ANNUAL REPORT 2011

STARTING NEW CHAPTERS.

The energy to lead

2011 KEY FIGURES AT A GLANCE.

- Heavy burden on earnings through accelerated nuclear phase-out in Germany
- Operating result of €5.8 billion
- Dividend of €2.00 per share proposed
- First measures for securing financial strength implemented
- Outlook for 2012: Operating result in the order of last year's level despite divestments

RWE Group		2011	2010	+/– %
External electricity sales volume	billion kWh	294.6	311.2	–5.3
External gas sales volume	billion kWh	322.2	395.4	–18.5
External revenue	€ million	51,686	53,320	–3.1
EBITDA	€ million	8,460	10,256	–17.5
Operating result	€ million	5,814	7,681	–24.3
Income before tax	€ million	3,024	4,978	–39.3
Net income/RWE AG shareholders' share in income	€ million	1,806	3,308	–45.4
Recurrent net income	€ million	2,479	3,752	–33.9
Return on capital employed (ROCE)	%	10.9	14.4	-
Weighted average cost of capital (WACC) before tax	%	8.5	9.0	-
Value added	€ million	1,286	2,876	–55.3
Capital employed	€ million	53,279	53,386	–0.2
Cash flows from operating activities	€ million	5,510	5,500	0.2
Capital expenditure	€ million	7,072	6,643	6.5
Property, plant and equipment and intangible assets	€ million	6,353	6,379	–0.4
Financial assets	€ million	719	264	172.3
Free cash flow	€ million	–843	–879	4.1
Number of shares outstanding (average)	thousands	538,971	533,559	1.0
Earnings per share	€	3.35	6.20	–46.0
Recurrent net income per share	€	4.60	7.03	–34.6
Dividend per share	€	2.00[1]	3.50	–42.9
		31 Dec 2011	31 Dec 2010	
Net debt of the RWE Group	€ million	29,948	28,964	3.4
Workforce[2]		72,068	70,856	1.7

1 Dividend proposal for RWE AG's 2011 fiscal year, subject to approval by the 19 April 2012 Annual General Meeting.
2 Converted to full-time positions.

WHAT WE DO.

RWE is one of Europe's five leading electricity and gas companies. Through our expertise in oil, gas and lignite production, the construction and operation of conventional and renewables-based power plants, commodities trading as well as electricity and gas transmission and sales, we cover the entire energy value chain. Some 72,000 employees supply almost 17 million customers with electricity and nearly 8 million customers with gas via our fully consolidated companies. In fiscal 2011, we recorded just below €52 billion in revenue.

Europe is our market: RWE is the No. 1 power producer in Germany, No. 2 in the Netherlands, and No. 3 in the UK. We continuously expand our position in Central Eastern and South Eastern Europe.

Our power plant portfolio and our investment programme for building efficient, environmentally friendly and flexible generation capacity are the main basis for growing earnings in the future. We invest billions in this every year. Meanwhile, we are one of Europe's biggest investors in offshore wind farms. Our leading position in energy trading helps us make optimal use of our power plants on the market. We react to changing customer needs by offering new products for homes, commerce and industry. Climate protection and energy efficiency are becoming increasingly important for our customers, too.

We operate in a dynamic market environment that is characterised by highly volatile prices, changing structures, ambitious climate protection goals and increasing political and regulatory intervention. Our response is a three-dimensional corporate strategy: RWE is becoming more sustainable, more international, and more robust.

ELECTRICITY AND GAS: RWE OFFERS EVERYTHING FROM A SINGLE SOURCE.

Gas and oil production	Power generation: Conventional generation	Power generation: Renewable energy	Energy trading/ gas midstream	Electricity and gas networks	Electricity and gas sales	Customers

THE RWE GROUP

HOW WE HAVE ORGANISED OURSELVES.

RWE AG

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

NET4GAS
Gas transmission system operator in the Czech Republic (unbundled)

Internal services
RWE Consulting
RWE IT
RWE Service
RWE Technology

SMART ENERGY EQUATES TO INNOVATIVE THINKING AND FORWARD-LOOKING ACTION.

Energy drives our lives. It enables us to be mobile, productive and connected. But energy is a limited resource – and its price is rising. For companies and households, this means that making efficient use of energy pays off. And if this is done intelligently, it does not reduce growth or quality of life.

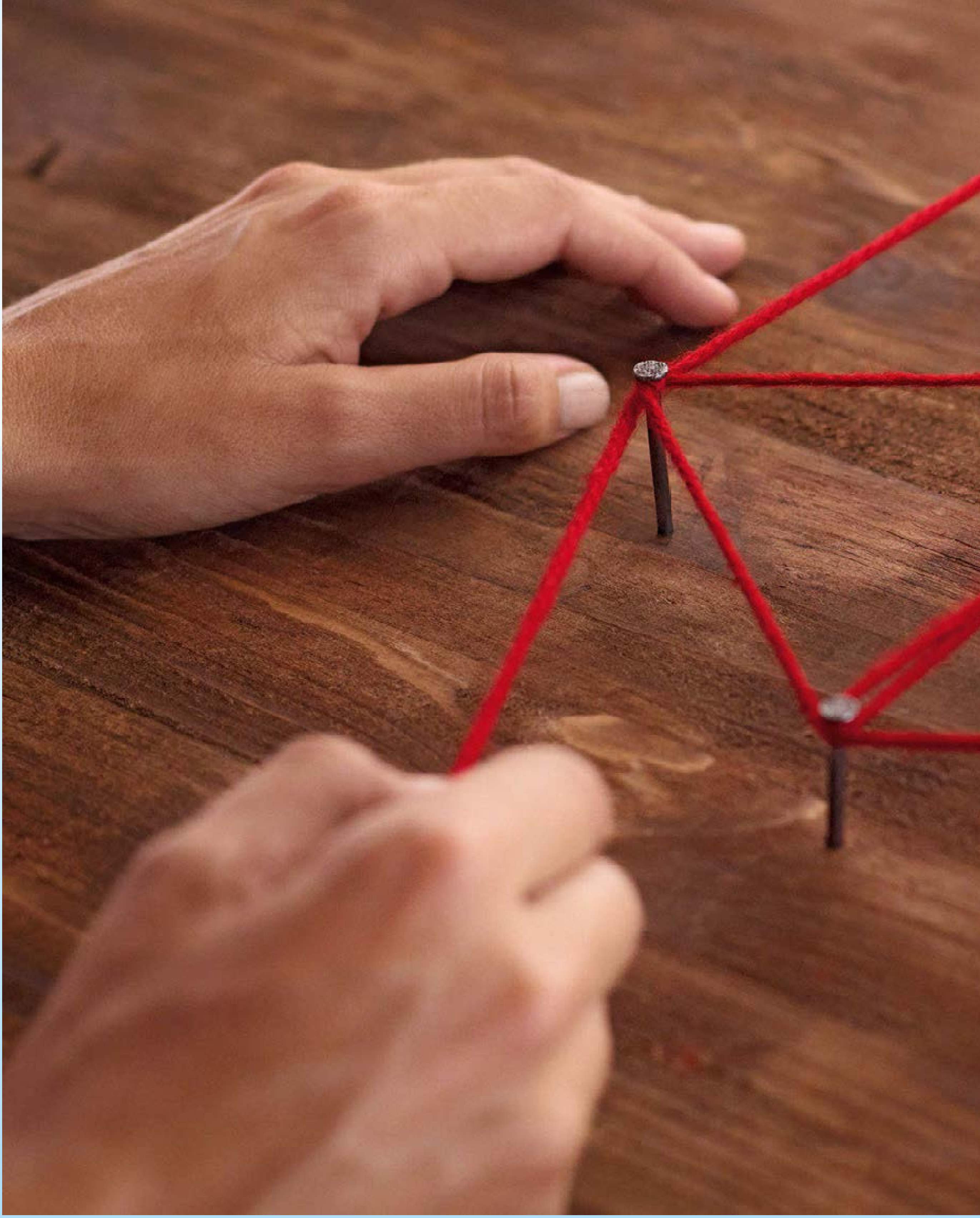
As one of Europe's leading utilities, conserving energy is at the centre of our business model. We continuously improve our electricity generation in order to lower fuel consumption and emissions. However, our horizon extends beyond our plant premises. We also want our customers to benefit from the opportunities offered by making more efficient use of energy.

With innovative products and services, we help households and companies to reduce costs and protect the environment. From electric cars to home automation, we offer solutions across the board while setting new product standards.

We invite you to begin a new chapter with us and convince yourself first-hand of the benefits of smart energy!

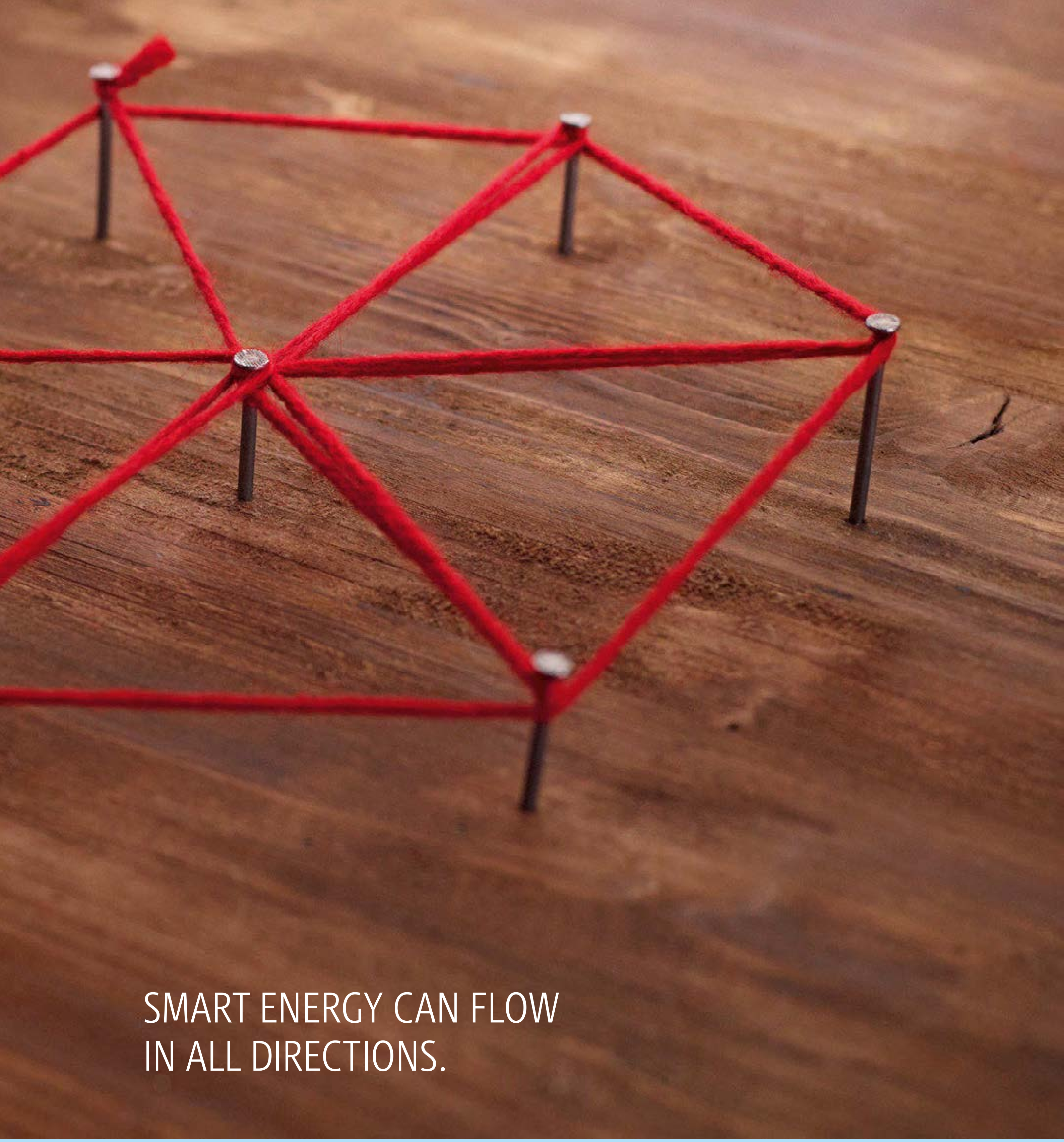
RWE – ADVANCING INTELLIGENT ENERGY

› www.vorweggehen.de



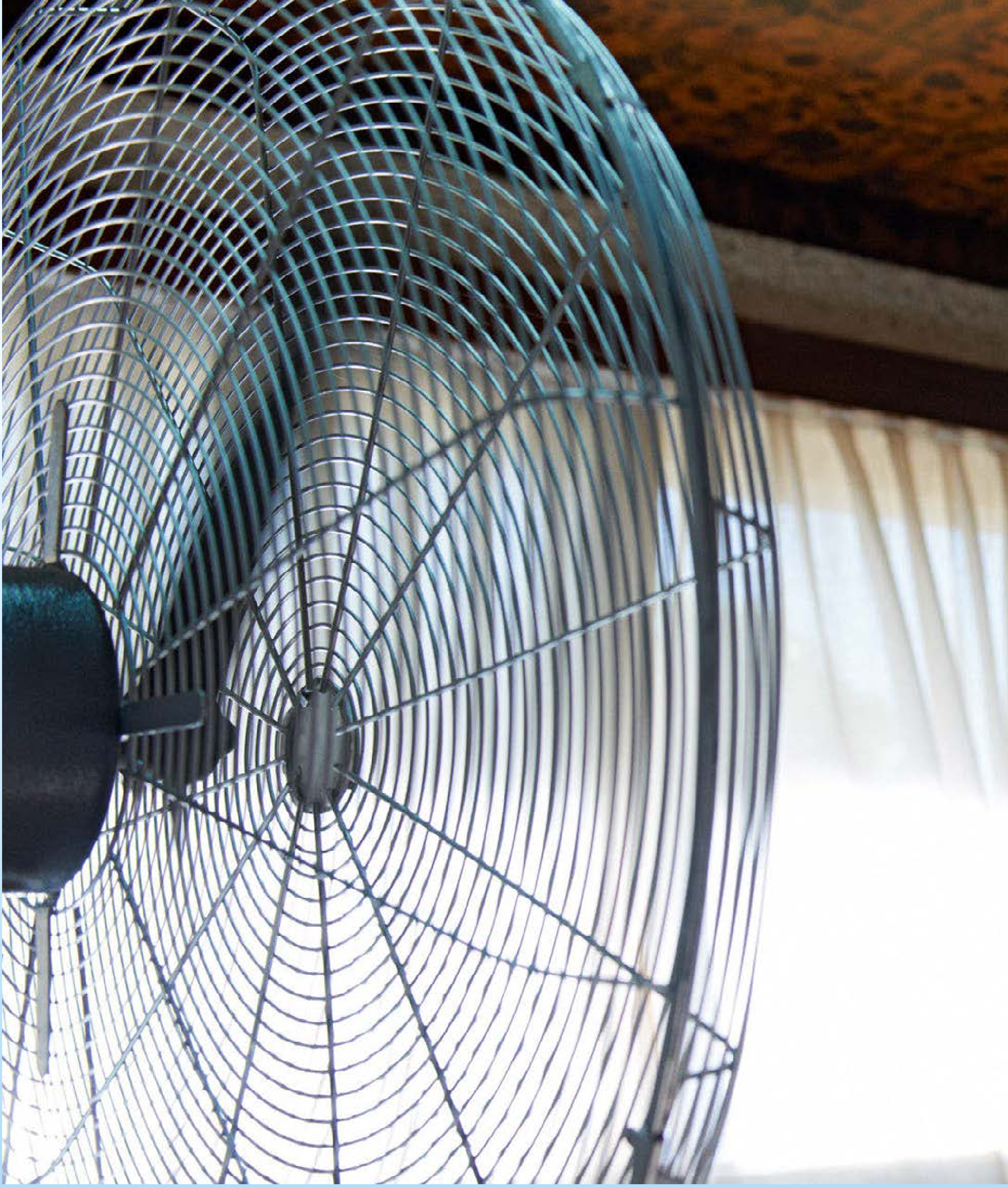
Electricity used to only go in one direction: from power plant to customer. However, traffic on former one-way streets has become more complex. Numerous small solar panels and wind turbines now feed electricity into the grid from distributed points. And they do this irregularly, depending on the weather and time of day. This places completely new demands on network operators.

With the Smart Country project in the District of Bitburg-Prüm in Germany, RWE is demonstrating the advantages to be gained in being properly connected. Thanks to a sophisticated control system,



electricity can be drawn and fed in from various points. But that is not all: a biogas facility, combined with gas storage, ensures that electricity supply can be flexibly adjusted to demand.

Smart Country demonstrates that renewable energy alone has its limits. Together with smart networks and electricity storage facilities, however, it can form a successful trio.



Those who feel the wind in their face notice how much energy it contains. This holds true in particular on the open seas, where the wind blows strongly and more evenly than on land. Offshore wind turbines have a further advantage: they do not impose on residents.

RWE currently operates wind farms with a total installed capacity of almost 1,800 megawatts. Offshore wind already accounts for 150 megawatts, and its capacity is set to multiply in the coming years. By 2015, we intend to have completed four additional major wind farms: two off the UK coast, one off the

SMART ENERGY TAKES THE WIND OUT OF THE SAILS OF CO_2.

coast of Belgium and one north of Heligoland. Excluding the shares owned by our partners, this will cause our offshore wind capacity to rise to more than 1,100 megawatts. This is enough to provide all households in a city the size of Hamburg with electricity.

However, this comes at a price. We are investing over three billion euros in these wind farms. Money well spent, we believe. After all, by doing this, we are diversifying our generation portfolio and taking the wind out of the sails of CO_2.

SMART ENERGY IS THE KEY TO TOMORROW'S MOBILITY.

Electricity is the energy form of the future, even when it comes to putting horsepower on the road. Electric cars are quiet and can be driven nearly CO_2-free on green electricity. In terms of particulate and nitric oxide emissions, they have a clear edge as well. In the future, they can even make a contribution to grid stability: electric cars are small electricity storage devices, which can be accessed by network operators when energy is scarce.

RWE began rolling out a nationwide electric charging station network three years ago. We now have more than 1,000 charging points in Germany making use of sophisticated technology: they automatically recognise customers, adding each charge to their electricity bill. This enables convenient and cashless car charging, whether at home, at work or in a shopping mall.

With our 'RWE ePower Basic' product, we also offer the matching green fuel – for mobility that is gentle on the climate and is fun.

Imagine you are on your way home and the heating gets switched on half an hour before you arrive – because you have turned it on while on the road. And the lights go on as soon as you walk in – without your having to look for the switch in the dark. With RWE SmartHome, this is no longer a vision – it is simply modern living.

RWE SmartHome enables you to use your smartphone or PC as a remote control for your lights, heating and household appliances. The required retrofit to your home is child's play. An encrypted wireless

SMART ENERGY RENDERS THE OLD LIGHT SWITCH OBSOLETE.

network connects the household appliances of your choice to a central home control unit. In addition to lights and heating, sensors for doors and windows as well as smoke and motion detectors can also be integrated into your RWE SmartHome package.

This is how smart energy makes living more convenient, safe and affordable. Three really convincing arguments in favour of RWE SmartHome.

SMART ENERGY IS FAST AND FLEXIBLE.

Electricity increasingly comes from renewable sources. Whereas this is good for the environment, it is a huge challenge for grid management. The wind does not blow and the sun does not shine depending on when electricity is needed. In view of the small amount of available storage, the question that arises is: How can we ensure that supply and demand are kept in balance at all times in the future?

One solution are power plants capable of adjusting capacity utilisation by the minute. In a nutshell: 'sprinters' capable of going flat out one second and standing still the next are needed. Just like our new gas-fired power station at Lingen. The plant is optimally equipped for flexible deployment. Furthermore, as it is connected to five different gas pipelines and a storage facility, it will not run out of fuel.

As paradoxical as this may sound, conventional power plants such as Lingen are the basis for enlarging the renewable footprint – because they are both nimble and reliable.

A situation commonly faced in daily life: you fill your washing machine, press the start button and the drum starts turning. In tomorrow's energy world, after pressing the start button, often nothing happens at first. Because the electricity price is too high for the moment. Only hours later is the machine set in motion – taking advantage of a temporary drop in prices on the electricity wholesale market.

SMART ENERGY STARTS THE WASH CYCLE WHEN ELECTRICITY IS MORE AFFORDABLE.

For some 100 households in Mülheim on the Ruhr, this is no longer just a vision. They are participating in an RWE field trial making use of the new generation of washing machines, tumble dryers and dishwashers. These appliances are started by remote control, whenever electricity becomes more affordable.

We benefit from the important findings provided by the field trial on the functionality and acceptance of this new technology. The advantage for participating households is that they can keep the cutting-edge appliances – and use them to save money over the long term.

HAVE WE AROUSED YOUR INTEREST IN SMART ENERGY?

Then visit us at

› www.vorweggehen.de

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LETTER FROM THE CEO

Dear Investors,

When I wrote to you for the first time in an RWE Annual Report in 2008, my knowledge of the energy sector largely came from the perspective of a customer. However, I was aware of the challenging times that lay ahead for RWE, especially in terms of climate protection. Back then, I promised you that we would be among the front-runners when it came to shaping the future of energy supply. Today, four years later and a few months before the end of my time at RWE, I believe it is safe to say that we have risen to this challange. Instead of waiting for the energy sector to undergo major changes, we proved we have the energy to lead, with the biggest capex programme in our company's history. RWE has already spent a total of €23 billion on it. A substantial portion of the investment has been used to make our electricity generation use less resources and be more environmentally friendly. This work is now bearing fruit: four of the nine state-of-the-art gas and coal-fired power stations from our new-build programme have already gone online. These plants replace old, emission-intensive power stations. This is a boon to the climate, as it helps us save millions of tons of carbon dioxide – each and every year!

However, our efforts go much further than this. Today, RWE ranks among the world's largest investors in renewable energy. We paved the way for this in early 2008, by establishing RWE Innogy. By 2020, we want the share of our generation capacity accounted for by renewables to have risen to at least 20%. And let's not forget our investments of over €800 million per year in networks in Germany alone, with which we ensure that electricity and gas supplies remain reliable. These examples prove that RWE plays a proactive role in shaping tomorrow's energy world. Politicians set goals, and we work on achieving them.

In my first letter to you on these pages, I referred to the speed at which our sector is changing. And I must admit that I actually underestimated this speed. No one could have foreseen the momentous burdens we would face. The best example of this is the turn-around in German energy policy last year. Of course, I fully understand why people have been more critical of nuclear energy since the reactor accident at Fukushima. However, Germany's taking 40% of its nuclear power capacity offline at once does little to improve security. In fact, it leads to a lack of security – of supply. This became evident especially during the cold February days. To prevent blackouts, the transmission system operators actually had to resort to an old oil-fired power plant in Austria. You, RWE's owners, are also affected by Germany's accelerated nuclear phase-out: the burdens the company had to shoulder as a result of it amounted to more than €1 billion last year alone.

Last year, I told you about two further unexpected developments, which I do not want to leave unmentioned. Let us first take a look at the earnings of our hard coal and gas-fired power plants: recently, they have deteriorated considerably. One reason is the explosive growth of Germany's highly subsidised solar generation capacity. It has risen by 150% since the beginning of 2010, now accounting for more than twice the nominal capacity of all nine remaining nuclear power stations. The solar panels mainly feed electricity into the system during periods of peak usage. As renewable energy is given priority, the aforementioned hard coal and gas-fired power plants in particular have to yield. One may remark that an increase in solar power is desirable. But that is just one side of the coin. The flipside is that there are less than two hours of sunshine on an average January day in Germany. But who provides electricity when it gets dark? And who provides electricity when the wind doesn't blow? The answer: it is those very hard coal and gas-fired power stations, the profitability of which is coming under increasing pressure. This results in situations that are in stark contrast to each other: in certain periods, we have huge overcapacities on the German electricity market, followed by substantial shortages. This is difficult to handle, especially for those who use their reserve arsenal of fossil fuel-fired power plants to ensure that electricity is always on tap whenever we need it – irrespective of the weather or time of day.

Equally unpredictable was the decoupling of the price of gas from that of oil. For decades, the German gas business was conducted following firm rules, which helped us to guarantee supplies to our customers. Like our competitors, we purchased gas from major producers like Statoil and Gazprom based on long-term contracts linked to the price of oil. These contracts still exist. However, gas is increasingly traded on liquid markets, where prices are not directly influenced by oil. Supply on these markets has risen significantly since 2009. One reason for this is the increasing production of shale gas in the USA. The consequence is that since 2009, prices in gas trading have been much lower than those in purchase contracts which depend on the oil market. This is why parts of our gas sales no longer cover their procurement costs. This is reflected in substantial burdens on the earnings of the gas midstream business of RWE Supply & Trading. But we reacted to this early on, by entering into negotiations with our gas suppliers. I am confident that we will be able to find good solutions. However, this is a lengthy process, which requires patience.

There is one main reason why I am talking about all these developments in detail once again: they are mirrored by the Group's figures for 2011. RWE ended the year with an operating result of €5.8 billion. This is 24% less than in the previous year. Our recurrent net income decreased by 34% to €2.5 billion. Declines in earnings of this order were included in the forecast we gave you in August 2011. Another thing we did in August was to present you with a package of measures with which we intend to keep RWE on course for success, even in stormy seas. These measures have either been partially implemented, or refined. They can be divided into four categories:

- Strengthening equity: This is where we have already taken the biggest step. In December 2011, we placed a total of €2.1 billion in new and treasury shares on the capital market. The capital increase was overshadowed by the major turmoil on the stock markets in reaction to the sovereign debt crisis in the Eurozone. Nevertheless, we are satisfied with the proceeds of the issuance. Furthermore, we issued a second hybrid bond. This is a mix of debt and equity, with corresponding advantages for our credit rating. As far as possible given the market environment, we will conduct further hybrid issuances.

- Divestments: By selling parts of our business, we want to make a further contribution to maintaining our good credit rating. At the top of our list of assets for sale are activities that are associated with substantial investments and will not add to earnings until several years from now. This applies, among other things, to some of RWE Dea's growth projects. We are already in talks with potential buyers. But RWE Dea itself is not up for sale. We intend to dispose of the Czech long-distance gas transmission system operator NET4GAS, our stake in Berlinwasser, select power plant capacities and some German sales and network activities. Last fiscal year, we completed the sales of Thyssengas, the majority of Amprion and a minority stake in a hard coal-fired power plant at Rostock. We aim to generate proceeds of up to €7 billion with the remaining divestments. This is good news, because, just six months ago, we felt that we needed to make more substantial divestments.

- Efficiency enhancements: You are familiar with our current programme. By taking measures to cut costs and increase revenue, we want to make an annual contribution to earnings that gradually rises to a total of €1.5 billion by 2012 compared to 2006. We have made faster progress than planned and are now turning onto the home straight with a huge lead. And, once we have crossed the finishing line, we will not rest on our laurels, but launch a new programme. By the end of 2014, we intend to tap an additional €1 billion in earnings potential compared to 2012. We have already initiated some of the measures. I am optimistic that the programme can be implemented in agreement with the workforce.

- Streamlining the investment budget: By spending €6.4 billion on property, plant and equipment in both 2010 and 2011, we reached the peak of our record capital expenditure programme. We now plan to invest about €16 billion in the three-year period ending in 2014. About half of the funds are earmarked for growth projects. In addition to electricity generation from renewables, we also want to expand our oil and gas production. Among our geographic divisions, Central Eastern and South Eastern Europe harbours the greatest potential for growth. This is a region in which we could envisage undertaking power plant projects as well as building wind farms. And let us not forget that work on our power plant new-build programme will last until 2014. Once it has been completed, i.e. no later than 2015, we will adjust our spending on investments to the amount of operating cash flow left over after deducting the dividend. This means that we will not spend more than we can finance with the cash flows we earn. In so doing, we will maintain our payout ratio of between 50 % and 60 % of recurrent net income.

By taking the aforementioned measures, we will prepare the ground for pulling ourselves through these difficult times. In addition, we will benefit from the fact that we did not just start preparing ourselves for a rough market in 2011. Take our reorganisation in 2009 and 2010 for example, through which we became leaner and more flexible, reduced duplicated functions and pooled important tasks, including research and development. Many of these measures continue to have a positive effect on our earnings today. These should stabilise this year: earnings before interest, taxes, depreciation and amortisation – EBITDA for short – and the operating result should be in the order of last year's level, as should recurrent net income, the yardstick for determining your dividend. This is good news, because we will probably be able to offset the earnings lost through the divestment of assets. In that sense, we will make ground in 2012.

The fact that our 2013 earnings are likely to be of the order achieved in 2011 is even better news. Especially given that we no longer receive free allocations of CO_2 emission allowances. In addition, further earnings will be lost as we continue our divestment programme. We are confident of being able to compensate for this. Our operating result and our recurrent net income should thus be on a par with their 2011 levels. EBITDA could be even higher. We are anticipating a figure of around €9 billion.

What does this mean for you, our shareholders? Despite the turbulent market environment that brings with it the aforementioned burdens, RWE offers you the prospect of receiving an attractive dividend in the coming years. Granted, the dividend of €2 per share we will propose to this year's Annual General Meeting is far below last year's, owing to the recent development of our earnings. However, from our current perspective, it has bottomed out. Based on the closing price of our common shares at the end of the year, the dividend yield amounts to 7.4%. This puts us among the leaders in the DAX.

Last year I asked you to place your trust in us. I told you that we were preparing ourselves for rough waters. We are charting a good course. This also applies to personnel matters: in Peter Terium, who will take the helm in the middle of the year, RWE has found an executive from within our own ranks, who also has international experience, to succeed me. I am certain that with him the company will be in good hands, as with his fellow board members and the company's approximately 72,000 employees.

Energy supply is also in good hands at RWE. We are ready to take action as a partner in the transformation of the German energy market by staying our course for renewable energy, efficient gas and coal-fired power plants, and a more powerful network infrastructure. However, politicians must also play their part, as what we need much more than ambitious goals are ice breakers, who can clear the way so that necessary infrastructure projects can be implemented. And we need the acceptance of the population. Everyone has to get on board, including the residents in whose neighbourhood new power lines will be erected. Last but not least, European co-operation needs to be intensified, as national solo attempts are not only inefficient, but also dangerous in terms of security of supply.

Despite the huge challenges ahead of us, RWE will not be the reason for any failure of the transformation of the German energy market. It is in stormy weather that good sailors can really prove themselves. RWE is an extremely seaworthy ship with a strong crew which deserves your trust. I have convinced myself of this first hand during my four-and-a-half years on board, during which I contributed to ensuring that this status is preserved. I would therefore be all the more pleased if RWE could continue to count on your support.

Sincerely yours,

Dr. Jürgen Großmann
President and CEO of RWE AG

Essen, 17 February 2012

Alwin Fitting
Labour Director

Dr. Jürgen Großmann
President and CEO

Dr. Rolf Martin Schmitz
Chief Operating Officer

Peter Terium
Deputy Chairman of the Executive Board

Dr. Rolf Pohlig
Chief Financial Officer

Dr. Leonhard Birnbaum
Chief Commercial Officer

2011 IN BRIEF

FEBRUARY

RWE completes sale of Thyssengas

With this transaction, we divest our German long-distance gas network. The buyers are infrastructure funds managed by the Australian financial service provider Macquarie. Also in February, we sell our minority stake in a Rostock hard coal-fired power plant to RheinEnergie.

APRIL

Foundation stone laid for gas-fired power station in Turkey

The plant is being built at Denizli in the west of the country. It will have a net installed capacity of 775 megawatts and is scheduled to go online at the end of 2012. The co-owner is the Turkish energy company Turcas, which holds a 30% interest in the power station. The capex budget is an estimated €0.5 billion.

JUNE

German Lower House resolves accelerated nuclear phase-out

The 13th amendment to the German Nuclear Energy Act reverses the lifetime extension for German nuclear power plants resolved in 2010. The eight stations affected by the nuclear moratorium may no longer be operated. Shut-down deadlines are established for the nine remaining German nuclear power stations. Our three remaining reactors must be taken offline at the end of 2017 (Gundremmingen B), 2021 (Gundremmingen C) and 2022 (Emsland).

MARCH

German government orders shut-down of eight nuclear power plants after Fukushima reactor accident

The nuclear moratorium is limited to three months. However, a later amendment to the German Nuclear Energy Act results in the definitive shut-down of the stations affected, including our Biblis A and B reactors. In early April, we file a lawsuit against the moratorium with the Kassel Administrative Court, on the grounds that Biblis met all applicable safety standards.

MAY

Wood pellet factory in Georgia begins operation

The facility is among the largest and most modern of its kind in the world. It is capable of producing 750,000 metric tons per year. The wood pellets made in Georgia are being used to co-fire our Dutch Amer hard coal power station as well as other facilities.

JULY

Tracks laid for hydroelectric power from RWE

In July, we sign an electricity supply agreement with the German railway. We will provide about 900 million kilowatt hours of electricity every year, which will be generated by our German hydroelectric power plants. This is enough to run around one-third of the long-distance fleet (ICE and IC trains).

AUGUST

RWE puts together package of measures to secure financial strength

It envisages further efficiency enhancements, streamlining the capex programme, numerous divestments and a capital increase. The package is scheduled to be implemented by the end of 2013. This is in reaction to Germany's accelerated nuclear phase-out, which is imposing heavy burdens on RWE.

SEPTEMBER

RWE sells 74.9 percent of Amprion

The stake is bought by a consortium of insurance companies and pension funds. Amprion is Germany's largest transmission system operator. The company plans to invest substantially in network infrastructure. In the consortium of investors, we have found a reliable, financially strong partner.

DECEMBER

Equity increased by €2.1 billion

In a difficult market environment, we place 52.3 million new and 28.1 million treasury common shares on the capital market. The issue price is €26 per share, resulting in gross proceeds from the issuance of €2.1 billion. Our capital increase is one of the biggest transactions of its kind conducted by a European industrial enterprise in recent years. The financial headroom gained benefits our creditworthiness.

AUGUST

Supervisory Board appoints Peter Terium RWE AG's future CEO

The 48-year-old Dutchman joined RWE in 2003. Since then, he has held a number of positions including that of CEO of Essent. He has been Dr. Jürgen Großmann's deputy on the Executive Board of RWE AG since 1 September 2011. Peter Terium will assume chairmanship when Dr. Großmann leaves with effect from 30 June 2012.

OCTOBER

RWE first German industrial enterprise to issue hybrid bond in Switzerland

The issuance totals CHF 250 million, with a tenor of slightly more than 60 years. The earliest redemption date is in April 2017. Hybrid bonds are a mix of equity and debt. Rating agencies classify only half of the volume as debt.

DECEMBER

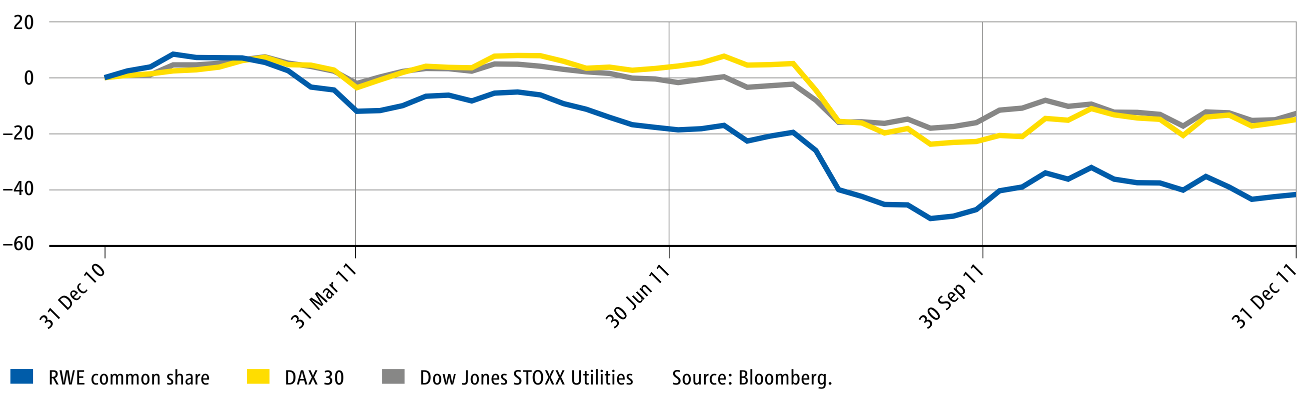
Major power plant new-build milestones passed

In the Netherlands, our new 1,304 megawatt Claus C combined-cycle gas turbine power station begins a trial run. The facility starts commercial production in January 2012. We also finished building our second new Dutch CCGT plant: Moerdijk 2 has a net installed capacity of 426 megawatts and has been online since February 2012. We spent a total of €1.5 billion on the two power stations.

RWE ON THE CAPITAL MARKET

The 2011 stock-trading year was a weak one. A key role was played by the sovereign debt crisis in the Eurozone. The German lead index, DAX, lost 15 % of its value. Holders of RWE stock suffered even greater losses: our common shares closed the year with a total return of –41 %. Among other things, this reflects the burdens of the U-turn in German energy policy after the reactor accident at Fukushima, Japan. Losses in the gas midstream business also curtailed the development of our share price.

Performance of RWE common shares compared with the DAX 30 and the Dow Jones STOXX Utilities indices
% (average weekly figures)



Source: Bloomberg.

Sovereign debt crisis weighs on stock markets. In the past financial year, the debt crisis of several Eurozone member states cast dark shadows on the stock markets. The dramatic situation created by the Greek state budget crisis caused investors to have serious doubts about the monetary union’s stability. In addition, the rating agencies downgraded the creditworthiness of countries such as Spain, Portugal, Ireland and Italy. The share prices of banks which had invested in the government bonds of the affected countries also came under increasing pressure. Against this backdrop, the economic outlook deteriorated as well. All of this was mirrored by substantial drops in share prices on the stock market. Germany’s lead index, the DAX 30, declined from 6,914 to 5,898 points over the course of the year. It thus lost 15 % of its value. At times, it was down by more than 25 %. However, the downward trend was halted in September. By setting up a bail-out fund for Eurozone countries in financial crisis, which was enlarged significantly in the autumn, and announcing aid for distressed lending institutions, policymakers facilitated a marginal recovery of stock-market quotations. In the fourth quarter, the DAX returned to levels above 6,000 points on several occasions. The index managed to exceed this mark again at the beginning of 2012. It closed the month of January at 6,459 points.

Monthly highs and lows of the RWE common share in 2011
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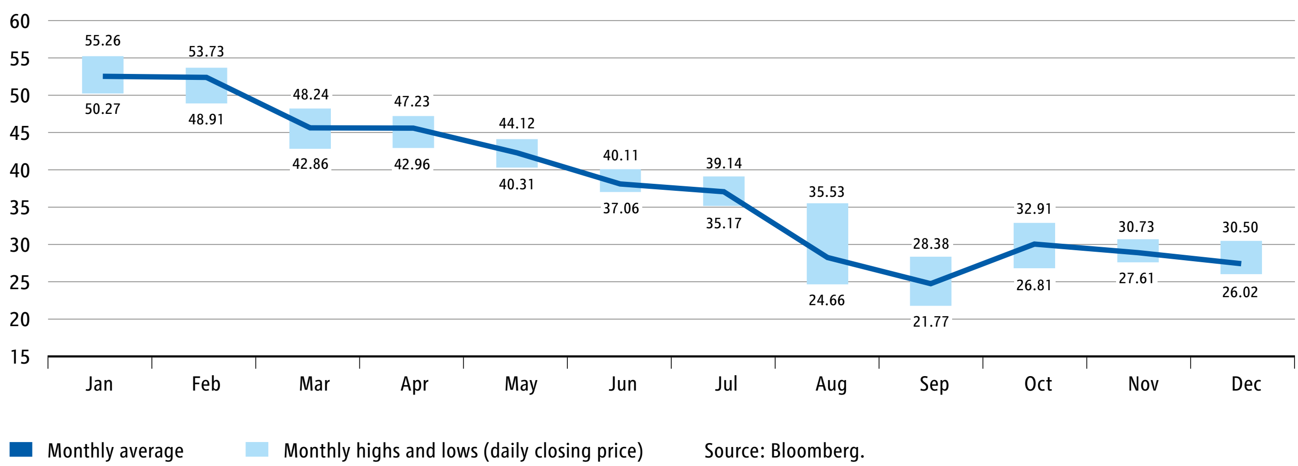


Source: Bloomberg.

Fiscal 2011 was also a weak year on stock markets for the utility sector. The European sector index, the Dow Jones STOXX Utilities, fell by 12%. Shares of German energy utilities and RWE stock fared even worse: our common shares, which had traded at €49.89 at the end of 2010, declined in price to €27.15. The quotation for our preferred shares dropped from €47.99 to €25.44. This corresponds to total returns (return on the share price plus the dividend) of −41% (common stock) and −42% (preferred stock). Potential proceeds from subscription rights from the capital increase we conducted in December 2011 and reported on page 46 have not been considered here, as they are immaterial.

A major reason for the weak performance of RWE shares is the U-turn in German energy policy following the reactor incident at the nuclear power station at Fukushima, Japan. Extensive information on this topic is provided on page 43. The accelerated nuclear phase-out resolved by the German government is imposing substantial burdens on us. Furthermore, capital market participants have identified risks with respect to the implementation of our ongoing divestment programme and the outcome of the price reviews that are being conducted for our loss-making oil-indexed gas procurement contracts.

Total return of RWE shares and important indices up to the end of 2011 % p.a.	1 year	5 years	10 years
RWE common share	−41.1	−15.2	0.1
RWE preferred share	−42.5	−13.2	3.1
DAX 30	−14.7	−2.2	1.3
Dow Jones EURO STOXX 50	−14.1	−7.9	−2.2
Dow Jones STOXX 50	−5.1	−5.3	−1.4
Dow Jones STOXX 600	−8.6	−4.9	0.7
Dow Jones STOXX Utilities	−12.5	−7.1	3.5
REXP[1]	8.3	5.9	5.4

1 Index for the performance of government securities on the German bond market.

Collapse in RWE share price curtails long-term return.

Due to their weak performance last year, the long-term return of RWE shares also declined. Anyone who purchased RWE common shares at the end of 2001, held them for ten years and reinvested the dividends, achieved an average return of 0.1 % per year. By comparison, the DAX rose by an average of 1.3 % per annum during the same period of time, which was overshadowed by two serious stock market crises. A cash investment in RWE preferred shares was much more profitable: these investors received an average annual return of 3.1 %.

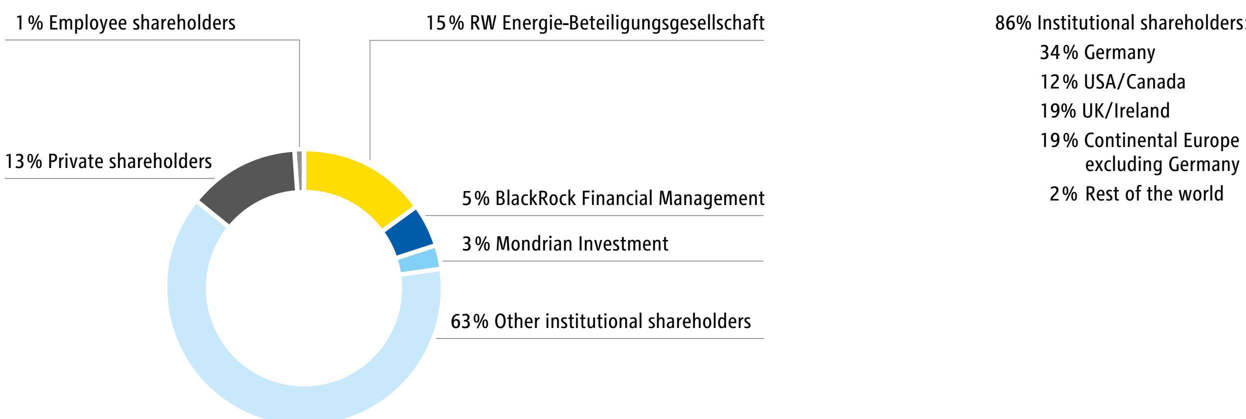
Dividend of €2 per share proposed for 2011.

The Supervisory and Executive Boards of RWE AG will propose a dividend of €2 per share for fiscal 2011 to the Annual General Meeting on 19 April 2012. Based on the 614.4 million dividend-bearing RWE shares at present, this results in a dividend payment of €1,229 million. This corresponds to 50 % of recurrent net income. Based on the year-end closing prices of our common and preferred shares, the dividend yields stood at 7.4 % and 7.9 %, respectively. This means we continue to have a leading position in the DAX.

RWE share indicators		2011	2010	2009	2008	2007
Earnings per share[1]	€	3.35	6.20	6.70	4.75	4.74
Recurrent net income per share[1]	€	4.60	7.03	6.63	6.25	5.29
Cash flows from operating activities per share[1]	€	10.22	10.31	9.94	16.44	10.82
Dividend per share	€	2.00[2]	3.50	3.50	4.50	3.15
Dividend payment	€ million	1,229[2]	1,867	1,867	2,401	1,689
Payout ratio[3]	%	50	50	53	71	57
Dividend yield on common shares[4]	%	7.4	7.0	5.2	7.1	3.3
Dividend yield on preferred shares[4]	%	7.9	7.3	5.6	8.4	3.8
Common share price						
End of fiscal year	€	27.15	49.89	67.96	63.70	96.00
High	€	55.26	68.96	68.58	100.64	97.90
Low	€	21.77	47.96	46.52	52.53	74.72
Preferred share price						
End of fiscal year	€	25.44	47.99	62.29	53.61	83.07
High	€	52.19	62.52	62.65	84.39	86.00
Low	€	20.40	44.51	41.75	37.46	66.33
Number of shares outstanding (average)	thousands	538,971	533,559	533,132	538,364	562,373
Market capitalisation at the end of the year	€ billion	16.6	28.0	38.0	35.4	53.5

1 Based on the annual average number of shares outstanding.
2 Dividend proposal for RWE AG's 2011 fiscal year, subject to the approval of the 19 April 2012 Annual General Meeting.
3 The payout ratio is the ratio of the dividend payment to recurrent net income.
4 The dividend yield is the ratio of the dividend per share to the share price at the end of the fiscal year.

Shareholder structure of RWE AG[1]



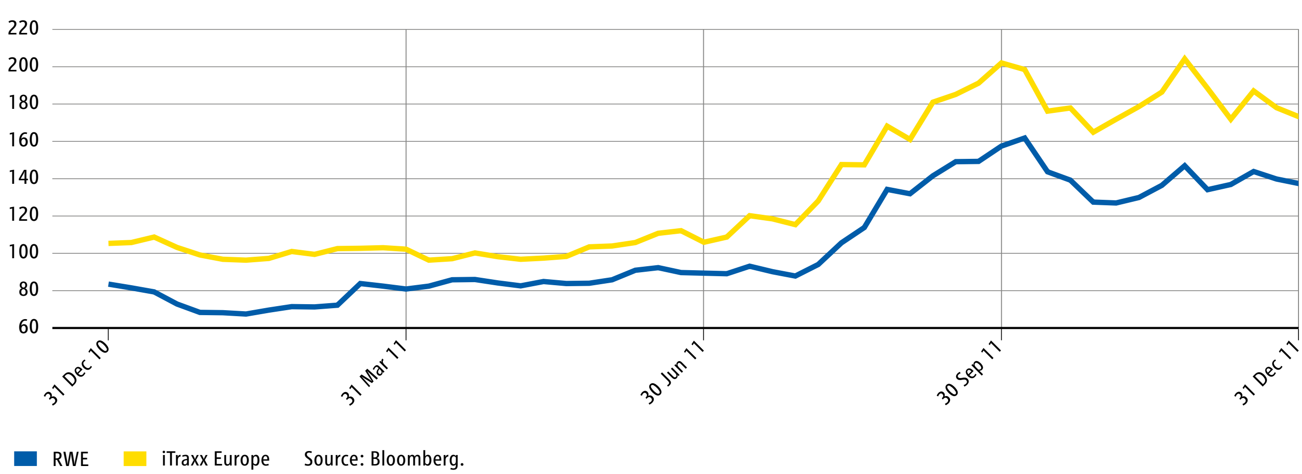
1 Percentages reflect shares in the subscribed capital.
Sources: notifications of shareholdings in accordance with the German Securities Trading Act and shareholder identification, as of December 2011.

Wide international shareholder base. As described on page 46, we issued 52.3 million new and 28.1 million treasury RWE shares in December of last year. The total number of our shares thus rose from 562.4 million to 614.7 million. By the end of the year, 86 % of them were owned by institutional investors, while 14 % were held by private investors (including employee shareholders). Institutional investors in Germany hold 34 % of the capital stock (end of 2010: 36 %), with those in North America, the United Kingdom and Ireland accounting for a combined 31 % (23 %) and those in Continental Europe, excluding Germany, owning 19 % (17 %). RW Energie-Beteiligungsgesellschaft, in which municipal shares are pooled, is still RWE's single largest shareholder, owning 15 % (16 %). The asset management company BlackRock Financial Management (USA) accounts for about 5 %, and Mondrian Investment Partners (UK) holds roughly 3 %. These are the largest RWE positions outside Germany. Some 1 % of the shares are under RWE employee ownership. In the year under review, 25,783 staff members, or 57 % of those entitled to subscribe, participated in our employee stock ownership plan, subscribing a total of 442,692 shares. By offering this programme, we enable our personnel at German sites to buy RWE shares at favourable conditions. We spent €8.1 million on this in the year being reviewed. The free float of RWE common shares considered by Deutsche Börse in terms of index weighting was 85 % at the end of the year.

Ticker symbols	Common shares	Preferred shares
Reuters	RWEG.DE (Xetra)	RWEG_p.DE (Xetra)
	RWEG.F (Frankfurt)	RWEG_p.F (Frankfurt)
Bloomberg	RWE GY (Xetra)	RWE3 GY (Xetra)
	RWE GR (Frankfurt)	RWE3 GR (Frankfurt)
German Securities Identification Number	703712	703714
ISIN	DE 0007037129	DE 0007037145
USA CUSIP No. (ADR)	74975E303	–

RWE is traded on stock markets in Germany and the USA. In Germany, RWE shares are traded on the Frankfurt am Main and Düsseldorf Stock Exchanges as well as via the electronic platform Xetra. They can also be obtained over the counter in Berlin, Bremen, Hamburg, Hanover, Munich and Stuttgart. Outside Germany, RWE stock is not traded directly in the United States, but over the counter via American Depositary Receipts (ADRs) in what is known as a Level 1 ADR Programme. ADRs are share certificates issued by US depositary banks, representing a certain number of a foreign company's deposited shares.

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



Source: Bloomberg.

RWE maintains good creditworthiness on the capital market. The corporate bond market was also dominated by the sovereign debt crisis. Although the base lending rates declined over the course of the year in the Eurozone and in the United Kingdom, the risk premiums that bond issuers had to pay on top of these rates rose, driven by the crisis. The latter was clearly reflected in the market for credit default swaps (CDSs). The iTraxx Europe index, which is made up of the CDS prices of 125 major European companies, rose from 105 to 173 basis points during the course of last year. In the autumn, it surpassed the 200-point mark twice, reaching the highest level since the financial crisis of 2008. A similar development, albeit at a lower level, was displayed by the CDS price curve for RWE. Quotations temporarily increased from 83 to 160 basis points, before dropping back down to 137 basis points at the end of the year. As of the balance sheet date, they were more than 20% below the market index and were even lower than the European sector average – proof of RWE's good creditworthiness.

1.0 REVIEW OF OPERATIONS

49.2 GW	Power plant capacity
205.7 billion kWh	Electricity production
16.6 million	Electricity customers
7.8 million	Gas customers
€51.7 billion	External revenue
€5.8 billion	Operating result
72,068	Workforce

1.1 STRATEGY

RWE ranks among Europe's five leading electricity and gas companies. With activities in numerous countries and along the entire value chain, we are well positioned for managing the increasing risks and challenges in the energy sector. This branch of industry is characterised by strong price fluctuations, changing market structures, ambitious climate protection goals and increasing regulatory intervention by policymakers. We are tackling these challenges with a strategy that determines our course in three respects: RWE is becoming more sustainable, more international and more robust.

Our strategy: RWE is becoming …

… more sustainable	… more international	… more robust
▪ Increase the share of our generation capacity accounted for by renewables to at least 20 % by 2020 ▪ Reduce our specific CO_2 emissions by more than 20 % by 2020 compared to 2005 ▪ Improve the efficiency of our power plant fleet and promote the conservation of energy by our customers	▪ Secure strong earnings in our core markets, i.e. Germany, the UK and the Netherlands ▪ Achieve organic growth primarily in Central Eastern and South Eastern Europe	▪ Realise stable earnings through our presence along the entire energy value chain ▪ Maintain a balanced portfolio of regulated and unregulated activities ▪ Adhere to the guiding principle of our growth: increasing the company's value

RWE is becoming more sustainable. Energy supply requires a long-term business model. We plan our investments in power stations, networks and raw material production facilities in terms of decades, not in terms of years. To secure the profitability of these projects, we see to it that they are in line with the principles of sustainable development. Protecting the climate is high on our list of priorities. It sets the course for the modernisation and expansion of our electricity generation portfolio and also motivates us to champion the efficient use of energy outside RWE's factory gates. To this end, we plan to take the following steps:

- We intend to increase the share of our generation capacity accounted for by renewables to at least 20 % by 2020. At the end of 2011, it amounted to 8 %.
- By 2020, we want to have lowered the CO_2 emissions of our power plant fleet per megawatt hour (MWh) of electricity by more than 20 % compared to 2005. In the baseline year, we emitted 0.79 metric tons of CO_2 per MWh. Our target is 0.62 metric tons.
- We want to improve the degree of energy utilisation of our coal and gas-fired power stations significantly and promote the conservation of energy by our customers.

Against the backdrop of the reactor catastrophe at Fukushima, in the middle of 2011 the German government reversed the extension of the lifetimes of German nuclear power plants it had resolved shortly before. This eliminated a major component of our CO_2 reduction strategy to date. However, this does not affect our commitment to electricity generation that is gentle on the climate. To this end, we are focusing above all on the expansion of renewable energy and, from 2012 to 2014, we intend to spend about €4 billion on this. RWE Innogy, our Group company which specialises in producing electricity and heat from renewable sources, should be building or operating power generating facilities with a total of 4.5 gigawatts (GW) of capacity by the end of 2014. The company is focusing its capital expenditure on onshore and offshore wind farms. The regional focus lies on Germany, the United Kingdom, the Netherlands, Poland, Spain and Italy. RWE is one of the largest investors in European offshore wind power. We are building four large-scale projects either alone or with partners, with a combined installed capacity of 1,670 megawatts (MW): Gwynt y Môr off the coast of North Wales, Greater Gabbard in the UK North Sea, Thornton Bank off the Belgian coast and Nordsee Ost near the German Isle of Heligoland. Furthermore, several RWE companies are investing in the production of electricity from biomass. In addition, we are looking into building new hydroelectric power plants. RWE Innogy is developing projects with a total installed capacity of 13.9 GW.

The construction of highly efficient coal and gas-fired power stations that replace emission-intensive plant also makes a contribution to protecting the climate. We are investing approximately €12 billion for this within the scope of the power plant new-build programme that we launched in 2006 and is scheduled for completion in 2014. How much we can achieve by this is typified by the new 2,100 MW twin-unit lignite-fired facility at Neurath near Cologne, which, once operational, will enable us to decommission a number of older plants. Thereby, on the back of an essentially unchanged capacity, we are reducing our CO_2 emissions by about 6 million metric tons – per year! This is a result of the new power station's high efficiency of over 43%, which surpasses that of the old plants by up to 13 percentage points.

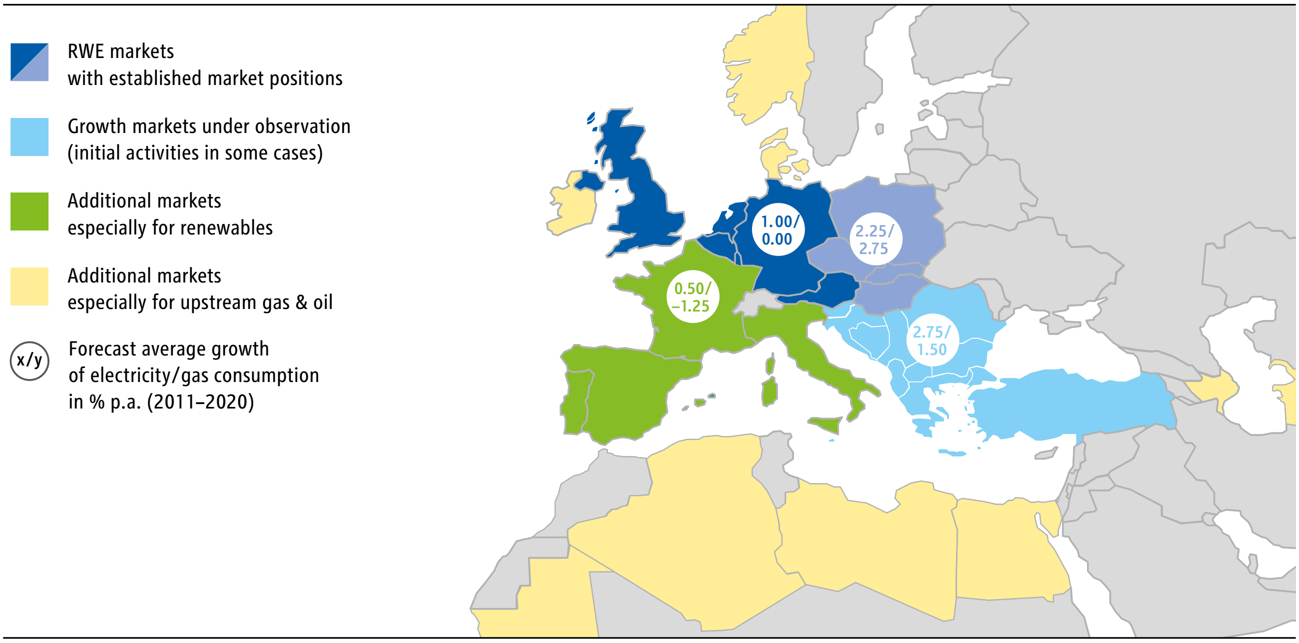
At the end of 2011, new power stations with a total installed capacity of 2.6 GW were online as a result of the power plant new-build programme. Another 6.8 GW will be added this year. The Dutch Claus C (1,304 MW) and Moerdijk 2 (426 MW) gas-fired power stations began operating commercially in January and February 2012. The dual-block lignite-fired power plant at Neurath is scheduled to follow at the end of March, with two combined-cycle gas turbine power stations coming online in the second half of the year: one at Pembroke, Wales (2,188 MW), and the other at Denizli, West Turkey (775 MW). Further power plants accounting for a combined 3.1 GW in installed capacity will be added before the new-build programme ends in 2014. By then, state-of-the-art gas and coal-fired power plants will account for more than 25% of our installed capacity. The degree of energy utilisation of our fossil fuel-fired facilities, namely the amount of electricity and usable heat produced by the energy contained in the fuel, will then have reached an average of 42%.

Networks are also of great importance for an energy supply which increases resource conservation and climate protection. As a distribution system operator, we face huge challenges from the rising amounts of electricity fed into the grid from weather-dependent sources such as wind and solar power, as well as the mounting number of small, distributed generation units. Under these conditions, substantial investments in the maintenance and expansion of distribution networks need to be made to keep the system stable. RWE plans to spend a total of €2.6 billion on this from 2012 to 2014. One of the focal points is the development and use of new control technologies enabling the more effective and flexible use of networks. We are conducting field trials to this end within the scope of the Smart Country project in Bitburg/Prüm in Eifel County (Germany), on which we have reported in detail on page 85.

When it comes to making efficient use of scarce resources, however, the onus is not just on us, but on our customers as well. We assist them in various ways, including the use of smart meters, automated domestic consumption (smart homes) and by promoting electric cars. Our German website at www.energiewelt.de includes advice on how to save energy as well as information on subsidy programmes and manufacturer offers. We also offer our energy efficiency expertise to commercial and medium-sized industrial enterprises. Using state-of-the-art measuring techniques and RWE's energy controlling system, our experts analyse energy consumption and develop optimisation measures tailored to the business in question.

To us, managing our business sustainably means considering the wide range of expectations that society has of RWE when we take action. These go far beyond the imperative to conserve resources and protect the climate. For example, society feels we are responsible for ensuring the supply of energy, embedding high occupational safety standards, setting fair prices, and making certain that our suppliers protect human rights. We divided this large number of expectations into ten fields of action. We set ourselves goals for each of these fields as well as establishing key performance indicators which we use to measure the degree to which we achieve our targets and document this for the public.

RWE is becoming more international. It is becoming increasingly important to give RWE a large geographic footprint in order to diversify enhanced political and regulatory risks and to take advantage of growth opportunities. However, Europe remains the focal point of our electricity and gas business. Our most important markets are Germany, the United Kingdom, the Benelux countries as well as Central Eastern and South Eastern Europe. We become active in other regions whenever this enhances our business in our core markets. This applies especially to upstream operations: we produce gas and oil not only in Europe, but also in North Africa. In addition, we are seeking to expand our operating reach to include, for example, the Caspian region. In the field of electricity and heat generation from renewables, we are also active outside our core markets, for instance in Spain and in Italy. In the US state of Georgia, we operate one of the biggest and most modern wood pellet factories in the world, thereby covering a substantial part of our need for sustainably produced biomass for firing in some of our power plants.



From a geographic perspective, our strategy can be described as follows:

- We want to safeguard strong earnings in our mature core markets, namely Germany, the United Kingdom and the Netherlands.
- We aim to achieve organic growth primarily in Central Eastern and South Eastern Europe, where the energy consumption trend is dynamic compared to our markets in the northwest of Europe and which still have some ground to make up in terms of infrastructure.

In the financial year that just ended, the RWE Group earned four-fifths of its revenue in Germany, the United Kingdom and the Netherlands. These markets remain attractive to us although they have little potential for growth as regards electricity and gas consumption. Major challenges in these countries are the continued development of energy infrastructure to enable them to achieve their ambitious goals in relation to energy efficiency and climate protection. Only companies that play an active role in this respect will succeed over the long term. We intend to consolidate our market position with our new-build power plant programme, the expansion of renewables as well as our products and services relating to energy efficiency.

The markets of Central Eastern and South Eastern Europe are characterised by above-average economic growth and mounting demand for energy. The political environment of this region is fairly stable. RWE has a variety of opportunities to contribute to expanding the energy infrastructure of these countries. We are already active at all stages of the energy sector's value chain in Central Eastern Europe. In the field of electricity generation, we are focusing our growth activities on Poland and Turkey. As mentioned earlier, we are building a state-of-the-art gas-fired power plant with a net installed capacity of 775 MW in Denizli. We are also considering tapping into the Turkish hydroelectric power market. In Poland, we have already built several onshore wind farms. We intend to dedicate more than 60 % of our capital expenditure to regions outside Germany, our home market, in the coming years. In so doing, we will focus on organic growth, but we do not rule out making minor acquisitions.

Market positions of the RWE Group in terms of sales	Electricity	Gas
Germany	No. 1	No. 3
United Kingdom	No. 4	No. 4
Netherlands	No. 2	No. 1
Central Eastern and South Eastern Europe	No. 2 in Hungary No. 3 in Slovakia No. 5 in Poland Presence in the Czech Republic Presence in Turkey	No. 1 in the Czech Republic No. 2 in Slovakia Leading position in Hungary
Total Europe	**No. 3**	**No. 6**

RWE is becoming more robust. We operate in a dynamic market environment, which is increasingly characterised by imponderables. In the last few years, the prices of fuel, emission allowances and electricity fluctuated considerably. The expansion of renewables is causing the supply of electricity – and therefore also spot prices – to be increasingly influenced by changing weather conditions. The political framework has also become less stable, as demonstrated by Germany's accelerated nuclear phase-out, among other things. Moreover, investments in energy infrastructure are increasingly meeting with resistance from the public.

Thanks to our fully integrated business model and our presence in various markets, we are well equipped to tackle the challenges of a volatile market environment. On the strength of our balanced portfolio structure, we can offset earnings fluctuations in individual divisions and countries and stabilise our earnings. We intend to take the following steps in the future:

- We intend to remain present along the energy sector's entire value chain, as an integrated business model is the basis for generating stable income.
- We will maintain our balanced portfolio of regulated (e.g. the network business) and unregulated assets (e.g. the generation of freely marketed electricity).
- We will continue to evaluate our projects based on the contribution they make to increasing the value of our company. This is the basis for generating profitable growth.

In the field of electricity generation, we believe it is extremely important to have a broad energy mix. We are currently focusing on expanding renewables, as they still account for a disproportionately small share of our portfolio. We also rely on modern gas and coal-fired power stations as they are a natural partner for renewables due to their high degree of flexibility. For example, they can be ramped up quickly, thereby stabilising the supply of electricity when there is little wind or sunshine. We also want to increase our regional diversification in electricity generation. This will curtail the influence of regulatory intervention and cyclical fluctuations in individual countries. In addition, a geographically balanced renewable generation portfolio has the advantage of being better suited to offset weather-related effects, e.g. when wind lulls in one region coincide with high wind levels in another. This is one of the reasons why we are increasing our wind power capacity in both northern and southern Europe.

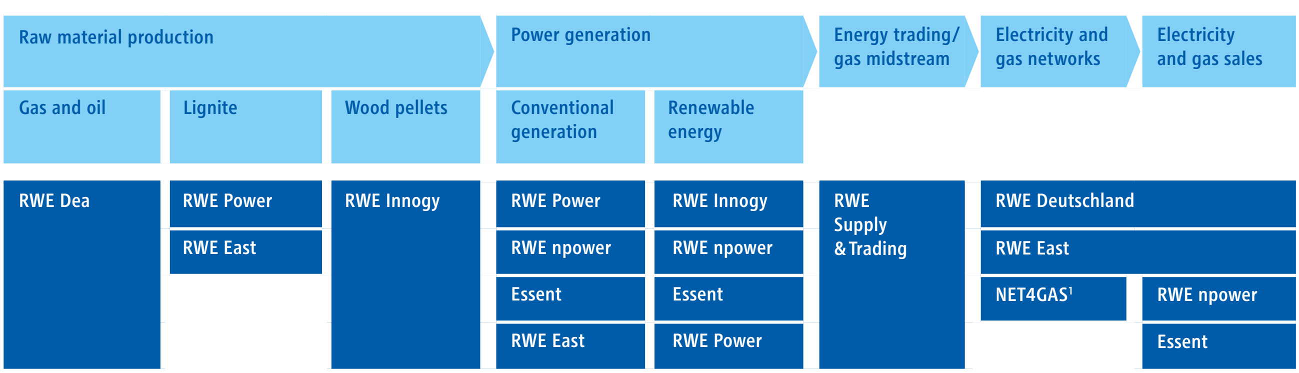
The regulated business will remain a fixture in our portfolio. As a network operator, we are independent of commodity price fluctuations and have a fairly low exposure to earnings risks because the regulations governing the return on equity and revenue caps are valid for several years. State subsidy systems provide for a robust earnings base in the field of renewables. Therefore, we will manage our capital expenditure in order to ensure that we maintain a balanced portfolio of regulated and unregulated activities over the long term.

We still plan to double annual oil and gas production, although our ongoing divestment programme envisages the sale of stakes in upstream projects. We originally intended to increase production to about 70 million barrels of oil equivalent (OE) by 2016. Due to the impending divestments, however, we will be unable to stay on schedule. Based on our current planning, we will initially raise our gas and oil production to over 40 million barrels of OE in 2014. RWE Dea's operating result should be in the order of €800 million by then.

For us, becoming more robust also means making use of a wide range of market-ready technologies. For instance, we are not only investing in large-scale power plants, but also in small distributed units. In the field of renewables, we rely not only on wind energy, but also on biomass and hydroelectric power. We offer our customers flexible complete energy solutions, from energy consulting and the planning, installation, maintenance and operation of distributed energy-producing units to the supply of district heat. When rolling out major projects, we often involve partners, rising to the technical and financial challenges with them.

Our diverse portfolio provides us with a variety of ways to mitigate country-related, technological and political risks along the entire value chain, while laying a solid foundation for generating profitable growth. This makes us more independent and robust. Furthermore, as a result, we strengthen our creditworthiness, which is the prerequisite for favourable refinancing conditions, and creates the basis for paying an attractive dividend.

Value added is a measure of the implementation of our strategy. With our growth strategy, we are primarily pursuing the goal of increasing the company's value. All investment projects are measured by this. The central control instrument is value added. It is the return on capital employed, minus the cost of capital. In addition to other individually agreed targets, value added is also a parameter for the variable compensation of our executives. Details on RWE's value management are described on page 62 et seqq.



1 Long-distance gas transmission system operator in the Czech Republic (unbundled).

1.2 ECONOMIC ENVIRONMENT

The economies in most RWE core markets lost some of their momentum in 2011. One of the reasons was the Eurozone sovereign debt crisis. However, Germany's economy proved robust, posting an estimated 3 % growth. The unusually mild weather affected energy consumption considerably. This applied above all to demand for gas. Prices of commodities such as oil, hard coal and gas were higher than in 2010, driving up wholesale electricity quotations. Germany's accelerated nuclear phase-out also caused electricity to become more expensive, whereas declining CO_2 prices had a dampening effect.

Economy loses some momentum. The strong recovery witnessed in 2010 was followed by a slight decline in world economic growth in 2011. Stimulus packages ended in the USA and China, and the severe earthquake in March forced Japan into a temporary recession. The Eurozone's sovereign debt crisis also left its mark. Based on estimates, the cumulative gross domestic product (GDP) of all OECD member states was up a mere 1.3 % in 2011. Estimates have the Eurozone recording a gain of 1.6 %. Posting a rise of 3 %, Germany remained Europe's growth engine. The dynamic development displayed by the industrial sector played a key role. Based on available data, economic output in the Netherlands was up 1.5 %. The Dutch economy, which was strong at the beginning of the year, has since weakened considerably. UK GDP grew by an estimated 0.9 %. Industrial production in Poland and Slovakia advanced significantly. The GDP of these countries rose by an estimated 4 % and 3 %, respectively. As production in the Czech Republic and Hungary did not develop quite as dynamically, growth in those countries was somewhat weaker, at an estimated 2 % and 1.4 %, respectively.

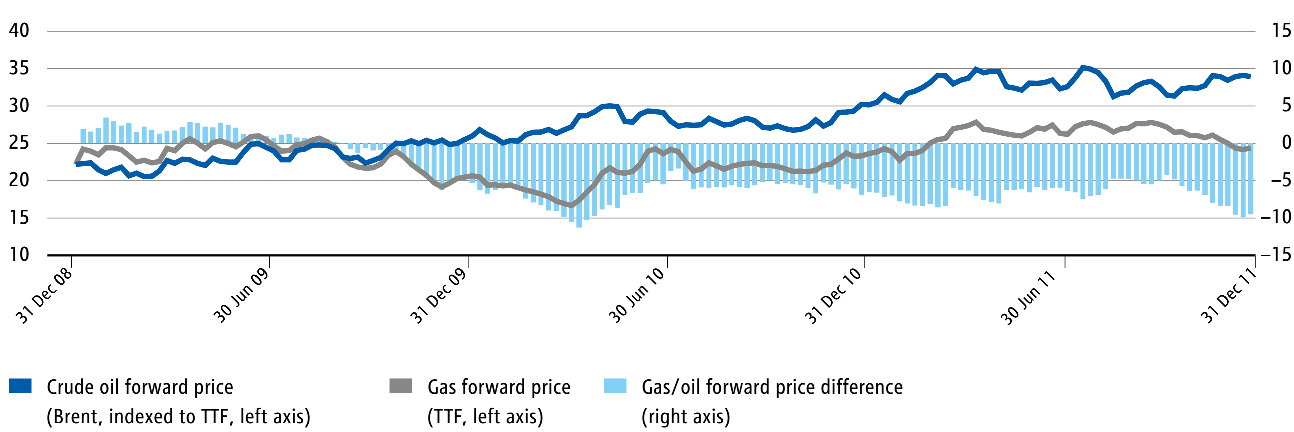
Weather much milder than in 2010. Whereas the economic trend is primarily reflected in demand for energy among industrial enterprises, the residential need for electricity and gas is influenced more by weather conditions. This is a result of the dependency of the heating requirement on temperatures. In most of our European core markets, the weather was much milder than in 2010. The average temperature of the last ten years was also clearly exceeded. Weather conditions were unusually mild especially in April and December. In addition to energy consumption, the generation of electricity is also subject to weather-related influences, in particular with regard to wind turbines and solar panels. Wind levels in Germany, the United Kingdom and the Netherlands were slightly below average in 2011. However, the prior year's unusually low level was surpassed significantly. The situation in Spain was different, where wind levels dropped after having been especially high in 2010.

Heating demand markedly down. Demand for energy in our core markets was marked by opposing factors: increasing economic output on the one hand and the markedly milder weather on the other. Based on available data for 2011, electricity consumption was roughly on a par year on year in Germany, whereas it was up 0.4 % in the Netherlands. Even higher growth rates were posted in Slovakia (0.5 %), Hungary (1.0 %) and Poland (1.3 %). Conversely, the Czech Republic recorded a decline of 1.2 %. The most significant decrease, amounting to 2 %, was experienced by the United Kingdom. Progress made in the field of energy efficiency played a major role. The development of gas consumption was largely determined by the significant decline in demand for heating and by decreasing gas consumption in the power generation sector. Volumes dropped by 13 % in Germany, 11 % in the Netherlands, and 18 % in the United Kingdom. In the Czech Republic and Hungary, gas usage slipped more moderately, by 6 % and 7 %, respectively.

Oil price 40 % higher year on year. Fuel prices on international markets rose significantly compared to 2010. This applies especially to crude oil. A barrel of Brent crude traded at an average of US$111, making it US$32, or 40 %, more expensive than in the preceding year. However, the price increase in euro terms was lower (33 %) due to the depreciation of the dollar. Developments on oil markets were in part determined by rising demand in Asia's fast-growing economies. Another factor was the political turmoil in North Africa and the Middle East, which resulted in production shortfalls in several countries and gave rise to the concern that oil supplies may tighten further. In addition, numerous investors fearing inflation increasingly put their money in commodities, which drove up prices. However, the situation on the oil market eased somewhat over the course of the year. Contributing to this was that the consumption forecasts for the USA, the Eurozone and China were lowered and the International Energy Agency (IEA) member states sold parts of their strategic reserves. Furthermore, Libya's crude oil production recovered faster than expected. Sentiment on the markets became more nervous again in December, in reaction to the increased tension with respect to Iran. Tehran's threatened closure of the Hormus sea route, which is important to oil transport, gave rise to renewed fear of an oil supply shortage.

Gas becomes much more expensive. As a large proportion of gas imports to Continental Europe is based on long-term agreements linked to the price of oil, developments on the oil market also influence the price of gas. However, this typically occurs with a time lag of several months. In addition to the long-term oil price-indexed supply 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 wholesale gas spot prices.

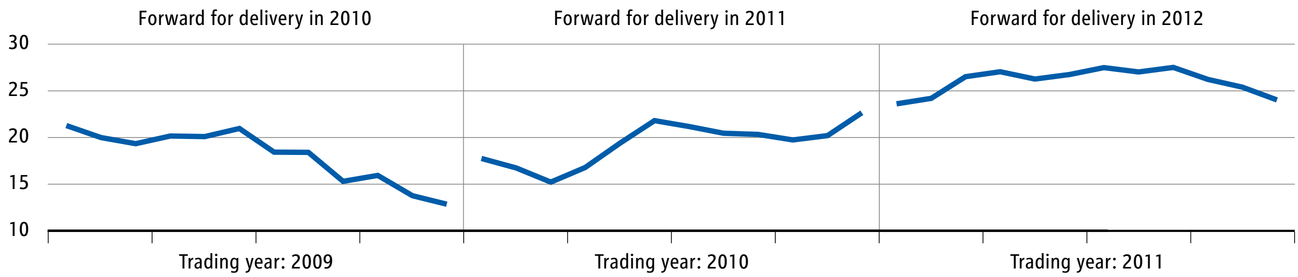
Crude oil (Brent) and gas (TTF wholesale market) forward prices for 2012
€/MWh (average weekly figures)



Source: RWE Supply & Trading.

Gas imports to Germany were an average of 26% more expensive than in 2010. This was largely due to the continued boom on oil markets. Quotations at Europe's gas trading points were also up. The TTF spot price averaged €23 per megawatt hour (MWh), up €5 on the comparable figure in 2010. In forward trading, contracts for delivery in the coming calendar year (2012 forward) sold for €26 per MWh (TTF wholesale market). This is €7 more than what was paid for the 2011 forward in 2010.

One-year forward prices on the TTF gas wholesale market
€/MWh (average monthly figures)



Source: RWE Supply & Trading.

In Germany, residential gas tariffs were about 5% up on the prior year. For industrial enterprises, they were 15% higher, as prices in this customer segment react much faster to developments on the wholesale market. Gas also became much more expensive in our other markets. Households and industrial enterprises had to pay 7% and 17% more in the Netherlands, 8% and 22% more in the United Kingdom, and 15% and 18% more in the Czech Republic. In Hungary, both customer groups had to pay 9% more.

Demand from Asia leads to boom on hard coal markets. Despite adverse weather-related events such as the floods in Queensland (Australia) and heavy monsoon rainfall in the southern hemisphere, steam coal production rose worldwide. Demand also displayed dynamic development: in particular, imports to China increased, which was one of the reasons why the price level rose further. In 2011, a metric ton of thermal coal cost an average of US$122 (including freight and insurance) in Rotterdam spot trading. This is US$29 more than in the preceding year.

Sea freight rates are a major component of hard coal quotations. They amounted to US$10.70 per metric ton for the standard route from South Africa to Rotterdam, compared to US$12.50 in the previous year. Demand for sea cargo has continued to increase, but this effect was more than offset by expansion in shipping capacity.

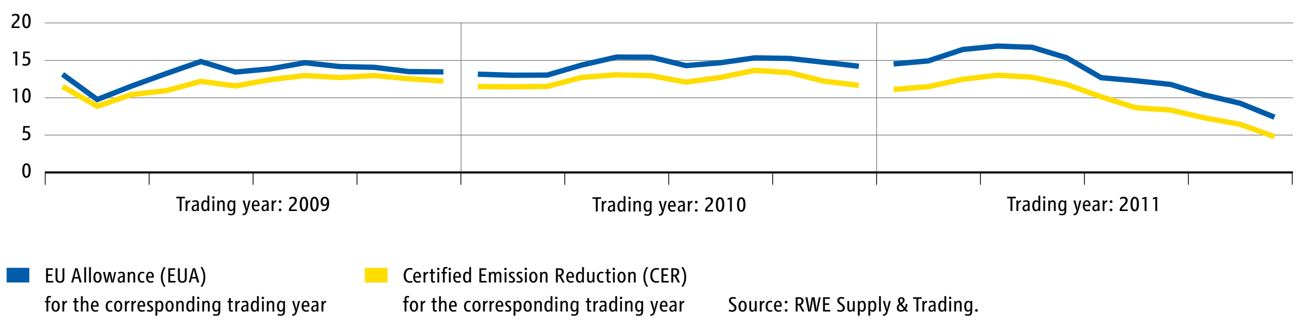
The German Federal Office of Economics and Export Control (BAFA) determines the price of hard coal produced in Germany based on quotations for imported hard coal. Therefore, the BAFA price follows developments on international markets, albeit with a time lag. No average figure was available for 2011 when this report went to print, but experts estimate it to be €106 per metric ton of hard coal unit. This would be €21 more than in the previous year.

Fears concerning the economy weigh on the price of CO_2 emission allowances. European trading of CO_2 emission allowances (referred to as EU Allowances – EUAs) was characterised by significant price fluctuations last year. Certificates became more expensive at the start of 2011. EUAs for 2011, which were quoted at €14.40 per metric ton of CO_2 at the beginning of the year, occasionally cost over €17 in the spring. The backdrop to this was that the German government set the course for the country's accelerated nuclear phase-out after the reactor accident at Fukushima (see page 43). Market participants thus expected the need for certificates to rise, because the electricity generated by nuclear reactors is nearly free of carbon dioxide and some of this production must now be replaced with generation from more emission-intensive plants such as hard coal and gas-fired power stations. Nevertheless, prices in emissions trading collapsed in the second half of the year. At the end of December, EUAs for 2011 traded for a mere €7.40. One of the main reasons was the sovereign debt crisis in the

Eurozone and the resultant fear of a weakening economic output. The rapid increase in renewable energy also curtails prices as this reduces the deployment of CO_2-emitting, fossil-fuelled power plants. Moreover, at the end of 2011, the European Investment Bank started auctioning off certificates for the third trading period. The emission allowances stem from the new entrant reserve, which includes a total of 300 million EUAs. By October 2012, the first 200 million of them are to be placed on the market.

Last year, EUAs for 2011 traded for an average of €13.20. The comparable figure for 2010 was €14.50. Certified Emission Reductions (CERs), which cost an average of €9.80, also became cheaper than in 2010. At the end of 2011, only €4.30 had to be paid for them. CERs are credits earned from emission-reducing measures taken in developing and newly industrialising countries. Companies in Europe may cover their emissions up to a predetermined level by submitting such certificates.

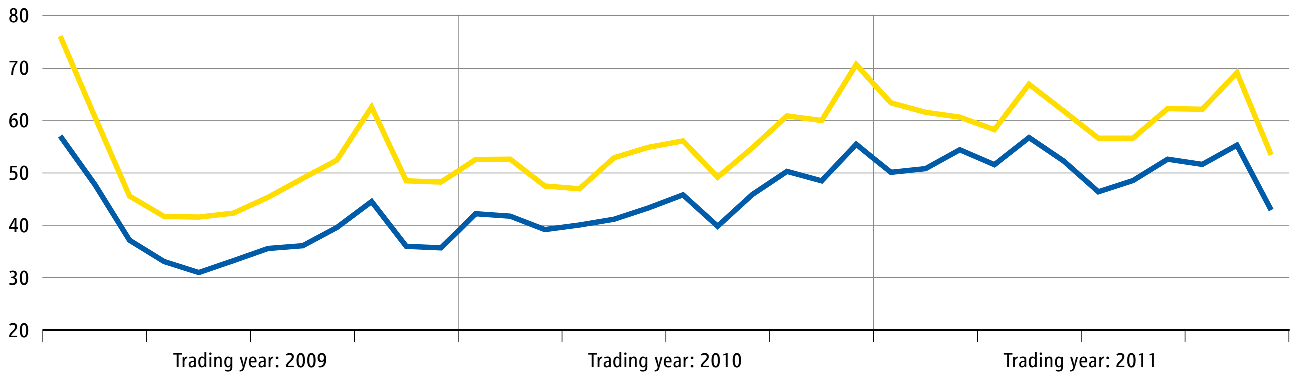
CO_2 certificate prices in the European emissions trading system
€/metric ton of CO_2 (average monthly figures)



Source: RWE Supply & Trading.

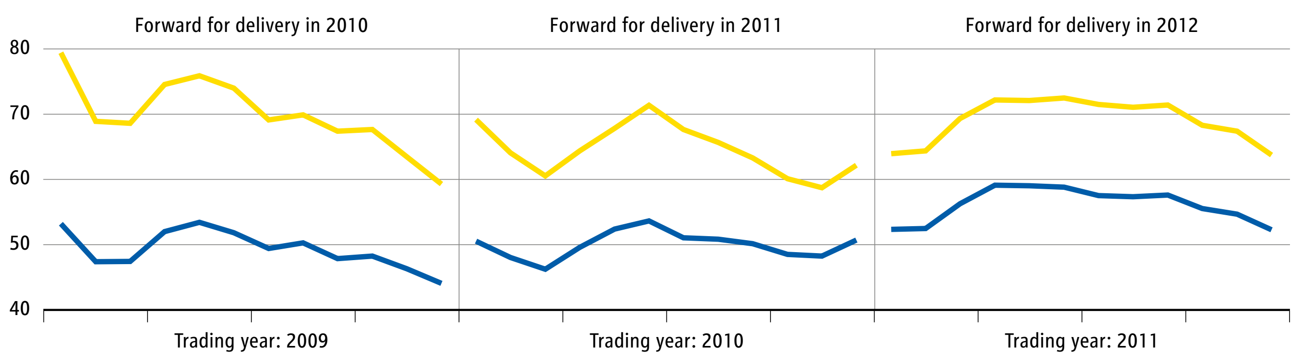
Higher wholesale electricity prices. The rise in fuel prices and the acceleration of Germany's nuclear phase-out left deep marks on electricity wholesale markets. In spot trading at the EEX Energy Exchange in 2011, base-load power sold for an average of €51 per MWh, while peak-load electricity settled at €61 per MWh. At €44 and €55, the comparable year-earlier figures were lower. Quotations in German electricity forward trading were also up. This is because market participants expect fuel costs to remain high in the medium term. In addition, the decisions taken by the German government regarding the nuclear phase-out had an impact on quotations, whereas the price collapse in emissions trading had a counteracting effect. The forward contract for the 2012 calendar year traded for an average of €56 per MWh of base-load power and €69 per MWh of peak-load power. An average of €50 and €65 was paid for 2011 forwards a year earlier.

Wholesale electricity spot prices in Germany
€/MWh (average monthly figures)



Base load Peak load Source: EEX Energy Exchange.

One-year forward wholesale electricity prices in Germany
€/MWh (average monthly figures)



Base load Peak load Source: RWE Supply & Trading.

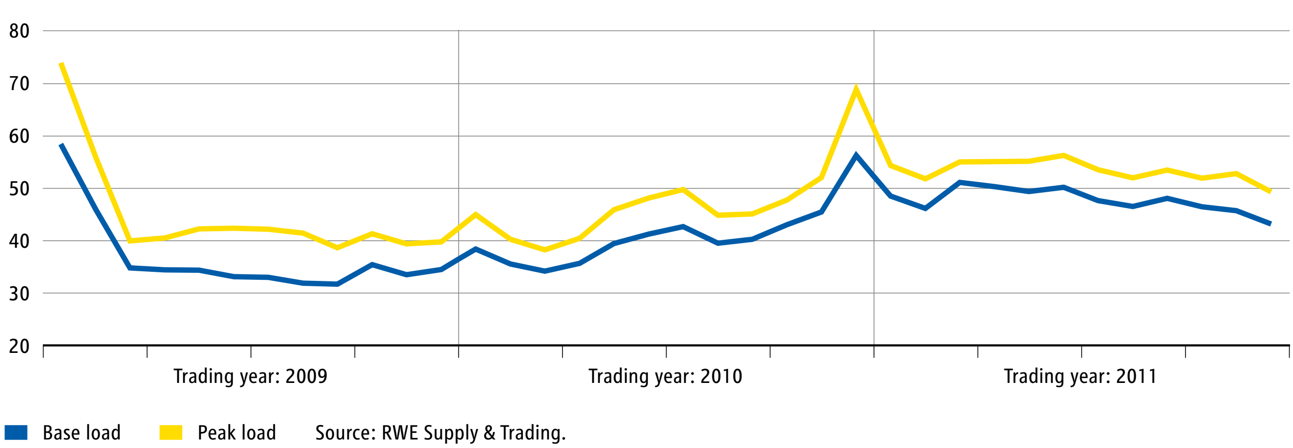
We sell forward nearly all of the output of our power plants in order to reduce short-term volume and price risks. Therefore, electricity prices in 2011 only had a small impact on our income during the year. What was much more decisive was the price at which we had concluded electricity contracts for delivery in 2011 in preceding years. In Germany, we sold the electricity we produced in the year under review for an average of €63 per MWh. By comparison, the price we realised for our 2010 generation was €67. We had already sold parts of this production in 2008 when prices on commodity markets were at record highs.

When concluding electricity forward sales, we usually procure the fuel and CO_2 emission allowances required to generate the electricity or at least secure their prices at the same time as signing the supply agreement. The earnings of our hard coal and gas-fired power plants are predominantly determined by clean dark spreads (hard coal) and clean spark spreads (gas). These 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 we realised in Germany in 2011 were lower than the prior year's comparable figures. The spreads of our German lignite and nuclear power plants also declined. The fuel costs of lignite-fired power stations only fluctuate marginally, as this coal is not traded on international markets. We cover the uranium requirement of our nuclear power plants at stable conditions based on long-term contracts. However, these plants have borne a huge additional cost factor since 2011, namely the nuclear fuel tax.

In the German end-customer business, electricity prices rose further. Many supply companies had bought electricity at prices that were lower than in 2010; however, levies included in power bills in accordance with the German Renewable Energy Act rose. This is due to increasing amounts of electricity from renewables being fed into the grid as a result of the expansion of wind, biomass and, above all, solar generation capacity. Electricity tariffs charged to households and small commercial enterprises in 2011 were therefore an average of 7% higher than in the previous year. Prices paid by industrial companies track developments on the spot market in some cases. They were 10% higher on average.

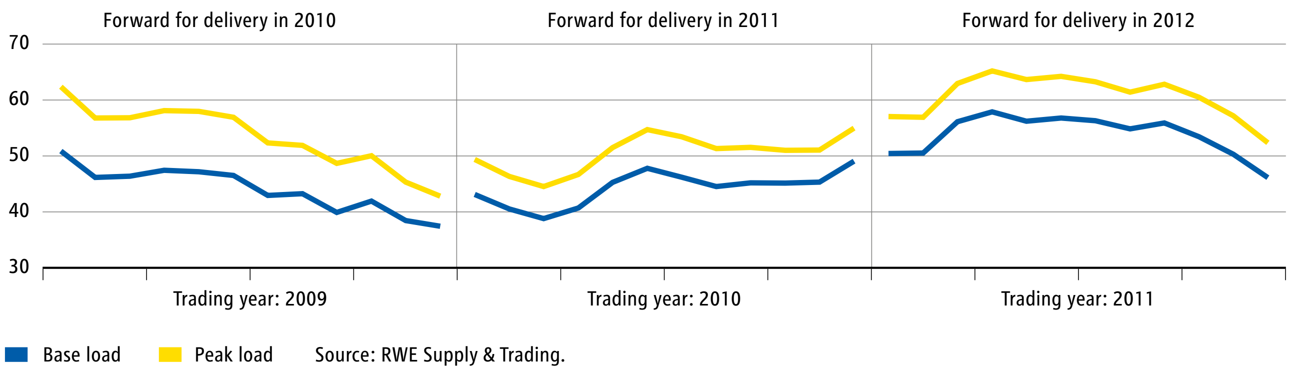
Quotations for UK wholesale electricity were also up. The average price on the spot market was £48 (€55) per MWh of base-load power and £53 (€61) per MWh of peak-load power, increasing by £7 and £6 compared to 2010. In the UK electricity forward market, contracts for delivery in the 2012 calendar year were settled for an average of £54 (€62) per MWh of base-load power in 2011. This is £9 more than what was paid for the 2011 forward in the preceding year. Peak-load power rose in price by £10, climbing to £61 (€70) per MWh.

Wholesale electricity spot prices in the United Kingdom
£/MWh (average monthly figures)



Source: RWE Supply & Trading.

One-year forward wholesale electricity prices in the United Kingdom
£/MWh (average monthly figures)



Source: RWE Supply & Trading.

Most of the electricity we generate outside Germany is also sold forward. As our generation portfolio in the United Kingdom largely consists of hard coal and gas-fired power plants, the earnings trend of RWE npower was largely determined by the clean dark spreads and clean spark spreads realised. For the electricity produced in 2011, they were both down on the previous year's comparable figures.

The majority of UK energy suppliers have raised their electricity tariffs for customers owing to higher procurement costs – several times in some cases. In the year being reviewed, households and small commercial enterprises had to pay an average of 6% more than in 2010. Prices charged to industrial customers experienced the same percentage increase.

In the Netherlands, wholesale electricity prices displayed a development similar to that in Germany. The clean dark spreads and clean spark spreads realised by Essent were down on last year's comparable levels. In the end-customer business, prices were up an average of 3% for households, whereas they hardly changed for industrial enterprises.

End-customer prices in our Central Eastern European electricity markets displayed varied developments. Households had to pay 1.5% and 5% more in Poland and Slovakia, but about 1% less in Hungary. Electricity supplied to industrial customers in Poland and Slovakia was over 2% and just under 4% more expensive, respectively, whereas in Hungary it was 9% cheaper.

1.3 POLITICAL ENVIRONMENT

The U-turn in German energy policy made headlines last year. After the reactor accident at Fukushima, the German government reversed the lifetime extension it had only just resolved for nuclear power plants. This move imposes heavy burdens on RWE. Moreover, it has made it more difficult for Germany to achieve its ambitious climate protection goals. The UK government is charting a different course, with plans for a new system for promoting environmentally friendly electricity generation, also focusing on nuclear energy. It also intends to spur climate protection by introducing a new CO_2 tax.

Germany accelerates nuclear phase-out. Against the backdrop of the reactor accident at Fukushima in Japan, the German Lower House of Parliament adopted an amendment to the German Nuclear Energy Act (NEA) on 30 June 2011, which became effective in August. The lifetime extension for German nuclear power stations introduced in 2010 was thus reversed. In addition, the legislator set deadlines for shutting down each individual reactor. Accordingly, eight of Germany's 17 reactors, including our Biblis A and B units, have not been allowed to generate electricity since the amendment to the NEA entered into force. In March 2011, these power plants, most of which exceed a certain age, had been ordered to cease operations, initially for a period of three months (nuclear moratorium). The country's nine remaining nuclear power stations must be taken offline by the end of 2015 (Grafenrheinfeld), 2017 (Gundremmingen B), 2019 (Philippsburg II), 2021 (Grohnde, Brokdorf and Gundremmingen C) and 2022 (Isar II, Neckarwestheim II and Emsland). Of the aforementioned plants, Gundremmingen B and C as well as Emsland are majority-owned by RWE.

We believe the amendment to the NEA is unconstitutional because the plant operators will not be compensated and the shut-down dates were established without sound reasoning. Therefore, we lodged a constitutional complaint in February 2012. We are also of the opinion that the nuclear moratorium is unlawful, because we feel the prerequisites for it did not exist. In April 2011, we filed a lawsuit with the Hessian Higher Administrative Court in Kassel against it. The German government based the moratorium on Sec. 19 of the NEA, according to which the operation of nuclear facilities may be forbidden if they pose an immediate risk. Our action builds on the fact that Biblis complied with all applicable safety standards.

The reversal of the lifetime extension eliminates payments into the new Climate and Energy Fund, to which the country's nuclear power plant operators had committed contractually. It was to be funded with the additional profits that would have been achieved if the nuclear power stations had been allowed to run longer than originally planned. However, the fund will remain in existence despite the U-turn in German energy policy. The German government intends to use it to finance the promotion of electric cars, energy storage facilities and the optimisation of the energy efficiency of buildings. The fund will also be used to provide relief to energy-intensive manufacturing companies. The financing gap resulting from the reversal of the lifetime extension is to be closed using the proceeds of auctioned CO_2 certificates.

The nuclear phase-out was flanked by a package of laws, which was also passed at the end of June. They are designed to promote the increased use of renewable energy, energy-efficiency measures and the accelerated expansion of network infrastructure. For example, the German Renewable Energy Act (REA) now includes a model for promoting offshore wind farms, which increases profitability in the initial years of operation. Operators of plants that go online before 1 January 2018 will receive feed-in revenue of 19 euro cents per kilowatt hour (kWh), compared to 15 euro cents at present. However, this start-up subsidy will only be paid for eight instead of twelve years.

Fiscal courts doubt legality of nuclear fuel tax. The German government is maintaining the new tax on nuclear fuel despite the heavy additional burdens placed on the operators of nuclear power plants by the U-turn in German energy policy. The levy was introduced with effect from 1 January 2011 and will expire at the end of 2016. As there are strong arguments against its legal validity, we filed lawsuits with the appropriate fiscal courts. In October, the

Munich Fiscal Court provided temporary relief, ruling that no nuclear fuel tax needs to be paid for the Gundremmingen B nuclear power station for the time being. The judges doubt whether it is a permissible consumption tax. They are therefore in line with the Hamburg Fiscal Court, which suspended tax payments in similar cases. A Hamburg judgement issued in January 2012 related to our Emsland nuclear power station. We have been reimbursed the €74 million and €154 million in taxes we paid for Gundremmingen B and Emsland, respectively. The Fiscal Court of Baden-Württemberg handed down different judgements, in relation to two motions filed by EnBW, as it does not have serious doubts regarding the legitimacy of the nuclear fuel tax. The main customs authorities responsible for collecting the tax and EnBW have lodged an appeal against the judgements, on which the German Fiscal Court will have to hand down a ruling. Ultimately, the decision on whether the nuclear fuel tax is legitimate will be reached by the German Constitutional Court or the European Court of Justice. Until then, we will recognise the reimbursed funds as a tax liability. The judgements of the Munich and Hamburg Fiscal Courts therefore have no direct effects on our earnings.

Slight decline in returns on equity for network capex in Germany. In early November, the Federal Network Agency set the Returns on Equity (RoE) that electricity and gas network operators are allowed to earn for the upcoming five-year regulatory period. The allowable annual RoE before corporate tax will be 9.05% for assets capitalised after 2005 and 7.14% for older assets. The new rates become effective as of 1 January 2013 for gas network operators and as of 1 January 2014 for electricity network operators. The current allowed returns on equity are 9.29% and 7.56%, respectively. The Federal Network Agency states that it established the returns on equity based on the development of the interest rates prevailing on capital markets and the assessment of company risk. The network regulator had initially intended to implement a much more significant reduction. In our opinion, this would have made the much-needed expansion of networks in Germany even more difficult.

German government considers accelerating reduction in solar power subsidies. The controversy over the subsidisation of solar energy in Germany is continuing. The backdrop to this is the unfettered expansion of photovoltaic plants, which recently hit another all-time high. According to the Federal Network Agency, installed capacity rose by 7.5 gigawatts (GW) to approximately 25 GW last year. Based on estimates by the German Association of Energy and Water Industries, more than half of the subsidies paid pursuant to the REA in 2012 are allocable to photovoltaics, although solar panels produce a mere fifth of the electricity subject to the REA. As a result of the significant increase in capacity, the REA apportionment paid by consumers via their electricity bills will increase substantially. It already amounts to 3.59 euro cents per kWh for 2012. Based on calculations of the four German transmission system operators, it may rise to as much as 4.74 euro cents in the coming year. The German government has been reducing the subsidy rates for solar power every six months since the middle of 2010. However, this was more than offset by the erosion of prices on the market for photovoltaic components. The German Environmental Minister now plans to reduce the subsidies in monthly steps. The cuts will depend on the degree of expansion.

State veto powers put a de facto end to CO_2 storage in Germany. Projects for capturing and storing carbon dioxide underground have very little prospects for the future in Germany. In the middle of June, the German Lower House of Parliament passed a CO_2 storage law, which would have established the legal framework for such undertakings. However, the act did not get a majority vote in the Upper House of Parliament. In addition, it would have granted the federal states the right to refuse the storage of carbon dioxide in their territory. Some states still feel that their powers are too limited, whereas others are of the opinion that the law is too restrictive. No agreement is crystallising on the Arbitration Committee so far. EU member states are obliged to translate the Brussels directive on the capture and storage of carbon dioxide into national law. The United Kingdom and the Netherlands have already passed corresponding laws. The deadline for doing so expired in June 2011.

United Kingdom: UK electricity market on the verge of fundamental reform. In July 2011, the British governing coalition of conservatives and liberals published a White Paper on the reform of the electricity market, with which it mainly intends to spur climate protection. Although the White Paper was refined in December, key details of the comprehensive electricity market reform have not yet been specified. The government is working on a legislative proposal that it will submit to parliament in the spring of 2012.

By reforming the electricity market, the government aims to reduce the CO_2 intensity of UK electricity production from 0.5 metric tons of carbon dioxide per megawatt hour (MWh) at present to 0.1 by 2030. Another goal is to increase the share of primary energy consumption covered by renewables to at least 15% and to have them account for at least 30% of electricity generated in 2020. The reform package described in the White Paper includes the introduction of a tax on fossil fuel in April 2013. Besides the costs incurred for emission allowances, operators of coal and gas-fired power plants would then have to shoulder additional burdens. The amount of the tax will depend on the CO_2 intensity of the fuel, with the tariff increasing over time. The result envisaged by the government is for the total cost of CO_2 emissions to amount to at least £30 per metric ton of carbon dioxide in 2020. In addition, the White Paper establishes a cap for new plant emissions of 0.45 metric tons of CO_2 per MWh, which is to become effective in 2014. This would mean that only new coal-fired power stations that capture and store at least a part of the carbon dioxide they produce could be built.

In the long run, the UK government intends to introduce a capacity market. Energy utilities will then be compensated for keeping reliable power station capacity on standby. The government believes that reserve capacity of this kind is becoming increasingly important, as the expansion of the renewable footprint is resulting in a rise in electricity feed-ins that are dependent on the weather or time of day.

Another mainstay of the electricity market reform is a new compensation system for climate-friendly electricity generation from renewable sources and nuclear power, as well as from fossil fuels in combination with carbon capture and storage. This is intended to replace the existing system for the promotion of renewable energy after a transitional phase. Producers of renewable energy currently receive renewable obligation certificates. They can sell these certificates to supply companies which can use them to prove that the share of their electricity sales determined by the government stems from renewable sources. A mechanism termed Contract for Difference (CfD) has also been planned. According to the principle on which it is based, there is a contractually guaranteed fee for the electricity the energy companies put on the system. If the price realised on the wholesale market is below the fee, they are paid the difference. However, if the opposite is true, the energy company is retrospectively obliged to reimburse the difference. The government's plan envisages the first CfDs being concluded in 2014.

1.4 MAJOR EVENTS

The German government's nuclear energy resolutions marked our last financial year. They caused us to launch a package of measures to strengthen our financial clout, containing additional efficiency enhancements, a leaner capital expenditure programme and numerous divestments. We already sold some assets in 2011, including the majority of the electricity transmission system operator Amprion. The package of measures also included a capital increase, which we completed in a difficult market environment. We passed some major milestones in modernising our generation portfolio: three state-of-the-art large-scale power plants with a total capacity of 3.8 gigawatts were about to start commercial operation at the end of 2011.

Germany accelerates nuclear phase-out. Against the backdrop of the reactor accident at Fukushima, the German Lower House accelerated the country's nuclear phase-out. On 30 June 2011, it passed an amendment to the German Nuclear Energy Act, which entered into force in August and mandates the immediate shut-down of eight of Germany's 17 reactors. This affects our Biblis A and B units. The legislator set the deadlines for taking the remaining nine nuclear power plants offline. They cover the period from the end of 2015 through to the end of 2022. Detailed information on this topic can be found on page 43.

RWE adopts package of measures to strengthen financial power. Not least due to the considerable earnings shortfalls resulting from the resolutions passed by the German government on nuclear energy, in August we adopted a package of measures designed to strengthen RWE's financial clout and offer new growth prospects. A key component of this package are divestments. In August 2011, we presented the assets we may consider selling. These are the Czech long-distance gas network operator NET4GAS, our stake in Berlinwasser, some German sales and network activities, and select generation capacity. Furthermore, we announced that we intend to sell RWE Dea either as a whole or individual upstream activities. However, a complete divestment is no longer on the agenda. The divestments are scheduled for completion by the end of 2013. Part of the package of measures is a leaner capital expenditure budget. Moreover, we raised the target figure for the ongoing efficiency-enhancement programme. We now intend to make an annual earnings contribution that rises to €1.5 billion by the end of 2012 compared to the 2006 level. Previously, the goal was €1.4 billion. A new efficiency programme is already being prepared for the period after 2012 (see page 98). The measures we approved in August include strengthening equity by issuing RWE common shares that are either new or held by us as treasury shares. We managed to take this step before the end of the year despite a difficult market environment.

Capital increased by €2.1 billion. In December, we placed 52.3 million new and 28.1 million treasury RWE common shares. The issue price of €26 per share resulted in gross proceeds from the issuance of some €2.1 billion. All of the stock was offered to institutional investors by way of an accelerated bookbuilding. Subscription rights were excluded for the new stock, but not for the treasury shares. The latter were therefore allocated with a right of withdrawal. RWE shareholders made frequent use of the subscription right, purchasing a total of 18.96 million shares. The capital increase was completed on 21 December, on expiry of the subscription deadline. It is one of the biggest transactions of this type concluded by a European industrial enterprise in recent years and benefits our credit rating. In the middle of 2011, Standard & Poor's and Moody's had downgraded RWE by one notch each, to A- and A3, respectively. They maintained their "negative" outlooks.

RWE sheds majority of Amprion. We also made progress in implementing our divestment programme. In early September, we sold a 74.9% stake in our German electricity transmission system operator Amprion. It was acquired by a consortium of insurance companies and utilities, to which companies of Munich Re, ERGO, Swiss Life and Talanx belong, as does the Westphalia-Lippe Physicians Pension Fund. RWE initially held an interest in the consortium, which it sold at the end of 2011. The sale price for Amprion is based on the company's total assessed enterprise value of about €1.3 billion including €370 million in net debt (cut-off date: 1 January 2011). This roughly corresponds to the company's assets recognised by the regulator and eight times recurrent EBITDA. The transaction provides us with relief in terms of net debt and capital expenditure. Amprion plans to invest more than €3 billion to maintain and expand network infrastructure this decade. In the consortium of investors, we gained a reliable partner with a strong capital base.

Thyssengas and minority interest in Rostock-based coal power plant sold. In addition to Amprion, we sold two other assets in 2011. In February, we completed the divestment of Thyssengas, the German long-distance gas network operator. It was purchased by an infrastructure fund managed by the Australian financial service provider Macquarie. Thyssengas transmits close to 10 billion cubic metres of natural gas every year over a long-distance network with a length of some 4,100 kilometres. We had made a commitment to the EU Commission to sell the company. Also in February, we divested a minority interest of 24.6% in a hard coal-fired power station at Rostock. The facility has an electricity generation capacity of 553 megawatts (MW) and provides district heat for the Rostock municipal utility's network. The buyer of our share is RheinEnergie AG, which is domiciled in Cologne.

RWE acquires 30% stake in Dutch power plant operator EPZ. In addition to the aforementioned divestments, we also made some acquisitions in 2011. The largest transaction was the purchase of Energy Resources Holding B.V. (ERH). ERH used to belong to Essent, but we were unable to obtain it when we acquired the Dutch energy utility in 2009 as certain legal issues remained to be resolved. ERH owns 30% of EPZ, a Dutch electricity generator. EPZ operates the 485 MW Borssele nuclear power plant, a 406 MW hard coal-fired power station, and a small number of wind turbines. In line with our stake in EPZ, we can market 30% of the company's electricity generation ourselves. The remaining 70% of EPZ is held by the power utility Delta N.V.

Major milestones passed in building new power plants. In 2011, we made major progress in modernising and expanding our power plant fleet. We have completed the construction of the dual-block lignite-fired power station at Neurath near Cologne. We paid a total of €2.6 billion for the plant, which has an installed capacity of 2,100 MW. It is scheduled to begin commercial production at the end of March 2012. The two Dutch gas-fired power stations, Claus C and Moerdijk 2, have also been completed. Claus C is located at Maasbracht, has a net installed capacity of 1,304 MW, and went online in January 2012 – several months earlier than originally planned. We spent €1.1 billion on the state-of-the-art plant, which has an efficiency of nearly 60%. The 426 MW Moerdijk 2 gas-fired power station has been operating commercially since February 2012. The associated investment cost amounted to €0.4 billion. Furthermore, in April 2011, we laid the cornerstone for a gas-fired power plant in Denizli in the west of Turkey. The facility will have a net installed capacity of 775 MW and is scheduled to become operational at the end of 2012. The owner and operator will be a joint venture, in which RWE holds 70%, with the Turkish energy utility Turcas owning the remaining 30%. The capex budget is an estimated €0.5 billion.

Wood pellet factory in Georgia commences production. We built a plant for manufacturing wood pellets in the US state of Georgia in order to secure a sustainable fuel supply for our biomass facilities. The factory was commissioned in the middle of May 2011. Its annual production capacity of 750,000 metric tons makes it one of the largest worldwide. The wood pellets will initially be used in our hard coal-fired power station at Amer (Netherlands). Some of the plant's units already co-fire up to 30% biomass. This proportion should be increased considerably in the years ahead. Furthermore, we intend to use the pellets in our power station at Tilbury (UK). The three hard-coal units were converted for firing biomass in 2011. They now have a combined installed capacity of 750 MW.

RWE concludes billion euro contract with the German railway. RWE will supply Deutsche Bahn with electricity generated by hydroelectric power plants for a period of 15 years. This was agreed in a contract worth in the order of €1 billion at the end of July. From 2014 onwards, we will provide the German railway with 0.9 billion kilowatt hours (kWh) per annum, enough to run one-third of the long-distance fleet (ICE and IC trains). Through certificates of origin, we will guarantee that we generate electricity from RWE Innogy hydro plants matching the amounts we supply to Deutsche Bahn. The transaction was designated the Commodity Deal of the Year 2011 at the Commodity Business Awards in November 2011.

Supervisory Board appoints Peter Terium as future CEO of RWE AG. Peter Terium will succeed Dr. Jürgen Großmann as CEO of RWE AG. This was decided by the Supervisory Board of RWE AG at its meeting on 8 August 2011. The 48-year-old Dutchman joined RWE's Executive Board as of 1 September as Jürgen Großmann's deputy and will assume chairmanship when the current CEO retires with effect from 30 June 2012. Peter Terium held positions at KPMG and Schmalbach-Lubeca AG before joining RWE. He started as Head of Group Controlling after which he became the CEO of RWE Supply & Trading and, most recently, Essent. Dr. Rolf Martin Schmitz will be his deputy with effect from 1 July 2012. The 54-year-old Rhinelander has been a member of the Executive Board of RWE AG since 2009 and is the company's Chief Operating Officer.

1.5 COMMENTARY ON THE SEGMENTS

Group structure with seven divisions. Reporting on the financial year that just ended is based on the segment structure used in the 2010 financial statements. The RWE Group is divided into seven divisions based on geographic and functional criteria. The following is an overview of them.

- 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 some non-German activities: 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: By acquiring Essent with effect from 30 September 2009, we have become a leading energy utility in the Benelux region. In the Netherlands, the business area's core market, Essent generates electricity from gas, hard coal and biomass and holds a minority stake in Borssele, the only nuclear power station in the Netherlands. In addition, the company is active in the electricity and gas sales business and runs gas midstream operations. Since the acquisition, some of Essent's former activities have been transferred to other RWE divisions. Most recently, since 1 January 2011, parts of the gas midstream business of Essent have been transferred to RWE Supply & Trading.

- United Kingdom: This is the division under which we report on 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: This division contains our companies in the Czech Republic, Hungary, Poland, Slovakia and Turkey. In the Czech Republic, our activities encompass the supply, distribution, supraregional transmission, transit and storage of gas. In 2010, we started marketing electricity there as well. In Hungary, we cover the entire electricity value chain, from production through to the operation of the distribution system and the end-customer business, and are also active in the gas and water supply sector via minority stakes. Our 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 the gas supply sector via RWE Gas Slovensko. In Turkey, we are building a gas-fired power station with a partner. The newly established RWE East, headquartered in Prague, Czech Republic, started overseeing the companies belonging to the Central Eastern and South Eastern Europe Division in 2011. 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 division comprises the activities of RWE Innogy, which specialises in electricity and heat production from renewable sources.

- Upstream Gas & Oil: This segment consists of RWE Dea's business. The company produces gas and oil, focusing on Germany, the United Kingdom, Norway and Egypt.

- Trading/Gas Midstream: This is the item under which we report on RWE Supply & Trading, which is responsible for our energy trading activities and most of our gas midstream business. Furthermore, the division supplies major German industrial and corporate customers with electricity and gas. However, parts of these activities were transferred to the Germany Division with effect from 1 January 2011.

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. This item also encompasses Thyssengas, the long-distance gas network operator we sold on 28 February 2011. The company is considered in the January and February figures for 2011. We also report the electricity transmission system operator Amprion in 'other, consolidation.' However, we started accounting for it using the equity method in September 2011, as we have only held a minority stake in Amprion since then. Revenue and capital expenditure following the change in accounting treatment are no longer considered in the consolidated financial statements. However, Amprion continues to contribute to both RWE's EBITDA and operating result, on the basis of pro-rated income after tax.

Full consolidation of the German regional utility NVV. At the beginning of 2011, we started including NVV AG, which has since been renamed NEW AG, in the consolidated financial statements as a fully consolidated company. Headquartered in Mönchengladbach, NEW is one of the leading utilities in the Lower Rhine region. Among other things, it owns majority interests in NEW Viersen (formerly Niederrheinwerke Viersen) and NEW Tönisvorst (formerly Stadtwerke Tönisvorst). NEW was previously accounted for as an associated company of RWE Deutschland AG using the equity method.

1.6 BUSINESS PERFORMANCE

Fiscal 2011 imposed substantial burdens on us, including some that we had not expected. We were especially hard hit by Germany's accelerated nuclear phase-out. Loss-making gas procurement contracts and declining electricity generation margins also clearly left their mark on the consolidated financial statements. The operating result and recurrent net income lagged behind the high levels recorded in 2010 by 24% and 34%, respectively. Despite these earnings drops, we recorded continued organic growth. Capital expenditure on property, plant and equipment matched the previous year's record figure.

Electricity production by division	Germany		Netherlands/ Belgium		United Kingdom		Central Eastern and South Eastern Europe		Renewables		RWE Group	
Billion kWh	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
In-house generation	152.0[1]	165.1[1]	11.5	14.3	29.9	34.3	5.9	5.7	6.4	5.9	205.7	225.3
Lignite	68.3	65.4	-	-	-	-	5.8	5.6	-	-	74.1	71.0
Hard coal	34.0	39.0	5.1	5.7	8.6	10.4	-	-	0.1	0.1	47.8	55.2
Nuclear	34.3	45.2	-	-	-	-	-	-	-	-	34.3	45.2
Gas	11.8	11.9	5.1	6.8	21.3	23.8	0.1	0.1	0.2	0.2	38.5	42.8
Renewable energy	1.4	1.5	1.3	1.8	-	-	-	-	6.1	5.6	8.8	8.9
Pumped storage, oil, other	2.2	2.1	-	-	-	0.1	-	-	-	-	2.2	2.2
Electricity purchased from third parties	32.1	27.2	10.2[2]	8.6[2]	22.3[2]	18.0[2]	19.2[2]	20.5[2]	-	0.1	107.1[3]	104.4[3]
Total	**184.1**	**192.3**	**21.7**	**22.9**	**52.2**	**52.3**	**25.1**	**26.2**	**6.4**	**6.0**	**312.8**	**329.7**

1 Including electricity procured from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In fiscal 2011, it amounted to 22.9 billion kWh, of which 20.8 billion kWh were generated from hard coal.
2 Electricity stated was fully or partially purchased through our trading business.
3 Including purchases by RWE Supply & Trading and Amprion.

Electricity generation down 9%. In the financial year that just came to a close, the RWE Group produced 205.7 billion kilowatt hours (kWh) of electricity, 9% less than in 2010. During 2011, 36% of electricity generation was from lignite, 23% from hard coal, 19% gas, and 17% nuclear. The share of renewable energy amounted to 4%. In-house generation and power purchases combined for 312.8 billion kWh (2010: 329.7 billion kWh). Developments in our divisions were as follows.

- Germany: The Germany Division produced 152.0 billion kWh of electricity. This includes electricity generated by power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. These are primarily hard coal units. Compared to 2010, generation by the Germany Division was down 8%. As a result of the German government's U-turn in energy policy following the reactor accident at Fukushima, neither of the Biblis units have been allowed to produce electricity since March 2011. We have provided detailed information on this on page 43. Our hard coal power stations were also used less than in the previous year, because market conditions for these plants deteriorated. In addition, maintenance work resulted in prolonged interruptions.

- Netherlands/Belgium: Essent's electricity production was down 20% to 11.5 billion kWh. Capacity utilisation at our Dutch gas-fired power plants in particular was markedly down, due to unfavourable market conditions. In addition, we took a unit of the Amer hard coal-fired power plant offline for planned maintenance from April to November 2011.

- United Kingdom: RWE npower's contribution to our electricity generation was 29.9 billion kWh, which was 13% lower than in the previous year. In March, we took our three hard coal units at Tilbury offline in order to convert them to biomass facilities. They were ramped back up again sequentially starting in December 2011. Our new gas-fired power station at Staythorpe had a positive impact on generation volumes. The plant has an aggregate net installed capacity of 1,728 megawatts (MW) and began commercial operation in the second half of 2010. However, two of the four units were taken offline for several months because their transformers had to be replaced by the manufacturer.

- Central Eastern and South Eastern Europe: At 5.9 billion kWh, generation by this division was a little higher year on year. Almost all of it is allocable to the Hungarian lignite-based power producer Mátra.

- Renewables: RWE Innogy increased electricity generation by 8% to 6.4 billion kWh, primarily due to the growth of its wind power capacity. During 2010, the company commissioned four onshore wind farms: two in Poland and two in Italy, with a combined net installed capacity of 118 MW. Electricity generation facilities totalling 95 MW were added in 2011. These are primarily onshore wind turbines in Spain, the United Kingdom, Italy and Germany. The utilisation of our wind turbines improved considerably compared to the previous year, during which wind levels were low. Nevertheless, it slightly lagged behind expectations in 2011. In contrast, we produced far less electricity at our German run-of-river power plants as rainfall and melt water levels were unusually low, causing rivers to carry less water.

In addition to in-house generation, we procure electricity from external suppliers. These purchases totalled 107.1 billion kWh, exceeding the year-earlier level by 3% and reflecting the decline in in-house generation. Purchases include electricity which was fed into RWE's network by third parties in accordance with the German Renewable Energy Act.

Among Europe's leading electricity generators, with 49 gigawatts in power plant capacity. At the end of the 2011 financial year, the RWE Group had an installed capacity of 49.2 GW. We rank fifth among Europe's energy utilities. These figures include the aforementioned contractually secured capacities that are not owned by RWE. Conversely, they do not include the new gas-fired power stations in the Netherlands or the twin-unit lignite power plant at Neurath near Cologne. These plants were completed by the end of 2011, but had not yet taken up commercial operation by then. The RWE Group's generation capacity dropped by 3.0 GW compared to 2010. The main reason was that our Biblis nuclear power plant was forced to stop production due to the U-turn in German energy policy. Hard coal still accounts for the biggest share of the RWE Group's installed electricity generation capacity at 28% (preceding year: 29%), followed by gas at 24% (22%) and lignite at 21% (21%), with the proportion of nuclear power amounting to a mere 8% (12%). Renewables have the same share, growing by two percentage points compared to 2010. The main contributing factor is the aforementioned conversion of the Tilbury UK hard coal power station to a biomass facility. The Germany Division accounted for 64% of our generation capacity, with the United Kingdom and Netherlands/Belgium Divisions making up 23% and 6%, respectively.

Power plant capacity by division as of 31 Dec 2011, in MW	Germany[1]	Netherlands/ Belgium	United Kingdom	Central Eastern and South Eastern Europe	Renewables	RWE Group
Primary energy source						
Hard coal	9,555	916	3,512	-	10[2]	13,993
Gas	5,228	1,897	4,557	147	44[2]	11,873
Lignite	9,799	-	-	763	19[2]	10,581
Nuclear	3,901	-	-	-	-	3,901
Renewable energy	313	331	742	1	2,357	3,744
Pumped storage, oil, other	2,489	-	2,657	-	-	5,146
Total	**31,285**	**3,144**	**11,468**	**911**	**2,430**	**49,238**

1 Including capacities of power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. As of 31 December 2011, these generation capacities amounted to 8,547 MW, of which 6,382 MW were based on hard coal.
2 Mostly combined heat and power plants.

CO_2 emissions down 2%. In fiscal 2011, our power stations emitted 161.9 million metric tons of carbon dioxide. Our own plants accounted for 141.5 million metric tons, and the remaining 20.4 million metric tons came from contractually secured capacity. Our emissions were 3.0 million metric tons, or 2%, lower year on year. This is a consequence of the decline in electricity generation by our hard coal and gas-fired power plants. By contrast, our specific emission factor, reflecting the carbon dioxide emissions per megawatt hour (MWh) of electricity produced, increased, i.e. from 0.732 to 0.787 metric tons per MWh. This is mainly because our Biblis nuclear power station stopped operating. As a result, the share of CO_2-free or low-carbon generation in our total production decreased. The continued expansion of our gas and renewable generation capacity had a counteracting effect.

In the year under review, we were allocated free state emission allowances (known as EU Allowances, or EUAs) corresponding to 116.6 million metric tons in CO_2 emissions. We received emission allowances for 85.4 million metric tons in Germany, 17.2 million metric tons in the UK, and 8.6 million metric tons in the Netherlands. In total, the allocation was far from being enough to cover our emissions. Therefore, we had to purchase certificates. At the Group level, the shortage amounted to 45.3 million metric tons.

Emissions balance by division	Germany[1]		Netherlands/ Belgium		United Kingdom		Central Eastern and South Eastern Europe		RWE Group[2]	
Million metric tons of CO_2	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
CO_2 emissions	132.4	130.9	6.2	8.3	16.2	18.9	6.8	6.5	161.9	164.9
Free allocation of CO_2 certificates	85.4	85.1	8.6	8.5	17.2	16.2	5.0	4.9	116.6	115.1
Shortage of CO_2 certificates	47.0	45.8	–2.4	–0.2	–1.0	2.7	1.8	1.6	45.3	49.8

1 Includes power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the year under review, they produced 20.4 million metric tons of CO_2 and were allocated certificates for 18.9 million metric tons.
2 Includes small amounts in the Renewables Division largely attributable to combined heat and power plants.

Until 2020, we are allowed to cover approximately 100 million metric tons of our CO_2 emissions by submitting certificates obtained through emission reductions within the scope of Kyoto Clean Development Mechanism (CDM) and Joint Implementation (JI) projects. We make use of this option because the cost of such emission allowances is normally far below the market price of EUAs. As of the balance sheet date, we had contractually secured certificates from CDM/JI measures for 74.5 million metric tons of carbon dioxide. However, it cannot be ruled out that some projects may not be implemented or that their emission savings may lag behind expectations. Taking such risks into account, we estimate that we will obtain emission certificates covering 43.7 million metric tons of CO_2. By the end of 2011, we had already received certificates for 25.5 million metric tons, of which we have already used an equivalent of 16.4 million metric tons.

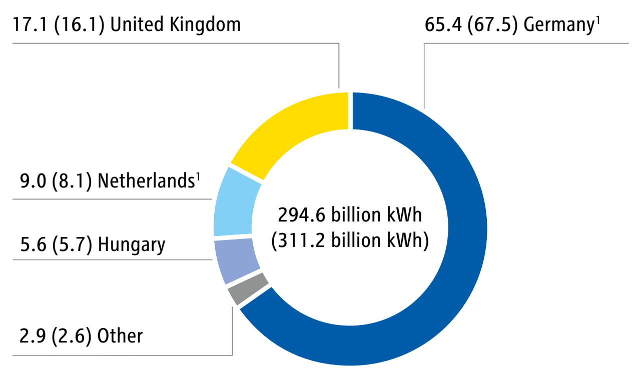
RWE Dea strengthens upstream position. In addition to electricity, RWE also produces gas and oil. By making substantial investments, our upstream subsidiary, RWE Dea, continued to strengthen its position in 2011. The main growth projects the company is implementing are in the UK North Sea, off the coast of Norway, and in North Africa.

As of 31 December 2011, RWE Dea had crude oil and gas reserves and resources of 237 million cubic metres of oil equivalent (OE). This is 4% more than in the previous year (228 million cubic metres of OE). Reserves is the term used for hydrocarbons stored under the ground, the existence of which has been proven, and the production of which is economically feasible and legally secured. These are different to resources, which are hydrocarbons that fail to meet all the aforementioned criteria, or which have not yet been clearly identified geologically.

Oil production up 9%, gas production down 4% year on year. In the fiscal year being reviewed, RWE Dea produced 2,664 million cubic metres of gas and 2,478 thousand cubic metres of oil. In sum, this results in a total output of 5,056 thousand cubic metres, or 31.8 million barrels, of OE. Production was up 2% compared to 2010. We posted a significant rise of 9% in crude oil production, in part driven by additional wells in the German Mittelplate North Sea field and in the Gulf of Suez. However, an even bigger role was played by the commissioning of the Norwegian Gjøa field in November 2010, where we produce not only oil but also gas. Nevertheless, RWE Dea's gas volumes declined by 4% overall. The main reason was the depletion of existing reserves in our German and UK concession areas, which we could not yet offset despite the continuous expansion of our upstream position.

Electricity sales volume down 5%. In the past financial year, we supplied 294.6 billion kWh of power to external customers, 5% less than in 2010. Electricity sales are typically slightly lower than generation levels, mainly due to transmission losses and in-house use by lignite mining operations and pumped storage power stations.

Electricity sales volume of the RWE Group by region in 2011 (2010)
%



1 Prior-year figures adjusted.

External electricity sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Electricity trading		Total	
Billion kWh	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Germany	25.5	26.0	31.4	29.1	60.4	58.0	-	-	117.3	113.1
Netherlands/Belgium[1]	10.7	11.0	10.3	11.0	-	-	-	-	21.0	22.0
United Kingdom	17.4	19.1	32.9	30.8	-	-	-	-	50.3	49.9
Central Eastern and South Eastern Europe	8.7	7.9	9.2	10.2	5.8	6.5	-	-	23.7	24.6
Trading/Gas Midstream[1]	-	-	28.8	32.0	-	-	20.8	31.3	49.6	63.3
RWE Group[1, 2]	**62.6**	**64.4**	**113.1**	**113.2**	**98.1**	**102.3**	**20.8**	**31.3**	**294.6**	**311.2**

1 Prior-year figures adjusted.
2 Including sales of the Renewables Division and of companies stated under 'other, consolidation' (mainly Amprion).

- Germany: The division sold 117.3 billion kWh of electricity, 4% more than in the previous year. A major contributing factor was the initial full consolidation of NVV, which now operates as NEW (see page 50). Excluding NEW, we would have recorded an increase of 2%. In business with industrial and corporate customers, the transfer of parts of the key account business from RWE Supply & Trading added sales volume. In addition, we benefited from the robust economy. Moreover, there was a rise in electricity fed into our network and passed through to distributors pursuant to the German Renewable Energy Act. In contrast, the milder weather caused power consumption by users of electric storage heaters to drop. This curtailed sales to households and small commercial enterprises. By the balance sheet date, we were supplying 6,959,000 customers with electricity in this segment. This compares to 6,674,000 at the end of 2010. The significant growth is due to the inclusion of NEW, which added 361,000 residential and commercial customers. Furthermore, we took over customers from TelDaFax, a discounter which became insolvent.

- Netherlands/Belgium: Electricity sales achieved by Essent amounted to 21.0 billion kWh. This corresponds to a decline of 5% compared to 2010, partly because some industrial and corporate customers switched providers. We also suffered volume shortfalls in the residential and small commercial enterprise segment. This is partially due to weather-related effects. By the end of 2011, we were supplying 2,169,000 residential and commercial customers with electricity in the Netherlands. Our share of the market thus remained stable. In Belgium, our customer base grew by 17,000 to 177,000.

- United Kingdom: RWE npower supplied 50.3 billion kWh of electricity, slightly more than in 2010. In the UK, we won industrial and corporate customers. The number of households and small commercial operations we serve rose by 58,000 to 3,935,000. However, electricity consumption per customer was down, due to the milder weather as well as progress made in the field of energy efficiency.

- Central Eastern and South Eastern Europe: We marketed 23.7 billion kWh of electricity in this division, 4% less than in the preceding year. Our industrial and corporate customer bases in Hungary and Poland shrank. The number of residential and small commercial enterprises we served developed as follows: by the end of 2011, we had 2,178,000 customers in Hungary, which was close to the previous year's level, while in Poland, the corresponding customer base had risen marginally to 897,000. Since the spring of 2010, we have also been supplying electricity in the Czech Republic. Our expansion in this market had a positive impact on sales. We already have 80,000 residential and commercial customers there.

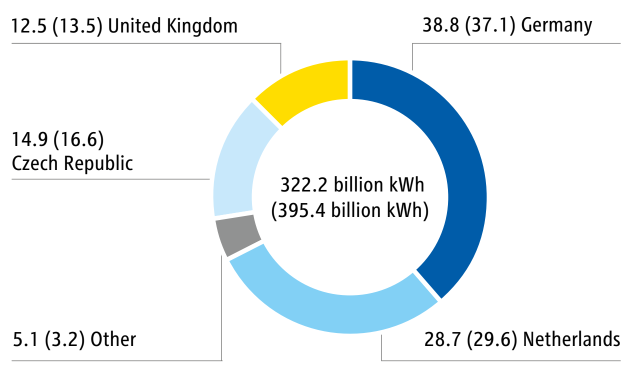
- Trading/Gas Midstream: External electricity sales achieved by this division fell by 22% to 49.6 billion kWh. As our production dropped, RWE Supply & Trading sold less electricity generated by RWE's own power plants on the wholesale market. In addition, sales to key accounts declined because parts of this business were transferred to the Germany Division.

External gas sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2011	2010	2011	2010	2011	2010	2011	2010
Germany	27.5	29.0	24.0	23.7	31.8	44.9	83.3	97.6
Netherlands/Belgium[1]	36.9	43.2	50.8	69.6	-	-	87.7	112.8
United Kingdom	38.0	48.8	2.2	4.5	-	-	40.2	53.3
Central Eastern and South Eastern Europe	27.0	35.6	27.4	29.4	4.5	8.5	58.9	73.5
Upstream Gas & Oil	-	-	1.7	2.1	16.0	16.5	17.7	18.6
Trading/Gas Midstream	-	-	23.1	26.4	11.3[2]	12.6	34.4	39.0
RWE Group[1]	**129.4**	**156.6**	**129.2**	**155.7**	**63.6[2]**	**83.1**	**322.2**	**395.4**

1 Prior-year figures adjusted.
2 Including gas trading.

Mild weather curtails gas sales. External gas sales dropped by 19% to 322.2 billion kWh. As temperatures were much higher than in 2010, demand for heating was down. Competition-induced customer losses also contributed to the decline in volume, especially in the Czech Republic.

Gas sales volume of the RWE Group by region in 2011 (2010)
%



- Germany: The division sold 83.3 billion kWh of gas. This was 15% less than in 2010, even though we included the sales volume of NEW for the first time. The effect of the weather dampened sales across all customer segments. A substantial decline in volume was experienced in business with distributors, some of which reduced their gas purchases from RWE and increased procurement from competitors. Industrial and corporate customer sales volumes were also lost to the competition. However, this was more than offset by positive economic effects and the inclusion of parts of RWE Supply & Trading's key account business. The negative impact of the weather was felt especially in sales to households and small commercial enterprises, whereas we posted a slight improvement in market share. As of the balance sheet date, the Germany Division had 1,295,000 gas customers, 204,000 more than in the previous financial year, 137,000 of whom came from NEW.

- Netherlands/Belgium: The higher temperatures also had a strong influence on Essent's gas sales, causing them to decline by 22% to 87.7 billion kWh. In addition, some of our bigger industrial and corporate customers switched suppliers. The number of households and small commercial enterprises served by Essent in the Netherlands declined by 17,000 to 1,942,000, whereas in Belgium, it rose by 25,000 to 82,000.

- United Kingdom: RWE npower's gas sales dropped by 25% to 40.2 billion kWh. This was due to the weather, with energy efficiency also playing a role. On top of that, RWE npower lost some industrial and corporate customers. Conversely, the number of households and small commercial enterprises to which we supplied gas rose by 75,000 year on year, to 2,636,000, of which 2,373,000 customers also obtained electricity from us.

- Central Eastern and South Eastern Europe: Gas sales achieved by this division were down 20% year on year to 58.9 billion kWh. The reduced need for heating also played a central role here, as did mounting competitive pressure in our core market, the Czech Republic, where we lost some major industrial and corporate customers. Moreover, a distributor we supply further diversified its procurement. The number of our Czech residential and commercial customers declined by 300,000 to 1,836,000. Conversely, a positive trend was observed in Slovakia where RWE Gas Slovensko, the subsidiary founded in July 2008, grew its share of the market. The company increased its sales by 3.1 billion kWh to 10.9 billion kWh, despite the unfavourable effect of the weather.

- Upstream Gas & Oil: External gas sales by RWE Dea totalled 17.7 billion kWh, 5% lower than a year earlier. This reflects the decline in gas produced in our German and UK concession areas.

- Trading/Gas Midstream: The division sold 34.4 billion kWh of gas outside the Group. RWE Supply & Trading focuses on procuring gas for RWE companies and therefore predominantly generates internal sales. The company's external sales consist of deliveries to key accounts as well as surplus purchased gas, which we sell on directly to distributors or on the wholesale market. Compared to 2010, gas sales volume was down 12%. This was predominantly due to the aforementioned transfer of parts of the key account business to the Germany Division.

External revenue 3% down year on year. The RWE Group generated €51,686 million in external revenue, 3% less than the preceding year's figure. There was a marked decline in revenue from the sale of in-house electricity generation through RWE Supply & Trading. In addition, the decrease in gas sales volume and the deconsolidation of Thyssengas and Amprion had an effect. This was contrasted by the positive impact of the full consolidation of NEW and by the rise in crude oil prices. Developments of foreign exchange rates also had an effect on the revenue trend. In 2011, the British pound cost an average of €1.15, as opposed to €1.17 the year before. The US dollar was also down on the euro, decreasing in value from €0.76 to €0.71. Conversely, the Czech crown appreciated from €0.040 to €0.041. Net of material consolidation and foreign exchange effects, Group revenue was down 2%.

External revenue € million	2011	2010	+/– %
Germany	21,520	19,528	10.2
Power Generation	1,166	1,072	8.8
Supply/Distribution Networks	20,354	18,456	10.3
Netherlands/Belgium	5,818	6,510	–10.6
United Kingdom	7,696	7,759	–0.8
Central Eastern and South Eastern Europe	4,990	5,297	–5.8
Renewables	443	366	21.0
Upstream Gas & Oil	1,766	1,353	30.5
Trading/Gas Midstream	5,750	7,517	–23.5
Other, consolidation	3,703	4,990	–25.8
RWE Group	**51,686**	**53,320**	**–3.1**
of which:			
Electricity revenue	33,765	34,803	–3.0
Gas revenue	13,229	14,491	–8.7
Oil revenue	1,641	1,049	56.4
Natural gas tax/electricity tax	2,533	2,598	–2.5
RWE Group (excluding natural gas tax/electricity tax)	**49,153**	**50,722**	**–3.1**

- Germany: External revenue achieved by this division totalled €21,520 million, up 10% year on year. Excluding NEW would lead to a gain of 6%. Electricity revenue rose by 14% to €16,148 million, due to the aforementioned volume effects and price increases. The latter were in response to the significant rise in expenses caused by the German Renewable Energy Act (REA). The apportionment for REA electricity amounted to 3.5 euro cents per kWh in 2011. This is 1.5 euro cents up on 2010. However, our price increases were less pronounced, as we realised savings in electricity purchasing and passed these through to our customers. Revenue in the gas business declined by 8% to €3,526 million. The main reason is the fall in sales volumes triggered by the weather.

- Netherlands/Belgium: The division earned €5,818 million in revenue, 11% less than in the prior year. Electricity revenue declined by 2% to €2,141 million and gas revenue decreased by 16% to €3,460 million. Again, volume effects were the main cause.

- United Kingdom: External revenue generated by RWE npower amounted to €7,696 million, which was slightly less than in 2010. Net of the foreign exchange impact, however, it would have risen marginally. Electricity revenue was up 3% to €5,447 million, which equates to an increase of 5% 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 an average of 5.1% with effect from 4 January 2011 and by a further 7.2% as of 1 October. Gas tariffs were also increased with effect from the aforementioned dates, by 5.1% and 15.7%, respectively. Nevertheless, gas revenue achieved by RWE npower experienced a volume-induced decrease of 16% to €1,697 million, equating to a decline of 14% in Sterling terms.

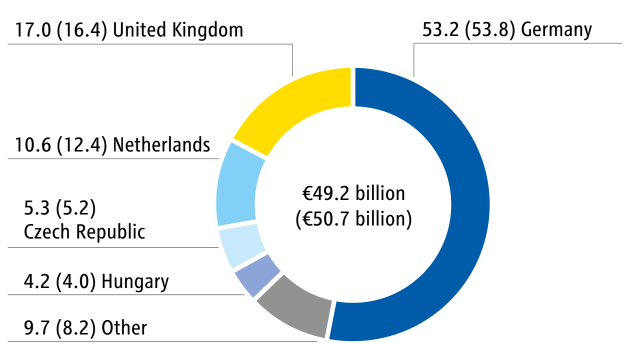
- Central Eastern and South Eastern Europe: At €4,990 million, external revenue was 6% lower than a year earlier. Excluding currency effects results in the same decline. Electricity revenue dropped by 3% to €2,406 million, and gas revenue was down 8% to €2,478 million. Again, volume shortfalls determined the revenue trend.

- Renewables: RWE Innogy improved external revenue by 21% to €443 million. The increase in generation was a contributing factor. Furthermore, we benefited from the rise in prices on electricity wholesale markets. This primarily related to Spanish wind turbines and those German run-of-river power stations that are not subject to the Renewable Energy Act. We also achieved higher revenue through the sale of certificates of origin for electricity sold directly. The certificates enable resellers we supply to prove that the electricity they market comes from renewable sources.

- Upstream Gas & Oil: RWE Dea boosted external revenue by 31% to €1,766 million. The company realised much higher prices for its crude oil and gas production than in the preceding year. The rise in oil production also had a positive impact, whereas the slight decline in gas production and the depreciation of the US dollar against the euro curtailed revenue growth.

- Trading/Gas Midstream: External revenue generated by this division fell by 24% to €5,750 million. This was an effect of the decline in electricity and gas sales. Furthermore, the average price realised by RWE Supply & Trading when marketing in-house generation for 2011 was lower than the comparable figure for 2010.

Revenue[1] of the RWE Group by region in 2011 (2010)
%



1 Excluding electricity tax and natural gas tax.

Reconciliation of income from operating activities to EBITDA € million	2011	2010	+/– %
Income from operating activities[1]	4,129	6,507	–36.5
+ Operating income from investments	600	345	73.9
+ Non-operating income from investments	–72	62	-
– Non-operating result	1,157	767	-
Operating result	5,814	7,681	–24.3
+ Operating depreciation and amortisation	2,646	2,575	2.8
EBITDA	**8,460**	**10,256**	**–17.5**

1 See the income statement on page 126.

EBITDA € million	2011	2010	+/– %
Germany	5,419	6,728	–19.5
Power Generation	3,252	4,510	–27.9
Supply/Distribution Networks	2,167	2,218	–2.3
Netherlands/Belgium	462	660	–30.0
United Kingdom	606	504	20.2
Central Eastern and South Eastern Europe	1,364	1,440	–5.3
Renewables	338	211	60.2
Upstream Gas & Oil	923	619	49.1
Trading/Gas Midstream	–784	–7	-
Other, consolidation	132	101	30.7
RWE Group	**8,460**	**10,256**	**–17.5**

Operating result € million	2011	2010	+/– %
Germany	4,205	5,575	–24.6
Power Generation	2,700	4,000	–32.5
Supply/Distribution Networks	1,505	1,575	–4.4
Netherlands/Belgium	245	391	–37.3
United Kingdom	357	272	31.3
Central Eastern and South Eastern Europe	1,109	1,173	–5.5
Renewables	181	72	151.4
Upstream Gas & Oil	558	305	83.0
Trading/Gas Midstream	–800	–21	-
Other, consolidation	–41	–86	52.3
RWE Group	**5,814**	**7,681**	**–24.3**

Operating result reflects burdens from German energy policy. The RWE Group's earnings deteriorated considerably year on year. EBITDA declined by 18% to €8,460 million, and the operating result was down 24% to €5,814 million. We thus marginally exceeded the forecast we issued in August 2011, which envisaged declines in EBITDA and the operating result of 20% and 25%, respectively. We had to make a downward correction to the original earnings forecast we published in February 2011 (–15% and –20%, respectively) in view of the U-turn in German energy policy. The lifetime reduction imposed on our German nuclear power stations in the middle of 2011 was a major burden on RWE. Together with the new nuclear fuel tax, it reduced the operating result by about €1.3 billion compared to the prior year. Lower electricity generation margins also had a negative impact. Losses in the gas midstream business and an unusually weak performance by our energy trading activities contributed to the earnings shortfall as well. On balance, consolidation and foreign exchange effects did not have a notable influence on the Group's earnings.

- Germany: The division posted an operating result of €4,205 million, down 25% on the previous year. The following developments were observed in the Power Generation and Sales/Distribution Networks Business Areas:

  Power Generation: The operating result recorded by this business area declined by 33% to €2,700 million. Decisions made by the German government on energy policy following the reactor disaster at Fukushima were the main reason. Our margins declined significantly as a result of the nuclear moratorium imposed in March, which included the immediate cessation of operation of both Biblis A and B and was initially limited to three months. Further burdens came from the 13th amendment to the Nuclear Energy Act, which entered into force in early August (see page 43). Due to the accelerated nuclear phase-out, we had to increase the provisions we built to decommission the plants. Furthermore, we were forced to recognise an impairment loss on the power plant facilities and fuel rods we will not be able to use any longer at Biblis. The nuclear fuel tax, levied for the first time, had a negative effect of €251 million. Besides energy policy, unfavourable developments on commodity markets were also a burden. The average price realised by RWE Power for its 2011 electricity generation was €63 per MWh, which was below the previous year's comparable figure (€67 per MWh). In addition, our hard coal purchases became more expensive. We typically sell our generation up to three years before the electricity is delivered, purchasing the required fuel and emission allowances at the same time. We experienced some relief in procuring CO_2 emission allowances, as the associated cost dropped by €87 million to €602 million. Further adjustments to our nuclear provisions became necessary, countering the negative effect of the lifetime reduction. Furthermore, the release of mining provisions generated income.

  Sales/Distribution Networks: This business area's operating result fell by 4% to €1,505 million. Net of the effect of the full consolidation of NEW, it would have declined by 11%. In the network business, there was a rise in costs incurred to improve infrastructure. Furthermore, throughput – and in turn network fee revenue - declined due to weather-related reasons, especially in the gas network. However, there was a positive effect: the German Federal Network Agency is of the opinion that revenue from network fees charged at the beginning of network regulation (2005 to 2007) was too high. The excess amounts must be refunded via rebates on network fees from 2010 onwards. The effect of this issue decreased. Despite declining gas volumes, earnings in our German sales business were stable year on year, partially because margins were slightly higher. The business area's income from investments improved.

- Netherlands/Belgium: The operating result recorded by this division dropped by 37% to €245 million. As set out earlier, we started reporting parts of Essent's gas midstream business under RWE Supply & Trading with effect from 2011. In the preceding year, the earnings contribution made by these activities was unusually high, partly due to weather-related reasons. The fact that Essent's earnings worsened is also because of the decline in electricity generation margins. This was contrasted by the positive impact of cost reductions. In addition, we benefited from expanding our Dutch gas midstream activities. We are increasingly organising the transmission of gas from suppliers or traders to our end-customers ourselves.

- United Kingdom: RWE npower increased its operating result by €85 million to €357 million, due to extensive measures to cut costs and improve efficiency. These steps primarily affected the supply business, enabling it, among other things, to decrease bad debt significantly. Overall, earnings generated by supply activities improved considerably. Here, improved margins in the industrial customer business also played a role. In the residential customer segment, the decline in sales curtailed earnings, especially from gas. Furthermore, we faced higher electricity and gas procurement prices and increased network usage fees. There was also a rise in the cost caused by government programmes to promote energy savings in households. These burdens were cushioned by the tariff rises in January and October. In the generation business, margins deteriorated due to unfavourable market conditions. However, we benefited from compensation for damages paid to us by a supplier for project delays as well as from the commissioning of our gas-fired power station at Staythorpe. Another positive factor was that some of the amortised old accounts receivable from Enron, the energy trader which went bankrupt at the end of 2001, have been paid.

- Central Eastern and South Eastern Europe: The operating result we achieved in this division decreased by 5% to €1,109 million. Currency effects did not have a material impact on this. In the Czech gas business, volume shortfalls reduced the result and lower throughput curtailed margins in the distribution network. Furthermore, a change in regulatory requirements led to a decline in NET4GAS' transmission revenue and, in turn, earnings. In Hungary, competition-driven volume shortfalls curtailed earnings achieved by electricity sales.

- Renewables: A rise in generation output and the recent increase in electricity prices helped RWE Innogy to grow its operating result by €109 million to €181 million. Similar to RWE npower, a positive effect was felt from the compensation for damages which we received for delays in the construction of the Greater Gabbard offshore wind farm, in which we have a 50% stake. However, RWE Innogy's growth strategy continues to have a negative impact on the bottom line, as both on-going and planned capital expenditure projects go hand in hand with high run-up costs.

- Upstream Gas & Oil: RWE Dea grew its operating result by 83% to €558 million, mainly due to the increase in oil and gas prices, with the rise in oil production also playing a role. However, this resulted in higher production costs, which together with the weaker US dollar and the decline in gas volume slowed RWE Dea's earnings growth. In addition, we had to pay higher gas royalties at our site in Lower Saxony. In contrast, exploration costs were essentially unchanged.

- Trading/Gas Midstream: RWE Supply & Trading closed the year with an operating loss of €800 million, which was much higher than in the prior year (€21 million). Our performance in the trading business was unusually weak. On top of that, compared to 2010, we benefited less from the realisation of successful forward transactions from earlier years. This related above all to the external marketing of RWE Power and RWE npower's electricity generation. The realised trading margins are recognised in earnings once the underlying transactions are effected, i.e. on delivery of the electricity. Earnings in the gas midstream business remain hampered by the fact that parts of our gas purchases are based on long-term, oil-indexed contracts and, for some time, we have had to pay prices for this gas that are much higher than those we realise when we re-sell it on the market. Therefore, we entered into contract renegotiations with our suppliers in the last few years. We received the first compensatory payments at the end of 2011. The transfer of part of Essent's gas midstream activities to RWE Supply & Trading also had a positive impact.

Key figures for value management	Operating result 2011	Capital employed 2011[1]	ROCE 2011	Weighted average cost of capital (WACC) before tax 2011	Absolute value added 2011	Weighted average cost of capital (WACC) before tax 2010	Absolute value added 2010
	€ million	€ million	%	%	€ million	%	€ million
Germany	4,205	29,422[2]	14.3	8.75	1,631[2]	9.5	2,765[2]
Power Generation	2,700	13,297	20.3	9.5	1,437	10.0	2,620
Supply/Distribution Networks	1,505	16,133	9.3	8.0	215	8.75	195
Netherlands/Belgium	245	4,912	5.0	9.0	–197	9.5	–42
United Kingdom	357	5,143	6.9	9.0	–106	9.5	–217
Central Eastern and South Eastern Europe	1,109	5,840	19.0	7.75	656	8.5	697
Renewables	181	4,402	4.1	9.0	–215	9.5	–289
Upstream Gas & Oil	558	2,768	20.1	12.75	205	12.5	–8
Trading/Gas Midstream	–800	3,393	–23.6	9.75	–1,130	9.5	–327
Other, consolidation	–41	–2,601	-	-	442	-	297
RWE Group	**5,814**	**53,279**	**10.9**	**8.5**	**1,286**	**9.0**	**2,876**

1 Averaged for the year.
2 This figure is not the sum of the figures for Power Generation and Sales/Distribution Networks. With respect to capital employed, this is due to the booking of consolidations, whereas in terms of absolute value added, it is due to the differences in the costs of capital.

RWE achieved a return on capital employed of 10.9%. In the financial year that just ended, we earned a return on capital employed (ROCE) of 10.9%. It was thus below the year-earlier figure (14.4%), but clearly surpassed the Group's cost of capital, which was 8.5% before tax. ROCE minus the cost of capital, multiplied by capital employed, equals absolute value added. It is an important criterion for assessing investments and determining our executives' performance-linked payments. In 2011, value added amounted to €1,286 million. This was much less than the high figure achieved in the preceding year (€2,876 million). The main reason for this is the weaker earnings. The development of value added benefited from the fact that the Group's cost of capital was reduced by 0.5 percentage points compared to 2010 (9.0%). This is a result of the development of market interest rates. We also re-adjusted the capital cost rates for the individual divisions, thereby taking into account the decline in interest rates and the changes in operating risks. The adjustments range from –0.75 to +0.25 percentage points.

- Germany: The biggest contribution by far, i.e. €1,631million, to increasing value within the RWE Group came from this division. Despite a substantial drop in earnings, the Power Generation Business Area was the main contributor once again. However, value added here declined by €1,183 million to €1,437 million. In contrast, in the Sales/Distribution Networks Business Area, we recorded a rise of €20 million to €215 million. This was largely due to the reduction in the cost of capital, which had a stronger effect than the decline in earnings.

- Netherlands/Belgium: Despite the lower cost of capital, value added by this division dropped by €155 million to –€197 million. This was primarily due to the decline in the operating result. Furthermore, capital employed rose, driven by investing activity.

- United Kingdom: RWE npower's value added was also negative. However, owing to the significant improvement in the company's earnings and reduced cost of capital, it improved by €111 million to –€106 million year on year.

- Central Eastern and South Eastern Europe: At €656 million, the division made the second-largest contribution to value added within the RWE Group. However, it fell just short of the previous year's level. Besides the marginal decrease in earnings, the increase in capital employed was decisive, whereas the lower cost of capital had a counteracting effect.

- Renewables: At RWE Innogy, the extensive investment in the expansion of the generation portfolio was the main reason why the cost of capital could not be earned back yet. The background to this is that new plants are already considered in capital employed during the construction phase, although they do not contribute to earnings yet. In particular, the large-scale offshore wind projects will only start producing income in the coming years. However, value added by this division increased considerably compared to 2010, rising by €74 million to –€215 million. This climb is primarily due to the positive earnings trend, which is likely to continue in the next few years.

- Upstream Gas & Oil: At RWE Dea, the successful development of business caused value added to increase by €213 million to €205 million. A dampening effect was felt from the significant amount of capital we spent to expand our upstream position, which led to a rise in capital employed. In addition, the cost of capital was lifted somewhat.

- Trading/Gas Midstream: The significant operating loss was reflected in negative value added by RWE Supply & Trading. It amounted to –€1,130 million, clearly down on the prior-year figure (–€327 million) which was already very low.

THE RWE GROUP'S VALUE MANAGEMENT

Return-oriented control of the company. Increasing shareholder value lies at the heart of our strategy. Additional value is created when the return on capital employed (ROCE) exceeds the cost of capital. ROCE reflects the pure operating return. It is the ratio of the operating result to capital employed.

The table at the top of page 65 shows the parameters used to calculate the cost of capital. We calculate it as a weighted average cost of equity and debt.

The cost of equity corresponds to the capital market's expectation of company-specific returns when investing in an RWE share over and above that of a risk-free investment. The cost of debt is linked to long-term financing conditions for the RWE Group and allows interest on debt to be classified as tax deductible (tax shield).

Some of the figures we used as a basis for determining the cost of capital for 2011 differ from those of the previous year. This is mainly because the base lending rates in RWE's core regions declined substantially over the course of last year. We calculate the cost of equity as follows: we use an interest rate for a risk-free investment of 3.7 % (previous year: 4.3 %) as a basis, plus risk charges specific to the Group and the Group's divisions. The applied beta factor for the RWE Group is 0.90 (previous year: 0.95). As before, the ratio of equity to debt is 50:50. We do not derive this parameter from the amounts carried on the balance sheet, but, among other things, from the marked-to-market valuation of equity and assumptions concerning the long-term development of our net financial position and provisions. In sum, the RWE Group's total cost of capital for 2011 was 8.5 % before tax (previous year: 9.0 %).

When determining capital employed, depreciable non-current assets are not stated at carrying amounts. Instead, we recognise half of their historic costs over their entire useful life. The advantage of this procedure is that the determination of ROCE is not influenced by the depreciation period. This reduces the fluctuation in value added caused by the investment cycle. However, we fully account for goodwill from acquisitions.

ROCE minus the cost of capital equals relative value added. Multiplying this figure by the capital employed results in the absolute value added, which we employ as a central management benchmark. The higher the value added, the more attractive a particular activity is for our portfolio. Absolute value added is another important parameter for evaluating capital expenditure and for determining the performance-linked compensation of RWE Group executives.

Higher cost of capital from 2012 onwards. Our annual review of our cost of capital caused us to make some new adjustments. The sale of our 74.9 % stake in the transmission system operator Amprion caused the share of stable regulated business in the Group portfolio to decline. Furthermore, risks increased in certain divisions, in part owing to the Eurozone's sovereign debt crisis. In view of the aforementioned events, we are raising the beta factor from 0.90 to 1.03. This and the marginal adjustment in interest rates led to an increase in the pre-tax cost of capital at the Group level from 8.5 % to 9.0 % for 2012.

RWE Group - capital costs		2012	2011	2010
Risk-free interest rate	%	3.8	3.7	4.3
Market premium	%	5.0	5.0	5.0
Beta factor		1.03	0.90	0.95
Cost of equity after tax	%	8.9	8.2	9.0
Cost of debt before tax	%	5.0	4.9	5.8
Tax rate for debt	%	27.4	27.4	27.1
Tax shield	%	−1.4	−1.3	−1.6
Cost of debt after tax	%	3.6	3.6	4.2
Proportion of equity	%	50	50	50
Proportion of debt	%	50	50	50
Capital costs after tax	%	**6.3**	**5.8**	**6.5**
Tax rate for blanket conversion	%	31	31	30
Weighted average cost of capital (WACC) before tax	%	**9.0**	**8.5**	**9.0**

RWE Group - determining capital employed		31 Dec 2011	31 Dec 2010
Intangible assets/property, plant and equipment[1]	€ million	57,596	58,849
+ Investments including loans[2]	€ million	6,286	5,998
+ Inventories	€ million	3,342	3,293
+ Trade accounts receivable	€ million	7,459	9,481
+ Other accounts receivable and other assets[3]	€ million	9,978	12,872
- Non-interest-bearing provisions[4]	€ million	11,566	12,384
- Non-interest-bearing liabilities[5]	€ million	20,225	22,156
- Adjustments[6]	€ million	890	954
Capital employed	€ million	**51,981**	**54,999**

RWE Group - determining value added		2011
Capital employed before adjustments (averaged for the year)	€ million	53,490
+ Adjustments[7]	€ million	−211
Capital employed after adjustments (averaged for the year)	€ million	**53,279**
Operating result	€ million	**5,814**
ROCE	%	**10.9**
Relative value added	%	**2.4**
Absolute value added	€ million	**1,286**

1 Intangible assets; property, plant and equipment; and investment property were stated at half of their cost (see the statement of changes in assets); goodwill and the customer base were recognised at carrying amounts. For 2011, €808 million in non-productive assets in the German network business were deducted.
2 Investments accounted for using the equity method and other financial assets (excluding non-current securities).
3 Including tax refund claims; excluding the net present value of defined contribution pension benefit obligations as well as derivative financial instruments in the amount of €1,204 million (previous year: €938 million).
4 Including tax provisions and other provisions; excluding non-current provisions in the amount of €598 million (previous year: €425 million).
5 Including trade liabilities, income tax liabilities and other liabilities; excluding derivative financial instruments in the amount of €981 million (previous year: €534 million) and purchase price liabilities of €1,593 million (previous year: €1,775 million) from put options.
6 Essentially, assets capitalised in accordance with IAS 16.15 in the amount of €447 million (previous year: €486 million) are not taken into account since they do not employ capital. Deferred tax liabilities relating to RWE npower's capitalised customer base are not taken into account, either.
7 Corrections to reflect timing differences, primarily due to first-time consolidations/deconsolidations during the year. In addition, corrections to 2010 assets to reflect non-productive assets in the German network business.

Reconciliation to net income: significant special items. The reconciliation from the operating result to net income is characterised by a number of special items. Capital gains and the absence of the previous year's burdens arising from commodity derivatives had a positive impact. A counteracting effect was felt from provisions for socially acceptable redundancies. Furthermore, we recognised an impairment for our Dutch power plants and the gas storage business obtained when we acquired Essent.

Non-operating result € million	2011	2010	+/– € million
Capital gains	393	68	325
Goodwill impairment losses	-	-	-
Impact of commodity derivatives on earnings	–176	–337	161
Restructuring, other	–1,374	–498	–876
Non-operating result	**–1,157**	**–767**	**–390**

The aforementioned special items are reflected in the non-operating result, which deteriorated by €390 million to –€1,157 million. Its components developed as follows:

- In the period under review, we realised €393 million in capital gains, mainly stemming from the sale of Thyssengas, our minority stake in a hard coal-fired power station at Rostock, and the majority of Amprion. We have provided information on these transactions on page 46 et seq. In contrast, no material gains on disposals were achieved in 2010.

- The accounting treatment of certain commodity derivatives used to hedge the prices of forward transactions resulted in a net expense of €176 million (prior year: €337 million). In accordance with International Financial Reporting Standards (IFRS), these derivatives are recognised at fair value at the respective balance sheet date, whereas the underlying transactions, which display the opposite development, are only recognised with an effect on 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' worsened by €876 million to –€1,374 million. We set aside €486 million for old-age part-time employment schemes and severance payments with which we can take personnel reduction measures in a socially acceptable manner. This largely relates to RWE Power, RWE Deutschland and Essent. Furthermore, an impairment loss of about €270 million was recognised for Essent's generation portfolio. This was because the margins realisable by our Dutch gas and hard coal-fired power stations on the wholesale market shrank considerably. Due to a deterioration in earnings prospects, we also recognised an impairment loss of €200 million for Essent's former gas storage business, which is now managed by the Germany and Trading/Gas Midstream Divisions. The amortisation of RWE npower's customer base amounted to €256 million and was thus slightly lower than in the previous year (€262 million) due to foreign exchange rates. It will end in May 2012.

Financial result € million	2011	2010	+/- € million
Interest income	430	448	–18
Interest expenses	–1,063	–1,258	195
Net interest	**–633**	**–810**	**177**
Interest accretion to non-current provisions	–869	–940	71
Other financial result	–131	–186	55
Financial result	**–1,633**	**–1,936**	**303**

The financial result improved by €303 million to –€1,633 million. Its components changed as follows:

- Net interest improved by €177 million to –€633 million. A positive effect was felt from the fact that the German nuclear power plant operators' obligations relating to non-interest-bearing advance payments for the Climate and Energy Fund ceased to exist due to the U-turn in German energy policy (see page 43). Therefore, we were able to reverse the provisions we had built in 2010.

- The interest accretion to non-current provisions decreased by €71 million to €869 million. This was partially due to the re-measurement of provisions as a result of the adjustment in discount rates.

- The 'other financial result,' which mostly includes expense items, improved by €55 million to –€131 million. Positive effects from the fair valuation of financial transactions were a factor. Conversely, there was a drop in income from the sale of securities.

Our income before tax decreased by 39% to €3,024 million. Although tax-free capital gains were higher year on year, our effective tax rate remained at 28%. One reason for this was the increase in the earnings contributions generated by RWE Dea in countries with relatively high tax rates. After tax, Group income totalled €2,170 million, corresponding to a drop of 40%. The minority interest rose by 9% to €305 million. We started recognising earnings contributions allocable to NEW co-shareholders in this item due to the first-time full consolidation of this company. The share in net income allocable to the holders of the €1.75 billion hybrid bond issued in September 2010 totalled €59 million. This sum corresponds to the post-tax financing costs allocable to the year under review. The CHF 250 million hybrid bond issued in October 2011 has not been considered in these figures, as it is classified as a borrowing in accordance with IFRS.

The RWE Group's net income declined by 45% to €1,806 million. Accordingly, our earnings per share dropped from €6.20 to €3.35. The number of RWE shares outstanding in 2011 averaged 539.0 million, up on the level recorded in 2010 (533.6 million). As set out on page 46, we issued 52.3 million new common shares and sold 28.1 million treasury common shares last year. However, as the capital increase was not conducted until December, it only had a slight effect on the average number of shares held during the year. Relative to the number of RWE shares outstanding at the end of the year (614.4 million), earnings per share amounted to €2.94.

Reconciliation to net income		2011	2010	+/– %
Operating result	€ million	5,814	7,681	–24.3
Non-operating result	€ million	–1,157	–767	–50.8
Financial result	€ million	–1,633	–1,936	15.7
Income before tax	€ million	**3,024**	**4,978**	**–39.3**
Taxes on income	€ million	–854	–1,376	37.9
Income	€ million	**2,170**	**3,602**	**–39.8**
Minority interest	€ million	305	279	9.3
RWE AG hybrid investors' interest	€ million	59	15	293.3
Net income/RWE AG shareholders' share in net income	€ million	**1,806**	**3,308**	**–45.4**
Recurrent net income	€ million	**2,479**	**3,752**	**–33.9**
Earnings per share	€	3.35	6.20	–46.0
Recurrent net income per share	€	4.60	7.03	–34.6
Number of shares outstanding (average)	millions	539.0	533.6	1.0
Effective tax rate	%	28	28	-

Recurrent net income down 34% 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 €2,479 million, 34% down year on year. The earnings outlook we issued in August 2011, which predicted a decline of some 35%, was therefore roughly confirmed. Conversely, in February 2011, we had forecast a drop of about 30%.

Recurrent net income per share amounted to €4.60, which was much less than in 2010 (€7.03). Based on the number of shares outstanding at the end of 2011, the figure totalled €4.03. Holders of the RWE shares issued in December will already bear full dividend entitlements at the next dividend payment date, which is 20 April 2012. Given the dividend of €2.00 per share proposed by the Executive and Supervisory Boards of RWE, the payout ratio will be 50%.

Efficiency enhancements compared to 2006 € million (accumulated)	2007	2008	2009	2010	2011	Target 2012
Contribution to earnings	100	200	450	700	>900	1,500

Efficiency-enhancement programme: target for 2011 exceeded. We are making good progress with the efficiency-improvement programme we initiated in 2007. By taking measures to reduce costs and increase revenue, we aim to tap additional earnings potential – and do so more and more every year. One of the project's goals is to enhance the performance of our German electricity and gas network business, which should limit the impact on our earnings from tariff cuts mandated by the network regulator. Further savings will be achieved through improvements in IT services and purchasing as well as the pooling of back-office functions. Moreover, we intend to increase revenue by improving the availability of our power plants.

We wanted to achieve a positive effect on earnings of €900 million through the programme by the end of 2011, compared to 2006, the baseline year. By the balance sheet date, we had actually achieved even more than originally intended. The efficiency-enhancement programme will run until the end of 2012 and we want to increase the positive impact on earnings to €1.5 billion compared to 2006. We had originally aimed for €1.2 billion. We were able to raise this target because we identified additional potential for savings, especially in terms of project and material costs. On conclusion of the ongoing efficiency-enhancement programme, we will launch a new one in 2013 (see page 98).

Capital expenditure on property, plant and equipment and on intangible assets € million	2011	2010	+/– € million
Germany	2,374	2,410	–36
Power Generation	1,168	1,180	–12
Supply/Distribution Networks	1,206	1,230	–24
Netherlands/Belgium	971	1,144	–173
United Kingdom	416	876	–460
Central Eastern and South Eastern Europe	852	430	422
Renewables	825	614	211
Upstream Gas & Oil	701	507	194
Trading/Gas Midstream	20	4	16
Other, consolidation	194	394	–200
RWE Group	**6,353**	**6,379**	**–26**

Capital expenditure on financial assets € million	2011	2010	+/– € million
Germany	19	45	–26
Power Generation	-	2	–2
Supply/Distribution Networks	19	43	–24
Netherlands/Belgium	431	3	428
United Kingdom	184	23	161
Central Eastern and South Eastern Europe	6	8	–2
Renewables	66	95	–29
Upstream Gas & Oil	-	-	-
Trading/Gas Midstream	6	61	–55
Other, consolidation	7	29	–22
RWE Group	**719**	**264**	**455**

Capital expenditure up 6 % year on year. We spent €7,072 million in capital in the year under review. This exceeded the 2010 level (€6,643 million) by 6 %. The acquisition of Energy Resources Holding B.V., on which we reported on page 47, was a contributing factor. This transaction was the main reason why capital spending on financial assets rose by €455 million to €719 million. Our capital expenditure on property, plant and equipment and intangible assets totalled €6,353 million, roughly equalling the previous year's record level. Capex focused on expanding and modernising our electricity generation capacity. However, we spent fewer funds in the year being reviewed than expected, in part because power plant and wind energy projects were delayed.

- Germany: Capital expenditure by this division amounted to €2,393 million, 3 % less than in the preceding year. Its business areas displayed the following development:

  Power Generation: This business area spent €1,168 million in capital, just below the year-earlier level. All of it was dedicated to property, plant and equipment, including the new 2,100 MW dual-block lignite-fired power station at Neurath near Cologne. The plant has been completed, but we were unable to adhere to our original schedule owing to quality-related problems caused by suppliers and a serious accident on the construction site in 2007. The two units are set to commence commercial operation at the end of March 2012. We spent a total of €2.6 billion on the station. RWE Power's second large-scale project is a twin-unit hard coal facility at Hamm, with a net installed capacity of 1,528 MW. Again, suppliers caused delays. The power station will therefore probably not go online until the second half of 2013. Based on current planning, a total of approximately €2.4 billion in capital will be spent on this facility. These new builds will help us achieve significant improvements in terms of efficiency and emission reductions.

Sales/Distribution Networks: We spent €1,225 million in capital on this business area, which was also slightly less than in 2010. Capital expenditure on property, plant and equipment decreased marginally to €1,206 million. These funds were mainly allocated to upgrades to and the expansion of the network infrastructure. In addition, we invested in new gas storage capacity. At €19 million, our capital expenditure on financial assets was immaterial.

- Netherlands/Belgium: At €1,402 million, capital expenditure by this division was 22% up on the previous year's figure. This was mainly due to the acquisition of Energy Resources Holding B.V., which had an impact of €429 million. Almost all of the spending on financial assets was allocated to this transaction. In contrast, capital expenditure on property, plant and equipment was down year on year, amounting to €971 million. The division's largest undertaking is a hard coal twin-unit facility at Eemshaven, which has a net installed capacity of 1,560 MW and is scheduled to go online in 2014. Further investment magnets in the year under review were the Claus C and Moerdijk 2 combined-cycle gas turbine (CCGT) power plants. Claus C started commercial production in January 2012, four months ahead of schedule. It has a net installed capacity of 1,304 MW and replaces the Claus B (640 MW) gas-fired power station. Associated capital expenditure totalled €1.1 billion. Moerdijk 2 was commissioned in February 2012. The CCGT facility is located at the site of the existing Moerdijk power station and has an installed capacity of 426 MW. We spent a total of €0.4 billion on it.

- United Kingdom: RWE npower invested €600 million, a third less than in 2010. There was a considerable drop in capital expenditure on property, plant and equipment. At €416 million, it was less than half the level posted in 2010 when we completed the Staythorpe CCGT power station. The largest project in the period being reviewed was the gas-fired power plant at Pembroke. It will have a net installed capacity of 2,188 MW and is scheduled to begin commercial operation in the second half of 2012. Additional funds were dedicated to converting our three hard coal units at Tilbury in order to fire them with biomass. Furthermore, we invested in a new customer billing system. Capital expenditure on financial assets totalled €184 million, clearly up on the preceding year. Part of these funds was allocated to land at Wylfa (Wales), which we purchased together with E.ON in order to develop it into a potential nuclear energy site. We had obtained the land in an auction as early as 2009. However, only a downpayment had to be made at the time. At the same auction, together with E.ON, we managed to secure a second site, which is also earmarked for the construction of a nuclear power plant and is located at Oldbury. We paid the purchase price at the beginning of 2012.

- Central Eastern and South Eastern Europe: At €858 million, capital spent by this division was nearly twice as high as in the previous year. It was almost exclusively used on property, plant and equipment. The focus continues to be on measures to improve electricity and gas network infrastructure. For instance, in 2011, construction work began on a new gas transit pipeline in the west of the Czech Republic. Additional funds were dedicated to expanding our gas storage capacity. We made good progress with building our 775 MW CCGT power station in the Turkish town of Denizli, which is scheduled for completion by the end of 2012. We will allocate a total of €0.5 billion to this project. About half of this sum was spent in the financial year that just ended.

- Renewables: RWE Innogy increased capital expenditure by 26% to €891 million, with €825 million going to property, plant and equipment, up 34% on 2010. The construction of new wind power capacity took centre stage. Our largest project is the Gwynt y Môr wind farm off the coast of North Wales. It will have a total installed capacity of 576 MW, of which we own 60%. At the end of 2011, we began laying the first foundations for a total of 160 wind turbines, with completion scheduled for 2014. Another investment is the planned Nordsee Ost wind farm north of the German Isle of Heligoland, which will have an aggregate installed capacity of 295 MW. Construction is due to be completed in 2013. To build the Gwynt y Môr and Nordsee Ost wind farms, we will use our own special construction ships, to which we allocated substantial funds in the year under review. Furthermore, RWE Innogy granted loans to associated companies, but these are not stated as capital expenditure: in 2011, €120 million (previous year: €300 million) was allocated to the Greater Gabbard Offshore Winds Ltd. joint venture, which is erecting the namesake wind farm off the UK coast. We own 50% of the company. In addition, we invested in onshore wind energy, for example at sites in the United Kingdom, Poland, Germany and Italy. Besides wind power, biomass plays a role for us. The main undertaking in this field is a 45 MW combined heat and power plant in the Scottish town of Markinch, which should take up production in 2013. Moreover, in December 2011, we commissioned a small biomass-fired thermal power station in Kehl on the Rhine, Germany. In addition, we finished building a wood pellet manufacturing plant in the US state of Georgia in May 2011. With an annual production capacity of 750,000 metric tons, the factory is one of the biggest worldwide. Capital spent by RWE Innogy on financial assets declined by 31% to €66 million. We dedicated €26 million of this sum to doubling our 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.

- Upstream Gas & Oil: Capital expenditure at RWE Dea increased by 38% to €701 million, all of which was allocated to property, plant and equipment. In the year being reviewed, we focused on the development of oil and gas fields in preparation for production. Major funds were dedicated to the construction of a rig in the Breagh North Sea field and of its pipeline connection to the UK mainland.
- Trading/Gas Midstream: RWE Supply & Trading spent €26 million in capital, which was 60% less than in the preceding year. Capital expenditure on property, plant and equipment of €20 million was allocated to construction work at our trading floors, among other things, which made workflow more efficient. Spending on financial assets totalled €6 million, accounting for just one tenth of the year-earlier figure, which included transfers of internal funds to the US-based liquefied natural gas company Excelerate Energy.

The ‘other, consolidation’ item includes €201 million in capital expenditure for 2011, largely relating to property, plant and equipment. Most of the funds were used by Amprion to modernise and expand the electricity transmission network.

RWE creates new jobs. As of the balance sheet date, the RWE Group employed 72,068 people, 41,632, or 58%, of whom worked at German sites. Part-time positions were calculated in these figures on a pro-rata basis. The headcount was up by 1,212 personnel compared to 31 December 2010, corresponding to a rise of 1.7%. Operating changes were responsible for 1,172 of the additional positions, while 40 were due to consolidation effects. For the first time, our figures include the 1,154 staff members of NEW, which belongs to the Germany Division. Conversely, the sale of Thyssengas and of the majority of Amprion removed 289 and 816 employees from the Group’s payroll, respectively. This explains the significant decline in the ‘other’ line item. As in previous years, we trained far more people than required to cover our own needs. By 31 December 2011, 3,020 young adults were in a professional training programme at RWE. Staff figures do not include trainees.

Workforce[1]	31 Dec 2011	31 Dec 2010	+/– %
Germany	35,769	34,184	4.6
Power Generation	15,371	15,409	–0.2
Supply/Distribution Networks	20,398	18,775	8.6
Netherlands/Belgium	3,794	3,899	–2.7
United Kingdom	12,053	11,711	2.9
Central Eastern and South Eastern Europe	11,328	11,163	1.5
Renewables	1,493	1,232	21.2
Upstream Gas & Oil	1,362	1,363	–0.1
Trading/Gas Midstream	1,562	1,512	3.3
Other[2]	4,707	5,792	–18.7
RWE Group	**72,068**	**70,856**	**1.7**

1 Converted to full-time positions.
2 Of which 2,417 at RWE IT and 1,557 at RWE Service.

Cost reductions and efficiency improvements in Group purchasing. RWE Service, our internal service provider, is in charge of purchasing goods and services for Group companies. This does not include the procurement of electricity, commodities, or power plant components needed for new-build projects. RWE Service complies with the principles of best practice and uses purchasing systems that have been standardised throughout the Group. In the 2011 financial year, we once again realised substantial cost savings. The key to this was the continued pooling and strategic management of our groupwide procurement activities. Furthermore, we started monitoring our suppliers more closely. In so doing, we intend to ensure that we only work with companies that comply with international environmental and social standards.

Raw materials are sourced by our generation companies either directly on the market, or via RWE Supply & Trading. In 2011, the amount of hard coal procured to generate electricity totalled 15.0 million metric tons of hard coal unit (HCU), compared to 16.3 million metric tons in the previous year. The decline is a result of the decrease in electricity produced by our hard coal-fired power stations. The figures include coal for plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the financial year that just came to a close, RWE Power sourced 11.0 million metric tons of HCU (previous year: 12.2 million metric tons). RWE npower purchased 2.4 million metric tons of HCU, slightly more than in the preceding year (2.2 million metric tons), which was markedly affected by a reduction in stockpiles. Essent accounts for 1.6 million metric tons of HCU (prior year: 1.9 million metric tons). Furthermore, the company procured 0.7 million metric tons of biomass to co-fire at coal power stations (previous year: 0.8 million metric tons). A large portion of the hard coal purchased for German facilities comes from domestic production sources. The UK and Russia are RWE npower's major supplier regions, and Essent procures two thirds of the hard coal it uses from Colombia. Biomass used for the co-firing of our Dutch coal power plants is largely sourced from North America.

RWE procures lignite from proprietary opencast mines. In the Rhineland, our main mining region, we produced 95.6 million metric tons of lignite in the year under review (previous year: 91 million metric tons). We used 83.9 million metric tons to generate electricity and 11.7 million metric tons to manufacture refined products.

Nearly all of our gas purchasing is pooled in the Trading/Gas Midstream Division. In 2011, the Group's procurement volume amounted to 47 billion cubic metres. Of this total, 24 billion cubic metres was sourced on the basis of long-term take-or-pay contracts, the conditions of which are linked to the development of oil prices. We concluded such supply agreements largely with companies in Norway, Russia, the Netherlands and Germany. In addition, we bought 22 billion cubic metres of gas on European wholesale markets or via short-term contracts and 1 billion cubic metres of RWE Dea's production.

1.7 FINANCIAL POSITION AND NET WORTH

Companies seeking to grow in difficult times need robust financing. Thanks to our good creditworthiness, we can procure debt capital at favourable conditions. To safeguard this position, we intend to secure our financial power. In view of the heavy burdens resulting from the resolutions passed by the German government on nuclear energy, we conducted a capital increase in December 2011. The most important mainstay of our financing is and will continue to be our high cash flows from operating activities, which amounted to €5.5 billion in 2011, matching the good level posted in the previous year.

Central financing through RWE AG. The RWE Group's financing is the responsibility of RWE AG, a task in which it is assisted by RWE Finance B.V. This is the company through which we usually issue bonds, which are backed by RWE AG. Only in specific cases do other subsidiaries raise capital directly, especially if it is more advantageous economically to make use of local credit and capital markets. Furthermore, RWE AG acts as co-ordinator when Group companies assume a liability: the company decides on the scope of warranties issued and letters of comfort signed. Pooling these activities is a basic prerequisite for managing and monitoring financial risks centrally. Moreover, this strengthens our position when negotiating with banks, business partners, suppliers and customers.

Flexible tools available for raising debt capital. We primarily meet our financing needs with the high and stable cash flows from our operating activities. In addition, we have access to a number of flexible financing instruments. One of our major tools is the Debt Issuance Programme (DIP) for long-term refinancing on the capital market. The maximum counter value of the bonds that we can issue through the DIP totals €30 billion. Last but not least, a commercial paper programme gives us a maximum of US$5 billion in headroom for short-term financing on the money market. An unused €4.0 billion credit line serves as an additional liquidity reserve. Its tenor expires in November 2016. In November 2012, RWE has the option to file for a one-year extension of the credit line.

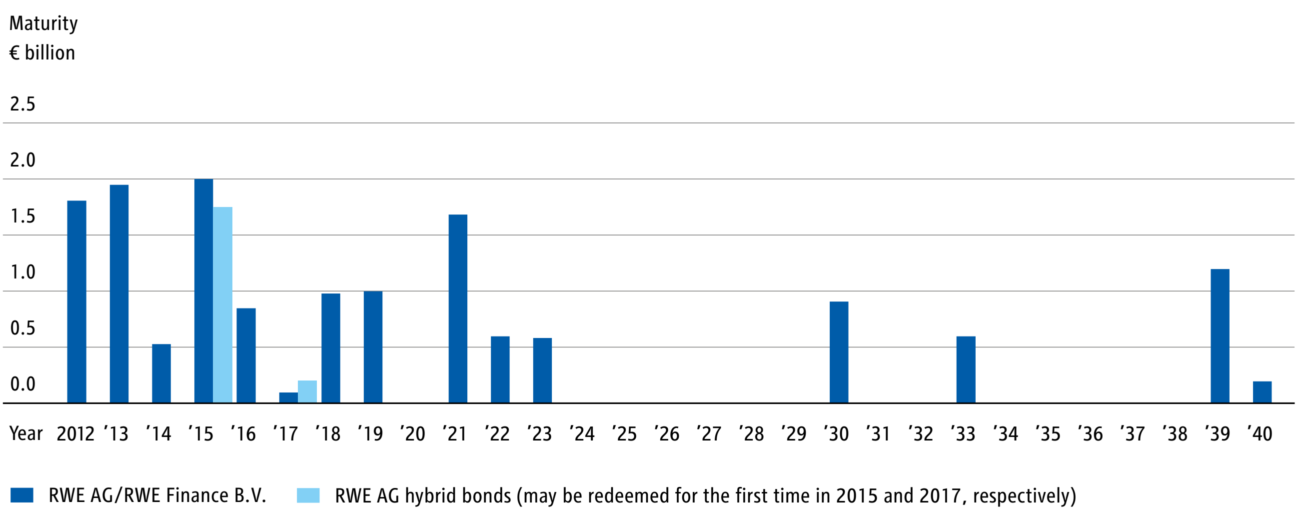
Neither the aforementioned financing instruments, nor the current credit facilities, contain specific financial covenants such as interest coverage, leverage or capitalisation ratios that could trigger actions, such as acceleration of repayment, provision of additional collateral, or higher interest payments. Likewise, they do not contain rating triggers.

RWE issues hybrid bond in Switzerland. We have become the first German industrial enterprise to issue a hybrid bond in Switzerland, which also contributed to further improving our capital structure. The issuance totalled CHF 250 million. The RWE bond has a 5.25% annual coupon at an issue rate of 100%, with a tenor of slightly more than 60 years. We can redeem it no earlier than April 2017. Eligible subscribers were exclusively private investors domiciled in Switzerland as well as institutional investors. 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 limited tenor, our Swiss hybrid bond must be fully recognised as debt on the IFRS balance sheet. Conversely, the €1.75 billion hybrid bond we issued in September 2010 is classified as equity due to its theoretically perpetual tenor.

€16.9 billion in bonds were outstanding at the end of 2011. Apart from the Swiss hybrid bond, RWE did not issue any bonds in 2011. We redeemed €1.5 billion in bonds. In the financial year being reviewed, the total volume of our bonds outstanding thus declined by €1.1 billion to €16.9 billion (including hybrid bonds). Currency effects played a role in addition to the hybrid issuance and the redemptions. Our bonds outstanding are denominated in euros, sterling, Swiss francs, US dollars and Japanese yen. We concluded hedges to manage our currency exposure. Taking such transactions into account, at the balance sheet date, our debt broke down into 72% in euros and 28% in sterling. This means that we did not have any currency exposure from capital market debt in US dollars, Swiss francs or in yen. Our bonds' initial tenors range from 2 to 30 years. Their weighted average remaining term to maturity at the end of 2011 was 8.5 years. The hybrid bonds are not included in this figure. €1.8 billion in bonds are due for repayment in 2012.

RWE issues sterling bond. At the beginning of 2012, we took advantage of the favourable conditions for German companies on the international capital market by issuing a £600 million bond. The paper has a tenor of 22 years and a coupon of 4.75%. The issuance met with keen interest among investors and was considerably oversubscribed.

Maturity profile of the RWE Group's capital market debt (as of 31 Dec 2011)



RWE issues commercial paper and obtains low-interest EIB loan. Last year, we issued a total of €5.8 billion within the scope of our Commercial Paper Programme. During the same period of time, we redeemed a total of €2.9 billion. This caused the volume of commercial paper outstanding by the end of the year to rise by €2.9 billion to €3.4 billion. In addition, in October, the European Investment Bank (EIB) granted us a €645 million low-interest programme loan with a maturity of nine years. The funds will serve to finance capital expenditure on our electricity distribution network.

€2.1 billion in proceeds from the issuance of new and treasury RWE shares. Besides refinancing through debt, we conducted a capital increase last year. The objective was to secure our financial power in view of the heavy burdens imposed by German energy policy. In a difficult stock market environment, we placed 52.3 million new RWE common shares and 28.1 million treasury RWE common shares for €26 per share in December. Our gross proceeds on the issuance amounted to about €2.1 billion. The transaction is thus one of the largest capital increases conducted by a European industrial enterprise in recent years. Further information can be found on page 46.

The RWE Group's capital market debt as of 31 Dec 2011 by maturity[1]		2012–2015	2016–2019	2020–2024	from 2025
Nominal volume	€ billion	6.3	2.9	2.9	2.9
Relative share of total volume of capital market debt	%	42	20	19	19

1 Maturities exclude the hybrid bonds issued.

Net debt rises to €29.9 billion. In the fiscal year under review, our net debt advanced by €1.0 billion to €29.9 billion. This was mainly due to our capital expenditure (€7.1 billion) and RWE AG's dividend payment (€1.9 billion). In addition, provisions were up, in particular for pensions. This rise totalled €0.6 billion. There was a debt-reducing effect from cash provided by operating activities, which amounted to €5.5 billion. Added to this were proceeds from the capital increase (€2.1 billion) and from the sale of investments (€0.8 billion). The issuance of a CHF 250 million hybrid bond also contributed to the reduction in financial liabilities, because, in determining net debt, we classify half of its issue volume as equity and the other half as debt.

Net debt € million	31 Dec 2011	31 Dec 2010	+/– %
Cash and cash equivalents	2,009	2,476	−18.9
Marketable securities	5,353	3,445	55.4
Other financial assets	2,322	1,985	17.0
Financial assets	**9,684**	**7,906**	**22.5**
Bonds, other notes payable, bank debt, commercial paper	19,959	17,572	13.6
Other financial liabilities	1,964	2,238	−12.2
Financial liabilities	**21,923**	**19,810**	**10.7**
Net financial debt	**12,239**	**11,904**	**2.8**
Provisions for pensions and similar obligations	3,846	3,318	15.9
Surplus of plan assets over benefit obligations	60	56	7.1
Provisions for nuclear waste management	10,366	10,010	3.6
Mining provisions	2,780	2,920	−4.8
Adjustment for hybrid capital (portion of relevance to the rating)	777	880	−11.7
of which recognised in equity in accordance with IRFS	880	880	0.0
of which recognised in debt in accordance with IFRS	−103	–	–
Net assets held for sale	–	12	−100.0
Net debt of the RWE Group	**29,948**	**28,964**	**3.4**

Securing current A rating is a high priority. Assessments of creditworthiness made by independent rating agencies have a substantial influence on a company's options to raise debt capital. The better the rating, the easier it is to gain access to international capital markets and the better the conditions for debt financing. Therefore, we benefit from the fact that the two leading rating agencies, Standard & Poor's and Moody's, have given RWE high credit ratings. Last year, however, the agencies downgraded us by one notch, from A to A- (Standard & Poor's) and from A2 to A3 (Moody's), maintaining their 'negative outlook.' Among the reasons given by the agencies are the burdens resulting from Germany's accelerated nuclear phase-out and the difficult conditions prevailing on the gas market. The rating downgrades did not have a material impact on our financing costs.

Credit rating	Moody's	Standard & Poor's
Non-current financial liabilities		
Senior debt	A3	A–
Subordinated debt	Baa2	BBB
Current financial liabilities	P-2	A-2
Outlook	negative	negative

Leverage factor rises to 3.5. We manage our debt based on performance indicators, among other things. One of the key figures is the ratio of net debt to EBITDA, which is referred to as the 'leverage factor.' This key performance indicator is of more informational value than total liabilities as it reflects the company's earnings power and, in turn, its ability to service the debt. To secure our rating, in February 2010, we set ourselves the goal to orientate our leverage factor towards an upper limit of 3.0. As expected, we failed to hit this target in 2011, despite the capital increase: our leverage factor rose from 2.8 (2010) to 3.5. We intend to quickly return it to the 3.0 mark.

Cost of debt on a par year on year. In 2011, our cost of debt was unchanged, at 4.9%. This figure relates to the RWE Group's average debt outstanding such as bonds, commercial paper and bank loans, including interest derivatives. Hybrid capital is not considered.

Cash flow statement € million	2011	2010	+/– € million
Cash flows from operating activities	5,510	5,500	10
of which: changes in working capital	–436	–2,349	1,913
Cash flows from investing activities	–7,766	–6,683	–1,083
Cash flows from financing activities	1,742	638	1,104
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–12	6	–18
Total net changes in cash and cash equivalents	**–526**[1]	**–539**	**13**
Cash flows from operating activities	5,510	5,500	10
Minus capital expenditure on property, plant and equipment and on intangible assets	–6,353	–6,379	26
Free cash flow	**–843**	**–879**	**36**

1 Including a €59 million reduction in the cash and cash equivalents reported on the balance sheet for the period ending on 31 December 2010 as 'assets held for sale.'

Operating cash flows in the order of last year. We generated €5,510 million in cash flows from operating activities, matching the previous year's level. They therefore developed much better than earnings. The main reasons are positive effects in working capital. For example, we had brought forward some of our CO_2 certificate expense to 2010. Furthermore, liquidity was temporarily improved by the increased lump sum Amprion received under the German Renewable Energy Act on 1 January 2011 in compensation for added costs resulting from electricity from renewables being fed into the grid. This sum is re-determined once a year on the basis of estimates.

Cash outflows for investing activities totalled €7,766 million. This is the sum by which our capital expenditure (including cash investments) exceeded proceeds from the disposal of assets and the sale of companies. Our financing activities led to a net cash inflow of €1,742 million. €2.1 billion was allocable to the capital increase and €2.9 billion to the issuance of commercial paper. This was contrasted by RWE AG's €1.9 billion dividend payment. Furthermore, we redeemed a €1.5 billion bond in September. On balance, the aforementioned cash flows reduced our cash and cash equivalents by €526 million in 2011.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, result in free cash flow, which at –€843 million was negative, as in 2010 (–€879 million). This is a consequence of our extensive investing activity.

Balance sheet structure	31 Dec 2011		31 Dec 2010	
	€ million	%	€ million	%
Assets				
Non-current assets	63,539	68.6	60,465	65.0
Intangible assets	16,946	18.3	17,350	18.6
Property, plant and equipment	34,847	37.6	32,237	34.6
Current assets	29,117	31.4	32,612	35.0
Receivables and other assets[1]	18,771	20.3	23,258	25.0
Total	**92,656**	**100.0**	**93,077**	**100.0**
Equity and liabilities				
Equity	17,082	18.4	17,417	18.7
Non-current liabilities	44,391	47.9	45,162	48.5
Provisions	23,829	25.7	23,485	25.2
Financial liabilities	15,428	16.7	15,908	17.1
Current liabilities	31,183	33.7	30,498	32.8
Other liabilities[2]	19,361	20.9	20,881	22.4
Total	**92,656**	**100.0**	**93,077**	**100.0**

1 Including financial accounts receivable, trade accounts receivable, and tax refund claims.
2 Including trade accounts payable and income tax liabilities.

Balance sheet structure: equity ratio of 18.4 % roughly on a par year on year. As of 31 December 2011, the RWE Group's balance sheet total amounted to €92.7 billion. This is €0.4 billion less than at the end of 2010. On the assets side, accounts receivable and derivative positions decreased by €2.6 billion and €1.6 billion, respectively. In contrast, the value of property, plant and equipment increased by €2.6 billion due to our substantial capital expenditure, despite the deconsolidation of Amprion. Current securities were also clearly up on the prior year, rising by €1.8 billion. On the equity and liabilities side, current liabilities were up because we increased our refinancing via commercial paper. In contrast, non-current liabilities were down. In sum, liabilities rose by €0.4 billion. The RWE Group's equity declined by €0.3 billion due to effects in other comprehensive income. It amounted to €17.1 billion. This corresponds to 18.4 % of the balance sheet total. The equity ratio thus roughly matched the previous year's level (18.7 %).

1.8 NOTES TO THE FINANCIAL STATEMENTS OF RWE AG (HOLDING COMPANY)

As the management holding company of the RWE Group, RWE AG handles central management tasks and procures the funds for the subsidiaries' business operations. Its assets and income largely depend on the economic success of the Group companies. Therefore, the burdens on earnings, which were felt above all in the German electricity generation and gas midstream businesses, clearly left their mark on RWE AG's separate financial statements: the net profit determined on the basis of German commercial law was significantly below the high figure achieved in the preceding year.

Financial statements. RWE AG prepares its financial statements in compliance with the rules set out in the German Commercial Code and the German Stock Corporation Act. The financial statements are submitted to Bundesanzeiger Verlagsgesellschaft mbH, Cologne, Germany, which publishes them in the electronic Federal Gazette. They can be ordered directly from RWE and are also available on the internet at www.rwe.com/ir.

Balance sheet of RWE AG (abridged) € million	31 Dec 2011	31 Dec 2010
Non-current assets		
Financial assets	39,246	39,849
Current assets		
Accounts receivable from affiliated companies	7,719	3,950
Other accounts receivable and other assets	214	876
Marketable securities and cash and cash equivalents	3,054	1,679
Deferred tax assets	2,761	–
Total assets	**52,994**	**46,354**
Equity	9,925	8,146
Provisions	4,509	4,851
Accounts payable to affiliated companies	30,902	29,462
Other liabilities	7,658	3,895
Total equity and liabilities	**52,994**	**46,354**

Income statement of RWE AG (abridged) € million	2011	2010
Net income from financial assets	−353	3,184
Net interest	−1,419	−681
Other income and expenses	510	1,413
Profit from ordinary activities	**−1,262**	**3,916**
Extraordinary income and expenses	29	1
Taxes on income	2,771	−1,397
Net profit	**1,538**	**2,520**
Allocation to retained earnings	−308	−653
Distributable profit	**1,230**	**1,867**

Assets. RWE AG had €53.0 billion in total assets as of 31 December 2011, up 14% year on year. This is in part due to the fact that several Group companies had an increased need for financial resources, which resulted in a rise in accounts receivable by the holding company from these entities. In 2011, the holding company increasingly refinanced itself through the issuance of commercial paper. This was reflected in a rise in other liabilities. Another reason for the growth in total assets was that we exercised our discretionary right to capitalise deferred taxes in 2011. Furthermore, there was a rise in marketable securities and cash and cash equivalents. The backdrop to this is that we conducted a capital increase and sold RWE treasury shares in December. As of 31 December 2011, the equity ratio was 18.7%, compared to 17.6% in the preceding year.

Financial position. To raise funds on the bond market, RWE usually uses the services of its subsidiary RWE Finance B.V., which conducts issuances backed by RWE AG. Besides the aforementioned issuance of new and treasury RWE shares, which generated gross proceeds of €2.1 billion, the issuance of a hybrid bond in October had a positive effect on the financial position. The issuance totalled CHF 250 million, and the bond has a tenor of slightly over 60 years. As of 31 December 2011, there was a total of €16.9 billion and €3.4 billion in bonds and commercial paper outstanding, compared to €18.1 billion and €0.5 billion in the preceding year. In January 2012, a further bond was placed on the market, with an issue volume of £600 million and a term to maturity of 22 years. In addition, a €4.0 billion syndicated credit line granted us by a group of banks, which we have not made use of so far, serves as a liquidity reserve.

Earnings position. At €1,538 million, net profit was markedly lower than in the prior year. Net income from financial assets declined substantially. The contribution made by RWE Power was much smaller than in 2010. The decisive factors were the reduction in the lifetimes of our German nuclear power plants, the new nuclear fuel tax, the decline in margins in the electricity generation business and the effects on earnings from hedges. An unusually weak performance in energy trading and heavy burdens in the gas midstream business caused RWE AG to appropriate substantial losses from RWE Supply & Trading. The declines in earnings recorded by RWE Power and RWE Supply & Trading were more significant in the separate financial statements complying with the German Commercial Code than in the consolidated financial statements according to IFRS. This is due to differing accounting standards.

Net interest also decreased. The main reason for this was losses on securities used to hedge pension obligations. In the previous year, we had generated income from such securities. The ‘other income and expenses’ item also deteriorated, especially due to a reduction in income tax apportionments from subsidiaries. The fact that the current tax expense also dropped and that deferred taxes were capitalised for the first time, in the amount of €2.8 billion, had a positive effect.

Appropriation of distributable profit. The Supervisory and Executive Boards of RWE AG will propose to the Annual General Meeting on 19 April 2012 that a dividend of €2 per share be paid for fiscal 2011. Relative to the Group’s recurrent net income, this equates to a payout ratio of 50%.

Corporate Governance Declaration in accordance with Sec. 289a of the German Commercial Code. The Executive Board of RWE Aktiengesellschaft issued a corporate governance statement in accordance with Sec. 289a of the German Commercial Code on 16 February 2012 and published it on the internet at www.rwe.com/corporate-governance-declaration-sec-289a-HGB.

1.9 DISCLOSURE RELATING TO GERMAN TAKEOVER LAW

The following disclosure is in accordance with Sec. 315, Para. 4 and Sec. 289, Para. 4 of the German Commercial Code as well as with Sec. 176, Para. 1, Sentence 1 of the German Stock Corporation Act. The information relates, among other things, to issues that may play a role in obtaining control over a company as well as executive board authorisations to change a company's capital structure. All of the rules are in line with the standards generally accepted by German listed companies.

Composition of the subscribed capital. Since the capital increase was entered in the Commercial Register on 7 December 2011, RWE AG's subscribed capital has consisted of 575,745,499 no-par-value common shares in the name of the bearer and 39,000,000 no-par-value preferred shares in the name of the bearer without voting rights. They account for 93.66% and 6.34% of the subscribed capital, respectively. Holders of preferred shares are given priority when distributable profit is distributed. Pursuant to the Articles of Incorporation, it is appropriated in the following order: 1) to make back payments on shares of the profit allocable to preferred shares from preceding years; 2) to pay a preferred share of the profit of €0.13 per preferred share; 3) to pay the share of the profit allocable to common shares of up to €0.13 per common share; and 4) to make consistent payments of potential further portions of the profit allocable to common and preferred shares unless the Annual General Meeting decides in favour of a different appropriation. The composition of the subscribed capital and the rights and obligations of the shareholders comply with the requirements of the law and the Articles of Incorporation.

Shares in capital accounting for more than 10% of the voting rights. As of 31 December 2011, one holding in RWE AG exceeded 10% of the voting rights. It is held by RW Energie-Beteiligungsgesellschaft mbH & Co. KG, which is headquartered in Dortmund. In compliance with Sec. 21, Para. 1 of the German Securities Trading Act, on 21 December 2007, the company informed us that it held 16.089% of RWE AG's voting stock at the time.

Within the scope of the capital increase conducted in December 2011, Deutsche Bank AG, headquartered in Frankfurt am Main, temporarily held a stake exceeding the 10% threshold. Pursuant to the German Securities Trading Act, Deutsche Bank informed us on 12 December 2011 that it held 71,416,748 voting rights on 7 December, corresponding to 12.4% of the voting rights. At the same time, the bank informed us that its share of voting rights had fallen back under the 10% threshold on 8 December.

In accordance with Sec. 27a, Para. 1 of the German Securities Trading Act, Deutsche Bank declared that the technical implementation of RWE AG's capital increase was the only reason for the purchase of voting stock, which temporarily caused it to exceed the reportable threshold of 10%.

Appointment and dismissal of Executive Board members/ amendments to the Articles of Incorporation. Executive Board members are appointed and dismissed in accordance with Sec. 84 et seq. of the German Stock Corporation Act in connection with Sec. 31 of the German Co-Determination Act. Amendments to the Articles of Incorporation are made pursuant to Sec. 179 et seqq. of the German Stock Corporation Act in connection with Art. 16, Para. 6 of the Articles of Incorporation of RWE AG. According to Art. 16, Para. 6 of the Articles of Incorporation, unless otherwise required by law or in the Articles of Incorporation, the Annual General Meeting shall adopt all resolutions with a simple majority of the votes cast; if a majority of the capital stock represented is required, the simple majority shall suffice. The legal right to determine a majority of the capital required to amend the Articles of Incorporation that differs from the majority required by law was thus exercised. Pursuant to Art. 10, Para. 9 of the Articles of Incorporation, the Supervisory Board is authorised to pass resolutions to amend the Articles of Incorporation that only concern the wording, without changing the content.

Executive Board authorisations to conduct share buybacks. Pursuant to the resolution passed by the Annual General Meeting on 20 April 2011, the Executive Board was authorised to purchase shares of any class in the company until 19 October 2012, totalling up to 10% of the share capital when the Annual General Meeting passed the resolution or – if the following is lower – when the authorisation is exercised. The purchase may be limited to shares of a single class. It is at the Executive Board's discretion to purchase the shares on the stock market or by making a public call for shares. This can be done through the use of put or call options. The treasury shares may then be called in.

If common shares are bought back, they can also be transferred to third parties within the scope of mergers or acquisitions of companies, parts of companies or stakes in companies, or sold in another manner. A sale not conducted on the stock exchange or via a tender to all shareholders may only be made in exchange for cash. Moreover, the price at the time of sale may not be significantly lower than the stock-market price for common shares bearing the same rights. The company may use common shares bought back to redeem convertible and option bonds issued on the basis of the resolutions passed by the Annual General Meeting held on 22 April 2009. The company may also use the common shares bought back to meet obligations arising from employee stock ownership plans. The authorisations may be exercised in full or in part and also for partial amounts. Within the scope of the capital increase conducted in December 2011, 28,105,327 treasury shares were sold on the basis of the authorisations in effect. This corresponds to 4.57 % of the company's subscribed capital.

Executive Board authorisation for the issuance of option and convertible bonds. Pursuant to the resolution passed by the Annual General Meeting on 22 April 2009, the Executive Board is authorised to issue option or convertible bonds until 21 April 2014. The bonds' combined nominal value is limited to €6 billion. The shareholders' subscription rights can be excluded if the bonds are issued at a price in line with the market and the new shares do not account for more than 10 % of the share capital when the Annual General Meeting passed the resolution or – if the following is lower – when the authorisation is exercised. The 10 % limit is calculated taking into account other cash capital measures under exclusion of subscription rights, such as the cash capital increase from authorised capital conducted in December 2011. The Executive Board may also exclude the shareholders' subscription rights in order to prevent the number of shares allocated from the subscription resulting in fractional amounts (fractions of shares). Furthermore, the subscription rights of holders of convertible or option bonds already issued may be excluded. They may be granted subscription rights commensurate to the rights to which they would be entitled as shareholders on conversion of the bond or on exercise of the option. Pursuant to Art. 4, Paras. 3a and 3b of the Articles of Incorporation, €143,975,680 in conditional capital, divided among 56,240,500 common shares in the name of the bearer, may be used to exercise conversion or option rights.

Executive Board authorisations for the issuance of new shares. In December 2011, RWE AG issued 52,340,499 new common shares in the name of the bearer from authorised capital in exchange for a cash contribution and excluding shareholders' subscription rights. As a result, the capital stock was increased by €133,991,677.44 to €1,573,748,477.44. The Executive Board is now authorised to increase the company's capital stock with the Supervisory Board's approval by up to €153,959,682.56 until 16 April 2013 either at once or in several increments through the issuance of common shares in the name of the bearer in exchange for contributions in cash or in kind (authorised capital). The shareholders' subscription rights can be excluded with the Supervisory Board's approval, in order to avoid allocating fractions of shares as a result of the subscription. The subscription rights can also be excluded in order to issue shares in exchange for contributions in kind within the scope of mergers or for the purpose of acquiring stakes in companies. Subscription rights can also be excluded in the event of a cash capital increase if the price at which the new shares are issued is not significantly lower than the price at which shares outstanding are traded on the stock market, and if the portion of the capital stock accounted for by the new shares, for which subscription rights are excluded, does not exceed 10 % of the share capital in total. We already made use of most of this amount by implementing the cash capital increase in December 2011.

The Executive Board shall be empowered, subject to the consent of the Supervisory Board, to determine the further details and conditions of the share issuance. Shares from authorised capital are added to shares from conditional capital in cases where they are both issued excluding the shareholders' subscription rights.

Effects of a change of control on debt financing. RWE AG's syndicated credit line has a change of control clause including the following main provisions: in the event of a change of control or majority at RWE, further drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. Should we fail to reach an agreement with the majority of them within 30 days from such a change of control, the lenders may cancel the line of credit.

RWE's non-subordinated bonds also have a change of control clause: in the event of a change of control in conjunction with a drop in RWE AG's credit rating below investment-grade status, creditors may demand immediate redemption. The redemption amount is calculated on the basis of the corresponding bond conditions. Our €1.75 billion and CHF 250 million hybrid bonds also have change of control clauses. We have the right to cancel and redeem them within the defined change of control period. If they are not redeemed and the credit rating drops below investment-grade status during the change of control period, the annual compensation payable on the hybrid bonds increases by 500 basis points.

Effects of a change of control on Executive Board and executive compensation. Members of the Executive Board of RWE AG have a special right of termination in the event of a change of control. On exercise of this right, they receive a one-off payment covering the contract's agreed term, which shall correspond to at least twice and no more than three times their annual contractual compensation. This is in line with the requirements of the German Corporate Governance Code, which has been in force since 2008. Dr. Jürgen Großmann was granted a special right of termination before these Code rules became effective. His employment contract provides for a one-off payment that covers all of the remuneration due until the end of the contractual term as well as the sum contractually agreed instead of a pension commitment.

Furthermore, in the event of a change of control, retained Executive Board bonuses are prematurely valued and possibly paid. This is done on the basis of the average bonus malus factor of the three preceding years. This is what determines whether retained bonuses are paid out and the amount of the payout. You will find detailed information on this topic on page 109 et seq.

The 2005 long-term incentive plan (Beat) and the 2010 RWE performance share plan (Beat 2010) for the Executive Board and executives of RWE AG and of affiliated companies include a provision for a change of control. In such events, all holders of performance shares receive a compensatory payment. It is determined by multiplying the price paid for RWE shares as part of the takeover by the final number of performance shares as of the date of the takeover offer, in line with the corresponding plan conditions.

Provisions are in line with generally accepted standards. The authorisation to conduct share buybacks and the authorised capital are in line with standards generally accepted by German listed companies. The same applies to the provisions governing changes of control, in particular clauses included in the contracts governing the syndicated credit line, the RWE bonds and Executive Board compensation.

1.10 INNOVATION

The only way for us to remain competitive in the long run is to constantly invest in new technologies and refine existing ones. The goals of energy policy in our markets determine the course. This presents us with huge challenges, which has particularly been the case since the U-turn in German energy policy. How can we replace nuclear energy without falling behind in terms of climate protection? Which measures must we take in order to maintain network stability and security of supply as increasing amounts of weather-dependent wind and solar power are put on the system? How can our customers conserve energy without having to renounce convenience? With our research and development work, we help answer these questions. In recognition of this, the European School of Management and Technology recently elected us the sector's innovation leader.

Developing the energy supply of the future. Our activity in the field of research and development (R&D) covers all stages of the value chain in the energy sector, from the extraction of raw materials, electricity generation, network operation and storage through to energy use. In so doing, we build not only on in-house know-how, but also on co-operation with partners in the plant engineering and chemical sectors as well as research institutions. Our range of action is therefore wider than the Group's R&D costs would have one assume. In 2011, it amounted to €146 million, compared to €149 million a year earlier. A total of 410 of our employees were solely or partially dedicated to R&D activities.

Research and development		2011	2010	2009	2008	2007
R&D costs	€ million	146	149	110	105	74
R&D employees		410	360	350	330	270

Reducing emissions from electricity generation remains at the heart of R&D activity. Coal and gas-fired power plants remain the linchpins of energy supply in our core markets. This applies even more so as, by the end of 2022, all German nuclear power stations will be offline and the gap they leave cannot be closed by renewable energy and increased electricity imports alone. Our R&D activity focuses on determining how the use of fossil fuel to produce electricity can be reconciled with climate protection objectives. Over the past decades, we continuously improved the efficiency of our power plants by making use of new technologies and methods, while reducing carbon dioxide emissions at the same time. Nevertheless, the generation of electricity from coal is still the source of substantial emissions. Therefore, for several years, we have been working on ways to prevent carbon dioxide from being released into the atmosphere. This involves isolating and then capturing the gas. In a subsequent step, it can be stored in underground rock formations or used as a commodity.

One promising approach to capturing carbon dioxide is known as CO_2 washing. This technique binds carbon dioxide within a chemical solution and then removes it from the flue gas. We have been testing this method in a pilot plant at our Niederaussem lignite-fired power station since 2009. Our partners are BASF and Linde. The goal is to develop new CO_2 washing agents for use in large-scale facilities. The results are quite respectable: more than 90% of the carbon dioxide can now be captured. Our CO_2 washing is thus much more efficient than the methods commonly in use at present. In addition, we have shown that the high efficiency can be maintained over several wash cycles. These successes can be traced back to the high quality of the washing agent. At the same time, we are exploring how making adjustments to the setup of the pilot plant can help us reduce capital expenditure on large-scale facilities later on. In the autumn of 2011, we downsized the absorber, a central component, without this reducing the amount of carbon dioxide washed. CO_2 washing is also the subject of a project in the United Kingdom. At the end of 2011, we completed the construction of a pilot plant at the Aberthaw hard coal-fired power station where we will test detergents that are different than the ones in use in Niederaussem. Within the scope of another project, we have already tested the entire process, from capture via transport to the storage of carbon dioxide. We assisted in operating an American Electric Power demonstration plant at the Mountaineer site in New Haven (USA) for nearly two years, using technology developed by Alstom. The project provided us with valuable knowledge. Our goal is to be in a position to use CO_2 washing commercially no later than 2020.

Carbon dioxide – from pollutant to commodity. Capturing the carbon dioxide is only the first step. In addition, the gas must be kept from the atmosphere permanently. Germany still lacks a sufficient legal basis for storing the gas, for example in rock formations deep under the surface of the earth. Another obstacle is the lack of acceptance that exists in and outside Germany. Therefore, we are taking another step forward: we are investigating how to turn a harmful greenhouse gas into a valuable commodity in times of increasingly scarce resources, although the emission reduction potential of this method is much lower than through storage. Our ideas centre on how to use carbon dioxide as an alternative to oil as a source of carbon for chemical intermediates and in energy conversion. Three projects which we launched in 2010 are dedicated to this.

The first undertaking involves using micro-organisms to convert carbon dioxide to biomass, bio-plastics and chemical intermediates. Our co-operation partner BRAIN is a leader in the field of ‘white biotechnology,’ the term that designates the use of biotech methods in industrial production. The first important finding from the project is that micro-organisms absorb carbon dioxide from flue gas even under the conditions that prevail in power plants.

In a second project, entitled Dream Production, we have joined forces with Bayer and RWTH Aachen University to look into ways to manufacture high-quality plastics from CO_2. To supply our project partners with carbon dioxide, in 2011, we expanded the pilot plant at Niederaussem to include units for processing and liquefying CO_2 as well as storing it in containers. We received special recognition for our pioneering work: the German Sustainability Award Foundation ranked Dream Production among the top 3 in the Germany’s Most Sustainable Initiative category.

Our third project is called CO_2RRECT, which we are developing in conjunction with experts from Siemens and Bayer as well as several universities and research institutes. Centre stage is taken by the concept of making use of an oversupply of electricity from renewables in order to permanently integrate carbon dioxide into chemical intermediates. To this end, hydrogen is produced from water through electrolysis and is then brought into contact with CO_2. The result is hydrocarbons that serve as a basis for chemical intermediates such as carbon monoxide. In this manner, carbon dioxide can be used as a starting material for producing household goods and CDs. One of CO_2RRECT’s special features is that it aims to flexibly adapt production to the availability of electricity from renewables. Siemens will build a highly flexible electrolysis unit in the Niederaussem power station this year.

Construction of an ocean current power generation plant in Scotland. Our R&D activity in the field of electricity production also addresses energy from renewables. We are taking various approaches in this area, such as making commercial use of the energy of the sea. Together with the hydroelectric power specialist Voith Hydro, we are installing a 1 megawatt (MW) ocean current turbine in the waters of the Orkney Islands (Scotland). We have already anchored the turbine’s foundation in the seabed. The facility is scheduled to begin a two-year test phase starting in 2012. We hope that this will provide us with new findings on the operation of ocean current power generation facilities.

Improved noise abatement for porpoises during construction of offshore wind farms. Another focal point of research activity is the development of noise abatement methods when building wind farms at sea. To this end, we began co-operating with seven other offshore investors in May 2011. At the centre of the initiative are German wind farms which are often built in very deep waters far offshore, in order to comply with statutory regulations. Therefore, the foundations have to be anchored in the seabed using driven steel piles. The project partners want to reduce the noise produced by this significantly, particularly in order to protect harbour porpoises. Findings gained from this undertaking will be shared with the entire offshore industry, including manufacturers of noise abatement systems and approval authorities.

Highly efficient electricity storage facility supports renewable energy. Due to the rapid rise in the number of wind turbines and photovoltaic units, electricity on the system is increasingly influenced by weather conditions. However, the supply of electricity must always meet demand in order for the mains frequency to remain stable. Striking this balance is becoming an ever-more ambitious task, which cannot be accomplished without new electricity storage facilities. Against this backdrop, we, the German Aerospace Centre as well as General Electric Group and Züblin jointly developed an 'adiabatic pressurised-air storage facility.' When electricity supply is high, air is compressed and forced into subterranean cavities, where it is stored. This compressed air can be used to generate electricity when needed. We are considering the construction of a demonstration plant in Stassfurt (Saxony-Anhalt) capable of storing 360 megawatt hours (MWh) with an electrical capacity of up to 90 MW. It should have an efficiency of 70%. We intend to accomplish this by capturing the heat generated during the compression process and returning it to the facility's energy cycle. It would be the very first time this method was used on a large scale.

In view of the key role played by storage technologies in the transformation of the energy sector, in September 2011, RWE as well as twelve research and energy companies founded the European Association for Storage of Energy (EASE). The association will serve as a platform for expert exchange on technical, economic and regulatory issues.

Smart electricity network in practice. Historically, electricity was produced almost exclusively by large-scale power plants, whereas the role assumed by homes was limited to that of consumer. Since then, the situation has changed. More and more households are equipped with solar panels and produce electricity themselves, feeding their surplus energy into the system. This translates into additional co-ordination work, particularly for operators of medium and low-voltage networks. Smart equalising mechanisms have to be developed using new technologies in order to prevent the grid from falling out of balance. One such example is the use of flexible transformers that automatically adjust voltage depending on the grid's state. Another option is to store biogas and use it to generate electricity, for example when the sun is not shining. Aiming to test and refine such techniques in practice, in June 2011, RWE Deutschland launched one of Germany's first smart electricity networks as the consortium leader of Smart Country – Networks for the Electricity Supply of the Future, a smart grid model experiment subsidised by the German Ministry of Economics and Technology. The goal is to gain knowledge of the operation of this type of network in a region in Bitburg-Prüm County over a period of three years. Together with our partners ABB, Consentec and Dortmund Technical University, we want to demonstrate how to ensure security of supply, especially in rural regions, despite fluctuations in electricity fed into the grid from renewable sources.

Power plant for domestic use. The transformation of Germany's energy industry is not just taking place among utilities and network operators – it also involves customers. Together with Vaillant, we developed and brought to market a 'home power plant.' It consists of a gas motor that generates both electricity and heat. What is special about this is that customers can make use of the electricity themselves or feed it into the grid. In the future, it should also be possible to fit the unit with an ecological heating rod that enables the production of heat with electricity from a wall socket. In this case, the motor is switched off. This is worthwhile especially when electricity is affordable, for instance during periods in which large amounts of electricity are put on the system by wind turbines and solar panels. A smart control developed by RWE ensures that the system's operating mode is ideally matched to the situation on the market and consumption.

Heating with green electricity. Another way of optimising domestic energy usage involves the use of the 'wind heater' which we are in the process of developing and testing. The term describes a novel electrical storage heater, the charging times of which can be flexibly adapted to fluctuations in electricity produced from renewables. To date, electric heaters have generally been charged overnight. In March 2011, RWE Effizienz GmbH teamed up with Siemens and tekmar GmbH to launch an R&D project for managing loads and making wind heaters economically feasible. Fifty of RWE Vertrieb AG's customers are also participating in the pilot project. Initial results are expected by the end of the 2011/2012 heating period.

RWE recognised as innovation leader. We rank first in the 2010 Innovation Index of the European School of Management and Technology (ESMT). The ESMT assessed the innovative capabilities of Europe's 15 largest energy utilities from 2007 to 2010. The Innovation Leader among European Energy Utilities Award is particularly in recognition of our wide range of R&D activity: we cover 14 of 15 fields of research classified as important by ESMT – more than any of our competitors. The jury members also honoured our relatively high R&D expenditure and large number of patent applications.

1.11 DEVELOPMENT OF RISKS AND OPPORTUNITIES

The U-turn in German energy policy demonstrates how suddenly the framework conditions in the energy sector can change. However, political interventions are not the only risks to which utilities such as RWE are exposed today. Changing market structures and fluctuating electricity and fuel prices also bring major commercial challenges, making professional risk management indispensable. To us, the early systematic recording, assessment and control of risks is a key element of solid business management. It is equally important to identify – and take advantage of – opportunities.

Organisation of risk management in the RWE Group. Overall responsibility for the groupwide risk management system sits with the Executive Board of RWE AG. It establishes the rules and minimum standards, defines the caps for the aggregated market and credit risks and takes decisions on individual transactions that can result in substantial risks.

The Corporate Controlling Department, which reports to the CFO, bears responsibility for the control, steering and co-ordination of the risk management system. This organisational unit regularly reports on the Group's risk situation to the Executive Board and the Risk Management Committee of RWE AG.

The Risk Management Committee is in charge of monitoring and refining the risk management system. It is composed of the heads of the following RWE AG departments: Commodity Management, Compliance & Management Board Office, Corporate Controlling, Finance, Accounting, Legal/Board Affairs, Audit and Corporate Development & Strategy. The Committee is chaired by the head of the Corporate Controlling Department.

In addition, the following organisational units have been entrusted with corporate risk management tasks:

The Executive Board mandate relating to commercial management, to which the Commodity Management Department is assigned, controls commodity positions. Within a framework determined by the entire Executive Board, this Executive Board mandate grants approvals for hedging strategies and large commodity transactions which are not covered by limits. Decisions concerning hedging strategies are prepared by the Commodity Management Committee, to which the Executive Board member in charge of commercial management and the Head of the Commodity Management Department as well as representatives of the Board of Directors of RWE Supply & Trading belong.

Limits for the commodity risks of operating companies are defined by the Commodity Management Department. The basis for these are the risk caps established by the entire Executive Board.

The CFO of RWE AG monitors commodity risks. In fulfilling this task, he is assisted by the CFOs and managing directors in charge of finance of our major Group companies. The Risk Controlling Unit, which belongs to the Corporate Controlling Department, establishes groupwide performance targets for risk measurement, tracks commodity risks and reports on this to the Executive Board. By using dual controls, we ensure that major risks are closely monitored and that guidelines are implemented uniformly throughout the Group.

The controlling of the RWE Group's credit risks is handled by the Credit Risk Controlling Unit, which also belongs to the Corporate Controlling Department.

Monitoring financial risks at the RWE AG level is the responsibility of the Financial Controlling Unit, which belongs to the Finance Department. Its tasks include reporting on currency, interest and liquidity risks.

The strategic guidelines for the management of our financial assets (including the funds of RWE Pensionstreuhand e.V. and RWE Pensionsfonds AG) are determined by RWE AG's Asset Management Committee. It weighs the earnings prospects and risks against each other, selects suitable asset classes (bonds, stocks, etc.) and decides on the allocation of the company's funds to them. The members of the Asset Management Committee are the CFO of RWE AG, the Head of Group Finance and the CFOs of the following Group companies: RWE Dea, RWE Power, RWE npower, enviaM, Süwag Energie and Lechwerke.

Risks associated with financial reporting are monitored by RWE AG's Corporate Accounting Department. This department also reports directly to the CFO. It uses an internal control system, which is described in detail on page 94 et seq.

In addition, the Corporate Compliance Department monitors compliance with RWE's Code of Conduct, paying special attention to the avoidance of corruption risks. It reports to the President and CEO of RWE AG or, if members of the Executive Board are affected, directly to the Chairman of the Supervisory Board and the Chairman of the Audit Committee.

Under the expert management of the aforementioned areas, our Group companies ensure that the risk management guidelines are implemented throughout the Group.

Risk management as a continuous process. Risk management is an integral part of our operating workflow as a continuous process. Risks and opportunities, defined as negative or positive deviations from target figures, are identified and classified early on. We evaluate risks according to their probability of occurrence and damage potential and aggregate them at the Group company or Group level. Our analysis covers the three-year horizon of our medium-term planning. It may extend beyond that for material strategic risks. Risks that share the same cause are aggregated to one position. If a risk can be reduced, the residual risk is reported together with the countermeasures already taken. The damage potential is defined in relation to the operating result and equity of the business unit concerned and the Group as a whole. We analyse risks using a matrix, in which the risks as well as their probability of occurrence and potential damage are represented. We can derive from this whether there is a need for action and the scope of such action. Risks with a high probability of occurrence or damage potential are mitigated by taking operational measures. Where necessary, we account for them by taking precautionary steps on the balance sheet, e.g. provisions. We evaluate and manage opportunities as part of our regular planning process.

We prepare standardised reports on our risks and opportunities for our management and supervisory committees on a quarterly basis. The Executive Board of RWE AG is immediately informed of unforeseen material changes to the risk situation. Our Group Audit Department regularly appraises the quality and functionality of our risk management system. Nevertheless, we cannot guarantee with absolute certainty that all relevant risks are identified early on and that the controls work. For example, human error can never be ruled out completely.

Overall assessment of the risk and opportunity situation by executive management. As an energy company with a long-term investment strategy, RWE is especially dependent on reliable political framework conditions. However, we are witnessing a rising 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 in particular. 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 structural changes on energy markets. For instance, the continued rise in the number of wind turbines and solar panels is crowding out gas and 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. A large number 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. In sum, the imponderables in our business have grown. Nevertheless, there are no identifiable risks that jeopardise the continued operation of RWE AG or the RWE Group.

Major risk and opportunity categories. The following illustrates the risks and opportunities which may have a substantial impact on our asset, financial and earnings positions. They belong to the following categories, the first four of which are particularly important to us at present.

- **Risks and opportunities arising from the volatility of commodity prices:** The development of prices on commodity markets greatly influences our earnings, especially in the field of electricity generation. For example, decreasing electricity prices or rising fuel costs may lead to a decline in margins and reduce the value of our power plants. RWE Dea's upstream business is also exposed to price risks. Moreover, unfavourable market developments can cause the costs we incur purchasing electricity and gas to exceed the prices we can realise through sales to end-customers and distributors. This primarily relates to those of our gas procurement contracts which are linked to the price of oil. However, the aforementioned risks are contrasted by the possibility that the prices may develop in RWE's favour. We assess the price risks to which we are exposed on the procurement and supply markets taking account of current forward prices and expected price volatility. Commodity and credit risks faced by generation and sales companies are managed by following hedging rules established by RWE AG. As already mentioned, in the generation business, we limit risks by selling most of our electricity early on, via forward contracts, and hedging the price of the required fuel and emission certificates. We also make use of forward markets to limit risks in RWE Dea's upstream business and in RWE Supply & Trading's gas midstream business.

RWE Supply & Trading plays a central role when it comes to managing commodity price risks. This is the company in which we pool our commodity transaction expertise as well as the associated risks. RWE Supply & Trading is the RWE Group's interface to the world's wholesale markets for electricity and energy commodities. The company markets large portions of the Group's generation position and purchases the fossil fuels and CO_2 emission certificates needed to produce electricity. Its role as internal transaction partner makes it easier for us to limit the earnings risks for the generation and supply businesses stemming from price swings on energy markets. RWE Supply & Trading also uses commodity derivatives to minimise risk in the procurement and supply businesses. However, the trading activities are not exclusively orientated towards reducing risks. RWE Supply & Trading undertakes proprietary trading to a strictly limited extent in order to take advantage of changes in prices on energy markets.

The RWE Group's risk management system for energy trading is firmly aligned with best practice as applied to the trading transactions of banks. Transactions are concluded with third parties only if credit risks are within approved limits. Groupwide guidelines provide structures and processes for the treatment of commodity price risks and associated credit risks. The commodity positions in our subsidiaries are constantly monitored, and findings are reported to the responsible committees. Furthermore, the Executive Board of RWE AG receives detailed updates on our consolidated commodity risk positions on a quarterly basis. The Group companies inform the Corporate Risk Controlling Department about their positions, which consolidates them. This procedure is not followed for market risks arising in connection with the proprietary trades conducted by RWE Supply & Trading. Such risks are monitored daily and stated separately.

The upper risk limits in the energy trading business are set by the Executive Board of RWE AG. The Value at Risk (VaR) is of central significance. It quantifies the potential loss resulting from a risk position that will not be exceeded with a predetermined probability and within a predetermined time period. In principle, the VaR figures within the RWE Group are based on a confidence interval of 95 % and a holding period of one day. This means that, with a probability of 95 %, the maximum daily loss will not exceed the VaR. The central risk controlling parameter for commodity positions is the Global VaR that relates to the trading business of RWE Supply & Trading and may not exceed €40 million. In fiscal 2011, it averaged €14 million, and the daily maximum was €27 million. In addition, we have set limits for each trading desk. Furthermore, we factor extreme scenarios into stress tests, determine the influence they can have on liquidity and earnings, and take countermeasures whenever the risks are too high.

- **Risks and opportunities resulting from gas procurement contract renegotiations:** We source gas on liquid wholesale gas markets such as the TTF (Netherlands) and the NBP (United Kingdom) as well as based on long-term purchase agreements linked to the price of oil. Prices at the aforementioned trading points have been decoupled from those of contracts linked to the price of oil since 2009, temporarily falling significantly below it. As a result, due to contractual provisions, some of the gas we buy is much more expensive than on the market, causing declines in margins and customer losses. This primarily affects our German and Czech activities. To obtain purchase conditions adapted to the development of the market, we entered into contract renegotiations with our gas suppliers, a large number of which have already turned into arbitration proceedings. The outcomes of the renegotiations will have a substantial influence on our medium-term earnings. We have already reached agreements with respect to some long-term contracts: large parts of them were either converted to wholesale gas price indexation or terminated prematurely by mutual consent. Nevertheless, there is a risk that the outcomes of the ongoing renegotiations may lag behind the original expectations we had based on detailed legal assessments. However, we may be able to enforce conditions that are more favourable than assumed initially.

- **Risks resulting from CO_2 emissions:** Lignite and hard coal power plants account for a significant proportion of our electricity generation portfolio. Our specific carbon dioxide emissions are thus far above the sector average. In December 2008, the EU member states agreed that the Western European electricity sector will hardly be allocated any free certificates in the third emissions trading period, which starts in 2013. This will cause our annual spending on emission allowances to again be much higher than in the current trading period, which ends in 2012. By 2020, we intend to reduce our specific carbon dioxide emissions by more than 20 % compared to 2005 by modernising our power stations and expanding renewable energy. Furthermore, we limit our CO_2 risk by participating in climate-protection projects within the scope of the Kyoto Clean Development Mechanism and Joint Implementation programme. Another measure involves the virtual swapping of power plant capacity with other generators. In addition, we conclude long-term electricity supply agreements, in which the CO_2 price risk is borne by the customer. Furthermore, we have already purchased a certain number of CO_2 certificates for the third emissions trading period.

- **Regulatory and political risks:** As a utility, we plan our capital expenditure for periods extending over decades, making us especially dependent on reliable political framework conditions. However, we are witnessing an increasing trend towards regulatory intervention in the energy market. Due to the budgetary difficulties of numerous European countries, there is now an increased risk of governments imposing new burdens on the economy. This could particularly affect companies that are bound to certain locations, such as utilities. An example of this is the German nuclear fuel tax, which curtails our earnings considerably. As its legality is questionable, we filed lawsuits with the appropriate fiscal courts to have the enforcement of the tax repealed. Ultimately, the German Constitutional Court – or if necessary the European Court of Justice – will rule on the admissibility of the nuclear fuel tax. However, this is unlikely to happen until several years from now. Until then, there will be substantial uncertainty, which will make our planning difficult.

  The sudden change of course in German energy policy following the reactor catastrophe at Fukushima also proves that the political risks in the utility sector have risen. The 13th amendment to the German Nuclear Energy Act (NEA), which became effective at the beginning of August 2011, nullified the lifetime extension for German nuclear power plants introduced in 2010 and required the immediate shutdown of eight of the country's 17 reactors. Staggered decommissioning dates were established for the remaining units (see page 43). The risk concerning the nuclear power stations that are still online is that they may not be able to make full use of the transferable electricity generation allotments which they are entitled to according to the NEA. We believe the 13th amendment to the NEA is unconstitutional because the operators of the reactors affected will not be compensated and the decommissioning dates were established without sound justification. Therefore, in February 2012, we filed an appeal with the German Constitutional Court. Prior to this, in April 2011, we had brought lawsuits before the Hessian Administrative Court of Justice in Kassel against the nuclear moratorium imposed on Biblis A and B from March to June 2011.

  The rise in political risks in the field of nuclear energy is also reflected in the current debate on the selection of a final storage site in Germany. The final storage facility is to be used to dispose of highly radioactive waste produced by nuclear power stations. We believe that a new law will lead to the risk of a further delay in the selection process and impose additional financial burdens on utilities.

  Risks also arise from the monitoring of anti-competitive pricing practices, the legal framework of which became stricter at the end of 2007. In addition, legislative initiatives have been launched at the European level, which aim to increase the regulation of energy trading transactions. One of the objectives is to oblige utilities to trade commodity derivatives at clearing points, pledging more financial collateral than previously in cases in which the derivative positions exceed a financial cap that is yet to be determined.

  The incentive-based regulation of electricity and gas networks in Germany introduced in 2009 also harbours earnings risks. The regulator has yet to determine the maximum revenue each company is allowed to earn in the second five-year regulatory period, which begins on 1 January 2013 for gas and 1 January 2014 for electricity. Furthermore, it has not yet assessed the efficiency of the network operators. Should shortcomings be identified, the companies shall be obliged to eliminate them by the end of the regulatory period by cutting costs. Irrespective of whether they succeed in doing so, the regulator will gradually reduce the earnings caps of the affected companies. In general, there is a risk that our network companies may be subjected to revenue caps that are too low and that these may actually be reduced further on grounds of alleged inefficiencies. However, we also see an opportunity, as the regulator may establish parameters that are favourable to our network companies. Moreover, we are confident that the framework conditions for network investments will be improved.

  We are exposed to risks associated with approvals when building and operating production facilities. This particularly affects our wind farms, opencast mines and power plants. If their operation is interrupted or curtailed, this can result in significant production and earnings shortfalls. Furthermore, there is a danger of new-build projects either receiving late or no approval, or of granted approvals being withdrawn. Depending on the construction progress made and the contractual obligations to suppliers, this can have a significant negative financial impact. We take precautionary measures against this by preparing our applications for approval with great care and ensuring that approval processes are handled competently.

We are following the political upheaval in North Africa very closely. RWE Dea is active in this region, where it is conducting upstream projects. We already produce oil and gas in Egypt. Furthermore, we are planning activities in Libya. As in all non-OECD countries, we have backed our capital expenditure there largely through federal guarantees and will also do this for future projects.

- **Other legal and arbitration procedures:** Individual RWE Group companies are involved in litigation and arbitration proceedings due to their operations or the sale of companies. Out-of-court claims have been filed against some of them. Furthermore, Group companies are directly involved in various procedures with public authorities or are at least affected by their results. However, we do not expect any material effects on the RWE Group.

  Some conciliation proceedings in connection with the legal restructuring of companies are still pending. They were initiated by outside shareholders in order to examine the appropriateness of conversion ratios or cash compensation. Since these figures were calculated by independent experts and several first-instance decisions have been in our favour, we believe the associated risks are low. If different legally enforceable decisions are reached, we will pay compensation to all affected shareholders, including those who are not directly involved in the conciliation proceedings.

- **Financial risks and opportunities:** The volatility of foreign exchange rates, interest rates and share prices can also have a significant effect on our earnings. We attach significant importance to currency risk management, due to our international presence. Furthermore, energy commodities such as coal and oil are traded in US dollars. Group companies are generally obliged to limit their currency risks via RWE AG. The parent company determines the net financial position for each currency and hedges it if necessary. The VaR concept is one of the tools used to measure and limit risk. In 2011, the average VaR for RWE AG's foreign currency position was less than €1 million.

  We differentiate between two categories of interest rate risks. 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 the securities price risk of our capital investments in 2011 averaged €7 million (previous year: €9 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. In 2011, the average Cash Flow at Risk was €19 million.

  The securities we hold in our portfolio include shares. The VaR for the risk associated with changes in share prices averaged €12 million (previous year: €11 million).

  Risks and opportunities from changes in the price of securities are controlled by a professional fund management system. The Group's financial transactions are recorded centrally using special software and are monitored by RWE AG. This enables us to balance risks across individual companies. Range of action, responsibilities and controls are set out in internal guidelines, to which our Group companies are obliged to adhere.

- **Creditworthiness of business partners:** Our business relations with financial institutions, trading partners, customers and suppliers expose us to credit risks. These may increase considerably if the Eurozone's sovereign debt crisis becomes more serious. We counter them with widely diversified financing sources, cash investments and bank partners across various currencies, jurisdictions and maturities.

  We track the creditworthiness of our counterparties closely. In addition, we ensure compliance with groupwide standards when measuring and managing credit risks. We manage credit risks by setting limits and by adjusting them, especially in the event of changes in creditworthiness. If necessary, we request cash collateral or bank guarantees. We also take out credit insurance policies or make use of credit default swaps as far as economically feasible.

  Most of the banks and trading partners with which we have credit relationships are of good creditworthiness. We assess their credit standing based on external ratings. If no such ratings are available, we apply internal assessment methods. In addition, for banks, we use an early warning indicator, which we developed in light of the financial market crisis in 2008. We sell a significant portion of our electricity generation on exchanges. The credit risk for these sales is assumed by a clearing unit. As a rule, over-the-counter energy trading transactions are concluded on the basis of framework agreements, e.g. those prescribed by the European Federation of Energy Traders (EFET). In addition, we agree on collateral. For financial derivatives, we make use of the German master agreement or the master agreement of the International Swaps and Derivatives Association (ISDA). We measure our credit risk exposure in the trading and finance sectors on a daily basis.

- **Liquidity risk:** Liquidity risks consist of the danger of our liquidity reserves no longer being sufficient to meet our financial obligations in a timely manner. At RWE, such obligations result above all from the refinancing of financial liabilities due. Furthermore, we must put up collateral if trading contracts marked to market result in a loss. We classify our liquidity risk as low. The basis for this is our solid financing. We have strong cash flows from operating activities, substantial cash and cash equivalents, unused credit lines and further financial latitude thanks to our Commercial Paper and Debt Issuance Programmes. Our careful planning ensures that we are liquid at all times. Among other things, we make use of a groupwide notification system, which records the Group companies' short, medium and long-term need for financial resources.

- **Risks and opportunities associated with corporate strategy:** Decisions on capital expenditure on property, plant and equipment and acquisitions are associated with major risks and opportunities, due to the amount of capital employed and the fact that it is tied up long term. When a company is acquired, problems can arise in relation to the integration of employees, processes and technologies. RWE has specific accountability provisions and approval processes in place to prepare and implement strategic decisions concerning capital expenditure on property, plant and equipment as well as acquisitions. Closely monitoring both our markets and competitors helps us record and assess strategic risks and opportunities early on.

- **Continuity of business activities:** We operate technologically complex and interconnected production plants in all parts of our value chain. Uninsured damage can be incurred by our lignite mining equipment, production facilities, power stations, power plant components and networks. There is an increasing risk of outages in our power plants as their components age. In addition, the construction of new plants can be delayed due to accidents, faulty materials, late deliveries or time-consuming approval procedures. As far as possible, we mitigate these risks through diligent project management. Our network business is exposed to the risk of facilities being damaged by force majeure such as severe weather conditions. We limit these risks through high safety standards as well as regular inspection, maintenance and servicing work. If economically viable, we take out appropriate insurance policies.

- **Information technology:** Our business processes are supported by efficient data processing systems. Nevertheless, we cannot fully rule out a lack of availability of IT infrastructure or a breach in the security of our data. We mitigate these risks by applying high security standards as well as raising user awareness and limiting access privileges. In addition, we regularly invest in hardware and software upgrades. Our IT is largely based on common market standards. Its operations are run in modern data centres. We have established a mandatory groupwide process for managing risks associated with engineering IT solutions.

- **Human resources:** Competition for the best talent is becoming increasingly fierce. To secure and strengthen our position in this area, when recruiting staff, we highlight RWE's attractiveness as an employer. In addition, we strive to retain experts and executives over the long term. In addition to performance-based compensation and progressive employee benefits, we put a great deal of effort into the varied prospects they are offered throughout the RWE Group: trainee programmes, cross-disciplinary career paths, assignments in various European Group companies as well as attractive continued education and advanced training offerings. We limit staff fluctuation risks through replacement arrangements and early succession planning.

Report on the accounting-related internal control system: statements in accordance with Sec. 315, Para. 2, No. 5 and Sec. 289, Para. 5 of the German Commercial Code. Risks associated with financial reporting reflect the fact that our annual, consolidated and interim financial statements may contain misrepresentations that could have a significant influence on the decisions made by their addressees. Our accounting-based Internal Control System (ICS) aims to detect potential sources of error and limit the resulting risks. It covers the financial reporting of the entire RWE Group. This enables us to ensure with sufficient certainty that the parent company and consolidated financial statements are prepared in compliance with statutory regulations.

The design of the accounting-related ICS largely mirrors the organisation of our accounting and financial reporting process. One of the main features of this process is the control over the Group and its operating units. The basis is provided by the target parameters determined by the Executive Board of RWE AG. Building on them and our expectations concerning the operating business trend, we develop our medium-term budget once a year. It includes the figures budgeted for the following fiscal year as well as the figures planned for subsequent years. We prepare forecasts in line with the budget for financial years underway. The Executive Board of RWE AG and the management boards of its major subsidiaries convene once a quarter in order to evaluate the interim and annual financial statements and update the forecasts.

Accounting is mostly organised locally. Occasionally, this task is performed by Group companies for their subsidiaries. Certain processing tasks such as payroll accounting are pooled at internal service providers like RWE Service GmbH or are at least subject to uniform groupwide quality standards. As holding company, RWE AG performs central accounting tasks. These include consolidation, the accounting treatment of provisions for pensions in Germany, and goodwill impairment tests. RWE AG is also in charge of tasks relating to the management and monitoring of financial instruments, money transactions, cash investments and tax group accounting. External service providers are commissioned in certain cases.

The CEOs and CFOs or the managing directors of major subsidiaries as well as certain RWE AG department heads must take an internal balance-sheet oath for external half and full-year reporting. Only then do the members of the Executive Board of RWE AG take an external half and full-year balance-sheet oath and sign the responsibility statement. Thereby, they confirm that the prescribed accounting standards have been adhered to and that the figures give a true and fair view of the net assets, financial position and results of operations.

We prepare our financial statements using a groupwide reporting system that we also use to prepare the budgets and forecasts. All fully consolidated subsidiaries use this system. It forms the basis for a standardised data reporting process within the Group. The financial accounting systems are largely maintained by RWE IT GmbH.

We identify risks in financial reporting at the divisional level on the basis of quantitative, qualitative and process-related criteria. The foundations of the ICS are our generally binding guidelines and ethical values, which are also set out in RWE's Code of Conduct. Building on this, the minimum requirements of the major processing steps ensure the integrity of data collection and management. The risks of individual balance-sheet items resulting from subjective discretion or complex transactions are recorded in a groupwide risk and control matrix. Once a year, we prove that the necessary controls have actually been implemented and carried out properly. This is done by the Internal Audit Department, external auditors, or the management in charge of performing the controls.

When in session, the Audit Committee of the Supervisory Board regularly concerns itself with the effectiveness of the accounting-related ICS. Once a year, the CFO of RWE AG presents to the committee on the risks of financial reporting. He also explains which control measures were taken and how the proper implementation of the controls was verified.

Our Corporate Audit Department is certified to the Quality Management in Internal Auditing Standard recommended by the German Internal Audit Association. It reports to the entire Executive Board. For disciplinary matters, it is assigned to the Deputy Chairman of the Executive Board, and in functional respects, it reports to the CFO.

1.12 OUTLOOK

RWE increasingly reaps the benefits of past investments. When new electricity generation plants are commissioned, they provide us with additional income. Higher oil and gas production volumes also have a positive effect on our earnings. Furthermore, we benefit from long-term efficiency improvements. This helps us to cushion the burdens resulting from declining generation margins and loss-making gas procurement contracts. We expect that our operating result for 2012 and 2013 will be in the order of the level achieved in 2011. Notably, the effects of the ongoing divestment programme have already been considered in this forecast. Recurrent net income is also expected to display a stable development. The prospects for keeping our dividend attractive are therefore good.

Global economy loses momentum. 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 will probably remain the economy's engine, although the country's real-estate sector is showing initial signs of weakening. In the Eurozone, measures to consolidate the state budgets will dampen growth: its gross domestic product (GDP) may stagnate in 2012. Germany's prospects are a little brighter. Following 3% growth last year, the German Council of Economic Experts is of the opinion that a gain of nearly 1% is possible. German investment in fixed assets is expected to drop compared to 2011. Furthermore, the difficult economic situation in neighbouring European countries is likely to curtail exports, whereas consumer spending should inject stabilising stimulus. GDP in the Netherlands and Belgium is forecast to rise by about 0.5%. The same applies to the United Kingdom. Austerity measures mandated by the government and the persistently weak property market will probably curtail consumer spending. Initial estimates for our Central Eastern European markets also indicate a decline in economic momentum. Poland's economy is likely to grow by more than 2%, whereas in the Czech Republic, it will probably expand by a mere 0.5%. Hungary may 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. However, weather-related effects, which are difficult to predict, will outweigh the economic impact, especially with regard to gas. As mentioned earlier, 2011 temperatures were much higher than the ten-year average. A normalisation would thus lead to an increase in the need for energy.

As regards electricity, we anticipate that consumption in Germany will demonstrate weak growth at best, advancing by less than 1%. Stimulus will probably come primarily from the service sector, with demand in energy-intensive branches of industry actually likely to drop. Our forecast for the United Kingdom and the Netherlands is similar. 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 to see a weather-driven rise in demand across all core markets. Disregarding temperature effects, Germany will probably experience a decrease in consumption of about 1%. This estimate is based on the assumption that the continued expansion of renewable energy and the currently low price of CO_2 emission allowances will result in a further decline in the deployment of gas-fired power plants. In the Netherlands and the United Kingdom, gas consumption could actually drop by more than 1% if temperatures do not have an impact. In these countries, gas-fired power stations account for a fairly large share of electricity generation. Moreover, the United Kingdom is making substantial progress in the heat insulation of buildings. Poland will probably be the only one of our Central Eastern European countries to record a significant, temperature-adjusted rise in demand for gas. The country's good economy is the basis for this.

Commodity prices to maintain high level. Despite the anticipated deterioration of the economy, we do not expect prices on commodity markets to decline substantially. Even if they did, this would not significantly affect our earnings in the financial year underway as we have sold forward nearly all our 2012 electricity generation and purchased the necessary fuel or at least secured its price. The electricity price realised by RWE Power is lower than the comparable figure for 2011 of €63 per MWh. We also limited the exposure to price risks of this year's oil and gas production by concluding forward sales.

However, 2013 earnings may be significantly influenced by the future development of commodity quotations. Our current forecast is largely based on the forward prices prevailing at the beginning of 2012. At the end of January, the 2013 forward for Brent crude was trading in London at US$105 per barrel. The same contract for thermal hard coal (including freight and insurance) was quoted at US$115 per metric ton on the Rotterdam market. At the Dutch trading point, gas cost €27 per MWh, still clearly less than in oil price-indexed gas purchasing contracts. At the end of January 2012, CO_2 emission allowances traded for €9 per EUA. The fact that they have recently become much cheaper is reflected in the price of electricity. The 2013 forward for base-load deliveries in Germany traded for €52 per MWh on 31 January. RWE Power has already placed over 50% of its 2013 electricity production on the market.

Organic growth despite difficult framework conditions. Climate protection, resource conservation and organic growth remain at the very top of our agenda. We are thus staying on our strategic course, despite adverse economic and political framework conditions. However, we will slow down in reaction to the burdens we will face in the coming years resulting from the cessation of operation of our Biblis nuclear power plant, the nuclear fuel tax and lower power plant margins. For the three-year period through to 2014, we plan to spend a total of €16 billion on property, plant and equipment. Our capital expenditure is thus likely to exceed the funds at our disposal after deducting the dividend payment from cash provided by operating activities. This should change no later than 2015, on completion of our ongoing power plant new-build programme. The Dutch Claus C and Moerdijk 2 combined-cycle gas turbine power plants took up commercial operation in January and February 2012, respectively. The dual-block lignite-fired power station at Neurath near Cologne is scheduled to follow at the end of March, with commissioning at the Pembroke (United Kingdom) and Denizli (Turkey) gas-fired power plants planned for the second half of the year. These facilities are the most modern of their kind. They consume less fuel than older comparable power stations, thereby producing less emissions.

At the centre of our growth strategy is the expansion of electricity generation from renewables. We intend to dedicate approximately €4 billion to this in the period from 2012 to 2014. Nearly half of these funds are earmarked for offshore wind farms. By 2020, the share of our electricity production capacity accounted for by renewable energy should have risen to at least 20%. At the end of 2011, it totalled 8%.

RWE Dea's upstream business is still one of our growth areas, although we want to sell stakes in projects in this area. RWE Dea plans to spend a total of €2.7 billion in capital in 2012 and the two following years. The regions of focus are the UK North Sea, the offshore areas of Norway, as well as Germany and North Africa. In 2014, RWE Dea wants to produce more than 40 million barrels of oil equivalent in terms of oil and gas and generate an operating result in the order of €800 million. We have also identified opportunities for growth in our Central Eastern and South Eastern Europe Division, especially in the field of electricity generation.

Divesting to preserve financial headroom. In order to implement the aforementioned growth plans, we will sell assets. We are considering disposal options for the Czech gas transmission system operator NET4GAS, our stake in Berlinwasser, some German sales and network activities, select power plant capacity and stakes in upstream projects. We plan to divest up to €7 billion in assets. This is less than we had originally envisaged. The number and selection of assets we put up for sale will primarily depend on the extent to which their disposal improves our leverage factor. The latter is defined as the ratio of net debt to EBITDA. The divestments are scheduled to be completed by the end of 2013.

Efficiency enhancements on target – new programme starting in 2013. We intend to conclude our current cost-cutting and revenue-enhancing programme at the end of 2012. The goal is to add a recurrent €1.5 billion to earnings compared to 2006. We plan to launch a new programme for 2013 and 2014. It should have a recurrent effect on earnings of €1 billion. We intend to realise three quarters of this as early as next year. The new programme covers all Group companies. We have already determined some of the measures, which are designed to improve operating procedures and to achieve savings in administration and IT, among other areas.

Forecast for 2012: revenue in the order of last year. We expect external revenue to be on a par with 2011. Since we have only held a minority stake in the transmission system operator Amprion since September 2011, we will 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 our German distribution system operators 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. Positive stimulus is expected to come from an increase in oil and gas production at RWE Dea. Furthermore, we will benefit from the commissioning of new generation capacity, with the dual-block lignite-fired power plant at Neurath near Cologne leading the way. This will be contrasted by mounting burdens caused 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 contracts in 2012 than we can realise when selling it on. This will result in further negative effects on earnings. Most of the contract renegotiations with our gas suppliers will probably not provide relief until 2013.

Outlook for 2012 € million	2011 actual	2012 forecast vs. 2011
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
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[1]
Recurrent net income	2,479	In the order of last year's level

1 This division's earnings will depend significantly on the development of gas and oil prices. The earnings forecast is based on market data valid as of mid-February 2012.

In 2012, the RWE Group's EBITDA and 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.

- 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. RWE Power can make an additional contribution with the new dual-block lignite-fired power station at Neurath. 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, we will incur additional costs when purchasing fuel and 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 drop.

- 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 remaining 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: From our current perspective, RWE npower will close 2012 significantly up year on year. The basis for this are additional measures taken to improve efficiency. We will benefit from this above all in our supply business, where margins should continue to recover. RWE npower raised residential electricity and gas tariffs by an average of 7.2% and 15.7% with effect from 1 October 2011. This was followed by a reduction in gas prices by an average of 5% as of 1 February 2012 through which we are passing price-induced relief in wholesale gas procurement through to our customers. Earnings in the generation business will probably continue to deteriorate due to market conditions. However, we will benefit considerably from the resumption of electricity production at our Tilbury site after having converted the hard coal-fired power station to run on biomass. Another positive impact will be felt from our new gas-fired power plant at Pembroke beginning commercial operation in the second half of the year.

- 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 sales and distribution margins in the Czech gas business. However, earnings posted by our local gas transmission activities should be stable. The same applies to our Hungarian and Polish electricity businesses.

- Renewables: The commissioning of new renewable generation capacity will add to revenue, contributing to an improvement in RWE Innogy's operating result. In particular, we will benefit from the fact that our wood pellet factory in the US state of Georgia, which opened in May 2011, will be available 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 also rise accordingly. This would have a positive impact on earnings. A counteracting effect will come from ongoing investment projects causing substantial run-up costs. In addition, we expect proceeds on the sale of projects we developed to drop.

- Upstream Gas & Oil: RWE Dea's operating result should improve significantly as we will commence production in several gas fields which we developed. Furthermore, we expect that we will be able to realise higher gas prices. We believe we will experience further relief in terms of exploration costs. However, as production increases, so do production costs.

- Trading/Gas Midstream: We expect these activities 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. Our earnings forecast is based on the market quotations observed in the middle of February 2012. We are in renegotiations with our gas suppliers, the outcomes of which will have a substantial effect on our medium-term earnings. However, most 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 power plant new-build programme. However, we anticipate spending more on expanding renewable capacity than in 2011. We also want to step up capital expenditure on our upstream gas and oil 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. However, it will still probably 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 solid A rating.

Headcount: slightly down year on year. We expect to see a slight decline in our workforce in the current financial year. Employee figures in the United Kingdom will drop significantly. 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.

Earnings forecast for 2013. The earnings prospects for 2013 are favourable, although we will face additional burdens in the field of electricity generation. These will result from the fact that our power stations will stop receiving free allocations of CO_2 emission allowances from 2013 onwards. However, this will be contrasted by the positive effects of the new efficiency-enhancement programme, which should total an estimated €750 million. In addition, we expect to be able to conclude most of the ongoing renegotiations with RWE Supply & Trading's gas suppliers and that they will lead to substantial relief. We want to have completed our divestment programme by the end of 2013. This will eliminate the earnings contributed by the disposed assets. Nevertheless, we anticipate that our operating result and recurrent net income will be of the order achieved in 2011. EBITDA will probably improve: we expect it to total about €9 billion in 2013.

Dividend remains attractive. We will maintain our payout ratio of 50% to 60% over the medium term. This means that we still want to pay out at least half of our recurrent net income to our shareholders. RWE will therefore continue to pay an attractive dividend.

2.0 OUR RESPONSIBILITY

€2.9 billion	Environmental expenditure
€146 million	Research and development costs
0.787 mt	CO_2 emissions per megawatt hour
8 %	Share of renewables in generation capacity
41.3 %	Thermal efficiency of fossil fuel-fired power plants

2.1 SUPERVISORY BOARD REPORT

Dear Shareholders,

In fiscal 2011, the Supervisory Board fulfilled all of the duties imposed on it by German law and the company's Articles of Incorporation. We regularly advised the Executive Board on running the company and monitored its activities. In so doing, we were consulted on all fundamental decisions. The Executive Board informed us of all the material aspects of business developments, major events and transactions both verbally and in writing. This was done regularly, extensively and in a timely fashion. We were kept abreast of the earnings situation, risks and risk management in an equally thorough manner.

The Supervisory Board convened six times in the year under review, including a constituent session following the Annual General Meeting on 20 April 2011 and an extraordinary session. The average participation rate was 93%. None of the Supervisory Board members attended less than half of the meetings. We took our decisions on the basis of detailed reports and draft resolutions submitted by the Executive Board. We were also informed of projects and transactions of special importance or urgency between meetings. The Supervisory Board passed the resolutions required of it by law or the Articles of Incorporation. Where necessary, it also did so in committee meetings. As Chairman of the Supervisory Board, I was constantly in touch with the Chairman of the Executive Board in order to discuss events of material importance to the RWE Group's situation and development.

Main points of debate. One of the focal topics of our discussions in fiscal 2011 was the German government's U-turn in energy policy following the reactor incident at Fukushima and its effects on the RWE Group's earnings. The Executive Board provided us with detailed reports on the Fukushima events. We were also informed comprehensively about the legal assessment of the resolutions passed on nuclear energy by the German government and on the lawsuits filed in this context. The Executive Board also informed us of the political situation in Libya and Egypt, countries in which RWE Dea is active. Also at the centre of our debates were the sale of a 74.9% stake in Amprion and of our minority interest in the Rostock hard coal-fired power station as well as further divestment projects. Moreover, we concerned ourselves with the acquisition of the Dutch company Energy Resources Holding and progress made in our power plant new-build projects.

At an extraordinary meeting, we directed our attention to the Executive Board's concept for the RWE Group's strategic alignment and the strengthening of its financial power. With regards to the Executive Board's proposed issuance of new RWE shares by making use of authorised capital and of treasury shares, we transferred the powers held by the Supervisory Board to a committee set up for this purpose. The focal points of one of our ordinary sessions included the prospects of generating electricity from renewables, the expansion of which is a core element of RWE's strategy.

The Executive Board regularly informed us of the revenue and earnings, measures to reduce costs, and price developments on energy markets. At our session on 12 December 2011, following in-depth consultations, we adopted the Executive Board's planning for 2012 and the forecasts for 2013 and 2014. We received detailed commentary in cases where there were deviations from plans and goals established previously.

Another item we approved at the meeting on 12 December 2011 was the requirements that have to be met by members of the Executive and Supervisory Boards. These requirements are designed to ensure that the selection of new Supervisory and Executive Board members is conducted in an orderly fashion and is based on objective criteria.

Dr. Manfred Schneider, Chairman of the Supervisory Board of RWE AG

Conflicts of interest. Good corporate governance entails the members of the Supervisory Board disclosing potential conflicts of interest. No such notifications were made in the year under review.

Committees. The Supervisory Board has five regular committees. Their members are listed on page 193. These committees are charged with preparing for the Supervisory Board meetings, including drafting resolutions. In certain cases, they exercise decision-making powers conferred on them by the Supervisory Board. The committee chairmen regularly informed the Supervisory Board of their work.

The **Executive Committee** convened one extraordinary and one ordinary meeting in the 2011 financial year. Among other things, it did preparatory work for the Supervisory Board debates regarding the planning for fiscal 2012 and forecasts for 2013 and 2014.

The **Audit Committee** convened five times. It discussed at length the quarterly financial reports, the half-year financial statements and the annual financial statements. In addition, it prepared the award of the audit contract to the independent auditor, including setting the priorities of the audit and the fee agreement. Special attention was paid to the Group's risk management and the accounting-related internal control system. Furthermore, the committee dealt with compliance issues and the audit results of the internal audit department as well as its audit schedule. A large number of other topics were on the committee's agenda in fiscal 2011, including the refinement of RWE Supply & Trading's internal control system, the RWE Group's budgeting and controlling system, the state of information safety, sustainability reporting, the ongoing gas contract renegotiations, the power plant new-build programme, and the economic situation in the German network business as well as at RWE Innogy. In the meetings on 7 November 2011 and 27 February 2012, the Executive Board reported on the sample audit of the annual financial statements for the Group and RWE Aktiengesellschaft conducted by the German Financial Reporting Enforcement Panel (DPR) on 31 December 2010. The sample audit was completed by DPR without it identifying any errors in our reporting. In addition, the committee discussed the annual and interim financial statements at length with the Executive Board and the independent auditor before they were published. The independent auditor was present at all of the committee meetings, participated in the debates, and reported on his audit and/or his audit-like review.

The **Personnel Affairs Committee** held three meetings. Debates primarily addressed the amount of Executive Board remuneration and the compensation system. Furthermore, the committee prepared the Supervisory Board's personnel-related decisions.

The **Nomination Committee** was in session once, during which it prepared the candidate proposals for the Annual General Meeting on 20 April 2011.

In the 2011 financial year, there was again no reason to convene the **Mediation Committee**, which complies with Sec. 27, Para. 3 of the German Co-Determination Act.

In August 2011, we established a **Financial Structure Improvement Committee**, which convened three times. The committee members concerned themselves in detail with the capital increase implemented in the year under review. In December 2011, the committee approved the use of authorised capital in exchange for a cash contribution and the price for placing the new shares and adopted the resulting amendments to the company's Articles of Incorporation. The committee's work ended on completion of the capital increase at the end of 2011.

Financial statements for fiscal 2011. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft scrutinised and issued an unqualified auditor's opinion on the 2011 financial statements of RWE Aktiengesellschaft, which were prepared by the Executive Board in compliance with the German Commercial Code, the financial statements of the Group, which were prepared in compliance with International Financial Reporting Standards (IFRS) pursuant to Sec. 315a of the German Commercial Code, the combined review of operations for RWE Aktiengesellschaft and the Group, and the accounts. In addition, PricewaterhouseCoopers found that the Executive Board had established an appropriate early risk detection system. The company was elected independent auditor by the Annual General Meeting on 20 April 2011 and commissioned by the Supervisory Board to audit the financial statements of RWE AG and the Group.

Documents supporting the annual financial statements, the annual report and the audit reports were submitted to the members of the Supervisory Board in good time. Furthermore, the Executive Board commented on the documents in the Supervisory Board's balance sheet meeting of 28 February 2012. The independent auditor reported at this meeting on the material results of the audit and was available to provide supplementary information. The Audit Committee had previously concerned itself in depth with the financial statements of RWE Aktiengesellschaft and the Group, as well as audit reports, during its meeting on 27 February 2012, with the auditor present. It had recommended that the Supervisory Board approve the financial statements as well as the appropriation of profits proposed by the Executive Board.

At its meeting on 28 February 2012, the Supervisory Board reviewed the financial statements of RWE Aktiengesellschaft and the Group, the combined review of operations for RWE Aktiengesellschaft and the Group, and the proposed appropriation of distributable profit. No objections were raised as a result of this review. As recommended by the Audit Committee, the Board approved the results of the audits of both financial statements and adopted the annual financial statements of RWE Aktiengesellschaft and the Group. The 2011 annual financial statements are thus adopted. The Supervisory Board concurs with the proposed appropriation of profits, which envisages a dividend payment of €2 per share.

Changes in personnel on the Supervisory and Executive Boards. The tenure of the members of the Supervisory Board ended on conclusion of the Annual General Meeting on 20 April 2011. The following shareholder representatives were re-elected to the Board: Ms. Dagmar Mühlenfeld, Dr. Paul Achleitner, Mr. Carl-Ludwig von Boehm-Bezing, Mr. Frithjof Kühn, Dr. Manfred Schneider, Dr.-Ing. Ekkehard D. Schulz, Dr. Wolfgang Schüssel and Dr. Dieter Zetsche. Dr. Gerhard Langemeyer and Dr. Wolfgang Reiniger retired from the Supervisory Board. They are succeeded by Messrs. Ullrich Sierau and Roger Graef. The re-elected employee representatives were Ms. Dagmar Schmeer as well as Messrs. Frank Bsirske, Werner Bischoff, Heinz Büchel, Dieter Faust, Hans Peter Lafos, Uwe Tigges and Manfred Weber. Messrs. Andreas Henrich and Günter Reppien retired from the Supervisory Board. They were replaced by Ms. Christine Merkamp and Mr. Manfred Holz. At the Supervisory Board's constituent meeting on 20 April 2011, I was confirmed as Chairman of the Supervisory Board and Frank Bsirske as my deputy. In addition, the committees were re-staffed. In accordance with the German Stock Corporation Act, Carl-Ludwig von Boehm-Bezing was appointed independent financial expert of the Supervisory Board and of the Audit Committee.

The Supervisory Board thanks its exiting members for their dedicated and constructive work as well as for their commitment to the company.

At its session on 8 August 2011, the Supervisory Board appointed Mr. Peter Terium Deputy Chairman of the Executive Board of RWE Aktiengesellschaft with effect from 1 September 2011. As of 1 July 2012, the Supervisory Board appointed Mr. Terium successor to Dr. Jürgen Großmann as President and CEO and Dr. Rolf Martin Schmitz his deputy. Dr. Großmann's tenure was ended with effect from 30 June 2012.

I wish to express my gratitude to the entire workforce for the work it did in the past year. Our employees' dedication and expertise made a substantial contribution to RWE being able to master the challenges it faced in 2011, despite the difficult framework conditions.

On behalf of the Supervisory Board

Dr. Manfred Schneider
Chairman

Essen, 28 February 2012

2.2 CORPORATE GOVERNANCE

Responsible, transparent and long-term corporate governance has always been given substantial significance at RWE. The latest version of the German Corporate Governance Code introduced in 2002 acts as a guideline for us. In the middle of 2010, diversity recommendations were included in the Code, which required RWE to do a lot of preparatory work and thus could not be implemented immediately. We made up this ground in the financial year that just ended. Since December 2011 we have once again complied with all of the points of the Code's recommendations.

The German Corporate Governance Code. 'Corporate governance' defines the responsible and transparent management and monitoring of a company, focused on long-term commercial success. RWE allows itself to be judged by this. We use the recommendations of the German Corporate Governance Code (hereinafter referred to as the 'Code') as the benchmark for this. The Code aims to increase the confidence placed by investors, customers, employees and the public in German listed companies. The Government Commission of the German Corporate Governance Code submitted the first version of the Code in February 2002. Since then, the Commission has reviewed it every year against the backdrop of domestic and international developments and adapted it whenever necessary. Last year was the first year in which no changes were made. The version of the Code announced in the electronic edition of the German Federal Gazette on 2 July 2010 thus remains valid.

Diversity in supervisory and management boards. In the fiscal year that just ended, we took measures to follow the recommendations concerning diversity in supervisory and management boards, which we were unable to comply with in the last declaration of compliance we made in February 2011. These recommendations had been included in the Code in 2010. They require supervisory boards to establish specific goals regarding their composition (Item 5.4.1). Taking into account the company's situation, the objectives must consider the company's international activity, potential conflicts of interest of the supervisory board members and diversity, as well as specifying an age limit. In particular, women are to be represented appropriately. The Code further recommends that companies report on their goals concerning the composition of their supervisory boards and the status of their implementation in future corporate governance reports (cf. Item 5.4.1, Para 3). With respect to the staffing of management boards, supervisory boards are to ensure compliance with diversity requirements, with due regard to the appropriate representation of women (Item 5.1.2). The same recommendation was issued for management boards in relation to the staffing of management positions (Item 4.1.5).

In order to comply with the recommendations, at its meeting on 12 December 2011 the Supervisory Board of RWE AG adopted the requirements that have to be met by members of the Executive and Supervisory Boards. The requirements ensure that new members of these boards are selected in an orderly fashion and that this selection is based on objective criteria. The following goals were set with respect to staffing the Supervisory Board:

- As envisaged by the German Stock Corporation Act and the German Corporate Governance Code, companies are to ensure that their supervisory boards provide qualified supervision and advice. The goal is to have at least one supervisory board member as a competent contact for every aspect of supervisory board activity in order for the necessary knowledge and experience to be represented comprehensively among all supervisory board members.

- Individuals who may be put up as candidates must have the integrity, commitment, independence and personality necessary to perform the tasks of a supervisory board member in a major stock corporation with international activities and to maintain the company's reputation in public. Proposals for candidates must take account of the situation specific to the company and of diversity, while in particular ensuring an appropriate degree of female representation. Women currently account for 15% of our Supervisory Board members. We intend to increase this ratio to 20% over the medium term. This would bring it in line with the female representation among RWE's staff in Germany. We intend to achieve this goal early on, when re-staffing positions that become vacant through natural attrition, and no later than the next Supervisory Board elections in 2016. Furthermore, we want to secure the international experience of individuals who do not come from Germany or have worked outside Germany for an extended period of time.

- Supervisory Board members are expected to know and understand the RWE Group's divisions, market environment, customer needs and strategy. They must possess all the skills required to perform the tasks of a Supervisory Board member (e.g. for evaluating Executive Board reports, business decisions and documents supporting financial statements) or acquire these where necessary.

- The requirements also include specific qualifications that are of importance to business activity. For instance, these may include experience from international activity or leadership roles in politics and business as well as expertise in the fields of energy, worker co-determination, accounting and financial statement audits as well as knowledge of the public sector.

- Supervisory boards must have an adequate number of independent members. Independence is deemed to exist if there are no business or personal relations with RWE AG or a Group company which could cause a permanent conflict of interest. Individuals who advise or sit on a committee of a major competitor of RWE may not belong to the Supervisory Board.

- Supervisory board members must have sufficient time to perform their mandates with the requisite dedication and care.

- When staffing vacancies, the search for candidates should focus on those who are capable of providing expertise that is either lacking or needs to be increased on the Supervisory Board.

Some of the requirements described above were met when re-staffing the Supervisory Board at the Annual General Meeting on 20 April 2011, before the requirements were adopted. They supplement the provisions already included in the Supervisory Board's bylaws, in particular relating to the age limit.

Since we adopted the requirements for the Executive and Supervisory Boards in December 2011, we have again complied with all of the recommendations of the current version of the Code and take up its suggestions, with a few exceptions.

Our listed Group company Lechwerke AG is also putting the Code into practice. However, the specifics of membership in the Group must be taken into account in this context. Lechwerke AG has included information on the deviations from the Code's recommendations in its statement of compliance.

Directors' dealings and potential conflicts of interest. Transparency is a core element of good corporate governance. It is indispensable, especially in cases where transactions concluded by the Executive Board may lead to conflicts of interest. We would like to highlight the following aspects of RWE's corporate governance practice:

- Material transactions concluded between RWE or a Group company and an Executive Board member or related party were in line with prevailing market standards. No conflicts of interest of members of the Executive Board going above and beyond this were reported. No Supervisory Board member concluded a contract with an RWE Group company.

- Executive Board members, related parties and members of the Supervisory Board purchased RWE shares in the year under review. No sales were notified to us. We were notified of transactions in accordance with Sec. 15a of the German Stock Corporation Act. We published information on them throughout Europe.

The RWE shares and related financial instruments directly or indirectly held by members of the Executive and Supervisory Boards account for less than 1 % of the share capital.

We publish further information on our corporate governance practices on the internet at www.rwe.com/corporate-governance. This web page also provides access to our Articles of Incorporation, the bylaws of the Supervisory Board and the Executive Board, RWE's Code of Conduct, all the corporate governance reports and statements of compliance as well as the corporate governance declaration in accordance with Sec. 289a of the German Commercial Code.

Statement of compliance in accordance with Sec. 161 of the German Stock Corporation Act. After an orderly audit, the Executive and Supervisory Boards of RWE AG issued the following declaration of compliance:

Between its last statement of compliance on 22 February 2011 and 11 December 2011, RWE Aktiengesellschaft complied with all of the recommendations of the Government Commission of the German Corporate Governance Code issued in the 2 July 2010 version of the Code, with the following exception:

The diversity recommendations set out in Item 5.1.2, Sentence 2 and Item 5.4.1, Paras. 2 and 3 were not fully complied with in the past. Ensuring diversity was and is common practice throughout the Group. Among other things, we have had diversity programmes tailored to increase the share of women in managerial positions for quite a while. However, an overall concept for achieving diversity goals when staffing the Executive Board had yet to be created. The same applied to the staffing of the Supervisory Board. As before, the Nomination Committee and the plenary session of the Supervisory Board considered the issue of diversity, RWE's international operations, potential conflicts of interest, and the age limit established for Supervisory Board members when selecting the candidates for the election of the shareholder representatives held on 20 April 2011. However, no specific objectives existed for the staffing of that Board at that time. The Supervisory Board of RWE AG was of the opinion that the establishment of such goals and of an overall concept required extensive preparatory work and in-depth discussions, which have since been completed. On 12 December 2011, the Supervisory Board adopted requirements for its members and for those of the Executive Board, thus creating a concept for achieving diversity targets.

Since 12 December 2011, RWE Aktiengesellschaft has complied with all of the recommendations of the Government Commission of the German Corporate Governance Code contained in the 2 July 2010 version of the Code.

RWE Aktiengesellschaft

On behalf of the Supervisory Board

Dr. Manfred Schneider

On behalf of the Executive Board

Dr. Jürgen Großmann Peter Terium

Essen, 28 February 2012

2.3 COMPENSATION REPORT

Part of good corporate governance involves making the remuneration of management and supervisory boards transparent. The principles of RWE AG's compensation system as well as its structure and payments are presented on the following pages. As in preceding years, RWE fully complies with the recommendations of the German Corporate Governance Code. The compensation report is part of the combined review of operations and the corporate governance report.

Executive Board compensation

Compensation structure. The structure and amount of Executive Board member compensation are determined by the Supervisory Board and reviewed on a regular basis. The existing compensation system, which was approved by the 2010 Annual General Meeting, ensures that the structure and amount of Executive Board member compensation is in line with common practice within the Group and on the market. It takes into account not only personal performance, but also RWE's business situation, performance and prospects for the future.

The Executive Board's total remuneration is essentially made up of short-term components such as the base pay and bonus as well as a long-term share-based component ('performance shares'). With target fulfilment at 100%, base pay, the bonus and the performance shares account for approximately 30%, 40% and 30% of total remuneration, respectively. The compensation components are presented in further detail hereinafter.

Short-term compensation components. Executive Board members receive cash compensation made up of a base salary, which is independent of performance, as well as a performance-based bonus, which is therefore variable.

The baseline bonus contractually agreed in addition to the fixed compensation consists of a company bonus and an individual component, with a 70:30 split. The company bonus is based on the degree to which the value added agreed at the beginning of the fiscal year has been achieved. If the actual and target figures are identical, the degree to which the target has been achieved is 100%, and the company bonus is identical to the contractually agreed baseline amount. Depending on the value added, the company bonus can range between 0% and 150% of the baseline bonus amount. The personal bonus depends on the degree to which an Executive Board member achieves the performance goals agreed with the Chairman of the Supervisory Board at the beginning of the financial year. The maximum degree to which this target can be achieved is 130%.

Since fiscal 2010, RWE has been paying only 75% of the bonus. The remaining 25% is withheld for a period of three years. A review based on what is termed a 'bonus malus factor' is conducted by the Supervisory Board at the end of the three-year period, in order to determine whether the Executive Board has managed the company sustainably. Only if this applies is the retained part of the bonus paid.

The development of the Group's value added determines 45% of the bonus malus factor. Another 45% is determined on the basis of a company-specific Corporate Responsibility (CR) Index, which builds on the sustainability reporting that has been a fixture at RWE for many years and reflects RWE's environmental and social activity. The remaining 10% of the bonus malus factor is determined by the Group's internal Motivation Index, which measures employee commitment and satisfaction. Before the three-year period, the Supervisory Board establishes binding target figures for value added, the CR Index, and the Motivation Index. At the end of the period, these target figures are compared to the figures actually achieved. The result of this comparison determines whether the retained part of the bonus is paid as well as its amount. The better the figures actually achieved, the higher the bonus malus factor. It may vary between 0% and 130%.

In line with statutory regulations, the rules governing the bonus retention and the bonus malus factor do not apply to the President and CEO, Dr. Jürgen Großmann.

In addition to a base salary and bonus, Dr. Jürgen Großmann is entitled to an annual pension capital contribution instead of a pension commitment.

Peter Terium receives as a pension benefit an annual pension instalment corresponding to 15% of his target cash compensation, i.e. his base salary and the target bonus. In the year under review, the pension instalment amounted to €85,000, of which €2,000 was turned into a pension commitment of equal value through a gross compensation conversion. The pension concept introduced with effect from 1 January 2011 is presented in further detail in the section on pensions on page 112.

In addition, all Executive Board members receive both non-cash and other remuneration, consisting primarily of the use of company cars and accident insurance premiums. Compensation also includes payment for exercising Supervisory Board mandates held by Executive Board members at affiliates. All this income is deducted from the bonus and therefore does not increase the total remuneration.

The short-term components of Executive Board compensation for fiscal 2011 were as follows:

Short-term Executive Board compensation in 2011	Non-performance-based compensation		Performance-based compensation		Non-cash and other remuneration		Payment for exercise of mandates[1]		Other payments		Total	
€ '000	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Dr. Jürgen Großmann[2]	2,700	2,700	3,708	3,898	35	30	0	37	2,000	2,000	8,443	8,665
Dr. Leonhard Birnbaum	750	750	694	779	24	24	40	0	0	0	1,508	1,553
Alwin Fitting	796	769	756	794	10	18	20	3	0	0	1,582	1,584
Peter Terium[3]	250	0	245	0	1	0	0	0	85	0	581	0
Dr. Rolf Pohlig	840	840	759	809	29	32	60	60	0	0	1,688	1,741
Dr. Rolf Martin Schmitz	750	750	574	543	17	20	160	236	0	0	1,501	1,549
Total	**6,086**	**5,809**	**6,736**	**6,823**	**116**	**124**	**280**	**336**	**2,085**	**2,000**	**15,303**	**15,092**

1 Income from the exercise of mandates is part of variable compensation.
2 Dr. Jürgen Großmann receives an annual €2,000,000 instead of a pension commitment.
3 Peter Terium receives a pension instalment corresponding to 15% of his targeted cash compensation instead of a pension commitment.

The retained bonus is not included in the compensation because it does not have an impact on remuneration until the end of the three-year period and only affects it if the necessary prerequisites are met. To convey a complete picture of the compensation components, the retained bonus has been presented in the following table voluntarily.

Bonus retention € '000	2011	2010
Dr. Jürgen Großmann	0	0
Dr. Leonhard Birnbaum	245	260
Alwin Fitting	259	266
Peter Terium	82	-
Dr. Rolf Pohlig	273	290
Dr. Rolf Martin Schmitz	245	260
Total	**1,104**	**1,076**

Long-term incentive compensation. In addition to the short-term remuneration components, performance shares are awarded to members of the Executive Board, excluding the President and CEO Dr. Jürgen Großmann, as part of the Beat 2010 long-term incentive plan ('Beat' for short). This long-term incentive compensation component aims to reward executives for the sustainability of the contribution they make to the company's success.

Performance shares are granted on condition that the Executive Board members invest in RWE common shares a sum which is equal to one-third of the value of the grant after taxes. The shares must be held for the respective Beat tranche's entire waiting period.

Performance shares consist of the conditional right to receive a payout in cash following a waiting period of four (optionally five) years. However, a payout only takes place if, on conclusion of the waiting period, the total return on the RWE common share – consisting of the return on the share price, dividend and subscription right – is better than the performance of at least 25% of the peer group companies included in the Dow Jones STOXX Utilities Index. When performance is measured, the latter are given the same weighting as they had at the inception of the corresponding Beat tranche. Consequently, the decisive factor is not only RWE's position among the companies in the peer group, but also which of the companies RWE outperforms. If RWE outperforms 25% of the index weighting, 7.5% of the performance shares are paid out. The proportion of performance shares that is paid out increases by 1.5% for every further percentage point by which the index weighting is exceeded.

Payment is based on the payout factor as determined above, on the average RWE share price during the last 60 trading days prior to the expiry of the programme, and on the number of allocated performance shares. Payment for Executive Board members is limited to one-and-a-half times the value of the performance shares at grant.

Beat allocations in the year under review break down as follows:

Long-term incentive share-based payment	Beat 2010: 2011 tranche	
	No.	Allocation value at grant € '000
Dr. Leonhard Birnbaum	44,092	750
Alwin Fitting	44,092	750
Dr. Rolf Pohlig	44,092	750
Dr. Rolf Martin Schmitz	44,092	750
Total	**176,368**	**3,000**

In the year under review, the 2008 long-term incentive tranche of the Beat 2005 programme was paid out as follows:

Long-term incentive share-based payment	Beat 2005: 2008 tranche
	payout € '000
Dr. Leonhard Birnbaum	150
Alwin Fitting	563
Dr. Rolf Pohlig	563
Total	**1,276**

Due to the development of RWE's share price, no expenses were recognised for share-based payments in 2011.

Instead, provisions were released as follows:

Release of provisions for long-term incentive share-based payments 2009/2010/2011 tranches	2011 € '000	2010 € '000
Dr. Leonhard Birnbaum	241	65
Alwin Fitting	241	161
Dr. Rolf Pohlig	241	161
Dr. Rolf Martin Schmitz	241	29
Total	**964**	**416**

Total compensation. In total, the Executive Board received €15,303,000 in short-term compensation components in fiscal 2011. In addition to this, long-term compensation components from the 2011 tranche of the Beat programme amounting to €3,000,000 were allocated. Total compensation of the Executive Board for fiscal 2011 therefore amounted to €18,303,000.

Pension and employment termination benefits. Executive Board members receive the following benefits from RWE when they retire from the Board:

Pensions. With effect from 1 January 2011, the former pension model was replaced by a defined-contribution pension scheme. New Executive Board members now receive a pension instalment amounting to 15% of their target cash compensation in each year of active service. Every year, they can choose whether the sum is paid in cash or retained for inclusion in a pension benefit later on. In the latter case, the funds are turned into a pension commitment of equal value through a gross compensation conversion. A reinsurance policy is concluded to finance the pension commitment. The pension commitment benefits correspond to the benefits guaranteed by the reinsurance policy. The amassed capital may be drawn upon in the form of a one-off payment or in a maximum of nine instalments on retirement, but not before the Executive Board member turns 60. Executive Board members and their surviving dependants do not receive any further benefits. Vested retirement benefits from earlier activities remain unaffected by this.

The pension commitments to the Executive Board members Dr. Leonhard Birnbaum, Alwin Fitting, Dr. Rolf Pohlig and Dr. Rolf Martin Schmitz were made before the introduction of the new model and will remain unchanged. The aforementioned Executive Board members are entitled to life-long retirement or surviving dependants' benefits in the event of retirement upon reaching the age of 60 (company age limit), permanent disability, death and early termination or non-extension of the employment contract by the company. The amount of qualifying income and the level of benefits determined by the duration of service are taken as a basis for each member's individual pension and surviving dependants' benefits. The ceiling for pension benefits for members of the Executive Board is 60% of the last qualifying income before they reach retirement age. The widow's pension amounts to 60% of her husband's pension, the orphan's pension amounts to 20% of the widow's pension. Vested pension benefits do not expire. The amount of the pension and the surviving dependants' benefits are reviewed every three years, taking account of all major circumstances, with due regard to changes in the cost of living. Due to earlier provisions, there are some differences in the pension commitments in terms of the calculation of the level of benefits, the crediting of other pensions and benefits, and the adjustment mode selected for pensions and surviving dependants' benefits.

In the event of an early termination or non-extension of an employment contract, Executive Board members shall only receive payment if the termination or non-extension was occasioned by the company and effected without due cause. In such cases, they start receiving pension payments when they leave the company, but not before they turn 55. Fifty percent of the income earned by an Executive Board member until they turn 60 or the beginning of the member's occupational disability is taken into account in determining early retirement payments.

The vested pension benefits of Executive Board members from earlier activities or years of service with previous employers which have been recognised are deducted by contractual arrangement from the pension payments made by RWE.

The service cost of pension commitments in 2011 totalled €725,000. At the end of the year, the present value of the defined benefit obligation was €14,161,000. The following is a breakdown of service costs and the present value of pension benefits, taking into account both age and years of service.

Pensions		Predicted annual pension on reaching the company age limit (60 years)[1] € '000		Service cost € '000		Defined benefit obligation € '000	
	Age	2011	2010	2011	2010	2011	2010
Dr. Leonhard Birnbaum	45	270	270	134	111	1,090	889
Alwin Fitting	58	312	312	210	188	5,046	4,648
Dr. Rolf Pohlig	59	302	302	103	84	2,995	2,733
Dr. Rolf Martin Schmitz[2]	54	408	408	278	244	5,030	4,486
				725	**627**	**14,161**	**12,756**

1 Based on compensation qualifying for pensions as of 31 December 2011.
2 Dr. Rolf Martin Schmitz's projected pension includes pensions due from former employers.

Change of control. Executive Board members have a special right of termination in the event that the company loses its independence as the result of control being taken over by shareholders or third parties. In such cases, they have the right to retire from the Executive Board within six months of the time at which the change of control becomes known and to request that their employment contract be terminated in combination with a one-off payment. To the extent necessary to ensure the company's survival, however, the Supervisory Board can demand that the Executive Board member remain in office until the end of the six-month period. A change of control as defined by this provision occurs when a shareholder or a group of shareholders acting jointly, or third parties acting jointly, acquire at least 30% of the voting rights in the company, or if any of the aforementioned can exert a controlling influence on the company in another manner.

On termination of their employment contracts, Executive Board members receive a one-off payment equal to the compensation due until the end of the duration of their contract: this amount shall not be higher than three times their total contractual annual compensation and shall not be less than twice their total contractual annual compensation. As regards benefits, effective from the end of the employment contract's agreed duration, Executive Board members are treated as if the company had not extended their employment contracts at that time, without there being a material reason in the sense of Section 626 of the German Civil Code.

The Chairman of the Executive Board, Dr. Jürgen Großmann, was granted a special right of termination before the amendment to the German Corporate Governance Code with effect from 6 June 2008. On exercise of his contractually secured special right of termination, Dr. Großmann shall receive a one-off payment that covers all of the remuneration due until the expiry of his employment contract, including the amount contractually agreed instead of a pension commitment.

In the event of a change of control, all the performance shares granted to the Executive Board and entitled executives shall expire. Instead, a compensatory payment shall be made, which shall be determined when the takeover offer is made. The amount shall be in line with the price paid for RWE shares at the time of the takeover. This shall then be multiplied by the final number of performance shares. Performance shares shall also expire in the event of a merger with another company. In this case, the compensatory payment shall be calculated based on the expected value of the performance shares at the time of the merger. This expected value shall be multiplied by the number of performance shares granted, pro-rated up to the date of the merger.

In the event of a change of control, the Executive Board's retained bonuses are valued early and, if applicable, paid out. The amount shall be in line with the average bonus malus factor for the three preceding years.

Severance cap. If an Executive Board mandate is otherwise terminated early without due cause, Executive Board members shall receive a severance payment of no more than two total annual compensations and no more than the compensation due until the end of the employment contract.

Other commitments. In agreement with the company, Dr. Jürgen Großmann's positions as member of the Executive Board and its Chairman, which were scheduled to expire as of 30 September 2012, will end early with effect from 30 June 2012. He will receive his base salary, bonus and pension capital for the period from 1 July 2012 to 30 September 2012 in sums corresponding to those established in his contract. Dr. Jürgen Großmann will not receive a pension.

Supervisory Board compensation

The compensation of the Supervisory Board is set out in the Articles of Incorporation and is determined by the Annual General Meeting. Supervisory Board members receive a fixed compensation of €40,000 per fiscal year for their services after each fiscal year. The compensation increases by €225 for every €0.01 by which the dividend exceeds €0.10 per common share.

The Chairperson of the Supervisory Board receives three times and the Deputy Chairperson receives twice the aforementioned amount. If a committee has been active at least once in a fiscal year, committee members are awarded one-and-a-half times the compensation and the committee chairperson twice the compensation. If a member of the Supervisory Board holds several offices on the Supervisory Board of RWE AG concurrently, he or she receives compensation only for the highest-paid position. Out-of-pocket expenses are refunded.

Supervisory Board compensation	2011 base compensation		2011 committee compensation		Total	
€ '000	Fixed	Variable	Fixed	Variable	2011	2010
Dr. Manfred Schneider, Chairman	40	43	80	86	249	350
Frank Bsirske, Deputy Chairman	40	43	40	43	166	234
Dr. Paul Achleitner	40	43	20	21	124	175
Werner Bischoff	40	43	20	21	124	175
Carl-Ludwig von Boehm-Bezing	40	43	40	43	166	234
Heinz Büchel	40	43	20	21	124	175
Dieter Faust	40	43	20	21	124	175
Roger Graef (since 20 Apr 2011)	28	30	0	0	58	0
Andreas Henrich (until 20 Apr 2011)	12	13	0	0	25	117
Manfred Holz (since 20 Apr 2011)	28	30	14	15	87	0
Frithjof Kühn	40	43	20	21	124	160
Hans-Peter Lafos	40	43	0	0	83	117
Dr. Gerhard Langemeyer (until 20 Apr 2011)	12	13	6	6	37	175
Christine Merkamp (since 20 Apr 2011)	28	30	0	0	58	0
Dagmar Mühlenfeld	40	43	20	21	124	175
Dr. Wolfgang Reiniger (until 20 Apr 2011)	12	13	0	0	25	117
Günter Reppien (until 20 Apr 2011)	12	13	6	6	37	175
Dagmar Schmeer	40	43	20	21	124	175
Dr.-Ing. Ekkehard D. Schulz	40	43	20	21	124	175
Dr. Wolfgang Schüssel	40	43	0	0	83	98
Ullrich Sierau (since 20 Apr 2011)	28	30	14	15	87	0
Uwe Tigges	40	43	20	21	124	175
Manfred Weber	40	43	14	15	112	117
Dr. Dieter Zetsche	40	43	0	0	83	117
Total	**800**	**860**	**394**	**418**	**2,472**	**3,411**

In total, the emoluments of the Supervisory Board amounted to €2,472,000 in fiscal 2011. Additionally, certain Supervisory Board members were paid compensation totalling €192,000 for exercising mandates at subsidiaries.

2.4 WORKFORCE

In most of RWE's core markets, low birth rates cause skilled workers to become an increasingly scarce resource, and competition for them fiercer. Our long-term success will therefore largely depend on how we manage to recruit, promote and retain talent at RWE. We make sure that RWE is an attractive place to work: excellent training schemes, support programmes for high-potential individuals, and flexible working opportunities are but a few of the numerous assets which help us prevail when vying for the best talent.

Attractive training offerings and scholarships. To meet our long-term requirement for qualified employees, we are training young adults in more than 30 commercial and technical professions. RWE's offering goes far above and beyond imparting expert skills. Apprentices can participate in ambitious projects or spend part of their apprenticeship in Group companies outside Germany. In addition, we enable them to combine an apprenticeship with studies. By the end of 2011, some 3,000 young adults were learning a profession at RWE. We offer significantly more apprenticeships than we need to cover our own needs.

Our academic support programmes are designed to attract young students to the Group early on. We are currently supporting 64 students and doctoral candidates for about four semesters through a scholarship within the scope of our RWE Fellows programme. They are also provided with a mentor from among our executives, who gives them insight into the daily work at our company while promoting their skills and providing them with practical experience. By offering internships, we give students an opportunity to link academic theory to business practice early on. Retaining high performers is something we place special importance on at RWE. Upon completion of their internship, they can be recommended for an attractive programme that supports participants in their personal and professional development through continued-education seminars and networking events, for example.

Early succession planning. Every entrepreneur wants to hand over his or her 'house' in good order. What is a matter of course for medium-sized enterprises also applies to large corporations such as RWE. This is why, every year, we identify employees who have the potential to succeed one of our about 400 senior executives. In addition, we create candidate pools for specific fields of activity. The basis for this is the regular assessment of the potential of those of our employees who demonstrate leadership skills. In 2011, for the fourth time we used a method tailored to RWE's needs that measures skills such as entrepreneurial thinking and ability to motivate employees to this end. Candidates identified for possible succession are prepared for their future tasks. This approach enabled us to staff about 90% of executive positions that became vacant last financial year with people from within our own ranks.

Promoting diversity. Society increasingly demands that we promote diversity. This is an area in which RWE is pursuing a number of goals. In line with the international reach of our business, we promote cross-country mobility within the RWE Group and respect for people from all cultural backgrounds. Moreover, we want to hire more women at RWE. Our aim is also to have more female representation in executive positions. At the end of 2011, 11% of all executive staff at RWE were women. We intend to double this ratio to 22% by the end of 2018. One of the initiatives we have in place for this purpose is a mentoring programme, which has already been used by over 80 participants since it was launched in 2007. In addition, we have created an international network for women in managerial positions and offer them specific training.

Work-life balance. It is a dream situation for many working parents: the day care centre is close to the office, open from early morning to evening, and offers individual care for children, including the very youngest. By opening its doors in the summer of 2011 in Essen, our Lumiland Day Care Centre turned this dream into reality for the employees of

RWE Group headquarters. More than 100 children are looked after in Lumiland: the children of both RWE staff and families living in the neighbourhood. We have undertaken to set up company-sponsored nursery schools at major RWE sites in Germany, in order to help as many employees as possible to strike a healthy work-life balance. Children and careers should not be mutually exclusive at RWE, neither for women nor for men. The fact that the latter gender is increasingly dedicated to family life is a pleasing development, which we support. Last year, 246 fathers went on paternity leave, more than ever before.

Ideas management. Employees who come up with ideas and develop initiatives on top of performing their daily tasks at work are a benefit to any company. We encourage this with our groupwide ideas management system. This provides our employees with an incentive to capitalise on their experience and creativity in order to improve work processes. The result is commendable: in the last fiscal year alone, some 6,800 ideas were submitted. We estimate the commercial benefit to exceed €50 million per year. For example, an idea submitted to improve cost transparency in IT led to six-digit savings in just a few months. In the year under review, we rewarded our employees for their suggestions for improvement with about €2.6 million in bonuses. We are building a new database system to facilitate the recording and sharing of ideas, while saving costs.

Jump!2011, RWE's start-up initiative. Last year, we took an entirely new approach to leveraging the entrepreneurial and innovative thinking of our employees, by launching the Jump!2011 start-up initiative. The concept: staff members develop new business models for RWE's fields of activity, either alone or in small teams. Employees who present outstanding ideas can market these on their own behalf with RWE's support. Jump!2011 was started in May and ended in February 2012 with the winners' award ceremony. More than 300 employees from across the Group entered 223 ideas into the contest. One in ten of these drafts was turned into a bona fide business model with the assistance of experienced RWE managers. Five teams presented their concepts to a jury in the last project phase. Some of the ideas – not only those of the winners – are so convincing that they are to be put into practice with the support of RWE's Executive Board.

Employee shares – participating in success. RWE's commercial success should benefit our employees as well. Part of their compensation is linked to it. Through our employee stock ownership plan, we give our personnel the opportunity to take a direct stake in the company at favourable conditions. In 2011, a total of 25,783 staff members subscribed 442,692 shares. The take-up thus amounted to 57 % of those eligible to participate. As the shares were issued below their market price, this resulted in an expense of €8.1 million. Our workforce currently owns approximately 1 % of RWE's subscribed capital.

HR Cockpit. We have created the HR Cockpit, a modern information platform which helps our executives obtain a better picture of their teams. The Cockpit provides data on age structure, continued education, qualifications, and days missed due to illness. Team managers receive this information condensed into key figures (e.g. average age or health ratio) or can run their own analyses. The HR Cockpit particularly benefits executives with large teams. It supports their staff management efforts and helps to identify any need for action early. Following a pilot phase, we began introducing the HR Cockpit throughout the Group in October 2011. It is already being used by some 1,000 executives.

Our 2011 Personnel Report, available at www.rwe.com, contains further information on our HR work.

2.5 SUSTAINABILITY

When we invest in power stations or networks, we invest for decades. Sustainability is therefore at the centre of the business model. In order to be successful in the long run, we need the acceptance of society, ranging from policymakers and associations to employees and conservation organisations. In dialogue with these stakeholder groups, we defined ten fields of action that are pivotal to RWE in terms of sustainability. In each action field, we pursue specific, measureable goals. In addition, parts of Executive Board compensation are dependent on whether and the degree to which these goals are achieved.

Ten fields of sustainable action. To us, sustainable business operations are not an abstract concept. Our strategy in the area of Corporate Responsibility (CR) covers ten fields of action which we believe harbour the most important challenges for RWE. Following in-depth dialogue with our stakeholders, we identified the fields of action in 2007. We have established goals for each of them, the achievement of which we measure based on key performance indicators. This gives our sustainability strategy a binding character. Moreover, this makes our performance and progress both transparent and measureable.

Whether and the degree to which we reach our CR targets also affects the compensation of the members of the Executive Board of RWE AG. Since 2010, 25% of their annual bonus has been retained for three years. At the end of this period, the Supervisory Board decides, based on a bonus malus factor, whether the Executive Board has run the company in a sustainable manner. Only in such an event is the retained bonus also paid out. The bonus malus factor depends on several aspects, one of which is the development of an index specific to RWE, which bears a weighting of 45%. This index measures the degree to which we have achieved RWE's sustainability objectives based on the key performance indicators established for our CR action fields.

In the following passages, we will present our goals and measures in the ten CR action fields and demonstrate the key performance indicators we use to gauge our success. Further information can be found in the report entitled 'Our Responsibility,' which can be accessed on the internet at www.rwe.com/cr-report.

(1) Climate protection. Generating electricity while constantly reducing carbon dioxide emission levels is an essential building block of our Group strategy. To this end, we invest billions of euros. A large proportion of this expenditure is used to expand our renewable generation base. Furthermore, we are building state-of-the-art gas and coal-fired power stations and taking plants with higher emissions offline. Our objective is to reduce the carbon dioxide emissions of our power plant fleet per MWh by more than 20% by 2020 compared to 2005. In the baseline year, we emitted 0.79 metric tons of CO_2 per MWh. We have set ourselves a target of 0.62 metric tons. Initially, we wanted to reduce the emission factor by 2020 even more. However, Germany's accelerated nuclear phase-out made it necessary for us to adjust our objectives. Last year, we had to shut down 2.4 GW in capacity which generates electricity nearly free of carbon dioxide (the Biblis A and B units). Consequently, our emission factor for 2011 was 0.79 metric tons of carbon dioxide per MWh, which is clearly above the 0.73 recorded in 2010. Another RWE nuclear power plant will be taken offline at the end of 2017 (Gundremmingen B). This affects our CO_2 reduction path through to 2020 significantly. Nevertheless, we are continuing to transform our generation portfolio with resolve: by 2020, we intend to increase the share of renewables in our electricity production capacity, which was about 8% at the end of 2011, to at least 20%.

(2) Energy efficiency. By modernising our power plants, we are not only protecting the climate, but also conserving limited resources such as coal and gas, as our new stations have a higher degree of energy utilisation. On conclusion of our ongoing power plant new-build programme in 2014, the degree of energy utilisation of our fossil fuel-fired power plants should amount to 42%. Last year, it was 41.3%. We also intend to further reduce the energy consumption of our vehicle fleet and buildings. Moreover, we help our customers to make more efficient use of energy in order to protect the climate and save money while increasing quality of life. We are doing this in various ways, including the use of smart meters, automated domestic consumption (smart homes) and the promotion of electric cars. Our German website at www.energiewelt.de includes in-depth advice on how to save energy as well as information on subsidy programmes and manufacturer offers. We also put our expertise in the field of energy efficiency at the disposal of commercial and small industrial enterprises. Using cutting-edge measuring technology and RWE's energy controlling system, our experts detect the weak points in a company and develop business-specific optimisation measures. We have already helped over 300 medium-sized enterprises in a wide range of sectors to make more efficient use of energy, thereby increasing their economic success.

(3) Innovation. Secure, affordable and environmentally friendly energy supplies are unattainable without technological progress. Therefore, we accord major importance to research and development (R&D). We are conducting over 200 projects along the entire value chain – from raw material extraction and the conversion, distribution and storage of energy to its use by the customer (see page 83 et seqq.). To manage our R&D activities, we set up a groupwide innovation management system. We identify the most strategically important issues for R&D work at the beginning of every year. We measure our success by the degree to which we have taken specific measures in these areas and informed the public about our activities. Last year, we addressed 95% of the major R&D areas. We intend to maintain this high coverage.

(4) Security of supply. Energy must be available whenever it is needed. Our customers rely on us to ensure this – both today and tomorrow. Therefore, RWE places great importance on a widely diversified generation portfolio, including nuclear, coal, gas and renewables. The availability of coal and nuclear fuel has been secured long term. We cover our need for gas with long-term agreements with various producers, through purchases on liquid wholesale markets and, to a small extent, through in-house production. At present, however, the debate on security of supply is focusing on another aspect: the stability of electricity networks. Supply and demand must constantly be balanced in order to keep network frequency stable. We aim to keep the average annual system availability interruption duration indicator (SAIDI) in Germany below 30 minutes per customer from 2013 onwards. Based on the latest available statistics, at just under 22 minutes, it was clearly below this mark in 2010. Nevertheless, we believe our goal is ambitious, because the requirements placed on the capabilities and operation of networks are rising due to the expansion of renewable energy and the increasing use of decentralised power generation units. Interruptions in the supply of gas are much shorter, because the gas network acts as a buffer. In 2010, they averaged under one minute per customer.

(5) Supply chain. When purchasing goods and services, we always make sure that the price is right. However, it is equally important that our contractual partners comply with basic work and social standards and do business sustainably. Our groupwide Code of Conduct forbids us to work with companies which are known to infringe fundamental ethical principles formulated by the UN Global Compact Initiative. We therefore gather information about such violations. For example, in 2011, we created the Bettercoal initiative together with other major coal-based electricity generators to gain more insight into working conditions in hard coal mines. Within the scope of this initiative, independent experts will audit production sites worldwide from 2012 onwards. To ensure the sustainable cultivation of biomass used to fire our power plants, we rely on independent certification systems such as the Green Gold Label, which was developed with the help of our Dutch Group company Essent.

Our contracts for procuring staple goods and services include provisions that oblige our suppliers to comply with minimum international standards in relation to work conditions and environmental protection. These include the principles of the UN Global Compact. When purchasing energy commodities, we undertake a risk assessment of our business partners. Our goal for 2013 is for at least 95% of our purchasing volume to be covered by such minimum standards and risk assessments. In 2011, the ratio was 93%. We have set up a quality management system for purchases of plant and complex components. Last year, RWE Technology, which is in charge of our conventional power plant new builds, obtained ISO 9001 certification. As a result, the company is obliged to verify compliance with occupational and environmental standards by partner companies and their vendors, for example by visiting their premises.

(6) Pricing and marketplace. Competition on our electricity and gas markets has become fiercer. Increasing numbers of customers are willing to switch suppliers. In so doing, they are primarily guided by price. We aim to have satisfied customers whom we can retain over the long term because they are convinced of the quality and value for money of our product range. In 2010, we started measuring our success in this respect in Germany using a loyalty index. It is based on surveys of the residential and commercial customers we supply with electricity. The index moves on a scale of 0 to 100 points. A score below 70 designates low satisfaction, with values from 70 to 79 indicating mediocre satisfaction and 80 points or more representing high satisfaction. In the year under review, we improved from 71 (2010) to 73 points. Our current score is the minimum goal we set ourselves for 2013.

(7) Demographic change. In view of the low birth rates, especially in Germany, we must see to it early on that RWE retains access to adequately qualified staff over the long term. This also involves avoiding disruption among the workforce as well as losing know-how when significantly represented age groups retire. We already take advantage of many ways to attract young talent to our company and create a working environment that meets their expectations. In addition, we project our need for personnel over the long term, determining by analysis whether there are manpower shortage threats in the professions represented within the Group. One of the tools we use in this analysis is a demographic index, which measures the RWE Group's age structure. The higher the index score, the more evenly the age groups are represented in our Group companies. The best possible ranking is 100. In the financial year under review, we achieved a score of 84 points. We intend to maintain this level.

(8) Occupational health and safety management. We want our employees to return home as healthy as when they arrive at work. In order to do the best possible justice to this ambition, we constantly work on improving occupational health and safety. The measures taken as part of the company health management system are tailored to maintain staff performance. For example, we launched the Finding a Balance initiative in 2011 to help our employees prevent stress and better cope with the demands placed on them at work and at home. This includes being of assistance in looking after their children and relatives in need of care. A nationwide campaign we also launched last year is Staying Healthy: With All Your Heart for the prevention of cardiovascular diseases.

The safety of work processes is also very important to RWE. To improve it even further, we initiated the Safety First campaign in early 2008, focusing on executive training. This and a host of additional measures have integrated the health and safety philosophy into teams and made them a part of daily routines. Proof of this success is that the number of accidents resulting in at least one lost day of work per employee dropped for the tenth straight year in 2011. The rate was 2.8 for every million hours worked. By 2013, we intend to reduce it to no more than 2.7. This target quota also considers external personnel.

(9) Environmental protection. Our opencast mines, production facilities, power stations and networks all affect nature and landscapes. This is why environmental protection has always been part of RWE's business model. Most of the measures we take are required by law or by approvals and are thus considered a matter of course. None of the RWE companies had to report serious infringements of legal requirements in the year being reviewed. In this context, we benefit from the fact that our groupwide environmental management system now covers 99% of all our activities. We are thus marginally below our target for 2013 of 100%. Many of our companies have been certified to the international ISO 14001 standard, which establishes globally accepted requirements of environmental management systems. The proportion of certified Group activities amounted to approximately 42% at the end of 2011. Our environmental expenditure in the year under review totalled €2,875 million, which was roughly on a par with 2010. More than 60% of it was dedicated to climate protection. This particularly includes investments in the modernisation of our power plant portfolio and the expansion of renewable generation capacity. A large proportion of environmental expenditure is dedicated to clean air, resulting from the operation of flue gas desulphurisation units, among other things. Most of the spending on water protection was dedicated to the purification of wastewater.

Environmental expenditure	Cost		Capital expenditure		Total	
€ million	2011	2010	2011	2010	2011	2010
Clean air	366	348	41	45	407	393
Nature and landscape protection	71	73	22	18	93	91
Water protection	246	261	52	43	298	304
Waste disposal	207	162	1	1	208	163
Noise abatement	13	18	7	3	20	21
Brownfield sites, soil contamination	3	4	1	1	4	5
Climate protection	232	172	1,613	1,714	1,845	1,886
Total	**1,138**	**1,038**	**1,737**	**1,825**	**2,875**	**2,863**

(10) Community engagement. As we are an energy company, we have strong links with the communities at our sites: some of the relationships have been in existence for decades. We are a reliable employer and principal in these communities, where we work on social issues. Our charitable activities are pooled in the RWE Foundation, which began its work in 2009. It is endowed with a capital stock of €56 million and promotes the education, culture and social integration of children and teenagers. In the financial year that just ended, it spent €1.4 million on this. Furthermore, we support the strong effort put in by RWE employees for social causes through the RWE Companius initiative. In 2011, a total of €2.3 million was spent supporting more than 1,900 projects. All these measures benefit RWE, as they improve our acceptance. Once a year, we commission an opinion survey institute to identify how RWE is perceived by the public in Germany when compared to its major competitors. The most recent poll confirmed that, as in 2010, we had the best reputation in our peer group, a position we intend to maintain.

RWE qualifies for renowned sustainability index. Our strategy in the field of sustainability and our high degree of transparency were recognised once again in 2011. In September, we were included in the Dow Jones Sustainability Index (DJSI) for yet another year – for the 13th time in a row. Selections are made based on economic, ecological and social criteria. RWE is represented in the DJSI World and the DJSI Europe. DJSI is widely recognised as the world's prime index group for corporate performance in the field of sustainability. It is established and published by Sustainable Asset Management (SAM) in co-operation with Dow Jones Indexes. We are one of the few German companies to have belonged to it without interruption since its inception in 1999.

Sustainability indicators reflect responsible action. Our success in the field of corporate responsibility is reflected by numerous indicators, and not only those used to determine Executive Board compensation. The following is an overview of the development of some key performance indicators which we believe are particularly informative. They are divided into categories, i.e. environment, society and corporate governance. The selection of indicators is orientated towards the recommendations of the Society of Investment Professionals in Germany (DVFA).

Field	Performance indicator		2011	2010	2009	2008
Environment	**RWE power plant portfolio**					
	NO_x emissions[1]	g/kWh	0.60	0.58	0.67	0.67
	SO_2 emissions[1]	g/kWh	0.31	0.29	0.34	0.39
	Particulate emissions[1]	g/kWh	0.021	0.019	0.024	0.028
	Ash[1]	thousand mt	7,843	7,740	7,429	6,406
	Gypsum[1]	thousand mt	2,148	2,053	1,956	1,533
	Primary energy consumption[2]	billion kWh	390.6	403.0	368.2	396.0
	Water consumption[1, 3]	m^3/MWh	1.62	1.41	1.70	1.49
	Scope 1 CO_2 emissions[4]	million mt	143.4	144.9	135.9	147.4
	Specific CO_2 emissions	mt/MWh	0.778	0.715	0.792	0.749
	Total power plant portfolio[5]					
	Scope 1 CO_2 emissions[4]	million mt	163.8	167.1	151.3	174.5
	Scope 2 CO_2 emissions[6]	million mt	2.4	3.1	3.5	3.8
	Scope 3 CO_2 emissions[7]	million mt	121.0	135.7	128.1	127.0
	Specific CO_2 emissions	mt/MWh	0.787	0.732	0.796	0.768
	Capital expenditure of the Renewables Division	€ million	891	709	733	1,102
	Share of the Group's electricity generation accounted for by renewables	%	4.3[8]	4.0	3.5	2.4
Society	Employees[9]		72,068	70,856	70,726	65,908
	Share of women in the company	%	27.1	26.2	26.1	25.6
	Share of women in executive positions	%	11.3	10.8	9.0[10]	8.9
	Fluctuation rate	%	10.1	8.3	8.7	8.8
	Training days per employee (Germany)		4.6	4.7	4.8	4.6
	Health ratio	%	95.8	95.6	95.4	95.4
	Lost-time incident frequency	LTIF[11]	2.8	3.5	4.3	5.3
	Fatal work-related accidents[12]		3	3	5	12
Corporate governance	Share of the RWE Group's revenue earned in countries with a high or very high risk of corruption[13]	%	12.4	12.0	12.7	12.9
	R&D costs	€ million	146	149	110	105

1 Figures for 2009 adjusted due to the inclusion of Netherlands/Belgium and Hungary.
2 Figures for 2009 adjusted due to the inclusion of Netherlands/Belgium.
3 Difference between power plant water withdrawals and returns to rivers and other surface water; excluding power plants with sea water cooling.
4 Scope 1: direct CO_2 emissions from in-house sources (oil and gas production, gas transmission & electricity generation).
5 Including power stations not under RWE ownership, but that we can deploy at our discretion on the basis of long-term agreements.
6 Scope 2: indirect CO_2 emissions from the transmission and distribution of electricity purchased from third parties.
7 Scope 3: indirect CO_2 emissions that do not fall under scope 1 or 2, produced through the generation of electricity procured from third parties, the transmission and distribution of electricity in third-party networks, the production and transmission of used fuel, as well as the consumption of gas sold to customers.
8 Electricity generation based on wind (4.1 TWh), hydro (2.8 TWh) and biomass (1.9 TWh).
9 Converted to full-time positions.
10 Figures for 2009 excluding Essent.
11 Sum of all accidents for every million hours worked. Excluding employees of third-party companies.
12 Including employees of third-party companies.
13 Countries rated lower than six on a scale of zero to ten in the Corruption Perceptions Index by the anti-corruption organisation Transparency International, with ten corresponding to the lowest risk of corruption.

3.0 RESPONSIBILITY STATEMENT

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

Essen, 17 February 2012

The Executive Board

Großmann Terium Birnbaum

Fitting Pohlig Schmitz

4.0 CONSOLIDATED FINANCIAL STATEMENTS

€8.5 billion	EBITDA
€5.8 billion	Operating result
€7.1 billion	Capital expenditure
€2.00	Dividend proposal per share

4.1 INCOME STATEMENT[1]

€ million	Note	2011	2010
Revenue (including natural gas tax/electricity tax)	(1)	**51,686**	**53,320**
Natural gas tax/electricity tax	(1)	2,533	2,598
Revenue	(1)	**49,153**	**50,722**
Other operating income	(2)	2,151	1,495
Cost of materials	(3)	33,928	33,176
Staff costs	(4)	5,170	4,873
Depreciation, amortisation, and impairment losses	(5)	3,404	3,213
Other operating expenses	(6)	4,673	4,448
Income from operating activities		**4,129**	**6,507**
Income from investments accounted for using the equity method	(7)	400	310
Other income from investments	(7)	128	97
Financial income	(8)	695	1,248
Finance costs	(8)	2,328	3,184
Income before tax		**3,024**	**4,978**
Taxes on income	(9)	854	1,376
Income		**2,170**	**3,602**
of which: minority interest		305	279
of which: RWE AG hybrid capital investors' interest		59	15
of which: net income/income attributable to RWE AG shareholders		**1,806**	**3,308**
Basic and diluted earnings per common and preferred share in €	(28)	**3.35**	**6.20**

1 Prior-year figures adjusted.

4.2 STATEMENT OF RECOGNISED INCOME AND EXPENSES[1]

€ million	Note	2011	2010
Income		**2,170**	**3,602**
Currency translation adjustment		–344	218
Fair valuation of financial instruments available for sale	(29)	–97	2
Fair valuation of financial instruments used for hedging purposes	(29)	–1,585	161
Other comprehensive income of investments accounted for using the equity method (pro rata)		–50	–34
Actuarial gains and losses of defined benefit pension plans and similar obligations		–641	1
Other comprehensive income		**–2,717**	**348**
Total comprehensive income		**–547**	**3,950**
of which: attributable to RWE AG shareholders		(–823)	(3,671)
of which: attributable to RWE AG hybrid capital investors		(59)	(15)
of which: attributable to minority interests		(217)	(264)

1 Figures stated after taxes.

4.3 BALANCE SHEET

Assets € million	Note	31 Dec 2011	31 Dec 2010
Non-current assets			
Intangible assets	(10)	16,946	17,350
Property, plant and equipment	(11)	34,847	32,237
Investment property	(12)	136	162
Investments accounted for using the equity method	(13)	4,113	3,694
Other non-current financial assets	(14)	836	750
Financial receivables	(15)	1,928	1,042
Other receivables and other assets	(16)	2,041	2,213
Income tax assets		71	626
Deferred taxes	(17)	2,621	2,391
		63,539	**60,465**
Current assets			
Inventories	(18)	3,342	3,293
Financial receivables	(15)	2,171	2,746
Trade accounts receivable	(19)	7,468	9,485
Other receivables and other assets	(16)	8,934	10,484
Income tax assets		198	543
Marketable securities	(20)	4,995	3,196
Cash and cash equivalents	(21)	2,009	2,476
Assets held for sale			389
		29,117	**32,612**
		92,656	**93,077**

Equity and liabilities € million	Note	31 Dec 2011	31 Dec 2010
Equity	(22)		
RWE AG shareholders' interest		13,979	14,574
RWE AG hybrid capital investors' interest		1,759	1,759
Minority interest		1,344	1,084
		17,082	**17,417**
Non-current liabilities			
Provisions	(24)	23,829	23,485
Financial liabilities	(25)	15,428	15,908
Other liabilities	(27)	3,438	3,584
Deferred taxes	(17)	1,696	2,185
		44,391	**45,162**
Current liabilities			
Provisions	(24)	5,327	5,572
Financial liabilities	(25)	6,495	3,902
Trade accounts payable	(26)	7,886	8,415
Income tax liabilities		144	90
Other liabilities	(27)	11,331	12,376
Liabilities held for sale			143
		31,183	**30,498**
		92,656	**93,077**

4.4 CASH FLOW STATEMENT

€ million	Note (32)	2011	2010
Income		2,170	3,602
Depreciation, amortisation, impairment losses/write-backs		3,443	3,184
Changes in provisions		87	338
Changes in deferred taxes		224	–680
Income from disposal of non-current assets and marketable securities		–364	–165
Other non-cash income/expenses		386	1,570
Changes in working capital		–436	–2,349
Cash flows from operating activities		**5,510**	**5,500**
Intangible assets/property, plant and equipment/investment property			
Capital expenditure		–6,353	–6,379
Proceeds from disposal of assets		313	176
Acquisitions and investments			
Capital expenditure		–625	–258
Proceeds from disposal of assets/divestitures		779	220
Changes in marketable securities and cash investments		–1,880	–442
Cash flows from investing activities		**–7,766**	**–6,683**
Net change in equity (incl. minority interest)		2,141	27
Issuance of hybrid capital[1]			1,738
Dividends paid to RWE AG shareholders and minority interests		–2,301	–2,198
Issuance of financial debt[2]		8,955	3,485
Repayment of financial debt		–7,053	–2,414
Cash flows from financing activities		**1,742**	**638**
Net cash change in cash and cash equivalents		–514	–545
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents		–12	6
Net change in cash and cash equivalents		**–526**[3]	**–539**
Cash and cash equivalents at beginning of the reporting period		2,535	3,074
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		2,476	
Cash and cash equivalents at end of the reporting period		**2,009**	**2,535**
of which: reported as "Assets held for sale"			–59
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet		**2,009**	**2,476**

1 Includes equity capital to be classified as hybrid capital as per IFRS.
2 Including hybrid bonds to be classified as debt as per IFRS.
3 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.

4.5 STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity € million	Subscribed capital of RWE AG	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**
					Currency translation adjustments	Fair value measurement of financial instruments					
Note (22)						Available for sale	Used for hedging purposes				
Balance at 1 Jan 2010	**1,440**	**1,158**	**11,537**	**−2,272**	**227**	**129**	**573**	**12,792**		**925**	**13,717**
Capital paid in									1,738	21	1,759
Dividends paid[1]			−1,867					−1,867		−160	−2,027
Income			3,308					3,308	15	279	3,602
Other comprehensive income			14		218	−30	161	363		−15	348
Total comprehensive income			3,322		218	−30	161	3,671	15	264	3,950
Other changes			−22					−22	6	34	18
Balance at 31 Dec 2010	**1,440**	**1,158**	**12,970**	**−2,272**	**445**	**99**	**734**	**14,574**	**1,759**	**1,084**	**17,417**
Capital paid in	134	1,227						1,361		22	1,383
Sales of treasury shares			−1,512	2,248				736			736
Dividends paid[1]			−1,867					−1,867	−81	−285	−2,233
Income			1,806					1,806	59	305	2,170
Other comprehensive income			−640		−268	−136	−1,585	−2,629		−88	−2,717
Total comprehensive income			1,166		−268	−136	−1,585	−823	59	217	−547
Other changes			−2					−2	22	306	326
Balance at 31 Dec 2011	**1,574**	**2,385**	**10,755**	**−24**	**177**	**−37**	**−851**	**13,979**	**1,759**	**1,344**	**17,082**

1 Following reclassification of minority interests to other liabilities as per IAS 32.

4.6 NOTES

Basis of presentation

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

The consolidated financial statements for the period ended 31 December 2011 were approved for publication on 17 February 2012 by the Executive Board of RWE AG. The statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU, as well as in accordance with the supplementary accounting regulations applicable pursuant to Sec. 315a, Para. 1 of the German Commercial Code (HGB). The previous year's figures were calculated according to the same principles.

A statement of changes in equity has been disclosed in addition to the income statement, the statement of recognised income and expenses, the balance sheet and the cash flow statement. The Notes to the financial statements also include segment reporting.

Several balance sheet and income statement items have been combined in the interests of clarity. These items are stated and explained separately in the Notes to the financial statements. The income statement is structured according to the nature of expense method.

The consolidated financial statements have been prepared in euros. Unless specified otherwise, all amounts are stated in millions of euros (€ million). Due to calculation procedures, rounding differences may occur.

These consolidated financial statements were prepared for the 2011 fiscal year (1 January to 31 December).

The Executive Board of RWE AG is responsible for the completeness and accuracy of the consolidated financial statements and the Group review of operations, which is combined with the review of operations of RWE AG.

We employ internal control systems, uniform groupwide directives, and programmes for basic and advanced staff training to ensure that the consolidated financial statements and combined review of operations are adequately prepared. Compliance with legal regulations and the internal guidelines as well as the reliability and viability of the control systems are continuously monitored throughout the Group.

In line with the requirements of the German Corporate Control and Transparency Act (KonTraG), the Group's risk management system enables the Executive Board to identify risks at an early stage and take countermeasures, if necessary.

The consolidated financial statements, the combined review of operations and the independent auditors' report are discussed in detail by the Audit Committee and at the Supervisory Board's meeting on financial statements with the independent auditors present. The results of the Supervisory Board's examination are presented in the report of the Supervisory Board (pages 102 et seqq. of this Annual Report).

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. Material associates and material joint ventures are accounted for using the equity method.

Investments in subsidiaries, joint ventures or associates which are of secondary importance from a Group perspective are accounted for in accordance with IAS 39.

The list of Group shareholdings pursuant to Sec. 313, Para. 2 of the German Commercial Code (HGB) is presented on pages 196 et seqq.

In the year under review, 17 companies domiciled in Germany and 14 outside of Germany were consolidated for the first time. 33 companies, five of which were headquartered in Germany, are no longer included in the scope of consolidation; 30 companies were merged, of which 18 were domiciled in Germany. Furthermore, six associates (of which four in Germany) were accounted for using the equity method for the first time. In respect of companies accounted for using the equity method in the previous year, four were sold, including one headquartered in Germany; two companies were included in the consolidated financial statements, of which one was headquartered in Germany. First-time consolidation and deconsolidation generally take place when control is transferred.

Scope of consolidation	Germany 31 Dec 2011	Foreign countries 31 Dec 2011	Total 31 Dec 2011	Total 31 Dec 2010
Fully consolidated companies	198	215	413	445
Investments accounted for using the equity method	71	50	121	121

Corporate acquisitions

The following business combinations are worth mentioning:

When we acquired Essent in 2009, we made a commitment to the company's previous owners to exercise a put option by purchasing the shares in Energy Resources Holding B.V. (ERH), 's-Hertogenbosch/Netherlands, if certain prerequisites were met and to pay conditional compensation for the Essent acquisition. On 30 September 2011, RWE acquired 100% of the voting stock in ERH, which holds a 30% equity stake in the power plant company EPZ, Borssele/Netherlands.

The acquisition of ERH involved payments totalling €754 million. This redeemed the conditional purchase price liability of €132 million and the put option amounting to €193 million. The acquisition costs of the shares in ERH totalled €429 million. The following assets and liabilities were assumed:

Balance-sheet items € million (preliminary figures)	IFRS carrying amounts (fair value) upon first-time consolidation
Non-current assets	364
Current assets	144
Non-current liabilities	70
Current liabilities	7
Net assets	**431**
Acquisition costs	429
Negative difference	**2**

The fair value of the receivables included in current assets amounted to €42 million.

Since its first-time consolidation, the ERH Group has contributed €4 million to Group revenue and –€3 million to Group income.

The first-time accounting treatment of the business combination has not yet been finalised, due to the complex structure of the transaction.

A contractual agreement dated 10 January 2011 gave RWE control over NVV AG (NVV, from 2012 NEW AG), Mönchengladbach, which was previously included in the consolidated financial statements using the equity method. The following table shows the assets and liabilities assumed:

Balance-sheet items € million	IFRS carrying amounts (fair value) upon first-time consolidation
Non-current assets	639
Current assets	335
Non-current liabilities	307
Current liabilities	319
Net assets	**348**
Minority interest	–204
Acquisition costs (non-cash)	179
Goodwill	**35**

The fair value of the previous shares amounted to €137 million. The first-time consolidation of the previous shares resulted in €42 million in income, which is recognised in the "Other operating income" line item in the income statement.

The fair value of the receivables included in non-current and current assets totalled €250 million.

The measurement of the minority interest was based on the prorated net assets of the group of companies that was consolidated for the first time.

The goodwill largely results from anticipated future economic benefits and synergy effects.

Since its first-time consolidation, the NVV Group has contributed €834 million to Group revenue and €31 million to Group income.

Accounting treatment of the business combination was finalised as of 31 December 2011.

If all business combinations from the reporting period had been completed by 1 January 2011, Group income would have amounted to €2,188 million and Group revenue would have amounted to €49,170 million.

Disposals

In July 2011, RWE AG reached an agreement on the sale of a 74.9% stake in Amprion GmbH. The purchaser is a consortium of mostly German institutional financial investors headed by Commerz Real AG, a subsidiary of Commerzbank AG.

The sale of the majority stake previously recognised under "Other, consolidation" was completed in fiscal 2011, and the company was deconsolidated. RWE AG's remaining stake in Amprion GmbH of 25.1% is reported as an investment accounted for using the equity method. The deconsolidation gain amounted to €65 million and has been recognised in the "Other operating income" line item in the income statement. €7 million of the deconsolidation gain was allocable to the fair valuation of the remaining investment of 25.1%, which is accounted for using the equity method.

Assets and liabilities held for sale

RWE concluded a contract on the sale of its 100% stake in Thyssengas GmbH in December 2010. The transaction was subject to the approval of the EU Commission and the competent anti-trust authorities. The anti-trust authorities and the EU Commission granted approval in December 2010 and late January 2011, respectively.

The following assets and liabilities of Thyssengas were stated as held for sale as of 31 December 2010:

Key figures for Thyssengas € million	31 Dec 2010
Non-current assets	296
Current assets	93
Non-current liabilities	36
Current liabilities	107

The sale of Thyssengas was completed in February 2011. The company was deconsolidated in the first quarter of 2011. The deconsolidation gain amounted to €207 million and is recognised in the "Other operating income" line item in the income statement.

The total sales price for business transactions amounted to €1,216 million (previous year: €227 million) which was fully paid in cash.

Changes in the scope of consolidation resulted in a decrease of €355 million in non-current assets (including deferred taxes), €1,235 million in current assets (excluding cash and cash equivalents), and €258 million in cash and cash equivalents; non-current and current liabilities declined by €1,553 million.

Effects of changes in the scope of consolidation have been stated in the Notes insofar as they are of particular importance.

Consolidation principles

The financial statements of German and foreign companies included in the scope of the Group's financial statements are prepared using uniform accounting policies. On principle, subsidiaries whose fiscal years do not end on the Group's balance-sheet date (31 December) prepare interim financial statements as of this date.

Business combinations are reported according to the acquisition method. This means that capital consolidation takes place by offsetting the purchase price, including the amount of the minority interest, against the acquired subsidiaries' revalued net assets at the time of acquisition. In doing so, the minority interest can either be measured at the prorated value of the subsidiaries' identifiable net assets or at fair value. Subsidiaries' identifiable assets, liabilities and contingent liabilities are measured at full fair value, regardless of the amount of the minority interest. Intangible assets are reported separately from goodwill if they are separable from the company or if they stem from a contractual or other right. In accordance with IFRS 3, no new restructuring provisions are recognised within the scope of the purchase price allocation. If the purchase price exceeds the revalued prorated net assets of the acquired subsidiary, the difference is capitalised as goodwill. If the purchase price is lower, the difference is included in income.

Capitalised goodwill is not amortised: it is tested for impairment once every year, or more frequently if there are indications of impairment. In the event of deconsolidation, residual carrying amounts of capitalised goodwill are taken into account when calculating income from disposals. Changes in share ownership which do not alter the ability to control the subsidiary are recognised without an effect on income. If shares in a subsidiary are sold resulting in a change in control, the remaining shares are revalued with an effect on income.

Expenses and income as well as receivables and payables between consolidated companies are eliminated. Intra-group profits and losses are eliminated.

For investments accounted for using the equity method, goodwill is not reported separately, but rather included in the value recognised for the investment. In other respects, the consolidation principles described above apply. Goodwill is not amortised. If impairment losses on the equity value become necessary, we report such under income from investments accounted for using the equity method. The financial statements of investments accounted for using the equity method are prepared using uniform accounting policies.

Foreign currency translation

In their individual financial statements, the companies measure non-monetary foreign currency items at the balance-sheet date using the exchange rate in effect on the date they were initially recognised. Monetary items are converted using the exchange rate valid on the balance-sheet date. Exchange rate gains and losses from the measurement of monetary balance-sheet items in foreign currency occurring up to the balance-sheet date are recognised in the income statement under other operating income or expenses.

Functional foreign currency translation is applied when converting the financial statements of companies outside of the euro area. As the principal foreign enterprises included in the consolidated financial statements conduct their business activities independently in their national currencies, their balance-sheet items are translated into euros in the consolidated financial statements using the average exchange rate prevailing on the balance-sheet date. This also applies for goodwill, which is viewed as an asset of the economically autonomous foreign entity. We report differences to previous-year translations in other comprehensive income without an effect on income. Expense and income items are translated using annual average exchange rates. When translating the adjusted equity of foreign companies accounted for using the equity method, we follow the same procedure.

The following exchange rates (among others) were used as a basis for foreign currency translations:

Exchange rates	Average		Year-end	
in €	2011	2010	31 Dec 2011	31 Dec 2010
1 US dollar	0.71	0.76	0.77	0.75
1 pound sterling	1.15	1.17	1.20	1.16
100 Czech korunas	4.07	3.96	3.88	3.99
100 Hungarian forints	0.36	0.36	0.32	0.36
1 Polish zloty	0.24	0.25	0.22	0.25

Accounting policies

Intangible assets are accounted for at amortised cost. With the exception of goodwill, all intangible assets have finite useful lives and are amortised using the straight-line method. Useful lives and methods of amortisation are reviewed on an annual basis.

Software for commercial and technical applications is amortised over three to five years. "Operating rights" refer to the entirety of the permits and approvals required for the operation of a power plant. Such rights are generally amortised over the economic life of the power plant, using the straight-line method. Easement agreements in the electricity and gas business, and other easement rights, generally have useful lives of up to 20 years. Concessions in the water business generally have terms of up to 25 years. Capitalised customer relations are amortised over a maximum period of up to ten years. Useful lives and methods of amortisation are reviewed on an annual basis.

Goodwill is not amortised; instead it is subjected to an impairment test once every year, or more frequently if there are indications of impairment.

Development costs are capitalised if a newly developed product or process can be clearly defined, is technically feasible and it is the company's intention to either use the product or process itself or market it. Furthermore, asset recognition requires that there be a sufficient level of certainty that the development costs lead to future cash inflows. Capitalised development costs are amortised over the time period during which the products are expected to be sold. Research expenditures are recognised as expenses in the period in which they are incurred.

An impairment loss is recognised for an intangible asset if the recoverable amount of the asset is less than its carrying amount. A special regulation applies for cases when the asset is part of a cash-generating unit. Such units are defined as the smallest identifiable group of assets which generates cash inflows; these inflows must be largely independent of cash inflows from other assets or groups of assets. If the intangible asset is a part of a cash-generating unit, the impairment loss is calculated based on the recoverable amount of this unit. If goodwill was allocated to a cash-generating unit and the carrying amount of the unit exceeds the recoverable amount, the allocated goodwill is initially written down by the difference. Impairment losses which must be recognised in addition to this are taken into account by reducing the carrying amount of the other assets of the cash-generating unit on a prorated basis. If the reason for an impairment loss recognised in prior periods has ceased to exist, a write-back is performed. The increased carrying amount resulting from the write-back may not, however, exceed the amortised cost. Impairment losses on goodwill are not reversed.

Property, plant and equipment is stated at depreciated cost. Borrowing costs are capitalised as part of the asset's cost, if they are incurred directly in connection with the acquisition or production of a "qualified asset" for which a considerable period of time is required to prepare the asset for use or sale. If necessary, the cost of property, plant and equipment may contain the estimated expenses for the decommissioning of plants or site restoration. Maintenance and repair costs are recognised as expenses.

Exploratory wells are accounted for at cost, according to the successful efforts method, meaning that expenses for exploration activities are only capitalised for successful projects, for example when wells specifically lead to the discovery of crude oil or natural gas. Seismology and geology expenditures are recognised as expenses. Within the framework of the unit-of-production method, we do not depreciate or amortise capitalised exploration expenses in the exploration phase, but rather after production begins. Exploration assets are tested for impairment as soon as facts and information indicate that the carrying value exceeds the recoverable amount.

With the exception of land and leasehold rights, as a rule, property, plant and equipment is depreciated using the straight-line method, unless in exceptional cases another depreciation method is better suited to the usage pattern. We calculate the depreciation of RWE's typical property, plant and equipment according to the following useful lives, which apply throughout the Group:

Useful life in years	
Buildings	12 – 75
Technical plants	
Thermal power plants	10 – 43
Wind turbines	up to 20
Electricity grids	20 – 45
Water main networks	20 – 80
Gas and water storage facilities	15 – 60
Gas distribution facilities	15 – 40
Mining facilities	3 – 25
Mining developments	33 – 35
Wells in Upstream Gas & Oil	up to 27

Property, plant and equipment held under a finance lease is capitalised at the fair value of the leased asset or the present value of the minimum lease payments, depending on which is lower. They are depreciated using the straight-line method over the expected useful life or the lease term, whichever is shorter.

Impairment losses and write-backs on property, plant and equipment are recognised according to the principles described for intangible assets.

Investment property consists of all real property held to earn rental income or for long-term capital appreciation rather than for use in production or for administrative purposes. This property is measured at depreciated cost. Transaction costs are also included in the initial measurement. Depreciable investment property is depreciated over 12 to 50 years using the straight-line method. Fair values of investment property are stated in the Notes and are determined using internationally accepted valuation methods such as the discounted cash flow method or are derived from the current market prices of comparable real estate.

Impairment losses and write-backs for investment property are also recognised according to the principles described for intangible assets.

Investments accounted for using the equity method are initially accounted for at cost and thereafter based on the carrying amount of their prorated net assets. The carrying amounts are increased or reduced annually by prorated profits or losses, dividends and all other changes in equity. Goodwill is not reported separately, but rather included in the recognised value of the investment. Goodwill is not amortised. An impairment loss is recognised for investments accounted for using the equity method, if the recoverable amount is less than the carrying amount.

Other financial assets are comprised of shares in non-consolidated subsidiaries and in associates/joint ventures not accounted for using the equity method, as well as other investments and non-current marketable securities; these assets are shown in the category "Available for sale". This category includes financial instruments which are neither loans or receivables, nor financial investments held to maturity, and which are not measured at fair value through profit or loss. Initially and in the following periods, they are recognised at fair value as long as such can be determined reliably. They are initially measured on their settlement date; unrealised gains and losses are stated as other comprehensive income, with due consideration of any deferred taxes. Gains or losses are recognised in the income statement upon sale of the financial instruments. If there are objective, material indications of a reduction in the value of an asset, an impairment loss is recognised with an effect on income. If a debtor is experiencing significant financial difficulties, or is delinquent on payments of interest or principal, this can be an indication of impairment of the financial asset in question. The same is true when there is no longer an active market for a financial asset.

Receivables are comprised of **financial receivables, trade accounts receivable** and **other receivables.** With the exception of financial derivatives, **receivables and other assets** are stated at amortised cost. Allowances for doubtful accounts are based on the actual default risk. As a rule, the amounts of receivables are corrected through the use of an allowance account, in accordance with internal Group guidelines. Prepayments received from customers for consumption which is yet to be metered and billed are netted out against trade accounts receivable of the utilities.

Loans reported under financial receivables are stated at amortised cost. Loans with interest rates common in the market are shown on the balance sheet at nominal value; as a rule, however, non-interest or low-interest loans are disclosed at their present value discounted using an interest rate commensurate with the risks involved.

CO_2 emission allowances are accounted for as intangible assets and reported under other assets. Allowances which are purchased and allowances allocated free of charge are both stated at cost and are not amortised.

Deferred taxes result from temporary differences in the carrying amount in the separate IFRS financial statements and tax bases, and from consolidation procedures. Deferred tax assets also include tax reduction claims resulting from the expected utilisation of existing loss carryforwards in subsequent years. Deferred taxes are capitalised if it is sufficiently certain that the related economic advantages can be used. Their amount is assessed with regard to the tax rates applicable or expected to be applicable in the specific country at the time of realisation. The tax regulations valid or adopted as of the balance-sheet date are key considerations in this regard. The tax rate used to calculate deferred taxes in Germany is 31.2 %, as in the previous year. This is derived from the prevailing 15 % corporate tax rate, the 5.5 % solidarity surcharge, and the Group's average local trade tax rate in Germany. Deferred tax assets and deferred tax liabilities are netted out for each company and/or tax group.

Inventories are assets which are held for sale in the ordinary course of business (finished goods and goods for resale), which are in the process of production (work in progress – goods and services) or which are consumed in the production process or in the rendering of services (raw materials including nuclear fuel assemblies and excavated earth for lignite mining).

Insofar as inventories are not acquired primarily for the purpose of realising a profit on a short-term resale transaction, they are carried at the lower of cost or net realisable value. Production costs reflect the full costs directly related to production; they are determined based on normal capacity utilisation and, in addition to directly allocable costs, they also include adequate portions of required materials and production overheads, including production-related depreciation. Borrowing costs, however, are not capitalised as part of the cost. The valuation is generally based on average values. The usage of excavated earth for lignite mining is calculated using the FIFO (first in – first out) method.

If the net realisable value of inventories written down in earlier periods has increased, the reversal of the write-down is recognised as a reduction of the cost of materials.

Nuclear fuel assemblies are stated at depreciated cost. Depreciation is determined by operation and capacity, based on consumption and the reactor's useful life.

Inventories which are acquired primarily for the purpose of realising a profit on a short-term resale transaction are recognised at their net realisable value less distribution costs. Changes in value are recognised with an effect on income.

Securities classified as current **marketable securities** essentially consist of marketable securities held in special funds as well as fixed-interest securities which have a maturity of more than three months and less than one year from the date of acquisition. All of these securities are classified as "Available for sale" and are stated at fair value. The transaction costs directly associated with the acquisition of these securities are included in the initial measurement; they are initially measured on their settlement date. Unrealised gains and losses are included in other comprehensive income without an effect on income, with due consideration of any deferred taxes. If there are objective, material indications of a reduction in value, an impairment loss is recognised with an effect on income. The result of sales of securities are also recognised in the income statement.

Financial assets are derecognised when the contractual rights to cash flows from the asset expire or if the entity transfers the financial asset. The latter applies when substantially all the risks and rewards of ownership of the asset are transferred, or the entity no longer has control of the asset.

Cash and cash equivalents consist of cash on hand, demand deposits and current fixed-interest securities with a maturity of three months or less from the date of acquisition.

Assets are stated under **Assets held for sale** if they can be sold in their present condition and their sale is highly probable. Such assets may be certain non-current assets, asset groups ("disposal groups") or operations ("discontinued operations"). Liabilities intended to be sold in a transaction together with assets are a part of a disposal group or discontinued operations, and are reported separately under **Liabilities held for sale.**

Non-current assets held for sale are no longer depreciated or amortised. They are recognised at fair value less costs to sell, as long as this amount is lower than the carrying amount.

Gains or losses on the valuation of specific assets held for sale and of disposal groups are stated under income from continuing operations until final completion of the sale.

The groupwide stock option plans are accounted for as cash-settled **share-based payment.** At the balance-sheet date, a provision is recognised in the amount of the prorated fair value of the payment obligation. Changes in the fair value are recognised with an effect on income. The fair value of options is determined using generally accepted valuation methodologies.

Provisions are recognised for all legal or constructive obligations to third parties which exist on the balance-sheet date and relate to past events which will probably lead to an outflow of resources, and the amount of which can be reliably estimated. Provisions are carried at the their prospective settlement amount and are not offset against reimbursement claims. If the provision to be measured involves a large number of items, the obligation is estimated by weighting all possible outcomes by their probability of occurrence (expected value method).

All non-current provisions are recognised at their prospective settlement amount, which is discounted as of the balance-sheet date. In the determination of the settlement amount, any cost increases likely to occur up until the time of settlement are taken into account.

If necessary, the cost of property, plant and equipment may contain the estimated expenses for the decommissioning of plants or site restoration, for which decommissioning, restoration and similar provisions are recognised. If changes in the discount rate or changes in the estimated timing or amount of the payments result in changes in the provisions, the carrying amount of the respective asset is adjusted by the same amount. If the decrease in the provision exceeds the carrying amount of the underlying asset, the excess is recognised immediately through profit or loss.

As a rule, releases of provisions are credited to the expense account on which the provision was originally recognised.

Provisions for pensions and similar obligations are recognised for defined benefit plans. These are obligations of the company to pay future and ongoing post-employment benefits to entitled current and former employees and their surviving dependents. In particular, the obligations refer to retirement pensions. Individual commitments are generally oriented to the employees' length of service and compensation.

Provisions for defined benefit plans are based on the actuarial present value of the respective obligation. This is measured using the projected unit credit method. This benefit/years-of-service method not only takes into account the pension benefits and benefit entitlements known as of the balance-sheet date, but also anticipated future increases in salaries and pension benefits. The calculation is based on actuarial reports, taking into account appropriate biometric parameters (for Germany, in particular the "Richttafeln 2005 G" by Klaus Heubeck). The provision derives from the balance of actuarial present value of the obligations and the fair value of the plan assets. The service cost is disclosed in staff costs. The interest cost and expected return on plan assets are included in the financial result.

Actuarial gains and losses are fully recognised in the fiscal year in which they occur. They are reported as a component of other comprehensive income outside of profit or loss in the statement of recognised income and expenses and immediately assigned to retained earnings. They remain outside profit or loss in subsequent periods as well.

In the case of defined contribution plans, the enterprise's obligation is limited to the amount it contributes to the plan. Contributions to the plan are reported under staff costs.

Waste management provisions in the nuclear energy sector are based on obligations under public law, in particular the German Atomic Energy Act, and on restrictions stipulated in operating licenses. These provisions are measured using estimates, which are based on and defined in contracts, on information from internal and external specialists and expert opinions, as well as on data from the German Federal Office for Radiation Protection (BfS).

Obligations existing as of the balance-sheet date and identifiable when the balance sheet is being prepared are recognised as provisions for mining damage to cover land recultivation and remediation of mining damage that has already occurred or been caused. The provisions must be recognised due to obligations under public law, such as the German Federal Mining Act, and formulated, above all, in operating schedules and water law permits. Provisions are generally recognised based on the increase in the obligation, e.g. in line with lignite production. Such provisions are measured at full expected cost or according to estimated compensation payments.

Furthermore, provisions are made owing to obligations under public law to dismantle production facilities and fill wells. The amount of these provisions is determined on the basis of total cost estimates, which reflect past experience and the comparative rates determined by the German Association of Oil and Natural Gas Production Industry. An analogous approach is taken for foreign subsidiaries.

A provision is recognised to cover the obligation to deliver CO_2 emission allowances to the respective authorities; this provision is measured at the carrying amount of the CO_2 allowances capitalised for this purpose. If a portion of the obligation is not covered with the available allowances, the provision for this portion is measured using the market price of the emission allowances on the reporting date.

Liabilities consist of **financial liabilities, trade accounts payable** and **other liabilities.** Upon initial recognition, liabilities are stated at fair value including transaction costs and are carried at amortised cost in the periods thereafter (except for derivative financial instruments). Liabilities from finance lease agreements are measured at the lower of fair value of the leased asset or the present value of minimum lease payments.

Deferred income and prepayments from customers are recognised as liabilities under other liabilities. Deferred income includes advances and contributions in aid of construction and building connection that are carried as liabilities by the utilities and which are generally amortised and included in income over the useful life of the corresponding asset. Deferred income also includes taxable and non-taxable government grants for capital expenditure on non-current assets, which are generally recognised as other operating income in line with the assets' depreciation.

Certain minority interests are also presented under other liabilities. Specifically, this pertains to purchase price obligations from rights to tender minority interests (put options).

Derivative financial instruments are recognised as assets or liabilities and measured at fair value, regardless of their purpose. Changes in this value are recognised with an effect on income, unless the instruments are used for hedge accounting purposes. In such cases, recognition of changes in the fair value depends on the type of hedging transaction.

Fair value hedges are used to hedge assets or liabilities carried on the balance sheet against the risk of a change in their fair value. Hedges of unrecognised firm commitments are also recognised as fair value hedges. For fair value hedges, changes in the fair value of the hedging instrument as well as the fair value of the respective underlying transactions are recognised in the income statement. This means that gains and losses from the fair valuation of the hedging instrument are allocated to the same line items of the income statement as the gains or losses from the underlying hedged transaction or portions thereof. In the event that unrecognised firm commitments are hedged, changes in the fair value of the firm commitments with regard to the hedged risk result in the recognition of an asset or liability with an effect on income.

Cash flow hedges are used to hedge the risk of variability in cash flows related to an asset or liability carried on the balance sheet or related to a highly probable forecast transaction. If a cash flow hedge exists, unrealised gains and losses from the hedging instrument are initially stated as other comprehensive income. Such gains or losses are only included in the income statement when the hedged underlying transaction has an effect on income. If forecast transactions are hedged and such transactions lead to the recognition of a financial asset or financial liability in subsequent periods, the amounts that were recognised in equity until this point in time are recognised in the income statement in the period during which the asset or liability affects the income statement. If the transactions result in the recognition of non-financial assets or liabilities, for example the acquisition of property, plant and equipment, the amounts recognised in equity without an effect on income are included in the initial cost of the asset or liability.

The purpose of hedges of a net investment in foreign entities is to hedge the currency risk from investments with foreign functional currencies. Unrealised gains and losses from such hedges are recognised in other comprehensive income until disposal of the foreign unit.

IAS 39 stipulates the conditions for the recognition of hedging relationships. Amongst other things, the hedging relationship must be documented in detail and be effective. According to IAS 39, a hedging relationship is effective when the changes in the fair value of the hedging instrument are within 80% to 125%, both prospectively and retrospectively, of the opposite change in the fair value of the hedged item. Only the effective portion of a hedge is recognised in accordance with the preceding rules. The ineffective portion is recognised immediately in the income statement with an effect on income.

Contracts on the receipt or delivery of non-financial items in accordance with the company's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts. If the contracts contain embedded derivatives, the derivatives are accounted separately from the host contract, insofar as the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract. Written options to buy or sell a non-financial item which can be settled in cash are not own-use contracts.

Fiscal 2011 is the first time that **Changes in finished goods and work in progress** and **Other own work capitalised** are not reported as separate items in the income statement, on the basis of materiality. Changes in finished goods and work in progress are disclosed in the items "Other operating income" and "Other operating expenses", whilst other own work capitalised is reported in the item "Other operating income". Prior-year figures have been adjusted accordingly.

Contingent liabilities are possible obligations to third parties or existing obligations which will probably not lead to outflow of economic benefits or the amount of which cannot be measured reliably. Contingent liabilities are only recognised on the balance sheet, if they were assumed within the framework of a business combination. The amounts disclosed in the Notes correspond to the exposure at the balance-sheet date.

Management judgements in the application of accounting policies. Management judgements are required in the application of accounting policies. In particular, this pertains to the following aspects:

- With regard to certain contracts a decision must be made as to whether they are to be treated as derivatives or as so-called own-use contracts, and be accounted for as executory contracts.
- Financial assets must be allocated to the categories "Held to maturity investments", "Loans and receivables", "Financial assets available for sale", and "Financial assets at fair value through profit or loss".
- With regard to "Financial assets available for sale" a decision must be made as to if and when reductions in value are to be recognised as impairments with an impact on income.
- With regard to assets held for sale, it must be determined if they can be sold in their current condition and if the sale of such is highly probable. If both conditions apply, the assets and any related liabilities must be reported and measured as "Assets held for sale" or "Liabilities held for sale", respectively.

Management estimates and judgements. Preparation of consolidated financial statements pursuant to IFRS requires assumptions and estimates to be made, which have an impact on the recognised value of the assets and liabilities carried on the balance sheet, on income and expenses and on the disclosure of contingent liabilities.

Amongst other things, these assumptions and estimates relate to the accounting and measurement of provisions. With regard to pension provisions and similar obligations, the discount factor and the expected return on plan assets are important estimates. The discount factor for pension obligations is determined on the basis of yields on high quality, fixed-rate corporate bonds on the financial markets as of the balance-sheet date. In Germany, an increase or decrease of one percentage point in the discount factor would result in a reduction of €1,378 million (previous year: €1,314 million) or an increase of €1,754 million (previous year: €1,672 million), respectively, in the present value of the obligations of the pension plans. For the Group companies in the UK, identical changes in the discount factor would reduce or increase pension obligations by €679 million (previous year: €627 million) or €867 million (previous year: €798 million), respectively.

However, as the commitments stemming from company pension plans are primarily covered by funds and the value of most plan assets typically exhibits negative correlation with the market yields of fixed-interest securities, the pension provisions – as determined taking into account the existing plan assets – only depend on the prevailing level of market interest rates to a limited degree.

For the accounting of business combinations, the identifiable assets, liabilities and contingent liabilities are recognised at fair value as of the date of acquisition. In this regard, the most important estimates relate to the determination of the fair value of these items as of the acquisition date. These estimates are calculated on the basis of reports of independent external valuation experts or internal analyses using suitable valuation techniques. Amongst other things, special attention is paid in this regard to the projection of future cash flows and determination of the discount rate.

The impairment test for goodwill is based on certain assumptions pertaining to the future, which are regularly adjusted.

Deferred tax assets are recognised if realisation of future tax benefits is probable. Actual future income for tax purposes and hence the actual realisability of deferred tax assets, however, may deviate from the estimation made when the deferred taxes are capitalised.

Further information on the assumptions and estimates upon which these consolidated financial statements are based can be found in the explanations of the individual items.

All assumptions and estimates are based on the circumstances and forecasts prevailing on the balance-sheet date. Furthermore, as of the balance-sheet date realistic assessments of overall economic conditions in the sectors and regions in which RWE conducts operations are taken into consideration with regard to the prospective development of business. Actual amounts may deviate from the estimated amounts if the overall conditions develop differently than expected. In such cases, the assumptions, and, if necessary, the carrying amounts of the affected assets and liabilities are adjusted.

As of the date of preparation of the consolidated financial statements, it is not presumed that there will be a material change in the assumptions and estimates.

Capital management. RWE's capital management is determined by the Group's strategic objectives and focuses on increasing the value of the business over the long term. To achieve this goal, the RWE Group endeavours to constantly optimise its existing operations, to safeguard its market position by offering competitive products and services and, if necessary, to optimise its portfolio via value-creating acquisitions and divestitures.

RWE manages its capital structure on the basis of financial indicators. One key indicator is the "debt factor" (leverage factor), which is calculated using net debt. Net debt is calculated by adding material non-current provisions to net financial debt, subtracting the surplus of plan assets over benefit obligations and adjusting for one half of the issued hybrid capital. The debt factor is the ratio of net debt to EBITDA. For the year under review, this factor was 3.5 (previous year: 2.8). The debt factor is not to exceed 3.0 over the long term. With this target, we support our strong credit rating. We ascribe great importance to securing this rating and thus maintaining financial flexibility.

The credit rating is influenced by a number of qualitative and quantitative factors. These include aspects such as the amount of cash flows and debt as well as market conditions, competition, and the political framework. The issuance of a €1.75 billion hybrid bond in September 2010 and a CHF250 million hybrid bond in October 2011 also helped to stabilise this rating. One half of the hybrid capital is classified as equity by the two leading rating agencies, Moody's and Standard & Poor's. As a result, the debt indicators relevant to the rating are better than they would be if a traditional bond had been issued.

At present, Moody's and Standard & Poor's assign the ratings A3 and A-, both with a negative outlook, to the non-subordinated bonds issued by RWE AG and by RWE Finance B.V. with a guarantee by RWE AG. RWE thus continues to have investment-grade ratings. The short-term credit ratings are P–2 and A–2. We are committed to maintaining a solid A rating.

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved several amendments to existing International Financial Reporting Standards (IFRSs) and adopted several new IFRSs and interpretations, which became effective for the RWE Group as of fiscal 2011:

- Improvements to International Financial Reporting Standards (2010)
- Amendment to IFRS 1 (2010) – Limited exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IAS 24 (2009) – Related Party Disclosures
- Amendment to IAS 32 (2009) – Classification of Rights Issues
- Amendment to IFRIC 14 (2009) – Prepayments of a Minimum Funding Requirement
- IFRIC 19 (2009) – Extinguishing Financial Liabilities with Equity Instruments

The standards and interpretations as well as amendments to standards and interpretations applicable for the first time have no material effects on the RWE Group’s consolidated financial statements.

New accounting policies

The IASB has adopted further standards and amendments to standards, which are not yet mandatory in the European Union (EU) in fiscal 2011. The most important changes are presented below. EU endorsement is still pending in some cases.

IFRS 9 (2011) "Financial Instruments" replaces the previous regulations of IAS 39 for the classification and measurement of financial assets and contains minor changes in relation to the measurement of financial liabilities. The adopted amendments primarily relate to the reduction in the number of measurement categories for financial assets. IFRS 9 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2015.

IFRS 10 (2011) "Consolidated Financial Statements" replaces the previous regulations of IAS 27 and of SIC–12 for consolidation. According to IFRS 10 (2011), the following three requirements must be cumulatively fulfilled in order for control to exist: power over the relevant activities, a right to variable returns from the investee, and the ability to use power over the investee to affect the amount of the variable returns. IFRS 10 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2013.

IFRS 11 (2011) "Joint Arrangements" replaces the previous regulations of IAS 31 and of SIC–13 for the accounting treatment of joint ventures. IFRS 11 (2011) regulates the accounting treatment of cases in which a company is managed jointly or an activity is carried out jointly. A further amendment is that in the future proportionate consolidation is no longer allowed. RWE had not exercised this option in the past anyway. IFRS 11 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2013.

IFRS 12 (2011) "Disclosure of Interests in Other Entities" encompasses the disclosure obligations resulting from the application of IFRS 10, IFRS 11 and IAS 28. The mandatory disclosures are to enable users of financial statements to evaluate the risks and financial effects resulting from subsidiaries, joint ventures and joint operations, associated companies and unconsolidated structured entities. IFRS 12 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2013.

IFRS 13 (2011) "Fair Value Measurement" defines a single framework for measuring fair value across all standards. Furthermore, IFRS 13 (2011) introduces extensive disclosure on fair valuations in the notes. IFRS 13 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2013.

IAS 28 (2011) "Investments in Associates and Joint Ventures" was supplemented with regulations for the accounting treatment of investments in joint ventures when it was revised. IAS 28 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2013.

"Presentation of Other Comprehensive Income" (Amendments of IAS 1) (2011) relates to the presentation of items included in the statement of recognised income and expenses. In the future, these must be divided into two categories, depending on how they are to be recognised in the income statement in the future ("recycling"). These amendments become effective for the first time for fiscal years starting on or after 1 July 2012.

Amendments to IAS 19 (2011) "Employee Benefits" abolish options to recognise actuarial gains and losses. New regulations on considering the expected return on plan assets are also introduced. In addition, the disclosure obligations in the notes are expanded. These amendments become effective for the first time for fiscal years starting on or after 1 January 2013.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (2011) and **Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (2011)** regulate the offsetting of financial assets and financial liabilities and the related reporting requirements. While the requirements for offsetting are only detailed by application guidances, the scope of reporting requirements is expanded considerably. These amendments related to IFRS 7 become effective for the first time for fiscal years starting on or after 1 January 2013, the amendments related to IAS 32 for fiscal years starting on or after 1 January 2014.

The effects of the amendments to the standards on the RWE Group's consolidated financial statements are currently being reviewed.

The following standards, amendments to standards, and interpretations are not expected to have any material effects on the RWE Group's consolidated financial statements:

- IAS 27 (2011) – Separate Financial Statements
- Amendment to IFRS 1 (2010) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendment to IFRS 7 (2010) – Financial Instruments: Disclosures – Transfers of Financial Assets
- Amendment to IAS 12 (2010) – Deferred Tax: Recovery of Underlying Assets
- IFRIC 20 (2011) – Stripping Costs in the Production Phase of a Surface Mine

Notes to the Income Statement

(1) Revenue

As a rule, revenue is recorded when the services or goods have been delivered and the risks have been transferred to the customer.

To improve the presentation of business development, we report revenue generated by energy trading operations as net figures, reflecting realised gross margins. By contrast, we report electricity, gas, coal and oil transactions that are subject to physical settlement on a gross basis. Energy trading revenue is generated by the segment Trading/Gas Midstream. In fiscal 2011, gross revenue (including energy trading) totalled €118,579 million (previous year: €114,682 million).

A breakdown of revenue by division and geographical region is contained in the segment reporting on pages 183 et seqq. Revenue decreased by a net total of €317 million as a result of first-time consolidations and deconsolidations.

The item natural gas tax/electricity tax comprises the taxes paid directly by Group companies. Changes in the scope of consolidation resulted in an increase of €61 million in this item.

(2) Other operating income

Other operating income € million	2011	2010
Income from own work capitalised	315	219
Release of provisions	348	97
Cost allocations/refunds	74	218
Disposal and write-back of current assets excluding marketable securities	41	51
Disposal and write-back of non-current assets including income from deconsolidation	536	139
Income from derivative financial instruments	124	322
Compensation for damage/insurance benefits	93	10
Rent and lease	31	28
Exchange rate gains	60	
Miscellaneous	529	411
	2,151	**1,495**

Income from the disposal of non-current financial assets and loans is disclosed under income from investments if it relates to investments; otherwise it is recorded as part of the financial result as is the income from the disposal of current marketable securities.

(3) Cost of materials

Cost of materials € million	2011	2010
Cost of raw materials and of goods for resale	29,447	29,169
Cost of purchased services	4,481	4,007
	33,928	**33,176**

The cost of raw materials also includes expenses for the use and disposal of spent nuclear fuel assemblies. This item also includes expenses from emission allowances for our CO_2 emissions.

Cost of materials in exploration activities amounted to €65 million in the reporting period (previous year: €85 million).

A total of €66,893 million in energy trading revenue (previous year: €61,362 million) was netted out against cost of materials. Changes in the scope of consolidation resulted in a decline of €589 million in the cost of materials.

(4) Staff costs

Staff costs € million	2011	2010
Wages and salaries	4,204	3,946
Cost of social security, pensions and other benefits	966	927
	5,170	**4,873**

The RWE Group's average personnel headcount amounted to 72,163 (previous year: 71,001). This figure is arrived at by conversion to full-time positions, meaning that part-time and fixed-term employment relationships are included in accordance with the ratio of the part-time work or the duration of the employment to the annual employment time. Of the total average personnel headcount, 55,851 were staff covered by collective or other agreements (previous year: 55,224) and 16,312 were staff who were not covered by collective agreements (previous year: 15,777). In addition, 2,756 trainees were employed on average (previous year: 2,800). Trainees are not included in the personnel headcount.

An increase of €51 million in staff costs is attributable to changes in the scope of consolidation.

(5) Depreciation, amortisation and impairment losses

Depreciation and impairment losses on property, plant and equipment amounted to €2,572 million (previous year: €2,600 million) and to €9 million (previous year: €10 million) on investment property. Intangible assets were written down by €823 million (previous year: €603 million), of which €301 million (previous year: €314 million) pertained to customer bases of acquired enterprises. Exploration activities resulted in depreciation, amortisation and impairment losses of €21 million (previous year: €5 million) on property, plant and equipment and intangible assets.

Impairment losses were recognised in the reporting period. These impairment losses amounted to €372 million (previous year: €471 million) on property, plant and equipment, €3 million (previous year: €3 million) on investment property and €259 million (previous year: €37 million) on intangible assets (without goodwill).

(6) Other operating expenses

Other operating expenses € million	2011	2010
Expenses from changes in finished goods and work in progress	24	20
Maintenance and renewal obligations	954	917
Additions to provisions	210	271
Concessions, licenses and other contractual obligations	536	515
Structural and adaptation measures	423	196
Legal and other consulting and data processing services	296	295
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	357	380
Disposal of non-current assets including expenses from deconsolidation	124	102
Insurance, commissions, freight and similar distribution costs	247	235
General administration	219	224
Advertising	249	241
Expenses from derivative financial instruments	138	70
Lease payments for plant and grids as well as rents	135	123
Postage and monetary transactions	83	86
Fees and membership dues	99	89
Exchange rate losses		52
Other taxes (primarily on property)	80	79
Miscellaneous	499	553
	4,673	**4,448**

Exploration activities resulted in other operating expenses of €57 million (previous year: €57 million).

An increase of €92 million in other operating expenses is attributable to changes in the scope of consolidation.

(7) Income from investments

Income from investments includes all income and expenses which have arisen in relation to operating investments. It is comprised of income from investments accounted for using the equity method and other income from investments.

Income from investments € million	2011	2010
Income from investments accounted for using the equity method	**400**	**310**
of which: amortisation/impairment losses/additions on investments accounted for using the equity method	(−41)	(24)
Income from non-consolidated subsidiaries	−1	−1
of which: amortisation/impairment losses on non-consolidated subsidiaries	(−10)	
Income from other investments	105	53
of which: impairment of shares in other investments	(−3)	(−3)
Income from the disposal of investments	8	34
Expenses from the disposal of investments	1	
Income from loans to investments	34	27
Expenses from loans to investments	17	16
Other income from investments	**128**	**97**
	528	**407**

Expenses from loans to investments relate exclusively to impairment losses.

In the year under review, an impairment of €26 million (previous year: €40 million) was recognised on Fri-El S.p.A., due to delays in project development, and an impairment of €15 million (previous year: €0 million) was recognised on power plant investments in the Netherlands which are accounted for using the equity method. In the previous year, additions of €71 million were recognised in relation to Kärntner Energieholding Beteiligungs GmbH, Austria, and Stadtwerke Duisburg AG, both investments accounted for using the equity method, based on increases in company value.

(8) Financial result

Financial result € million	2011	2010
Interest and similar income	430	448
Other financial income	265	800
Financial income	**695**	**1,248**
Interest and similar expenses	1,063	1,258
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	113	147
Provisions for nuclear waste management as well as to mining provisions	609	623
Other provisions	147	170
Other finance costs	396	986
Finance costs	**2,328**	**3,184**
	−1,633	**−1,936**

The financial result breaks down into net interest, interest accretion to provisions, other financial income and other finance costs.

Interest accretion to provisions contains the reversal allocable to the current year of the discounting of non-current provisions from the annual update of the present value calculation. It is reduced by the projected income on plan assets for the coverage of pension obligations.

Net interest essentially includes interest income from interest-bearing securities and loans, income and expenses relating to marketable securities, and interest expenses.

In the year under review, €50 million in borrowing costs were capitalised as costs in connection with the acquisition, construction or production of qualifying assets (previous year: €4 million). The underlying capitalisation rate ranged from 5.20% to 5.30% (previous year: from 5.30% to 5.45%).

Net interest € million	2011	2010
Interest and similar income	430	448
Interest and similar expenses	1,063	1,258
	–633	**–810**

Net interest stems from financial assets and liabilities, which are allocated to the following categories:

Interest result by category € million	2011	2010
Loans and receivables	341	359
Financial assets available for sale	89	89
Financial liabilities carried at (amortised) cost	–1,063	–1,258
	–633	**–810**

The financial result also contains all other financial income and finance costs which cannot be allocated to net interest or to interest accretion to provisions.

Other financial income includes €82 million in gains realised from the disposal of marketable securities (previous year: €161 million). Other finance costs include €5 million (previous year: €0 million) in write-downs of marketable securities due to decreases in their fair value and €78 million (previous year: €44 million) in realised losses from the disposal of marketable securities.

(9) Taxes on income

Taxes on income € million	2011	2010
Current taxes on income	630	2,056
Deferred taxes	224	–680
	854	**1,376**

Of the deferred taxes, €392 million is related to temporary differences (previous year: –€586 million).

Current taxes on income contain €63 million in net tax expenses (previous year: €26 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were reduced by €50 million (previous year: €32 million). Expenses from deferred taxes declined by €18 million (previous year: €0 million), due to reassessments of and previously unrecognised tax carryforwards.

Changes in the scope of consolidation increased income taxes by €42 million.

During the period under review, equity increased by €926 million (previous year: €8 million) by offsetting deferred taxes with other comprehensive income, as follows:

Income taxes recognised in other comprehensive income € million	2011	2010
Fair valuation of financial instruments available for sale	–2	34
Fair valuation of financial instruments used for hedging purposes	676	6
Actuarial gains and losses of defined benefit pension plans and similar obligations	252	–32
Income	**926**	**8**

Taxes in the amount of €28 million (previous year: €9 million) were offset directly against equity in relation to hybrid capital issued in 2010 and the equity capital measures taken during the year under review.

Tax reconciliation € million	2011	2010
Income from continuing operations before tax	**3,024**	**4,978**
Theoretical tax expense	**944**	**1,555**
Differences from foreign tax rates	112	−142
Tax effects on		
Tax-free domestic dividend income	−83	−76
Tax-free foreign dividend income	−29	−28
Other tax-free income	−15	−11
Expenses not deductible for tax purposes	117	132
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	−19	16
Unutilisable loss carryforwards / utilisation of unrecognised loss carryforwards / write-downs on loss carryforwards / recognition of loss carryforwards	−64	−122
Income on the disposal of investments	−3	−12
Changes in domestic tax rates		−10
Changes in foreign tax rates	41	−56
Other	−147	130
Effective tax expense	**854**	**1,376**
Effective tax rate in %	28.2	27.6

Notes to the Balance Sheet

(10) Intangible assets

Intangible assets € million	Development costs	Concessions, patent rights, licenses and similar rights	Customer relationships and similar assets	Goodwill	Prepayments	Total
Cost						
Balance at 1 Jan 2011	607	3,829	2,866	13,578	2	20,882
Additions/disposals due to changes in the scope of consolidation	–12	314		–31	15	286
Additions	89	191			11	291
Transfers		–79			–2	–81
Currency translation adjustments	10	–3	73	52		132
Disposals	181	170			1	352
Balance at 31 Dec 2011	513	4,082	2,939	13,599	25	21,158
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2011	297	1,122	2,107	6		3,532
Additions/disposals due to changes in the scope of consolidation	–16	1				–15
Amortisation/impairment losses in the reporting period	66	456	301			823
Transfers		–1				–1
Currency translation adjustments	6	–6	73			73
Disposals	66	133	1			200
Balance at 31 Dec 2011	287	1,439	2,480	6		4,212
Carrying amounts						
Balance at 31 Dec 2011	226	2,643	459	13,593	25	16,946

Cost						
Balance at 1 Jan 2010	475	3,734	2,790	13,258	2	20,259
Additions/disposals due to changes in the scope of consolidation	16	1	2	130		149
Additions	112	165			1	278
Transfers	2	1			–1	2
Currency translation adjustments	11	21	74	192		298
Disposals	9	93		2		104
Balance at 31 Dec 2010	607	3,829	2,866	13,578	2	20,882
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2010	223	968	1,742	6		2,939
Additions/disposals due to changes in the scope of consolidation	7	10	–1			16
Amortisation/impairment losses in the reporting period	69	220	314			603
Transfers	1					1
Currency translation adjustments	6	7	52			65
Disposals	9	83				92
Balance at 31 Dec 2010	297	1,122	2,107	6		3,532
Carrying amounts						
Balance at 31 Dec 2010	310	2,707	759	13,572	2	17,350

In the reporting period, the RWE Group's total expenditures on research and development amounted to €146 million (previous year: €149 million). Development costs of €89 million were capitalised (previous year: €112 million).

As of the balance-sheet date, the carrying amount of intangible assets related to exploration activities amounted to €288 million (previous year: €374 million).

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2011	31 Dec 2010
Germany	4,100	4,186
Power Generation	(404)	(404)
Sales/Distribution Networks	(3,696)	(3,782)
Netherlands/Belgium	2,654	2,665
United Kingdom	3,058	2,968
Central Eastern and South Eastern Europe	2,000	2,048
Renewables	761	736
Upstream Gas & Oil	25	25
Trading/Gas Midstream	995	944
	13,593	**13,572**

In the year under review, goodwill decreased by €31 million. In the previous year, goodwill increased by €130 million. Changes in current redemption liabilities from put options resulted in an adjustment without an effect on income of –€121 million (previous year: €213 million) to the goodwill of the segment Sales/Distribution Networks. During the year under review, this was essentially balanced out by the addition from the acquisition of NVV AG in the amount of €35 million.

In the third quarter of every fiscal year, an impairment test is performed to determine if there is any need to write down goodwill. In this test, goodwill is allocated to the cash-generating units at the segment level. The recoverable amount of the cash-generating unit is determined, which is defined as the higher of fair value less costs to sell or value in use. Fair value is the best estimate of the price that an independent third party would pay to purchase the cash-generating unit as of the balance-sheet date. Value in use reflects the present value of the future cash flows which are expected to be generated with the cash-generating unit.

Fair value is assessed from an external perspective and value in use from a company-internal perspective. We determine both variables using a business valuation model, taking into account planned future cash flows. These cash flows, in turn, are based on the business plan, as approved by the Executive Board and valid at the time of the impairment test, and pertain to a detailed planning period of up to five years. In certain justifiable cases, a longer detailed planning period is taken as a basis, insofar as this is necessary due to economic or regulatory conditions. The cash flow plans are based on experience as well as on expected market trends in the future. If available, market transactions in the same sector or third-party valuations are taken as a basis for determining fair value.

Mid-term business plans are based on country-specific assumptions regarding the development of key economic indicators such as gross domestic product, consumer prices, interest rate levels and nominal wages. These estimates are, amongst others, derived from macroeconomic and financial studies.

Our key planning assumptions for the business segments active in Europe's electricity and gas markets relate to the development of wholesale prices for electricity, crude oil, natural gas, coal and CO_2 emission allowances, retail prices for electricity and gas, market shares and regulatory framework conditions.

The discount rates used for business valuations are determined on the basis of market data. With regard to cash-generating units, during the period under review they ranged from 5.5% to 8.75% after tax (previous year: 6.25% to 9.0%) and from 7.8% to 17.4% before tax (previous year: 8.0% to 16.5%).

For the extrapolation of future cash flows going beyond the detailed planning horizon, we assumed constant growth rates of 0.0% to 1.0% (previous year: 0.0% to 1.0%). These figures are derived from experience and future expectations for the individual divisions and do not exceed the long-term average growth rates in the markets in which the Group companies are active. In calculating cash flow growth rates, the capital expenditures required to achieve the assumed cash flow growth are subtracted.

As of the balance-sheet date, both the fair values less costs to sell and the values in use were higher than the carrying amounts of the cash-generating units. These surpluses react especially sensitively to changes in the discount rate, the growth rate and the operating result after taxes in terminal value.

Of all the segments, United Kingdom, Netherlands/Belgium and Trading/Gas Midstream exhibited the smallest surpluses of recoverable amount over carrying amount.

The goodwill allocated to the segment United Kingdom amounted to €3.1 billion (£2.6 billion) as of 31 December 2011. The impairment test showed a recoverable amount which exceeded the carrying amount by £1.2 billion. Valuation of the segment United Kingdom was calculated using an after-tax discount rate of 6.75% and a growth rate of 1.0%. An increase in the after-tax discount rate by more than 1.31 percentage points to above 8.06%, the assumption of a negative growth rate higher than 1.76% or a decrease of more than £92 million in the operating result after taxes in terminal value would result in the recoverable amount being lower than the carrying amount of the cash-generating unit United Kingdom.

The goodwill allocated to the segment Netherlands/Belgium amounted to €2.7 billion. The recoverable amount exceeded the carrying amount by €1.4 billion. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 0.78 percentage points to above 7.03%, a growth rate decreased by more than 1.38 percentage points to below −0.38% or an operating result reduced by more than €97 million in terminal value.

The goodwill allocated to the segment Trading/Gas Midstream amounted to €1.0 billion. The recoverable amount exceeded the carrying amount by €0.9 billion. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 1.95 percentage points to above 8.70%, a growth rate decreased by more than 2.88 percentage points to below −2.88% or an operating result reduced by more than €78 million in terminal value.

(11) Property, plant and equipment

Property, plant and equipment € million	Land, land rights and buildings incl. buildings on third-party land	Technical plant and machinery	Other equipment, factory and office equipment	Prepayments	Plants under construction	Total
Cost						
Balance at 1 Jan 2011	7,233	66,596	2,188	2,652	5,823	84,492
Additions/disposals due to changes in the scope of consolidation	−194	−4,262	−28		43	−4,441
Additions	156	1,774	177	913	3,234	6,254
Transfers	121	1,217	67	−1,503	191	93
Currency translation adjustments	−79	−265	−3	−14	54	−307
Disposals	110	1,626	322		44	2,102
Balance at 31 Dec 2011	7,127	63,434	2,079	2,048	9,301	83,989
Accumulated depreciation/impairment losses						
Balance at 1 Jan 2011	3,678	46,934	1,603		40	52,255
Additions/disposals due to changes in the scope of consolidation	−150	−3,323	−30			−3,503
Depreciation/impairment losses in the reporting period	176	2,163	190		41	2,570
Transfers	−1	21	2		−3	19
Currency translation adjustments	−41	−122	−3			−166
Disposals	73	1,621	318		1	2,013
Write-backs	10	10				20
Balance at 31 Dec 2011	3,579	44,042	1,444		77	49,142
Carrying amounts						
Balance at 31 Dec 2011	3,548	19,392	635	2,048	9,224	34,847

Cost						
Balance at 1 Jan 2010	6,959	64,004	2,079	1,869	4,593	79,504
Additions/disposals due to changes in the scope of consolidation	−39	−729	1	112	−60	−715
Additions	285	1,908	171	681	3,198	6,243
Transfers	73	1,737	52	−7	−1,914	−59
Currency translation adjustments	32	380	18	−3	60	487
Disposals	77	704	133		54	968
Balance at 31 Dec 2010	7,233	66,596	2,188	2,652	5,823	84,492
Accumulated depreciation/impairment losses						
Balance at 1 Jan 2010	3,566	45,747	1,559		5	50,877
Additions/disposals due to changes in the scope of consolidation	−20	−601	−2			−623
Depreciation/impairment losses in the reporting period	208	2,195	162		35	2,600
Transfers	−40					−40
Currency translation adjustments	13	204	13			230
Disposals	44	609	129			782
Write-backs	5	2				7
Balance at 31 Dec 2010	3,678	46,934	1,603		40	52,255
Carrying amounts						
Balance at 31 Dec 2010	3,555	19,662	585	2,652	5,783	32,237

The carrying amount of property, plant, and equipment for exploration activities was €307 million (previous year: €346 million).

Property, plant and equipment were subject to restrictions in the amount of €175 million (previous year: €1,026 million) in the form of land charges and chattel mortgages. Of the carrying amount of property, plant and equipment, €187 million (previous year: €136 million) was attributable to assets leased under finance leases. These assets consist of technical plant and equipment. Disposals of property, plant and equipment resulted from sale or decommissioning.

(12) Investment property

Investment property € million	
Cost	
Balance at 1 Jan 2011	401
Transfers	–26
Disposals	34
Balance at 31 Dec 2011	341
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2011	239
Depreciation/impairment losses in the reporting period	9
Transfers	–18
Disposals	24
Write-backs	1
Balance at 31 Dec 2011	205
Carrying amounts	
Balance at 31 Dec 2011	136

Investment property € million	
Cost	
Balance at 1 Jan 2010	378
Transfers	40
Disposals	17
Balance at 31 Dec 2010	401
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2010	196
Depreciation/impairment losses in the reporting period	10
Transfers	40
Disposals	7
Write-backs	
Balance at 31 Dec 2010	239
Carrying amounts	
Balance at 31 Dec 2010	162

Of the carrying amount of investment property, €8 million (previous year: €0 million) is attributable to assets leased under finance leases. As of 31 December 2011, the fair value of investment property amounted to €226 million (previous year: €257 million). Of this, €70 million (previous year: €85 million) is based on valuations by independent appraisers. Rental income in the reporting period amounted to €22 million (previous year: €23 million). Direct operating expenses totalled €12 million (previous year: €14 million).

(13) Investments accounted for using the equity method

The following summaries present the key items from the balance sheets and income statements of companies accounted for using the equity method:

Investments accounted for using the equity method	31 Dec 2011		31 Dec 2010	
€ million	Total	Of which: joint ventures	Total	Of which: joint ventures
Equity				
Assets	31,786	8,493	24,436	4,524
Liabilities	21,563	6,421	17,078	3,564
	10,223	**2,072**	**7,358**	**960**
Adjustment to RWE interest and equity method	−6,110	−1,187	−3,664	−477
	4,113	**885**	**3,694**	**483**

Income from investments accounted for using the equity method	2011		2010	
€ million	Total	Of which: joint ventures	Total	Of which: joint ventures
Revenue	23,707	677	15,814	480
Income	743	−53	840	−207
Adjustment to RWE interest and equity method	−343	32	−530	105
	400	**−21**	**310**	**−102**

As of 31 December 2011, the fair value of investments accounted for using the equity method for which quoted market prices exist amounted to €3 million (previous year: €2 million).

In respect of joint ventures, €7,594 million of assets (previous year: €4,280 million) and €5,810 million of liabilities (previous year: €1,831 million) were non-current.

(14) Other non-current financial assets

Other non-current financial assets € million	31 Dec 2011	31 Dec 2010
Non-consolidated subsidiaries	158	145
Other investments	320	356
Non-current securities	358	249
	836	**750**

Non-current securities primarily consist of fixed-interest marketable securities and shares of listed companies. Long-term securities amounting to €250 million and €20 million (previous year: €189 million and €0 million) were deposited in a trust account for RWE AG and its subsidiaries, in order to cover credit balances stemming from the block model for pre-retirement part-time work, pursuant to Sec. 8a of the Pre-Retirement Part-Time Work Act (AltTZG) and from the management of long-term working hours accounts pursuant to Sec. 7e of the German Code of Social Law (SGB IV), respectively. This coverage applies to the employees of RWE AG as well as to the employees of Group companies.

(15) Financial receivables

Financial receivables € million	31 Dec 2011 Non-current	31 Dec 2011 Current	31 Dec 2010 Non-current	31 Dec 2010 Current
Loans to non-consolidated subsidiaries and investments	1,673	104	809	994
Collateral for trading activities		1,201		674
Other financial receivables				
Accrued interest		115		114
Miscellaneous other financial receivables	255	751	233	964
	1,928	**2,171**	**1,042**	**2,746**

As of the balance-sheet date, financial receivables from associates amounted to €2,338 million (previous year: €2,195 million).

Companies of the RWE Group deposited collateral for the trading activities stated above for exchange-based and over-the-counter (OTC) transactions. These are to guarantee that the obligations from the transactions are discharged even if the development of prices is not favourable for RWE.

(16) Other receivables and other assets

Other receivables and other assets € million	31 Dec 2011 Non-current	31 Dec 2011 Current	31 Dec 2010 Non-current	31 Dec 2010 Current
Derivatives	1,556	5,799	1,696	7,222
Surplus of plan assets over benefit obligations	60		56	
Prepayments for items other than inventories		957		769
CO_2 emission allowances		749		983
Prepaid expenses		260		178
Miscellaneous other assets	425	1,169	461	1,332
	2,041	**8,934**	**2,213**	**10,484**

With the exception of derivatives, the financial instruments reported under other receivables and other assets are measured at amortised cost. Derivative financial instruments are stated at fair value.

The carrying values of exchange-traded derivatives with netting agreements are offset.

Changes in the scope of consolidation decreased other receivables and other assets by €234 million.

(17) Deferred taxes

Deferred tax assets and liabilities principally stem from the fact that measurements in the IFRS statements differ from measurements in the tax bases. €3,317 million and €2,366 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €2,558 million and €2,496 million).

The following is a breakdown of deferred tax assets and liabilities by item:

Deferred taxes € million	31 Dec 2011 Assets	31 Dec 2011 Liabilities	31 Dec 2010 Assets	31 Dec 2010 Liabilities
Non-current assets	556	3,045	412	2,856
Current assets	248	2,034	267	1,756
Exceptional tax items		207		239
Non-current liabilities				
Provisions for pensions	688	18	641	24
Other non-current provisions	1,798	116	2,079	17
Current liabilities	3,069	332	2,291	740
	6,359	**5,752**	**5,690**	**5,632**
Tax loss carryforwards				
Corporate income tax (or comparable foreign income tax)	312		142	
Trade tax	6		6	
Gross total	**6,677**	**5,752**	**5,838**	**5,632**
Netting	−4,056	−4,056	−3,447	−3,447
Net total	**2,621**	**1,696**	**2,391**	**2,185**

The capitalised tax reduction claims from loss carryforwards result from the expected utilisation of previously unused tax loss carryforwards in subsequent years.

It is sufficiently certain that these tax carryforwards will be realised. At the end of the reporting period, corporate income tax loss carryforwards and trade tax loss carryforwards for which no deferred tax claims have been recognised amounted to €1,081 million and €226 million, respectively (previous year: €660 million and €266 million). €722 million of these income tax loss carryforwards apply to the next seven years.

The other loss carryforwards can essentially be used for an unlimited period.

In the year under review, deferred tax expenses of €11 million arising from the translation of foreign financial statements were offset against equity (previous year: €37 million).

(18) Inventories

Inventories € million	31 Dec 2011	31 Dec 2010
Raw materials, incl. nuclear fuel assemblies and earth excavated for lignite mining	1,840	2,373
Work in progress – goods	35	25
Work in progress – services	96	88
Finished goods and goods for resale	1,356	788
Prepayments	15	19
	3,342	**3,293**

Inventories were not subject to any restrictions on disposal and there were no further obligations.

The carrying amount of inventories acquired for resale purposes was €481 million (previous year: €627 million).

Changes in the scope of consolidation resulted in a decrease of €20 million in inventories.

(19) Trade accounts receivable

As of the balance-sheet date, trade accounts receivable from associates amounted to €350 million (previous year: €241 million).

Trade accounts receivable decreased by €609 million due to changes in the scope of consolidation.

(20) Marketable securities

The total value of current marketable securities was €4,995 million (previous year: €3,196 million), consisting of fixed-interest marketable securities of €4,416 million (previous year: €2,670 million) with a maturity of more than three months from the date of acquisition, and stocks and profit-participation certificates of €579 million (previous year: €526 million). Marketable securities are stated at fair value. As of 31 December 2011, the average return on fixed-interest securities was 1.3% (previous year: 2.1%). Securities in the amount of €708 million (previous year: €812 million) were deposited with clearing banks as collateral.

(21) Cash and cash equivalents

Cash and cash equivalents € million	31 Dec 2011	31 Dec 2010
Cash and demand deposits	1,661	2,317
Marketable securities and other cash investments (maturity less than three months from the date of acquisition)	348	159
	2,009	**2,476**

RWE keeps demand deposits exclusively for short-term cash positions. For cash investments, banks are selected on the basis of various creditworthiness criteria. Examples of such criteria include a bank's rating from one of the two renowned rating agencies, Moody's or Standard & Poor's, its equity capital and the prices for its credit default swaps (CDS). As in the previous year, interest rates are maintained at market levels.

(22) Equity

A breakdown of equity is shown on page 130.
The subscribed capital of RWE AG is structured as follows:

Subscribed capital	31 Dec 2011 Number of shares		31 Dec 2010 Number of shares		31 Dec 2011 Carrying amount	31 Dec 2010 Carrying amount
	in '000	in %	in '000	in %	€ million	€ million
Common shares	575,745	93.7	523,405	93.1	1,474	1,340
Preferred shares	39,000	6.3	39,000	6.9	100	100
	614,745	**100.0**	**562,405**	**100.0**	**1,574**	**1,440**

Common and preferred shares are no-par-value bearer share certificates. Preferred shares have no voting rights. Under certain conditions, preferred shares are entitled to payment of a preference dividend of €0.13 per share, upon allocation of the company's profits.

On 5 December 2011, RWE AG decided to implement a capital increase and sale of treasury shares, as part of an overall package to strengthen the equity capital base and improve the capital structure of the Group. Both the newly issued shares and the treasury shares sold are eligible for dividends starting from 1 January 2011.

During the reporting period, the authorisation of 17 April 2008 was partially used to issue 52,340,499 new bearer common shares from the authorised capital at a price of €26.00 per share, issued on a cash basis, excluding shareholders' subscription rights. As a result, the capital stock increased by €133,991,677.44 to €1,573,748,477.44 and the capital reserve increased by €1,226,861,296.56 to €2,384,745,363.45. The capital increase was completed with registration in the commercial register on 7 December 2011.

Above and beyond this, the company also sold 28,105,327 of its treasury shares. This amounted to €71,949,637.12 of the capital stock (4.57% of subscribed capital, following the capital increase). Proceeds from the capital increase amounted to €730,738,502.00.

Within the framework of the staff programme, 442,692 treasury shares were sold to employees of RWE AG and its subsidiaries for capital formation; this is equivalent to €1,133,291.52 of the capital stock (0.08% of the subscribed capital). Proceeds amounted to €16,396,747.18.

During the year under review, transaction costs of €16 million (previous year: €12 million) were recorded as a deduction from equity.

Pursuant to a resolution passed by the Annual General Meeting on 17 April 2008, the Executive Board was authorised to increase the company's capital stock, subject to the Supervisory Board's approval, by up to €287,951,360.00 until 16 April 2013, through the issuance of new, bearer common shares in return for contributions in cash or in kind (authorised capital). In certain cases, the subscription rights of shareholders can be excluded, with the approval of the Supervisory Board. During the reporting period, this authorisation was used to the extent of the capital increase, leaving €153,959,682.56 in authorised capital.

Pursuant to a resolution passed by the Annual General Meeting on 22 April 2009, the Executive Board was authorised to issue option or convertible bonds until 21 April 2014. The total nominal value of the bonds is limited to €6,000 million. Shareholders' subscription rights may be excluded under certain conditions. The Annual General Meeting decided to establish €143,975,680 in conditional capital divided into 56,240,500 bearer common shares, in order to redeem the bonds. Shares from the authorised capital are to be deducted from the shares from the conditional capital, insofar as they are both issued with an exclusion of shareholders' subscription rights.

Pursuant to a resolution passed by the Annual General Meeting on 20 April 2011, the company was authorised until 19 October 2012 to buy back any kind of the company's shares totalling up to 10% of the capital stock as of the date upon which the resolution was passed by the Annual General Meeting , or – if such amount is lower – of the capital stock on the date of exercising such authorisation; share buy-backs may also be carried out using put or call options. Based on the authorisation, the Executive Board is also entitled to cancel the treasury shares without a further resolution by the Annual General Meeting. Moreover, the Executive Board is also authorised to transfer or sell such shares to third parties, under certain conditions and excluding shareholders' subscription rights. The Executive Board was furthermore authorised to use the treasury shares to discharge obligations from future employee share schemes; in this regard, shareholders' subscription rights shall be excluded.

As of 31 December 2011, RWE AG held 298,454 no-par-value common shares in RWE AG (31 December 2010: 28,846,473), equivalent to €764,042.24 of the share capital (0.05% of subscribed capital) . The acquisition costs of treasury shares amounting to €24 million (31 December 2010: €2,272 million) were deducted from the carrying amount of equity. The company's shares were acquired during the period from 21 February to 16 May 2008, on the basis of the resolutions of the Annual General Meeting of 18 April 2007 and 17 April 2008. These shares can be used for all purposes of treasury shares determined by the Annual General Meeting.

In September 2010, RWE AG issued a hybrid bond with a nominal volume of €1.75 billion. The bond, which is subordinated to all other creditor securities, 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 4.625% p.a. until the first call date, which is in 2015. If the bond is not called as of this date, its interest rate until the next call date, which is in 2020, will be the sum of the then applicable five-year interbank rate and a credit spread of 265 basis points. If it is not called as of that date, either, it will be converted into a variable-interest bond with an annual call right and an interest rate equalling the 12-month EURIBOR plus 365 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 up for when payment of a dividend is proposed again. After ten years, the hybrid bond may only be redeemed by issuing equity or equity-like financial instruments, for example new hybrid bonds. At the first call date, which is after five years, the hybrid bond may be redeemed without restrictions with respect to the follow-up financing.

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.

Accumulated other comprehensive income reflects changes in the fair values of financial instruments available for sale, cash flow hedges and hedges of the net investment in foreign entities, as well as changes stemming from foreign currency translation adjustments from foreign financial statements.

Dividend proposal

We propose to the Annual General Meeting that RWE AG's distributable profit for fiscal 2011 be appropriated as follows:

Distribution of a dividend of €2.00 per individual dividend-bearing share:

Dividend	1,228,894,090.00 €
Profit carryforward	892,779.53 €
Distributable profit	1,229,786,869.53 €

The dividend proposal takes into account the non-dividend-bearing shares held by the company as of 31 December 2011. The number of dividend-bearing shares may decline before the Annual General Meeting if further treasury shares are purchased. Conversely, the number of dividend-bearing shares may rise if treasury shares are sold prior to the Annual General Meeting. In these cases, based on an unchanged dividend per dividend-bearing share, an adjusted proposal for the appropriation of the distributable profit will be made to the Annual General Meeting, according to which the amount of the appropriation is reduced by the partial amount that would be distributable for the treasury shares additionally purchased between 1 January 2012 and the date of the proposal for the appropriation of distributable profit or is increased by the partial amount that is distributable for the treasury shares sold between 1 January 2012 and the date of the proposal for the appropriation of distributable profit. The profit carryforward increases or declines by these partial amounts.

Based on a resolution of RWE AG's Annual General Meeting on 20 April 2011, the dividend for fiscal 2010 amounted to €3.50 per dividend-bearing common and preferred share. The dividend payment to shareholders of RWE AG amounted to €1,867 million.

Minority interest

The share ownership of third parties in Group entities is presented in this item.

Significant minority interests are mainly found in the Hungarian energy utilities, the Czech gas distribution companies and German regional utilities.

(23) Share-based payment

In the year under review, the groupwide share-based payment systems for executives of RWE AG and subordinate affiliates consisted of the following: Beat 2005 and Beat 2010. The expenses associated with these are borne by the respective Group companies which employ the persons holding notional stocks.

	Beat 2005	
	2008 tranche	2009 tranche
Grant date	1 Jan 2008	1 Jan 2009
Number of conditionally granted performance shares	1,668,836	3,251,625
Term	Three years	Three years
Pay-out conditions	Automatic pay-out, if – following a waiting period of three years – an outperformance compared to 25% of the peer group of the Dow Jones STOXX Utilities Index has been achieved, measured in terms of their index weighting as of the inception of the programme. Measurement of outperformance is carried out using Total Shareholder Return, which takes into account both the development of the share price together with reinvested dividends.	
Determination of payment	1. Determination of the index weighting of the peer group companies which exhibit a lower Total Shareholder Return than RWE at the end of the term. 2. Performance factor is calculated by squaring this percentage rate and multiplying it by 1.25. 3. Total number of performance shares which can be paid out is calculated by multiplying the performance shares conditionally granted by the performance factor. 4. Payment corresponds to the final number of performance shares valued at the average RWE share price during the last 20 exchange trading days prior to expiration of the programme. The payment is limited to twice the value of the performance shares as of the grant date.	
Change in corporate control/merger	▪ If during the waiting period there is a change in corporate control, a compensatory payment is made. This is calculated by multiplying the price paid in the acquisition of the RWE shares by the final number of performance shares. The latter shall be determined as per the plan conditions with regard to the time when the bid for corporate control is submitted. ▪ In the event of merger with another company, the compensatory payment shall be calculated on the basis of the fair value of the performance shares at the time of the merger multiplied by the prorated number of performance shares corresponding to the ratio between the total waiting period and the waiting period until the merger takes place.	
Form of settlement	Cash settlement	

	Beat 2010		
	2010 tranche Waiting period: 3 years	2010 tranche Waiting period: 4 years	2011 tranche Waiting period: 4 years
Grant date	1 Jan 2010	1 Jan 2010	1 Jan 2011
Number of conditionally granted performance shares	826,954	1,059,467	2,621,542
Term	Three years	Five years	Five years
Pay-out conditions	Automatic pay-out, if – following a waiting period of three years (valuation date: Dec 31 of the third year) – an outperformance compared to at least 25% of the peer group of the Dow Jones STOXX Utilities Index has been achieved, measured in terms of their index weighting as of the issue of the tranche. Measurement of outperformance is carried out using Total Shareholder Return, which takes into account both the development of the share price together with reinvested dividends.	Possible pay-out on three exercise dates (valuation dates: Dec 31 of the fourth year, June 30 and Dec 31 of the fifth year) if – as of the valuation date – an outperformance compared to at least 25% of the peer group of the Dow Jones STOXX Utilities Index has been achieved, measured in terms of their index weighting as of the issue of the tranche. Measurement of outperformance is carried out using Total Shareholder Return, which takes into account both the development of the share price together with reinvested dividends. Automatic pay-out occurs on the third valuation date; the number of performance shares available for pay-out can be freely chosen on the first and second valuation date.	
Determination of payment	1. Determination of the index weighting of the peer group companies which exhibit a lower Total Shareholder Return than RWE at the valuation date. 2. The total number of performance shares which can be paid out is determined on the basis of a linear payment curve. If the index weighting of 25% is outperformed, 7.5% of the conditionally-granted performance shares can be paid out. Another 1.5% of the performance shares granted can be paid out for each further percentage point above and beyond the index weighting of 25%. 3. Payment corresponds to the number of payable performance shares valued at the average RWE share price during the last 60 exchange trading days prior to the valuation date. The payment is limited to twice the value of the performance shares as of the grant date.		
Change in corporate control/merger	▪ If during the waiting period there is a change in corporate control, a compensatory payment is made. This is calculated by multiplying the price paid in the acquisition of the RWE shares by the final number of performance shares which have not been used. The latter shall be determined as per the plan conditions with regard to the time when the bid for corporate control is submitted. ▪ In the event of merger of RWE AG with another company, the performance shares shall expire and a compensatory payment shall be made. First, the fair value of the performance shares as of the time of merger shall be calculated. This fair value is then multiplied by the number of performance shares granted, reduced pro-rata. The reduction factor is calculated as the ratio of the time from the beginning of the total waiting period until the merger takes place to the entire waiting period of the programme, multiplied by the ratio of the performance shares not yet used as of the time of the merger to the total number of performance shares granted at the beginning of the programme.		
Personal investment	As a prerequisite for participation, plan participants must demonstrably invest one sixth of the gross grant value of the performance shares before taxes in RWE common shares and hold such investment until expiration of the waiting period of the tranche in question.		
Form of settlement	Cash settlement		

The fair value of the performance shares conditionally granted in the Beat programme amounted to €17.01 per share as of the grant date for the 2011 tranche, €25.96 per share for the 2010 tranche (four-year waiting period), €28.80 per share for the 2010 tranche (three-year waiting period), and €11.93 per share for the 2009 tranche. These values were calculated externally using a stochastic, multivariate Black-Scholes standard model via Monte Carlo simulations on the basis of one million scenarios each. In the calculations, due consideration was taken of the maximum payment stipulated in the programme's conditions for each conditionally granted performance share, the discount rates for the remaining term, the volatilities and the expected dividends of RWE AG and of peer companies.

In the year under review, the number of performance shares developed as follows:

Performance Shares from Beat 2005	2008 tranche	2009 tranche
Outstanding at the start of the fiscal year	1,652,025	3,226,809
Granted		
Change (granted/expired)		−69,955
Paid out	−1,652,025	
Outstanding at the end of the fiscal year		3,156,854
Payable at the end of the fiscal year		

Performance Shares from Beat 2010	2010 tranche Waiting period: 3 years	2010 tranche Waiting period: 4 years	2011 tranche Waiting period: 4 years
Outstanding at the start of the fiscal year	815,020	1,046,028	
Granted			2,621,542
Change (granted/expired)	−11,523	−13,194	−60,924
Paid out			
Outstanding at the end of the fiscal year	803,497	1,032,834	2,560,618
Payable at the end of the fiscal year			

The remaining contractual term amounts to four years for the 2011 tranche, three years for the 2010 tranche with four-year waiting period and one year for the 2010 tranche with three-year waiting period. The contractual term for the 2009 tranche ended upon completion of the year under review. No pay-out occurred as the pay-out conditions were not fulfilled.

In addition to the above, there were the following share-based payment systems with equity settlement for executives and employees at RWE Npower plc., RWE Supply & Trading GmbH, RWE IT UK Ltd. and RWE Npower Renewables Ltd. (Sharesave Scheme):

RWE Npower plc./RWE Supply & Trading GmbH/ RWE IT UK Ltd./RWE Npower Renewables Ltd.	Sharesave Scheme
Tranches	2008 – 2011
Number of options granted per tranche	9,146 – 501,892
Term	Three years
Waiting period	Three years
Exercise price	£26.20 – 50.24
Form of settlement	Existing shares

In the year under review, the number of outstanding options from the Sharesave Scheme developed as follows:

Options from the Sharesave Scheme	Tranches 2008 to 2011
Outstanding at the start of the fiscal year	915,699
Granted	627,093
Exercised	–13,282
Expired	–316,344
Outstanding at the end of the fiscal year	1,213,166
Exercisable at the end of the fiscal year	142,979

During the period under review, income for the groupwide share-based payment systems totalled €9 million (previous year: €7 million). As in the previous year, the claims were settled in cash only. As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €4 million (previous year: €44 million). The intrinsic value of the cash-settled share-based payment transactions payable as of the balance-sheet date amounted to €0 million (previous year: €28 million).

(24) Provisions

Provisions	31 Dec 2011			31 Dec 2010		
€ million	Non-current	Current	Total	Non-current	Current	Total
Provisions for pensions and similar obligations	3,846		3,846	3,318		3,318
Provisions for taxes	2,645	260	2,905	3,194	407	3,601
Provisions for nuclear waste management	9,896	470	10,366	9,686	324	10,010
Provisions for mining damage	2,683	97	2,780	2,822	98	2,920
	19,070	**827**	**19,897**	**19,020**	**829**	**19,849**
Other provisions						
Staff-related obligations (excluding restructuring)	1,000	773	1,773	901	747	1,648
Restructuring obligations	645	141	786	456	139	595
Purchase and sales obligations	1,028	910	1,938	820	867	1,687
Uncertain obligations in the electricity business	465	90	555	451	337	788
Environmental protection obligations	136	48	184	133	49	182
Interest payment obligations	725	35	760	714	27	741
Obligations to deliver CO_2 emission allowances/ certificates for renewable energies		902	902		972	972
Miscellaneous other provisions	760	1,601	2,361	990	1,605	2,595
	4,759	**4,500**	**9,259**	**4,465**	**4,743**	**9,208**
	23,829	**5,327**	**29,156**	**23,485**	**5,572**	**29,057**

Provisions for pensions and similar obligations. The company pension plan consists of defined contribution and defined benefit plans.

In the reporting period, €65 million (previous year: €50 million) was paid into defined contribution plans. This includes payments made by RWE for a benefit plan in the Netherlands which covers the commitments of various employers. This fund does not provide the participating companies with information allowing for the pro-rata allocation of commitments, plan assets and service cost. In RWE's consolidated financial statements, the contributions are recognised analogously to a defined contribution plan.

During 2011, corporate tax credits of €495 million were transferred to RWE Pensionstreuhand e.V. for the external financing of the company's pension plans, within the framework of contractual trust arrangements. As the transferred assets are qualified as plan assets in the sense of IAS 19, pensions for provisions and similar obligations were netted against the transferred funds as of 31 December 2011. Provisions declined by a corresponding amount.

Provisions for defined benefit plans are determined using actuarial methods. The following assumptions are applied:

Calculation assumptions	31 Dec 2011		31 Dec 2010	
in %	Germany	Foreign[1]	Germany	Foreign[1]
Discount factor	5.25	4.80	5.25	5.30
Compensation increase	2.75	4.50	2.75	4.90
Pension increase	1.00 or 1.75	2.90	1.00 or 1.50	3.30
Expected return on plan assets	5.50	4.24	5.75	5.50

1 Pertains to benefit commitments to employees of the RWE Group in the UK.

Development of plan assets	Fair value	
€ million	2011	2010
Balance at 1 Jan	13,833	13,139
Expected return on plan assets	767	730
Employer contributions to funded plans	716	166
Employee contributions to funded plans	15	16
Benefits paid by funded plans	–877	–871
Actuarial gains (losses) of funded plans	–250	541
Currency translation adjustments	153	124
Changes in the scope of consolidation	–2	–12
Balance at 31 Dec	**14,355**	**13,833**

The expected returns on plan assets are determined depending on the specific asset categories. For equity investments, they are based on the long-term average performance observed for the industries and geographical markets involved, taking into account the current composition of the equity portfolio. For fixed-interest securities, they are derived from appropriately selected trading prices and indices, in accordance with accepted methods. The expected returns on real estate are calculated with regard to marketing possibilities, which depend on contractual obligations and local market conditions.

Provisions for pensions are broken down as follows:

Provisions for pensions and similar obligations (funded and unfunded plans) € million	31 Dec 2011	31 Dec 2010
Present value of funded benefit obligations	16,114	15,170
Fair value of plan assets	14,355	13,833
Net balance for funded plans	**1,759**	**1,337**
Capitalised surplus of plan assets over benefit obligations	60	56
Provision recognised for funded plans	**1,819**	**1,393**
Provision recognised for unfunded plans	**2,027**	**1,925**
	3,846	**3,318**

Excluding taxes, as of 31 December 2011 cumulative actuarial gains/losses of –€7,136 million (31 December 2010: –€6,254 million) were offset against retained earnings.

In 2011, the actual returns on plan assets amounted to €517 million (previous year: €1,271 million).

Composition of plan assets (fair value)	31 Dec 2011			31 Dec 2010		
€ million	Germany[1]	Foreign[2]	Total	Germany[1]	Foreign[2]	Total
Equity instruments	2,385	544	2,929	2,783	781	3,564
Interest-bearing instruments	4,248	3,538	7,786	4,537	2,856	7,393
Real estate	164	193	357	166	196	362
Mixed funds[3]	927		927	947		947
Alternative investments	877	663	1,540	918	439	1,357
Other[4]	777	39	816	155	55	210
	9,378	**4,977**	**14,355**	**9,506**	**4,327**	**13,833**

1 Plan assets in Germany primarily pertain to assets of RWE AG and other Group companies which are managed by RWE Pensionstreuhand e.V. as a trust, as well as to assets of RWE Pensionsfonds AG.
2 Foreign plan assets pertain to the assets of a UK pension fund for covering benefit commitments to employees of the RWE Group in the UK.
3 Includes dividend securities and interest-bearing instruments.
4 Includes claims from corporate tax credits transferred to RWE Pensionstreuhand e.V., reinsurance claims against insurance companies and other fund assets of provident funds.

Composition of plan assets (targeted investment structure)	31 Dec 2011		31 Dec 2010	
in %	Germany[1]	Foreign[2]	Germany[1]	Foreign[2]
Equity instruments	23.4	10.9	23.4	17.5
Interest-bearing instruments	54.2	71.1	54.3	67.5
Real estate	2.4	3.9	2.3	5.0
Mixed funds[3]	10.0		10.0	
Alternative investments	10.0	14.1	10.0	10.0
	100.0	**100.0**	**100.0**	**100.0**

1 Plan assets in Germany primarily pertain to assets of RWE AG and other Group companies which are managed by RWE Pensionstreuhand e.V. as a trust, as well as to assets of RWE Pensionsfonds AG.
2 Foreign plan assets pertain to the assets of a UK pension fund for covering benefit commitments to employees of the RWE Group in the UK.
3 Includes dividend securities and interest-bearing instruments.

Development of pension claims	Present value	
€ million	2011	2010
Balance at 1 Jan	17,095	16,341
Current service cost	204	201
Interest cost	880	877
Contributions by employees	15	16
Actuarial gains (losses)	632	508
Benefits paid	−993	−979
Past service cost	14	7
Currency translation adjustments	172	145
Changes in the scope of consolidation	122	−21
Balance at 31 Dec	**18,141**	**17,095**

In fiscal 2011, past service costs only contained an increase in benefit commitments in the United Kingdom. In the previous year, these resulted from increased benefit commitments in the United Kingdom (€22 million), whereas contrasting effects were recorded in Germany.

Expenses for pensions € million	2011	2010
Service cost	204	201
Interest cost	880	877
Expected return on plan assets	−767	−730
Amortisation of past service cost	14	7
	331	**355**

The present value of pension claims, less the fair value of the plan assets, equals the net amount of funded and unfunded pension plans. The following developments have been seen over the last five years:

Net amount of funded and unfunded pension plans € million	2011	2010	2009	2008	2007
Present value of pension claims	18,141	17,095	16,341	13,768	15,733
Fair value of plan assets	14,355	13,833	13,139	11,030	12,675
Balance	**3,786**	**3,262**	**3,202**	**2,738**	**3,058**

For the same period, the following experience adjustments were made to the present values of the pension claims and the fair values of the plan assets:

Experience adjustments € million	2011	2010	2009	2008	2007
Present value of pension claims	−149	−199	−451	−40	367
Fair value of plan assets	−250	541	1,162	−2,107	−494

The experience adjustments can pertain to the present values of pension claims or the fair values of plan assets. Depending on this, they are part of actuarial gains or losses on the plan assets or the pension claims for the year in question.

Payments for defined benefit plans are expected to amount to €293 million in fiscal 2012.

Roll-forward of provisions € million	Balance at 1 Jan 2011	Additions	Unused amounts released	Interest accretion/ change in discount rate	Changes in the scope of consolidation, currency adjustments, transfers	Amounts used	Balance at 31 Dec 2011
Provisions for pensions	3,318	214		117	1,018[1]	−821	3,846
Provisions for taxes	3,601	322	−246		−277	−495	2,905
Provisions for nuclear waste management	10,010	104		492	32	−272	10,366
Provisions for mining damage	2,920	146	−337	117		−66	2,780
	19,849	**786**	**−583**	**726**	**773**	**−1,654**	**19,897**
Other provisions							
Staff-related obligations (excluding restructuring)	1,648	821	−60	39	−3	−672	1,773
Restructuring obligations	595	349	−41	−10	9	−116	786
Purchase and sales obligations	1,687	800	−343	86	383	−675	1,938
Uncertain obligations in the electricity business	788	74	−175	8	−110	−30	555
Environmental protection obligations	182	22	−6	2	1	−17	184
Interest payment obligations	741	82	−1		−55	−7	760
Obligations to deliver CO_2 emission allowances/certificates for renewable energies	972	983	−135		3	−921	902
Miscellaneous other provisions	2,595	620	−302	22	−237	−337	2,361
	9,208	**3,751**	**−1,063**	**147**	**−9**	**−2,775**	**9,259**
Provisions	**29,057**	**4,537**	**−1,646**	**873**	**764**	**−4,429**	**29,156**
of which: changes in the scope of consolidation							(−68)

1 Including treatment of actuarial gains and losses as per IAS 19.93A.

Provisions for nuclear waste management are almost exclusively recognised as non-current provisions, and their settlement amount is discounted to the balance-sheet date. From the current perspective, the majority of utilisation is anticipated to occur in the years 2020 to 2050. As in the previous year, the discount factor was 5.0 %. Volume-based increases in the provisions are measured at their present value. In the reporting period, they amounted to €35 million (previous year: €92 million). Further additions of €69 million in provisions (previous year: €88 million) stem from the fact that on balance current estimates resulted in an increase in the anticipated nuclear waste management costs, as in the previous year. Additions to provisions for nuclear waste management primarily consist of an interest accretion of €492 million (previous year: €472 million). €944 million in prepayments, primarily to foreign reprocessing companies and to the German Federal Office for Radiation Protection (BfS) for the construction of final storage facilities, were deducted from these provisions (previous year: €833 million).

In terms of their contractual definition, provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2011	31 Dec 2010
Provisions for nuclear obligations, not yet contractually defined	7,724	7,977
Provisions for nuclear obligations, contractually defined	2,642	2,033
	10,366	**10,010**

In respect of the disposal of spent nuclear fuel assemblies, the provisions for obligations which are not yet contractually defined cover the estimated long-term costs of direct final storage of fuel assemblies, which is currently the only possible disposal method in Germany, as well as the costs for the disposal of radioactive waste from reprocessing, which essentially consist of costs for transport from centralised storage facilities and the plants' intermediate storage facilities to reprocessing plants and final storage as well as conditioning for final storage and containers. These estimates are mainly based on studies by internal and external experts, in particular by GNS Gesellschaft für Nuklear-Service mbH in Essen, Germany. With regard to the decommissioning of nuclear power plants, the costs for the post-operational phase and dismantling are taken into consideration, on the basis of data from external expert opinions prepared by NIS Ingenieurgesellschaft mbH, Alzenau, Germany, which are generally accepted throughout the industry and are updated continuously. Finally, this item also covers all of the costs of final storage for all radioactive waste, based on data provided by BfS.

Provisions for contractually defined nuclear obligations are related to all nuclear obligations for the disposal of fuel assemblies and radioactive waste as well as for the decommissioning of nuclear power plants, insofar as the value of said obligations is specified in contracts under civil law. They include the anticipated residual costs of reprocessing, return (transport, containers) and intermediate storage of the resulting radioactive waste, as well as the additional costs of the utilisation of uranium and plutonium from reprocessing activities. These costs are based on existing contracts with foreign reprocessing companies and with GNS. Moreover, these provisions also take into account the costs for transport and intermediate storage of spent fuel assemblies within the framework of final direct storage. The power plants' intermediate storage facilities are licensed for an operational period of 40 years. These facilities commenced operations between 2002 and 2006. Furthermore, the amounts are also stated for the conditioning and intermediate storage of radioactive operational waste, which is primarily performed by GNS.

With due consideration of the German Atomic Energy Act (AtG), in particular to Sec. 9a of AtG, the provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2011	31 Dec 2010
Decommissioning of nuclear facilities	4,964	4,490
Disposal of nuclear fuel assemblies	4,658	4,831
Disposal of radioactive operational waste	744	689
	10,366	**10,010**

Provisions for mining damage also consist almost entirely of non-current provisions. They are reported at the settlement amount discounted to the balance-sheet date. As in the previous year, we use a discount factor of 5.0%. In the reporting period, additions to provisions for mining damage amounted to €146 million (previous year: €117 million). Of this, an increase of €99 million (previous year: €67 million) was capitalised under property, plant and equipment. The interest accretion of the additions to provisions for mining damage amounted to €117 million (previous year: €151 million).

Provisions for restructuring pertain mainly to measures for socially acceptable payroll downsizing.

(25) Financial liabilities

Financial liabilities	31 Dec 2011		31 Dec 2010	
€ million	Non-current	Current	Non-current	Current
Bonds payable[1]	13,395	1,815	14,864	1,496
Commercial paper		3,403		493
Bank debt	1,178	168	293	426
Other financial liabilities				
Collateral for trading activities		283		567
Miscellaneous other liabilities	855	826	751	920
	15,428	**6,495**	**15,908**	**3,902**

1 Including other notes payable and hybrid bonds classified as debt as per IFRS.

Financial liabilities to associates totalled €197 million (previous year: €187 million).

€14,698 million of the non-current financial liabilities were interest-bearing liabilities (previous year: €15,679 million).

Changes in the scope of consolidation caused financial liabilities to decline by €268 million.

The outstanding bonds payable were primarily issued by RWE AG or RWE Finance B.V.

In October 2011, RWE AG issued a hybrid bond with a volume of CHF250 million, which matures on 4 April 2072. The bond may be called by the issuer for the first time on 4 April 2017. The bond has a coupon of 5.25%.

The following overview shows the key data on the major bonds payable as of 31 December 2011:

Bonds payable Issuer	Outstanding amount	Carrying amount	Coupon in %	Maturity
RWE Finance B.V.	€1,808 million	€1,815 million	6.125	October 2012
RWE Finance B.V.	US$250 million	€193 million	2.0	February 2013
RWE Finance B.V.	£630 million	€754 million	6.375	June 2013
RWE Finance B.V.	€1,000 million	€997 million	5.75	November 2013
RWE Finance B.V.	€530 million	€529 million	4.625	July 2014
RWE Finance B.V.	€2,000 million	€1,989 million	5.0	February 2015
RWE Finance B.V.	€850 million	€853 million	6.25	April 2016
RWE AG	€100 million	€100 million	Variable[1]	November 2017
RWE Finance B.V.	€980 million	€979 million	5.125	July 2018
RWE Finance B.V.	€1,000 million	€992 million	6.625	January 2019
RWE Finance B.V.	£570 million	€685 million	6.5	April 2021
RWE Finance B.V.	€1,000 million	€997 million	6.5	August 2021
RWE Finance B.V.	£500 million	€593 million	5.5	July 2022
RWE Finance B.V.	£488 million	€581 million	5.625	December 2023
RWE Finance B.V.	£760 million	€912 million	6.25	June 2030
RWE AG	€600 million	€594 million	5.75	February 2033
RWE Finance B.V.	£1,000 million	€1,178 million	6.125	July 2039
RWE AG	€160 million[2]	€166 million	4.76[2]	February 2040
RWE AG	CHF250 million	€204 million	5.25	April 2072
Other[3]	Various	€99 million	Various	Various
Bonds payable[4]		**€15,210 million**		

1 Interest payment dates: 15 May/15 Nov.
2 After swap into euro.
3 Including other notes payable.
4 Including other notes payable and hybrid bonds classified as debt as per IFRS.

During the reporting period, RWE placed issues on the European capital market within the framework of the commercial paper programme. Up to €3.4 billion was raised within the framework of this programme in 2011 (previous year: €0.5 billion). The interest rates on the instruments ranged between 1.3% and 2.0% (previous year: 0.4% and 1.3%).

Other financial liabilities contain finance lease liabilities. Lease agreements principally relate to capital goods in the electricity business.

Liabilities arising from finance lease agreements have the following maturities:

Liabilities from finance lease agreements	Maturities of minimum lease payments					
	31 Dec 2011			31 Dec 2010		
€ million	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in the following year	8		8	8		8
Due after 1 to 5 years	53	1	52	29	1	28
Due after 5 years	128	1	127	101	2	99
	189	**2**	**187**	**138**	**3**	**135**

Above and beyond this, other financial liabilities include collateral for trading activities.

€47 million (previous year: €47 million) of the financial liabilities are secured by mortgages, and €86 million (previous year: €107 million) by similar rights.

(26) Trade accounts payable

Accounts payable to associates amounted to €220 million (previous year: €115 million).

Exploration activities accounted for liabilities of €19 million (previous year: €21 million).

Changes in the scope of consolidation resulted in a decline of €811 million in trade accounts payable.

(27) Other liabilities

Other liabilities	31 Dec 2011		31 Dec 2010	
€ million	Non-current	Current	Non-current	Current
Tax liabilities		1,065		1,055
Social security liabilities	30	62	44	45
Restructuring liabilities	75	32	98	42
Derivatives	1,323	6,459	910	7,036
Deferred income	1,679	276	1,894	299
Miscellaneous other liabilities	331	3,437	638	3,899
	3,438	**11,331**	**3,584**	**12,376**

The principal component of social security liabilities are the amounts payable to social security institutions.

Changes in the scope of consolidation resulted in a decline of €237 million in other liabilities.

Deferred income	31 Dec 2011		31 Dec 2010	
€ million	Non-current	Current	Non-current	Current
Advances and contributions in aid of construction and building connection	1,492	186	1,614	160
Government grants for non-current assets	24	2	11	2
Other	163	88	269	137
	1,679	**276**	**1,894**	**299**

Miscellaneous other liabilities include €1,593 million (previous year: €1,775 million) in current redemption liabilities from put options on minority interests.

Other information

(28) Earnings per share

Basic and diluted earnings per share are calculated by dividing the portion of net income attributable to RWE shareholders by the average number of shares outstanding; treasury shares are not taken into account in this calculation. The earnings per share are the same for both common and preferred shares.

Earnings per share		2011	2010
Net income for RWE AG shareholders	€ million	1,806	3,308
Number of shares outstanding (weighted average)	thousands	538,971	533,559
Basic and diluted earnings per common and preferred share	€	3.35	6.20
Dividend per share	€	2.00[1]	3.50

1 Proposal for fiscal 2011.

(29) Reporting on financial instruments

Financial instruments are divided into non-derivative and derivative.

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

The maximum default risk corresponds to the carrying amount of the financial assets. If default risks associated with financial assets are identified, they are recognised through impairment.

Fair values are derived from the relevant stock market quotations or are measured using generally accepted valuation methods.

Prices on active markets (e.g. exchange prices) are drawn upon for the measurement of commodity derivatives. If no prices are available, for example because the market is not sufficiently liquid, the fair values are determined on the basis of generally accepted valuation methods. In doing so, we draw on prices on active markets as much as possible. If such are not available, company-specific planning estimates are used in the measurement process. These estimates contain all of the market factors which other market participants would take into account in the course of price determination.

Forwards, futures, options and swaps involving commodities are recognised at their fair values as of the balance-sheet date, insofar as they fall under the scope of IAS 39. Exchange-traded products are measured using the published closing prices of the relevant exchange. For non-exchange traded products, measurement is based on publicly available broker quotations or, if such quotations are not available, on generally accepted valuation methods. The fair value of certain long-term procurement or sales contracts is determined using recognised valuation models, on the basis of internal data if no market data are available.

Forward purchases and sales of shares of listed companies are measured on the basis of the spot prices of the underlying shares, adjusted for the relevant time component.

For derivative financial instruments which we use to hedge interest risks, the future payment flows are discounted using the current market interest rates corresponding to the remaining maturity, in order to determine the fair value of the hedging instruments as of the balance-sheet date.

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

The following overview presents the main classifications of financial instruments measured at fair value in the fair value hierarchy prescribed by IFRS 7. In accordance with IFRS 7, the individual levels of the fair value hierarchy are defined as follows:
Level 1: Measurement using (unadjusted) prices of identical financial instruments formed on active markets;
Level 2: Measurement on the basis of input parameters which are not the quoted prices from Level 1, but which can be observed for the financial instrument either directly (i.e. as price) or indirectly (i.e. derived from prices);
Level 3: Measurement using factors which cannot be observed on the basis of market data.

Fair value hierarchy € million	Total 2011	Level 1	Level 2	Level 3	Total 2010	Level 1	Level 2	Level 3
Other financial assets	836	83	370	383	750	67	237	446
Derivatives (assets)	7,355		6,933	422	8,918		8,304	614
Securities	4,995	2,117	2,878		3,196	992	2,204	
Derivatives (liabilities)	7,782		6,935	847	7,946		7,748	198
Redemption liabilities from put options	1,593			1,593	1,775			1,775

Due to increasing price quotations on active markets, financial assets with a fair value of €150 million were reclassified from Level 2 to Level 1 in fiscal 2011.

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

Level 3 financial instruments: Development in 2011 € million	Balance at 1 Jan 2011	Changes in the scope of consolidation, currency adjustments and other	Changes: Recognised in profit or loss	Changes: Not recognised in profit or loss (OCI)	Changes: With a cash effect	Balance at 31 Dec 2011
Other financial assets	446	–57	–13		7	383
Derivatives (assets)	614	83	68	–199	–144	422
Derivatives (liabilities)	198	78	860	14	–303	847
Redemption liabilities from put options	1,775	–182				1,593

With the disappearance of directly or indirectly observable input factors in the assessment of Level 2 financial instruments, €83 million in derivatives (assets) and €78 million in derivatives (liabilities) were reclassified from Level 2 to Level 3.

Level 3 financial instruments: Development in 2010 € million	Balance at 1 Jan 2010	Changes in the scope of consolidation, currency adjustments and other	Changes: Recognised in profit or loss	Changes: Not recognised in profit or loss (OCI)	Changes: With a cash effect	Balance at 31 Dec 2010
Other financial assets	522	–141			65	446
Derivatives (assets)	458		69	40	47	614
Derivatives (liabilities)	271	646	–65	–108	–546	198
Redemption liabilities from put options	1,562	213				1,775

The other change in derivatives (liabilities) of €646 million in 2010 mainly stemmed from the first-time fair value measurement of gas supply contracts which were previously classified as own-use contracts.

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total 2011	Of which: attributable to financial instruments held at the balance-sheet date	Total 2010	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	68	59	210	210
Cost of materials	–727	–727	–16	–13
Other operating expenses	–133		–60	–60
Income from investments	–13	–3		
	–805	**–671**	**134**	**137**

The following impairments were recognised on financial assets which fall under the scope of IFRS 7 and are reported under the balance-sheet items stated below:

Impairments on financial assets in 2011 € million	Other non-current financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2011	146	278	343	6	773
Additions	17	39	229	1	286
Transfers	8	–1	48		55
Currency translation adjustments	–1		–10		–11
Disposals	6	23	209		238
Balance at 31 Dec 2011	**164**	**293**	**401**	**7**	**865**

Impairments on financial assets in 2010 € million	Other non-current financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2010	123	344	531	4	1,002
Additions	3	18	259	2	282
Transfers	33	–1	–2	5	35
Currency translation adjustments			11		11
Disposals	13	83	456	5	557
Balance at 31 Dec 2010	**146**	**278**	**343**	**6**	**773**

As of the cut-off date, there were unimpaired, past due receivables falling under the scope of IFRS 7 in the following amounts:

Receivables, past due and not impaired € million	Gross amount as of 31 Dec 2011	Receivables, past due, impaired	Receivables not impaired, past due by:				
			less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	4,392	49					
Trade accounts receivable	7,869	1,075	373	79	55	52	192
Other receivables and other assets	8,071	5	2				2
	20,332	**1,129**	**375**	**79**	**55**	**52**	**194**

Receivables, past due and not impaired € million	Gross amount as of 31 Dec 2010	Receivables, past due, impaired	Receivables not impaired, past due by:				
			less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	4,065	53					5
Trade accounts receivable	9,829	1,160	785	94	53	39	120
Other receivables and other assets	9,731	5	1			1	3
	23,625	**1,218**	**786**	**94**	**53**	**40**	**128**

Financial assets and liabilities can be broken down into categories with the following carrying amounts:

Carrying amounts by category € million	31 Dec 2011	31 Dec 2010
Financial assets recognised at fair value through profit or loss	4,613	6,040
of which: held for trading	(4,613)	(6,040)
Financial assets available for sale	5,832	3,947
Loans and receivables	14,285	16,553
Financial liabilities recognised at fair value through profit or loss	5,141	6,503
of which: held for trading	(5,141)	(6,503)
Financial liabilities carried at (amortised) cost	28,807	28,019

The carrying amounts of financial assets and liabilities within the scope of IFRS 7 basically correspond to their fair values. The only deviation is for bonds, commercial paper and other financial liabilities, where the carrying amount of €21,923 million (previous year: €19,810 million) deviates from the fair value of €23,890 million (previous year: €21,444 million).

The following net results from financial instruments as per IFRS 7 were recognised in the income statement:

Net gain/loss on financial instruments as per IFRS 7 € million	2011	2010
Financial assets and liabilities recognised at fair value through profit or loss	–190	–813
of which: held for trading	(–190)	(–813)
Financial assets available for sale	199	292
Loans and receivables	289	286
Financial liabilities carried at (amortised) cost	–1,551	–1,741

The net result as per IFRS 7 essentially includes interest, dividends and results from the measurement of financial instruments at fair value.

In fiscal 2011, changes of –€93 million after taxes in the value of financial assets available for sale were recognised in accumulated other comprehensive income without an effect on income (previous year: €91 million). Above and beyond this, €4 million in changes in the value of financial instruments available for sale which had originally been recognised without an effect on income were realised as income (previous year: €89 million).

As a utility enterprise with international operations, the RWE Group is exposed to credit, liquidity and market risks in its ordinary business activity. In particular, market risks stem from changes in commodity prices, exchange rates, interest rates and share prices.

We limit these risks via systematic, groupwide risk management. The key instruments include hedging transactions. The range of action, responsibilities and controls are defined in binding internal directives.

Derivative financial instruments are used to mitigate currency, commodity and interest rate risks from operations as well as from financing transactions. The instruments most commonly used are forwards and options with foreign currency, interest rate swaps, interest rate currency swaps, and forwards, options, futures and swaps with commodities. Additionally, derivatives may be used for proprietary trading purposes within defined limits.

Detailed information on the risks of the RWE Group and on the objectives and procedures of the risk management is presented in the chapter "Development of risks and opportunities" in the review of operations.

Hedge accounting pursuant to IAS 39 is used primarily for mitigating currency risks from net investments in foreign entities with foreign functional currencies, risks related to foreign currency items and interest rate risks from non-current liabilities, as well as for price risks from sales and purchase transactions.

Fair value hedges are used to limit market price risks related to fixed-interest loans and liabilities. Fixed-interest instruments are transformed into variable-rate instruments, thereby hedging their fair value. Instruments used are interest rate swaps and interest rate currency swaps. In the case of fair value hedges, both the derivative as well as the underlying hedged transaction are recorded at fair value with an effect on income. As of the reporting date, the fair value of instruments used as fair value hedges amounted to €90 million (previous year: €99 million).

In the year under review, losses of €17 million (previous year: €26 million) were recognised from adjustment of the carrying amounts of the underlying transactions, while a gain of €18 million (previous year: €24 million) stemming from changes in the fair value of the hedges was recognised. Both of these are reported in the financial result.

Cash flow hedges are primarily used to hedge against foreign currency and price risks from future sales and purchase transactions. Hedging instruments consist of forwards and options with foreign currency, and forwards, options, futures and swaps with commodities. Changes in the fair value of the hedging instruments – insofar as they affect the effective portion – are disclosed under other comprehensive income until the underlying transaction is realised. The ineffective portion of changes in value is recognised in profit or loss. Upon realisation of the underlying transaction, the hedge's contribution to income from accumulated other comprehensive income is recognised in the income statement. As of the reporting date, the recognised fair value of instruments used as cash flow hedges amounted to –€173 million (previous year: €61 million).

The future sales and purchase transactions hedged with cash flow hedges are expected to be realised in the following 15 years and recognised in profit or loss.

In the year under review, changes of –€1,135 million after taxes in the fair values of instruments used for cash flow hedges (previous year: €1,310 million) were disclosed under accumulated other comprehensive income without an effect on income. These changes in value reflect the effective portion of the hedges.

An expense of €27 million was recognised with an effect on income in relation to the ineffective portions of cash flow hedges (previous year: €2 million).

Above and beyond this, changes of €478 million after taxes in the value of cash flow hedges which had originally been recognised without an effect on income were realised as income (previous year: €1,152 million) during the reporting period.

In the period under review, the cost of non-financial assets was decreased by €2 million (previous year: increase of €188 million) by changes in the value of cash flow hedges reported in other comprehensive income and not recognised in profit or loss.

Hedges of net investment in a foreign entity are used to hedge the foreign currency risks of net investment in foreign entities with foreign functional currencies. We use bonds with various terms in the appropriate currencies and interest rate currency swaps as hedging instruments. If there are changes in the exchange rates of currencies in which the bonds used for hedging are denominated or changes in the fair value of interest rate currency swaps, this is recorded under foreign currency translation adjustments in other comprehensive income. As of the reporting date, the fair value of the bonds amounted to €2,167 million (previous year: €2,103 million) and the fair value of the swaps amounted to €159 million (previous year: €284 million).

During the year under review, an expense of €3 million (previous year: €1 million) was recognised with an effect on income in relation to the ineffective portions of hedges of net investment in foreign entities.

Market risks stem from fluctuations in prices on financial markets and commodity markets. Changes in exchange rates, interest rates and share prices can have an influence on the Group's results. Due to the RWE Group's international profile, exchange rate management is a key issue. Sterling and US dollar are two important currencies for the RWE Group. Fuels are traded in these two currencies, and RWE also does business in the UK currency area. Group companies are required to hedge all currency risks via RWE AG. The net financial position for each currency is determined by RWE AG and hedged with external market partners if necessary.

Interest rate risks stem primarily from financial debt and the Group's interest-bearing investments. We hedge against negative changes in value caused by unexpected interest-rate movements using non-derivative and derivative financial instruments.

Opportunities and risks from changes in the values of securities are controlled by a professional fund management system. The Group's financial transactions are recorded using centralised risk management software and monitored by RWE AG. This enables the balancing of risks across the individual companies.

For commodity operations, risk management directives have been established by the commodity management area and the risk controlling department, which is part of the controlling area. These regulations stipulate that derivatives may be used to hedge price risks, optimise power plant schedules and increase margins. Furthermore, commodity derivatives may be traded, subject to limits defined by independent organisational units. Compliance with limits is monitored daily.

All derivative financial instruments are recognised as assets or liabilities and are measured at fair value. When interpreting their positive and negative fair values, it should be taken into account that, with the exception of proprietary trading in commodities, these financial instruments are generally matched with underlying transactions that carry offsetting risks.

Maturities of derivatives related to interest rates, currencies, equities, indices and commodities for the purpose of hedging are based on the maturities of the underlying transactions and are thus primarily short term and medium term in nature. Hedges of the foreign currency risks of foreign investments have maturities of up to 30 years.

Risks stemming from fluctuations in commodity prices and financial market risks (foreign currency risks, interest rate risks, securities risks) are monitored and managed by RWE using indicators such as Value at Risk (VaR), amongst other things. In addition, for the management of interest rate risk, a Cash Flow at Risk (CFaR) is determined.

Using the VaR method, we determine and monitor the maximum expected loss arising from changes in market prices with a specific level of probability during specific periods. Historical price volatility is taken as a basis in the calculations. With the exception of the CFaR data, all VaR figures are based on a confidence interval of 95% and a holding period of one day. For CFaR, a confidence interval of 95% and a holding period of one year is taken as a basis.

In respect of interest rate risks, RWE distinguishes between two risk categories: on the one hand, increases in interest rates can result in declines in the prices of securities from RWE's holdings. This pertains primarily to fixed-rate instruments. On the other hand, financing costs also increase along with the level of interest rates. A VaR is determined to quantify securities price risk. As of 31 December 2011, the VaR for securities price risk amounted to €7.2 million (previous year: €7.1 million). The sensitivity of interest expenses to increases in market interest rates is measured with CFaR. As of 31 December 2011 this amounted to €13.3 million (previous year: €4.9 million).

The companies of the RWE Group are required to hedge their foreign currency risks via RWE AG. Only RWE AG itself may maintain open foreign currency positions, subject to predefined limits. As of 31 December 2011, the VaR for these foreign currency positions was less than €1 million (previous year: less than €1 million). This corresponds to the figure used internally, which also includes the underlying transactions for cash flow hedges.

As of 31 December 2011, the VaR for risks related to the RWE share portfolio amounted to €13.1 million (previous year: €7.7 million).

As of 31 December 2011, VaR for the commodity positions of the trading business of RWE Supply & Trading amounted to €6.1 million (previous year: €10.0 million). This corresponds to the figure actually used for management purposes.

Additionally, stress tests are continuously carried out in relation to the trading operations of RWE Supply & Trading to model the impact of commodity price changes on the liquidity and earnings conditions and take risk-mitigating measures if necessary. In these stress tests, market price curves are modified, and the commodity position is revalued on this basis. Historical scenarios of extreme prices and realistic, fictitious price scenarios are modelled. Above and beyond this, possible extreme scenarios for the major trading desks are assessed on a monthly basis. In the event that the stress tests exceed internal thresholds, these scenarios are then analysed in detail in relation to their impact and probability, and – if necessary – risk-mitigating measures are considered.

If market liquidity is available, commodity risks of the Group's power generation companies are transferred – in accordance with Group guidelines – at market prices to the segment Trading/Gas Midstream, where they are hedged. In accordance with the approach for long-term investments for example, it is not possible to manage commodity risks from long-term positions or positions which cannot be hedged due to their size and the prevailing market liquidity using the VaR concept. As a result, these positions are not included in the VaR figures. Above and beyond open production positions which have not yet been transferred, Group companies are not allowed to maintain significant risk positions, according to Group guidelines.

Credit risks. In financial and trading operations, we primarily have credit relationships with banks and other trading partners with good creditworthiness. The resulting counterparty risks are reviewed upon conclusion of the contract and constantly monitored. We also limit such risks by defining limits for trading with contractual partners and, if necessary, by requiring additional collateral, such as cash collateral. Credit risks in trading and financial operations are monitored on a daily basis.

We are exposed to credit risks in our retail business, because it is possible that customers will fail to meet their financial obligations. We identify such risks in regular analyses of the creditworthiness of our major customers and take appropriate countermeasures, if necessary.

We also employ credit insurance, financial guarantees, bank guarantees and other forms of security to protect against credit risks in our financial and trading activities, and our retail business.

The maximum balance-sheet default risk is expressed by the carrying value of the receivables stated in the balance sheet. The default risks for derivatives correspond to their positive fair values. Risks can also stem from financial guarantees and loan commitments for external creditors. As of 31 December 2011, these obligations amounted to €768 million (previous year: €709 million). As of 31 December 2011, default risks were balanced against credit collateral, financial guarantees, bank guarantees and other collaterals amounting to €1.8 billion (previous year: €2.7 billion). There were no material defaults in 2011 or the previous year.

Liquidity risks. As a rule, RWE Group companies centrally refinance with RWE AG. In this regard, there is a risk that liquidity reserves will prove to be insufficient to meet financial obligations in a timely manner. In 2012, capital market debt with a nominal volume of approximately €1.8 billion (previous year: €1.5 billion) and bank debt of €0.2 billion (previous year: €0.4 billion) are due. Additionally, short-term debt must also be repaid.

As of 31 December 2011, holdings of cash and cash equivalents and current marketable securities amounted to €7,004 million (previous year: €5,672 million). Additionally, as of the balance-sheet date, RWE AG had a fully committed, unused syndicated credit line of €4 billion (previous year: €4 billion) at its disposal. As of the balance-sheet date, the US$5 billion commercial paper programme (previous year: US$5 billion) had been used to a considerable degree of €3.4 billion (previous year: €0.5 billion). Above and beyond this, we can finance ourselves using our €30 billion debt issuance programme; as of the balance-sheet date, outstanding bonds from this programme amounted to €15.0 billion (previous year: €16.3 billion). Accordingly, liquidity risk is low.

Financial liabilities falling under the scope of IFRS 7 are expected to result in the following (undiscounted) payments in the coming years:

Redemption and interest payments on financial liabilities € million	Carrying amount 31 Dec 2011	Redemption payments			Interest payments		
		2012	2013 to 2016	From 2017	2012	2013 to 2016	From 2017
Bonds payable[1]	15,210	1,808	5,362	8,095	943	2,792	4,358
Commercial paper	3,403	3,413					
Bank debt	1,346	172	197	976	30	109	115
Liabilities arising from finance lease agreements	187	8	53	128			
Other financial liabilities	1,494	817	220	486	31	124	80
Derivative financial liabilities	7,782	6,328	906	558	−40	−309	−503
Collateral for trading activities	283	283					
Redemption liabilities from put options	1,593	1,593					
Miscellaneous other financial liabilities	9,238	9,112	65	68			

1 Including other notes payable and hybrid bonds classified as debt as per IFRS.

Redemption and interest payments on financial liabilities € million	Carrying amount 31 Dec 2010	Redemption payments			Interest payments		
		2011	2012 to 2015	From 2016	2011	2012 to 2015	From 2016
Bonds payable[1]	16,360	1,561	6,263	8,590	967	3,148	4,804
Commercial paper	493	493					
Bank debt	719	432	170	117	8	24	6
Liabilities arising from finance lease agreements	135	8	29	101			
Other financial liabilities	1,536	941	191	445	28	102	81
Derivative financial liabilities	7,946	7,013	779	40	–35	–88	245
Collateral for trading activities	567	567					
Redemption liabilities from put options	1,775	1,775					
Miscellaneous other financial liabilities	10,447	10,390	61	73			

1 Including other notes payable and hybrid bonds classified as debt as per IFRS.

Above and beyond this, as of 31 December 2011, there were financial guarantees in the amount of €359 million (previous year: €524 million) for external creditors, which are to be allocated to the first year of repayment. Additionally, Group companies have provided loan commitments to third-party companies amounting to €409 million. Of this amount, €407 million is callable in 2012 and €2 million in the years 2013 to 2016.

(30) Contingent liabilities and financial commitments

As of 31 December 2011, the Group had €3,310 million in capital commitments (previous year: €5,609 million).

Commitments from operating leases refer largely to long-term rental arrangements for power generation and supply plants as well as rent and lease contracts for storage and administration buildings. Minimum lease payments have the following maturity structure:

Operating leases € million	Nominal value 31 Dec 2011	31 Dec 2010
Due within 1 year	141	145
Due within 1 to 5 years	376	398
Due after 5 years	406	389
	923	**932**

Capital contributions to joint ventures amounted to €1.2 billion (previous year: €1.3 billion).

Long-term contractual purchase commitments exist for supplies of fuels, including natural gas and hard coal in particular. Payment obligations stemming from the major purchase contracts amounted to €89.5 billion as of 31 December 2011 (previous year: €90.8 billion), of which €8.0 billion was due within one year (previous year: €6.7 billion).

Gas purchases by the RWE Group are mostly based on long-term take-or-pay contracts. The conditions in these long-term contracts, which have terms up to 2035, are renegotiated by the contractual partners at certain intervals, which may result in changes in the reported payment obligations. Calculation of the payment obligations resulting from the purchase contracts is based on parameters from the internal planning.

Furthermore, RWE has long-term financial commitments for purchases of electricity. As of 31 December 2011, the minimum payment obligations stemming from the major purchase contracts totalled €18.3 billion (previous year: €14.6 billion), of which €1.1 billion was due within one year (previous year: €0.9 billion). Above and beyond this, there are also long-term purchase and service contracts for uranium, conversion, enrichment and fabrication.

We bear legal and contractual liability from our membership in various associations which exist in connection with power plant projects, profit- and loss-pooling agreements and for the provision of liability cover for nuclear risks, amongst others.

On the basis of a mutual benefit agreement, which was extended for an additional ten years in 2011, RWE AG and other parent companies of German nuclear power plant operators undertook to provide approximately €2,244 million in funding to liable nuclear power plant operators to ensure that they are able to meet their payment obligations in the event of nuclear damages. RWE AG has a 25.851% contractual share in the liability, plus 5% for damage settlement costs.

RWE AG's payment commitments stemming from the agreement between the power utilities and the German Federal Government ceased to exist, due to rescission of the lifetime extensions for the nuclear power plants.

RWE AG and its subsidiaries are involved in regulatory and antitrust proceedings, litigation and arbitration proceedings related to their operations. However, we do not expect any material negative repercussions from these proceedings on the RWE Group's economic or financial position. Additionally, companies belonging to the RWE Group are directly involved in various administrative and regulatory proceedings (including approval procedures) or are directly affected by their results.

Outside shareholders initiated several legal proceedings to examine the appropriateness of the conversion ratios and the amount of cash paid in compensation in connection with company restructurings pursuant to German company law. We are convinced that the conversion ratios and cash compensation calculated on the basis of expert opinions and verified by auditors are adequate. If a different legally enforceable conclusion is reached, all affected shareholders will be compensated, even if they are not involved in the conciliation proceedings.

At end-September 2011, the EU Commission conducted reviews of gas wholesale trading throughout Europe, including at RWE. The main focus of these investigations was the suspicion that the Russian gas producer Gazprom had abused its market power and was concluding anti-competitive agreements with its customers. It is unclear whether RWE continues to be investigated. These investigations may last for several years.

(31) Segment reporting

Within the RWE Group segments are defined both in accordance with functional and geographical criteria.

The segment "Power Generation" essentially consists of the power generation business and lignite production in Germany.

For the most part, the segment "Sales/Distribution Networks" encompasses sales and distribution networks in Germany.

The segment "Netherlands/Belgium" comprises the Group's electricity and gas business in this region.

The segment "United Kingdom" consists of almost all of the electricity and gas business in this region.

Central Eastern and South Eastern European power generation and the supply and the distribution activities in this region are included in the segment "Central Eastern and South Eastern Europe".

Activities for the generation of electricity and heat from renewable energy sources are bundled in RWE Innogy and presented in the segment "Renewables".

The segment "Upstream Gas & Oil" covers all of the Group's gas and oil production activities.

The segment "Trading/Gas Midstream" covers energy trading and the commercial optimisation of non-regulated gas activities. The latter aspect comprises procurement, transport and storage contracts in Germany, the UK and the Czech Republic, and the liquefied natural gas (LNG) business. This segment is also responsible for key account business with major German and Dutch industrial and commercial customers, as well as the trading activities of the Essent Group.

"Other, consolidation" covers consolidation effects, the Group Centre and the activities of other Group areas which are not presented separately. Such activities consist primarily of the cross-segment services provided by RWE Service GmbH, RWE IT GmbH, and RWE Consulting GmbH, as well as German transmission grid activities in the electricity and gas business, until such are sold.

Segment reporting Divisions 2011 € million	Germany		Netherlands/Belgium	United Kingdom	Central Eastern and South Eastern Europe	Renewables	Upstream Gas & Oil	Trading/Gas Midstream	Other, consolidation		RWE Group
	Power Generation	Sales/Distribution Networks							Operating companies	Other	
External revenue (incl. natural gas tax/electricity tax)	**1,166**	**20,354**	**5,818**	**7,696**	**4,990**	**443**	**1,766**	**5,750**	**3,564**	**139**	**51,686**
Intra-group revenue	9,064	3,846	53	17	500	282	176	21,742	1,633	−37,313	
Total revenue	10,230	24,200	5,871	7,713	5,490	725	1,942	27,492	5,197	−37,174	51,686
Operating result	**2,700**	**1,505**	**245**	**357**	**1,109**	**181**	**558**	**−800**	**189**	**−230**	**5,814**
Operating income from investments	124	450	25	−18	61	47		−49		−40	600
Operating income from investments accounted for using the equity method	50	361	22	−18	63	41		−49		−9	461
Operating depreciation and amortisation	552	662	217	249	255	157	365	16	66	107	2,646
Total impairment losses	56	44	276		3	71	70	158		12	690
EBITDA	**3,252**	**2,167**	**462**	**606**	**1,364**	**338**	**923**	**−784**	**255**	**−123**	**8,460**
Cash flows from operating activities	**2,793**	**989**	**312**	**344**	**1,213**	**141**	**720**	**−1,473**	**452**	**19**	**5,510**
Carrying amount of investments accounted for using the equity method	171	2,404	312	195	357	496				178	4,113
Capital expenditure on intangible assets, property, plant and equipment and investment property	1,168	1,206	971	416	852	825	701	20	117	77	6,353

Regions 2011 € million	EU			Rest of Europe	Other	RWE Group
	Germany	UK	Other EU			
External revenue[1,2]	26,168	8,358	13,250	1,038	339	49,153
Intangible assets, property, plant and equipment and investment property	25,164	9,241	15,624	967	933	51,929

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

Segment reporting Divisions 2010 € million	Germany		Nether-lands/ Belgium	United Kingdom	Central Eastern and South Eastern Europe	Renew-ables	Upstream Gas & Oil	Trading/ Gas Mid-stream	Other, consolidation		RWE Group
	Power Genera-tion	Sales/ Distri-bution Networks							Operat-ing compa-nies	Other	
External revenue (incl. natural gas tax/electricity tax)	**1,072**	**18,456**	**6,510**	**7,759**	**5,297**	**366**	**1,353**	**7,517**	**4,936**	**54**	**53,320**
Intra-group revenue	10,378	4,426	551	11	474	203	134	21,466	1,790	−39,433	
Total revenue	11,450	22,882	7,061	7,770	5,771	569	1,487	28,983	6,726	−39,379	53,320
Operating result	**4,000**	**1,575**	**391**	**272**	**1,173**	**72**	**305**	**−21**	**178**	**−264**	**7,681**
Operating income from investments	47	373	23	−20	60	10		−119	2	−31	345
Operating income from investments accounted for using the equity method	28	294	22	−20	59	7		−118	2		274
Operating depreciation and amortisation	510	643	269	232	267	139	314	14	94	93	2,575
Total impairment losses	21	67	11	296	5	119	53			2	574
EBITDA	**4,510**	**2,218**	**660**	**504**	**1,440**	**211**	**619**	**−7**	**272**	**−171**	**10,256**
Cash flows from operating activities	**3,164**	**1,475**	**308**	**679**	**1,157**	**128**	**489**	**−1,431**	**1**	**−470**	**5,500**
Carrying amount of investments accounted for using the equity method	149	2,383	210	31	377	474		102		−32	3,694
Capital ex-penditure on intangible assets, property, plant and equipment and investment property	1,180	1,230	1,144	876	430	614	507	4	315	79	6,379

Regions 2010 € million	EU			Rest of Europe	Other	RWE Group
	Germany	UK	Other EU			
External revenue[1, 2]	27,283	8,332	14,190	683	234	50,722
Intangible assets, property, plant and equipment and investment property	24,841	8,416	15,052	929	511	49,749

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

Products	RWE Group	
€ million	2011	2010
External revenue[1]	49,153	50,722
of which: electricity	(32,310)	(33,480)
of which: gas	(12,151)	(13,216)
of which: crude oil	(1,641)	(1,049)

1 Excluding natural gas tax/electricity tax.

Notes on segment data. We report revenue between the segments as RWE intra-group revenue. Internal supply of goods and services is settled at arm's length conditions. The operating result is used within the Group for control purposes. It is derived from the value management concept (cf. page 64 et seq.). The following table presents the reconciliation of EBITDA to the operating result and to income from continuing operations before tax:

Reconciliation of income items € million	2011	2010
EBITDA	**8,460**	**10,256**
- Operating depreciation and amortisation	–2,646	–2,575
Operating result	**5,814**	**7,681**
+ Non-operating result	–1,157	–767
+ Financial result	–1,633	–1,936
Income before tax	**3,024**	**4,978**

Income and expenses that are unusual from an economic perspective, or stem from exceptional events, prejudice the assessment of operating activities. They are reclassified to the non-operating result. Amongst other things, these can include sale proceeds from the disposal of investments or non-current assets not required for operations, impairment of the goodwill of fully consolidated companies, effects of the fair valuation of certain commodity derivatives and restructuring expenses.

More detailed information is presented on page 66 of the review of operations.

RWE did not generate more than 10 % of sales revenues with any single customer in the year under review and the previous year.

(32) Notes to the cash flow statement

The cash flow statement classifies cash flows according to operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to the amount stated in the balance sheet. Cash and cash equivalents consist of cash on hand, demand deposits and fixed-interest marketable securities with a maturity of three months or less from the date of acquisition.

Among other things, cash flows from operating activities include:

- cash flows from interest income of €429 million (previous year: €460 million) and cash flows used for interest expenses of €1,061 million (previous year: €1,257 million)
- €920 million (previous year: €1,723 million) in taxes on income paid (less income tax refunds)
- income from investments, corrected for items without an effect on cash flows, in particular from accounting using the equity method, amounted to €461 million (previous year: €428 million)

Flows of funds from the acquisition and sale of consolidated companies are included in cash flows from investing activities. Effects of foreign exchange rate changes are stated separately.

Cash flows from financing activities include €1,867 million (previous year: €1,867 million) which was distributed to RWE shareholders, €353 million (previous year: €331 million) which was distributed to minority shareholders and €81 million (previous year: €0 million) which was distributed to hybrid capital investors.

Changes in the scope of consolidation (without consideration of "Assets held for sale") decreased cash and cash equivalents by a net amount of €258 million (previous year: decrease of €2 million). Offsetting additions of €172 million (previous year: €5 million) against capital expenditures on financial assets and disposals of €437 million (previous year: €7 million) against proceeds from divestitures results in a balance of €7 million (previous year: €0 million), which is attributed to companies consolidated for the first time.

Exploration activities reduced cash flows from operating activities by €84 million (previous year: €162 million) and cash flows from investing activities by €106 million (previous year: €170 million).

There are no restrictions on the disposal of cash and cash equivalents.

(33) Information on concessions

In the fields of electricity, gas and water supply, there are a number of easement agreements and concession contracts between RWE Group companies and governmental authorities in the areas supplied by RWE.

Easement agreements are used in the electricity and gas business to regulate the use of public rights of way for laying and operating lines for public energy supply. These agreements are generally limited to a term of 20 years. After expiry, there is a legal obligation to transfer ownership of the local distribution facilities to the new operator, for appropriate compensation.

Water concession agreements contain provisions for the right and obligation to provide water and wastewater services, operate the associated infrastructure, such as water utility plants, as well as to implement capital expenditure. Concessions in the water business generally have terms of up to 25 years.

(34) Related party disclosures

Within the framework of their ordinary business activities, RWE AG and its subsidiaries have business relationships with numerous companies. These include associated companies which are classified as related parties. In particular, this category includes material investments of the RWE Group which are accounted for using the equity method.

Business transactions were concluded with major associates, resulting in the following items in RWE's consolidated financial statements:

Key items from transactions with associates € million	2011	2010
Income	1,470	907
Expenses	759	278
Receivables	2,048	1,004
Liabilities	176	12

The receivables mainly consist of interest-bearing loans, whilst the liabilities stem exclusively from supply and service transactions with related companies. All transactions were completed at arm's length conditions, which on principle do not differ from the financing conditions and conditions for supply and services with other enterprises. €593 million of the receivables (previous year: €414 million) and €171 million of the liabilities (previous year: €6 million) fall due within one year. In respect of the receivables, there was collateral amounting to €1 million (previous year: €5 million). Other obligations from executory contracts amounted to €6,206 million (previous year: €4,073 million).

Companies in which Dr. Jürgen Großmann, CEO of RWE AG, is a partner are classified as related parties of the RWE Group. These are corporate groups of Georgsmarienhütte Holding GmbH and RGM Holding GmbH. RWE Group companies provided services and deliveries amounting to €12.1 million to these companies (previous year: €9.9 million), and received from them services and deliveries amounting to €2.4 million (previous year: €2.4 million). As of 31 December 2011, there were receivables of €0.4 million (previous year: €0.8 million) and liabilities of €0.9 million (previous year: €0.5 million). Furthermore, there were obligations from executory contracts totalling €0.5 million (previous year: €6.2 million). All transactions are completed at arm's length prices and on principle the business relations do not differ from those maintained with other companies.

Above and beyond this, the RWE Group did not execute any material transactions with related companies or persons.

The compensation model and compensation of the Executive and Supervisory Boards is presented in the compensation report, which is included in the review of operations.

In total, the compensation of the Executive Board amounted to €18,303,000 (previous year: €20,358,000), plus pension service costs of €725,000 (previous year: €776,000). The Executive Board received short-term compensation components amounting to €15,303,000 for fiscal 2011 (previous year: €16,608,000). In addition to this, long-term compensation components of the Beat programme (2011 tranche) in the amount of €3,000,000 were allocated (€3,750,000 from the 2010 Beat tranche in the previous year).

The Supervisory Board received total compensation of €2,472,000 (previous year: €3,434,000) in fiscal 2011. Supervisory Board members also received €192,000 in compensation from subsidiaries for the exercise of mandates (previous year: €243,000). The employee representatives on the Supervisory Board have labour contracts with the respective Group companies. Remuneration occurs in accordance with the relevant contractual conditions.

During the period under review, no loans or advances were granted to members of the Executive or Supervisory Boards. An advance for travel expenses was granted to one employee representative on the Supervisory Board, and a further employee representative has outstanding loans from the period before his membership of the Board.

Former members of the Executive Board and their surviving dependents received €11,832,000 (previous year: €14,717,000), of which €1,940,000 came from subsidiaries (previous year: €1,861,000). Of this, €375,000 was related to long-term incentive remuneration components (previous year: €1,842,000). As of the balance-sheet date, €128,688,000 (previous year: €129,692,000) had been accrued for defined benefit obligations to former members of the Executive Board and their surviving dependents. Of this, €19,473,000 was set aside at subsidiaries (previous year: €19,369,000).

Information on the members of the Executive and Supervisory Boards is presented on pages 191 et seqq. of the notes.

(35) Auditor's fees

RWE recognised the following fees as expenses for the services rendered by the auditors of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC) and companies belonging to PwC's international network:

Auditor's fees	2011		2010	
€ million	Total	Of which: Germany	Total	Of which: Germany
Audit services	18.3	(9.7)	18.0	(9.1)
Other assurance services	7.9	(7.5)	8.5	(8.3)
Tax services	0.5	(0.2)	0.3	(0.2)
Other services	0.8	(0.4)	0.6	(0.5)
	27.5	**(17.8)**	**27.4**	**(18.1)**

The fees for audit services primarily contain the fees for the audit of the consolidated financial statements and for the audit of the financial statements of RWE AG and its subsidiaries. Other assurance services include fees for the review of interim reports, review of the internal controlling system, in particular the IT systems and due diligence audits, as well as expenses related to statutory or court ordered requirements. In particular, the fees for tax services include compensation for consultation in the preparation of tax returns and review of resolutions of the tax authorities as well as other national and international tax-related matters.

Amprion GmbH recognised fees amounting to €0.1 million (previous year: €0.1 million) in relation to services rendered by the auditor BDO Deutsche Warentreuhand AG in fiscal 2011 until the time of its sale.

(36) Application of Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code

In fiscal 2011, the following German subsidiaries made partial use of the exemption clause included in Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code (HGB):

- BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen
- eprimo GmbH, Neu-Isenburg
- GBV Dreizehnte Gesellschaft für Beteiligungsverwaltung mbH & Co. KG, Gundremmingen
- GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen
- GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen
- OIE Aktiengesellschaft, Idar-Oberstein
- Rheinische Baustoffwerke GmbH, Bergheim
- Rhein-Ruhr Verteilnetz GmbH, Wesel
- rhenag Beteiligungs GmbH, Cologne
- RWE Aqua GmbH, Berlin
- RWE Aqua Holdings GmbH, Essen
- RWE Beteiligungsgesellschaft mbH, Essen
- RWE Beteiligungsverwaltung Ausland GmbH, Essen
- RWE Consulting GmbH, Essen
- RWE Dea AG, Hamburg
- RWE Dea North Africa/Middle East GmbH, Hamburg
- RWE Dea Suez GmbH, Hamburg
- RWE Deutschland Aktiengesellschaft, Essen
- RWE Effizienz GmbH, Dortmund
- RWE Energiedienstleistungen GmbH, Dortmund
- RWE FiberNet GmbH, Essen
- RWE Gasspeicher GmbH, Dortmund
- RWE Innogy Brise Windparkbetriebsgesellschaft mbH, Hannover
- RWE Innogy Cogen GmbH, Dortmund
- RWE Innogy GmbH, Essen
- RWE Innogy Nordost Windparkbetriebsgesellschaft mbH, Marienfließ
- RWE Innogy Windpower Hannover GmbH, Hanover
- RWE IT GmbH, Essen
- RWE Kundenservice GmbH, Bochum
- RWE Metering GmbH, Essen
- RWE Offshore Logistics Company GmbH, Hamburg
- RWE Power Aktiengesellschaft, Cologne and Essen
- RWE Rheinhessen Beteiligungs GmbH, Essen
- RWE Rhein-Ruhr Netzservice GmbH, Siegen
- RWE RWN Beteiligungsgesellschaft Mitte mbH, Essen
- RWE Service GmbH, Dortmund
- RWE Supply & Trading GmbH, Essen
- RWE Technology GmbH, Essen
- RWE Vertrieb Aktiengesellschaft, Dortmund
- RWE Westfalen-Weser-Ems Netzservice GmbH, Dortmund
- Westfalen-Weser-Ems Verteilnetz GmbH, Recklinghausen

(37) Events after the balance-sheet date

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

(38) Declaration according to Sec. 161 of the German Stock Corporation Act

The declarations on the German Corporate Governance Code prescribed by Sec. 161 of the German Stock Corporation Act (AktG) have been submitted for RWE AG and its publicly traded German subsidiaries and have been made accessible to the shareholders on the Internet pages of RWE AG and its publicly traded German subsidiaries.

Essen, 17 February 2012

The Executive Board

Großmann	Terium	Birnbaum
Fitting	Pohlig	Schmitz

4.7 BOARDS (PART OF THE NOTES)

As of 17 February 2012

Supervisory Board

Dr. Manfred Schneider
Leverkusen
Chairman
Year of birth: 1938
Member since: 10 December 1992

Other appointments:
- ▪ Bayer AG (Chairman)
- ▪ Linde AG (Chairman)

Frank Bsirske[1]
Berlin
Deputy Chairman
Chairman of ver.di Vereinte Dienstleistungsgewerkschaft
Year of birth: 1952
Member since: 9 January 2001

Other appointments:
- ▪ Deutsche Lufthansa AG
- ▪ Deutsche Postbank AG
- ▪ IBM Central Holding GmbH
- – KfW Bankengruppe

Dr. Paul Achleitner
Munich
Member of the Board of Management of Allianz SE
Year of birth: 1956
Member since: 16 March 2000

Other appointments:
- ▪ Allianz Global Investors AG
- ▪ Bayer AG
- ▪ Daimler AG
- – Allianz Investment Management SE (Chairman)

Werner Bischoff[1]
Monheim am Rhein
Former member of the Main Executive Board of IG Bergbau, Chemie, Energie
Year of birth: 1947
Member since: 13 April 2006

Other appointments:
- ▪ Continental AG
- ▪ Evonik Industries AG
- ▪ RWE Dea AG
- ▪ RWE Power AG
- – THS TreuHandStelle für Bergmannswohnstätten im rheinisch-westfälischen Steinkohlenbezirk GmbH (Chairman)

Carl-Ludwig von Boehm-Bezing
Bad Soden
Former member of the Board of Management of Deutsche Bank AG
Year of birth: 1940
Member since: 11 December 1997

Heinz Büchel[1]
Trier
Chairman of the General Works Council of RWE Deutschland AG
Year of birth: 1956
Member since: 13 April 2006

Dieter Faust[1]
Eschweiler
Chairman of the Group Works Council of RWE Power AG
Year of birth: 1958
Member since: 1 August 2005

Other appointments:
- ▪ RWE Power AG

Roger Graef
Bollendorf
Managing Director of Verband der kommunalen RWE-Aktionäre GmbH
Year of birth: 1943
Member since: 20 April 2011

Andreas Henrich[1, 2]
Mülheim an der Ruhr
Head of HR Management at RWE Deutschland AG
Year of birth: 1956
– until 20 April 2011 –

Other appointments:
- ▪ ELE Emscher Lippe Energie GmbH
- ▪ RWE Deutschland AG

Manfred Holz[1]
Grevenbroich
Deputy Chairman of the General Works Council of RWE Power AG
Year of birth: 1954
Member since: 20 April 2011

▪ Member of other mandatory supervisory boards.
– Member of comparable domestic and foreign supervisory bodies of commercial enterprises.

1 Employee representative.
2 Information valid as of the date of retirement from the Supervisory Board.

Frithjof Kühn
Sankt Augustin
Chief Administrative Officer, Rhein Sieg Rural District
Year of birth: 1943
Member since: 1 February 2010

Other appointments:
- ▪ RW Holding AG (Chairman)
- - Elektrische Bahnen der Stadt Bonn und des Rhein-Sieg-Kreises oHG
- - Energie- und Wasserversorgung Bonn/Rhein-Sieg GmbH
- - Gemeinnützige Wohnungsbaugesellschaft für den Rhein-Sieg-Kreis GmbH
- - Kreissparkasse Köln
- - Rhein-Sieg-Abfallwirtschaftsgesellschaft mbH
- - Rhein-Sieg-Verkehrsgesellschaft mbH

Hans Peter Lafos[1]
Bergheim
Regional District Sector Head, Utilities and Disposal (Sector 2), ver.di Vereinte Dienstleistungsgewerkschaft, District of NRW
Year of birth: 1954
Member since: 28 October 2009

Other appointments:
- ▪ GEW Köln AG
- ▪ RWE Power AG
- ▪ RWE Vertrieb AG

Dr. Gerhard Langemeyer[2]
Dortmund
Former Mayor of the City of Dortmund
Year of birth: 1944
– until 20 April 2011 –

Christine Merkamp[1]
Cologne
Head of Controlling, Upgrading, RWE Power AG
Year of birth: 1967
Member since: 20 April 2011

Dagmar Mühlenfeld
Mülheim an der Ruhr
Mayor of the City of Mülheim an der Ruhr
Year of birth: 1951
Member since: 4 January 2005

Other appointments:
- ▪ RW Holding AG
- - Beteiligungsholding Mülheim an der Ruhr GmbH
- - Flughafen Essen/Mülheim GmbH (Chairwoman)
- - medl GmbH (Chairwoman)
- - Mülheim & Business GmbH (Chairwoman)

Dr. Wolfgang Reiniger[2]
Essen
Lawyer
Year of birth: 1944
– until 20 April 2011 –

Günter Reppien[1, 2]
Lingen
Former Chairman of the General Works Council of RWE Power AG
Year of birth: 1951
– until 20 April 2011 –

Other appointments:
- - Stadtwerke Lingen GmbH

Dagmar Schmeer[1]
Saarbrücken
Chairwoman of the Works Council of VSE AG
Year of birth: 1967
Member since: 9 August 2006

Other appointments:
- ▪ VSE AG

Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Krefeld
Former member of the Supervisory Board of ThyssenKrupp AG
Year of birth: 1941
Member since: 13 April 2006

Other appointments:
- ▪ AXA Konzern AG
- ▪ Bayer AG
- ▪ MAN SE

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory bodies of commercial enterprises.

1 Employee representative.
2 Information valid as of the date of retirement from the Supervisory Board.

Dr. Wolfgang Schüssel
Vienna
Former Federal Chancellor of Austria
Year of birth: 1945
Member since: 1 March 2010

Other appointments:
- Bertelsmann Stiftung

Ullrich Sierau
Dortmund
Mayor of the City of Dortmund
Year of birth: 1956
Member since: 20 April 2011

Other appointments:
▪ Dortmunder Stadtwerke AG (Chairman)
- Emschergenossenschaft
- KEB Holding AG (Chairman)
- Klinikum Dortmund gGmbH (Chairman)
- KSBG Kommunale Verwaltungsgesellschaft GmbH
- Medicos Holding GmbH & Co. KG
- Schüchtermann-Schiller'sche Kliniken Bad Rothenfelde GmbH & Co. KG
- Sparkasse Dortmund (Chairman)

Uwe Tigges[1]
Bochum
Chairman of the Group Works Council of RWE AG
Year of birth: 1960
Member since: 1 December 2003

Other appointments:
▪ RWE Vertrieb AG

Manfred Weber[1]
Wietze
Chairman of the General Works Council of RWE Dea AG
Year of birth: 1947
Member since: 1 December 2008

Other appointments:
▪ RWE Dea AG

Dr. Dieter Zetsche
Stuttgart
Chairman of the Executive Board of Daimler AG
Year of birth: 1953
Member since: 16 July 2009

Supervisory Board Committees

Executive Committee of the Supervisory Board
Dr. Manfred Schneider (Chairman)
Frank Bsirske
Dr. Paul Achleitner
Heinz Büchel – until 20 April 2011 –
Dieter Faust – until 20 April 2011 –
Manfred Holz – since 20 April 2011 –
Dagmar Mühlenfeld
Dagmar Schmeer
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Manfred Weber – since 20 April 2011 –

Mediation Committee in accordance with Sec. 27 Para. 3 of the German Co-Determination Act (MitbestG)
Dr. Manfred Schneider (Chairman)
Frank Bsirske
Werner Bischoff
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz

Personnel Affairs Committee
Dr. Manfred Schneider (Chairman)
Frank Bsirske
Dr. Paul Achleitner
Heinz Büchel – since 20 April 2011 –
Frithjof Kühn
Günter Reppien – until 20 April 2011 –
Uwe Tigges

Audit Committee
Carl-Ludwig von Boehm-Bezing (Chairman)
Werner Bischoff
Dieter Faust – since 20 April 2011 –
Dr. Gerhard Langemeyer – until 20 April 2011 –
Günter Reppien – until 20 April 2011 –
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Ullrich Sierau – since 20 April 2011 –
Uwe Tigges

Nomination Committee
Dr. Manfred Schneider (Chairman)
Dr. Paul Achleitner
Frithjof Kühn

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory bodies of commercial enterprises.

1 Employee representative.

Executive Board

Dr. Jürgen Großmann
President and CEO of RWE AG,
appointed until 30 June 2012

Born in 1952 in Mülheim an der Ruhr; studied ferrous metallurgy and economics; doctorate in ferrous metallurgy; active within the Klöckner Group from 1980 to 1993, exiting as member of the Executive Board of Klöckner-Werke AG; acquired Georgsmarienhütte in 1993; Owner and Managing Director of Georgsmarienhütte Holding GmbH from 1993 to 2006; joined RWE AG as President and CEO with effect from 1 October 2007.

Group-level responsibilities: Compliance & Management Board Office, Communication, Executive Management

Other appointments:
▪ BATIG Gesellschaft für Beteiligungen mbH
▪ British American Tobacco (Industrie) GmbH
▪ British American Tobacco (Germany) GmbH
▪ Deutsche Bahn AG
▪ SURTECO SE (Chairman)
- Hanover Acceptances Limited

Peter Terium
Deputy Chairman of the Executive Board of RWE AG,
appointed until 30 June 2012,
appointed as Chief Executive Officer of RWE AG from
1 July 2012 until 31 August 2016

Born in 1963 in Nederweert, Netherlands, trained as a chartered accountant at Nederlands Institut voor Registeraccountants; Audit Supervisor at KPMG from 1985 to 1990; various positions at Schmalbach-Lubeca AG from 1990 to 2002; joined as Head of Group Controlling at RWE AG in 2003; Chief Executive Officer of RWE Supply & Trading GmbH from 2005 to 2009; CEO of Essent N.V. from 2009 to 2011; member of the Executive Board and Deputy Chairman of the Board of RWE AG since 1 September 2011.

Group-level responsibilities: Public Affairs/Energy Politics, Legal/Board Affairs, Corporate Development & Strategy, Audit, and Corporate Responsibility/Environmental Protection

Other appointments:
▪ RWE IT GmbH (Chairman)
▪ RWE Supply & Trading GmbH
- NET4GAS, s.r.o.
- N.V. KEMA

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory bodies of commercial enterprises.

Dr. Leonhard Birnbaum
Member of the Executive Board of RWE AG,
appointed until 30 September 2013

Born in 1967 in Ludwigshafen on the Rhine; doctorate in chemical engineering; consultant at McKinsey & Company Inc. from 1996 to 2008; promoted to partner (principal) in 2000 and to senior partner (director) at McKinsey in 2006, exiting as member of McKinsey's global management team for the energy sector; joined RWE AG as Head of Corporate Strategy and Business Development with effect from 7 April 2008; member of the Executive Board since 1 October 2008; Chief Strategy Officer of RWE AG from January 2009 to September 2010; Chief Commercial Officer of RWE AG since 1 October 2010.

Group-level responsibilities: Commodity Management, Mergers & Acquisitions, Research & Development

Other appointments:
▪ RWE Dea AG (Chairman)
▪ RWE Supply & Trading GmbH (Chairman)
- RWE Turkey Holding A.S.

Alwin Fitting
Member of the Executive Board of RWE AG,
appointed until 31 March 2013

Born in 1953 in Westhofen (Rhine-Hesse); joined the RWE Group in 1974; trained master electrician; Executive Board member and Labour Director of RWE Power AG from October 2000 to July 2005; member of the Executive Board and Labour Director of RWE AG since August 2005.

Group-level responsibilities: Security, HR Management & Labour Law, Diversity Office

Other appointments:
▪ Amprion GmbH
▪ RWE Pensionsfonds AG
▪ RWE Service GmbH (Chairman)

Dr. Rolf Pohlig
Member of the Executive Board of RWE AG,
appointed until 31 December 2012

Born in 1952 in Solingen; doctorate in economics; Executive Vice-President Finance and Accounting of VEBA AG from 1993 to 2000; Executive Vice-President Mergers & Acquisitions of E.ON AG from 2000 to 2006; member of the Executive Board of RWE AG since January 2007 and Chief Financial Officer of RWE AG since May 2007.

Group-level responsibilities: Controlling, Finance, Investor Relations, Accounting and Tax

Other appointments:
▪ RWE Dea AG
▪ RWE Pensionsfonds AG (Chairman)
▪ RWE Power AG
▪ RWE Deutschland AG
- Essent N.V.
- RWE Transgas, a.s.

Dr. Rolf Martin Schmitz
Member of the Executive Board of RWE AG,
appointed until 30 April 2014

Born in 1957 in Mönchengladbach; doctorate in engineering; i.a. in charge of corporate development and economic policy at VEBA AG from 1988 to 1998; Executive Vice-President of rhenag Rheinische Energie AG from 1998 to 2001; Member of the Board of Management of Thüga AG from 2000 to 2004; Chairman of the Board of Directors of E.ON Kraftwerke GmbH from 2004 to 2005; Chairman of the Executive Board of RheinEnergie AG and Managing Director of Stadtwerke Köln from 2006 to 2009; Chief Operating Officer National of RWE AG from May 2009 to September 2010; since 1 October 2010 Chief Operating Officer of RWE AG.

Group-level responsibilities: Participation Management, Municipalities and Generation/Networks/Sales Coordination

Other appointments:
▪ RWE Power AG (Chairman)
▪ RWE Deutschland AG (Chairman)
▪ Süwag Energie AG (Chairman)
- Essent N.V.
- KELAG-Kärntner Elektrizitäts-AG
- RWE Transgas, a.s. (Chairman)
- RWE Turkey Holding A.S.

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory bodies of commercial enterprises.

4.8 LIST OF SHAREHOLDINGS (PART OF THE NOTES)

List of shareholdings as per Sec. 285 No. 11 and Sec. 313 Para. 2 (in relation to Sec. 315 a I) of HGB as of 31 Dec 2011

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Agrupació Energías Renovables, S.A.U.- Group - (pre-consolidated)[2]			285,946	287
Danta de Energías, S.A., Soria/Spain		99		
Explotaciones Eólicas de Aldehuelas, S.L., Soria/Spain		95		
Explotaciones Eólicas de Muel, S.L., Barcelona/Spain		100		
General de Mantenimiento 21, S.L.U., Barcelona/Spain		100		
Hidroeléctrica del Trasvase, S.A., Barcelona/Spain		60		
RWE Innogy AERSA, S.A.U., Barcelona/Spain		100		
Aktivabedrijf Wind Nederland B.V., Zwolle/Netherlands		100	59,182	15,976
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	19,848	682
Andromeda Wind S.r.l., Bolzano/Italy		51	5,882	118
Artelis S.A., Luxembourg/Luxembourg		53	36,808	2,980
A/V/E GmbH, Halle (Saale)		76	2,123	576
B E B Bio Energie Baden GmbH, Kehl		51	37,633	2,321
Bayerische Bergbahnen Beteiligungs-Gesellschaft mbH, Gundremmingen		100	21,047	756
Bayerische Elektrizitätswerke GmbH, Augsburg		100	34,008	-[1]
Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH, Gundremmingen		62	79,513	9,142
BC-Therm Energiatermelõ és Szolgáltató Kft., Budapest/Hungary		100	3,713	657
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen	100	100	4,317,944	-[1]
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	1,007	425
Biomasse Sicilia S.p.A., Enna/Italy		100	−208	−1,008
BPR Energie Geschäftsbesorgung GmbH, Essen		100	17,274	27
Bristol Channel Zone Limited, Swindon/United Kingdom		100	0	−168
BTB Netz GmbH, Berlin		100	25	-[1]
BTB-Blockheizkraftwerks, Träger- und Betreibergesellschaft mbH Berlin, Berlin		100	18,122	-[1]
Budapesti Elektromos Muvek Nyrt., Budapest/Hungary		55	824,738	40,864
Burgar Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Carl Scholl GmbH, Cologne		100	529	−764
Carsphairn Windfarm Limited, Glasgow/United Kingdom		100	1	0
Cegecom S.A., Luxembourg/Luxembourg		100	13,297	3,489
Central de Biomasa Lebrija, S.L.U., Alcobendas/Spain		100	30	−844
Channel Energy Limited, Swindon/United Kingdom		100	−213	−86
Danij Wind B.V., Ens/Gemeente Noordoostpolder/Netherlands		100	−10	0
Delta Gasservice B.V., Middelburg/Netherlands		100	−901	78
Dorcogen B.V.,'s Hertogenbosch/Netherlands		100	376	358

1 Profit- and loss-pooling agreement
2 Figures from the Group's consolidated financial statements
3 Newly founded, financial statements not yet available

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
E & Z Industrie-Lösungen GmbH, Gundremmingen		100	11,851	–5,936
Eemspolder L.P. B.V., Groningen/Netherlands		100	0	0
ELE Verteilnetz GmbH, Gelsenkirchen		100	25	–6,981
Electra Insurance Limited, Hamilton/Bermudas		100	23,949	2,221
Electricity Plus Supply Ltd., Oak House/United Kingdom		100	29,340	21,249
Elektrizitätswerk Landsberg GmbH, Landsberg am Lech		100	3,035	1,448
Elektrocieplownia Bedzin S.A., Bedzin/Poland		70	18,871	2,759
ELES BV, Arnhem/Netherlands		100	–3,559	–69,190
ELMU Halozati Eloszto Kft., Budapest/Hungary		100	867,972	41,571
ELMU-EMASZ Halozati Szolgaltato Kft., Budapest/Hungary		100	4,249	2,495
ELMU-EMASZ Ugyfelszolgalati Kft., Budapest/Hungary		100	1,607	102
EMASZ Halozati Kft., Miskolc/Hungary		100	280,265	12,925
Emscher Lippe Energie GmbH, Gelsenkirchen		79	77,306	22,651
Energie Direct B.V., Waalre/Netherlands		100	–33,867	–2,714
Energies France S.A.S. - Group - (pre-consolidated)[2]			32,657	–636
Centrale Hydroelectrique d`Oussiat S.A.S., Paris/France		100		
Energies Charentus S.A.S., Paris/France		100		
Energies France S.A.S., Paris/France		100		
Energies Maintenance S.A.S., Paris/France		100		
Energies Saint Remy S.A.S., Paris/France		100		
Energies VAR 1 S.A.S., Paris/France		100		
Energies VAR 2 S.A.S., Paris/France		100		
Energies VAR 3 S.A.S., Paris/France		100		
RWE Innogy Développement France S.A.S., Paris/France		100		
SAS Île de France S.A.S., Paris/France		100		
Energis GmbH, Saarbrücken		64	140,491	26,268
energis-Netzgesellschaft mbH, Saarbrücken		100	25	-[1]
Energy Direct Limited, Swindon/United Kingdom		100	292,768	1,581
Energy Direct Supply Limited, Swindon/United Kingdom		100	258,074	4
Energy Resources BV, 's-Hertogenbosch/Netherlands		100	119,491	12,065
Energy Resources Holding BV, 's-Hertogenbosch/Netherlands		100	195,576	27,745
Energy Resources Ventures BV, 's-Hertogenbosch/Netherlands		100	22,958	–432
Enerservice Maastricht B.V., Maastricht/Netherlands		100	–95,978	–1,577

1 Profit- and loss-pooling agreement
2 Figures from the Group's consolidated financial statements
3 Newly founded, financial statements not yet available

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
envia AQUA GmbH, Chemnitz		100	510	-[1]
envia INFRA GmbH, Bitterfeld-Wolfen		100	17,366	5,708
envia Mitteldeutsche Energie AG, Chemnitz	1	59	1,291,804	252,390
envia Netzservice GmbH, Kabelsketal		100	4,046	-[1]
envia SERVICE GmbH, Cottbus		100	2,590	1,590
envia TEL GmbH, Markkleeberg		100	9,760	1,964
envia THERM GmbH, Bitterfeld-Wolfen		100	62,844	-[1]
enviaM Beteiligungsgesellschaft mbH, Essen		100	175,915	31,898
eprimo GmbH, Neu-Isenburg		100	4,600	-[1]
Essent Belgium N.V., Antwerp/Belgium		100	3,991	–1,152
Essent Corner Participations B.V., 's-Hertogenbosch/Netherlands		100	3,871	3,417
Essent Energie Belgie N.V., Antwerp/Belgium		100	113,697	4,661
Essent Energie Productie B.V., 's-Hertogenbosch/Netherlands		100	751,777	148,778
Essent Energie Verkoop Nederland B.V., 's-Hertogenbosch/Netherlands		100	123,286	40,529
Essent Energy Gas Storage B.V., 's-Hertogenbosch/Netherlands		100	132	112
Essent Energy Group B.V., Arnhem/Netherlands		100	149	129
Essent Energy Systemen B.V., Arnhem/Netherlands		100	1,845	0
Essent Energy Systems Noord B.V., Zwolle/Netherlands		100	4,287	159
Essent Energy Trading Germany GmbH i.L., Düsseldorf		100	180	0
Essent IT B.V., Arnhem/Netherlands		100	–193,676	–15,999
Essent Meetdatabedrijf B.V., 's-Hertogenbosch/Netherlands		100	–4,249	1,565
Essent Nederland B.V., Arnhem/Netherlands		100	765,125	160,371
Essent New Energy B.V., 's-Hertogenbosch/Netherlands		100	–11,033	–6,152
Essent N.V., 's-Hertogenbosch/Netherlands		100	6,392,615	113,858
Essent Participations Holding B.V., Arnhem/Netherlands		100	339,382	–4,952
Essent Personeel Service B.V., Arnhem/Netherlands		100	428	–481
Essent Power BV, Arnhem/Netherlands		100	–33,538	–33,557
Essent Productie Geleen B.V., 's-Hertogenbosch/Netherlands		100	–2,836	3,270
Essent Projects B.V., 's-Hertogenbosch/Netherlands		100	–28,136	–8,148
Essent Re Ltd., Dublin/Ireland		100	18,032	3,192
Essent Retail Bedrijven B.V., Arnhem/Netherlands		100	–281,154	–26,832
Essent Retail Energie B.V., 's-Hertogenbosch/Netherlands		100	75,536	9,984
Essent Shared Service Center B.V., 's-Hertogenbosch/Netherlands		100	14,311	14,290
Essent Support Group B.V., Arnhem/Netherlands		100	–38,423	–13,415
Essent Wind Kaskasi Planungs- und Betriebsgesellschaft mbH, Hanover		100	25	-[1]
Essent Wind Nordsee Ost Planungs- und Betriebsgesellschaft mbH, Helgoland		100	256	-[1]
Essent Zuid B.V., Waalre/Netherlands		100	93,194	905

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Eszak-magyarorszagi Aramszolgaltato Nyrt., Miskolc/Hungary		54	296,510	23,648
EuroSkyPark GmbH, Saarbrücken		51	91	12
EWK Nederland B.V., Groningen/Netherlands		100	–8,714	202
EWV Energie- und Wasser-Versorgung GmbH, Stolberg		54	43,321	16,875
EZN Swentibold B.V., Geleen/Netherlands		100	3,103	3,085
FAMIS Gesellschaft für Facility Management und Industrieservice mbH, Saarbrücken		63	12,422	1,121
Fri-El Anzi Holding S.r.l., Bolzano/Italy		51	3,346	–41
Fri-El Anzi S.r.l., Bolzano/Italy		100	1,030	–29
Fri-El Guardionara Holding S.r.l., Bolzano/Italy		51	12,881	–634
Fri-El Guardionara S.r.l., Bolzano/Italy		100	33,753	1,006
Frijling Milieu Technologie (FMT) B.V., Waddinxveen/Netherlands		100	72	49
Gas Plus Supply Ltd., Oak House/United Kingdom		100	–30,674	30,568
GBE - Gocher Bioenergie GmbH, Goch		80	1,375	–457
GBV Dreizehnte Gesellschaft für Beteiligungsverwaltung mbH & Co. KG, Gundremmingen	94	94	–18,006	–516
GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	4,202,487	-[1]
GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	100	-[1]
Gemeinschaftskraftwerk Bergkamen A OHG der STEAG GmbH und der RWE Power AG, Bergkamen		51	15,991	1,453
Gemeinschaftskraftwerk Steinkohle Hamm GmbH & Co. KG, Essen		78	50,725	–65,342
Georgia Biomass Holding LLC, Norcross/USA		100	46,107	849
Georgia Biomass LLC, Savannah/USA		100	40,935	–4,087
GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund		100	75,507	18,169
GISA GmbH, Halle (Saale)		75	8,252	2,652
Great Yarmouth Power Ltd., Swindon/United Kingdom		100	3,593	0
Green Gecco GmbH & Co. KG, Essen		51	39,630	–17
GWG Grevenbroich GmbH, Grevenbroich		60	19,674	4,835
Hameldon Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Hanze Essent N.V., Zwolle/Netherlands		100	9,075	0
Hanze Re-use N.V., Rotterdam/Netherlands		100	0	0
ICS adminservice GmbH, Leuna		100	550	21
Industriepark LH Verteilnetz GmbH, Chemnitz		100	100	-[1]
Infrastrukturgesellschaft Netz Lübz mbH, Hanover		100	0	–12
Innogy Nordsee 1 GmbH, Hamburg		100	11,300	-[1]

1 Profit- and loss-pooling agreement
2 Figures from the Group's consolidated financial statements
3 Newly founded, financial statements not yet available

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
INVESTERG - Investimentos em Energias, SGPS, Lda. - Group - (pre-consolidated)[2]			12,568	1,641
INVESTERG - Investimentos em Energias, Sociedade Gestora de Participações Sociais, Lda., São João do Estoril/Portugal		100		
LUSITERG - Gestão e Produção Energética, Lda., São João do Estoril/Portugal		74		
Jihomoravská plynárenská, a.s., Brno/Czech Republic		50	299,685	56,081
JMP Net, s.r.o., Brno/Czech Republic		100	412,721	39,927
KA Contracting CR s.r.o., Prague/Czech Republic		100	18,302	966
Kazinc-Therm Fûtõerõmû Kft., Kazincbarcika/Hungary		100	1,231	–522
Kernkraftwerk Gundremmingen GmbH, Gundremmingen		75	84,184	8,343
Kernkraftwerk Lingen GmbH, Lingen (Ems)		100	20,034	-[1]
Kernkraftwerke Lippe-Ems GmbH, Lingen (Ems)		99	432,269	-[1]
KEVAG Verkehrs-Service GmbH, Koblenz		100	1,371	-[1]
KEVAG Verteilnetz GmbH, Koblenz		100	25	-[1]
KMG Kernbrennstoff-Management Gesellschaft mbH, Essen		100	696,225	-[1]
Knabs Ridge Wind Farm Limited, Swindon/United Kingdom		100	2,940	693
Koblenzer Elektrizitätswerk und Verkehrs-Aktiengesellschaft, Koblenz		58	78,608	13,066
Kraftwerksbeteiligungs-OHG der RWE Power AG und der E.ON Kernkraft GmbH, Lingen (Ems)		88	144,407	21,075
KUP Berlin Brandenburg GmbH, Berlin		100	372	–1,952
KUP Nordrhein-Westfalen GmbH, Dortmund		100	199	–301
Lechwerke AG, Augsburg		90	385,580	71,100
LEW Anlagenverwaltung GmbH, Gundremmingen		100	214,753	11,400
LEW Beteiligungsgesellschaft mbH, Gundremmingen		100	213,728	14,371
LEW Netzservice GmbH, Augsburg		100	87	-[1]
LEW Service & Consulting GmbH, Augsburg		100	1,250	-[1]
LEW TelNet GmbH, Neusäß		100	5,100	3,884
LEW Verteilnetz GmbH, Augsburg		100	4,816	-[1]
Lindhurst Wind Farm Limited, Swindon/United Kingdom		100	352	337
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		100	10,473	7,064
Magyar Áramszolgáltató Kft., Budapest/Hungary		100	11,510	11,283
Mátrai Erömü Zártkörüen Müködö Részvénytársaság, Visonta/Hungary		51	301,994	68,082
MEWO Wohnungswirtschaft GmbH & Co. KG, Halle (Saale)		100	10,307	1,358
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)		75	139,491	45,705
Mitteldeutsche Netzgesellschaft Gas mbH, Kabelsketal		100	25	-[1]
Mitteldeutsche Netzgesellschaft Strom mbH, Halle (Saale)		100	24	-[1]
Mittlere Donau Kraftwerke AG, Munich		40	5,113	0

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2 Figures from the Group's consolidated financial statements
3 Newly founded, financial statements not yet available

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Naturstrom Rheinland-Pfalz GmbH, Koblenz		100	832	135
NET4GAS, s.r.o., Prague/Czech Republic		100	1,487,140	203,294
NEW Energie GmbH, Mönchengladbach		100	1,000	416
NEW Netz GmbH, Geilenkirchen		100	47,415	9,559
NEW Service GmbH, Mönchengladbach		100	154	2,135
Niederrhein Wasser GmbH, Viersen		100	11,195	1,181
Niederrheinwerke Energie GmbH, Viersen		100	434	384
Niederrheinwerke Viersen GmbH, Viersen		100	38,360	13,651
Novar Windfarm Limited, Glasgow/United Kingdom		100	–13	–12
Npower Cogen (Hythe) Limited, Swindon/United Kingdom		100	20,253	4,698
Npower Cogen Ireland Limited, Dublin/Ireland		100	1,568	787
Npower Cogen Limited, Swindon/United Kingdom		100	202,668	12,205
Npower Cogen Trading Limited, Swindon/United Kingdom		100	–701	7,556
Npower Commercial Gas Limited, Swindon/United Kingdom		100	–21,720	5,883
Npower Direct Ltd, Swindon/United Kingdom		100	128,446	49,442
Npower Financial Services Limited, Swindon/United Kingdom		100	–382	19,884
Npower Gas Limited, Swindon/United Kingdom		100	–289,567	–50,296
Npower Limited, Swindon/United Kingdom		100	–303,436	–46,821
Npower Northern Limited, Swindon/United Kingdom		100	–364,018	–179,924
Npower Yorkshire Limited, Swindon/United Kingdom		100	–607,988	142,725
Npower Yorkshire Supply Limited, Swindon/United Kingdom		100	0	0
NRW Pellets GmbH, Erndtebrück		90	20,979	–142
NVV AG, Mönchengladbach		43	144,702	46,050
Octopus Electrical Limited, Swindon/United Kingdom		100	3,134	–574
OIE Aktiengesellschaft, Idar-Oberstein		100	5,778	-[1]
Oval (2205) Ltd, Swindon/United Kingdom		100	–5,748	0
Ózdi Erõmû Távhõtermelõ és Szolgáltató Kft., Kazincbarcika/Hungary		100	1,108	–294
Park Wiatrowy Suwalki Sp. z o.o., Warsaw/Poland		100	8,273	–6,828
Park Wiatrowy Tychowo Sp. z o.o., Warsaw/Poland		100	2,592	11
Piecki Sp. z o.o., Warsaw/Poland		51	44,147	410
Plus Shipping Services Ltd., Oak House/United Kingdom		100	14,306	4,367
Powerhouse B.V., Almere/Netherlands		100	20,286	4,657
Projecta 10 GmbH, Saarbrücken		100	54,303	-[1]

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3 Newly founded, financial statements not yet available

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
RE GmbH, Cologne		100	12,463	-[1]
Recuperación y Tratamiento de Biomasa Trabisa, S.L., Requena/Spain		87	1,134	–995
Regenesys Holdings Limited, Swindon/United Kingdom		100	0	1,602
Regenesys Technologies Ltd., Swindon/United Kingdom		100	711	4
regionetz GmbH, Düren		100	64	–7
Restabwicklung SNR 300 GmbH, Essen		100	4,328	–141
Rheinbraun Benelux N.V., Wondelgem/Belgium		100	9,577	328
Rheinbraun Brennstoff GmbH, Cologne		100	63,316	-[1]
Rheinische Baustoffwerke GmbH, Bergheim		100	9,236	-[1]
Rheinkraftwerk Albbruck-Dogern Aktiengesellschaft, Waldshut-Tiengen		77	30,641	1,757
Rhein-Ruhr Verteilnetz GmbH, Wesel		100	25	-[1]
rhenag Beteiligungs GmbH, Cologne		100	25	-[1]
rhenag Rheinische Energie Aktiengesellschaft, Cologne		67	146,463	32,255
Rhenas Insurance Limited, Sliema/Malta		100	48,345	709
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		100	–1,348	4,365
RL Beteiligungsverwaltung beschr. haft. OHG, Gundremmingen	51	100	355,895	27,308
RSB LOGISTIC GMBH, Cologne		100	19,304	-[1]
RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne		100	68,227	31,533
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey		70	173,438	–1,579
RWE Aktiengesellschaft, Essen			9,924,478	1,537,748
RWE Aqua GmbH, Berlin		100	233,106	-[1]
RWE Aqua Holdings GmbH, Essen	100	100	500,950	-[1]
RWE Benelux Holding B.V., 's-Hertogenbosch/Netherlands		100	2,412,371	–253,454
RWE Beteiligungsgesellschaft mbH, Essen	100	100	7,820,490	-[1]
RWE Beteiligungsverwaltung Ausland GmbH, Essen	100	100	435,420	-[1]
RWE Consulting GmbH, Essen		100	1,569	-[1]
RWE Dea AG, Hamburg		100	1,407,378	-[1]
RWE Dea Cyrenaica GmbH, Hamburg		100	26	-[1]
RWE Dea E & P GmbH, Hamburg		100	32,930	-[1]
RWE Dea Idku GmbH, Hamburg		100	78,772	-[1]
RWE Dea International GmbH, Hamburg		100	290,741	-[1]
RWE Dea Nile GmbH, Hamburg		100	581	-[1]
RWE Dea Norge AS, Oslo/Norway		100	161,079	37,374
RWE Dea North Africa/Middle East GmbH, Hamburg		100	130,025	-[1]
RWE Dea Polska Sp. z o.o., Warsaw/Poland		100	64	11,400

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
RWE Dea Speicher GmbH, Hamburg		100	25	-[1]
RWE Dea Suez GmbH, Hamburg		100	87,226	-[1]
RWE Dea Trinidad & Tobago GmbH, Hamburg		100	25	-[1]
RWE Dea UK Holdings Limited, Aberdeen/United Kingdom		100	297,935	–520
RWE Dea UK SNS Limited, London/United Kingdom		100	170,350	–19,769
RWE Deutschland Aktiengesellschaft, Essen	12	100	502,413	-[1]
RWE Distribuèní služby, s.r.o., Prague/Czech Republic		100	16,012	13,431
RWE East, s.r.o., Prague/Czech Republic	2	100	424	405
RWE Eemshaven Holding B.V., Arnhem/Netherlands		100	–23,370	–27,446
RWE Effizienz GmbH, Dortmund		100	25	-[1]
RWE Energie, a.s., Ústí nad Labem/Czech Republic		100	182,553	81,772
RWE Energiedienstleistungen GmbH, Dortmund		100	17,911	-[1]
RWE Energy Beteiligungsverwaltung Luxembourg S.A.R.L., Luxembourg/Luxembourg		100	86,283	14,886
RWE Energy Nederland N.V., Hoofddorp/Netherlands		100	56,483	6,348
RWE FiberNet GmbH, Essen		100	25	-[1]
RWE Finance B.V., 's-Hertogenbosch/Netherlands	100	100	9,829	2,580
RWE Gas International N.V., 's-Hertogenbosch/Netherlands	100	100	5,422,554	252,257
RWE Gas Slovensko, s.r.o., Košice/Slovakia		100	5,715	-1,285
RWE Gas Storage, s.r.o., Prague/Czech Republic		100	609,029	78,462
RWE GasNet, s.r.o., Ústí nad Labem/Czech Republic		100	341,775	67,130
RWE Gasspeicher GmbH, Dortmund	100	100	350,087	-[1]
RWE Gastronomie GmbH, Essen		100	133	–140
RWE Hungaria Tanacsado Kft., Budapest/Hungary		100	6,548	107
RWE Innogy Benelux B.V., 's-Hertogenbosch/Netherlands		100	3,622	–1,390
RWE Innogy Brise Windparkbetriebsgesellschaft mbH, Hanover		100	25	-[1]
RWE Innogy Cogen Beteiligungs GmbH, Dortmund		100	7,350	-[1]
RWE Innogy Cogen GmbH, Dortmund	5	100	201,320	-[1]
RWE Innogy GmbH, Essen	100	100	514,582	-[1]
RWE Innogy Iberia Biomasa S.L.U., Madrid/Spain		100	5,928	117
RWE Innogy Italia S.p.A., Bolzano/Italy		100	75,570	–48,479
RWE Innogy Lüneburger Heide Windparkbetriebsgesellschaft mbH, Walsrode		100	25	-[1]
RWE Innogy Nordost Windparkbetriebsgesellschaft mbH, Marienfließ		100	25	-[1]
RWE Innogy Nordwest Windparkbetriebsgesellschaft mbH, Hanover		100	25	-[1]
RWE Innogy (UK) Ltd., Swindon/United Kingdom		100	1,084,765	–8,053
RWE Innogy Windpark GmbH, Essen		100	31,825	-[1]

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
RWE Innogy Windpower Hannover GmbH, Hanover		100	73,530	-[1]
RWE Innogy Windpower Netherlands B.V., ’s-Hertogenbosch/Netherlands		100	–16,636	–4,705
RWE Interní služby, s.r.o., Prague/Czech Republic		100	4,600	1,367
RWE IT Czech s.r.o., Brno/Czech Republic	1	100	7,075	338
RWE IT GmbH, Essen	100	100	22,724	-[1]
RWE IT MAGYARORSZÁG Kft., Budapest/Hungary		100	376	227
RWE IT Poland Sp. z o.o., Warsaw/Poland		100	1,676	32
RWE IT Slovakia s.r.o., Košice/Slovakia	15	100	2,238	2,196
RWE IT UK Ltd., Swindon/United Kingdom		100	19,991	–13,216
RWE KAC Dezentrale Energien GmbH & Co. KG, Dortmund		100	9,403	1,220
RWE Key Account CZ, s.r.o., Prague/Czech Republic		100	–1,864	–4,301
RWE Kundenservice GmbH, Bochum		100	25	-[1]
RWE Metering GmbH, Essen		100	25	-[1]
RWE Npower Holdings plc, Swindon/United Kingdom		100	1,828,521	2,395
RWE Npower plc., Swindon/United Kingdom		100	1,495,628	–188,001
RWE Npower Renewables (Galloper) No. 1 Limited, Swindon/United Kingdom		100	–9	–9
RWE Npower Renewables (Galloper) No. 2 Limited, Swindon/United Kingdom		100	–9	–9
RWE Npower Renewables Limited, Swindon/United Kingdom		100	650,170	–32,644
RWE Npower Renewables (Markinch) Limited, Swindon/United Kingdom		100	–1,287	–1,234
RWE Npower Renewables (NEWCO)1 Limited, Swindon/United Kingdom		100	–11	–10
RWE Npower Renewables (NEWCO)2 Limited, Swindon/United Kingdom		100	0	0
RWE Npower Renewables (NEWCO)3 Limited, Swindon/United Kingdom		100	–11	–10
RWE Npower Renewables (NEWCO)4 Limited, Swindon/United Kingdom		100	–32	–30
RWE Npower Renewables (Stallingborough) Limited, Swindon/United Kingdom		100	–5,191	–130
RWE Offshore Logistics Company GmbH, Hamburg		100	30	-[1]
RWE Offshore Wind Nederland B.V., Utrecht/Netherlands		100	880	–1,105
RWE Plynoprojekt, s.r.o., Prague/Czech Republic		100	5,166	–749
RWE Polska Contracting Sp. z o.o., Wroclaw/Poland		100	2,655	0
RWE Polska S.A., Warsaw/Poland		100	458,810	27,152
RWE Power Aktiengesellschaft, Cologne and Essen	100	100	3,476,964	-[1]
RWE Renewables Polska Sp. z o.o., Warsaw/Poland		100	53,824	2,659
RWE Rheinhessen Beteiligungs GmbH, Essen		100	57,840	-[1]
RWE Rhein-Ruhr Netzservice GmbH, Siegen		100	25	-[1]
RWE RWN Beteiligungsgesellschaft Mitte mbH, Essen		100	286,356	-[1]
RWE Seabreeze I GmbH & Co. KG, Bremerhaven		100	25,706	–1,019
RWE Seabreeze II GmbH & Co. KG, Bremerhaven		100	25,893	–831
RWE Service GmbH, Dortmund	100	100	248,451	-[1]

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	Direct	Total	€ '000	€ '000
RWE Solutions Aktiengesellschaft, Karlstein	100	100	186,856	-[1]
RWE Solutions Ireland Ltd, Dublin/Ireland		100	10,413	1,993
RWE Solutions UK Ltd, London/United Kingdom		100	19,840	–105
RWE Stoen Operator Sp z o.o., Warsaw/Poland		100	612,943	0
RWE Supply & Trading Asia-Pacific PTE. LTD., Singapore/Singapore		100	6,083	6,083
RWE Supply & Trading GmbH, Essen	100	100	446,800	-[1]
RWE Supply & Trading Hungary Karlátolt Felelösségü Társaság, Budapest/Hungary		100	197	0
RWE Supply & Trading Iberia S.L., Madrid/Spain		100	–2,205	0
RWE Supply & Trading Italy S.r.l., Rome/Italy		100	411	0
RWE Supply & Trading Netherlands B.V., 's-Hertogenbosch/Netherlands		100	675,916	0
RWE Supply & Trading Nordic AS, Oslo/Norway		100	165	0
RWE Supply & Trading Participations Limited, London/United Kingdom		100	383,177	26,434
RWE Supply & Trading Switzerland S.A., Geneva/Switzerland		100	41,449	–263,339
RWE Technology GmbH, Essen		100	25	-[1]
RWE Technology Tasarim ve Mühendislik Danismanlik Ticaret Limited Sirketi, Istanbul/Turkey		100	1,000	999
RWE Technology UK Limited, Swindon/United Kingdom		100	300	9
RWE Trading Americas Inc., New York/USA		100	20,694	–3,667
RWE Trading Services GmbH, Essen		100	5,776	-[1]
RWE Transgas, a.s., Prague/Czech Republic		100	3,306,460	380,135
RWE Turkey Holding A.S., Istanbul/Turkey	100	100	70,423	3,820
RWE Vertrieb Aktiengesellschaft, Dortmund		100	16,143	-[1]
RWE Westfalen-Weser-Ems Netzservice GmbH, Dortmund		100	25	-[1]
RWE Zákaznické služby, s.r.o., Prague/Czech Republic		100	2,552	2,228
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH, Mülheim an der Ruhr		80	75,730	10,267
Saarwasserkraftwerke GmbH, Essen		100	14,368	-[1]
Scarcroft Investments Limited, Swindon/United Kingdom		100	–13,427	0
Scaris Investment Limited, Sliema/Malta	100	100	5,143,013	272,191
Scaris Limited, Sliema/Malta		100	4,826,337	185,961
Schwäbische Entsorgungsgesellschaft mbH, Gundremmingen		100	18,748	1,117
Severomoravská plynárenská, a.s., Ostrava/Czech Republic		68	198,249	41,059
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft., Budapest/Hungary		100	27,011	4,723
SMP Net, s.r.o., Ostrava/Czech Republic		100	272,460	36,766
Speicher Breitbrunn/Eggstätt RWE Dea & Storengy, Hamburg		80	0	19,729
Speicherbecken Geeste OHG der RWE Power AG und der E.ON Kernkraft GmbH, Geeste		94	26	3

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	Direct	Total	€ ’000	€ ’000
SPER S.p.A., Enna/Italy		70	13,653	–267
SPM Sales Portfolio Management BV, Arnhem/Netherlands		100	205,481	205,381
SRS EcoTherm GmbH, Salzbergen		90	7,273	1,171
Stadtwärme Kamp-Lintfort GmbH, Kamp-Lintfort		100	2,970	-[1]
STADTWERKE DÜREN GMBH, Düren		75	28,542	7,778
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort		51	13,930	3,941
Stadtwerke Tönisvorst GmbH, Tönisvorst		95	5,961	3,467
Superior Plumbing Installations Limited, Swindon/United Kingdom		100	2,607	–2,712
Süwag Beteiligungs GmbH, Frankfurt am Main		100	4,425	-[1]
Süwag Energie AG, Frankfurt am Main		78	355,675	60,800
Süwag Kundenservice GmbH, Frankfurt am Main		100	180	-[1]
Süwag Netz GmbH, Frankfurt am Main		100	25	-[1]
Süwag Netzservice GmbH, Frankfurt am Main		100	28	-[1]
Süwag Wasser GmbH, Frankfurt am Main		100	318	-[1]
Taff-Ely Wind Farm Project Limited, Swindon/United Kingdom		100	105	0
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	283	158
Tisza-Therm Fûtõerõmû Kft., Tiszaújváros/Hungary		100	675	–564
Tisza-WTP Vízelõkészítõ és Szolgáltató Kft., Tiszaújváros/Hungary		100	1,737	324
Transpower Limited (Republic of Ireland), Dublin/Ireland		100	2,369	952
Triton Knoll Offshore Wind Farm Ltd., Swindon/United Kingdom		100	–5	–5
Überlandwerk Krumbach GmbH, Krumbach		75	4,388	733
Uniti Limited, Swindon/United Kingdom		100	2,589,498	54,093
VCP Net, s.r.o., Hradec Králové/Czech Republic		100	208,981	25,588
Verteilnetz Plauen GmbH, Plauen		100	22	-[1]
Volta Limburg B.V., Schinnen/Netherlands		89	23,738	5,903
VSE Aktiengesellschaft, Saarbrücken		69	159,364	14,445
VSE Net GmbH, Saarbrücken		100	13,315	1,318
VSE Verteilnetz GmbH, Saarbrücken		100	25	-[1]
VSW Netz GmbH, Crimmitschau		100	451	252
VSW Verbundwerke Südwestsachsen GmbH, Lichtenstein		98	25,310	667
Východoceská plynárenská, a.s., Hradec Králové/Czech Republic		67	138,495	32,173
Wendelsteinbahn GmbH, Brannenburg		100	2,817	302
Wendelsteinbahn Verteilnetz GmbH, Brannenburg		100	38	-[1]
Westfalen-Weser-Ems Verteilnetz GmbH, Recklinghausen		100	25	-[1]
Westland Energie Services B.V., Poeldijk/Netherlands		100	9,491	–8,954
Windpark Westereems B.V., Zwolle/Netherlands		100	7,764	358
WINKRA Dransfeld Windparkbetriebsgesellschaft mbH, Dransfeld		100	25	-[1]

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WINKRA Eicklingen Windparkbetriebsgesellschaft mbH, Eicklingen		100	25	–[1]
WINKRA Eystrup Windparkbetriebsgesellschaft mbH, Hassel		100	25	–[1]
WINKRA Friedrichsgabekoog Windparkbetriebsgesellschaft mbH, Friedrichsgabekoog		100	26	–[1]
WINKRA Gethsemane Windparkbetriebsgesellschaft mbH, Philippsthal		100	26	–[1]
WINKRA Grömitz Windparkbetriebsgesellschaft mbH, Grömitz		100	26	–[1]
WINKRA Halle Windparkbetriebsgesellschaft mbH, Halle		100	25	–[1]
WINKRA Helmstedt Windparkbetriebsgesellschaft mbH, Grasleben		100	25	–[1]
WINKRA Hörup Windparkbetriebsgesellschaft mbH, Hörup		100	26	–[1]
WINKRA Krokhorst Windparkbetriebsgesellschaft mbH, Schwanewede		100	25	–[1]
WINKRA Krusemark Windparkbetriebsgesellschaft mbH, Hohenberg-Krusemark		100	26	–[1]
WINKRA Krusemark 5 Windparkbetriebsgesellschaft mbH, Lindtorf		100	25	–[1]
WINKRA Krusemark 6 Windparkbetriebsgesellschaft mbH, Lindtorf		100	25	–[1]
WINKRA Krusemark 7 Windparkbetriebsgesellschaft mbH, Lindtorf		100	25	–[1]
WINKRA Krusemark 8 Windparkbetriebsgesellschaft mbH, Lindtorf		100	25	–[1]
WINKRA Lengerich Windparkbetriebsgesellschaft mbH, Gersten		100	25	–[1]
WINKRA Lichtenau Windparkbetriebsgesellschaft mbH, Lichtenau		100	26	–[1]
WINKRA Messingen Windparkbetriebsgesellschaft mbH, Messingen		100	25	–[1]
WINKRA Oedelum Windparkbetriebsgesellschaft mbH, Schellerten		100	25	–[1]
WINKRA Ottersberg Windparkbetriebsgesellschaft mbH, Ottersberg		100	25	–[1]
WINKRA Regesbostel Windparkbetriebsgesellschaft mbH, Regesbostel		100	25	–[1]
WINKRA Rethen Windparkbetriebsgesellschaft mbH, Vordorf		100	25	–[1]
WINKRA Riepsdorf Windparkbetriebsgesellschaft mbH, Riepsdorf		100	26	–[1]
WINKRA Sommerland Windparkbetriebsgesellschaft mbH, Sommerland		100	26	–[1]
WINKRA Süderdeich Windparkbetriebsgesellschaft mbH, Süderdeich		100	26	–[1]
WINKRA Welver Windparkbetriebsgesellschaft mbH, Welver		100	25	–[1]
WINKRA Zicherie Windparkbetriebsgesellschaft mbH, Brome		100	25	–[1]
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover		100	0	–34
WVP-Wärmeversorgung Plauen GmbH, Plauen		100	260	–[1]
YE Gas Limited, Swindon/United Kingdom		100	–112,247	0
Yorkshire Energy Limited, Swindon/United Kingdom		100	13,427	0
Zuidermeerwindenergie B.V., Heerenveen/Netherlands		100	66	–17

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	Direct	Total	€ '000	€ '000
Agenzia Carboni S.R.L., Genoa/Italy		100	591	26
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen		100	5,113	0
Allt Dearg Wind Farm Limited, Swindon/United Kingdom		100	0	0
Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund		100	–70,148	–5,227
aqua.t Wassergesellschaft Thüringen mbH, Hermsdorf		100	100	-[1]
Ardoch Over Enoch Windfarm Limited, Glasgow/United Kingdom		100	0	0
Ballindalloch Muir Wind Farm Limited, Swindon/United Kingdom		100	0	0
b_gas Eicken GmbH, Schwalmtal		100	–793	–294
bildungszentrum Energie GmbH, Halle (Saale)		100	883	408
Bioenergie Anhausen Mainborn Verwaltungs GmbH, Anhausen		100		[3]
Bioenergie Bad Wimpfen GmbH & Co. KG, Bad Wimpfen		51		[3]
Bioenergie Bad Wimpfen Verwaltungs GmbH, Bad Wimpfen		100		[3]
Bioenergie Kirchspiel Anhausen GmbH & Co. KG, Anhausen		51		[3]
Biogasanlage Schwalmtal GmbH, Schwalmtal		75	29	1
BRAWA, a.s., Prague/Czech Republic		100	80	–1
Brims Ness Tidal Power Limited, Swindon/United Kingdom		100	0	0
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	0	0
Carr Mor Windfarm Limited, Glasgow/United Kingdom		100	0	0
Causeymire Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Central de Biomasa de la Demanda, S.L.U., Alcobendas/Spain		100	–2	–4
Central de Biomasa de la Vega, S.L.U., Alcobendas/Spain		100	273	–166
Central de Biomasa Sierra Nevada, S.L.U., Alcobendas/Spain		100	309	–718
Cilciffeth Windfarm Limited, Swindon/United Kingdom		100	0	0
Comco MCS S.A., Luxembourg/Luxembourg		95	410	228
Craigenlee Wind Farm Limited, Swindon/United Kingdom		100	0	0
Culbin Farm Wind Farm Limited, Swindon/United Kingdom		100	0	0
Cuthberts Hill Windfarm Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 1A RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 1B RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 2A RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 2B RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 3A RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 3B RWE Limited, Swindon/United Kingdom		100		[3]
ECS - Elektrárna Cechy-Stred, a.s., Prague/Czech Republic		51	3,599	–7
EDON Group Costa Rica S.A., San Jose/Costa Rica		100	837	–133
EL-Pöför Epitési és Üzemeltetési Kft., Budapest/Hungary		100	570	62
Energetyka Wschod Sp. z o.o., Wroclaw/Poland		100	34	15
Energetyka Zachod Sp. z o.o., Wroclaw/Poland		100	52	12
enviaM Beteiligungsgesellschaft Chemnitz GmbH, Chemnitz		100	56,366	-[1]
enviaM Erneuerbare Energien Verwaltungsgesellschaft mbH, Markkleeberg		100		[3]
ESK GmbH, Dortmund		100	128	1,653

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	Direct	Total	€ '000	€ '000
ESM Entwicklungsgesellschaft für kommunale Dienstleistungen mbH, Saarbrücken		100	54	–2
Executive Aviation Centre Limited (i.L.), London/United Kingdom		100	–6,239	–1
FAMIS Energieservice GmbH, Saarbrücken		100	687	–[1]
Fernwärme Saarlouis-Steinrausch Investitionsgesellschaft mbH, Saarlouis		95	7,567	–[1]
´Finelectra´ Finanzgesellschaft für Elektrizitäts-Beteiligungen AG, Hausen/Switzerland		100	13,856	580
GBV Achtundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	0
GBV Achtzehnte Gesellschaft für Beteiligungsverwaltung, Essen	100	100	23	0
GBV Einundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	0
GBV Neunundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	0
GBV Siebenundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	0
GBV Verwaltungsgesellschaft mbH, Gundremmingen	94	94	19	–1
GBV Zweiundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	0
Gelligaer Windfarm Limited, Swindon/United Kingdom		100	0	0
Gesellschaft für Kommunikationstechnik und Medienarbeit mbH, Essen		100	60	–[1]
GKB Gesellschaft für Kraftwerksbeteiligungen mbH, Cottbus		100	191	69
GkD Gesellschaft für kommunale Dienstleistungen mbH, Siegburg		100	53	0
Green Gecco Verwaltungs GmbH, Essen		51	17	–4
Green Gesellschaft für regionale und erneuerbare Energien mbH, Stolberg		52		[3]
GWG Netzgesellschaft GmbH, Grevenbroich		100	100	466
High Moor Windfarm Limited, Swindon/United Kingdom		100	0	0
HM&A UK Limited (i.L.), London/United Kingdom		100	–2,405	–6
HM&A Verwaltungs GmbH i.L., Essen		100	92	12
Hospitec Facility Management GmbH, Saarbrücken		100	–1,788	0
Infraestructuras de Aldehuelas, S.A., Soria/Spain		100	428	0
Jordanston Windfarm Limited, Swindon/United Kingdom		100	0	0
KA Contracting SK s.r.o., Banská Bystrica/Slovakia		100	948	–52
Kieswerk Kaarst GmbH & Co. KG, Bergheim		51	109	–234
Kieswerk Kaarst Verwaltungs GmbH, Bergheim		51	27	0
Kiln Pit Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Kirkby Moor Windfarm Limited, Swindon/United Kingdom		100	2,131	0
KMC Services GmbH, Kaiserslautern		100	36	–1
KWS Kommunal-Wasserversorung Saar GmbH , Saarbrücken		100	30	–[1]
Lochelbank Wind Farm Limited, Swindon/United Kingdom		100	0	0
Low Houses Windfarm Limited, Swindon/United Kingdom		100	0	0
Mátrai Erömü Központi Karbantartó KFT, Visonta/Hungary		100	2,799	401
Meterplus Limited, Swindon/United Kingdom		100	0	0
MEWO Wohnungswirtschaft Verwaltungs-GmbH, Halle (Saale)		100	43	2
Middlemoor Wind Farm Limited, Swindon/United Kingdom		100	0	0
MIROS Mineralische Rohstoffe, GmbH i.L., Bergheim		100	0	0

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Mitteldeutsche Netzgesellschaft mbH, Chemnitz		100		[3]
Naturstrom Betriebsgesellschaft Oberhonnefeld mbH, Koblenz		100	149	–6
Netzwerke Saarwellingen GmbH, Saarwellingen		100	50	-[1]
Neue Energie Groß-Gerau GmbH, Frankfurt am Main		100	24	0
NEW Re GmbH, Mönchengladbach		100	100	0
Niederrheinwerke Impuls GmbH, Grefrath		67	394	319
Niederrheinwerke Schwalm-Nette GmbH, Viersen		100	6,215	342
Niederrheinwerke Schwalm-Nette Netz GmbH, Viersen		100	25	0
North Kintyre Wind Farm Limited, Swindon/United Kingdom		100	0	0
Novar Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Npower Northern Supply Limited, Swindon/United Kingdom		100	0	0
NRF Neue Regionale Fortbildung GmbH, Halle (Saale)		100	144	12
NRL (GEM) Limited, Swindon/United Kingdom		100	0	0
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	106	–8
Park Wiatrowy Gaworzyce Sp. z o.o., Warsaw/Poland		100	27	26
Park Wiatrowy Msciwojów Sp. z o.o., Warsaw/Poland		100	–10	–7
Park Wiatrowy Nowy Staw Sp. z o.o., Warsaw/Poland		100	3	–5
Park Wiatrowy Prudziszki Sp. z o.o., Warsaw/Poland		100	8	–2
Park Wiatrowy Smigiel I Sp. z o.o., Warsaw/Poland		100	–10	–7
Park Wiatrowy Znin Sp. z o.o., Warsaw/Poland		100	7	1
PHP Poland Sp. z o.o., Warsaw/Poland		100		[3]
Projecta 12 GmbH, Saarbrücken		100	148	-[1]
Projecta 15 GmbH, Saarbrücken		100	17	–1
Projecta 5 - Entwicklungsgesellschaft für kommunale Dienstleistungen mbH, Saarbrücken		100	21	–1
Rain Biomasse Wärmegesellschaft mbH, Rain		75		[3]
RD Hanau GmbH, Hanau		100	423	–533
Rebyl Limited, Swindon/United Kingdom		100	0	0
ReEnergie Niederrhein Biogas Schwalmtal GmbH & Co. KG, Schwalmtal		56	1,551	29
Rheinland Westfalen Energiepartner GmbH, Essen		100	25	-[1]
rhenagbau GmbH, Cologne		100	1,258	-[1]
ROTARY-MATRA Kútfúró és Karbantartó KFT, Visonta/Hungary		100	855	5
RWE & Turcas Enerji Toptan Satis A.S., Istanbul/Turkey		100	14	–15
RWE & Turcas Kuzey Elektirk Üretim Anonim Sirketi, Ankara/Turkey		70	38	–14
RWE Aqua International GmbH, Essen		100	50	-[1]
RWE Dea UK Development Limited, London/United Kingdom		100	0	0
RWE Dea UK EC Limited, London/United Kingdom		100	0	0
RWE Dea UK Exploration Limited, London/United Kingdom		100	0	0
RWE Dea UK Limited, Aberdeen/United Kingdom		100	0	0
RWE Dea UK PV Limited, London/United Kingdom		100	0	0
RWE DEA Ukraine LLC, Kiev/Ukraine		100	63	–193

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2 Figures from the Group’s consolidated financial statements
3 Newly founded, financial statements not yet available

II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
RWE East Bucharest S.R.L, Bucharest/Romania		100	2,968	–1,839
RWE Energetyka Trzemeszno Sp. z o.o., Wroclaw/Poland		100	1,283	194
RWE EUROtest Gesellschaft für Prüfung-Engineering-Consulting mbH, Dortmund		100	51	-[1]
RWE Gas Transit, s.r.o., Prague/Czech Republic		100		[3]
RWE Hrvatska d.o.o., Zagreb/Croatia		100	5	21
RWE Innogy d.o.o. za koristenje obnovljivih izvora energije, Sarajevo/Bosnia and Herzegovina		100	0	–145
RWE Innogy Holding S.R.L., Bucharest/Romania		100		[3]
RWE Innogy Kaskasi GmbH, Hamburg		100	66	–1
RWE Innogy Serbia d.o.o., Belgrade/Serbia		100		[3]
RWE KAC Dezentrale Energien Verwaltungsgesellschaft mbH, Dortmund		100	19	–3
RWE Kuzey Holding Anonim Sirketi, Istanbul/Turkey		100	–3	–20
RWE Pensionsfonds AG, Essen	100	100	3,913	0
RWE Power Benelux B.V., Hoofddorp/Netherlands		100	632	160
RWE Power Beteiligungsverwaltung GmbH & Co. KG, Grevenbroich		100	0	0
RWE Power Climate Protection China GmbH, Essen		100	25	-[1]
RWE Power Climate Protection Clean Energy Technology (Beijing) Co., Ltd., Beijing/China		100	210	–74
RWE Power Climate Protection GmbH, Essen		100	23	-[1]
RWE Power Zweite Gesellschaft für Beteiligungsverwaltung mbH, Grevenbroich		100	24	–1
RWE Rhein Oel Ltd., London/United Kingdom		100	–1	–1
RWE Seabreeze I Verwaltungs GmbH, Bremerhaven		100	3	–17
RWE Seabreeze II Verwaltungs GmbH, Bremerhaven		100	3	–16
RWE Stiftung gemeinnützige GmbH, Essen	100	100	59,013	893
RWE Trading New Business Ltd., London/United Kingdom		100	1,238	127
RWE Trading Services Ltd., Swindon/United Kingdom		100	915	91
RWE Trading UK Ltd., London/United Kingdom		100	4,487	120
RWE WP 4 Sp.z o.o., Warsaw/Poland		100	267	–7
RWE-EnBW Magyarország Energiaszolgáltató Korlátolt Felelösségü Társaság, Budapest/Hungary		70	1,105	117
Sandersdorf-Brehna Netz GmbH & Co. KG, Sandersdorf-Brehna		100		[3]
Sandersdorf-Brehna Netz Verwaltungs GmbH, Sandersdorf-Brehna		100		[3]
SASKIA Informations-Systeme GmbH, Chemnitz		90	599	185
SchlauTherm GmbH, Saarbrücken		75	96	59
Securum AG, Zug/Switzerland		100	3,640	40
Snowgoat Glen Wind Farm Limited, Swindon/United Kingdom		100	0	0
Societe Nouvelle Sidechar S.A., Paris la Defense/France	100	100	85	–14
Steinkohlendoppelblock Verwaltungs GmbH, Essen		100	156	48
Stoen Nieruchomosci Sp. z o.o., Warsaw/Poland		100	–487	–31
Stroupster Wind Farm Limited, Swindon/United Kingdom		100	0	0
Süwag Erneuerbare Energien GmbH, Frankfurt am Main		100	124	0

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Tarskavaig Wind Farm Limited, Swindon/United Kingdom		100	0	0
T.B.E. TECHNISCHE BERATUNG ENERGIE für wirtschaftliche Energieanwendung GmbH, Duisburg		100	337	-[1]
TEPLO Rumburk s.r.o., Rumburk/Czech Republic		98	256	38
Thermolux S.a.r.l., Luxembourg/Luxembourg		100	1,521	0
Thyssengas-Unterstützungskasse GmbH, Dortmund		100	113	–43
Tisza BioTerm Kft., Budapest/Hungary		60	2	0
Trenewydd Windfarm Limited, Swindon/United Kingdom		100	0	0
TWS Technische Werke der Gemeinde Saarwellingen GmbH, Saarwellingen		51	3,344	662
Versuchsatomkraftwerk Kahl GmbH, Karlstein am Main		80	5,711	31
VKN Geschäftsführungs GmbH, Ensdorf		51	42	2
VKN Saar Gesellschaft für Verwertung von Kraftwerksnebenprodukten und Ersatzbrennstoffen GmbH, Ensdorf		51	50	235
VSE-Windpark Merchingen GmbH & Co. KG, Saarbrücken		100	1,863	–937
VSE-Windpark Merchingen Verwaltungs GmbH, Saarbrücken		100	53	2
VSE Stiftung gGmbH, Saarbrücken		100	2,535	–24
Wabea Wasserbehandlungsanlagen Berlin GmbH i.L., Berlin		100	420	19
Wärmeversorgung Schwaben GmbH, Augsburg		100	64	0
Windpark Westerwald GmbH, Waigandshain		54	1,617	–25
Windpark Zuidermeerdijk C.V., Soest/Netherlands		100	457	134
WLN Wasserlabor Niederrhein GmbH, Mönchengladbach		60	325	13

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III. Companies accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Amprion GmbH, Dortmund	25	25	613,025	118,527
AS 3 Beteiligungs GmbH, Essen		51	20,321	146
ATBERG - Eólicas do Alto Tâmega e Barroso, Lda., Ribeira de Pena/Portugal		40	2,341	453
AVA Abfallverwertung Augsburg GmbH, Augsburg		25	18,111	4,151
AVU Aktiengesellschaft für Versorgungs-Unternehmen, Gevelsberg		50	102,721	15,408
BC-Eromu Kft., Miskolc/Hungary		74	18,556	4,622
Bergische Energie und Wasser - Netzgesellschaft GmbH, Wipperfürth		61	9,605	1,496
Budapesti Disz- es Közvilagitsi Korlatolz Felelössegü Tarsasag, Budapest/Hungary		50	33,981	1,364
C-Power N.V., Zwijndrecht/Belgium		27	155,430	–5,227
Delesto B.V., Delfzijl/Netherlands		50	57,431	1,151
Desco B.V., Dordrecht/Netherlands		33	10,342	834
Desco C.V., Dordrecht/Netherlands		33	12,901	0
Dortmunder Energie- und Wasserversorgung GmbH (DEW 21), Dortmund		47	165,417	7,828
EAH Holding B.V., Heerenveen/Netherlands		33	4,177	336
EdeA VOF, Geleen/Netherlands		50	36,300	1,964
EGG Holding BV, 's-Hertogenbosch/Netherlands		50	629	375
Electrorisk Verzekeringsmaatschappij N.V., Arnhem/Netherlands		25	10,506	388
Elsta B.V., Middelburg/Netherlands		25	154	34
Elsta B.V. & CO C.V., Middelburg/Netherlands		25	1,333	7,241
Energie Nordeifel GmbH & Co. KG, Kall[2]		50	10,654	2,622
Energie- und Wasserversorgung Altenburg GmbH, Altenburg		30	29,933	2,962
Energieversorgung Guben GmbH, Guben		45	5,535	443
Energieversorgung Hürth GmbH, Hürth		25	4,961	0
Energieversorgung Oberhausen AG, Oberhausen		10	30,224	0
Energiewacht B.V., Veendam/Netherlands		50	3,120	3,343
ENNI Energie & Umwelt Niederrhein GmbH, Moers		20	32,447	9,359
Enovos International S. A., Luxembourg/Luxembourg		18	619,146	89,553
Éoliennes de Mounés S.A.S., Paris/France		50	–4,522	–3,316
EPZ - N.V. Elektriciteits Produktiemij Zuid-Nederland, Borssele/Netherlands		30	37,507	0
EWR Aktiengesellschaft, Worms		2	74,307	16,474
EWR Dienstleistungen GmbH & Co. KG, Worms		50	142,528	16,488
Excelerate Energy LLC, The Woodlands/USA		50	9,026	0
Excelerate Energy LP, The Woodlands/USA[2]		50	205,130	–194,184
Exemplar NV, Brussels/Belgium		15	29	–24
Expedient NV, Antwerp/Belgium		15	241	176
Exquisite NV, Antwerp/Belgium		15	874	195
Fovarosi Gazmuvek Zrt., Budapest/Hungary		50	143,952	30,838
Freiberger Stromversorgung GmbH (FSG), Freiberg		30	9,785	2,945
Fri-El S.p.A., Bolzano/Italy[2]		50	15,432	–1,550
FSO GmbH & Co. KG, Oberhausen[2]		50	40,204	11,198

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III. Companies accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
Gaswacht Friesland B.V., Sneek/Netherlands		50	7,801	1,012
Geas Energiewacht B.V., Enschede/Netherlands		50	8,409	1,425
GNS Gesellschaft für Nuklear-Service mbH, Essen[2]		28	–239	6,374
Greater Gabbard Offshore Winds Limited, Reading/United Kingdom		50	80,903	77,526
Grosskraftwerk Mannheim Aktiengesellschaft, Mannheim		40	114,142	6,647
Gwynt Y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		60	–3,342	–326
Hastrabau-Kommunale Entsorgungsdienste GmbH & Co. KG, Langenhagen		50	128	–68
HIDROERG - Projectos Energéticos, Lda., Lisbon/Portugal		32	8,681	1,954
Horizon Nuclear Power Limited, London/United Kingdom		50	66,566	–40,897
Hungáriavíz Vagyonkezelõ Zrt., Budapest/Hungary		49	47,678	5
Innogy Renewables Technology Fund I GmbH & Co. KG, Essen		78	40,587	–5,157
Innogy Venture Capital GmbH, Essen		75	25	31
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria[2]		49	585,156	97,700
KBM Kommunale Beteiligungsgesellschaft mbH an der envia Mitteldeutsche Energie AG, Bitterfeld		19	190,485	24,045
Kemkens B.V., Oss/Netherlands		49	10,122	4,175
KEW Kommunale Energie- und Wasserversorgung AG, Neunkirchen		29	72,780	10,071
Konsortium Energieversorgung Opel oHG der RWE Innogy Cogen GmbH und der Kraftwerke Mainz-Wiesbaden AG, Karlstein		67	25,994	7,524
medl GmbH, Mülheim an der Ruhr		49	21,972	–13,411
Mingas-Power GmbH, Essen		40	4,703	4,034
Nebelhornbahn-Aktiengesellschaft, Oberstdorf		27	4,961	405
NV Energiewacht Groep, Zwolle/Netherlands		50	7,801	1,012
NV KEMA, Arnhem/Netherlands		25	127,894	7,700
Pfalzwerke Aktiengesellschaft, Ludwigshafen		27	192,102	18,816
Pistazit Anlagen-Vermietungs GmbH & Co. Objekt Willich KG, Mainz		100	308	757
PRENU Projektgesellschaft für Rationelle Energienutzung in Neuss mbH, Neuss		50	287	–18
Projecta 14 GmbH, Saarbrücken		50	37,733	–974
Propan Rheingas GmbH & Co KG, Brühl		30	15,445	1,919
Przedsiêbiorstwo Wodociagów i Kanalizacji Sp. z o.o., Dabrowa Górnica/Poland		34	32,465	1,698
Regionalgas Euskirchen GmbH & Co. KG, Euskirchen		43	55,211	10,138
RheinEnergie AG, Cologne		20	691,918	15,000
Rhein-Main-Donau AG, Munich		22	110,169	0
RWE-Veolia Berlinwasser Beteiligungs GmbH, Berlin		50	296,728	77,169
Sampi Anlagen-Vermietungs GmbH & Co. Objekt Meerbusch KG, Mainz		100	196	1,330
Schluchseewerk Aktiengesellschaft, Laufenburg (Baden)		50	59,339	2,809
SET Sustainable Energy Technology Fund C.V., Amsterdam/Netherlands		50	10,034	0
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb/Croatia		50	1,836	476
Siegener Versorgungsbetriebe GmbH, Siegen		25	21,173	2,698

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III. Companies accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
Société Electrique de l'Our S.A., Luxembourg/Luxembourg[2]		40	9,756	6,650
SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus		33	38,000	9,434
SSW Stadtwerke St. Wendel GmbH & Co. KG, St. Wendel		50	20,215	1,852
Stadtwerke Bernburg GmbH, Bernburg		45	31,709	7,534
Stadtwerke Bitterfeld-Wolfen GmbH, Bitterfeld-Wolfen		40	19,827	1,702
Stadtwerke Bühl GmbH, Bühl		30	21,757	600
Stadtwerke Duisburg Aktiengesellschaft, Duisburg		20	157,409	45,956
Stadtwerke Dülmen Dienstleistungs- und Beteiligungs-GmbH & Co. KG, Dülmen		50	26,903	4,143
Stadtwerke Emmerich GmbH, Emmerich am Rhein		25	12,115	3,419
Stadtwerke Essen Aktiengesellschaft, Essen		29	117,256	0
Stadtwerke Geldern GmbH, Geldern		49	11,171	3,191
Stadtwerke GmbH Bad Kreuznach, Bad Kreuznach		25	39,925	2,291
Stadtwerke Kirn GmbH, Kirn		49	1,612	343
Stadtwerke Lutherstadt Eisleben GmbH, Lutherstadt Eisleben		42	17,949	4,113
Stadtwerke Meerane GmbH, Meerane		24	11,943	2,377
Stadtwerke Merseburg GmbH, Merseburg		40	20,392	4,731
Stadtwerke Merzig GmbH, Merzig		50	15,906	1,727
Stadtwerke Neuss Energie und Wasser GmbH, Neuss		25	88,344	12,094
Stadtwerke Radevormwald GmbH, Radevormwald		50	4,818	1,392
Stadtwerke Ratingen GmbH, Ratingen		25	45,220	4,792
Stadtwerke Reichenbach/Vogtland GmbH, Reichenbach		24	11,302	1,636
Stadtwerke Remscheid GmbH, Remscheid		25	114,095	5,379
Stadtwerke Saarlouis GmbH, Saarlouis		49	33,522	5,069
Stadtwerke Velbert GmbH, Velbert		50	82,005	11,443
Stadtwerke Weißenfels GmbH, Weißenfels		24	21,770	4,655
Stadtwerke Willich GmbH, Willich		25	12,581	0
Stadtwerke Zeitz GmbH, Zeitz		24	20,384	3,400
Südwestfalen Energie und Wasser AG, Hagen[2]		19	212,885	29,160
TCP Petcoke Corporation, Dover/USA[2]		50	12,776	15,895
TE Plomin d.o.o., Plomin/Croatia		50	34,165	1,891
TIGAZ Tiszantuli Gazszolgaltato Zrt., Hajduszoboszlo/Hungary		44	533,883	2,154
TVK Eromu Termelo es Szolgaltato Korlatolt Felelossegu Tarsasag, Tiszaujvaros/Hungary		74	16,027	3,508
URANIT GmbH, Jülich		50	85,617	23,584
Vliegasunie B.V., De Bilt/Netherlands		43	2,348	403
VOF Dobbestroom, Veendam/Netherlands		50	14,076	119
VOF Hunzestroom, Veendam/Netherlands		50	10,462	248
Východoslovenská energetika a.s., Košice/Slovakia[2]	49	49	232,601	82,244

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III. Companies accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Wasser- und Energieversorgung Kreis St. Wendel GmbH, St. Wendel		28	19,497	1,295
WBM Wirtschaftsbetriebe Meerbusch GmbH, Meerbusch		40	19,875	3,171
WestEnergie und Verkehr GmbH, Geilenkirchen		50	37,578	7,624
Zagrebacke otpadne vode d.o.o., Zagreb/Croatia		48	121,240	19,916
Zagrebacke otpadne vode-upravljanje i pogon d.o.o., Zagreb/Croatia		33	4,242	4,219
Zephyr Investments Limited, Swindon/United Kingdom[2]		33	–20,347	–19,623
Zwickauer Energieversorgung GmbH, Zwickau		27	34,360	13,875

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IV. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Abwasser-Gesellschaft Knapsack, GmbH, Hürth		33	389	159
Astralis S.A., Betzdorf/Luxembourg		49	–51	–8
Awotec Gebäude Servicegesellschaft mbH, Saarbrücken		48	96	0
Bäderbetriebsgesellschaft St. Ingbert GmbH, St. Ingbert		49	55	7
Biogas Mönchengladbach-Süd GmbH & Co KG, Mönchengladbach		50	0	–232
Breer Gebäudedienste Heidelberg GmbH, Heidelberg		45	243	77
Brockloch Rig Windfarm Limited, Glasgow/United Kingdom		50	1	0
CARBON CDM Korea Ltd., Seoul/South Korea		49	6,693	5,681
CARBON Climate Protection GmbH, Langenlois/Austria		50	–1,113	481
CARBON Egypt Ltd., Cairo/Egypt		49	2,202	1,984
Caspian Energy Company Limited, London/United Kingdom		50	1	0
Central de Biomasa Juneda, S.L., Juneda/Spain		30		3
CZT Valašské Mezirící s.r.o., Valasske Mezirici/Czech Republic		20	83	35
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, Gorleben		31	799	291
D&S Geo Innogy GmbH, Essen		50	740	–230
ELE-GEW Photovoltaikgesellschaft mbH, Gelsenkirchen		50	20	–5
ELE-Scholven-Wind GmbH, Gelsenkirchen		30	511	–8
Energie Nordeifel Beteiligungs-GmbH, Kall		50	28	3
Energie Service Saar GmbH, Völklingen		50	–1,401	–2,036
Energieversorgung Beckum GmbH & Co. KG, Beckum		49	6,086	2,942
Energieversorgung Beckum Verwaltungs-GmbH, Beckum		49	44	2
Energieversorgung Marienberg GmbH, Marienberg		49	1,310	847
Energieversorgung Oelde GmbH, Oelde		46	4,874	–406
Enerventis GmbH & Co. KG, Saarbrücken		33	1,090	69
Ensys AG, Frankfurt am Main		25	672	–3,781
Eólica de la Mata, S.A., Soria/Spain		26	606	0
Eólica de Sarnago, S.A., Soria/Spain		50	73	15
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig		50	826	390
Erdgasversorgung Oranienburg GmbH, Oranienburg		24	6,320	1,061
EWC Windpark Cuxhaven GmbH, Munich		50	268	152
Facility Management Osnabrück GmbH, Osnabrück		49	99	20
Fernwärmeversorgung Zwönitz GmbH, Zwönitz		50	2,440	235
Forewind Limited, Swindon/United Kingdom		25	0	0
FSO Verwaltungs-GmbH, Oberhausen		50	40	1
Galloper Wind Farm Limited, Reading/United Kingdom		50		3
Gas Service Freiberg GmbH, Freiberg		29	257	206
Gas- und Wasserwerke Bous-Schwalbach, Bous		49	11,953	2,117
Gasgesellschaft Kerken Wachtendonk mbH, Geldern		49	2,223	132
Gasversorgung Delitzsch GmbH, Delitzsch		49	5,623	878
Gemeindewerke Everswinkel GmbH, Everswinkel		45	3,945	289

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	Direct	Total	€ '000	€ '000
Gemeindewerke Namborn GmbH, Namborn		49	650	136
Gemeindewerke Schwalbach GmbH, Schwalbach		49	550	247
Gemeinschaftswerk Hattingen GmbH, Essen		52	4,939	440
GfB, Gesellschaft für Baudenkmalpflege mbH, Idar-Oberstein		20	59	1
GfS Gesellschaft für Simulatorschulung mbH, Essen		31	54	3
GKW Dillingen GmbH & Co. KG, Saarbrücken		25	12,084	133
Green Gecco Beteiligungsgesellschaft mbH & Co. KG, Troisdorf		21	20,092	–423
Green Gecco Beteiligungsgesellschaft-Verwaltungs GmbH, Troisdorf		21	25	1
GWE-energis Netzgesellschaft mbH & Co. KG, Eppelborn		50	59	34
GWE-energis-GeschäftsführungsGmbH, Eppelborn		50	29	2
Hastrabau Kommunale Entsorgungsdienste Verwaltungsgesellschaft mbH, Langenhagen		50	64	4
HOCHTEMPERATUR-KERNKRAFTWERK GmbH (HKG). Gemeinsames Europäisches Unternehmen, Hamm		31	0	0
Hochtief Hungária Facility Management Kft., Budapest/Hungary		25	353	164
Homepower Retail Limited, Leeds/United Kingdom		50	–26,784	0
Industriekraftwerke Oberschwaben beschränkt haftende OHG, Biberach an der Riß		50	9,307	5,655
IWW Rheinisch-Westfälisches Institut für Wasserforschung gemeinnützige GmbH, Mülheim an der Ruhr		32	1,413	–183
Kavernengesellschaft Staßfurt mbH, Staßfurt		50	589	302
KEVAG Telekom GmbH, Koblenz		65	2,023	866
Klärschlammentsorgung Hesselberg Service GmbH, Unterschwaningen		49	23	0
K-net GmbH, Kaiserslautern		25	895	40
Kommunale Dienste Marpingen GmbH, Marpingen		49	3,072	284
Kommunale Dienste Tholey GmbH, Tholey		49	663	147
Kommunale Entsorgung Neunkirchen Geschäftsführungsgesellschaft mbH, Neunkirchen		50	51	0
Kommunale Entsorgung Neunkirchen (KEN) GmbH & Co. KG, Neunkirchen		46	2,604	–129
Kraftwagen-Verkehr Koblenz GmbH, Koblenz		23	1,515	89
Kraftwerk Buer Betriebsgesellschaft mbH i.L., Gelsenkirchen		50	15	3
Kraftwerk Buer GbR, Gelsenkirchen		50	5,113	0
Kraftwerk Voerde OHG der STEAG GmbH und RWE Power AG, Voerde		25	5,735	440
Kraftwerk Wehrden GmbH, Völklingen		33	10,627	194
KSG Kraftwerks-Simulator-Gesellschaft mbH, Essen		31	538	26
KSP Kommunaler Service Püttlingen GmbH, Püttlingen		40	99	57
K-Tec GmbH, Kaiserslautern		33	237	40
KÜCKHOVENER Deponiebetrieb GmbH & Co. KG, Bergheim		50	50	–5
KÜCKHOVENER Deponiebetrieb Verwaltungs-GmbH, Bergheim		50	34	1
Maingau Energie GmbH, Obertshausen		47	17,000	3,300
MBS Ligna Therm GmbH, Hofheim am Taunus		33		[3]
Moravske Hidroelektrane d.o.o., Belgrade/Serbia		51		[3]

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	Direct	Total	€ '000	€ '000
Netzanbindung Tewel OHG, Cuxhaven		25	1,157	0
Niederrheinwerke ReEnergie GmbH, Viersen		50	16	–14
Objektverwaltungsgesellschaft Dampfkraftwerk Bernburg mbH, Hanover		58	568	56
Offshore Trassenplanungs-GmbH OTP, Hannover		50	90	1
Peißenberger Wärmegesellschaft mit beschränkter Haftung, Peißenberg		50	660	271
Prego - Gesellschaft für IT- und HR-Services mbH, Saarbrücken		37	9,285	2,101
Propan Rheingas GmbH, Brühl		28	41	2
rhenag - Thüga Rechenzentrum GbR, Cologne		50	223	219
RIWA GmbH Gesellschaft für Geoinformationen, Kempten		33	1,353	367
RKH Rheinkies Hitdorf GmbH & Co. KG i.L., Bergheim		33	302	–43
RKH Rheinkies Hitdorf Verwaltungs GmbH i.L., Bergheim		33	42	0
RurEnergie GmbH, Düren		25		[3]
SE SAUBER ENERGIE GmbH & Co. KG, Cologne		33	253	–721
SSW Stadtwerke St. Wendel Geschäftsführungsgesellschaft mbH, St. Wendel		50	99	4
Stadtentwässerung Schwerte GmbH, Schwerte		48	51	305
Städtische Werke Borna GmbH, Borna		37	3,202	260
Städtisches Wasserwerk Eschweiler GmbH, Eschweiler		25	4,188	815
Stadtwerke - Strom Plauen GmbH & Co. KG, Plauen		49	4,107	–250
Stadtwerke Aschersleben GmbH, Aschersleben		35	15,369	3,081
Stadtwerke Attendorn GmbH, Attendorn		20	10,073	701
Stadtwerke Aue GmbH, Aue		24	12,407	1,540
Stadtwerke Dillingen/Saar Gesellschaft mbH, Dillingen		49	5,134	1,104
Stadtwerke Dülmen Verwaltungs-GmbH, Dülmen		50	29	0
Stadtwerke Gescher GmbH, Gescher		42	3,018	589
Stadtwerke Langenfeld GmbH, Langenfeld		20	4,766	2,329
Stadtwerke Lingen GmbH, Lingen		40	12,671	1,500
Stadtwerke Lübbecke GmbH, Lübbecke		25	16,894	1,337
Stadtwerke Meinerzhagen GmbH, Meinerzhagen		27	20,873	879
Stadtwerke Oberkirch GmbH, Oberkirch		33	6,192	0
Stadtwerke Roßlau Fernwärme GmbH, Dessau-Roßlau		49	1,566	386
Stadtwerke Schwarzenberg GmbH, Schwarzenberg		25	13,413	1,106
Stadtwerke Steinfurt GmbH, Steinfurt		48	6,878	1,391
Stadtwerke Vlotho GmbH, Vlotho		25	5,150	489
Stadtwerke Wadern GmbH, Wadern		49	2,425	–733
Stadtwerke Weilburg GmbH, Weilburg		20	8,077	826
Stadtwerke Werl GmbH, Werl		25	6,135	2,814
STEAG - Kraftwerksbetriebsgesellschaft mbH, Essen		21	327	2
SVS-Versorgungsbetriebe GmbH, Stadtlohn		38	19,638	2,901
SWL-energis Netzgesellschaft mbH & Co. KG, Lebach		50	3,406	381
SWL-energis-Geschäftsführungs-GmbH, Lebach		50	29	1

1 Profit- and loss-pooling agreement
2 Figures from the Group's consolidated financial statements
3 Newly founded, financial statements not yet available

IV. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Talsperre Nonnweiler Aufbereitungsgesellschaft mbH, Saarbrücken		23	400	31
Technische Werke Naumburg GmbH, Naumburg (Saale)		49	6,990	342
Teplarna Kyjov, a.s., Kyjov/Czech Republic		32	25,583	–1,703
TEPLO Votice s.r.o., Votice/Czech Republic		20	65	–31
The Bristol Bulk Company Limited, London/United Kingdom		25	1	0
Toledo PV A.E.I.E., Madrid/Spain		33	756	312
Topell Nederland B.V., Den Haag/Netherlands		50	1,295	–1,957
trilan GmbH, Trier		26	670	270
TWE Technische Werke Ensdorf GmbH, Ensdorf		49	2,359	35
TWL Technische Werke der Gemeinde Losheim GmbH, Losheim		50	4,393	1,002
TWM Technische Werke der Gemeinde Merchweiler GmbH, Merchweiler		49	1,781	90
TWN Trinkwasserverbund Niederrhein GmbH, Grevenbroich		33	90	15
TWR Technische Werke der Gemeinde Rehlingen - Siersburg GmbH, Rehlingen		35	4,719	194
Umspannwerk Putlitz GmbH & Co. KG, Frankfurt am Main		25	40	–270
Untere Iller Aktiengesellschaft, Landshut		40	1,134	41
Verteilnetze Energie Weißenhorn GmbH & Co. KG, Weißenhorn		35	731	256
Verwaltungsgesellschaft GKW Dillingen mbH, Saarbrücken		25	141	7
Verwaltungsgesellschaft Energie Weißenhorn GmbH, Weißenhorn		35	24	–1
VEW-VKR Fernwärmeleitung Shamrock-Bochum GbR, Gelsenkirchen		45	0	0
Voltaris GmbH, Maxdorf		50	1,885	398
Wärmeversorgung Mücheln GmbH, Mücheln		49	855	91
Wärmeversorgung Wachau GmbH, Markkleeberg		49	98	0
Wärmeversorgung Würselen GmbH, Würselen		49	1,241	–14
Wasser- und Abwassergesellschaft Elsterwerda mbH, Elsterwerda		49	83	5
Wasserverbund Niederrhein GmbH, Mülheim an der Ruhr		42	8,786	763
Wasserversorgung Main-Taunus GmbH, Frankfurt am Main		49	103	–9
Wasserwerk Wadern GmbH, Wadern		49	3,230	168
WEV Warendorfer Energieversorgung GmbH, Warendorf		25	2,173	0
Windenergie Frehne GmbH & Co. KG, Marienfließ		45		[3]
WINDTEST Grevenbroich GmbH, Grevenbroich		38	–174	30
Wohnungsbaugesellschaft für das Rheinische Braunkohlenrevier GmbH, Cologne		50	45,020	499
WPD Windpark Damme Beteiligungsgesellschaft mbH, Damme		30	47	2
WVG-Warsteiner Verbundgesellschaft mbH, Warstein		35	1,675	925
WVL Wasserversorgung Losheim GmbH, Losheim		50	4,861	216
WWS Wasserwerk Saarwellingen GmbH, Saarwellingen		49	3,073	133
Zugló-Therm Kft., Budapest/Hungary		49	4,437	1,626
Zweckverband Wasser Nalbach, Nalbach		49	1,600	118

1 Profit- and loss-pooling agreement
2 Figures from the Group's consolidated financial statements
3 Newly founded, financial statements not yet available

V. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Aarewerke AG, Koblenz/Switzerland		30	20,129	1,283
Adria LNG Study Limited, Valleta/Malta		16	8	–1
Agrinergy PTE Ltd., Singapore/Singapore[2]		50	288	–547
APEP Dachfonds GmbH & Co. KG, Munich	48	48	472,453	42,530
AURICA AG, Aarau/Switzerland		8	91	9
BEW Bergische Energie- und Wasser GmbH, Wipperfürth		19	24,537	4,396
BFG - Bernburger Freizeit GmbH, Bernburg (Saale)		1	11,024	–182
CELP II Chrysalix Energy II US Limited Partnership, Vancouver/Canada		6	2,409	0
CELP III Chrysalix Energy III US Limited Partnership, Vancouver/Canada		11	1,326	0
DII GmbH, Munich	8	8	1,873	–279
Doggerbank Project 1 Bizco Limited, Reading/United Kingdom		25		[3]
Doggerbank Project 2 Bizco Limited, Reading/United Kingdom		25		[3]
Doggerbank Project 3 Bizco Limited, Reading/United Kingdom		25		[3]
eins energie in sachsen GmbH & Co. KG, Chemnitz		9	454,523	73,512
Energías Renovables de Ávila, S.A., Madrid/Spain		17	517	0
Energieagentur Region Trier GmbH, Trier		10	6	–19
Energieallianz Bayern GmbH & Co. KG, Freising		4	314	–115
Energiehandel Saar GmbH & Co. KG, Neunkirchen		1	428	–6
Energiehandel Saar Verwaltungs-GmbH, Neunkirchen		2	25	0
Energiepartner Dörth GmbH, Dörth		49	21	–4
Energiepartner Elsdorf GmbH, Elsdorf		40		[3]
Energiepartner Kreuztal GmbH, Kreuztal		40		[3]
Energieversorgung Limburg GmbH, Limburg an der Lahn		10	22,809	3,203
EnergoNuclear S.A., Bucharest/Romania		9	17,523	–704
ENO Entwicklungsgesellschaft Neu Oberhausen mbH, Oberhausen		2	852	–1,092
Erdgas Münster GmbH, Münster		5	6,522	13,454
Erdgas Westthüringen Beteiligungsgesellschaft mbH, Bad Salzungen		10	23,082	2,913
ESV-ED GmbH & Co. KG, Buchloe		4	153	18
European Energy Exchange AG, Leipzig		4	54,401	16,881
Fernkälte Geschäftsstadt Nord GbR, Hamburg		9	0	0
Fővárosi Vízmûvek Zrt., Budapest/Hungary		1	272,149	5,197
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen		10	54	2
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungs-unternehmen mbH & Co. KG, Straelen		10	41,000	42,804
Gemeinschafts-Lehrwerkstatt Neheim-Hüsten GmbH, Arnsberg		7	1,074	109
Gesellschaft für Stadtmarketing Bottrop GmbH, Bottrop		3	223	–330
Gesellschaft für Wirtschaftsförderung Duisburg mbH, Duisburg		1	761	–1,765
GSG Wohnungsbau Braunkohle GmbH, Cologne		15	41,376	1,020
High-Tech Gründerfonds II GmbH & Co. KG, Bonn		1		[3]
ISR Internationale Schule am Rhein in Neuss GmbH, Neuss		6	19	–55

1 Profit- and loss-pooling agreement
2 Figures from the Group's consolidated financial statements
3 Newly founded, financial statements not yet available

V. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
IZES GmbH, Saarbrücken		9	700	1
KEV Energie GmbH, Kall/Eifel		2		[3]
Kreis-Energie-Versorgung Schleiden GmbH, Kall/Eifel		2	8,030	2,235
Nabucco Gas Pipeline International GmbH, Vienna/Austria		17	9,441	−30,500
Neckar-Aktiengesellschaft, Stuttgart		12	10,179	0
Ningxia Antai New Energy Resources Joint Stock Co., Ltd., Yinchuan/China		25	15,797	988
Ökostrom Saar Biogas Losheim KG, Merzig		8	−383	4
Oppenheim Private Equity Institutionelle Anleger GmbH & Co. KG, Cologne	26	26	14,564	1,763
Parkstad Energiediensten BV, Voerendaal/Netherlands		0	18	0
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	55	−2
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	552	−78
Parque Eólico Leo, S.L., Oviedo/Spain		10	146	−11
Parque Eólico Sagitario, S.L., Oviedo/Spain		10	128	−5
PEAG Personalentwicklungs- und Arbeitsmarktagentur GmbH, Dortmund	12	12	13,500	1,325
Photovoltaikgenossenschaft SolarRegion RengsdorferLAND eG, Rengsdorf		16		[3]
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	67	−3
PSI AG für Produkte und Systeme der Informationstechnologie, Berlin		18	68,090	7,047
ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf		100	488	433
SALUS Grundstücks-Vermietungsges. mbH & Co. Objekt Leipzig KG, Düsseldorf		100	−63	14
Sdruzení k vytvorení a vyuzívání digitální technické mapy mesta Pardubic, Pardubice/Czech Republic		12	5	0
SE SAUBER ENERGIE Verwaltungs-GmbH, Cologne		17	89	4
Shanxi Baolai Power Development Co., Ltd., Taiyuan/China		25	2,028	−60
Simon & Weyel GbR, Niederfischbach		13	22	0
Solar & Spar Contract GmbH & Co. KG, Wuppertal		3	289	19
Solarpark St. Wendel, St. Wendel		15		[3]
SolarProjekt Mainaschaff GmbH, Mainaschaff		50	32	2
SolarProjekt Rheingau-Taunus GmbH, Bad Schwalbach		50	50	12
Stadtmarketing-Gesellschaft Gelsenkirchen mbH, Gelsenkirchen		2	151	−46
Stadtwerke Ahaus GmbH, Ahaus		46	9,273	0
Stadtwerke Detmold GmbH, Detmold		12	31,495	0
Stadtwerke ETO GmbH & Co. KG, Telgte		3	30,561	3,710
Stadtwerke Porta Westfalica GmbH, Porta Westfalica		12	6,389	571
Stadtwerke Sulzbach GmbH, Sulzbach		15	11,431	2,717
Stadtwerke Unna GmbH, Unna		24	12,523	0
Stadtwerke Völklingen Netz GmbH, Völklingen		18	16,387	2,591
Stadtwerke Völklingen Vertriebs GmbH, Völklingen		18	7,301	2,267
Store-X storage capacity exchange GmbH, Leipzig		12	1,538	206
Studiengesellschaft Kohle mbH, Mülheim an der Ruhr		10	33	0
SWT Stadtwerke Trier Versorgungs-GmbH, Trier		19	50,607	8,952

1 Profit- and loss-pooling agreement
2 Figures from the Group's consolidated financial statements
3 Newly founded, financial statements not yet available

V. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
Technologiezentrum Jülich GmbH, Jülich		5	587	139
TGZ Halle TECHNOLOGIE- UND GRÜNDERZENTRUM HALLE GmbH, Halle (Saale)		15	14,124	208
Towarowa Gielda Energii S.A., Warsaw/Poland		2	8,878	3,868
Transport- und Frischbeton-GmbH & Co. KG Aachen, Aachen		17	390	435
Trianel GmbH, Aachen		3	72,486	6,559
Trinkaus Secondary GmbH & Co. KGaA, Düsseldorf	43	43	33,953	278
Umspannwerk Lübz GbR, Lübz		18	–8	–10
Union Group, a.s., Ostrava/Czech Republic		2	83,674	0
URSUS, Warsaw/Poland		1	–121,723	–1,274
Versorgungsbetriebe Hoyerswerda GmbH, Hoyerswerda		10	27,159	10,771
vitronet Holding GmbH, Essen		15	2,186	49
Wasserver- und Abwasserentsorgungsgesellschaft ´Thüringer Holzland´ mbH, Hermsdorf		49	4,501	453
Wasserwerke Paderborn GmbH, Paderborn		10	24,508	932
WiN Emscher-Lippe GmbH, Herten		2	306	–306
Windpark Saar GmbH & Co. KG, Merzig		11	708	–147
WPD Windpark Damme GmbH & Co. KG, Damme		10	6,172	1,182
Zellstoff Stendal GmbH, Arneburg		25	39,614	26,105

1 Profit- and loss-pooling agreement
2 Figures from the Group’s consolidated financial statements
3 Newly founded, financial statements not yet available

4.9 INDEPENDENT AUDITORS' REPORT

To RWE Aktiengesellschaft, Essen

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RWE Aktiengesellschaft, Essen, and its subsidiaries, which comprise the income statement and statement of recognised income and expenses, balance sheet, cash flow statement, statement of changes in equity and the notes to the financial statements for the business year from 1 January to 31 December 2011.

Executive Board's Responsibility for the Consolidated Financial Statements

The Executive Board of RWE Aktiengesellschaft is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Executive Board is also responsible for the internal controls as the Executive Board determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2011 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of RWE Aktiengesellschaft, for the business year from 1 January to 31 December 2011. The Executive Board of RWE Aktiengesellschaft is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, 20 February 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Manfred Wiegand Wirtschaftsprüfer (German Public Auditor)	Markus Dittmann Wirtschaftsprüfer (German Public Auditor)

ORGANISATION CHART OF THE RWE GROUP

As of 17 February 2012

President and Chief Executive Officer	Deputy Chairman of the Executive Board	Chief Financial Officer	Labour Director	Chief Commercial Officer	Chief Operating Officer
Dr. Jürgen Großmann	Peter Terium	Dr. Rolf Pohlig	Alwin Fitting	Dr. Leonhard Birnbaum	Dr. Rolf Martin Schmitz

RWE AG

Group Compliance & Management Board Office	Group Public Affairs/ Energy Politics	Group Controlling	Group Security	Commodity Management	Participation Management
Group Communication	Group Legal/ Board Affairs	Group Finance	Group HR Management & Labour Law	Mergers & Acquisitions	Municipalities
Group Executive Management	Corporate Development & Group Strategy	Investor Relations	Diversity Office	Group Research & Development	Group Coordination Generation/ Networks/Sales
	Group Audit	Group Accounting			
	Corporate Responsibility/ Group Environmental Protection	Group Tax			

Group companies/internal service providers

	NET4GAS, s.r.o., Prague		RWE Service GmbH, Dortmund	RWE Consulting GmbH, Essen	RWE Deutschland AG, Essen
	RWE IT GmbH, Essen			RWE Dea AG, Hamburg	RWE East, s.r.o., Prague
				RWE Innogy GmbH, Essen	Essent N.V., ’s-Hertogenbosch
				RWE Supply & Trading GmbH, Essen	RWE Npower plc., Swindon
				RWE Technology GmbH, Essen	RWE Power AG, Cologne and Essen

GLOSSARY

Asset coverage. Ratio of long-term capital (shareholders' equity and non-current liabilities) to long-term assets.

BAFA prices. To enable German coal to be sold at competitive prices, mining companies receive financial support equalling the difference between their production costs and the price of coal imported from non-EU countries. In this context, the German Federal Office of Economics and Export Control (BAFA) determines free-at-frontier third-country coal prices as a subsidy parameter. The price of thermal hard coal is published by BAFA quarterly and annually in shipping tons and tons of hard coal units.

Barrel. International unit of measurement for trading oil. A US barrel corresponds to 158.987 litres.

Base load. Constant minimum demand for electricity irrespective of load fluctuation. This electricity is used by household appliances running 24 hours a day, industrial enterprises that operate around the clock, etc. Base-load power is primarily generated by lignite and nuclear power stations. These facilities are usually in operation more than 6,000 hours a year. Run-of-river power stations and biomass plants also supply base-load power.

Clean Development Mechanism. In accordance with the Kyoto Protocol, companies and countries can obtain emission certificates by participating in projects to reduce emissions in newly industrialising and developing countries, which are not obliged to reduce emissions themselves. They can use these certificates to meet their own requirements.

CO_2. Chemical formula for carbon dioxide. CO_2 is a chemical compound made of carbon and oxygen.

Combined heat and power generation (CHP). In CHP plants, heat produced during chemical or physical conversion and the electric power generated by the energy conversion process are used. Unlike thermal power stations, which are solely designed to generate electricity, CHP plants use waste heat, thereby achieving much higher efficiencies, which result in fuel savings.

Commercial paper. Tradeable, unsecured bearer bond issued only for short-term debt financing. Commercial paper is a revolving credit facility, with terms typically ranging from one day to 24 months.

Commodity. Term for standardised, tradeable goods such as electricity, oil or gas.

Confidence level. Probability of a value lying within a certain interval.

Credit default swap (CDS). Financial derivative for trading default risks associated with debt financing. The party seeking to hedge such risks generally pays an annual fee to the principal. In the event that the underlying credit is not repaid, the hedge-seeking party receives a contractually agreed sum from the principal.

Current asset intensity of investment. Ratio of current assets to total assets.

Debt issuance programme (DIP). Contractual master and model documents for the issuance of bonds. Based on the DIP, bonds with tenors of one to 30 years can be issued both quickly and flexibly.

Defined benefit obligation. Net present value of an employee's benefit entitlements from a company pension plan as of the balance-sheet date.

Degree of asset depreciation. Cumulative property, plant and equipment depreciation-to-cost ratio.

Diluted earnings per share. If a company places new shares on the financial market as part of a capital increase, the portion of the company represented by each share decreases. In addition, the rise in the total number of shares causes earnings per share to decline. This drop in value is referred to as a dilution.

EBITDA. Earnings before interest, taxes, depreciation and amortisation.

Thermal efficiency. In energy conversion, the ratio of useful work performed to total energy expended. In thermal power stations, the efficiency is the percentage of thermal energy contained in the fuel which can be converted to electricity. The higher the efficiency, the lower the loss of the fuel's energy content. Modern gas-fired power plants have an efficiency of up to 60 %. Efficiencies of 46 % and 43 % can currently be achieved with hard coal and lignite, respectively.

Equity accounting. Method for accounting for entities, the assets and liabilities of which cannot be entirely included in the consolidated financial statements by fully consolidating the entity. In such cases, the carrying amount of the investment is recorded on the basis of the development of the share held in the entity's equity. This change is recorded in the income statement of the company which owns the share in the entity.

Exploration. Term used for the search for, and prospecting of, oil and gas resources.

Fixed asset intensity of investments. Ratio of non-current assets to total assets.

Forward market/forward trading. Contracts for transactions to be fulfilled at a fixed point in time in the future are traded on forward markets. Certain conditions, e.g. the price or settlement date, are established when the contract is agreed.

Full consolidation. Method for including subsidiaries in the financial statements of a group in cases where the subsidiaries are controlled by the parent company (through the majority of the voting rights or by other means).

Hard coal unit (HCU). Unit of measurement for the energy content of primary energy carriers. One kilogram HCU corresponds to 29,308 kilojoules.

Hybrid bond. Mixture of debt and equity financing. Hybrid bonds usually have very long or unlimited tenors and can usually only be redeemed by the issuer on contractually agreed dates. Depending on the bond provisions, interest payments may be suspended if certain contractual conditions are met.

Impairment test. Method of verifying the value of assets, involving a comparison of the carrying amount to the realisable amount. The objective is not to account for assets at an amount higher than their realisable amount. The difference is recognised as a reduction in value with an effect on the profit or loss.

Investment grade. Rating category for companies of very good to average creditworthiness. This category includes the AAA to BBB and Aaa to Baa rating classes awarded by S&P/Fitch and Moody's, respectively. Non-investment-grade companies are at a much higher risk of not being able to meet their financial obligations.

Joint implementation. In accordance with the Kyoto Protocol, countries or companies can obtain emission certificates by participating in projects to reduce emissions in certain other countries which are also obliged to reduce emissions. They can use these certificates to meet their own reduction requirements.

Kilowatt (kW). Unit of measurement of electric output.
1 megawatt (MW) = 10^3 kilowatts,
1 gigawatt (GW) = 10^6 kilowatts,
1 terawatt (TW) = 10^9 kilowatts.

Leverage factor. Ratio of net debt to EBITDA.

LNG. Acronym for liquefied natural gas. LNG is obtained by cooling gas until it becomes liquid. It occupies only 1/600 of the space filled by natural gas in its gaseous state. In this form, it is very well suited for transportation and storage.

Peak load. Designates phases in which electricity demand is especially high, for example, at noon, when meals are prepared in many factories and homes. Peak-load power plants are often in service less than 3,000 hours per year. Gas-fired and hydro storage power stations belong to this category.

Performance shares. Virtual shares, which entitle participants in the Beat Long-Term Incentive Plan to receive a payment at the end of the plan period. The prerequisite is that the predefined performance targets have been met or exceeded.

Put or call options. Options granting their buyer the right to purchase (call option) or sell (put option) a specific underlying, for example a share, at a pre-arranged price within a predetermined period of time.

Rating. Standardised method in international capital markets for assessing the risk exposure and creditworthiness of debt issuers. A Single A rating is given to borrowers of strong creditworthiness.

Service cost. Reflects the increase in the cost associated with the net present value of an employee's pension benefit entitlements in accordance with the employee's work performance in the period being reviewed.

Spot market/spot trading. General term for markets where payment and delivery are usually effected soon after conclusion of the transaction.

Syndicated credit line. Credit line offered to companies, backed by several banks, which can be drawn down in various amounts, terms and currencies. Generally used to secure liquidity.

Upstream. Term for all activities involved in the exploration and production of oil and gas. Also includes the processing of these resources into marketable raw materials meeting generally accepted quality standards.

Value at Risk (VaR). Measure of risk indicating the maximum loss that might occur from a risk position (e.g. a securities portfolio) assuming a certain probability under normal market conditions and that the position is held for a certain period of time. A VaR of €1 million with a holding period of one day and a confidence level of 95% means that there is a 95% probability that the potential loss resulting from the risk position will not exceed €1 million from one day to the next.

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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 at present. Therefore, we cannot assume responsibility for the correctness of these statements.

FIVE-YEAR OVERVIEW

Five-year overview RWE Group		2011	2010	2009	2008	2007
External revenue	€ million	51,686	53,320	47,741	48,950	42,507
Income						
EBITDA[1]	€ million	8,460	10,256	9,165	8,773	7,915
Operating result	€ million	5,814	7,681	7,090	6,826	6,533
Income before tax	€ million	3,024	4,978	5,598	4,866	5,246
Net income/RWE AG shareholders' share in net income	€ million	1,806	3,308	3,571	2,558	2,667
Earnings per share	€	3.35	6.20	6.70	4.75	4.74
Recurrent net income per share	€	4.60	7.03	6.63	6.25	5.29
Return on equity	%	12.6	23.1	28.5	20.7	20.1
Return on revenue	%	8.3	12.3	14.8	12.3	16.0
Value management						
Return on capital employed (ROCE)	%	10.9	14.4	16.3	17.2	16.5
Value added	€ million	1,286	2,876	3,177	3,453	2,970
Capital employed	€ million	53,279	53,386	43,597	39,809	39,710
Cash flow/capital expenditure/depreciation and amortisation						
Cash flows from operating activities	€ million	5,510	5,500	5,299	8,853	6,085
Free cash flow	€ million	−843	−879	−614	4,399	2,020
Capital expenditure including acquisitions	€ million	7,072	6,643	15,637	5,693	4,227
of which: Property, plant and equipment and intangible assets	€ million	6,353	6,379	5,913	4,454	4,065
Depreciation, amortisation, impairment losses and asset disposals	€ million	3,632	3,410	2,553	2,416	2,629
Degree of asset depreciation	%	58.5	61.8	64.0	69.4	70.9
Free cash flow per share	€	−1.56	−1.65	−1.15	8.17	3.59
Asset/capital structure						
Non-current assets	€ million	63,539	60,465	56,563	41,763	41,360
Current assets	€ million	29,117	32,612	36,875	51,667	42,060
Balance sheet equity	€ million	17,082	17,417	13,717	13,140	14,659
Non-current liabilities	€ million	44,391	45,162	45,633	36,793	36,796
Current liabilities	€ million	31,183	30,498	34,088	43,497	31,965
Balance sheet total	€ million	92,656	93,077	93,438	93,430	83,420
Fixed asset intensity of investments	%	56.0	53.4	49.4	35.5	38.4
Current asset intensity of investments	%	31.4	35.0	39.5	55.3	50.4
Asset coverage	%	96.7	103.5	104.9	119.6	124.4
Equity ratio	%	18.4	18.7	14.7	14.1	17.6

Five-year overview RWE Group		2011	2010	2009	2008	2007
Net financial debt	€ million	12,239	11,904	10,382	–650	–2,064
Net debt of the RWE Group	€ million	29,948	28,964	25,787	18,659	16,514
Leverage factor		3.5	2.8	2.8	2.1	2.1
Workforce						
Workforce at the end of the year[2]		72,068	70,856	70,726	65,908	63,439
Research & development						
R&D costs	€ million	146	149	110	105	74
R&D employees		410	360	350	330	270
Emissions balance						
CO_2 emissions	million metric tons	162	165	149	172	187
Free allocation of CO_2 certificates	million metric tons	117	115	105	105	170
Shortage of CO_2 certificates	million metric tons	45	50	44	67	17
Specific CO_2 emissions	metric tons/MWh	0.787	0.732	0.796	0.768	0.866

Five-year overview RWE Aktiengesellschaft		2011	2010	2009	2008	2007
Dividend/dividend payment						
Dividend payment	€ million	1,229[3]	1,867	1,867	2,401	1,689
Dividend per share	€	2.00[3]	3.50	3.50	4.50	3.15
Market capitalisation						
Market capitalisation at the end of the year	€ billion	16.6	28.0	38.0	35.4	53.5
Long-term credit rating						
Moody's		A3	A2	A2	A1	A1
Outlook		negative	negative	negative	negative	stable
Standard & Poor's		A–	A	A	A	A+
Outlook		negative	negative	negative	stable	negative

1 Since 2008, EBITDA has also included operating income from investments.
2 Converted to full-time positions.
3 Proposed dividend for RWE AG's 2011 fiscal year, subject to approval by the 19 April 2012 Annual General Meeting.

FINANCIAL CALENDAR 2012/2013

19 April 2012	Annual General Meeting
20 April 2012	Dividend payment
10 May 2012	Interim report for the first quarter of 2012
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 Annual General Meeting and all events concerning the publication of the financial reports are broadcast live on the internet and recorded. We will keep the recordings on our website for at least twelve months.

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