furthermore, the biomass activities transferred to the Supply/Distribution Networks Germany Division no longer contribute to RWE Innogy's operating result. This is contrasted by efficiency improvements and the gradual commissioning of new generation capacity.

- Trading/Gas Midstream: The operating result posted by this division will be considerably lower compared to last year, when it was unusually high due to the successful arbitration proceedings relating to our gas purchasing agreement with Gazprom. Disregarding this, earnings from the gas midstream business should improve further. The basis for this is the positive outcome of the most recent price revision regarding the contract with Gazprom. However, we continue to anticipate adverse effects from gas storage and transmission capacities contracted over the long term. We are optimistic about being able to exceed last year's result in the energy trading business.

Dividend payout ratio of 40% to 50% planned

Our dividend proposal for the current fiscal year will be in line with a payout ratio of 40% to 50%. The basis for calculating the dividend is recurrent net income. As mentioned earlier, recurrent net income is expected to total between €1.2 billion and €1.4 billion.

€3.5 billion earmarked for capital expenditure on property, plant and equipment in 2014

Our capital expenditure on property, plant and equipment and intangible assets from 2014 to 2016 will total about €8 billion (without RWE Dea). About €3 billion of the sum has been set aside for the maintenance and expansion of our electricity and gas networks. Approximately €1 billion in capital expenditure has been earmarked for the expansion of electricity generation from renewables. Here, we will focus on the construction of onshore and offshore wind farms. We are also spending capital on the completion of the dual-block hard coal-fired power plants at Hamm (1,528 MW) and Eemshaven (1,554 MW), the last two facilities in our new-build power plant programme. In 2014, capital invested in property, plant and equipment and intangible assets is expected to total about €3.5 billion.

Net debt in the order of €26 billion expected

The RWE Group's net debt will drop considerably due to the anticipated sale of RWE Dea. By the end of 2014, our net debt should be in the order of €26 billion (fiscal 2013: €30.7 billion). However, the leverage factor, the ratio of net debt to EBITDA, should be much higher than the 3.5 recorded in 2013. Our goal is to return it below our self-imposed upper limit of 3.0 over the medium term. One of the ways in which we intend to accomplish this is by fully financing our capital expenditure and dividend payments using cash flows from operating activities from 2015 onwards.

Continued headcount reduction

Our workforce will shrink compared to 2013, even disregarding RWE Dea, which we are selling. The basis for this are efficiency enhancements which will result in redundancies, particularly in the UK supply business. The deconsolidation of subsidiaries will contribute to the decline in personnel to a limited extent.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

Change in the risk and opportunity situation since the beginning of the year

Uncertain political framework conditions, changing market structures and volatile electricity and fuel prices bring huge entrepreneurial challenges, making professional risk management more important than ever. To us, the systematic recording, assessment and control of risks is a key element of good corporate governance. It is equally important to identify and take advantage of opportunities.

We have reported on the organisation and processes of our risk management, the organisational units entrusted with it, the major risks and opportunities, and measures taken to control and monitor risks in detail on pages 88 to 99 of our 2013 Annual Report. Since then, there has only been one significant change. It relates to our gas purchasing contract with Gazprom. Thanks to the agreement reached with the Russian gas group at the end of February 2014, we will not incur losses from the contract until June 2016 (see page 7 of the report on the first quarter of 2014).

Current key value at risk figures

We control and monitor risks arising from the volatility of commodity prices and financial risks using indicators such as the value at risk (VaR). The VaR specifies the maximum loss from a risk position not exceeded with a given probability over a certain period of time. The VaR figures within the RWE Group are generally based on a confidence interval of 95%. The assumed holding period for a position is one day. This means that, with a probability of 95%, the daily loss will not exceed the VaR.

The central risk controlling parameter for commodity positions is the global VaR, which relates to the trading business of RWE Supply & Trading and may not exceed €40 million. It averaged €10 million in the first half of 2014 compared to €9 million in the same period last year. As in 2013, its maximum daily value was €14 million.

As regards interest risks, we differentiate between two categories. On the one hand, rises in interest rates can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for our securities price risk associated with our capital investments in the period under review averaged €4 million (first half of 2013: €5 million). We measure the sensitivity of interest payments with respect to rises in market interest rates using the cash flow at risk. We apply a confidence level of 95% and a holding period of one year. The cash flow at risk averaged €9 million (first half of 2013: €10 million).

The securities we hold in our portfolio include shares. The VaR for the risk associated with changes in share prices averaged €5 million (first half of 2013: €7 million). The VaR for our foreign currency position remained below €1 million.

RESPONSIBILITY STATEMENT

To the best of our knowledge, in accordance with the applicable reporting principles for interim consolidated reporting, and in adherence to the principles of proper accounting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group review of operations includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Essen, 12 August 2014

The Executive Board

Terium

Schmitz

Günther

Tigges

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement[1]

€ million	Apr – Jun 2014	Apr – Jun 2013	Jan – Jun 2014	Jan – Jun 2013
Revenue (including natural gas tax/electricity tax)	**10,873**	**12,146**	**25,087**	**27,739**
Natural gas tax/electricity tax	−476	−585	−1,240	−1,482
Revenue	**10,397**	**11,561**	**23,847**	**26,257**
Cost of materials	−7,923	−7,601	−17,515	−17,930
Staff costs	−1,208	−1,279	−2,442	−2,546
Depreciation, amortisation, and impairment losses	−592	−1,518	−1,155	−2,151
Other operating result	−332	−550	−613	−880
Income from investments accounted for using the equity method	98	95	204	201
Other income from investments	74	−171	83	−169
Financial income	127	205	318	386
Finance costs	−583	−714	−1,225	−1,327
Income from continuing operations before tax	**58**	**28**	**1,502**	**1,841**
Taxes on income	−49	−396	−412	−804
Income from continuing operations	**9**	**−368**	**1,090**	**1,037**
Income from discontinued operations	82	65	124	161
Income	**91**	**−303**	**1,214**	**1,198**
of which: minority interest	36	60	138	168
of which: RWE AG hybrid capital investors' interest	26	25	52	51
of which: net income/income attributable to RWE AG shareholders	**29**	**−388**	**1,024**	**979**
Basic and diluted earnings per common and preferred share in €	**0.05**	**−0.63**	**1.67**	**1.59**
of which: from continuing operations in €	−0.08	−0.74	1.47	1.33
of which: from discontinued operations in €	0.13	0.11	0.20	0.26

1 Prior-year figures adjusted.

Statement of comprehensive income[1,2]

€ million	Apr – Jun 2014	Apr – Jun 2013	Jan – Jun 2014	Jan – Jun 2013
Income	**91**	**–303**	**1,214**	**1,198**
Actuarial gains and losses of defined benefit pension plans and similar obligations	–152	–89	–326	–98
Income and expenses of investments accounted for using the equity method (pro rata)	–12		–12	–3
Income and expenses recognised in equity, not to be reclassified through profit or loss	**–164**	**–89**	**–338**	**–101**
Currency translation adjustment	54	–75	22	–316
Fair valuation of financial instruments available for sale	30	–46	39	–5
Fair valuation of financial instruments used for hedging purposes	–40	–178	–567	–305
Income and expenses of investments accounted for using the equity method (pro rata)	42	27	42	37
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**86**	**–272**	**–464**	**–589**
Other comprehensive income	**–78**	**–361**	**–802**	**–690**
Total comprehensive income	**13**	**–664**	**412**	**508**
of which: attributable to RWE AG shareholders	(–40)	(–740)	(319)	(332)
of which: attributable to RWE AG hybrid capital investors	(26)	(25)	(52)	(51)
of which: attributable to minority interests	(27)	(51)	(41)	(125)

1 Figures stated after taxes.
2 Prior-year figures adjusted.

Balance sheet[1]

Assets € million	30 Jun 2014	31 Dec 2013	1 Jan 2013
Non-current assets			
Intangible assets	12,764	13,409	16,247
Property, plant and equipment	31,599	34,217	37,108
Investment property	86	96	111
Investments accounted for using the equity method	3,194	3,253	3,321
Other financial assets	912	917	988
Receivables and other assets	1,976	1,749	2,094
Deferred taxes	3,608	3,264	3,586
	54,139	**56,905**	**63,455**
Current assets			
Inventories	2,165	2,387	3,155
Trade accounts receivable	6,820	7,964	8,045
Receivables and other assets	10,461	7,362	8,419
Marketable securities	3,277	2,813	2,633
Cash and cash equivalents	3,857	3,950	2,724
Assets held for sale	4,564		
	31,144	**24,476**	**24,976**
	85,283	**81,381**	**88,431**

Equity and liabilities € million	30 Jun 2014	31 Dec 2013	1 Jan 2013
Equity			
RWE AG shareholders’ interest	7,436	7,738	12,171
RWE AG hybrid capital investors' interest	2,710	2,701	2,702
Minority interest	1,581	1,698	1,616
	11,727	**12,137**	**16,489**
Non-current liabilities			
Provisions	27,463	27,351	28,179
Financial liabilities	15,071	16,539	15,417
Other liabilities	2,316	2,234	2,715
Deferred taxes	812	1,259	1,358
	45,662	**47,383**	**47,669**
Current liabilities			
Provisions	5,687	6,389	4,811
Financial liabilities	4,096	2,149	4,529
Trade accounts payable	4,857	6,440	7,336
Other liabilities	11,006	6,883	7,597
Liabilities held for sale	2,248		
	27,894	**21,861**	**24,273**
	85,283	**81,381**	**88,431**

1 Prior-year figures adjusted.

Cash flow statement[1]

€ million	Jan – Jun 2014	Jan – Jun 2013
Income from continuing operations	1,090	1,037
Depreciation, amortisation, impairment losses/write-backs	1,147	2,163
Changes in provisions	–342	455
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	–263	36
Changes in working capital	345	–2,584
Cash flows from operating activities of continuing operations	**1,977**	**1,107**
Cash flows from operating activities of discontinued operations	385	345
Cash flows from operating activities	**2,362**	**1,452**
Capital expenditure on non-current assets/acquisitions	–1,472	–1,535
Proceeds from disposal of assets/divestitures	480	479
Changes in marketable securities and cash investments	–135	137
Cash flows from investing activities of continuing operations	**–1,127**	**–919**
Cash flows from investing activities of discontinued operations	–318	–329
Cash flows from investing activities	**–1,445**	**–1,248**
Cash flows from financing activities of continuing operations	**–938**	**–884**
Cash flows from financing activities of discontinued operations	–74	–14
Cash flows from financing activities	**–1,012**	**–898**
Net cash change in cash and cash equivalents	–95	–694
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	7	–29
Net change in cash and cash equivalents	**–88**	**–723**
Cash and cash equivalents at the beginning of the reporting period as per the consolidated balance sheet	3,950	2,724
Cash and cash equivalents at the end of the reporting period	3,862	2,001
of which: reported as "Assets held for sale"	–5	
Cash and cash equivalents at the end of the reporting period as per the consolidated balance sheet	**3,857**	**2,001**

1 Prior-year figures adjusted.

Statement of changes in equity[1]

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Accumulated other comprehensive income	**RWE AG share-holders' interest**	RWE AG hybrid capital investors' interest	Minority interest	**Total**
Balance at 1 Jan 2013	**3,959**	**8,713**	**−501**	**12,171**	**2,702**	**1,616**	**16,489**
Capital repayments						−13	−13
Dividends paid		−1,229		−1,229	−64	−170	−1,463
Income		979		979	51	168	1,198
Other comprehensive income		−87	−560	−647		−43	−690
Total comprehensive income		892	−560	332	51	125	508
Other changes		−50		−50	20	171	141
Balance at 30 Jun 2013	**3,959**	**8,326**	**−1,061**	**11,224**	**2,709**	**1,729**	**15,662**
Balance at 1 Jan 2014	**3,959**	**5,062**	**−1,283**	**7,738**	**2,701**	**1,698**	**12,137**
Capital paid in						43	43
Dividends paid		−615		−615	−63	−206	−884
Income		1,024		1,024	52	138	1,214
Other comprehensive income		−248	−457	−705		−97	−802
Total comprehensive income		776	−457	319	52	41	412
Other changes		−6		−6	20	5	19
Balance at 30 Jun 2014	**3,959**	**5,217**	**−1,740**	**7,436**	**2,710**	**1,581**	**11,727**

1 Prior-year figures adjusted.

NOTES

Accounting policies

RWE AG, headquartered at Opernplatz 1, 45128 Essen, Germany, is the parent company of the RWE Group ("RWE" or "Group").

The interim consolidated financial statements as of 30 June 2014 were approved for publication on 12 August 2014. They have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of the interim consolidated financial statements for the period ended 30 June 2014 was condensed compared with the scope applied to the consolidated financial statements for the period ended 31 December 2013. With the exception of the changes and new rules described below, this consolidated interim report was prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2013. For further information, please see the Group's 2013 Annual Report, which provides the basis for this interim consolidated report.

The discount rate applied to provisions for nuclear waste management and provisions for mining damage is 4.6% (31 December 2013: 4.6%). Provisions for pensions and similar obligations are discounted at an interest rate of 3.0% in Germany and 4.1% abroad (31 December 2013: 3.5% and 4.3%, respectively).

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved several amendments to existing International Financial Reporting Standards (IFRSs) and new IFRSs, which became effective for the RWE Group as of fiscal 2014:

IFRS 10 Consolidated Financial Statements (2011) replaces the previous regulations of IAS 27 and of SIC-12 for consolidation. According to IFRS 10 (2011), the following three requirements must be cumulatively fulfilled in order for control to exist: power over the relevant activities, a right to variable returns from the investee, and the ability to use power over the investee to affect the amount of the variable returns. First-time application of the Standard will not result in any changes to the scope of consolidation of RWE AG.

IFRS 11 Joint Arrangements (2011) replaces the previous regulations of IAS 31 and of SIC-13 for the accounting treatment of joint ventures. IFRS 11 (2011) regulates the accounting treatment of cases in which a company is managed jointly or an activity is carried out jointly. A further amendment is that in the future proportionate consolidation will no longer be allowed. RWE had not exercised this option in the past anyway.

As a result of first-time application of the new Standard, starting from fiscal 2014 certain investments which have so far been accounted for using the equity method will be reported as joint operations. In the future, reporting will no longer cover the investments and related balance-sheet items, but rather the assets and liabilities of the companies which are attributable to RWE. The retrospective application of these rules for the first time has the following effects on the consolidated balance sheet as of 31 December 2013 and as of 1 January 2013:

€ million	31 Dec 2013	1 Jan 2013
Intangible assets	211	230
Property, plant and equipment	912	1,102
Investments accounted for using the equity method	−1,001	−304
Receivables and other assets	2	−930
Other assets	138	155
Provisions	232	188
Other liabilities	30	65

There were no changes in income.

IFRS 12 Disclosure of Interests in Other Entities (2011) encompasses the disclosure obligations resulting from the application of IFRS 10, IFRS 11 and IAS 28. These disclosure obligations should enable users of financial statements to evaluate the risks and financial implications resulting from subsidiaries, joint ventures and joint operations, associated companies and unconsolidated structured entities. RWE AG's consolidated financial statements for the period ending 31 December 2014 will contain the additional information for the first time.

The following amendments to standards, which become effective from fiscal 2014 onwards for the RWE Group, do not have any material effects on the RWE Group's consolidated financial statements:

- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (2012)
- Amendments to IFRS 10, IFRS 11, and IFRS 12 Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interest in Other Entities: Transition Guidance (2012)
- Amendments to IAS 32 Financial Instruments: Presentation (2011)
- IAS 27 Separate Financial Statements (2011)
- IAS 28 Investments in Associates and Joint Ventures (2011)

Due to changes in market conditions and the associated changes in power plant deployment, the economic useful life of conventional power plants was adjusted with effect from 1 January 2014. In the first half of 2014, this led to a €65 million decline in depreciation.

Scope of consolidation

In addition to RWE AG, the consolidated financial statements contain all material German and foreign companies which RWE AG controls directly or indirectly. Principal associates are accounted for using the equity method, and principal joint ventures are accounted for using the equity method or as joint operations.

Number of fully consolidated companies	Germany	Abroad	Total
1 Jan 2014	160	197	357
First-time consolidation	4	5	9
Deconsolidation	–4	–6	–10
Mergers	–3	–6	–9
30 Jun 2014	157	190	347

Furthermore, two companies are presented as joint operations.

The following summaries show the changes in the number of fully consolidated companies, investments accounted for using the equity method and joint ventures:

Number of investments and joint ventures accounted for using the equity method[1]	Germany	Abroad	Total
1 Jan 2014	73	29	102
Acquisitions	–	–	–
Disposals	–1	–2	–3
Transformations	–	–3	–3
30 Jun 2014	72	24	96

1 Prior-year figures adjusted.

Disposals

FÖGÁZ

On 18 December 2013, RWE and the Hungarian energy utility MVM signed a contract for acquisition of RWE's 49.83 % stake in the FÖGÁZ Group. The transaction has a volume of HUF 41 billion. The shares were transferred in April 2014 after receiving the outstanding approvals from the relevant authorities and the City of Budapest. The company was assigned to the Central Eastern and South Eastern Europe Segment.

Dutch district heating activities

The sale of the district heating activities of Essent Local Energy Solutions (ELES) to the Dutch mutual pension fund PGGM and energy service provider Dalkia was completed on 6 March 2014. The district heating activities were assigned to the Supply Netherlands/Belgium Segment. In addition and among other things, PGGM and Dalkia also acquired the combined-cycle gas turbine power plants connected to the district heat network, which belonged to the Conventional Power Generation Segment.

Duisburg-Huckingen gas-fired power station

RWE sold a gas-fired power station in Duisburg-Huckingen to Hüttenwerke Krupp Mannesmann GmbH (HKM) for €99 million on 26 February 2014. The gas-fired power station was assigned to the Conventional Power Generation Segment.

Discontinued operations

RWE Dea

On 28 March 2014, RWE AG and the LetterOne Group signed a contract for the sale of RWE Dea AG (Upstream Gas & Oil Segment), in which the RWE Group's gas and oil production activities are pooled. The transaction is based on an enterprise value of about €5.1 billion. The Supervisory Board of RWE AG approved the sale in April 2014. The transaction is subject to authority approvals. It is expected to be completed during 2014. RWE Dea is accounted for as a discontinued operation.

Key figures for the activities of RWE Dea are presented in the following tables:

Key figures for RWE Dea € million	30 Jun 2014
Non-current assets	3,940
Current assets	624
Non-current liabilities	1,217
Current liabilities	1,031

Key figures for RWE Dea € million	Jan – Jun 2014	Jan – Jun 2013
Revenue (including natural gas tax)	1,027	1,031
Expenses/income	−667	−718
Income from discontinued operations before tax	360	313
Taxes on income	−236	−152
Income from discontinued operations	124	161

Income and expenses directly recognised in equity cumulatively (accumulated other comprehensive income) of discontinued operations amounted to −€94 million (31 December 2013: −€94 million).

€200 million (previous year: €211 million) of the share of RWE AG shareholders in the sum of recognised income and expenses (total comprehensive income) was allocable to continuing operations and €119 million (previous year: €121 million) was allocable to discontinued operations.

Revenue

Revenue generated by energy trading operations is stated as net figures, i. e. only reflecting realised gross margins.

Share-based payment

Information was provided on share-based payment plans for executive staff at RWE AG and at subsidiaries in the consolidated financial statements for the period ended 31 December 2013.

In the first quarter of 2014, another tranche was issued within the framework of the Long-Term Incentive Plan for executive staff ("Beat 2010").

Dividend distribution

RWE AG's 16 April 2014 Annual General Meeting decided to pay a dividend of €1.00 per individual, dividend-bearing share for fiscal 2013 (fiscal 2012: €2.00). The dividend payment totalled €615 million.

Financial liabilities

In February 2014, a €500 million bond with a coupon of 3.0% p.a. and a tenor expiring in January 2024 issued by RWE Finance B.V. in October 2013 was topped up by €300 million, and a €439 million bond with a coupon of 3.5% p.a. and a tenor ending in October 2037 issued by RWE AG in October 2012 was topped up by €61 million.

Earnings per share

		Jan – Jun 2014	Jan – Jun 2013
Net income/income attributable to RWE AG shareholders	€ million	1,024	979
Number of shares outstanding (weighted average)	thousands	614,745	614,745
Basic and diluted earnings per common and preferred share	€	1.67	1.59

Related party disclosures

The RWE Group classifies associated companies and joint ventures as related parties. In the first half of 2014, transactions concluded with material related parties generated €2,132 million in income (first half of 2013: €1,856 million) and €1,633 million in expenses (first half of 2013: €1,502 million). As of 30 June 2014, accounts receivable amounted to €961 million (31 December 2013: €164 million), and accounts payable totalled €296 million (31 December 2013: €110 million). All business transactions are concluded at arm's length conditions and on principle do not differ from those concluded with other companies. Other obligations from executory contracts amounted to €1,384 million (31 December 2013: €1,942 million).

Reporting on financial instruments

Financial instruments are divided into non-derivative and derivative. Non-derivative financial assets essentially include other financial assets, accounts receivable, marketable securities and cash and cash equivalents. Financial instruments in the "available for sale" category are recognised at fair value, and other non-derivative financial assets at amortised cost. On the liabilities side, non-derivative financial instruments principally include liabilities recorded at amortised cost.

The fair value of financial instruments "available for sale" which are reported under other financial assets and securities is the published exchange price, insofar as the financial instruments are traded on an active market. The fair value of non-quoted debt and equity instruments is determined on the basis of discounted expected payment flows. Current market interest rates corresponding to the term and remaining maturity are used for discounting.

Derivative financial instruments are recognised at their fair values as of the balance-sheet date, insofar as they fall under the scope of IAS 39. Exchange-traded products are measured using the published closing prices of the relevant exchange. Non-exchange traded products are measured on the basis of publicly available broker quotations or, if such quotations are not available, of generally accepted valuation methods. In doing so, we draw on prices on active markets as much as possible. If such are not available, company-specific planning estimates are used in the measurement process. These estimates encompass all of the market factors which other market participants would take into account in the course of price determination. Assumptions pertaining to the energy sector and economy are made within the scope of a comprehensive process conducted by an independent team in RWE AG's Group Strategy Department, with the involvement of both in-house and external experts. The assumptions are coordinated and agreed upon with the operating subsidiaries in a joint steering committee within the Group and approved as binding budgeting data by the Executive Board.

The fair value of a group of financial assets and financial liabilities is measured based on the net risk position for each business partner in accordance with IFRS 13.48.

As a rule, the carrying amounts of financial assets and liabilities subject to IFRS 7 are identical with their fair values. There are deviations only in relation to bonds, commercial paper, bank debt, and other financial liabilities. Their carrying amounts totalled €19,167 million (31 December 2013: €18,688 million) and their fair values totalled €21,214 million (31 December 2013: €20,314 million).

The following overview presents the main classifications of financial instruments measured at fair value in the fair value hierarchy prescribed by IFRS 13. In accordance with IFRS 13, the individual levels of the fair value hierarchy are defined as follows:

- Level 1: Measurement using (unadjusted) prices of identical financial instruments formed on active markets;
- Level 2: Measurement on the basis of input parameters which are not the prices from Level 1, but which can be observed for the financial instrument either directly (i.e. as price) or indirectly (i.e. derived from prices);
- Level 3: Measurement using factors which cannot be observed on the basis of market data.

Fair value hierarchy[1] € million	Total 30 Jun 2014	Level 1	Level 2	Level 3	Total 31 Dec 2013	Level 1	Level 2	Level 3
Other financial assets	912	62	358	492	917	100	423	394
Derivatives (assets)	7,635		7,583	52	3,612		3,511	101
of which: used for hedging purposes	(1,360)		(1,360)		(1,447)		(1,447)	
Marketable securities	3,277	1,858	1,419		2,813	1,755	1,058	
Assets held for sale	4		4					
Derivatives (liabilities)	7,549		7,546	3	2,785		2,779	6
of which: used for hedging purposes	(2,245)		(2,245)		(1,574)		(1,574)	
Liabilities held for sale	56		56					

1 Prior-year figures adjusted.

The development of the fair values of Level 3 financial instruments is presented in the following table:

Level 3 financial instruments: Development in 2014 € million	Balance at 1 Jan 2014	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 30 Jun 2014
			Recognised in profit or loss	With a cash effect	
Other financial assets	394	71	9	18	492
Derivatives (assets)	101		–22	–27	52
Derivatives (liabilities)	6	–1		–2	3

Level 3 financial instruments: Development in 2013 € million	Balance at 1 Jan 2013	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 30 Jun 2013
			Recognised in profit or loss	With a cash effect	
Other financial assets	442	–40	–3	–14	385
Derivatives (assets)	237		6	–96	147
of which: used for hedging purposes	(55)			(–55)	
Derivatives (liabilities)	175		–72	–79	24
of which: used for hedging purposes	(35)			(–35)	

Amounts recognised in profit or loss generated through Level 3 financial instruments relate to the following line items in the income statement:

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total Jan – Jun 2014	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan – Jun 2013	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	3	–22	69	69
Cost of materials	–25		9	9
Other operating income/expenses	11	2	2	2
Income from investments	–2	–1	–5	–4
	–13	–21	75	76

Level 3 derivative financial instruments substantially consist of energy purchase agreements, which relate to trading periods for which there are no active markets yet. The valuation of these agreements depends in particular on the development of gas prices. All other things being equal, rising gas prices cause the fair values to increase and vice-versa. A change in pricing by +/–10% would cause the market value to rise by €4 million or decline by €4 million.

The following is an overview of the financial assets and financial liabilities which are netted out in accordance with IAS 32 or are subject to enforceable master netting agreements or similar agreements:

Netting of financial assets and financial liabilities as of 30 Jun 2014 € million	Gross amounts recognised	Amount set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/pledged	
Derivatives (assets)	4,732	–3,798	934		–292	642
Derivatives (liabilities)	4,940	–4,043	897	–56	–654	187

Netting of financial assets and financial liabilities as of 31 Dec 2013 € million	Gross amounts recognised	Amount set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/pledged	
Derivatives (assets)	3,364	–2,533	831		–347	484
Derivatives (liabilities)	3,322	–2,742	580	–97	–403	80

The related amounts not set off include cash collateral received and pledged for over-the-counter transactions as well as collateral pledged in advance for exchange transactions, which may consist of securities transferred as collateral.

Events after the balance-sheet date

Information on events after the balance-sheet date is presented in the review of operations.

REVIEW REPORT

To RWE Aktiengesellschaft, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of RWE Aktiengesellschaft, Essen, for the period from 1 January to 30 June 2014 which are part of the interim financial report pursuant to § 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, 13 August 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Reuther	Ralph Welter
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR 2014/2015

13 November 2014	Interim report on the first three quarters of 2014
10 March 2015	Annual report for fiscal 2014
23 April 2015	Annual General Meeting
24 April 2015	Dividend payment
13 May 2015	Interim report on the first quarter of 2015
13 August 2015	Interim report on the first half of 2015
12 November 2015	Interim report on the first three quarters of 2015

This document was published on 14 August 2014. It is a translation of the German interim report on the first half of 2014.
In case of divergence from the German version, the German version shall prevail.

The Annual General Meeting and all events concerning the publication of the financial reports are broadcast live on the internet and recorded. We will keep the recordings on our website for at least twelve months.

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