REPORT ON THE FIRST THREE QUARTERS OF 2011

- First measures taken to strengthen financial power
- Substantial burdens caused by German nuclear phase-out
- Operating result declines by 30% year on year
- Earnings outlook for 2011 confirmed

RWE
The energy to lead

AT A GLANCE

RWE Group — key figures		Jan – Sep 2011	Jan – Sep 2010	+/– %	Jan – Dec 2010
External electricity sales volume	billion kWh	224.0	224.8	–0.4	311.2
External gas sales volume	billion kWh	227.9	274.0	–16.8	395.4
External revenue	€ million	38,167	38,510	–0.9	53,320
EBITDA	€ million	6,244	7,914	–21.1	10,256
Operating result	€ million	4,270	6,129	–30.3	7,681
Income before tax	€ million	2,504	4,126	–39.3	4,978
Net income	€ million	1,416	2,637	–46.3	3,308
Recurrent net income	€ million	1,782	3,175	–43.9	3,752
Earnings per share	€	2.65	4.94	–46.4	6.20
Recurrent net income per share	€	3.34	5.95	–43.9	7.03
Cash flows from operating activities	€ million	4,540	4,404	3.1	5,500
Capital expenditure	€ million	4,920	4,125	19.3	6,643
Property, plant and equipment and intangible assets	€ million	4,406	3,999	10.2	6,379
Financial assets	€ million	514	126	307.9	264
Free cash flow	€ million	134	405	–66.9	–879
		30 Sep 2011	31 Dec 2010		
Net debt of the RWE Group	€ million	30,870	28,964	6.6	
Workforce[1]		72,478	70,856	2.3	

1 Converted to full-time positions.

Contents

»Good and long-lasting solutions are better than quick fixes – this also applies to our package of measures for strengthening our financial power.«

Dear Investors,

In my letter to you in August, I explained the measures we intend to take to secure RWE's financial strength and growth prospects over the long term. So, what has happened since then? In early September, we completed the sale of a 74.9% stake in the German electricity transmission system operator Amprion. We are currently evaluating further potential divestments and conducting talks with interested buyers. All progress made in this regard is behind closed doors, as is customary in such cases. We have already told you about our negotiations with Gazprom, which are focusing on a possible co-operation in the field of electricity generation from gas and hard coal – and perhaps the inclusion of RWE power plants in a joint venture. We will continue these exclusive talks with Gazprom until the end of the year. The motto here is: if possible, a good and long-lasting solution is better than a quick fix.

This also applies to the announced capital increase. Anyone who has followed the development of the stock markets in the last few months will know why we have not yet been able to take action in this respect. The sovereign debt crisis in the Eurozone has caused stock markets to be extremely volatile. We want to wrap up the transaction quickly, but we are not under any time pressure. In contrast, we managed to pass some important milestones in another area. Despite the financial crisis, we succeeded in becoming the first German industrial enterprise to issue a hybrid bond in Switzerland. We also made progress with the renegotiations of our loss-making oil-indexed gas supply contracts. Renegotiations of the first few long-term contracts with major international oil and gas companies have had the outcomes we were seeking. The agreements have now been indexed to wholesale gas prices or terminated prematurely by mutual consent. In addition, we passed a milestone in the legal tug of war concerning the nuclear fuel tax. The Munich Fiscal Court has doubts – as we do – with respect to its legality. However, whether the levy remains in place or not will be determined by the German Constitutional Court or the European Court of Justice.

These are positive signals, but they have little effect on our current business trend. This year continues to be dominated by the accelerated nuclear phase-out, lower electricity margins, and heavy burdens in the gas midstream business. Accordingly, our operating result declined by 30% in the first three quarters. We still expect a drop of approximately 25% for the full twelve months. The coming years will also be difficult for us, but I am confident that we will quickly get through the trough ahead of us.

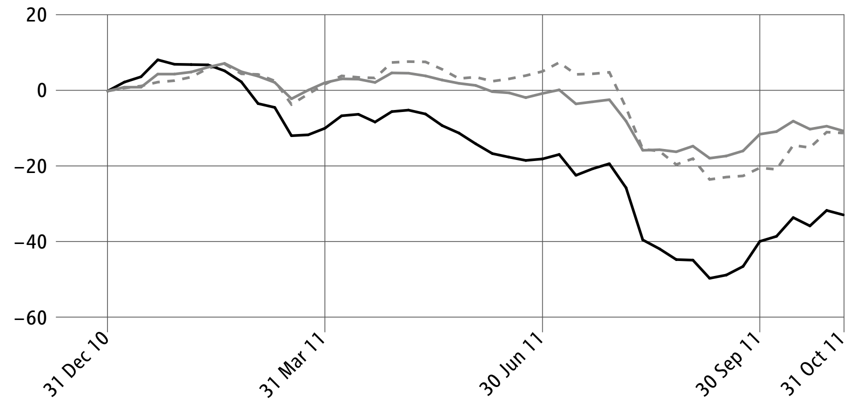
Sincerely yours,

Jürgen Großmann

Dr. Jürgen Großmann
President and CEO of RWE AG
Essen, November 2011

RWE shares: significant drops in price due to U-turn in German energy policy and euro financial crisis

Performance of the RWE common share compared with the DAX 30 and the Dow Jones STOXX Utilities indices
%



- - DAX 30
— Dow Jones STOXX Utilities
— RWE common share

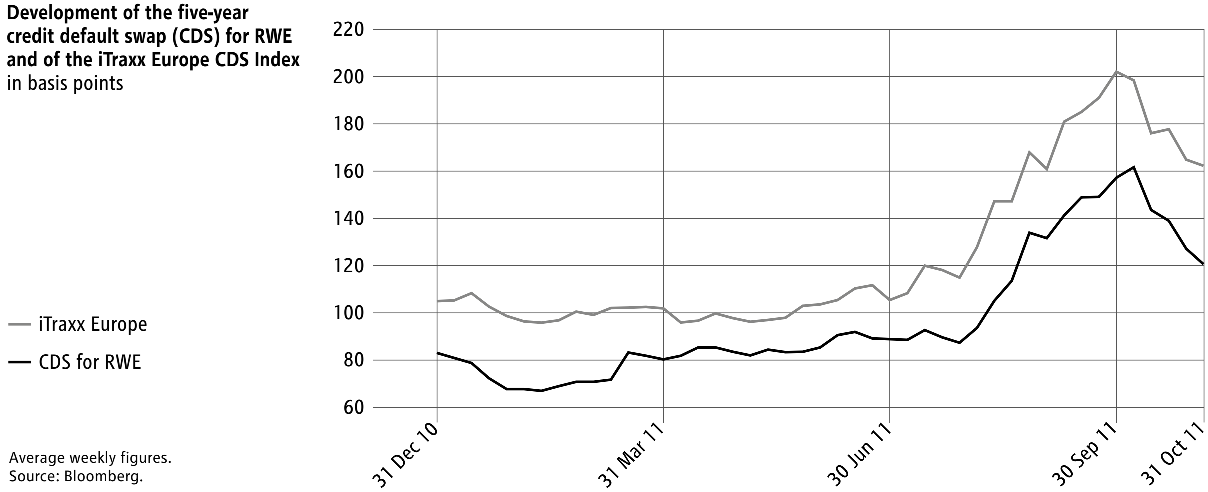
Average weekly figures.
Source: Bloomberg.

The sovereign debt crisis facing countries in the Eurozone cast a dark shadow on stock markets. In particular, the dramatic budgetary situation of Greece unsettled investors. In addition, the rating agencies downgraded the creditworthiness of countries such as Spain, Portugal, Ireland and Italy. Banks that had invested in government bonds of affected countries were also increasingly pulled into the downward spiral of the crisis. Against this backdrop, economic prospects also became gloomy. All these factors were reflected in massive drops in share prices. The DAX 30 closed the month of September at 5,502 points, losing one fourth of its value in the third quarter. Compared to the end of 2010, it was down 20%. However, the downward trend has since halted. With the increase of the euro rescue package and the announcement of aid for distressed lending institutions, policymakers set the course for a temporary recovery in share prices. In October, the DAX surpassed the 6,000-point mark once again.

On average, European utility stocks fared somewhat better than the DAX. The sector index, Dow Jones STOXX Utilities, was down 12% in the first three quarters. Developments on the stock market this year have so far been very disappointing for RWE shareholders. On 30 September 2011, our common and preferred shares traded at €27.72 and €26.00, respectively. This corresponds to a total return (return on the change in share price plus the dividend) of –41% and –42%, respectively. The main reason for this is the new course set by German energy policy following the disaster at the Fukushima nuclear power plant in Japan. We commented on this issue in detail on page 13 of our report on the first half of 2011. Our announcement in August of our intention to increase our share capital put RWE stocks under even more pressure. Furthermore, analysts and investors believe there are risks associated with the implementation of our current divestment programme. Similar to the general market, RWE shares made up some lost ground in October: common stock closed the month at €30.95.

The corporate bond market was also significantly affected by the sovereign debt crisis. Whereas the base lending rates in RWE's core regions declined substantially across all maturities over the course of the year, the risk premiums that bond issuers have to pay on top of these rates increased. The latter was clearly reflected in the market for credit default swaps (CDSs). The iTraxx Europe Index, which consists of the CDS prices of 125 major European companies, doubled from roughly 100 to some 200 basis points during the first three quarters. It therefore reached its highest level since the 2008 financial crisis, but trended back downwards in October. A similar development – albeit at a much more favourable level – was displayed by the CDS price curve for RWE. The quotation of the CDS also roughly doubled from January to September, from just over 80 to nearly 160 basis points. At the end of October, it was at approximately 120 points.

Development of the five-year credit default swap (CDS) for RWE and of the iTraxx Europe CDS Index
in basis points



Average weekly figures.
Source: Bloomberg.

ECONOMIC ENVIRONMENT

Economy loses some momentum

Following the strong recovery in 2010, world economic growth has weakened somewhat in 2011. Stimulus packages in the US and China came to an end and the massive earthquake temporarily pushed Japan into recession. The sovereign debt crisis in the Eurozone also left its mark. Based on estimates, cumulative gross domestic product (GDP) of all OECD countries in the first nine months of 2011 was approximately 2% higher than in the same period last year. The Eurozone is estimated to have posted a gain of approximately 1.8%. Germany, the largest economy in the currency area, remains Europe's growth engine. Although growth also slowed there, the country's economic output is likely to have risen by more than 3%. The main reason for this is the dynamic development of the industrial sector. Based on current data, GDP probably rose by more than 2% in the Netherlands where the economy, which was very strong at the beginning of the year, has weakened substantially since then. The United Kingdom is estimated to have posted a gain of nearly 1%. In Poland and Slovakia, industrial output has risen strongly. The GDP of these countries could have gained up to 4%. As production in Hungary and the Czech Republic did not develop quite as dynamically, growth in those countries is estimated to have been slightly weaker overall.

Weather milder than in the year-earlier period

The economic trend is reflected above all in industry's need for energy. In contrast, residential electricity and gas consumption is influenced more by the weather. The temperature dependency of demand for heating comes to bear in this context. This is reflected in seasonal fluctuations of the revenue and earnings of energy utilities. We generate around two-thirds of our gas sales volume in the winter and autumn months (Q1 and Q4). However, weather conditions also play a role when comparing various fiscal years.

In the period under review, temperatures in our core markets, namely Germany, the United Kingdom, the Netherlands and Central Eastern Europe, were higher than the long-term seasonal average. In some cases, the year-earlier levels were clearly exceeded. The unusually mild months of April and September made an especially strong contribution to this, whereas only the month of July was colder than average. In addition to energy demand, weather conditions also influence the generation of electricity, especially from wind turbines. Despite a relatively windy third quarter, overall wind levels in Germany and the United Kingdom – our most important wind farm locations – were lower than the long-term seasonal average. However, they were much higher than in the same period last year. The situation was different in Spain, where it was much windier in the first nine months of 2010 than average. These wind levels have so far not been reached in 2011.

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 milder weather on the other. Based on available data, roughly 0.5% more electricity was used in Germany in the first three quarters of 2011 than in the same period last year. Estimates for the Netherlands are the same. Slovakia and Hungary are expected to have posted a rise of about 1%, while Poland should have recorded a gain of over 2%. In contrast, consumption in the Czech Republic is estimated to have dropped. Electricity usage was down about 2.5% in the United Kingdom, where progress in improving energy efficiency also played a major role. There is still substantial potential for this in the UK. The development of gas consumption was largely determined by the significant decline in demand for heating. Estimates for our gas markets in Germany, the Netherlands, the Czech Republic and Hungary all have volumes dropping by about 9%. A decrease of 14% was calculated for the United Kingdom.

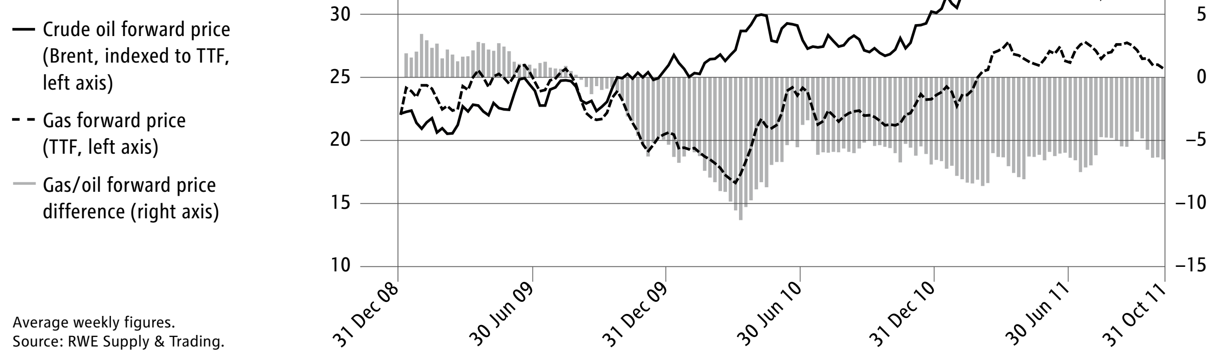
Oil price 45% higher year on year

Fuel prices on international markets rose significantly compared to 2010. This applies especially to crude oil. In the first three quarters of 2011, a barrel of Brent crude traded at an average of US$112, making it 45% more expensive than in the same period last year. However, the price increase in euro terms was lower (34%) due to the depreciation of the dollar. Developments on oil markets were determined in part by strong demand in Asia's fast-growing economies. Furthermore, numerous investors fearing inflation put their money in commodities, which drove up prices. Another factor was the political unrest 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. Starting in the second quarter, however, the situation on the oil market eased somewhat. Contributing to this was that the consumption forecasts for the USA and China were lowered and the International Energy Agency announced that it would sell parts of its strategic reserves.

Gas becomes much more expensive

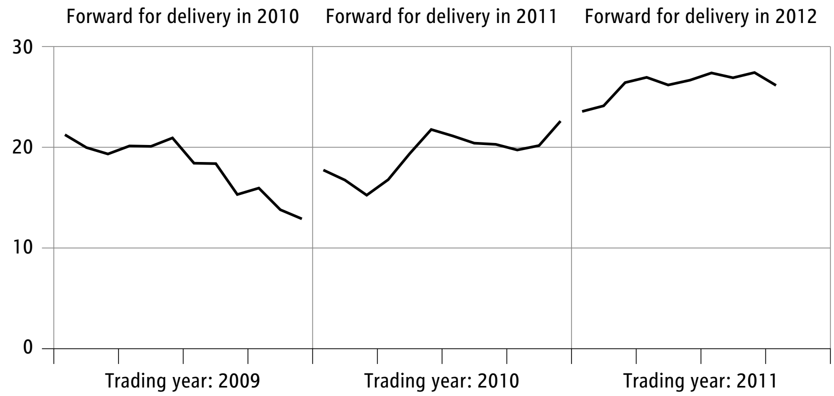
As a large proportion of gas imports to Continental Europe is based on long-term agreements linked to the price of oil, developments on the oil market also influence the price of gas. However, this typically occurs with a time lag of several months. In addition to the long-term oil-indexed supply contracts, 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 oil-indexed contracts. In the meantime, some long-term agreements have been revised. Some of the contractual volumes are now settled at wholesale gas spot prices instead of being indexed to oil.

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



Average weekly figures.
Source: RWE Supply & Trading.

One-year forward prices on the TTF gas wholesale market
€/MWh



Average monthly figures.
Source: RWE Supply & Trading.

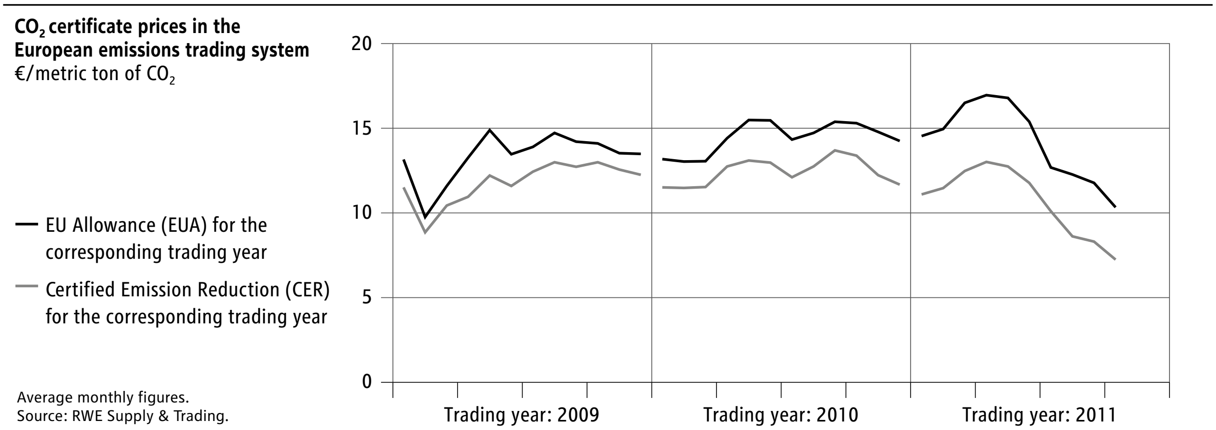
Prices of gas imports to Germany were an average of 30% higher than in the first three quarters of 2010. This was largely due to the continued boom on oil markets. Quotations at Europe's gas trading points were also up. The TTF spot price in the period under review averaged €23 per megawatt hour (MWh), up €6 on the comparable figure in 2010. In forward trading, contracts for delivery in the coming calendar year (2012 forward) sold for €26 per MWh on the TTF wholesale market. This is €7 more than what was paid for the 2011 forward in the first three quarters of 2010.

In Germany, residential gas tariffs were about 4% up on last year's comparable period. 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 20% more in the Netherlands, 5% and 24% more in the United Kingdom and 11% and 23% more in the Czech Republic. In Hungary, prices rose by 11% for residential customers, whereas for industrial enterprises they went against the trend, dropping by 8%.

Demand on hard coal markets stable

Thermal coal also became more expensive. In the first three quarters, a metric ton cost an average of US$124 (including freight and insurance) in Rotterdam spot trading. This is US$38 more than in the same period last year. Despite the slight cooling of the economy, sea freight volume remained high. Marginally weaker demand in Asia was contrasted by an increase of imports in the Atlantic basin. Sea freight rates are a major component of hard coal quotations. They amounted to US$10 per metric ton for the standard route from South Africa to Rotterdam, down US$2 year on year. Demand for sea cargo has continued to increase, but this 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 figure was available for the first three quarters of 2011 when this report went to print, but experts estimate it to be €105 per metric ton of hard coal unit. This would be €22 more than in the same period last year.

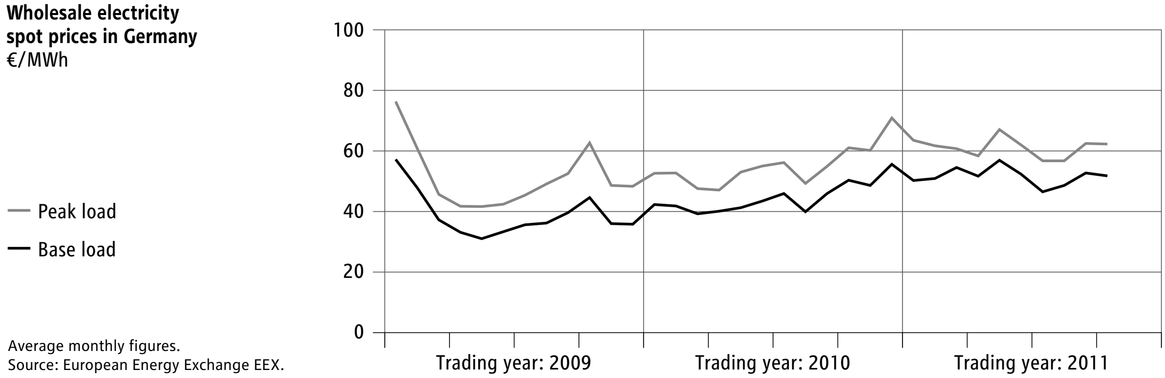


Fears concerning the economy weigh on the price of CO_2 emission allowances

European trading of CO_2 emission allowances (referred to as EU Allowances – EUAs) was characterised by significant price fluctuations in the period being reviewed. Certificates became much 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 spring. The reaction of the German government to the disaster at the Fukushima nuclear power plant in the middle of March was a major contributing factor. The forced shut down of eight of Germany's 17 reactors caused the need for certificates to rise. This is 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, emission allowances started to become much cheaper again in June. At the end of October, EUAs traded slightly above the €10 mark. The major reason was that the sovereign debt crisis in the Eurozone came to a head. Its negative impact on industry's economic output is also reflected in a reduced need for emission allowances. Furthermore, the publication of a draft EU directive to improve energy efficiency also put prices under pressure as the implementation of the directive would further dampen CO_2 emissions. In addition, Poland blocked the EU's plans to lift the emission reduction target for 2020 from 20% to 25% compared to 1990. Furthermore, it became known that, starting at the end of the year, the European Investment Bank intends to auction off a total of 300 million certificates for the third trading period, which stem from the new entrant reserve.

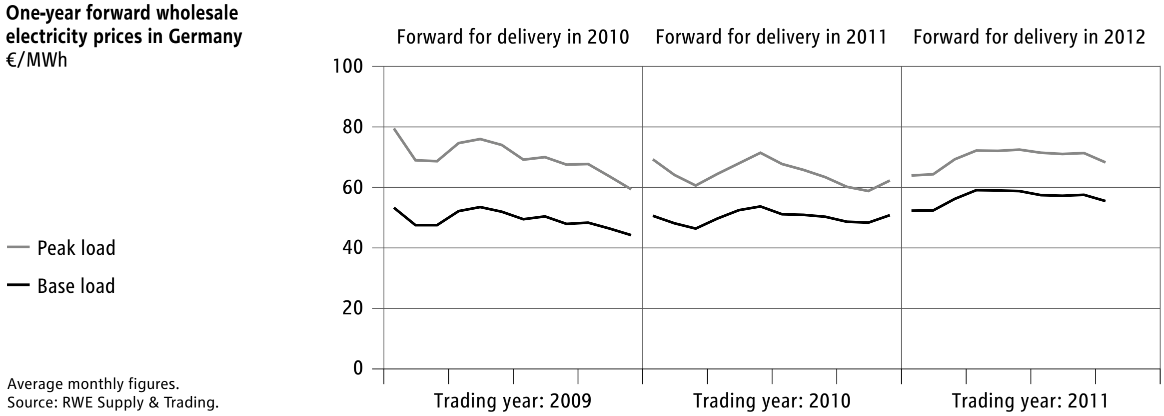
Averaged for the first three quarters, EUAs for 2011 traded at €14.60. This is slightly more than what was paid for 2010 certificates in the year-earlier period. Certified Emission Reductions (CERs) which cost an average of €11, were €1.40 cheaper than in 2010. At the end of October, they cost a mere €7. CERs are credits earned from emission-reducing measures taken in developing and newly industrialising countries. European companies may cover domestic emissions up to a predetermined level by submitting such certificates.

Wholesale electricity spot prices in Germany
€/MWh



Average monthly figures.
Source: European Energy Exchange EEX.

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



Average monthly figures.
Source: RWE Supply & Trading.

Higher wholesale electricity prices

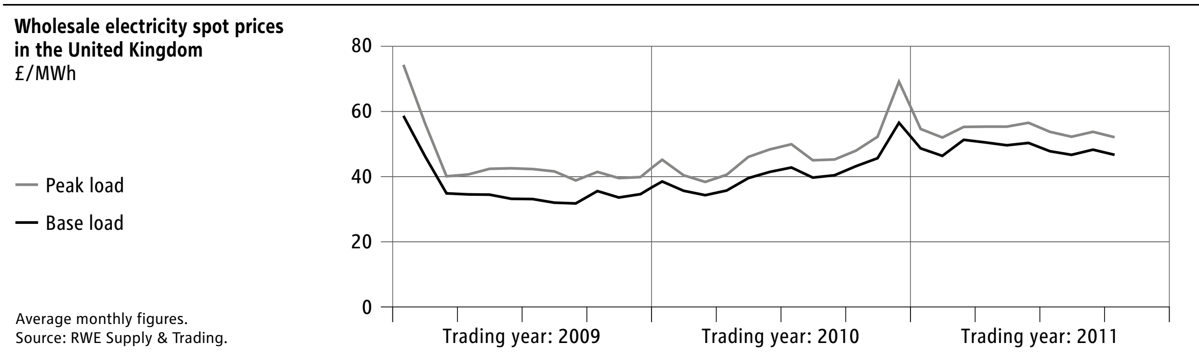
The rise in fuel prices and the acceleration of Germany's nuclear phase-out clearly left their mark on electricity wholesale markets. In spot trading at the EEX Energy Exchange in the first nine months of 2011, base-load power sold for an average of €52 per MWh, while peak-load electricity settled at €61 per MWh. At €42 and €52, the comparable year-earlier figures were much lower. Quotations in German electricity forward trading were also up. This is because market participants expect to see higher fuel costs continuing in the medium term. In addition, the decisions taken by the German government regarding the nuclear phase-out had an impact on quotations. Supply contracts for the coming calendar year (2012 forward) traded for an average of €57 per MWh of base-load power and €70 per MWh of peak-load power. An average of €50 and €66 was paid for 2011 forwards a year earlier.

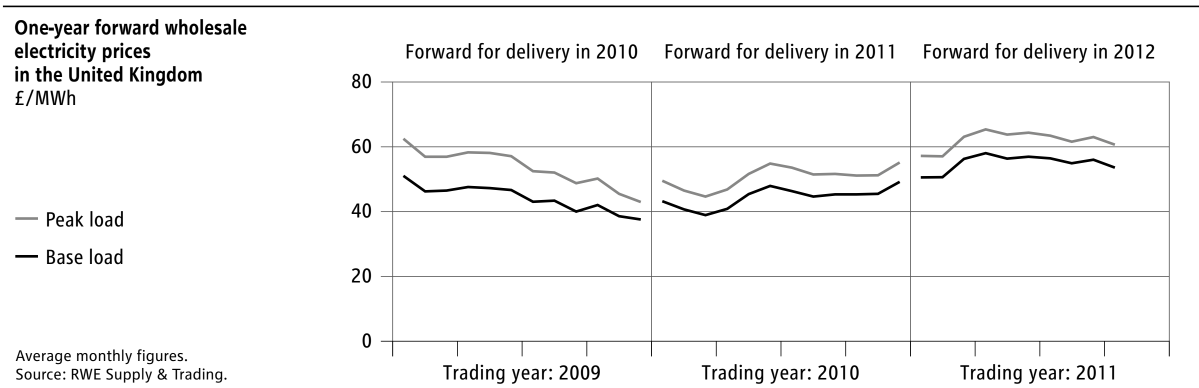
We sell forward nearly all of the output of our power plants in order to reduce short-term volume and price risks. Therefore, current electricity prices only had a minor impact on our income in the period under review. What is much more decisive is the price at which we concluded electricity contracts for delivery in 2011 in preceding years. In the 2009/2010 trading period, the 2011 German base-load forward traded at an average of €52 per MWh. The comparable average for the 2010 forward in 2008/2009 was €59 per MWh. Electricity was therefore €7 per MWh cheaper for 2011 than for 2010. This is partly due to the development of fuel prices, which reached record levels in the middle of 2008 before temporarily experiencing a significant drop.

When concluding electricity forward sales, we usually procure the fuel and CO_2 emission allowances required to generate the electricity and secure their prices at the same time as signing the supply agreement. First and foremost, this applies to the output of our hard coal and gas-fired power plants. The earnings of these power stations are predominantly influenced 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. On average, the spreads we realised through forward sales for 2011 were lower than last year's comparable figures. This also applies to electricity generated by our German lignite-fired and nuclear power stations, the fuel costs of which are relatively stable. Therefore, the spreads of these plants usually trend in the same direction as electricity prices.

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

Quotations for UK wholesale electricity were also up. The average price on the spot market was £49 (€56) per MWh of base-load power and £54 (€62) per MWh of peak-load power, increasing by £10 compared to 2010 in both cases. In the UK electricity forward market, contracts for delivery in the 2012 calendar year were settled for an average of £55 (€63) per MWh of base-load power in the first nine months of 2011. Compared to what was paid for the 2011 forward in the same period last year, this corresponds to a rise of £11. Peak-load power rose in price by £12, climbing to £62 (€71) per MWh.





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 is influenced by the clean dark spreads and clean spark spreads realised by RWE npower. The former were marginally better and the latter were slightly weaker than in the comparable period in 2010.

The majority of UK energy suppliers raised their electricity tariffs for customers at the end of 2010 or during the course of this year. As a result, prices for households and small commercial enterprises were on average more than 7% higher than in the first nine months of 2010. Industrial customers had to pay 5% to 6% more.

In the Netherlands, wholesale electricity prices displayed a development similar to that in Germany. The clean dark spreads and clean spark spreads we realised there were down on last year's comparable levels. In the end-customer business, prices were marginally up, increasing by nearly 3% for households and nearly 2% for industrial customers.

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

MAJOR EVENTS

In the period under review

RWE completes sale of majority of Amprion
In early September, we completed the sale of a 74.9% stake in the German electricity transmission system operator Amprion. Shortly prior to that, the European Commission gave us anti-trust approval. The buyer is a consortium of mostly German institutional investors active in the insurance sector and of pension funds. It is headed by Commerz Real AG, a subsidiary of Commerzbank AG. RWE still holds a minor interest in the consortium, which is up for sale.

RWE acquires 30% stake in Dutch power plant operator EPZ
At the end of September, we acquired Energy Resources Holding B.V., which owns 30% of EPZ, a Dutch electricity generator. EPZ operates the 485 megawatt (MW) Borssele nuclear power plant, a 406 MW hard coal-fired power station, and a small number of wind turbines. The remaining 70% of EPZ is held by the power utility Delta N.V.

RWE is rewarded for sustainability strategy
In September, RWE qualified for inclusion in the Dow Jones Sustainability Index (DJSI) for the thirteenth time in a row. The company will therefore be represented in the DJSI World and DJSI Europe Indices for a further twelve months. The selection is based on economic, environmental and social criteria. We are one of only a few German companies to have belonged to the index family without interruption since its inception in 1999. The Dow Jones Sustainability Indices are determined and published by Sustainable Asset Management (SAM) in co-operation with Dow Jones Indexes. They are considered the world's most important group of indices for sustainable corporate governance.

Further major events have occurred in the period under review. We presented them on pages 11 and 12 of our report on the first quarter of 2011 and on pages 13 to 15 of our report on the first half of the year.

After the period under review

RWE and Gazprom continue talks regarding partnership in electricity generation
The exclusive talks conducted between RWE and Gazprom concerning a joint venture in the field of electricity production will continue through to the end of the year. This was agreed by Gazprom CEO Alexey Miller and RWE President and CEO Jürgen Großmann in early October. The negotiations, which are being conducted on the basis of a memorandum of understanding signed on 14 July, were originally set to last for a period of three months.

Fiscal courts doubt legality of nuclear fuel tax

In October, the Munich Fiscal Court decided that, following a lawsuit filed by RWE, the Gundremmingen B nuclear power plant is not subject to the nuclear fuel tax for the time being. The judges have significant doubts concerning the legal validity of the levy, which was introduced as of 1 January 2011. They are questioning whether the new levy is a consumption tax, over which the government has legislative powers. After we replaced fuel rods in the Gundremmingen B unit, we had to pay €74 million in taxes. At the end of July, we filed a suit to have the enforcement of the tax overturned. We have subsequently been reimbursed the funds. In September, the Hamburg Fiscal Court ruled in E.ON's favour in a similar case. The main customs authorities responsible for collecting the tax have since lodged an appeal with the German Federal Fiscal Court against the rulings. The definitive decision on whether the nuclear fuel tax remains in place will be reached by the German Constitutional Court or the European Court of Justice. Until then, we will recognise the levy as a tax liability – irrespective of its enforcement. The ruling of the Munich Fiscal Court thus has no direct effects on our earnings.

RWE obtains low-interest EIB loan and issues hybrid bond in Switzerland

At the end of October, we took some important steps to finance the RWE Group over the long term. We obtained a €645 million low-interest programme loan with a maturity of nine years from the European Investment Bank (EIB). The funds will serve to finance capital expenditure on our electricity distribution network. In addition, 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 investors domiciled in Switzerland as well as institutional investors. Hybrid bonds are a mix of equity and debt financing, so that they are recognised in our net debt on a 50% basis. 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 must be fully recognised as debt on the IFRS balance sheet. Conversely, the €1.75 billion hybrid bond we issued last year is classified as equity due to its theoretically perpetual tenor.

Slight decline in returns on equity for network capex in Germany

In early November, the German Network Agency set the returns on equity (RoE) for investments in electricity and gas networks for the upcoming five-year regulatory period. The allowable RoE will be 9.05% (before corporate tax) for capital spent on new assets (capitalised after 2005) and 7.14% for old 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 key factors in the German Network Agency's decision were the development of the general level of interest rates on capital markets and the assessment of company risk. The network regulator had initially intended to reduce returns on equity much more. However, in our opinion, this would have jeopardised the much-needed expansion of networks in Germany.

NOTES ON REPORTING

Commentary on the segment structure

With effect from 1 January 2011, several reorganisation measures, which we described on page 69 of the 2010 Annual Report, became effective. However, they did not change the Group's segment structure. As before, the RWE Group is made up of the following seven divisions.

- Germany: This division consists of the Power Generation and Sales/Distribution Networks Business Areas. The first one includes RWE Power's activities and the second one encompasses RWE Deutschland (formerly RWE Rheinland Westfalen Netz). RWE Vertrieb (including eprimo, RWE Energiedienstleistungen and RWE Aqua), RWE Effizienz, the investments of the former RWE Rheinland Westfalen Netz (including RWE Gasspeicher) and our German regional companies are managed via RWE Deutschland AG. The regional companies operate to a small extent their own electricity generation facilities, as well as overseeing the network and end-customer operations. The Sales/Distribution Networks Business Area also includes some non-German activities: our minority interests in Austrian-based KELAG and Luxembourg-based ENOVOS as well as our water operations in Zagreb, Croatia, which are run by RWE Aqua.

- Netherlands/Belgium: This is the division under which we report on Essent, which was acquired as of 30 September 2009, and RWE Energy Nederland, which is now part of Essent. Some of Essent's activities have subsequently been assigned to other divisions. We started disclosing the company's energy trading under Trading/Gas Midstream on 1 January 2010, and since 1 January 2011, the latter has also encompassed parts of Essent's gas midstream business. Wind-based generation has been assigned to the Renewables Division since 1 January 2010, and the German gas storage activities were transfered to the Germany Division as of 1 April 2010.

- United Kingdom: This segment comprises RWE npower, i.e. our UK generation and supply businesses, with the exception of electricity production from renewables, which is overseen by RWE Innogy.

- Central Eastern and South Eastern Europe: This division encompasses our activities in the Czech Republic, Hungary, Poland, Slovakia and Turkey. In the Czech Republic, we focus on 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 supply, and are also active in the gas and water supply businesses 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 business. 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 reporting 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 Europe and North Africa.

- 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 RWE Deutschland with effect from 1 January 2011.

The 'Other, consolidation' item includes the Group holding company, RWE AG, as well as our internal service providers, namely RWE Service, RWE IT and RWE Consulting, as well as RWE Technology. Thyssengas, the long-distance gas network operator we sold on 28 February 2011, is still considered in the January and February figures. We also report Amprion in this item. As we have only held a minority stake in the transmission system operator since September, we have started accounting for it using the equity method. Revenue and capital expenditure for the period thereafter are no longer included in the Group's figures. Amprion continues to contribute to both RWE's EBITDA and operating result, on the basis of prorated income after tax.

Full consolidation of the German regional utility NVV

We started considering NVV AG and its majority interests (including Niederrheinwerke Viersen, NEW Netz and Stadtwerke Tönisvorst) in the consolidated financial statements as fully consolidated companies with effect from 1 January 2011. Headquartered in Mönchengladbach, NVV is one of the leading utilities in the Lower Rhine region. To date, it has been an associated company of RWE Deutschland and has been accounted for using the equity method.

BUSINESS PERFORMANCE

Electricity production by division January – September	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	112.6[1]	121.0[1]	8.4	10.3	21.2	22.3	4.5	4.2	4.4	4.2	151.1	162.0
Lignite	49.6	48.2	-	-	-	-	4.4	4.1	-	-	54.0	52.3
Hard coal	24.6	27.7	3.7	4.2	4.8	5.8	-	-	0.1	0.1	33.2	37.8
Nuclear	27.2	33.9	-	-	-	-	-	-	-	-	27.2	33.9
Gas	8.9	8.5	3.7	4.8	16.4	16.5	0.1	0.1	0.1	0.1	29.2	30.0
Renewable energy	1.0	1.0	1.0	1.3	-	-	-	-	4.2	4.0	6.2	6.3
Pumped storage, oil, other	1.3	1.7	-	-	-	-	-	-	-	-	1.3	1.7
Electricity purchased from third parties	23.8	19.8	7.6[2]	5.8[2]	17.8[2]	16.5[2]	14.0[2]	15.1[2]	-	-	86.8[3]	76.2[3]
Total	**136.4**	**140.8**	**16.0**	**16.1**	**39.0**	**38.8**	**18.5**	**19.3**	**4.4**	**4.2**	**237.9**	**238.2**

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 the first three quarters of 2011, it amounted to 16.0 billion kWh, of which 14.8 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 7%

In the first three quarters of 2011, the RWE Group produced 151.1 billion kilowatt hours (kWh) of electricity, 7% less than in last year's corresponding period. Of this, 36% was from lignite, 22% from hard coal, 19% gas, and 18% nuclear. The share of renewable energy amounted to 4%. In-house generation and power purchases combined for a total of 237.9 billion kWh. This was essentially unchanged compared to the year-earlier figure.

- Germany: The Germany Division produced 112.6 billion kWh of electricity. It includes electricity from 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-fired units. Compared to the first nine months of 2010, generation by the Germany Division declined by 7%. As a result of the German Government's U-turn in energy policy following the reactor accident at Fukushima, our Biblis A and B units have not been allowed to produce electricity since March (see commentary on page 23). Our hard coal power stations were also used less than in the same period last year, because market conditions for these plants deteriorated.

- Netherlands/Belgium: Essent's nine-month electricity production was down 18% to 8.4 billion kWh. Capacity utilisation at our Dutch gas-fired power plants in particular was markedly down, owing to unfavourable market conditions. In addition, in April we took a unit of the Amer hard coal-fired power plant offline for planned maintenance. The facility is scheduled to go back online in November.

- United Kingdom: RWE npower contributed 21.2 billion kWh to our electricity generation, 5% less than in the same period last year. Our three hard coal units at Tilbury have been offline since March as we are converting them to biomass-fired facilities. The commissioning of our new gas power station at Staythorpe had a positive impact. The plant has an aggregate net installed capacity of 1,650 MW and began commercial operation in the second half of 2010. However, two of the four units were taken offline in April 2011 because their transformers had to be replaced by the manufacturer. One of these units was ramped up again at the beginning of September.

- Central Eastern and South Eastern Europe: At 4.5 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: This division generated 4.4 billion kWh of electricity, nearly entirely from renewable sources. There was a marginal rise in production compared to 2010, primarily due to the growth of our wind power capacity. During 2010, we commissioned four onshore wind farms: two in Poland and two in Italy, with a combined net installed capacity of 118 MW. Two small wind farms were added in the period under review: one in Italy and another in the United Kingdom. Furthermore, the first of the UK's Greater Gabbard offshore wind farm's turbines have already gone online. We hold a 50% stake in Greater Gabbard, which is scheduled for completion in 2012 and will have a total installed capacity of 504 MW. In the period being reviewed, the utilisation of our wind power capacity lagged behind expectations due to the weather, but overall it was better than in 2010. In contrast, we generated less electricity at our German run-of-river power plants as rainfall in the spring was unusually low, causing rivers to carry less water.

In addition to in-house generation, we procure electricity from external suppliers. These purchases totalled 86.8 billion kWh, exceeding the year-earlier level by 14%. This reflects 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.

RWE Dea: oil production up 12%, gas production down 3% year on year

In the period being reviewed, our upstream subsidiary RWE Dea produced 2,010 million cubic metres of gas and 1,879 thousand cubic metres of oil. Converting the gas to oil equivalent and adding it to crude oil production results in a total output of 3,825 thousand cubic metres, or 24.1 million barrels. This compares to 3,683 thousand cubic metres, or 23.2 million barrels, in the first three quarters of 2010. We posted a rise of 12% in crude oil production, in part because we commissioned an additional well in the German Mittelplate North Sea field and improved the production yield of our Danish Nini East concession by making technical adjustments. However, an even bigger role was played by our commissioning of the Norwegian Gjøa field in November 2010, where we produce not only oil but also gas. Nevertheless, gas volumes achieved by RWE Dea declined by 3% overall. The main reason was the depletion of our existing reserves in our German and UK concession areas.

External electricity sales volume January – September	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	18.5	18.7	23.7	21.7	42.1	43.0	-	-	84.3	83.4
Netherlands/Belgium[1]	7.8	8.1	7.8	7.4	-	-	-	-	15.6	15.5
United Kingdom	12.6	13.6	24.4	23.2	-	-	-	-	37.0	36.8
Central Eastern and South Eastern Europe	6.3	5.8	6.9	7.6	4.3	4.7	-	-	17.5	18.1
Trading/Gas Midstream[1]	-	-	22.4	25.0	-	-	15.3	18.3	37.7	43.3
RWE Group[1,2]	**45.5**	**46.5**	**85.5**	**84.9**	**77.7**	**75.1**	**15.3**	**18.3**	**224.0**	**224.8**

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

Electricity sales volume nearly unchanged

In the first three quarters of 2011, we supplied 224.0 billion kWh of power to external customers, roughly as much as in the equivalent period last year. 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.

- Germany: The division sold 84.3 billion kWh of electricity, slightly more than in the first nine months of 2010. Excluding the effect of the full consolidation of NVV (see page 14) we would have recorded a marginal decline. 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 and won new customers. In business with households and small commercial operations, we suffered volume shortfalls due to the milder weather, as users of electric storage heaters needed less power. By 30 September 2011, we were supplying 6,973,000 customers with electricity in this segment. This compares to 6,741,000 by the same point in time last year. The rise was primarily due to the full consolidation of the NVV Group, which added 360,000 electricity customers.

- Netherlands/Belgium: Essent's sales volume of 15.6 billion kWh was essentially unchanged compared to the same period in 2010. A positive effect was felt from a marginal increase in our industrial and corporate customer base. Conversely, we suffered volume losses in the residential and small commercial customer business, in part due to the weather. However, our market share was essentially unchanged. By the end of September, we were supplying electricity to 2,163,000 residential and commercial customers in the Netherlands and 170,000 in Belgium.

- United Kingdom: RWE npower supplied 37.0 billion kWh of electricity, slightly more than in 2010. We won new industrial and corporate customers. The number of households and small commercial operations we serve rose marginally, by 22,000 to 3,905,000. Despite this, sales in this customer segment declined, as the milder weather as well as progress made in the field of energy efficiency reduced electricity consumption.

- Central Eastern and South Eastern Europe: We sold 17.5 billion kWh of electricity in this division, 3 % less than in the first nine months of 2010. Our industrial and corporate customer bases in Hungary and Poland shrank. However, our share of the residential and small commercial enterprise market remained stable: by the end of September, we had 2,180,000 and 913,000 customers in this sales segment in Hungary and Poland, respectively. Since the spring of 2010, we have been marketing electricity in the Czech Republic as well. Our expansion in this market had a positive impact on sales.

- Trading / Gas Midstream: External electricity sales achieved by this division fell by 13 % to 37.7 billion kWh. The transfer of parts of the key account business to RWE Deutschland led to lower sales. In addition, RWE Supply & Trading sold less generation by RWE power plants on the wholesale market.

External gas sales volume January – September	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2011	2010	2011	2010	2011	2010	2011	2010
Germany	18.0	18.7	17.8	17.2	24.4	33.7	60.2	69.6
Netherlands / Belgium[1]	25.8	31.2	35.4	45.7	-	-	61.2	76.9
United Kingdom	25.8	31.3	1.8	3.6	-	-	27.6	34.9
Central Eastern and South Eastern Europe	17.9	22.9	19.3	21.0	2.2	5.2	39.4	49.1
Upstream Gas & Oil	-	-	1.8	2.3	11.4	11.7	13.2	14.0
Trading / Gas Midstream	-	-	16.5	19.7	9.8[2]	9.2	26.3	28.9
RWE Group[1]	**87.5**	**104.1**	**92.6**	**109.5**	**47.8**	**60.4**	**227.9**	**274.0**

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

Mild weather curtails gas sales

Gas sales dropped by 17 % to 227.9 billion kWh. As temperatures were much higher than in the first nine months of 2010, demand for heating was down. Competition-induced customer losses also contributed to the decline in volume.

- Germany: The division sold 60.2 billion kWh of gas. This was 14 % less than in the comparable period in 2010, even though we included the sales volume of the NVV Group 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. The robust economy and the inclusion of parts of RWE Supply & Trading's key account business had a positive effect on industrial and corporate sales. However, we experienced customer losses here as well. 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 30 September 2011, we had 1,280,000 gas customers in this segment, 190,000 more than a year earlier. The inclusion of NVV added 137,000 customers.

- Netherlands/Belgium: The higher temperatures also had a strong influence on Essent's gas sales, causing them to decline by 20% to 61.2 billion kWh. In addition, some of our industrial and corporate customers switched suppliers. The number of residential and small commercial customers served by Essent remained essentially flat in the Netherlands, totalling 1,935,000, whereas it rose by 17,000 to 73,000 in Belgium.

- United Kingdom: RWE npower's gas sales dropped by 21% to 27.6 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 supply gas rose by 55,000 year on year, to 2,608,000, of which 2,307,000 customers also obtained electricity from us.

- Central Eastern and South Eastern Europe: Gas sales achieved by this division were down 20% to 39.4 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 industrial and corporate customers. Moreover, a distributor we supply further diversified its procurement. The number of our Czech residential and commercial customers declined by 312,000 to 1,929,000. The growth of our share of the Slovak market had a positive impact. Our subsidiary RWE Gas Slovensko increased gas sales by 2.0 billion kWh to 7.7 billion kWh, despite the unfavourable effect of the weather.

- Upstream Gas & Oil: External gas sales by RWE Dea totalled 13.2 billion kWh, 6% lower than a year earlier. This reflects the decline in gas production.

- Trading/Gas Midstream: The division sold 26.3 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. Compared to 2010, gas sales volume was down 9%. This was predominantly due to the aforementioned transfer of parts of the key account business to RWE Deutschland.

External revenue € million	Jan – Sep 2011	Jan – Sep 2010	+/– %	Jan – Dec 2010
Germany	15,323	14,135	8.4	19,528
Power Generation	853	762	11.9	1,072
Sales/Distribution Networks	14,470	13,373	8.2	18,456
Netherlands/Belgium	4,200	4,551	–7.7	6,510
United Kingdom	5,368	5,504	–2.5	7,759
Central Eastern and South Eastern Europe	3,558	3,699	–3.8	5,297
Renewables	316	249	26.9	366
Upstream Gas & Oil	1,311	969	35.3	1,353
Trading/Gas Midstream	4,423	5,548	–20.3	7,517
Other, consolidation	3,668	3,855	–4.9	4,990
RWE Group	**38,167**	**38,510**	**–0.9**	**53,320**
of which:				
Electricity revenue	25,591	25,706	–0.4	34,803
Direct electricity tax	1,085	951	14.1	1,323
Gas revenue	9,188	10,168	–9.6	14,491
Oil revenue	1,139	618	84.3	1,049

External revenue marginally down year on year

The RWE Group generated €38,167 million in external revenue, slightly less than the level achieved a year earlier. There was a marked decline in sales of in-house electricity generation by RWE Supply & Trading. This was contrasted by the positive impact of the full consolidation of the NVV Group and by the rise in oil prices. Developments of foreign exchange rates also had an effect on the revenue trend. In the first three quarters of 2011, the British pound cost an average of €1.14, as opposed to €1.17 in the same period in 2010. The US dollar was also down on the euro, decreasing in value from €0.76 to €0.71. Conversely, the Czech crown appreciated from €0.039 to €0.041. Net of consolidation and foreign exchange effects, consolidated revenues were down 2%.

- Germany: External revenue achieved by this division totalled €15,323 million, up 8% on the same period in 2010. Excluding the effect of the full consolidation of NVV would lead to a gain of 4%. Electricity revenue rose by 11% to €11,498 million, due to the inclusion of NVV and price increases. The latter were in response to the significant rise in expenses caused by the German Renewable Energy Act (REA). The fee pursuant to the REA currently amounts to 3.5 euro cents per kilowatt hour. This is 1.5 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. Despite the inclusion of the NVV Group, revenue in the gas business declined by 5% to €2,480 million. The main reason is the fall in sales volumes set out earlier.

- Netherlands/Belgium: The division earned €4,200 million in revenue, 8% less than in the first nine months of 2010. Electricity revenue rose by 1% to €1,631 million. The marginal improvement in sales was a contributing factor. Conversely, gas revenue decreased by 13% to €2,413 million due to volume shortfalls.

- United Kingdom: External revenue generated by RWE npower was down 2% to €5,368 million. Net of the foreign exchange impact, it would have been essentially unchanged. Electricity revenue rose 2% to €3,945 million, which equates to an increase of 5% in Sterling terms. This was mainly because RWE npower had adjusted tariffs in view of higher procurement costs. The company raised both electricity and gas tariffs for residential customers by an average of 5.1% with effect from 4 January 2011. Despite the tariff increase, gas revenue achieved by RWE npower decreased by 21% to €1,030 million. Excluding currency movements, it was down 19%. This reflects the aforementioned decline in volume.

- Central Eastern and South Eastern Europe: At €3,558 million, external revenue was 4% lower than a year earlier. Net of currency effects, it declined by 8%. Electricity revenue was unchanged at €1,841 million. Disregarding the impact of currencies, it was slightly lower than in 2010. Revenue in the gas business decreased by 8% to €1,640 million. Excluding foreign exchange effects results in a drop of 11%, largely due to weather and competition-induced volume shortfalls in the Czech Republic.

- Renewables: RWE Innogy improved external revenue by 27% to €316 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 German Renewable Energy Act. We also achieved higher revenue through the sale of certificates of origin for electricity marketed directly. The certificates enable resellers we supply to prove that the electricity they market comes from renewable sources.

- Upstream Gas & Oil: RWE Dea improved external revenue by 35% to €1,311 million. The company realised much higher prices for its crude oil and gas production than in the first three quarters of 2010. 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 20% to €4,423 million. This mirrors the decline in electricity and gas sales. Another reason is that RWE Supply & Trading marketed in-house generation for 2011 at a lower average price than for 2010. As set out earlier, we largely sell our electricity several years forward. This year's revenue was therefore strongly determined by the price development on the electricity forward market observed since 2008.

Internal revenue € million	Jan – Sep 2011	Jan – Sep 2010	+/– %	Jan – Dec 2010
Germany	10,047	10,885	–7.7	14,804
Power Generation	6,721	7,609	–11.7	10,378
Sales/Distribution Networks	3,326	3,276	1.5	4,426
Netherlands/Belgium	39	389	–90.0	551
United Kingdom	8	9	-	11
Central Eastern and South Eastern Europe	399	362	10.2	474
Renewables	166	145	14.5	203
Upstream Gas & Oil	139	100	39.0	134
Trading/Gas Midstream	15,087	15,100	–0.1	21,466

Reconciliation of income from operating activities to EBITDA € million	Jan – Sep 2011	Jan – Sep 2010	+/– %	Jan – Dec 2010
Income from operating activities[1]	3,204	5,086	–37.0	6,507
+ Operating income from investments	484	270	79.3	345
+ Non-operating income from investments	–14	–4	-	62
– Non-operating result	596	777	–23.3	767
Operating result	4,270	6,129	–30.3	7,681
+ Operating depreciation and amortisation	1,974	1,785	10.6	2,575
EBITDA	**6,244**	**7,914**	**–21.1**	**10,256**

1 See the income statement on page 40.

EBITDA € million	Jan – Sep 2011	Jan – Sep 2010	+/– %	Jan – Dec 2010
Germany	4,067	5,265	–22.8	6,728
Power Generation	2,380	3,546	–32.9	4,510
Sales/Distribution Networks	1,687	1,719	–1.9	2,218
Netherlands/Belgium	336	458	–26.6	660
United Kingdom	449	266	68.8	504
Central Eastern and South Eastern Europe	1,124	1,154	–2.6	1,440
Renewables	214	123	74.0	211
Upstream Gas & Oil	736	441	66.9	619
Trading/Gas Midstream	–831	75	-	–7
Other, consolidation	149	132	12.9	101
RWE Group	**6,244**	**7,914**	**–21.1**	**10,256**

Operating result € million	Jan – Sep 2011	Jan – Sep 2010	+/– %	Jan – Dec 2010
Germany	3,176	4,458	–28.8	5,575
Power Generation	1,974	3,172	–37.8	4,000
Sales/Distribution Networks	1,202	1,286	–6.5	1,575
Netherlands/Belgium	181	274	–33.9	391
United Kingdom	276	112	146.4	272
Central Eastern and South Eastern Europe	935	969	–3.5	1,173
Renewables	99	20	395.0	72
Upstream Gas & Oil	450	233	93.1	305
Trading/Gas Midstream	–842	67	-	–21
Other, consolidation	–5	–4	–25.0	–86
RWE Group	**4,270**	**6,129**	**–30.3**	**7,681**

Operating result reflects burdens from German energy policy

The RWE Group's earnings deteriorated considerably year on year. EBITDA declined by 21% to €6,244 million, and the operating result was down 30% to €4,270 million. The lifetime reduction imposed on our German nuclear power stations was a major contributing factor. Together with the new nuclear fuel tax, it reduced the operating result by about €1 billion compared to the first nine months of 2010. Lower electricity generation margins, an unusually weak performance by our energy trading activities and substantial burdens in the midstream business also led to an earnings shortfall. Net of consolidation and foreign exchange effects, EBITDA and the operating result would have dropped by 23% and 32%, respectively.

- Germany: The division posted an operating result of €3,176 million, down 29% on the first three quarters of last year. The following development was observed in the Power Generation and Sales/Distribution Networks Business Areas:

  Power Generation: The operating result recorded by this business area declined by 38% to €1,974 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 13^{th} amendment to the Nuclear Energy Act, which entered into force in early August. It stipulates that our Biblis A and B units cannot be put back online. RWE's remaining reactors must be taken offline no later than the end of 2017 (Gundremmingen B), the end of 2021 (Gundremmingen C) and the end of 2022 (Emsland). Due to the accelerated nuclear phase-out, we had to increase the provisions we built to decommission the plants. Furthermore, we were forced to write off the fuel rods installed in the Biblis power station, because we will not be able to use them any longer. The nuclear fuel tax, levied for the first time, had a negative effect of €209 million. Besides energy policy, unfavourable developments on commodity markets were also a burden. We sold our electricity generation for 2011 at prices that were lower than for 2010. In addition, our hard coal purchases became more expensive. We generally sell our generation up to three years before the electricity is delivered, purchasing the necessary fuel and emission allowances at the same time. We experienced some relief in procuring CO_2 emission allowances, as the associated cost dropped by €84 million to €417 million. Another positive effect was felt from adjustments of our nuclear and mining provisions which countered the lifetime-induced increase in provisions.

Sales/Distribution Networks: At €1,202 million, this business area's operating result was 7% lower than in the first three quarters of 2010. Net of the effect of the full consolidation of NVV, it would have declined by 14%. In the network business, higher maintenance costs caused earnings to decrease. Furthermore, throughput – and in turn network fee revenue - declined due to weather-related reasons, especially in relation to gas. In addition, 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. Earnings in our German sales business deteriorated somewhat year on year, reflecting the decline in gas volume and the rise in costs associated with projects and IT. In contrast, the business area's income from investments improved.

- Netherlands/Belgium: The operating result recorded by this division dropped by 34% to €181 million. As set out earlier, we started reporting parts of Essent's gas midstream business under RWE Supply & Trading with effect from 2011. Last 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 gas midstream activities. We are increasingly managing the transmission of gas from our suppliers to our end-customers.

- United Kingdom: RWE npower increased its operating result by €164 million to €276 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, we cushioned higher electricity and gas procurement prices with the tariff rise in January. The decline in gas consumption had a negative impact. In the generation business, 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 4% to €935 million. Net of currency effects, it declined by 6%. In the Czech gas business, volume shortfalls adversely affected 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 dampened earnings achieved by electricity sales. Moreover, the Hungarian government introduced a special tax for energy utilities and companies in some other sectors, which continued to have a negative effect.

- Renewables: A rise in generation output and the recent increase in electricity prices helped RWE Innogy to grow its operating result by €79 million to €99 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 nearly doubled its operating result to €450 million, due to the significant increase in oil and gas prices as well as in oil production. Since we finished exploring reserves in several concession areas, exploration costs dropped. As production activity increases, associated costs are driven up. These effects and the weaker US dollar dampened RWE Dea's earnings growth. Burdens also resulted from a rise in royalties on our German gas production.

- Trading/Gas Midstream: RWE Supply & Trading closed the first nine months with an operating loss of €842 million, after recording a profit of €67 million in the same period last year. The 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 that we have to pay prices for this gas that are currently much higher than when we re-sell it on the market. A positive impact was felt from the inclusion of parts of Essent's gas midstream activities.

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. This was contrasted by burdens, for instance from provisions for personnel measures and the impairment recognised for our Dutch power plants and the gas storage business obtained when we acquired Essent.

Non-operating result € million	Jan – Sep 2011	Jan – Sep 2010	+/– € million	Jan – Dec 2010
Capital gains	378	17	361	68
Impact of commodity derivatives on earnings	50	–793	843	–337
Restructuring, other	–1,024	–1	–1,023	–498
Non-operating result	**–596**	**–777**	**181**	**–767**

The aforementioned special items were reflected in the non-operating result, which improved by €181 million to –€596 million. Its components developed as follows:

- In the period under review, we realised €378 million in capital gains, mainly stemming from the sale of Thyssengas, our minority stake in a hard coal-fired power station in Rostock, and the majority of Amprion. No material gains on disposals were achieved in the year-earlier period.

- The accounting treatment of commodity derivative transactions resulted in a gain of €50 million. Conversely, in the first nine months of 2010, we stated an expense of €793 million in this item, a large part of which stemmed from the hedging of the price of gas forwards concluded by RWE Supply & Trading. The background to this is that pursuant to International Financial Reporting Standards (IFRS), certain derivatives used to hedge the prices of forward contracts (underlying transactions) are accounted for at fair value, whereas the underlying transactions (which display the opposite development) are only recognised as a profit or loss when they are realised. These timing differences result in short-term effects on earnings, which are neutralised over time.

- The result stated under 'Restructuring, other' worsened by €1,023 million to –€1,024 million. 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. Furthermore, we set aside €286 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 and RWE Deutschland. The amortisation of RWE npower's customer base amounted to €192 million and was thus slightly lower than in the year-earlier period (€196 million) due to foreign exchange rates.

Financial result € million	Jan – Sep 2011	Jan – Sep 2010	+/– € million	Jan – Dec 2010
Interest income	320	337	–17	448
Interest expenses	–767	–863	96	–1,258
Net interest	**–447**	**–526**	**79**	**–810**
Interest accretion to additions to non-current provisions	–617	–678	61	–940
Other financial result	–106	–22	–84	–186
Financial result	**–1,170**	**–1,226**	**56**	**–1,936**

The financial result improved by €56 million to –€1,170 million. Its components changed as follows:

- Net interest improved by €79 million to –€447 million. The reversal of provisions for the anticipated loss in interest had a positive effect due to the absence of certain obligations from non interest-bearing advance payments.
- The interest accretion to additions to non-current provisions decreased by €61 million to €617 million. This was partially due to the re-measurement of provisions as a result of the rise in discount rates.
- The 'other financial result' declined by €84 million to –€106 million. The main reason was a drop in income from the sale of securities.

Reconciliation to net income		Jan – Sep 2011	Jan – Sep 2010	+/– %	Jan – Dec 2010
Operating result	€ million	4,270	6,129	–30.3	7,681
Non-operating result	€ million	–596	–777	23.3	–767
Financial result	€ million	–1,170	–1,226	4.6	–1,936
Income before tax	€ million	**2,504**	**4,126**	**–39.3**	**4,978**
Taxes on income	€ million	–802	–1,274	37.0	–1,376
Income	€ million	**1,702**	**2,852**	**–40.3**	**3,602**
Minority interest	€ million	242	215	12.6	279
RWE AG hybrid investor's interest	€ million	44	-	-	15
Net income/RWE AG shareholders' share in net income	€ million	**1,416**	**2,637**	**–46.3**	**3,308**
Recurrent net income	€ million	**1,782**	**3,175**	**–43.9**	**3,752**
Earnings per share	€	2.65	4.94	–46.4	6.20
Recurrent net income per share	€	3.34	5.95	–43.9	7.03
Effective tax rate	%	32	31	-	28

Our income before tax decreased by 39% to €2,504 million. Although tax-free capital gains were higher year on year, our effective tax rate was slightly up, rising to 32%. This was a result of special items in the third quarter. Furthermore, there was an increase in the earnings contributions generated by RWE Dea in countries with high tax rates. We expect the effective tax rate for 2011 as a whole to be slightly lower than the current rate. After tax, Group income totalled €1,702 million, corresponding to a drop of 40%. The minority interest rose by 13% to €242 million. We recognised earnings contributions allocable to NVV co-shareholders in this item due to the the first-time full consolidation of this company. The share in net income allocable to the holders of the hybrid bond issued in September 2010 totalled €44 million. This sum corresponds to the post-tax financing costs allocable to the period under review.

As a result of the developments presented, the RWE Group's net income amounted to €1,416 million, 46% less than in the same period last year. Accordingly, our earnings per share dropped from €4.94 to €2.65. The number of RWE shares outstanding in the first three quarters averaged 533.6 million, unchanged from the comparable period in 2010.

Recurrent net income down 44% year on year

The yardstick for determining the dividend is recurrent net income, which does not include the non-operating result or the tax on it. If major non-recurrent effects in the financial result and income taxes occur, these are also excluded. In the period under review, recurrent net income totalled €1,782 million, 44% down on the comparable figure for 2010. The decline will not be as significant for 2011 as a whole. We still expect a decrease of approximately 35%.

Capital expenditure on property, plant and equipment and on intangible assets € million	Jan – Sep 2011	Jan – Sep 2010	+/– € million	Jan – Dec 2010
Germany	1,315	1,311	4	2,410
Power Generation	772	813	–41	1,180
Sales/Distribution Networks	543	498	45	1,230
Netherlands/Belgium	784	880	–96	1,144
United Kingdom	301	638	–337	876
Central Eastern and South Eastern Europe	646	225	421	430
Renewables	632	415	217	614
Upstream Gas & Oil	532	303	229	507
Trading/Gas Midstream	13	1	12	4
Other, consolidation	183	226	–43	394
RWE Group	**4,406**	**3,999**	**407**	**6,379**

Capital expenditure on financial assets € million	Jan – Sep 2011	Jan – Sep 2010	+/– € million	Jan – Dec 2010
Germany	17	33	–16	45
Power Generation	-	2	–2	2
Sales/Distribution Networks	17	31	–14	43
Netherlands/Belgium	430	2	428	3
United Kingdom	23	23	-	23
Central Eastern and South Eastern Europe	1	7	–6	8
Renewables	36	24	12	95
Upstream Gas & Oil	-	-	-	-
Trading/Gas Midstream	7	8	–1	61
Other, consolidation	-	29	–29	29
RWE Group	**514**	**126**	**388**	**264**

Capital expenditure up 19%

The RWE Group spent €4,920 million in capital, 19% more than in the equivalent period last year (€4,125 million). The acquisition of Energy Resources Holding B.V., on which we reported on page 11, was a contributing factor. This transaction was the main reason why capital spending on financial assets rose by €388 million to €514 million. We also stepped up capital expenditure on property, plant and equipment and intangible assets, increasing it by €407 million to €4,406 million. Most of these funds were spent on expanding and modernising our electricity generation capacity. The Germany Division's major projects are a 2,100 MW dual-block lignite-fired power plant at the Neurath site and a 1,528 MW twin-unit hard coal facility in Hamm. These power stations are under construction and scheduled to go online in 2012 (Neurath) and 2013 (Hamm). In addition, the Germany Division is investing in improving network infrastructure. The biggest project in the Netherlands/Belgium Division is the construction of the 1,560 MW twin-unit hard coal facility at Eemshaven, which is expected to be completed in 2014. Essent is also building the 426 MW Moerdijk 2 and 1,304 MW Claus C gas-fired power stations. These are scheduled to come on stream in 2011 and 2012, respectively. RWE npower's major project is the gas-fired power plant at Pembroke, with a planned net installed capacity of 2,188 MW and an expected commissioning date in 2012. The Central Eastern and South Eastern Europe Division is focusing capital spending on measures to improve electricity and gas network infrastructure and on the construction of the 775 MW combined-cycle gas turbine power station in the Turkish town of Denizli, which is scheduled for completion by the end of 2012. RWE Innogy aims to expand its renewable generation base significantly. In the first nine months of the year, the company concentrated on wind power projects, with the construction of offshore wind farms in the United Kingdom and Germany leading the way. Additional funds were dedicated to purchasing special ships which we will use to transport and build wind turbines. Our upstream subsidiary, RWE Dea, focuses on the development of oil and gas fields in preparation for production. Its single-largest undertaking at present is the construction of a rig in the Breagh North Sea field and of its pipeline connection to the UK mainland.

Cash flow statement[1] € million	Jan – Sep 2011	Jan – Sep 2010	+/– %	Jan – Dec 2010
Cash flows from operating activities	4,540	4,404	3.1	5,500
of which: changes in working capital	372	–881	142.2	–2,349
Cash flows from investing activities	–3,837	–3,869	0.8	–6,683
Cash flows from financing activities	–1,600	203	-	638
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–4	6	-	6
Total net changes in cash and cash equivalents	**–901**[2]	**744**	**–221.1**	**–539**
Cash flows from operating activities	4,540	4,404	3.1	5,500
Minus capital expenditure on property, plant and equipment and on intangible assets	–4,406	–3,999	–10.2	–6,379
Free cash flow	**134**	**405**	**–66.9**	**–879**

1 The full cash flow statement can be found on page 43.

2 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.'

Cash flows from operating activities up 3 % year on year despite earnings drop

In the first three quarters of 2011, we generated €4,540 million in cash flows from operating activities. This was 3 % more than in the same period last year. Cash flows therefore developed much better than earnings. The main reasons are positive effects in working capital. We 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 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 €3,837 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 outflow of €1,600 million. €1,867 million was allocable to the dividends paid by RWE AG. Furthermore, we redeemed a €1.5 billion bond in September. This was contrasted by net cash inflows from the issuance of €2.0 billion in commercial paper. Overall, our cash and cash equivalents have dropped by €901 million since the beginning of the year.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, result in free cash flow. The latter declined by €271 million to €134 million due to the increase in investing activity.

Net debt € million	30 Sep 2011	31 Dec 2010	+/– %
Cash and cash equivalents	1,634	2,476	−34.0
Marketable securities	3,356	3,445	−2.6
Other financial assets	2,387	1,985	20.3
Financial assets	**7,377**	**7,906**	**−6.7**
Bonds, other notes payable, bank debt, commercial paper	18,229	17,572	3.7
Other financial liabilities	2,108	2,238	−5.8
Financial liabilities	**20,337**	**19,810**	**2.7**
Net financial debt	**12,960**	**11,904**	**8.9**
Provisions for pensions and similar obligations	3,967	3,318	19.6
Surplus of plan assets over benefit obligations	48	56	−14.3
Provisions for nuclear waste management	10,270	10,010	2.6
Mining provisions	2,852	2,920	−2.3
Hybrid capital (share of relevance to rating)	869	880	−1.3
Net assets held for sale	-	12	-
Net debt of the RWE Group	**30,870**	**28,964**	**6.6**

Net debt rises to €30.9 billion

As of 30 September 2011, our net debt amounted to €30.9 billion, up €1.9 billion on the level at 31 December 2010. Capital expenditure and the dividends paid by RWE AG were major factors. Furthermore, provisions rose particularly for pensions. Cash flows from operating activities and proceeds from the disposal of participations had a debt-reducing effect.

Balance sheet structure: marginal decrease in the equity ratio

As of 30 September 2011, the RWE Group had a balance sheet total of €87.7 billion. This was €5.4 billion less than at the end of 2010. The deconsolidation of Amprion played a role. It was not least due to this transaction that our non-current accounts receivable declined by €2.6 billion. Derivative positions on the assets side of the balance sheet decreased by €2.0 billion. Cash and cash equivalents and current securities were down by €1.0 billion. In contrast, there was a €1.1 billion increase in property, plant and equipment. The RWE Group's equity fell by €1.9 billion. Our dividend payment and the negative effects of the measurement of hedges played a significant role. The equity ratio dropped from 18.7 % to 17.6 %.

RWE Group's balance sheet structure	30 Sep 2011		31 Dec 2010	
	€ million	%	€ million	%
Assets				
Non-current assets	62,541	71.3	60,465	65.0
Intangible assets	17,248	19.7	17,350	18.6
Property, plant and equipment	33,335	38.0	32,237	34.6
Current assets	25,179	28.7	32,612	35.0
Receivables and other assets[1]	17,029	19.4	23,258	25.0
Total	**87,720**	**100.0**	**93,077**	**100.0**
Equity and liabilities				
Equity	15,458	17.6	17,417	18.7
Non-current liabilities	45,992	52.4	45,162	48.5
Provisions	23,963	27.3	23,485	25.2
Financial liabilities	16,237	18.5	15,908	17.1
Current liabilities	26,270	29.9	30,498	32.8
Other liabilities[2]	17,658	20.1	20,881	22.4
Total	**87,720**	**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.

RWE creates new jobs

As of 30 September 2011, the RWE Group employed 72,478 people, 41,698, 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 1,622 compared to 31 December 2010, corresponding to a rise of 2%. Operating changes were responsible for the creation of 1,489 positions, while 133 are due to consolidation effects. For the first time our figures include the 1,151 staff members of the NVV Group, which is now fully consolidated. Conversely, Thyssengas (289) and Amprion employees (816) are no longer included.

Workforce[1]	30 Sep 2011	31 Dec 2010	+/– %
Germany	35,868	34,184	4.9
Power Generation	15,454	15,409	0.3
Sales/Distribution Networks	20,414	18,775	8.7
Netherlands/Belgium	3,834	3,899	–1.7
United Kingdom	12,277	11,711	4.8
Central Eastern and South Eastern Europe	11,392	11,163	2.1
Renewables	1,479	1,232	20.0
Upstream Gas & Oil	1,353	1,363	–0.7
Trading/Gas Midstream	1,573	1,512	4.0
Other	4,702[2]	5,792	–18.8
RWE Group	**72,478**	**70,856**	**2.3**

1 Converted to full-time positions.
2 Of which 2,400 at RWE IT and 1,565 at RWE Service.

Research and development: RWE establishes European Storage Association

We spent €93 million on research and development (R&D) in the first three quarters of 2011 (first nine months of 2010: €106 million). In addition, we capitalised €67 million in development costs (first three quarters of 2010: €76 million). Our R&D activities focus on the development of solutions for an energy supply that is gentle on the environment, reliable and affordable. We presented our major projects in the 2010 RWE Annual Report (pages 112 to 115) as well as in this year's interim reports on the first quarter (page 32) and on the first six months (page 35).

A major step we took in the third quarter was that we established the European Association for Storage of Energy (EASE) together with twelve research and energy companies. The association's objective is to act as a forum for professional exchange in technical, economic and regulatory matters. EASE was founded given the realisation that the environmental reshaping of the energy industry must go hand in hand with the expansion of energy storage potential.

OUTLOOK

World economy maintains course for growth
Based on current forecasts, in 2011, global economic output will be 2.5% higher year on year, with China remaining the economy's engine. However, in the meantime, growth in that country has already slowed somewhat. In the Eurozone, measures to consolidate the state budgets will probably dampen the upturn in certain member states. Economic growth may hover around the 1.7% achieved in 2010. The economic forecast for Germany remains favourable. A gain of up to 3% is feasible, which would exceed the gross domestic product (GDP) achieved in 2008. At 2%, estimates for the Netherlands and Belgium are a little more moderate. UK GDP is only anticipated to grow by about 1%. In Central Eastern Europe, initial estimates for our core markets indicate growth rates in excess of 2%, with Poland and Slovakia having potential for more than 3%.

Electricity consumption undynamic – significant decline in demand for gas
Production growth in Germany's energy-intensive sectors slowed recently. If demand in other sectors remains stable, the need for electricity for the year as a whole should only be marginally higher than the 2010 level. In the United Kingdom, however, it is likely to fall far below last year's level even if industrial production continues to rise. This is due to progress made in the field of energy efficiency and the milder weather. Electricity usage in the Netherlands and the Czech Republic is also expected to drop, albeit marginally. Conversely, in Hungary, demand could come close to last year's level, while in Slovakia it could exceed it by more than 1% and in Poland, it might increase by 2%. In view of the substantial, weather-induced decrease in gas consumption in the first three quarters, we expect to see a considerable drop for the full year as well. This applies to all markets in which we sell gas. This forecast should prove accurate even if temperatures were to be unusually low for the rest of the year, especially since the fourth quarter of 2010 was colder than average.

Realised electricity price lower year on year
Prices on international crude oil, natural gas and thermal hard coal markets will be much higher than in 2010 averaged for the full year. Conversely, we anticipate that the price level in European trading with CO_2 emission allowances will be lower. Prices on electricity forward markets recently trended sideways. Their continued development will depend on the weather conditions at the end of the year, among other things. However, this will not have a notable effect on our earnings this year, as we have sold forward nearly all of our generation for 2011. The price we realised for our German production was below the comparable figure of €67 per MWh for 2010. Part of our generation for the years ahead has already been placed on the market. In Germany, this applies to over 90% of production for 2012 and over 40% for 2013 (as of 30 September 2011).

Revenue forecast raised slightly

From our current perspective, external revenue should be in the order of last year's figure. We previously expected a marginal decline. We made an upward adjustment to our forecast especially with respect to our Germany Division. Electricity sales volumes recorded by Germany will probably be slightly higher than originally assumed. The division will therefore post a substantial gain over 2010, in part due to the first-time full consolidation of the regional utility NVV. RWE Dea is also expected to generate much more revenue than in 2010, with higher oil and gas prices being the major drivers. In contrast, we expect that RWE Supply & Trading will see a sharp drop in revenue from the sale of in-house electricity production. Furthermore, Amprion stopped contributing to Group revenue when it was deconsolidated in September 2011.

Significant drop in earnings expected

In the current financial year, the difficult framework conditions established by energy policy will have a significant impact on our earnings. The new nuclear fuel tax and the early nuclear phase-out will affect earnings substantially in Germany. Moreover, due to the market environment, we sold our electricity production for this year at less favourable conditions than for 2010. Burdens in the gas midstream business will increase further, despite the initial success achieved in renegotiating our loss-making gas purchase contracts.

Development of the forecast for fiscal 2011	2010 actual € million	Outlook (Feb 2011)	Adjusted outlook (Aug 2011)	Adjusted outlook (Nov 2011)
External revenue	53,320	Below previous year	-	Previous year's level
EBITDA	10,256	Approx. –15%	Approx. –20%	-
Operating result	7,681	Approx. –20%	Approx. –25%	-
Germany	5,575	Significantly below previous year	-	-
Power Generation	4,000	Significantly below previous year	-	-
Supply/Distribution Networks	1,575	Below previous year	-	-
Netherlands/Belgium	391	Significantly below previous year	-	-
United Kingdom	272	Above previous year	Significantly above previous year	-
Central Eastern and South Eastern Europe	1,173	Significantly below previous year	Below previous year	-
Renewables	72	Significantly above previous year	-	-
Upstream Gas & Oil	305	Significantly above previous year	-	-
Trading/Gas Midstream	–21	Significantly below previous year	-	-
Recurrent net income	3,752	Approx. –30%	Approx. –35%	-

We confirm the updated 2011 earnings forecast we made in August. The RWE Group's EBITDA is anticipated to be approximately 20% down year on year. We expect the operating result to drop by approximately 25% and recurrent net income to decline by about 35%.

- Germany: From our current perspective, the division's operating result is expected to decline significantly. We anticipate the following developments in the two business areas:

  Power Generation: The earnings drop predicted for the Germany Division will largely come from RWE Power. As mentioned earlier, the reduction of the lifetimes of our nuclear power plants will lead to substantial earnings shortfalls. We had already sold forward the generation of the Biblis units, which have now been shut down. We will have to fulfil our supply commitments with more expensive in-house generation or through purchases on the electricity market. In addition, we have written off fuel rods as we cannot use them any longer. The shortening of the lifetimes of our nuclear power stations means that we had to increase the provisions for decommissioning them. On top of that, the nuclear fuel tax is having a negative impact. In addition to the energy policy framework conditions, the development of prices on the wholesale market will also have an adverse effect on earnings. When we sold our electricity generation forward in earlier years, the average price realised was lower than for our 2010 generation, which we had placed on the market for an average of €67 per MWh. Additional adjustments to the nuclear and mining provisions will have positive effects and counter the impact of the reduced lifetimes of nuclear power plants.

  Sales/Distribution Networks: We also expect this business area to close down on last year. Our earnings in the gas sales business will fall short of last year's high level due to the weather. In addition, we anticipate that costs for improving network infrastructure will be higher. In contrast, the full consolidation of the NVV Group will add to earnings. Furthermore, the burden imposed by our refunds of excess network fees will probably decrease (see commentary on page 24).

- Netherlands/Belgium: The operating result posted by this division will decline significantly compared to last year's good earnings. This is primarily because we transferred parts of Essent's gas midstream activities to the Trading/Gas Midstream Division with effect from 1 January 2011. In 2010, these had recorded a strong result, partly due to the cold weather. Essent's electricity generation is also expected to make a smaller contribution to the operating result. We expect to see additional earnings as Essent has expanded its gas midstream activities and is now increasingly managing the transportion of purchased gas to end-customers. Cost reductions in the fields of IT and HR among others, as well as efficiency enhancements will also have a positive impact.

- United Kingdom: We expect this division to grow its operating result substantially. A major success factor are our extensive measures taken to cut costs and improve efficiency. Furthermore, margins in the supply business are recovering. However, there will be a strong rise in the expenses we incur for measures to promote domestic energy efficiency, which we are obliged to do within the scope of government programmes. These additional costs as well as electricity and gas purchase price increases necessitated a further rise in residential tariffs with effect from 1 October. In the generation business, we will close 2011 with a lower operating result than in 2010 due to a deterioration in market conditions. The cash inflows from claims for damages and old accounts receivable set out on page 24 will have a positive effect.

- Central Eastern and South Eastern Europe: From our current perspective, the operating result of this division is likely to be lower than the high figure posted last year, due in part to declining sales and network revenue in the Czech gas business. In Hungary, the new special tax for energy utilities and decreasing electricity sales to industrial and corporate customers are placing a burden on earnings. However, power plant margins should improve in Hungary. In Poland, we are likely to benefit from higher electricity network fees.

- Renewables: The progressive expansion of RWE Innogy's renewable generation portfolio will add to revenue, contributing to a significant improvement in the operating result. We expect that our wind turbines will be used much more than in 2010. A counteracting effect will come from on-going investment projects causing substantial run-up costs.

- Upstream Gas & Oil: RWE Dea's operating result should also improve significantly compared to 2010, driven by the strong rise in prices on oil and gas markets. Furthermore, we expect that growth in oil production will have a positive impact. However, as production increases, so do production costs. Additional burdens will stem from the increase in royalties on our German gas production and the weaker US dollar.

- Trading/Gas Midstream: We expect these activities to record an operating loss, which will be much more significant than in 2010 (–€21 million). As explained earlier, since 2009, oil-indexed gas purchase prices have been higher than the sales prices achievable on the market. This will continue to result in substantial burdens despite the first positive results achieved in the on-going price reviews with our gas suppliers. We expect that, given the very disappointing first three quarters, earnings generated by our trading business will close 2011 markedly down year on year.

Pay-out ratio of 50% to 60%

Our dividend proposal for fiscal 2011 will be in line with our usual pay-out ratio of 50% to 60%. The basis for calculating the dividend is recurrent net income. As set out earlier, we expect the latter to decline by approximately 35%. Our dividend will therefore be lower than the one for 2010.

Capex of €6.5 billion to €7 billion planned
Our capital expenditure on property, plant and equipment in 2011 is expected to total between €6.5 billion and €7 billion. This would make it higher than ever in RWE's history, albeit slightly lower than originally planned. Compared to the €6.4 billion posted in 2010, we expect spending to increase above all in the Renewables, Central Eastern and South Eastern Europe and Upstream Gas & Oil Divisions. The focus of our investing activity will be the construction of highly efficient fossil-fuel power plants, the enlargement of our renewable generation base, the modernisation of network infrastructure and the development of oil and gas fields. Capex will be much lower starting in 2012, as large-scale projects are gradually completed.

Net debt more than three times as high as EBITDA
As set out on page 14 of the report on the first half of 2011, we plan to strengthen the Group's financial power by issuing new shares and selling treasury shares. We expect this to raise about €2.5 billion in capital. Should we manage to implement the capital increase before the end of 2011, our net debt will probably match the level it had at the end of 2010 (€29.0 billion), despite our extensive capital expenditure programme. The leverage factor, which reflects the ratio of net debt to EBITDA, will be much higher than in 2010 (2.8) and exceed the upper limit of 3.0, to which we are orientating ourselves. We intend to return the leverage factor closer to this limit over the medium term.

Earnings forecast for 2013
The change in the energy policy framework will significantly affect the development of earnings in the upcoming years. However, the associated earnings shortfalls will be contrasted by the positive impact of higher oil and gas prices, improved electricity margins and further efficiency enhancements. Against this backdrop, in August 2011, we slightly raised our forecast for the company's medium-term earnings trend. We forecast 2013 EBITDA at about €9.4 billion, the operating result at about €5.9 billion, and recurrent net income at about €2.5 billion. However, these figures do not yet consider future sales of companies within the scope of our divestment programme.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

Systematic risk management more important than ever
Historically, the energy industry is considered to be crisis-proof. Nevertheless, sector-specific risks have recently experienced a big rise. Uncertain political framework conditions, changing market structures and volatile electricity and fuel prices bring entrepreneurial challenges, making professional risk management more important than ever. To us, the systematic recording, assessment and control of risks is a key element of good business management. It is equally important to identify and take advantage of opportunities. We have reported on the organisation and processes of our risk management, the organisational units entrusted with it, and measures taken to control and monitor major risks in detail on pages 116 to 126 of our 2010 Annual Report.

Overall assessment of the risk and opportunity situation by executive management
As an energy company that makes long-term investments, RWE is especially dependent on reliable political framework conditions. However, we are witnessing a trend towards the energy market being subjected to regulatory intervention. Against the backdrop of the current sovereign debt crisis, there is now a heightened risk of governments imposing new burdens on the economy. This may affect companies which are bound to certain locations, such as energy utilities, in particular. Proof of this is the new German nuclear fuel tax, which is curtailing our earnings considerably. However, we believe there is a good chance that the German Constitutional Court or, if applicable, the European Court of Justice will deem the tax illegal, making it unenforceable (also see page 12). However, it may take years for a definitive decision to be reached.

The sudden change of course in German energy policy following the reactor catastrophe at Fukushima proves that the risks in the utility sector have risen. The 13th amendment to the German Nuclear Energy Act, which became effective in early August, reversed the lifetime extension for German nuclear power stations which was resolved last year. In addition, the German government set deadlines for shutting down each individual reactor. We have provided detailed information on this on page 13 of the report on the first half of 2011. The legally mandated shutdown of Biblis A and B forces us to deliver electricity from other sources at conditions that, in some cases, are much less favourable, in order to supply the generation that has already been sold forward. In view of the remaining lifetimes of the nuclear power stations that are still in operation, there is a risk that we may not be able to make full use of the legally determined residual generation volumes before the shutdown deadline. We are reviewing aspects of the 13th amendment to the German Nuclear Energy Act concerning constitutional law. We have filed a lawsuit against the nuclear moratorium for Biblis A and B of March 2011 with the Kassel Administrative Court. In the event that the shutdown orders be deemed illegal by the court of last instance, we will have the opportunity to file claims for damages before a civil court.

In addition to political framework conditions, the development of supply and demand on electricity and gas markets particularly affects our earnings power. If the sovereign debt crisis in the Eurozone leads to a recession, energy consumption and energy prices may decline as a result. This would expose us to earnings risks. Structural changes in energy markets can also affect our earnings significantly. For instance, the continued rise in the number of wind turbines and solar panels is crowding out conventional generation.

Risks and opportunities arise especially from changes in power plant margins. As set out earlier, we sell most of our electricity forward early on, while hedging the price of the fuel and emission certificates needed to generate it. Furthermore, there has been a strong rise in risks in the gas midstream business. Parts of RWE's gas purchases are based on long-term contracts linked to the price of oil. The market price of gas has been decoupled from that of oil since the middle of 2009. Consequently, the price of some of the gas we buy is higher than the price we can realise when we sell it on. We are currently conducting price reviews in order to obtain better purchasing conditions. Their outcome will have a major influence on our medium-term earnings. The risk arising from this is that the outcomes of the price reviews may fall short of our expectations, contrasted by the chance that we may succeed in obtaining more favourable conditions than assumed.

Despite this and other imponderables, there are no identifiable risks that jeopardise the continued operation of RWE AG or the RWE Group.

Current key Value at Risk figures

We control and monitor risks arising from the volatility of commodity prices and financial risks (foreign currency risks, interest rate risks and risks in connection with investments in securities) using indicators such as the Value at Risk (VaR) among other things. The VaR specifies the maximum loss from a risk position not exceeded with a given probability over a certain period of time. The VaR figures within the RWE Group are generally based on a confidence interval of 95%. The assumed holding period for a position is one day. This means that, with a probability of 95%, the maximum daily loss does not exceed the VaR.

The central risk controlling parameter for commodity positions is the Global VaR, which is related to the trading business of RWE Supply & Trading and may not exceed €40 million. It averaged €16 million in the first three quarters of 2011; its maximum daily value was €27 million.

As regards interest risks, we differentiate between two categories. On the one hand, rises in interest rates can lead to reductions in the price of securities we hold. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for our securities price risk in the period under review averaged €7 million. We measure the sensitivity of the interest expense with respect to rises in market interest rates using the Cash Flow at Risk. We apply a confidence level of 95% and a holding period of one year. The Cash Flow at Risk in the first nine months averaged €20 million.

The securities we hold in our portfolio include shares. In the period under review, the VaR for the risk associated with changes in share prices averaged €11 million. The VaR for our foreign currency position was less than €1 million.

CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement

€ million	Jul – Sep 2011	Jul – Sep 2010	Jan – Sep 2011	Jan – Sep 2010
Revenue (including natural gas tax/electricity tax)	**10,710**	**11,156**	**38,167**	**38,510**
Natural gas tax/electricity tax	–456	–389	–1,856	–1,801
Revenue	**10,254**	**10,767**	**36,311**	**36,709**
Changes in finished goods and work in progress/other own work capitalised	111	66	322	190
Cost of materials	–7,094	–6,614	–25,096	–24,144
Staff costs	–1,294	–1,209	–3,808	–3,577
Depreciation, amortisation, and impairment losses	–916	–658	–2,622	–2,060
Other operating income	–651	–1,004	–1,903	–2,032
Income from operating activities	**410**	**1,348**	**3,204**	**5,086**
Income from investments accounted for using the equity method	112	50	340	205
Other income from investments	21	7	130	61
Financial income	315	383	676	1,143
Finance costs	–779	–822	–1,846	–2,369
Income before tax	**79**	**966**	**2,504**	**4,126**
Taxes on income	–159	–340	–802	–1,274
Income	**–80**	**626**	**1,702**	**2,852**
of which: minority interest	80	32	242	215
of which: RWE AG hybrid capital investors' interest	14		44	
of which: net income/income attributable to RWE AG shareholders	**–174**	**594**	**1,416**	**2,637**
Basic and diluted earnings per common and preferred share in €	**–0.33**	**1.11**	**2.65**	**4.94**

Statement of recognised income and expenses[1]

€ million	Jul – Sep 2011	Jul – Sep 2010	Jan – Sep 2011	Jan – Sep 2010
Income	**–80**	**626**	**1,702**	**2,852**
Currency translation adjustment	–219	226	–88	319
Fair valuation of financial instruments available for sale	–69	14	–138	–17
Fair valuation of financial instruments used for hedging purposes	–321	–130	–809	114
Other comprehensive income of investments accounted for using the equity method (pro rata)	–51	–19	–57	–87
Actuarial gains and losses of defined benefit pension plans and similar obligations	–444	–144	–598	–468
Other comprehensive income	**–1,104**	**–53**	**–1,690**	**–139**
Total comprehensive income	**–1,184**	**573**	**12**	**2,713**
of which: attributable to RWE AG shareholders	(–1,202)	(520)	(–225)	(2,524)
of which: attributable to RWE AG hybrid capital investors	(14)		(44)	
of which: attributable to minority interests	(4)	(53)	(193)	(189)

1 Figures stated after taxes.

Balance sheet

Assets € million	30 Sep 2011	31 Dec 2010
Non-current assets		
Intangible assets	17,248	17,350
Property, plant and equipment	33,335	32,237
Investment property	146	162
Investments accounted for using the equity method	3,944	3,694
Other non-current financial assets	919	750
Receivables and other assets	4,382	3,881
Deferred taxes	2,567	2,391
	62,541	**60,465**
Current assets		
Inventories	3,424	3,293
Trade accounts receivable	7,018	9,485
Receivables and other assets	10,011	13,773
Marketable securities	2,991	3,196
Cash and cash equivalents	1,634	2,476
Assets held for sale	101	389
	25,179	**32,612**
	87,720	**93,077**

Equity and liabilities € million	30 Sep 2011	31 Dec 2010
Equity		
RWE AG shareholders' interest	12,480	14,574
RWE AG hybrid capital investors' interest	1,738	1,759
Minority interest	1,240	1,084
	15,458	**17,417**
Non-current liabilities		
Provisions	23,963	23,485
Financial liabilities	16,237	15,908
Other liabilities	3,785	3,584
Deferred taxes	2,007	2,185
	45,992	**45,162**
Current liabilities		
Provisions	4,512	5,572
Financial liabilities	4,100	3,902
Trade accounts payable	6,753	8,415
Other liabilities	10,905	12,466
Liabilities held for sale		143
	26,270	**30,498**
	87,720	**93,077**

Cash flow statement

€ million	Jan – Sep 2011	Jan – Sep 2010
Income	1,702	2,852
Depreciation, amortisation, impairment losses/write-backs	2,625	2,064
Changes in provisions	–596	–643
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	437	1,012
Changes in working capital	372	–881
Cash flows from operating activities	**4,540**	**4,404**
Capital expenditure on non-current assets/acquisitions	–4,832	–4,121
Proceeds from disposal of assets/divestitures	928	270
Changes in marketable securities and cash investments	67	–18
Cash flows from investing activities	**–3,837**	**–3,869**
Cash flows from financing activities	**–1,600**	**203**
Net cash change in cash and cash equivalents	–897	738
Effects of changes in foreign exchange rates and other changes on cash and cash equivalents	–4	6
Net change in cash and cash equivalents	**–901**[1]	**744**
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	3,074
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet	**1,634**	**3,818**

1 Of which -€59 million are changes due to the cash and cash equivalents reported as "Assets held for sale" as of 31 December 2010.

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Own shares	Accumulated other comprehensive income	**RWE AG shareholders' interest**	RWE AG hybrid capital investors' interest	Minority interest	**Total**
Balance at 1 Jan 2010	**2,598**	**11,537**	**−2,272**	**929**	**12,792**		**925**	**13,717**
Capital paid in						1,738	7	1,745
Dividends paid		−1,867			−1,867		−165	−2,032
Income		2,637			2,637		215	2,852
Other comprehensive income		−433		320	−113		−26	−139
Total comprehensive income		2,204		320	2,524		189	2,713
Other changes		−11			−11		34	23
Balance at 30 Sep 2010	**2,598**	**11,863**	**−2,272**	**1,249**	**13,438**	**1,738**	**990**	**16,166**
Balance at 1 Jan 2011	**2,598**	**12,970**	**−2,272**	**1,278**	**14,574**	**1,759**	**1,084**	**17,417**
Dividends paid		−1,867			−1,867	−81	−274	−2,222
Income		1,416			1,416	44	242	1,702
Other comprehensive income		−595		−1,046	−1,641		−49	−1,690
Total comprehensive income		821		−1,046	−225	44	193	12
Other changes		−2			−2	16	237	251
Balance at 30 Sep 2011	**2,598**	**11,922**	**−2,272**	**232**	**12,480**	**1,738**	**1,240**	**15,458**

NOTES

Accounting policies

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

The consolidated interim financial statements as of 30 September 2011 were approved for publication on 8 November 2011. They have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of the consolidated interim financial statements of RWE AG for the period ended 30 September 2011 was condensed compared with the scope applied to the consolidated financial statements for the full year. With the exception of the changes and new rules described below, this consolidated interim report was prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2010. For further information, please see the legally required version of the Group's 2010 Annual Report, which provides the basis for this interim report.

The discount rate applied to provisions for nuclear waste management and provisions for mining damage is 5.00% (31 December 2010: 5.00%). Provisions for pensions and similar obligations are discounted at an interest rate of 5.25% in Germany and 5.50% abroad (31 December 2010: 5.25% and 5.30%, respectively).

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved a number of changes to the 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 – 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 for fiscal 2011. EU endorsement is still pending in some cases.

IFRS 9 (2010) "Financial Instruments" replaces the previous regulations of IAS 39 for the classification and measurement of financial assets and liabilities. The adopted amendments primarily relate to the reduction in the number of measurement categories for financial assets. IFRS 9 (2010) becomes effective for the first time for fiscal years starting on or after 1 January 2013.

IFRS 10 (2011) "Consolidated Financial Statements" replaces the previous regulations of IAS 27 and of SIC-12 for consolidation. IFRS 10 (2011) implements a uniform concept of control according to the following three requirements which must be cumulatively fulfilled in order for control to exist: power over the relevant activities of the investee, 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. An important amendment compared to the previous regulations is the abolishment of the option to apply the proportionate consolidation method to joint ventures, which, however, is not exercised by RWE. 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) relates to the presentation of items included in other income in the presentation of total comprehensive income. In the future, they have to be divided into two categories when they are presented. The criterion for separation is their future recognition in the income statement ("recycling"). The amendments become effective for the first time for fiscal years starting on or after 1 July 2012.

Amendments to IAS 19 "Employee Benefits" encompass the abolishment of the previously existing options to recognise actuarial gains and losses as well as new regulations for considering the expected return on plan assets. 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.

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

The following standards and amendments to standards 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
- Amendment to IAS 12 (2010) – Deferred Tax: Recovery of Underlying Assets

Scope of consolidation

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

Changes in the scope of consolidation in the first three quarters of 2011 relate to 28 companies that were consolidated for the first time, thereof 12 companies in the Sales/Distribution Networks Segment and eight in the Renewables Segment. Nineteen former fully consolidated companies were removed from the scope of consolidation, three of which belonged to the United Kingdom Segment and 12 of which belonged to the Renewables Segment; 23 were merged, of which eight belonged to the Sales/Distribution Networks Segment, five to the Netherlands/Belgium Segment, and eight to the Renewables Segment.

The scope of consolidation is as follows:

	30 Sep 2011	31 Dec 2010
Fully consolidated companies	431	445
Investments accounted for using the equity method	122	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., 's-Hertogenbosch/Netherlands, (ERH) if certain prerequisites were met and to pay conditional compensation for the Essent acquisition. On 30 September, RWE acquired a 100 % share of the voting stock in ERH, which holds an 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.

Since control was acquired as of the cut-off date, the ERH Group has been included in RWE's consolidated financial statements on the basis of the figures disclosed on its balance sheet. 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	359
Current assets	145
Non-current liabilities	71
Current liabilities	8
Net assets	**425**
Acquisition costs	429
Goodwill	**4**

The fair value of the receivables and other assets included in current assets amounted to €43 million.

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

The initial accounting treatment of the business combination has not yet been finalised due to its proximity to the balance-sheet date.

A contractual agreement dated 10 January 2011 gave RWE control over NVV AG (formerly Niederrheinische Versorgung und Verkehr AG), Mönchengladbach, (NVV), 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 (preliminary figures)	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 and other assets 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 €608 million to Group revenue and €18 million to Group income.

The initial accounting treatment of the business combination has not yet been finalised due to the complex structure of the transaction.

Assets and liabilities held for sale. 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. RWE AG is part of the consortium, giving it another indirectly held 10.8% of the shares in Amprion GmbH in addition to the remaining 25.1%.

The sale of the majority stake recognised under "Other, consolidation" so far was completed in September 2011, and the company was deconsolidated in the third quarter of 2011. RWE AG's remaining stake in Amprion GmbH of 25.1% is recognised as an investment accounted for using the equity method. Since RWE plans to sell on its share of 10.8% in the purchaser consortium in the short term, this share is accounted for as an "Asset held for sale". The deconsolidation gain amounted to €58 million and has been recognised in the "Other operating income" line item in the income statement. €10 million of the deconsolidation gain was allocable to the fair valuation of the retained shares and of the investment accounted for using the equity method.

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 are 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 €1,266 million (first three quarters of 2010: €193 million) which was fully paid in cash.

Revenue

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

Research and development costs

In the first three quarters of 2011, research and development costs totalled €93 million (first three quarters of 2010: €106 million).

Borrowing costs

In the first three quarters of 2011, €31 million in borrowing costs were capitalised as costs in connection with the acquisition, construction or production of qualifying assets (first three quarters of 2010: €3 million). The underlying capitalisation rate was between 5.2% and 5.3% (first three quarters of 2010: between 5.3% and 5.45%).

Equity

Pursuant to a resolution passed by the Annual General Meeting on 22 April 2010, the company was authorised to conduct share buybacks accounting for up to 10 % of the company's capital stock until 21 October 2011. This resolution was replaced by the resolution passed by the Annual General Meeting on 20 April 2011, authorising the company to conduct share buybacks accounting for up to 10 % of the company's capital stock and to sell own common shares under certain conditions waiving shareholder subscription rights until 19 October 2012. The company's Executive Board was further authorised to withdraw own shares. As per the preceding resolution, the purchase and sale of these shares can also be carried out using put and call options.

Share-based payment

Information was provided on share-based payment plans for executive staff at RWE AG and at subsidiaries in the consolidated financial statements for the period ended 31 December 2010.

In the first quarter of 2011, another tranche was issued within the framework of the Long-Term Incentive Plan for executive staff ("Beat 2010").

Dividend distribution

RWE AG's 20 April 2011 Annual General Meeting decided to pay a dividend of €3.50 per individual, dividend-bearing share for fiscal 2010 (fiscal 2009: €3.50). The dividend payment totalled €1,867 million.

Other liabilities

Other liabilities include €1,782 million (31 December 2010: €1,775 million) in current redemption liabilities from put options of minority interests that are recognised in accordance with IAS 32.

Financial commitments

The last cross-border leases (CBLs) Essent had were contractually terminated with US investors at the end of June 2011. Only certain liability clauses resulting from the previously existing CBL-related liabilities, which were reported in the consolidated financial statements for the period ending on 31 December 2010, will continue to be in effect after the termination of the contracts. The probability of a related claim is estimated to be extremely low.

Earnings per share

		Jan – Sep 2011	Jan – Sep 2010
Net income/income attributable to RWE AG shareholders	€ million	1,416	2,637
Number of shares outstanding (weighted average)	thousands	533,559	533,559
Basic and diluted earnings per common and preferred share	€	2.65	4.94

Related party disclosures

The RWE Group classifies associated entities as related parties. In the first three quarters of 2011, transactions concluded with material related parties generated €679 million in income (first three quarters of 2010: €651 million) and €204 million in expenses (first three quarters of 2010: €210 million). As of 30 September 2011, accounts receivable amounted to €1,995 million (31 December 2010: €1,004 million), and accounts payable totalled €113 million (31 December 2010: €12 million). All business transactions are concluded at arm’s length conditions and on principle do not differ from those concluded with other companies. Other obligations from executory contracts amounted to €6,082 million (31 December 2010: €4,044 million).

Furthermore, companies in which Dr. Jürgen Großmann, the CEO of RWE AG, is a partner, are classified as related parties of the RWE Group. These are Georgsmarienhütte Holding GmbH and RGM Gebäudemanagement GmbH. In the first three quarters of 2011, RWE Group companies provided services and deliveries to these companies amounting to €10.2 million (first three quarters of 2010: €7.1 million) and received services and deliveries from these companies amounting to €2.0 million (first three quarters of 2010: €1.8 million). As of 30 September 2011, there were receivables of €0.4 million (31 December 2010: €0.8 million) from and liabilities of €0.7 million to these companies (31 December 2010: €0.5 million). Furthermore, there were obligations from executory contracts totalling €0.7 million to these companies (31 December 2010: €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 enterprises.

Events after the balance-sheet date

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

REVIEW REPORT

To RWE Aktiengesellschaft, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and statement of recognised income and expense, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of RWE Aktiengesellschaft, Essen, for the period from 1 January to 30 September 2011 which are part of the interim financial report pursuant to § 37x, Para.3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Essen, 9 November 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Manfred Wiegand	Markus Dittmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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- until 20 April 2011 -

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President and CEO

Peter Terium
- since 1 September 2011 -
Deputy CEO

Dr. Leonhard Birnbaum

Alwin Fitting

Dr. Rolf Pohlig

Dr. Rolf Martin Schmitz

As of 8 November 2011

FINANCIAL CALENDAR 2012

6 March 2012	Annual report for fiscal 2011
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

The interim report for the first three quarters of 2011 was published on 10 November 2011.

This is a translation of the German interim report. In case of divergence from the German version, the German version shall prevail.

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

Forward-looking statements

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

RWE Aktiengesellschaft

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