

REPORT ON THE FIRST QUARTER OF 2012

- RWE confirms earnings forecast for 2012
- Stable earnings expected, despite drop in the first quarter
- Equity base strengthened by new hybrid bonds
- Further successes in gas contract renegotiations



AT A GLANCE

RWE Group – key figures		Jan – Mar 2012	Jan – Mar 2011	+/- %	Jan – Dec 2011
Electricity production	billion kWh	60.4	60.3	0.2	205.7
External electricity sales volume	billion kWh	73.8	81.5	-9.4	294.6
External gas sales volume	billion kWh	113.6	129.3	-12.1	322.2
External revenue	€ million	15,593	15,754	-1.0	51,686
EBITDA	€ million	3,125	3,426	-8.8	8,460
Operating result	€ million	2,436	2,827	-13.8	5,814
Income before tax	€ million	1,979	2,664	-25.7	3,024
Net income	€ million	1,311	1,819	-27.9	1,806
Recurrent net income	€ million	1,288	1,609	-20.0	2,479
Earnings per share	€	2.13	3.41	-37.5	3.35
Recurrent net income per share	€	2.10	3.02	-30.5	4.60
Cash flows from operating activities	€ million	298	2,284	-87.0	5,510
Capital expenditure	€ million	1,073	1,184	-9.4	7,072
Property, plant and equipment and intangible assets	€ million	987	1,144	-13.7	6,353
Financial assets	€ million	86	40	115.0	719
Free cash flow	€ million	-689	1,140	-160.4	-843
		31 Mar 2012	31 Dec 2011		
Net debt of the RWE Group	€ million	30,793	29,948	2.8	
Workforce ¹		72,058	72,068	-	

1 Converted to full-time positions.

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»We are making good progress in strengthening our financial power.
We confirm our earnings forecast for 2012.«

Dear Investors,

RWE got off to a fairly good start in 2012, especially with regard to our package of measures for strengthening our financial power, which I presented to you in my letter in the 2011 Annual Report. In March, we placed two hybrid bonds with a value of about €1.3 billion and therefore further strengthened our equity base. We also made progress with the price reviews for our loss-making gas procurement contracts, more of which have now been converted to wholesale gas price indexation, which is important to us. We are now concentrating on the remaining price reviews with three major international oil and gas companies. We are endeavouring to come up with structural solutions for these contracts. We still expect these price reviews to be concluded in 2013, at which time they will provide substantial relief. Another highlight of the first quarter was that three of our new-build power plant projects were completed. At the beginning of 2012, our Dutch Claus C and Moerdijk 2 gas-fired power stations began producing electricity commercially. The new dual-block lignite-fired power plant at Neurath near Cologne has been undergoing a trial run, also since the beginning of the year. This power station is replacing old facilities with much lower efficiencies and correspondingly high carbon dioxide emissions. It enables us to reduce our carbon emissions by up to 6 million metric tons a year, while making an important contribution to the security of supply.

These are all positive headlines. They demonstrate that prospects are brightening. However, this is not yet reflected in the figures for the first quarter of 2012. Our operating result declined by 14%. This was largely due to the deterioration of power generation margins and heavy burdens suffered in the gas midstream business. However, we still expect to close the year at the level achieved in 2011. We will make up lost ground in part because last year the U-turn in German energy policy had significant one-off effects, which were largely felt after the first quarter.

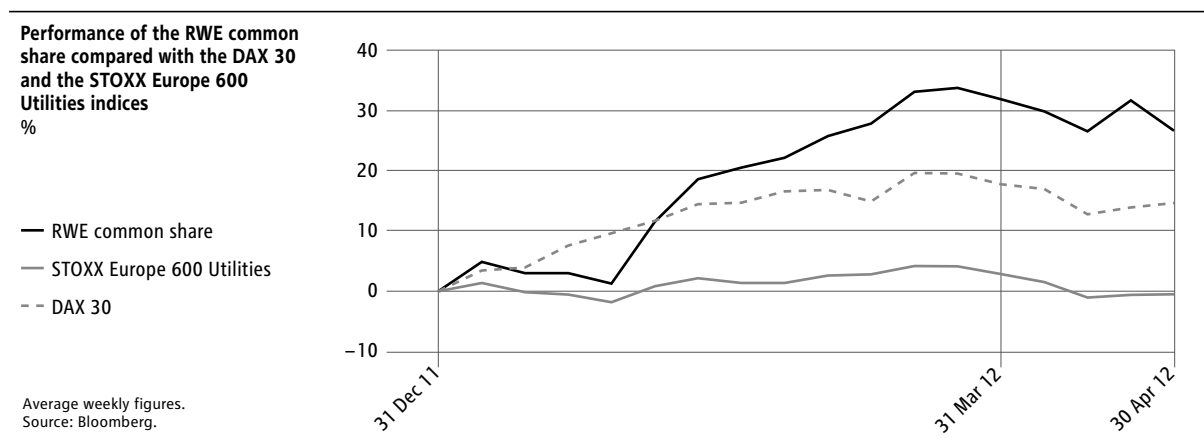
Dear investors, this is the last time that I will be writing to you on these pages. With effect from 1 July, Peter Terium will take over the helm – an executive with international experience with whom I know RWE will be in good hands. Eventful years lie behind me. I am proud and grateful for having been able to make my contribution to keeping RWE on course in stormy waters. My special thanks go out to my fellow board members, the company's more than 72,000 employees and all those of you who kept their faith and stayed loyal to RWE.

Sincerely yours,



Dr. Jürgen Großmann
President and CEO of RWE AG
Essen, May 2012

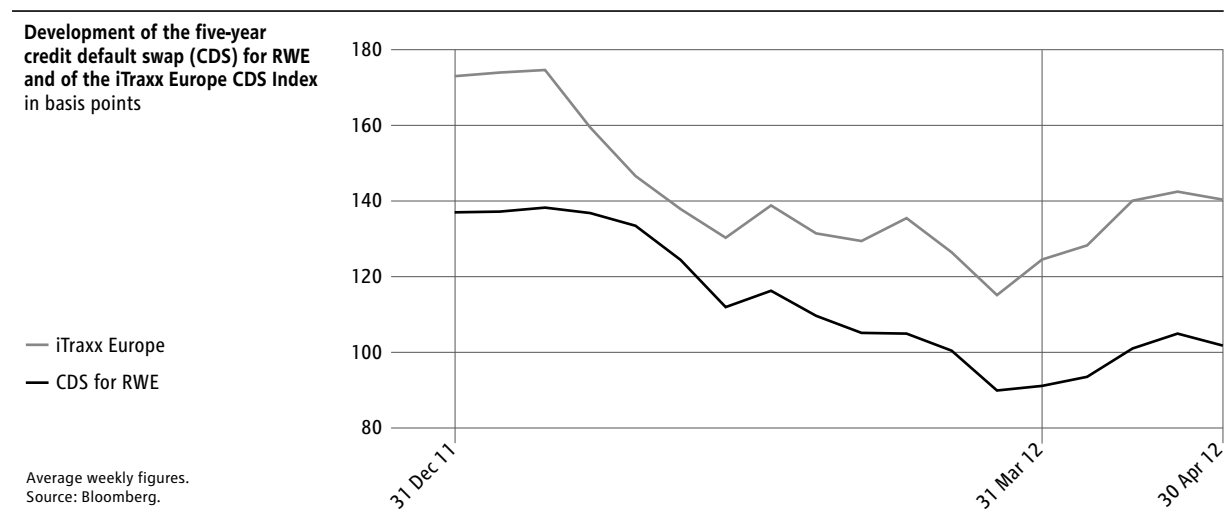
RWE shares post strong gains in the first quarter



The German stock market began the 2012 trading year with substantial rises in share prices. The DAX 30 closed the month of March at 6,947 points, corresponding to an 18% rise compared with the closing quotation in 2011. The first quarter was therefore the most successful one for the German lead index since 1998. The EURO STOXX 50 was up 7%. Policymakers made a significant contribution to the recovery in share prices, due to their efforts to contain the sovereign debt crisis in the Eurozone. The Greek state avoided bankruptcy by having some of its debt cancelled. The increase in the euro bailout fund agreed in March 2012 also managed to calm the markets somewhat. In addition, the European Central Bank stabilised the banking system by granting loans to banks at favourable interest rates. Furthermore, the robust German economy made itself felt on the stock market. However, sentiment on the stock market worsened slightly in April. In particular, the Spanish state budget and the country's banking system are causes for concern. The waning growth of the Chinese economy also depressed share prices. The DAX closed the month of April at 6,761 points.

Fiscal 2012 got off to an especially pleasing start for RWE shareholders. Our common shares were up 32% to €35.81 in the first quarter, ranking fourth in the DAX. RWE's preferred shares gained 30%, rising to €32.97. RWE stocks clearly outperformed the STOXX Europe 600 Utilities index, which only recorded 3% growth in the first quarter. The strong performance of RWE shares is partially due to the capital increase conducted in December 2011 eliminating a negative factor: many capital market participants had waited for the capital increase to be implemented before investing in RWE. The earnings forecast for 2013 we published at the beginning of March clearly exceeded expectations, buoying our share price even further.

The corporate bond market was dominated by developments relating to the sovereign debt crisis in the Eurozone. Interest rates increased when, at the beginning of January, the rating agency Standard & Poor's downgraded the creditworthiness of numerous EU countries, including France. Interest rates dropped thereafter, as did the cost of hedging credit risks via Credit Default Swaps (CDSs). The iTraxx Europe Index, which consists of the CDS prices of 125 major European companies, closed March at 125 basis points for five-year CDSs, after having started the year at 173 points. The five-year CDS for RWE dropped to 91 basis points from 137 basis points at the beginning of the year. The sovereign debt crisis flared up again in April, leading to a renewed rise in the cost of hedging credit. However, by the end of the month, it was still clearly below the level it had at the beginning of the year.



ECONOMIC ENVIRONMENT

Economy continues to lose momentum

The weakening of global economic growth observed at the end of 2011 may well have continued in 2012. Based on initial estimates, the cumulative gross domestic product (GDP) achieved by all OECD countries in the first quarter was about 2% higher than a year earlier. The Eurozone continues to suffer from the sovereign debt crisis: its GDP probably shrank. Posting an estimated 1% growth, the German economy was fairly robust. In particular, consumer spending had a stabilising effect. In contrast, the Netherlands was unlikely to have been able to decouple itself from the European trend. According to the most recent data available, Dutch GDP decreased marginally. The United Kingdom still has not fully recovered from the crisis in the property sector. The government's austerity measures also had a dampening effect. UK GDP was down an estimated 0.2%. The countries of Central Eastern Europe got off to varying starts to the new year: whereas industrial production in both Poland and the Czech Republic advanced by more than 4%, it stagnated in Hungary. Accordingly, the growth of the economy as a whole in these countries is likely to have varied to the same extent.

Weather slightly cooler than in 2011

Whereas the economic trend is primarily reflected in demand for energy among industrial enterprises, residential energy consumption is influenced more by weather conditions. The temperature dependency of demand for heating comes to bear in this context. This is reflected in seasonal fluctuations in revenue and earnings. We generate around two-thirds of our gas sales volume in the winter and autumn months (Q1 and Q4). However, weather conditions also play a role when comparing various fiscal years. During the first quarter of 2012, temperatures in our markets, namely Germany, the United Kingdom, the Netherlands and Central Eastern Europe, fluctuated substantially. Whereas the months of January and March were milder than the ten-year average, February was much colder. Measured against the average for the quarter, temperatures were more or less normal. They declined slightly compared to last year's first quarter. In addition to energy consumption, the generation of electricity is also subject to weather-related influences, in particular with regard to wind turbines. Wind levels in Germany and the United Kingdom were higher than the low levels seen in the same period last year. They also rose in Spain.

Economic downturn curtails energy consumption

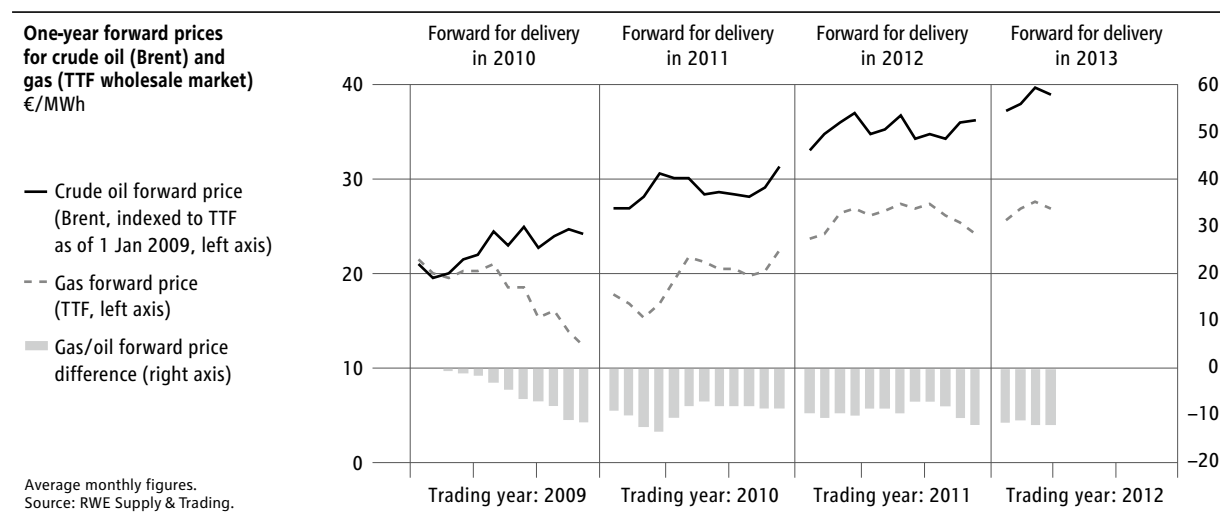
According to calculations made by the German Association of Energy and Water Industries (BDEW), the growth of German electricity usage in the first quarter of 2012 was lower than in the same period last year. This reflects the decline in the growth of industrial output. Estimates for the Netherlands, the United Kingdom, Hungary and Slovakia also indicate a decline in demand for electricity, whereas Poland is likely to have posted a gain of 3%. Demand for gas varied significantly: consumption in Germany was essentially unchanged. Demand for heating experienced a slight, weather-induced increase compared to 2011, but was contrasted by declines in usage caused by a reduction in capacity utilisation of gas-fired power stations. The latter effect came to bear especially in the United Kingdom, where demand for gas decreased by 11%. Progress in the insulation of buildings also played a role, for which there is still substantial potential in the UK. Gas usage was also down in Hungary, slipping by some 6%. Conversely, it rose by an estimated 1% and 4% in the Netherlands and the Czech Republic.

Crude oil prices 13% higher year on year

The economic slowdown also affected the development of prices on international fuel markets. Conversely, crude oil quotations continued to rise due to geopolitical influences. A barrel of Brent crude traded for an average of US\$119 (€91) in the first quarter of 2012. This represents a 13% year-on-year rise. In euro terms, crude oil was 18% more expensive. A major reason for the price trend is the resurgent tension with respect to Iran. Tehran's threatened closure of the Hormus sea route, which is important to oil transportation, gave rise to renewed fear of an oil supply shortage. The temporary easing of the sovereign debt crisis in the Eurozone also had a price-increasing effect as market participants expected more favourable economic prospects along with a commensurate rise in demand for oil. Quotations dropped again in March, after the USA and the UK announced that they would release parts of their strategic crude oil reserves.

Boom on oil market drives up gas import prices

As a large proportion of gas imports to Continental Europe is based on long-term contracts linked to the price of oil, developments on the oil market also influence the price of gas. In addition to such long-term contracts, trades of freely available quantities with shorter terms increasingly determine the situation on gas markets. Oil does not have a direct impact on the formation of prices for such types of transactions. Major trading hubs are the National Balancing Point (NBP) in the United Kingdom and the Title Transfer Facility (TTF) in the Netherlands. Since 2009, prices on these markets have been far below those of contracts indexed to oil prices. This caused numerous gas purchasers – including RWE – to renegotiate with their suppliers. Initial results of these renegotiations indicate that the link between long-term gas procurement contracts and oil prices may become less important and that volumes may be increasingly settled at prices prevailing on the gas wholesale market.

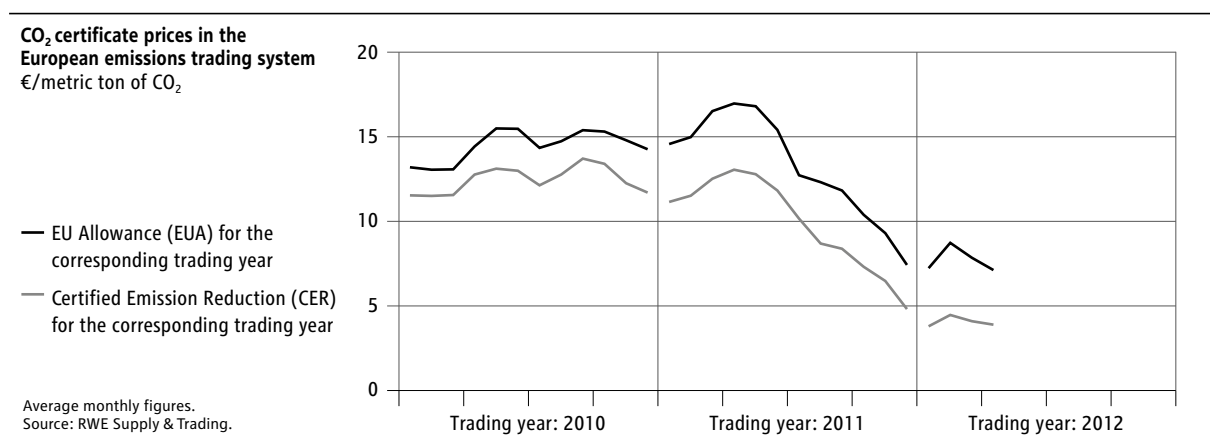


In the period being reviewed, gas imports to Germany were an average of 25% more expensive than a year before. The persistent boom on the oil market was the main driver. Quotations on European gas trading platforms were also up, albeit to a far lesser extent. In the reporting period, the TTF spot price averaged €24 per megawatt hour (MWh), up €1 on the comparable figure for 2011. In TTF forward trading, contracts for delivery in the coming calendar year (2013 forward) sold for €27 per MWh. This is €2 more than what was paid for the 2012 forward in the first quarter of 2011.

The aforementioned price trends were also reflected in the end-customer business. In Germany, residential gas tariffs were about 7% up on the comparable period in 2011, while for industrial enterprises, they were 18% higher. Gas also became much more expensive for end customers in our other gas markets. In the Netherlands, households and industrial enterprises had to pay 11% and 13% more, respectively. Gas prices for the aforementioned customer groups rose by 17% and 11% in the United Kingdom, by 27% and 37% in the Czech Republic, and by 10% and 45% in Hungary.

Economic cool-down in China dampens hard coal prices

Conversely, thermal coal prices declined considerably. A metric ton cost an average of US\$101 (including freight and insurance) in Rotterdam spot trading, down US\$22 on the first quarter of 2011. The marginal economic downturn in Asia affected demand. In addition, unlike in 2011, supply was hardly influenced by weather-induced production shortfalls or transport bottlenecks. In the period under review, sea freight rates, which are a major component of hard coal quotations, averaged US\$9.40 per metric ton for the standard route from South Africa to Rotterdam. This is roughly the same as a year earlier. The German Federal Office of Economics and Export Control (BAFA) determines the price of hard coal produced in Germany based on quotations for imported hard coal. Therefore, the BAFA price follows developments on international markets, albeit with a time lag. No average figure was available for the first quarter of 2012 when this report went to print, but experts estimate it to amount to €102 per metric ton of hard coal unit. This is €3 less than in the same period last year.



CO₂ emissions trading: certificates much cheaper than in 2011

Prices in European trading of emission allowances were far below the levels witnessed a year earlier.

EU Allowances (EUAs) for 2012 traded at an average of €8 per metric ton of carbon dioxide (CO₂) in the first quarter of 2012. This is half as much as what had to be paid for 2011 certificates in the year-earlier period.

Certified Emission Reductions (CERs), which are credits earned from emission-reducing measures in developing and emerging countries, cost an average of just €4. In fact, they lost two-thirds of their value. Certificate prices collapsed in the second half of 2011, in part due to the sovereign debt crisis in the Eurozone and the resultant weakening of the industrial sector. The rapid increase in renewable energy also played a role as it reduces the amount of electricity generated by fossil-fuelled power plants, causing demand for CO₂ certificates to decline. Due to the aforementioned factors, European carbon dioxide emissions in 2011 were slightly lower than in the preceding year, although Germany's accelerated nuclear phase-out eliminated a substantial amount of carbon-free electricity production. EU plans to limit allocations of certificates at least temporarily and thus drive up prices have failed so far, primarily as a result of resistance from Poland.

Marginal decline in wholesale electricity prices

Drops in the prices of hard coal and emission certificates as well as increasing amounts of electricity fed into the system by wind turbines and solar panels weighed on wholesale electricity prices. In German spot trading in the first three months of 2012, base-load power sold for an average of €45 per MWh, while peak-load electricity settled at €56 per MWh. The corresponding prices a year before were €52 and €62, respectively. Prices in German electricity forward trading also decreased, albeit only slightly. Supply contracts for the coming calendar year (2013 forward) traded for an average of €52 per MWh of base-load power and €64 per MWh of peak-load power. In both cases, this was €2 less than what had to be paid for 2012 forwards in the same period last year.

**Wholesale electricity spot prices in Germany
€/MWh**

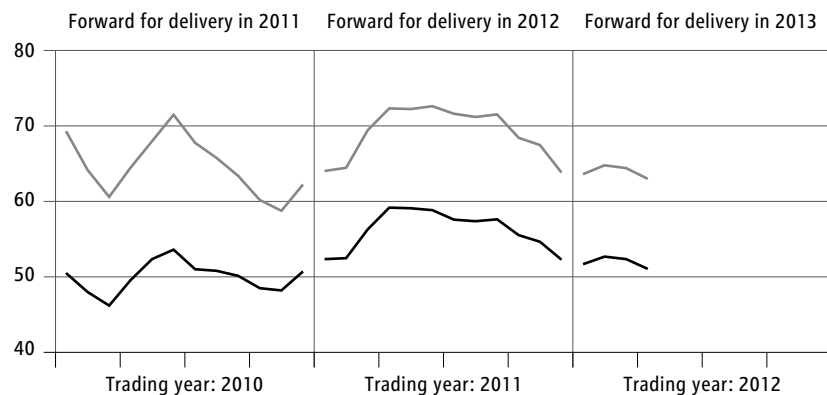
— Peak load
— Base load

Average monthly figures.
Source: European Energy Exchange EEX.


**One-year forward wholesale electricity prices in Germany
€/MWh**

— Peak load
— Base load

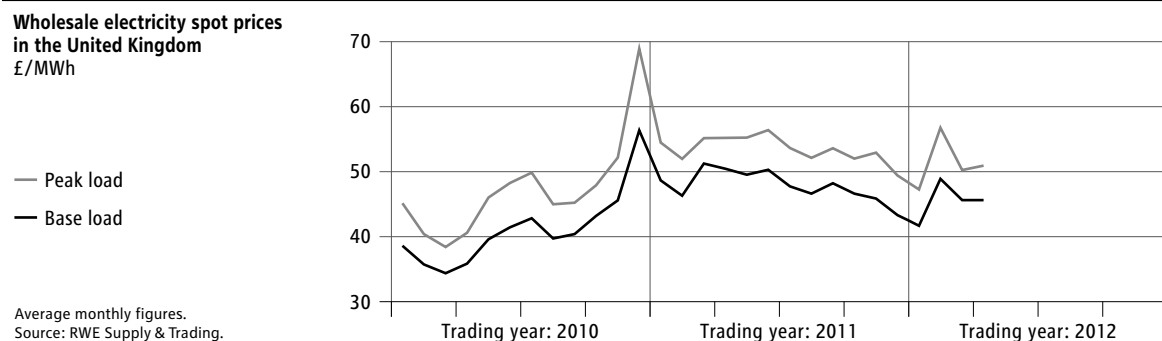
Average monthly figures.
Source: RWE Supply & Trading.

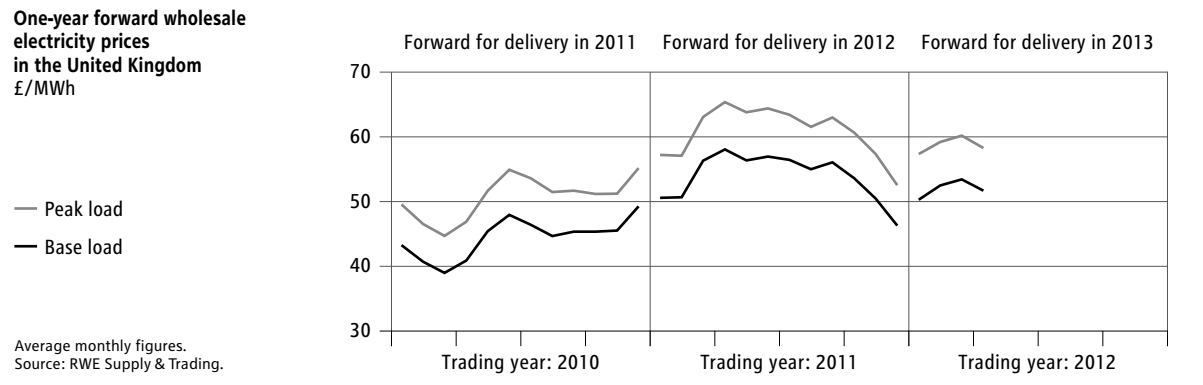


We sell forward nearly all of the output of our German power plants and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. The average price we realised in such transactions for the electricity we generated in the first quarter of 2012 was lower than the comparable figure for 2011. The earnings of our hard coal and gas-fired power stations are predominantly determined by clean dark spreads (hard coal) and clean spark spreads (gas), which are calculated by deducting the cost of the respective fuel used and of emission allowances from the price of electricity. The average clean dark spreads and clean spark spreads realised by RWE Power in the first quarter of 2012 were lower than the prior year's comparable figures. Higher fuel prices made a contribution, whereas lower carbon dioxide quotations provided relief. The margins of our lignite and nuclear power plants were also lower than the levels achieved for 2011.

Electricity in the German end-customer business became slightly more expensive. Tariffs for households were an average of 2.7% higher than in the first quarter of 2011, while for industrial customers they were up an average of 1%. This was in part caused by the rise in network usage costs. However, since 1 January 2012, industrial companies have been exempt from network fees under certain conditions. As a result, payments made by other electricity customers are commensurately higher. The burdens associated with the German Renewable Energy Act (REA) also grew. This is due to the increasing expansion of wind, biomass and, above all, solar generation capacity. The REA apportionment rose from 2.05 euro cents per kilowatt hour (kWh) in 2010 to 3.53 euro cents from 1 January 2011 and to 3.59 euro cents from 1 January 2012. The major increase therefore already took place at the beginning of 2011, but was not passed on to customers by many sales companies until later. Industrial customers also receive relief from the REA, as long as their annual electricity consumption exceeds a certain threshold. This limit was reduced from 10 gigawatt hours (GWh) to 1 GWh as of 1 January 2012.

UK electricity wholesale trading developed as follows. Averaged for the quarter, spot prices were £45 (€54) per MWh of base-load power and £51 (€61) per MWh of peak-load power. This is £4 and £3 less than a year earlier. Quotations on the forward market were essentially unchanged. In the first three months of 2012, base-load contracts for the 2013 calendar year were settled for an average of £52 (€62) per MWh. This is slightly less than the price paid for the 2012 forward in the same period last year. Peak-load power remained at £59 (€70).





RWE also sells forward most of the electricity it generates outside Germany. As our generation portfolio in the United Kingdom largely consists of hard coal and gas-fired power plants, the earnings trend of RWE npower is significantly influenced by the clean dark spreads and clean spark spreads realised. The spreads achieved for our forward sales for 2012 were below last year's comparable figures.

The majority of UK energy suppliers raised their electricity tariffs for customers over the course of 2011. Although this was followed by some tariff cuts, average residential customer tariffs in the first quarter of this year were 10% up on the comparable period in 2011. Industrial customers saw a similar rise in tariffs.

In the Netherlands, wholesale electricity prices displayed a development similar to that in Germany. The clean dark spreads and clean spark spreads we realised also declined. Residential electricity bills were more than 6% higher. In contrast, tariffs for industrial enterprises were virtually unchanged.

End-customer prices in our Central Eastern European electricity markets displayed varied developments. Compared to the first quarter of 2011, they were up 7.6% for households in Poland, unchanged in Hungary and down 1.3% in Slovakia. Electricity supplied to industrial customers in Poland and Hungary was 0.5% and 3.7% cheaper, respectively, whereas in Slovakia it was some 4% more expensive.

MAJOR EVENTS

In the period under review

RWE strengthens capital structure with two new hybrid bonds

In the first quarter of 2012, we took advantage of the favourable conditions offered to German companies on the international capital market by issuing three new bonds, including two hybrid bonds. All of the issuances met with keen interest among investors and were several times oversubscribed. In January, we issued a £600 million bond with a tenor of 22 years and a coupon of 4.75%. The issue rate was 99.8%. This was followed in the middle of March by a £750 million hybrid bond with a theoretically perpetual tenor. However, RWE has the right to redeem the bond for the first time after seven years. It has a 7.0% coupon and an issue rate of 99.3%. The issuance was primarily intended for institutional investors in the United Kingdom. The target group for the second hybrid bond, which we issued at the end of March, were investors in Hong Kong and Singapore. It was the first placement of a hybrid bond by a European utility on the Asian capital market. The issuance had a volume of US\$500 million. The bond also has a 7.0% coupon; its issue rate is 100%. The bond's latest redemption date is in 2072. RWE may redeem it for the first time after five-and-a-half years. It has not been considered in our figures for the quarter as we did not receive the proceeds from the issuance until April.

Hybrid bonds are a mix of equity and debt financing. They are recognised in our net debt on a 50% basis. This is in line with the procedure followed by the rating agencies. Deviating from this, International Financial Reporting Standards (IFRS) may stipulate that the bonds be fully classified as equity or debt, depending on the terms and conditions. Due to its theoretically perpetual tenor, the £750 million hybrid bond is fully recognised as equity on the IFRS balance sheet. Conversely, the US\$500 million bond is classified as debt due to its limited tenor.

Fire at Tilbury power plant

On 27 February, one of the two wood pellet storage bunkers at Tilbury biomass-fired power station caught fire. There were no injuries. The power plant has been out of operation since then. The bunker affected, which is used by two of the three power station units, requires extensive repairs. According to current plans, these two units will be recommissioned no earlier than the end of July 2012. However, the third unit is expected to go back online as soon as the beginning of June. Tilbury power station is insured against property damage and business interruption, with excesses in both cases. The facility has an aggregate installed capacity of 750 megawatts (MW). Last year, we converted it to run solely on biomass, before which it was fired with hard coal.

RWE abandons plans to build nuclear power plants in the UK

At the end of March, together with E.ON, we announced that we would sell Horizon Nuclear Power Ltd. Horizon is a joint venture for the development, construction and operation of nuclear power stations in the United Kingdom, which was established at the beginning of 2009. It owns land at two locations, which are highly favourable sites for nuclear energy projects. Horizon shall be spearheaded by other investors.

Bernhard Günther to become RWE AG's CFO in 2013

Dr. Bernhard Günther will succeed Dr. Rolf Pohlig as RWE AG's Chief Financial Officer (CFO). This was resolved by the Supervisory Board of RWE AG at its meeting on 28 February. Mr. Günther is currently the CFO of RWE Supply & Trading. He will join the Executive Board of RWE AG as of 1 July 2012 and take charge of the finance departments with effect from 1 January 2013. Rolf Pohlig will retire as of 31 December 2012 on completion of his 60th year of age. Bernhard Günther (45) studied at St. Gallen and Oxford, after which he was active in the field of business consulting. He joined RWE in 1999. He held positions including that of Head of Group Controlling at RWE AG before being appointed to the Board of RWE Supply & Trading.

After the period under review

Supervisory Board appoints Uwe Tigges as RWE AG's future Labour Director

Uwe Tigges, Chairman of the General Works Council of RWE Vertrieb AG and of the Group Works Council of RWE AG, will join the Executive Board of RWE AG as of 1 January 2013, where he will take charge of human resources with effect from 1 April 2013. This was resolved by the Supervisory Board at its meeting on 19 April. The certified electrician and graduate in technical business administration will succeed Alwin Fitting, who will retire on completion of his 60th year of age with effect from 31 March 2013. Uwe Tigges (52) began his professional career at Standard Elektrik Lorenz AG before joining RWE in 1984, where he has worked for several Group companies. Since 1994, he has been working as a full-time works council representative.

NOTES ON THE REPORTING STRUCTURE

Group structure with seven divisions

This report on the first quarter of 2012 is based on the Group structure applied in the 2011 Annual Report. The following is an overview of the seven divisions into which RWE is divided based on geographic and functional criteria.

- Germany: This division consists of the Power Generation and Sales/Distribution Networks Business Areas.

Power Generation: This business area includes the activities of RWE Power, Germany's largest electricity generator. The company mainly produces power from coal, gas and nuclear fuel. Lignite is produced by RWE Power through in-house mining activities.

Sales/Distribution Networks: Our German sales and distribution network operations are pooled in this business area. They are overseen by RWE Deutschland, which mainly encompasses the network companies Rhein-Ruhr and Westfalen-Weser-Ems, RWE Vertrieb (including eprimo, RWE Energiedienstleistungen and RWE Aqua), RWE Effizienz, RWE Gasspeicher and our German regional utilities. The latter operate their own electricity generation facilities to a small extent, as well as managing network and end-customer operations. The Sales/Distribution Networks Business Area also includes our minority interests in Austria-based KELAG and Luxembourg-based ENOVOS as well as our water operations in Zagreb, Croatia, which have been assigned to RWE Aqua.

- Netherlands/Belgium: This is where we report the figures of Essent, one of the leading energy utilities in the Benelux region. In the Netherlands, Essent generates electricity from gas, hard coal and biomass and holds a minority stake in Borssele, the country's only nuclear power station. In addition, the company sells electricity and gas as well as running the gas midstream business.
- United Kingdom: This is the item under which we present RWE npower, one of the country's leading energy utilities. The company generates electricity from gas, hard coal, oil and biomass. Furthermore, RWE npower sells electricity and gas to end-customers.
- Central Eastern and South Eastern Europe: The division contains our companies in the Czech Republic, Hungary, Poland, Slovakia and Turkey. Our Czech activities encompass the supply, distribution, supraregional transmission, transit and storage of gas. We are leaders in this market. In 2010, we also started selling electricity in the Czech Republic. In Hungary, we cover the entire electricity value chain, from generation through to the operation of distribution networks and the end-customer business, and are also active in gas and water supply via minority stakes. The division's Polish operations consist of the distribution and supply of electricity. In Slovakia, we are active in the electricity network and electricity end-customer businesses via our minority interest in VSE and in gas supply via RWE Gas Slovensko. In Turkey, we are building a gas-fired power station with a partner. In 2011, RWE East, headquartered in Prague, started overseeing the companies belonging to the Central Eastern and South Eastern Europe Division. One exception is NET4GAS, the operator of our Czech long-distance gas network. To comply with regulatory requirements, this company is assigned directly to RWE AG. However, it is still part of the Central Eastern and South Eastern Europe Division for accounting purposes.

- **Renewables:** This is the item under which we present RWE Innogy, which specialises in electricity and heat production from renewable sources.
- **Upstream Gas & Oil:** This is where we report on the activities of RWE Dea. The company produces gas and oil, focusing on Germany, the United Kingdom, Norway and Egypt.
- **Trading/Gas Midstream:** RWE Supply & Trading, which is responsible for our energy trading activities and most of our gas midstream business, is assigned to this division. Furthermore, it supplies major German industrial and corporate customers with electricity and gas.

We report certain groupwide activities outside the divisions as part of 'other, consolidation'. These are the Group holding company, RWE AG, and our internal service providers, namely RWE Service, RWE IT, RWE Consulting and RWE Technology. With effect from 2012, this item no longer encompasses Thyssengas, the long-distance gas network operator we sold on 28 February 2011. The same applies to the sales, earnings and capital expenditure of Amprion. We sold a 74.9% stake in the electricity transmission system operator in September 2011 and started accounting for the remaining 25.1% using the equity method. Therefore, Amprion continues to contribute to both RWE's EBITDA and operating result, on the basis of pro-rated income after tax.

Full consolidation of German regional utility NEW

The energy utility NEW AG – formerly NVV AG – has been considered in these interim financial statements as a fully consolidated company. Previously, NEW was an associated company of RWE Deutschland AG and accounted for using the equity method. The change in accounting treatment became effective as of 1 January 2011, but was not reflected in the interim financial statements for the period ending on 31 March 2011. Headquartered in Mönchengladbach (Germany), NEW is one of the leading utilities in the Lower Rhine region.

BUSINESS PERFORMANCE

Electricity production by division January – March	Germany ¹		Netherlands/ Belgium		United Kingdom		Central Eastern and South Eastern Europe		Renewables		RWE Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Billion kWh												
Lignite	21.0	17.5	-	-	-	-	1.3	1.5	-	-	22.3	19.0
Hard coal	9.0	9.5	1.9	1.6	5.2	3.8	-	-	-	-	16.1	14.9
Nuclear	8.4	12.2	-	-	-	-	-	-	-	-	8.4	12.2
Gas	2.5	3.3	1.8	1.4	5.1	6.5	-	-	0.1	0.1	9.5	11.3
Renewables	0.4	0.4	0.5	0.4	0.6	-	-	-	2.0 ²	1.7 ²	3.5	2.5
Pumped storage, oil, other	0.6	0.4	-	-	-	-	-	-	-	-	0.6	0.4
Total	41.9	43.3	4.2	3.4	10.9	10.3	1.3	1.5	2.1	1.8	60.4	60.3

1 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 quarter of 2012, it amounted to 6.2 billion kWh, of which 5.5 billion kWh were generated from hard coal.

2 Including electricity procured from power plants co-financed by RWE, which are owned by companies that are not fully consolidated. In the first quarter of 2012, these purchases totalled 0.3 billion kWh.

Electricity generation on a par year on year

In the first quarter of 2012, the RWE Group produced 60.4 billion kilowatt hours (kWh) of electricity. This was roughly the same amount as a year earlier, even though the Biblis nuclear power plant had to be shut down due to Germany's accelerated nuclear phase-out. This was made up for by the utilisation of new power stations, including the new twin-unit lignite-fired power plant at Neurath near Cologne. The facility has a net installed capacity of 2,100 MW and has been undergoing a trial run since the beginning of the year. In addition, the Dutch Claus C (1,304 MW) and Moerdijk 2 (426 MW) gas-fired power stations have begun commercial operation, coming online in January and February, respectively. Gas-based generation was down at the Group level nevertheless, because realisable margins deteriorated. In contrast, electricity production from hard coal was up, largely because the possibilities for making profits in UK spot trading improved. Generation from renewables also rose. One contributing factor was the conversion of Tilbury hard coal power station to a biomass facility. All three units were already online before the fire at Tilbury at the end of February. RWE Innogy benefited from improved wind turbine capacity utilisation and the expansion of the generation portfolio. In December 2011, the company doubled its stake in the Spanish wind farm operator Explotaciones Eólicas de Aldehuelas to 95%. As a result, our Spanish installed wind power capacity rose by 47 MW to 447 MW. Moreover, new onshore wind farms in the United Kingdom, Italy, Poland and Germany were commissioned.

In addition to our in-house generation, we procure electricity from external suppliers. These purchases amounted to 18.2 billion kWh compared to 26.2 billion kWh in last year's first quarter. The significant decline is due to the deconsolidation of Amprion.

Gas and oil production down year on year

In the period under review, RWE Dea produced 720 million cubic metres of gas and 613 thousand cubic metres of oil. Converting the gas to oil equivalent and adding it to crude oil production results in a total output of 1,310 thousand cubic metres, or 8.2 million barrels. This compares to 1,412 thousand cubic metres, or 8.9 million barrels, in the first quarter of 2011. Gas production decreased by 9%. The main reason was the depletion of our existing reserves in our German and UK concession areas, which we could not compensate for despite the ongoing expansion of our upstream position. However, we expect gas volume to rise for the full year, because we will start production in several UK North Sea fields. Our crude oil production decreased by 5%. The natural drop in production caused by the progressive depletion of reserves also played a role here. This mainly affected our German Mittelplate field. In addition, we were forced to interrupt production at our Danish sites for weather-related reasons. In contrast, we increased volume in the Gulf of Suez, due to successful drilling activities last year.

External electricity sales volume January – March	Residential and commercial customers		Industrial and corporate customers		Distributors		Electricity trading		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Billion kWh										
Germany	7.8	7.6	7.4	7.8	19.8	14.9	-	-	35.0	30.3
Netherlands/Belgium	3.1	3.1	2.4	2.9	-	-	-	-	5.5	6.0
United Kingdom	5.2	5.3	8.4	7.9	-	-	-	-	13.6	13.2
Central Eastern and South Eastern Europe	2.2	2.3	2.4	2.5	1.5	1.6	-	-	6.1	6.4
Trading/Gas Midstream	-	-	7.9	5.7	-	-	5.1	9.2	13.0	14.9
RWE Group¹	18.3	18.4	28.5	26.8	21.9	27.1	5.1	9.2	73.8	81.5

¹ Including sales of the Renewables Division and of companies stated under 'other, consolidation' (in the prior year mainly Amprion).

Electricity sales volume clearly down year on year due to the deconsolidation of Amprion

In the first quarter of 2012, we sold 73.8 billion kWh of electricity to external customers. This was 9% less than in the same period last year. The decline is largely due to the deconsolidation of the transmission system operator Amprion. However, transactions between RWE companies and Amprion are now included in our external sales. This mainly relates to our German distribution system operators. Therefore, external electricity deliveries in the Germany Division increased significantly, rising by 16%, to which the first-time full consolidation of NEW also contributed. In the distributor segment, we won new customers and supplied more electricity to existing customers. However, we suffered competition-induced volume shortfalls in sales to German industrial and corporate customers. Electricity sales volume in the Netherlands/Belgium Division decreased by 8%. The fairly sunny weather was an important factor. As a result, the greenhouses we supply needed less electricity to run their heat lamps. In contrast, we expanded our supply volume by 3% in the United Kingdom through the acquisition of new industrial and corporate customers. We sold 5% less electricity in the Central Eastern and South Eastern Europe Division, with mounting competitive pressure in Hungary playing a role. RWE Supply & Trading won new industrial and corporate customers, but experienced a 13% decline in sales. The main reason was that, due to the decline in generation at RWE Power, the company sold less in-house electricity production on the wholesale market.

External gas sales volume January – March	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Billion kWh								
Germany	12.9	11.2	5.6	7.4	8.1	14.9	26.6	33.5
Netherlands/Belgium	16.8	18.7	14.8	17.1	-	-	31.6	35.8
United Kingdom	16.3	17.1	0.7	0.8	-	-	17.0	17.9
Central Eastern and South Eastern Europe	10.2	13.7	9.8	8.8	6.2	1.9	26.2	24.4
Upstream Gas & Oil	-	-	0.2	1.1	4.8	4.9	5.0	6.0
Trading/Gas Midstream	-	-	4.3	6.1	2.9	5.6 ¹	7.2	11.7
RWE Group	56.2	60.7	35.4	41.3	22.0	27.3	113.6	129.3

¹ Including gas trading.

Gas sales volume 12% down year on year

The RWE Group sold 113.6 billion kWh of gas, 12% less than in 2011. The Germany Division recorded the steepest decline. Despite the inclusion of NEW, its supply volume was 21% lower than in the first quarter last year. We suffered especially significant volume shortfalls in business with distributors, some of which switched suppliers or increased purchases from third parties. The low capacity utilisation of the gas-fired power stations we supply also left its mark. Competition-induced shortfalls were also recorded in sales to industrial and corporate customers, whereas our share of the residential and commercial customer market improved. Gas sales in the Netherlands/Belgium Division decreased by 12% in part because a major key account switched suppliers. The deterioration of the general economic situation also had an effect. In the United Kingdom, energy savings by households were the main reason why RWE npower's gas sales volume declined by 5%. In contrast, volume in the Central Eastern and South Eastern Europe Division was up 7%. Distributors in the Czech Republic purchased much more gas from us, not least due to the unusually low temperatures in February. This was contrasted by competition-induced losses of residential and commercial customers. Sales volume at RWE Supply & Trading decreased by 38%, largely because supply agreements expired and key accounts bought less gas.

External revenue € million	Jan – Mar 2012	Jan – Mar 2011	+/- %	Jan – Dec 2011
Germany	6,814	5,807	17.3	21,520
Power Generation	315	266	18.4	1,166
Sales/Distribution Networks	6,499	5,541	17.3	20,354
Netherlands/Belgium	2,039	2,137	-4.6	5,818
United Kingdom	2,510	2,318	8.3	7,696
Central Eastern and South Eastern Europe	1,789	1,640	9.1	4,990
Renewables	129	126	2.4	443
Upstream Gas & Oil	569	448	27.0	1,766
Trading/Gas Midstream	1,714	2,367	-27.6	5,750
Other, consolidation	29	911	-96.8	3,703
RWE Group	15,593	15,754	-1.0	51,686
of which:				
Electricity revenue	8,975	8,970	0.1	33,765
Gas revenue	5,123	5,143	-0.4	13,229
Oil revenue	685	904	-24.2	1,641
Natural gas tax/electricity tax	830	868	-4.4	2,533
RWE Group (excluding natural gas tax/electricity tax)	14,763	14,886	-0.8	49,153

External revenue marginally down year on year

The RWE Group generated €15,593 million in external revenue, 1% less than in 2011. Opposing effects of first-time consolidations and deconsolidations came to bear. As we have only held a minority stake in the transmission system operator Amprion since September 2011, we no longer recognise that company's revenues in 2012. However, the revenue earned by RWE companies from Amprion is now being recognised as external instead of internal revenue. Furthermore, the sale of Thyssengas at the end of February 2011 eliminated revenue. This is contrasted by the positive impact of the full consolidation of NEW. Changes in foreign exchange rates also influenced the revenue trend. In the first quarter of 2012, the British pound cost an average of €1.19, as opposed to €1.15 the year before. The US dollar was also up on the euro, increasing in value from €0.72 to €0.75. Conversely, the Czech crown depreciated from €0.041 to €0.040. Net of material consolidation and foreign exchange effects, Group revenue rose by 2%.

- Germany: External revenue achieved by this division totalled €6,814 million, up 17% year on year. Electricity revenue climbed by 23% to €4,972 million. The main reason is that external revenue now also includes the revenue earned by our German distribution system operators from Amprion. Moreover, an effect was felt from the initial full consolidation of NEW. Furthermore, since the first quarter of 2011, some of our regional companies have raised tariffs for residential and commercial customers. This was in response to the increase in expenses caused by network fees and apportionments for electricity generated in accordance with the German Renewable Energy Act. External revenue in the gas business declined by 3% to €1,315 million. The aforementioned volume shortfalls were the main reason. A counteracting effect was felt from the fact that certain sales companies raised tariffs in view of increased gas procurement costs.

- Netherlands/Belgium: The division earned €2,039 million in revenue, 5% less than a year earlier. Electricity revenue declined by 10% to €598 million, reflecting the drop in sales volume. At €1,367 million, gas sales were 3% down on the same period last year. Once again, the main driver was lower volume, which was partially compensated by price increases.
- United Kingdom: External revenue generated by RWE npower improved by 8% to €2,510 million. Excluding the foreign exchange impact, it rose by 5%. Electricity revenue amounted to €1,625 million. This equates to an increase of 11% compared to 2011 and of 7% in Sterling terms. Besides the successful acquisition of industrial and corporate customers, cost-driven price adjustments were the main reason. RWE npower raised its residential customer tariffs by 7.2% with effect from 1 October 2011. Gas tariffs were also lifted as of the same date, by 15.7%. For this reason, gas revenue in the period under review was boosted by 11% year on year to €817 million. Net of currency effects, the rise amounted to 8%. With effect from 1 February 2012, RWE npower lowered its gas tariffs by 5% again. This curtailed the increase in revenue, as did the aforementioned reductions in consumption by our gas customers.
- Central Eastern and South Eastern Europe: At €1,789 million, external revenue was 9% higher than in the same period last year. Net of foreign exchange effects, it grew by 13%. Electricity revenue amounted to €622 million. It was down by 5%, but up 2% excluding the currency impact. Price increases more than offset negative volume effects. External revenue in the gas business climbed by 18% to €1,131 million. Deducting foreign exchange rate changes results in a gain of 21%, which is in part due to the volume improvements in sales to Czech distributors.
- Renewables: RWE Innogy grew external revenue by 2% to €129 million. The first-time full consolidation of the Spanish wind power generator Explotaciones Eólicas de Aldehuelas and the commissioning of new wind farms made a major contribution. The transfer of the Czech company Key Account Contracting to RWE Transgas in the Central Eastern and South Eastern Europe Division as of 1 January 2012 had a counteracting effect. The company operates several small power plants that generate electricity and heat for municipal customers. The sale of our French wind farm portfolio in September 2011 also had a revenue-reducing impact.
- Upstream Gas & Oil: In this division, revenue was €569 million, a rise of 27%. RWE Dea realised much higher prices for its crude oil and gas production than in the same quarter last year. The appreciation of the US dollar had a positive effect, whereas particularly the decline in gas production curtailed the rise in revenue.
- Trading/Gas Midstream: At RWE Supply & Trading, external revenue decreased by 28% to €1,714 million. In particular, oil revenue was clearly down on the level achieved a year before, which was unusually high due to the effects of the fair valuation of oil forward contracts. We had concluded these contracts in order to limit risks arising from our long-term oil-indexed gas purchase agreements. Gas and electricity revenue also decreased. This was a result of the aforementioned decline in volumes.

Internal revenue € million	Jan – Mar 2012	Jan – Mar 2011	+/- %	Jan – Dec 2011
Germany	2,980	3,544	-15.9	12,910
Power Generation	2,439	2,590	-5.8	9,064
Sales/Distribution Networks	541	954	-43.3	3,846
Netherlands/Belgium	16	234	-93.2	53
United Kingdom	9	5	80.0	17
Central Eastern and South Eastern Europe	133	130	2.3	500
Renewables	124	65	90.8	282
Upstream Gas & Oil	50	57	-12.3	176
Trading/Gas Midstream	6,680	6,378	4.7	21,742

Reconciliation of income from operating activities to EBITDA € million	Jan – Mar 2012	Jan – Mar 2011	+/- %	Jan – Dec 2011
Income from operating activities ¹	2,296	2,819	-18.6	4,129
+ Operating income from investments	139	217	-35.9	600
+ Non-operating income from investments	14	-	-	-72
- Non-operating result	-13	-209	93.8	1,157
Operating result	2,436	2,827	-13.8	5,814
+ Operating depreciation and amortisation	689	599	15.0	2,646
EBITDA	3,125	3,426	-8.8	8,460

¹ See the income statement on page 38.

EBITDA € million	Jan – Mar 2012	Jan – Mar 2011	+/- %	Jan – Dec 2011
Germany	1,987	2,066	-3.8	5,419
Power Generation	1,215	1,321	-8.0	3,252
Sales/Distribution Networks	772	745	3.6	2,167
Netherlands/Belgium	218	198	10.1	462
United Kingdom	364	462	-21.2	606
Central Eastern and South Eastern Europe	386	506	-23.7	1,364
Renewables	129	106	21.7	338
Upstream Gas & Oil	328	251	30.7	923
Trading/Gas Midstream	-218	-273	20.1	-784
Other, consolidation	-69	110	-162.7	132
RWE Group	3,125	3,426	-8.8	8,460

Operating result € million	Jan – Mar 2012	Jan – Mar 2011	+/- %	Jan – Dec 2011
Germany	1,664	1,796	-7.3	4,205
Power Generation	1,057	1,201	-12.0	2,700
Sales/Distribution Networks	607	595	2.0	1,505
Netherlands/Belgium	151	145	4.1	245
United Kingdom	291	409	-28.9	357
Central Eastern and South Eastern Europe	321	444	-27.7	1,109
Renewables	84	68	23.5	181
Upstream Gas & Oil	241	176	36.9	558
Trading/Gas Midstream	-220	-276	20.3	-800
Other, consolidation	-96	65	-247.7	-41
RWE Group	2,436	2,827	-13.8	5,814

Operating result 14% lower year on year

Declines in electricity generation margins and substantial burdens in the gas midstream business were the main reasons why the RWE Group did not match the earnings achieved in the same quarter last year. EBITDA dropped by 9% to €3,125 million. Our operating result declined by 14% to €2,436 million. Excluding consolidation and currency effects, EBITDA and the operating result were down 6% and 12%, respectively. However, we still expect to close 2012 with these two key earnings figures at the level achieved in 2011. We will make up lost ground partly because last year was affected by the substantial one-off burdens imposed by Germany's accelerated nuclear phase-out, the effect of which was largely felt only after the first quarter.

- Germany: The operating result recorded by this division declined by 7% to €1,664 million. Developments in the Power Generation and Sales/Distribution Networks Business Areas were as follows.

Power Generation: The operating result we achieved here declined by 12% to €1,057 million. The main reason was that we sold our generation for 2012 at prices that were lower than for 2011. Furthermore, hard coal and gas purchases were influenced by negative price effects, which were contrasted by relief in the procurement of CO₂ emission allowances. Earnings shortfalls also stemmed from the fact that the Biblis nuclear power station has not been allowed to produce electricity since March 2011. However, costs associated with maintenance work on Biblis B, among other things, were avoided. Our new twin-unit lignite-fired power plant at the Neurath site, which began a trial run at the beginning of 2012, helped stabilise earnings. However, we started depreciating the plant when it began generating electricity.

Sales/Distribution Networks: The operating result posted by this business area rose by 2% to €607 million. Cost-reducing measures came to bear. Furthermore, the sale of networks forced by the loss of concessions led to capital gains. This mainly related to the Eastern German regional company enviaM. The aforementioned effects were contrasted by slight declines in electricity and gas sales margins.

- Netherlands/Belgium: The operating result recorded by this division advanced by 4% to €151 million, because earnings in the end-customer business improved. Price adjustments were a factor, but cost reductions were the main driver. Electricity generation margins are still under pressure. The commissioning of the new Claus C and Moerdijk 2 gas-fired power plants had a positive impact.
- United Kingdom: The operating result achieved by RWE npower decreased by 29% to €291 million. Net of currency effects, the decline amounted to 31%. A deterioration of margins in forward sales of our electricity generation is the main reason. Furthermore, the fire at Tilbury power station, which has been fully converted to run on biomass, led to earnings shortfalls (see page 11). Moreover, in 2011 we benefited from a positive one-off effect when we received compensation from a supplier for delays in capex projects. The operating result recorded by the supply business was also down year on year, primarily due to the decline in residential gas consumption. In addition, our margins shrank in the corporate customer segment, and the fees for using electricity networks increased. RWE npower's efficiency-enhancement measures only partially compensated for the aforementioned factors. However, the company is expected to end the year better than in 2011.
- Central Eastern and South Eastern Europe: The operating result recorded by this division declined by 28% to €321 million. Net of foreign exchange effects, the decrease amounted to 26%. The drop is in part attributable to the Czech gas supply business, but its earnings for the full year should return close to the level achieved in 2011. The operating result of the Hungarian electricity business also closed the quarter down year on year, both in generation as well as in supply.
- Renewables: Increased generation volumes and higher realised electricity prices were the main driver of the division's €16 million growth to €84 million. Our new wood pellet factory in the US state of Georgia, which was commissioned in May 2011, also contributed to the improvement in earnings. A counteracting effect was felt from the fact that earnings a year earlier included compensation for damages to which we were entitled for delays in the construction of the Greater Gabbard wind farm.
- Upstream Gas & Oil: RWE Dea improved its operating result by 37% to €241 million, due to higher realised oil and gas prices as well as the appreciation of the US dollar over the euro. However, we had to pay higher royalties in Germany; they are coupled to the development of oil and gas prices.
- Trading/Gas Midstream: The division closed the quarter with an operating loss of €220 million, which was smaller than in the same period a year ago. Our performance in the energy trading business improved markedly. In contrast, as expected, the burdens in the gas midstream business continued to rise. Parts of our gas purchases are based on long-term, oil-indexed contracts, and we have to pay prices for this gas that are much higher than those we realise when we re-sell it on the market. We are conducting price reviews with our gas suppliers and have already received compensatory payments for some contracts, the last one of which was in April 2012. Our earnings would improve considerably if we obtained further positive results from our price reviews, although we will probably not see any significant benefit until after 2012.

Reconciliation to net income: special items impose burdens

The reconciliation from the operating result to net income is characterised by special items. Much smaller capital gains and interest rate-driven additions to provisions were contrasted by positive effects of the fair valuation of commodity derivatives.

Non-operating result € million	Jan – Mar 2012	Jan – Mar 2011	+/- € million	Jan – Dec 2011
Capital gains	45	310	-265	393
Impact of commodity derivatives on earnings	221	-39	260	-176
Restructuring, other	-253	-62	-191	-1,374
Non-operating result	13	209	-196	-1,157

The non-operating result deteriorated by €196 million to €13 million compared to the first quarter of 2011. Its components developed as follows.

- In the period under review, we realised €45 million in capital gains, mainly stemming from the sale of our 25.3% stake in Netherlands-based KEMA, a leading company in the fields of consulting, testing and certification in the energy sector. A year earlier, capital gains were much higher (€310 million), primarily due to the sale of Thyssengas and of a minority stake in a hard coal-fired power station in Rostock.
- The accounting treatment of certain derivatives with which we hedge the prices of commodity forward transactions resulted in a gain of €221 million compared to a loss of €39 million in the same period last year. Pursuant to International Financial Reporting Standards (IFRS), these 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.
- The result stated under 'restructuring, other' declined by €191 million to -€253 million, in part because we accrued risk provisions for investments. The amortisation of RWE npower's customer base amounted to €67 million and was therefore slightly higher than in the year-earlier period (€65 million) due to foreign exchange rates. It will end in May 2012.

Financial result € million	Jan – Mar 2012	Jan – Mar 2011	+/- € million	Jan – Dec 2011
Interest income	101	102	-1	430
Interest expenses	-314	-294	-20	-1,063
Net interest	-213	-192	-21	-633
Interest accretion to additions to non-current provisions	-276	-196	-80	-869
Other financial result	19	16	3	-131
Financial result	-470	-372	-98	-1,633

The financial result deteriorated by €98 million to –€470 million. Its components changed as follows.

- Net interest decreased by €21 million to –€213 million. Our financial liabilities increased, which also caused the finance cost to rise. However, the interest rates on our cash investments dropped.
- The interest accretion to additions to non-current provisions grew by €80 million to €276 million. This was partially due to adjustments made to provisions as a result of the decline in discount rates.
- At €19 million, the ‘other financial result’ was slightly above the year-earlier level. The positive effects of the fair valuation of financial transactions were contrasted by a decline in income from the sale of securities.

Income before tax decreased by 26% to €1,979 million, and income after tax declined by 27% to €1,424 million. At 28%, the effective tax rate was marginally higher than in the same period last year (27%), in part because there was a drop in tax-free capital gains. The minority interest fell by €8 million to €96 million. Some companies, in which third parties hold a minority interest, recorded drops in income. This related to subsidiaries in Hungary, among others. €17 million in earnings are attributable to our hybrid investors. This sum corresponds to the finance costs after tax allocable to the quarter being reviewed. However, only the two of the three hybrid bonds included in the interim financial statements that are recognised as equity pursuant to IFRS are considered, whereas the hybrid bond classified as debt is recognised in net interest.

The RWE Group’s net income decreased by 28% to €1,311 million. Earnings per share dropped to €2.13, experiencing a steeper decline of 38%. This is due to the capital increase implemented in December 2011. As set out on page 46 of the 2011 Annual Report, we placed 52.3 million new and 28.1 million treasury common shares on the market at the end of last year. Therefore, the average of 614.4 million RWE shares outstanding was much higher than in the same period last year (533.6 million).

Reconciliation to net income		Jan – Mar 2012	Jan – Mar 2011	+/- %	Jan – Dec 2011
Operating result	€ million	2,436	2,827	-13.8	5,814
Non-operating result	€ million	13	209	-93.8	-1,157
Financial result	€ million	-470	-372	-26.3	-1,633
Income before tax	€ million	1,979	2,664	-25.7	3,024
Taxes on income	€ million	-555	-726	23.6	-854
Income	€ million	1,424	1,938	-26.5	2,170
Minority interest	€ million	96	104	-7.7	305
RWE AG hybrid investor's interest	€ million	17	15	13.3	59
Net income/RWE AG shareholders' share in net income	€ million	1,311	1,819	-27.9	1,806
Recurrent net income	€ million	1,288	1,609	-20.0	2,479
Earnings per share	€	2.13	3.41	-37.5	3.35
Recurrent net income per share	€	2.10	3.02	-30.5	4.60
Number of shares outstanding (weighted average)	thousands	614,447	533,559	15.2	538,971
Effective tax rate	%	28	27	3.7	28

Recurrent net income down 20% year on year

The yardstick for determining the dividend is recurrent net income, which does not include the non-operating result or the tax on it. If major non-recurrent effects in the financial result and income taxes occur, these are also excluded. In the period under review, recurrent net income totalled €1,288 million, 20% down on the comparable figure for 2011. However, we still expect to close 2012 with a figure at the level achieved in 2011.

Capital expenditure on property, plant and equipment and on intangible assets	Jan – Mar 2012	Jan – Mar 2011	+/- € million	Jan – Dec 2011
€ million				
Germany	361	354	7	2,374
Power Generation	285	267	18	1,168
Sales/Distribution Networks	76	87	-11	1,206
Netherlands/Belgium	107	185	-78	971
United Kingdom	30	96	-66	416
Central Eastern and South Eastern Europe	133	79	54	852
Renewables	198	210	-12	825
Upstream Gas & Oil	145	170	-25	701
Trading/Gas Midstream	1	10	-9	20
Other, consolidation	12	40	-28	194
RWE Group	987	1,144	-157	6,353

Capital expenditure on financial assets € million	Jan – Mar 2012	Jan – Mar 2011	+/- € million	Jan – Dec 2011
Germany	3	2	1	19
Power Generation	-	-	-	-
Sales/Distribution Networks	3	2	1	19
Netherlands/Belgium	1	-	1	431
United Kingdom	72	23	49	184
Central Eastern and South Eastern Europe	-	-	-	6
Renewables	7	12	-5	66
Upstream Gas & Oil	-	-	-	-
Trading/Gas Midstream	3	3	-	6
Other, consolidation	-	-	-	7
RWE Group	86	40	46	719

Capital expenditure remains high, at €1.1 billion

The RWE Group spent €1,073 million in capital, 9% less than in the equivalent period last year. Capital expenditure on financial assets amounted to €86 million. We spent €987 million on property, plant and equipment and intangible assets. The expansion and modernisation of our electricity generation capacity continue to be the focal points of the RWE Group's capital expenditure. The Germany Division's major projects are the lignite-fired power plant at the Neurath site, which has almost been completed, and a 1,528 MW twin-unit hard coal facility at Hamm, which is scheduled to start producing electricity no later than the end of 2013. The division also invests in improving network infrastructure. In the Netherlands/Belgium Division, the majority of the funds is earmarked for a 1,560 MW dual-block hard coal power plant at Eemshaven, which we intend to complete by 2014. The biggest project in the United Kingdom is our new 2,188 MW gas-fired power plant at Pembroke, which we expect to be commissioned over the coming months. Our capital expenditure in the Central Eastern and South Eastern Europe Division is focused on the improvement of electricity and gas network infrastructure. In addition, we are building a 775 MW gas-fired power station near the Turkish town of Denizli, which is scheduled to start producing electricity by the end of the year. RWE Innogy aims to expand its renewable generation base significantly. The focus is currently on wind power projects, with the construction of offshore wind farms in the United Kingdom and Germany leading the way. Our upstream subsidiary, RWE Dea, focuses on the development of oil and gas fields in preparation for production. Investment activity is focused on the Breagh gas field in the UK North Sea, where we intend to begin production over the course of the year.

Cash flow statement¹ € million	Jan – Mar 2012	Jan – Mar 2011	+/- %	Jan – Dec 2011
Cash flows from operating activities	298	2,284	-87.0	5,510
of which: changes in working capital	-1,979	-787	-151.5	-436
Cash flows from investing activities	213	-1,213	117.6	-7,766
Cash flows from financing activities	-867	28	-	1,742
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	17	7	142.9	-12
Total net changes in cash and cash equivalents	-339	1,106	-130.7	-526
Cash flows from operating activities	298	2,284	-87.0	5,510
Minus capital expenditure on property, plant and equipment and on intangible assets	-987	-1,144	13.7	-6,353
Free cash flow	-689	1,140	-160.4	-843

¹ The full cash flow statement can be found on page 41.

Cash flows from operating activities affected by negative special items in working capital

In the first quarter of 2012, we generated €298 million in cash flows from operating activities. This was much less than the corresponding figure achieved last year (€2,284 million). In addition to the decline in earnings, negative extraordinary effects in working capital came to bear. They were partially caused by the fact that payments in connection with purchases and sales by RWE Supply & Trading fluctuate substantially over the course of the year. Furthermore, a positive effect relating to Amprion a year earlier did not recur: the liquidity of the electricity transmission system operator, which has since been deconsolidated, experienced a strong temporary improvement at the beginning of 2011 as a result of the significant increase in the apportionment under the German Renewable Energy Act. Cash flows from investing activities in the period under review totalled €213 million. The fact that we realised net cash inflows despite capital expenditure on property, plant and equipment of €1.0 billion is primarily due to the sale of securities. We used the funds we received to redeem commercial paper. All in all, we redeemed €2.9 billion in commercial paper. This was contrasted by €1.6 billion in income from the issuance of bonds. On balance, financing activities led to a cash outflow of €867 million. Our cash and cash equivalents have decreased by €339 million since the beginning of the year.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, result in free cash flow. The latter amounted to -€689 million, down €1,829 million on the figure recorded in the corresponding period last year. This reflects the significant decline in cash inflows from operating activities.

Net debt € million	31 Mar 12	31 Dec 11	+/- %
Cash and cash equivalents	1,670	2,009	-16.9
Marketable securities	4,392	5,353	-18.0
Other financial assets	2,020	2,322	-13.0
Financial assets	8,082	9,684	-16.5
Bonds, other notes payable, bank debt, commercial paper	17,853	19,959	-10.6
Other financial liabilities	2,060	1,964	4.9
Financial liabilities	19,913	21,923	-9.2
Net financial debt	11,831	12,239	-3.3
Provisions for pensions and similar obligations	4,531	3,846	17.8
Surplus of plan assets over benefit obligations	16	60	-73.3
Provisions for nuclear waste management	10,405	10,366	0.4
Mining provisions	2,811	2,780	1.1
Adjustment for hybrid capital (portion of relevance to the rating)	1,231	777	58.4
of which recognised in equity in accordance with IFRS	1,337	880	51.9
of which recognised in debt in accordance with IFRS	-106	-103	-2.9
Net debt of the RWE Group	30,793	29,948	2.8

Net debt slightly higher year on year due to larger provisions

As of 31 March 2012, our net debt totalled €30.8 billion. It rose by €0.8 billion compared to the level at 31 December 2011 in part due to our substantial capital expenditure. Furthermore, upward adjustments were made to certain provisions, particularly for pensions. This was due to a market-driven reduction in discount rates. The issuance of a £750 million (€892 million) hybrid bond had a debt-reducing effect, because, in determining net debt, we classify half of this amount as equity. This is in line with the procedure applied by rating agencies. Conversely, our consolidated balance sheet is prepared in accordance with IFRS, which requires the aforementioned hybrid bond to be fully recognised as equity.

Balance sheet structure: equity ratio rises to 21.1%

As of 31 March 2012, the RWE Group had a balance sheet total of €92.4 billion. This was €0.2 billion less than at the end of 2011. On the assets side, accounts receivable increased by €2.1 billion, while derivative positions decreased by €1.5 billion. Current securities were down €1.0 billion on the year-earlier figure. On the equity and liabilities side, provisions were up by €1.1 billion. In contrast, non-current liabilities dropped by €2.4 billion and derivative positions were down €1.5 billion. The RWE Group's equity rose by €2.4 billion. As of the balance sheet date, it accounted for 21.1% of the balance sheet total. Our equity ratio therefore improved by 2.7 percentage points. As of the balance sheet date, non-current capital employed was fully covered by equity and long-term debt financing.

RWE Group's balance sheet structure	31 Mar 2012		31 Dec 2011	
	€ million	%	€ million	%
Assets				
Non-current assets	64,070	69.3	63,539	68.6
Intangible assets	17,013	18.4	16,946	18.3
Property, plant and equipment	35,370	38.3	34,847	37.6
Current assets	28,358	30.7	29,117	31.4
Receivables and other assets ¹	19,639	21.2	18,771	20.3
Total	92,428	100.0	92,656	100.0
Equity and liabilities				
Equity	19,462	21.1	17,082	18.4
Non-current liabilities	45,952	49.7	44,391	47.9
Provisions	24,952	27.0	23,829	25.7
Financial liabilities	15,912	17.2	15,428	16.7
Current liabilities	27,014	29.2	31,183	33.7
Other liabilities ²	17,710	19.2	19,361	20.9
Total	92,428	100.0	92,656	100.0

1 Including financial accounts receivable, trade accounts receivable and tax refund claims.

2 Including financial accounts payable and income tax liabilities.

Headcount unchanged

As of 31 March 2012, the RWE Group had 72,058 employees. Part-time positions were calculated on a pro-rata basis. Our labour force was essentially unchanged compared to the level at 31 December 2011. Whereas headcount at our German sites rose to 41,756 (+124), it declined to 30,302 abroad (-134). Consolidations did not affect the development of our personnel figures. However, reorganisational measures led to shifts within the Group. The single-largest effect stemmed from the incorporation of a Czech IT business from the Central Eastern and South Eastern Europe Division into RWE IT in the 'other' line item with effect from 1 January 2012.

Workforce ¹	31 Mar 2012	31 Dec 2011	+/- %
Germany	35,863	35,769	0.3
Power Generation	15,348	15,371	-0.1
Sales/Distribution Networks	20,515	20,398	0.6
Netherlands/Belgium	3,762	3,794	-0.8
United Kingdom	11,890	12,053	-1.4
Central Eastern and South Eastern Europe	11,208	11,328	-1.1
Renewables	1,457	1,493	-2.4
Upstream Gas & Oil	1,362	1,362	-
Trading/Gas Midstream	1,548	1,562	-0.9
Other	4,968 ²	4,707	5.5
RWE Group	72,058	72,068	-

1 Converted to full-time positions.

2 Of which 2,619 at RWE IT (end of 2011: 2,417) and 1,571 at RWE Service (end of 2011: 1,557).

Research and development: RWE begins field trial for intelligent energy usage

We spent €30 million on research and development (R&D) in the first quarter of 2012 (Q1 2011: €23 million). Furthermore, we capitalised €3 million in development costs (Q1 2011: €23 million). Our R&D activities focus on the development of solutions for an energy supply that is gentle on the environment, reliable and affordable over the long term. To this end, we improve existing methods and processes and develop new technologies.

A project added in January 2012 to our numerous ongoing undertakings is 'AmpaCity', which offers new prospects for operating electricity networks in inner cities. In Essen, where RWE AG has its headquarters, we will lay the world's longest underground cable based on modern superconductor technology. The materials used are capable of transmitting electricity at very low temperatures of about -200°C nearly loss-free. This enables the transmission of large amounts of electricity at low voltage – and saves space. The advantage for the municipalities is that valuable plots of inner city land that would otherwise be needed to operate networks can be used for other purposes. Our partners in AmpaCity are the cable manufacturer Nexans Deutschland and the Karlsruhe Institute of Technology (KIT).

Also in the first quarter, we started a field trial for the use of innovative energy services in Mülheim an der Ruhr, involving around 700 households. We enable them to track prices on the electricity market and their consumption on their PCs, which allows them to identify potential for optimising energy usage. Approximately 100 participants will receive smart household appliances from us such as washing machines, tumble driers and dishwashers, which automatically start a preset programme when electricity is particularly cheap. We receive subsidies for the field trial from the 'E-Energy' programme, which was launched by the German government.

We presented detailed information on our R&D activities and our major projects on pages 83 to 86 of our 2011 Annual Report.

OUTLOOK

Economic prospects have deteriorated

Based on initial forecasts, global economic output will increase by 2.5% in 2012, as long as the Eurozone's sovereign debt crisis does not escalate. China may well remain the economy's main pillar, although the country's economy has already lost some of its momentum. In the Eurozone, measures to consolidate state budgets will dampen growth. The cumulative gross domestic product (GDP) of all member states of the monetary union will probably not exceed last year's level. Germany's prospects are a little brighter. Following a 3% expansion last year, the German Council of Economic Experts is of the opinion that a gain of up to 1% is possible. It expects stimulus to mainly come from consumer spending. The basis for this are the encouraging employment situation and higher disposable income. The forecasts for the Netherlands and Belgium are more restrained: the GDP of these countries is to rise by 0.5% at best. Estimates for the United Kingdom are similar: austerity measures mandated by the government and the persistently weak property market will curtail consumer spending. Prospects in our Central Eastern European markets have also clouded: whereas Poland's industrial output is likely to grow by more than 2%, in the Czech Republic, it will probably only expand marginally. Hungary is actually expected to see a decline in economic output.

Weather expected to have positive effect on energy consumption

The forecast weakening of economic growth will be reflected in the use of energy. In addition to the economic impact, weather-related effects, which are difficult to predict, also play a role, particularly with regard to gas. In 2011, temperatures in our major markets were much higher than the ten-year average. A normalisation would therefore stimulate energy usage.

In relation to electricity, we anticipate that demand in Germany will stagnate. Stimulus will probably come primarily from the service sector, with demand in energy-intensive branches of industry actually likely to drop. Our consumption forecast for the United Kingdom and the Netherlands is similarly cautious. The situation in Central Eastern Europe is slightly more disparate. Poland is likely to post a gain of 2%, with the Czech Republic and – above all – Hungary probably lagging far behind.

As far as gas is concerned, we expect the weather to spur on consumption. Disregarding temperature effects, Germany may well experience a slight decrease in demand. This estimate is based on the assumption that the continued expansion of renewable energy and the current low price of CO₂ emission allowances will result in a further decline in the deployment of gas-fired power plants. We also anticipate this development to occur in the Netherlands. In the United Kingdom, the situation is exacerbated by the fact that the country is making substantial progress in insulating buildings. UK gas consumption could therefore drop significantly if there are no counteracting weather-related effects. Poland will probably be the only one of our Central Eastern European countries to record a temperature-adjusted rise in demand for gas, due to the country's good economy.

Waning economy curtails commodity prices

The weakening economy is clearly leaving its mark on international commodity markets. This is especially evident in hard coal quotations, which will probably be much lower than in 2011 for the full year as well. In contrast, developments in oil prices are influenced more by geopolitical factors – most recently predominantly the Iran crisis. If the situation in this country becomes more tense, crude oil will probably become more expensive. Given that gas purchase agreements are still often indexed to oil prices, this would also have an impact on gas quotations. The development of the price of emission allowances will largely depend on whether the EU member states succeed in agreeing on more ambitious carbon reduction goals. However, none of these developments would have a material impact on our earnings in the current year any more, because we have sold forward nearly all our electricity generation for 2012 and have secured the prices of the required fuel and emission allowances. The average electricity price realised by RWE Power is below the comparable figure for 2011 (€63 per MWh). Part of our generation for the two coming years has also already been placed on the market. The portions already sold forward in Germany amount to more than 60% (2013) and more than 30% (2014). These figures represent the situation as of 31 March 2012. We have also limited the price risk associated with our oil and gas production through forward sales.

Outlook for 2012: revenue in the order of last year

We expect external revenue to be roughly on a par with 2011. As we have only held a minority stake in the transmission system operator Amprion since September 2011, we no longer recognise that company's revenues in 2012. This will probably be contrasted by rising revenue in our German and UK sales businesses. In addition, the revenue earned by RWE companies from Amprion is now being recognised as external instead of internal revenue.

Stable earnings trend expected

Despite divestments, we anticipate that earnings will be stable in 2012. We will benefit from the commissioning of new generation capacity. Furthermore, the extraordinary burdens resulting from Germany's accelerated nuclear phase-out will not recur. In addition, we expect that RWE Dea will also realise higher oil and gas prices for the full year. This will be contrasted by mounting burdens imposed by the German nuclear fuel tax. In the gas midstream business, in some cases, we still have to pay much more for gas purchases based on oil price-indexed long-term contracts in 2012 than we realise when selling it on. This may result in further negative effects on earnings.

Development of the forecast for fiscal 2012 € million	2011 actual	Forecast of March 2012 ¹	Update to the forecast
External revenue	51,686	In the order of last year's level	-
EBITDA	8,460	In the order of last year's level	-
Operating result	5,814	In the order of last year's level	-
Germany	4,205	Above last year	-
Power Generation	2,700	Above last year	-
Sales/Distribution Networks	1,505	In the order of last year's level	-
Netherlands/Belgium	245	Significantly below last year	-
United Kingdom	357	Significantly above last year	Above last year
Central Eastern and South Eastern Europe	1,109	Below last year	-
Renewables	181	Above last year	-
Upstream Gas & Oil	558	Significantly above last year	-
Trading/Gas Midstream	-800	Significantly below last year	-
Recurrent net income	2,479	In the order of last year's level	-

¹ See RWE's 2011 Annual Report (page 98).

We confirm the forecast we made in March 2012 for the RWE Group's earnings: in 2012, EBITDA and the operating result are expected to be comparable to 2011. We also anticipate that recurrent net income will be in the order of last year's level. The outlook considers the effects of the ongoing divestment programme. Developments at the divisional level were as follows.

- Germany: From our current perspective, the division's operating result is expected to be up on last year's level.

Power Generation: We expect this business area to improve earnings. The commissioning of the new dual-block lignite-fired power station at Neurath will make a contribution. Furthermore, we anticipate that nuclear provisions will have a positive effect, in part because of the absence of one-off burdens experienced in 2011 from the U-turn in German energy policy. Maintenance and operating costs will probably be lower than in 2011, as should the cost of procuring emission allowances. However, there will also be counteracting effects: the price of the electricity we generate in Germany this year, nearly all of which we have placed on the market, is down on last year's level (€63 per MWh). In addition, our fuel purchasing costs will rise due to increased prices and we expect the nuclear fuel tax to place a heavier burden on us.

Sales/Distribution Networks: We anticipate that this business area will close the reporting period on a par with last year. On the one hand, we expect to benefit considerably from efficiency-enhancement measures. On the other hand, positive exceptional effects in 2011 resulting from the initial full consolidation of NEW will not recur. In addition, income from investments is likely to be lower year on year.

- Netherlands/Belgium: From our current perspective, the operating result posted by Essent will decline significantly, primarily due to the shrinking margins of our Dutch hard coal and gas-fired power plants. Income from Essent's gas midstream business is also likely to be lower than in 2011. We intend to cushion these effects by taking comprehensive measures to reduce costs.
- United Kingdom: We expect RWE npower to close 2012 up year on year, as long as we manage to re-commission the biomass facility at Tilbury on schedule. As set out on page 11, a fire has resulted in the plant's outage. This is also why we had to revise our original forecast, which envisaged a significant improvement in earnings. Continued efficiency enhancements will be a major success factor this year. We will benefit from them above all in the supply business, where the margins that have come under pressure in past years should continue to recover. Earnings in the generation business will continue to deteriorate due to market conditions. However, we will benefit from the commissioning of our new gas-fired power station at Pembroke. The five units are scheduled to go online successively in the months ahead.
- Central Eastern and South Eastern Europe: The division will probably not be able to match the good operating result achieved last year. We expect to see declining distribution margins in the Czech gas business. However, earnings posted by our local gas sales and transmission activities should be stable. The same applies to our Polish electricity businesses, whereas we anticipate competition-induced earnings shortfalls in the Hungarian electricity sales business.
- Renewables: The commissioning of new renewable electricity generation capacity will add to revenue, contributing to an improvement in RWE Innogy's operating result. In addition, our wood pellet factory in the US state of Georgia, which opened in May 2011, is available to us for the first full year. Furthermore, we expect the construction of the Greater Gabbard offshore wind farm to be completed over the course of the year. However, the income from compensation for damages received in 2011 for delays in the construction of the wind farm will not recur this year. Should weather conditions be normal in 2012, both wind levels and rainfall should be higher than in 2011, and the utilisation of our wind turbines and run-of-river power plants should rise accordingly. This would have a positive impact on earnings. A counteracting effect will come from ongoing investment projects causing substantial run-up costs.
- Upstream Gas & Oil: RWE Dea's operating result should improve significantly. We expect that we will be able to realise much higher oil and gas prices than in 2011 and that exploration costs will be slightly lower. Furthermore, we will commence production in several gas fields which we developed. However, as production increases, so do depreciation and production costs.

- **Trading/Gas Midstream:** We expect RWE Supply & Trading to record another operating loss, which from our current perspective will be much more significant than in 2011. Burdens in the gas midstream business are the main reason. Prices linked to the oil market for purchasing gas for 2012 will continue to be much higher than those realisable when the gas is re-sold on the market. We are in renegotiations with our gas suppliers, the outcomes of which will have a substantial effect on our medium-term earnings. However, many of the decisions will not be made until after 2012. We anticipate that the trading business of RWE Supply & Trading will deliver a much improved performance compared to last year's weak level.

Dividend for fiscal 2012

Our dividend proposal for the current fiscal year will be in line with our usual payout ratio of 50% to 60%. The basis for calculating the dividend is recurrent net income. As set out earlier, we expect the latter to be in the order of last year's level.

Capex of €6 billion planned

Our capital expenditure on property, plant and equipment in 2012 will total approximately €6 billion. This would be slightly below the record levels achieved in the two previous years (€6.4 billion). The reason is the gradual completion of facilities as we implement our new-build power plant programme. However, we anticipate spending more on expanding renewable capacity than in 2011. We also want to step up capital expenditure on RWE Dea's upstream activities.

Leverage factor: slight improvement expected

Our net debt, which amounted to €29.9 billion at the end of 2011, will decline marginally. Sales proceeds from our divestment programme will be a contributing factor. If EBITDA remains stable, this would also cause the leverage factor to decrease somewhat. In 2011, it was 3.5. However, it will still exceed the upper limit of 3.0 to which we are orientating ourselves. We intend to return the leverage factor closer to this limit quickly, in order to support our A rating.

Headcount: slightly down year on year

We expect to see a slight decline in employee figures in the current financial year. They will drop significantly in the United Kingdom, as RWE npower intends to reduce staff numbers by improving sales processes. We also expect positions to be made redundant in the Germany Division: in the Sales/Distribution Business Area, the planned divestments will cause the labour force to shrink. In the Power Generation Business Area, efficiency-enhancing measures and the shutdown of the Biblis nuclear power plant will have an effect. In contrast, RWE Innogy will continue to enlarge its workforce.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

Professional risk management at RWE

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 business management. 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, and measures taken to control and monitor major risks in detail on pages 87 to 95 of our 2011 Annual Report.

Overall assessment of the risk and opportunity situation by executive management

As an energy company that makes long-term investments, RWE is especially dependent on reliable framework conditions with regard to energy policy. However, we are witnessing a trend towards regulatory intervention in the energy market. Proof of this is the nuclear fuel tax levied in Germany since 2011, against which we have filed lawsuits. The sudden change of course in German nuclear energy policy after the reactor accident at Fukushima is further evidence of the fact that political risks have risen in the utility sector. We have taken legal recourse here as well, in order to limit financial damage.

In addition to energy policy, the development of supply and demand on electricity and gas markets affects our earnings. Should the Eurozone's sovereign debt crisis lead to a recession, a decline in energy consumption and energy prices may be the consequence. Furthermore, we are witnessing changes in market structures. For instance, the continued rise in the number of wind turbines and solar panels is crowding out gas and hard coal-based generation, the margins of which have come under pressure. If they continue to deteriorate, a curtailment of the profitability of our large-scale new-build projects may be one of the consequences.

The gas market is also undergoing change. The increasing significance of liquid gas trading points and the expansion of shale gas production in the USA have made a major contribution to prices in gas trading decoupling themselves from those set in long-term agreements indexed to the price of oil, with the former being much lower than the latter since 2009. We procure parts of our gas based on contracts linked to the price of oil. We entered into renegotiations with our suppliers to obtain conditions that are adapted to the market's development. Most of them have since entered the arbitration phase.

In view of all the issues mentioned above – be it contract renegotiations, legal proceedings, commodity price changes or political intervention – we are exposed to substantial risks, but are also presented with opportunities. Despite these and other imponderables, there are no identifiable risks that jeopardise the continued operation of RWE AG or the RWE Group.

Current key Value at Risk figures

We control and monitor risks arising from the volatility of commodity prices and financial risks (foreign currency risks, interest rate risks and risks in connection with investments in securities) 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 maximum daily loss does not exceed the VaR.

The central risk controlling parameter for commodity positions is the Global VaR, which is related to the trading business of RWE Supply & Trading and may not exceed €40 million. It averaged €9 million in the first quarter of 2012; its maximum daily value was €13 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 first quarter of 2012 averaged €6 million. We measure the sensitivity of the interest expense 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 in the period under review averaged €14 million.

The securities we hold in our portfolio include shares. In the period under review, the VaR for the risk associated with changes in share prices averaged €10 million. The VaR for our foreign currency position was less than €1 million.

CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement¹

€ million	Jan – Mar 2012	Jan – Mar 2011
Revenue (including natural gas tax/electricity tax)	15,593	15,754
Natural gas tax/electricity tax	–830	–868
Revenue	14,763	14,886
Cost of materials	–9,752	–9,902
Staff costs	–1,309	–1,221
Depreciation, amortisation, and impairment losses	–762	–664
Other operating income	–644	–280
Income from operating activities	2,296	2,819
Income from investments accounted for using the equity method	103	134
Other income from investments	50	83
Financial income	122	194
Finance costs	–592	–566
Income before tax	1,979	2,664
Taxes on income	–555	–726
Income	1,424	1,938
of which: minority interest	96	104
of which: RWE AG hybrid capital investors' interest	17	15
of which: net income/income attributable to RWE AG shareholders	1,311	1,819
Basic and diluted earnings per common and preferred share in €	2.13	3.41

¹ Prior-year figures adjusted.

Statement of recognised income and expenses¹

€ million	Jan – Mar 2012	Jan – Mar 2011
Income	1,424	1,938
Currency translation adjustment	311	101
Fair valuation of financial instruments available for sale	86	–58
Fair valuation of financial instruments used for hedging purposes	227	36
Other comprehensive income of investments accounted for using the equity method (pro rata)	12	2
Actuarial gains and losses of defined benefit pension plans and similar obligations	–499	–92
Other comprehensive income	137	–11
Total comprehensive income	1,561	1,927
of which: attributable to RWE AG shareholders	(1,412)	(1,781)
of which: attributable to RWE AG hybrid capital investors	(17)	(15)
of which: attributable to minority interests	(132)	(131)

¹ Figures stated after taxes.

Balance sheet

Assets € million	31 Mar 2012	31 Dec 2011
Non-current assets		
Intangible assets	17,013	16,946
Property, plant and equipment	35,370	34,847
Investment property	132	136
Investments accounted for using the equity method	4,230	4,113
Other non-current financial assets	879	836
Receivables and other assets	3,706	4,040
Deferred taxes	2,740	2,621
	64,070	63,539
Current assets		
Inventories	3,056	3,342
Trade accounts receivable	9,951	7,468
Receivables and other assets	9,688	11,303
Marketable securities	3,993	4,995
Cash and cash equivalents	1,670	2,009
	28,358	29,117
	92,428	92,656

Equity and liabilities € million	31 Mar 2012	31 Dec 2011
Equity		
RWE AG shareholders' interest	15,390	13,979
RWE AG hybrid capital investors' interest	2,674	1,759
Minority interest	1,398	1,344
	19,462	17,082
Non-current liabilities		
Provisions	24,952	23,829
Financial liabilities	15,912	15,428
Other liabilities	3,304	3,438
Deferred taxes	1,784	1,696
	45,952	44,391
Current liabilities		
Provisions	5,303	5,327
Financial liabilities	4,001	6,495
Trade accounts payable	7,555	7,886
Other liabilities	10,155	11,475
	27,014	31,183
	92,428	92,656

Cash flow statement

€ million	Jan – Mar 2012	Jan – Mar 2011
Income	1,424	1,938
Depreciation, amortisation, impairment losses/write-backs	788	652
Changes in provisions	220	65
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	-155	416
Changes in working capital	-1,979	-787
Cash flows from operating activities	298	2,284
Capital expenditure on non-current assets/acquisitions	-1,072	-1,179
Proceeds from disposal of assets/divestitures	183	518
Changes in marketable securities and cash investments	1,102	-552
Cash flows from investing activities	213	-1,213
Cash flows from financing activities	-867¹	28
Net cash change in cash and cash equivalents	-356	1,099
Effects of changes in foreign exchange rates and other changes on cash and cash equivalents	17	7
Net change in cash and cash equivalents	-339	1,106²
Cash and cash equivalents at beginning of the reporting period	2,009	2,535
of which: reported as "Assets held for sale"		-59
Cash and cash equivalents at beginning of the reporting period as per the consolidated balance sheet	2,009	2,476
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet	1,670	3,641

1 Includes the issuance of equity capital to be classified as hybrid capital as per IFRS (€892 million).

2 Of which: a change of -€59 million is due to cash and cash equivalents reported as "Assets held for sale" as of 31 December 2010.

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Treasury shares	Accumulated other comprehensive income	RWE AG shareholders' interest	RWE AG hybrid capital investors' interest	Minority interest	Total
Balance at 1 Jan 2011	2,598	12,970	-2,272	1,278	14,574	1,759	1,084	17,417
Dividends paid							-98	-98
Income		1,819			1,819	15	104	1,938
Other comprehensive income		-99		61	-38		27	-11
Total comprehensive income		1,720		61	1,781	15	131	1,927
Other changes		-1			-1	5	19	23
Balance at 31 Mar 2011	2,598	14,689	-2,272	1,339	16,354	1,779	1,136	19,269
Balance at 1 Jan 2012	3,959	10,755	-24	-711	13,979	1,759	1,344	17,082
Capital paid in/repayments						892	-9	883
Dividends paid							-68	-68
Income		1,311			1,311	17	96	1,424
Other comprehensive income		-479		580	101		36	137
Total comprehensive income		832		580	1,412	17	132	1,561
Other changes		-1			-1	6	-1	4
Balance at 31 Mar 2012	3,959	11,586	-24	-131	15,390	2,674	1,398	19,462

NOTES

Accounting policies

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

The consolidated interim financial statements as of 31 March 2012 were approved for publication on 8 May 2012. 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 consolidated financial statements of RWE AG for the period ended 31 March 2012 was condensed compared with the scope applied to the consolidated financial statements for the full year. With the exception of the changes and new rules described be-

low, this consolidated interim report was prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2011. For further information, please see the Group's 2011 Annual Report, which provides the basis for this interim report.

The discount rate applied to provisions for nuclear waste management and provisions for mining damage is 5.00% (31 December 2011: 5.00%). Provisions for pensions and similar obligations are discounted at an interest rate of 4.75% in Germany and 4.70% abroad (31 December 2011: 5.25% and 4.80%, respectively).

Changes in accounting policies

The International Accounting Standards Board (IASB) has approved several amendments to an existing International Financial Reporting Standard (IFRS), which became effective for the RWE Group as of fiscal 2012:

- Amendments to IFRS 7 (2010) – Financial Instruments: Disclosures – Transfers of Financial Assets

The amendments applicable for the first time have no material effects on the RWE Group's consolidated financial statements.

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 and joint ventures are accounted for using the equity method.

Changes in the scope of consolidation in the first quarter of 2012 relate to two companies that were consolidated for the first time in the Sales/Distribution Networks and Central Eastern and South Eastern Europe Segments. One former fully consolidated company which belonged to the Renewables Segment was removed from the scope of consolidation and three were merged, of which two belonged to the Sales/Distribution Networks Segment.

The scope of consolidation is as follows:

	31 Mar 2012	31 Dec 2011
Fully consolidated companies	411	413
Investments accounted for using the equity method	118	121

The total sales price for business transactions amounted to €0 million (first quarter of 2011: €465 million) which was fully paid in cash.

Revenue

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

Equity

RWE AG issued a £750 million hybrid bond in the middle of March 2012. The subordinate bond is a perpetual and may be called only by RWE AG on specific, contractually agreed call dates or occasions. It bears an interest rate of 7.0% p.a. until the first call date, which is in 2019. From 2019 onwards, RWE AG has the right to call the bond every five years. The interest rate until the next call date will be the sum of the then applicable five-year Sterling swap rate and a credit spread of 510 basis points. From 2024 onwards, the coupon will increase by an additional 25 basis points, and from 2039 onwards, it will increase by a further 75 basis points. Interest payments may be deferred under certain conditions,

especially if the Executive and Supervisory Boards propose to the Annual General Meeting that a dividend not be paid. Deferred interest payments must be made later, when a proposal to pay a dividend is made.

Pursuant to IAS 32, the issued hybrid bond must be classified as equity. Proceeds from the bond issue were reduced by the capital procurement costs and added to equity, taking account of taxes. Interest due to bondholders will be booked directly against equity, after deduction of taxes.

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 2011.

In the first quarter of 2012, another tranche was issued within the framework of the Long-Term Incentive Plan for executive staff ("Beat 2010").

Dividend distribution

RWE AG's 19 April 2012 Annual General Meeting decided to pay a dividend of €2.00 per individual, dividend-bearing share for

fiscal 2011 (fiscal 2010: €3.50). The dividend payment totalled €1,229 million.

Financial liabilities

In January 2012, RWE issued a £600 million bond with a tenor of 22 years and a coupon of 4.75% p.a. The issue rate was 99.82%.

Other liabilities

Other liabilities include €1,595 million (31 December 2011: €1,593 million) in current redemption liabilities from put options

of minority interests that are recognised in accordance with IAS 32.

Earnings per share

		Jan – Mar 2012	Jan – Mar 2011
Net income/income attributable to RWE AG shareholders	€ million	1,311	1,819
Number of shares outstanding (weighted average)	thousands	614,447	533,559
Basic and diluted earnings per common and preferred share	€	2.13	3.41

Related party disclosures

The RWE Group classifies associated entities as related parties. In the first quarter of 2012, transactions concluded with material related parties generated €830 million in income (first quarter of 2011: €365 million) and €687 million in expenses (first quarter of 2011: €77 million). As of 31 March 2011, accounts receivable amounted to €2,229 million (31 December 2011: €2,048 million), and accounts payable totalled €188 million (31 December 2011: €176 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 €6,460 million (31 December 2011: €6,206 million).

Furthermore, companies in which Dr. Jürgen Großmann, the CEO of RWE AG, is a partner, are classified as related parties of the RWE

Group. These are the corporate groups of Georgsmarienhütte Holding GmbH and RGM Holding GmbH. In the first quarter of 2012, RWE Group companies provided services and deliveries to these companies amounting to €1.7 million (first quarter of 2011: €3.3 million) and received services and deliveries from these companies amounting to €1.3 million (first quarter of 2011: €0.6 million). As of 31 March 2012, there were receivables of €0.4 million (31 December 2011: €0.4 million) from and liabilities of €1.0 million to these companies (31 December 2011: €0.9 million). Furthermore, RWE had obligations from executory contracts totalling €0.5 million to these companies (31 December 2011: €0.5 million). All transactions are completed at arm's length prices and on principle, the business relations do not differ from those maintained with other enterprises.

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 recognised income and expense, 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 31 March 2012 which are part of the interim financial report pursuant to § 37x, Para. 3 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, 9 May 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Manfred Wiegand
(German Public Auditor)

Markus Dittmann
(German Public Auditor)

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Peter Terium
Deputy Chairman

Dr. Leonhard Birnbaum

Alwin Fitting

Dr. Rolf Pohlig

Dr. Rolf Martin Schmitz

As of 8 May 2012

FINANCIAL CALENDAR 2012/2013

14 August 2012	Interim report for the first half of 2012
14 November 2012	Interim report for the first three quarters of 2012
5 March 2013	Annual report for fiscal 2012
18 April 2013	Annual General Meeting
19 April 2013	Dividend payment
15 May 2013	Interim report for the first quarter of 2013
14 August 2013	Interim report for the first half of 2013
14 November 2013	Interim report for the first three quarters of 2013

The interim report for the first quarter of 2012 was published on 10 May 2012.

This is a translation of the German interim report. 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.

Forward-looking statements

This report contains forward-looking statements regarding the future development of the RWE Group and its companies as well as economic and political developments. These statements are assessments that we have made based on information available to us at the time this document was prepared. In the event that the underlying assumptions do not materialise or additional risks arise, actual performance can deviate from the performance expected. Therefore, we cannot assume responsibility for the correctness of these statements.



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