

RWE

Interim report on the first half of 2023

Strong earnings growth in the first half of the year: adjusted EBITDA for the RWE Group rises to €4.5 billion // Unexpectedly good results in our Hydro / Biomass / Gas and Supply & Trading segments // Earnings forecast raised for the full year // RWE expects adjusted EBITDA of between €7.1 billion and €7.7 billion and adjusted net income of between €3.3 billion and €3.8 billion for 2023

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At a glance

RWE Group – key figures¹		Jan – Jun 2023	Jan – Jun 2022	+/-	Jan – Dec 2022
Power generation	GWh	67,678	77,658	-9,980	156,794
External revenue (excl. natural gas tax/ electricity tax)	€ million	14,885	16,303	-1,418	38,366
Adjusted EBITDA	€ million	4,540	2,124	2,416	6,310
Adjusted EBIT	€ million	3,506	1,371	2,135	4,568
Income before tax	€ million	2,515	2,577	-62	715
Net income / income attributable to RWE AG shareholders	€ million	1,993	2,083	-90	2,717
Adjusted net income	€ million	2,632	950	1,682	3,253
Cash flows from operating activities	€ million	2,013	2,905	-892	2,406
Capital expenditure	€ million	6,562	2,154	4,408	4,484
Property, plant and equipment and intangible assets	€ million	1,881	1,293	588	3,303
Financial assets and acquisitions	€ million	4,681	861	3,820	1,181
Proportion of taxonomy-aligned investments ²	%	90	-	-	83
Free cash flow	€ million	-4,435	792	-5,227	-1,968
Number of shares outstanding (average)	thousands	743,841	676,220	67,621	691,247
Earnings per share	€	2.68	3.08	-0.40	3.93
Adjusted net income per share	€	3.54	1.40	2.14	4.71
		30 Jun 2023	30 Jun 2022		31 Dec 2022
Net debt (-) / net cash (+)	€ million	-5,916	1,892		1,630
Workforce ³		19,702	18,201		18,310

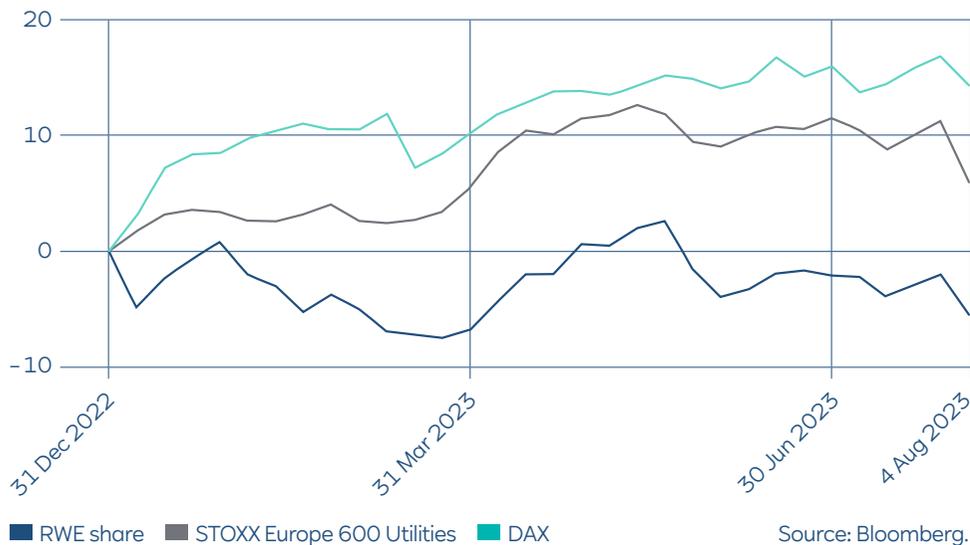
1 Some prior-year figures restated; see commentary on page 12 et seq.

2 Taxonomy-alignment is when an activity meets the applicable requirements under the EU Taxonomy Regulation.

3 Converted to full-time positions.

RWE on the capital market

Total return of the RWE share compared with the DAX and STOXX Europe 600 Utilities indices
% (average weekly figures)



Return on RWE share slightly below zero after strong previous year. The RWE share was unable to keep up with the DAX after posting an above-average total return of 19% in 2022. At the end of June 2023, the RWE share stood at €39.87, slightly below its closing quotation of €41.59 at the end of last year. Including the €0.90 dividend paid in May, this resulted in a total return of -2%. The performance of the STOXX Europe 600 Utilities, the European sector index, was up 11%, outstripping the RWE share. The main reason for the disappointing performance was the decline of wholesale electricity prices. This caused financial analysts and investors to adjust their estimates of our future generation margins downwards. Another dampening effect was felt from concern over further regulatory intervention in the electricity market after numerous European countries introduced temporary levies on electricity revenues. Conversely, the strong business trend in the Hydro / Biomass / Gas and Supply & Trading segments exceeded expectations, culminating in an upward adjustment to our 2023 earnings forecast (see page 25).

Stock markets trend upwards. After a weak year on the markets in 2022 burdened by rising interest rates and the war in Ukraine, stock markets trended upward, to the surprise of many observers. The DAX closed June 2023 at 16,148 points, representing a half-year return of 16%. The recovery was largely buoyed by cyclical stocks and technology shares which had suffered significant losses in 2022. Fears of a gas crisis subsided, causing energy prices to drop considerably after hitting record highs last year, which had a positive effect. China lifting its COVID-19 restrictions also raised sentiments, although a resulting boom is yet to transpire. Further inflationary base rate increases and a brief banking crisis in the USA due to the insolvency of a number of credit institutions only briefly impacted share prices.

Business environment

Regulatory framework

New EU guideline to accelerate renewables expansion. In June 2023, the EU and the European Parliament agreed on the details of a revision of the Renewable Energy Directive. Although the reform is yet to be formally approved, once adopted the new directive must be transposed into national law within 18 months. The adjustment was necessitated by the EU's decision to raise its greenhouse gas reduction target for 2030 from 40% to 55% compared to 1990 levels. The update therefore provides for a more ambitious target for renewables expansion, which stipulates that renewable sources should account for 42.5% of energy consumption by 2030. Until recently, the EU's target had been set at 32%. It is also the first time that objectives have been specified for individual sectors: industry, for example, is required to increase renewable energy use by 1.6% annually. The sector must also source at least 42% of its hydrogen from renewable sources by 2030. Furthermore, the directive is intended to help member states prevent legal challenges from holding back renewables expansion and to help expedite permitting procedures. Green power projects are now granted permanent legal priority after being temporarily granted this status as part of an emergency EU regulation in 2022. These projects are now treated as being of 'overriding public interest'. It is now possible to designate suitable sites as dedicated 'go-to' areas for renewable energy projects.

EU reforms emissions trading. To meet its ambitious climate targets, the EU reformed the European Emissions Trading System (ETS) by way of a directive which entered into force in June. The regulation obliges sectors covered by the ETS (electricity and heat generation, energy-intensive industry sectors and aviation within Europe) to reduce their greenhouse gas emissions by 62% compared to 2005 levels by the end of the decade. Until recently, the target had been set at 43%. To further accelerate decarbonisation, each year the EU will reduce the number of certificates placed on the market by 4.3% from 2024, and 4.4% from 2028. The linear reduction factor is currently 2.2%. In addition, 24% of the excess

emission allowances in circulation will continue to be held back annually until 2030 and transferred to the market stability reserve. Under previous legislation, the rate was to be lowered to 12% in 2024. The reform also provides for a separate emissions trading system for road transport and buildings, which will be implemented no later than 2028.

EU defines rules for 'green' hydrogen. In July, an EU directive entered into force defining the criteria that electrolysed hydrogen must meet to be considered 'green'. Hydrogen with this prefix is likely to be eligible for state support, as it is produced with electricity that was generated using renewables. For a long time, it was unclear what specific requirements would result in hydrogen qualifying as green. Following the EU directive, the requirements can also be met even if the electrolyser used to produce the hydrogen is not directly connected to a renewable energy facility but instead relies on electricity from the public grid. Companies producing hydrogen in countries where the power supply does not predominantly come from zero-carbon energy sources must then satisfy certain conditions: the operators of the electrolysers must conclude power purchase agreements with additional, non-subsidised renewables plants, located in the same market. In addition, the directive stipulates that the hydrogen production process must temporally correlate with the electricity being fed into the grid. The EU has allowed for the fact that these new renewable energy facilities are yet to be built, possibly delaying the ramp up of the hydrogen economy, by including a transitional clause: electrolysers that come into operation by the end of 2027 may conclude power purchase agreements with existing, subsidised renewable energy assets until 2038.

German excess electricity profits levy expires. On 30 June, Germany's special levy on power producer's revenues expired as planned. It had been introduced on 1 December 2022 in response to the significantly elevated energy prices and was established to help finance relief packages for electricity customers among other things. The measure gave the federal government the option of extending the levy period to 30 April 2024, but the clause was not taken advantage of. The EU had enshrined the cornerstones for the national electricity revenue levies in European law in September 2022, and recommended that the measure should expire by mid-2023. However, the legislation did leave the member states some leeway to set longer terms. Poland, for example, will apply the levy until the end of 2023. The Dutch government, on the other hand, set the same levy period as Germany (1 December 2022 to 30 June 2023), although to date no law has officially been passed. It is considered highly likely that the parliamentary processes will be finalised following the summer recess.

Details of additional US support for renewable energy published. In May, the central tax authority in the USA (Internal Revenue Service) published the specific conditions for additional support for green technologies. The Inflation Reduction Act, a legislative package approved in 2022 to finance social initiatives and climate protection, provides the legal basis for the additional funding. Investments in new wind and solar farms or other green technologies will now receive tax incentives if significant portions of the project's value chain are located in the USA. The government expects the measure to bolster national labour and manufacturing. There is also an additional scheme targeting investments in areas with certain disadvantages (e.g. pollution) or that are particularly impacted by structural change within the energy industry. The tax incentive will be granted in addition to the usual fiscal support measures for green technologies. The USA largely utilises two such tax instruments: Production Tax Credits and Investment Tax Credits, which can be used to offset tax liability. The value of these credits reflects the volume of electricity generated or – alternatively – the investment costs.

Streamlined environmental review process for US infrastructure projects. In early June, the US Congress passed a law designed to streamline and accelerate energy infrastructure projects. It stipulates that environmental impact assessments at federal level should be carried out within two years. Previously, there was no such deadline. In addition, the administrative steps will now be coordinated by one single authority, which will also act as the main point of contact for investors. In the past, project developers were often required to consult a number of federal agencies. The reform does not apply to approval procedures at community or state level.

Market environment

Weak economic growth in RWE's core markets. Based on current data, global economic output was 2% higher in the first half of 2023 compared to the same period in the previous year. This indicates that economic impetus has lessened since 2022. Growth in Germany has stalled, with GDP probably down 0.2%. The UK and the Netherlands, however, saw modest growth of 0.2% and 1% respectively. The ongoing war in Ukraine and rising interest rates all weighed on the global economy. High energy costs also came to bear. Electricity and fuel prices have dropped following their record levels in 2022; however, they remain high compared to the long-term average. Although not to the same degree as in Europe, the US economy also cooled, growing by around 2%.

Power consumption significantly down. Surveys carried out by the German Association of Energy and Water Industries (BDEW) indicate that electricity consumption in Germany dropped by 6% in the first half of this year. A major contributing factor was reduced demand due to elevated prices. Power consumption in the UK and the Netherlands was also down year on year, which experts put at 5% and 4%, respectively. In the USA demand is expected to have declined by around 3%.

Below-average wind conditions. Wind speeds have a significant impact on the utilisation and profitability of renewables assets, which are largely weather-dependent. In the first half of the year, wind velocities were lower than the long-term average for large parts of Europe and the US. The previous year's wind speeds were not reached at most RWE wind farms. Utilisation of our run-of-river power plants strongly depends on precipitation and meltwater volumes. In Germany, our main hydropower region, these volumes were roughly in line with the long-term average and were significantly higher compared to 2022.

Average RWE wind farm utilisation January – June	Onshore		Offshore	
	2023	2022	2023	2022
%				
Germany	21	22	24	36
United Kingdom	24	29	38	42
Netherlands	29	32	-	-
Poland	27	30	-	-
Spain	22	24	-	-
Italy	23	27	-	-
Sweden	28	33	45	47
USA	33	38	-	-

Fuel prices drop significantly from record highs in 2022. The utilisation and earnings of our conventional power plants are dependent on how electricity, fuel and emission allowance prices develop. Natural gas is notably cheaper compared to 2022. Spot prices at the Dutch Title Transfer Facility (TTF) – the main gas trading hub in Continental Europe – averaged €45/MWh in the first half of 2023, which is not even half as much as it was in the same period last year (€99/MWh). The significant drop in prices is attributable to the fact that gas supply pressures have eased in spite of the ongoing war in Ukraine. The mild 2022/2023 winter, increased LNG imports, reduced demand and corresponding high gas storage levels all had an impact. The more favourable supply situation was reflected in gas forward trading prices. The TTF forward for 2024 averaged €55/MWh in the period under review. By way of comparison: a year ago, the 2023 TTF forward was trading at €70/MWh.

Prices for hard coal used in power plants (steam coal) also dropped notably in the period under review. Deliveries to ARA ports (ARA = Amsterdam, Rotterdam, Antwerp) including freight and insurance were settled on the spot market for an average of US\$137 / metric ton in the first half of 2023. The prior-year figure was more than twice as high (US\$285 / metric ton). The coal market eased after the previous year was initially still characterised by great uncertainty. In preparation for an expected increase in demand – partially to replace natural gas in power generation – many power plant operators had secured additional volumes of hard coal, pushing prices up. However, the mild 2022 / 2023 winter and the good gas supply situation meant that less coal was used than expected and demand cooled, which also eased the situation on forward markets. In the first half of the year, the 2024 hard coal forward (API 2 Index) traded for an average of US\$134 / metric ton. This is US\$54 less than was paid for the 2023 forward in the same period last year.

CO₂ emission allowance prices remain elevated. An increasingly important price factor for fossil fuel-fired power stations is the procurement of CO₂ emission allowances. A European Union Allowance (EUA), entitling the holder to emit one metric ton of carbon dioxide, traded at an average of €94 in the first half of 2023 – compared to €85 the year prior. This figure is based on contracts for delivery that mature in December of the following year. The pricing trajectory was impacted by the EU's decision to raise its emissions target for 2030, which means it now has to reduce the number of available emission allowances even further. As explained on page 4, a directive entered into force in June 2023 which provides for the necessary changes to the Emissions Trading System. However, there were also factors which drove down demand for emission allowances and thus had a dampening effect on prices: primarily the decline in industrial production and lower utilisation of coal-fired power plants.

After leaving the EU, the United Kingdom introduced its own CO₂ emissions trading system. UK Allowances (UKAs) have been traded on the secondary market since the first auction in May 2021. In the reporting period, they sold at an average of £73. The reference figure for the previous year was £84.

Fuel markets relax as electricity prices fall. Wholesale electricity prices mirrored the development of the commodity markets. They also dropped considerably, but remain high. In the first half of 2023, base-load power traded for an average of €104 / MWh on the German spot market, compared to €187 / MWh in the same period last year. Spot prices declined from £177 / MWh to £107 / MWh in the United Kingdom and from €203 / MWh to €106 / MWh in the Netherlands. The situation on electricity forward markets was as follows: in Germany, the 2024 base-load forward cost an average of €151 / MWh, as opposed to €185 / MWh for the 2023 forward in the prior-year period. The price of the one-year forward declined from £164 / MWh to £139 / MWh in the United Kingdom and from €167 / MWh to €138 / MWh in the Netherlands.

The North American electricity market is divided into several sub-markets which are controlled by independent system operators (ISOs). Currently, the most important market region for us is Texas, where most of our US wind farms are connected to the power grid which is operated by the Electric Reliability Council of Texas (ERCOT). The electricity spot price averaged US\$32 / MWh compared to US\$54 / MWh in the same period last year. The year-ahead forward dropped from US\$51 / MWh to US\$42 / MWh. One reason was that natural gas has also become cheaper in the USA. This lowered the generation costs of gas-fired power plants, which are often the price-setters on the North American electricity market.

Major events

In the period under review

RWE acquires Con Edison's renewable energy business. On 1 March 2023, we completed our acquisition of Con Edison Clean Energy Businesses (Con Edison CEB), one of the leading US renewable energy companies. US-based Con Edison was its parent prior to the takeover. Con Edison CEB has 3.1 GW of generation capacity, 90% of which is solar. This portfolio is complemented by a development pipeline of more than 7 GW. With the addition of the Con Edison CEB portfolio, we are now one of the biggest renewable energy companies in the USA.

The purchase price was US\$4.0 billion. Including net debt assumed, the company was valued at US\$6.8 billion. The transaction was financed in part with the issuance of a mandatory convertible bond to Qatar Holding, a subsidiary of the Qatar Investment Authority. The €2,428 million bond was issued on 10 October 2022 and converted into 67,621,169 new RWE shares on 15 March 2023. The total number of RWE shares outstanding is now 743,841,217. The stake held by Qatar Holding represents 9.1% of this increased capital stock. The new shares were already dividend bearing for fiscal 2022.

As soon as the acquisition of Con Edison CEB was completed, we consolidated our US onshore wind, solar and battery storage activities to form RWE Clean Energy. The company has around 1,500 employees, operates renewables assets with a total capacity of 8 GW, and has a development pipeline of more than 24 GW.

RWE becomes a leading solar developer in the UK. By acquiring project developer JBM Solar in early March, we laid the foundation for the rapid expansion of photovoltaics in the UK. The purchase price amounted to £318 million. JBM Solar is headquartered in London and specialises in solar and battery storage ventures. It has a 6.1 GW development pipeline, of which 3.8 GW is in photovoltaic assets and 2.3 GW is in battery storage. The transaction has placed RWE among the top three solar developers in the UK. Most of JBM Solar's projects are being developed in the Midlands and the South of England. We expect the first assets in the pipeline to become operational in late 2024.

Support secured for RWE's first Irish offshore wind farm. We are one step closer to realising our first offshore wind farm project in Ireland, having secured a support contract for Dublin Array, our 824 MW wind farm project, in an auction run by the Irish Grid operator EirGrid. As is the case in the UK, the funding agreement is a two-way Contract for Difference, which ensures the plant operator receives a pre-agreed price for their electricity, known as the strike price. If the market price falls below the strike price, the plant operator receives payments to make up the difference. If it exceeds the strike price, they pay the difference. The weighted average strike price of all successful offers at the auction was €86.05/MWh. Dublin Array will be located approximately 10 km from the coastline of counties Dublin and Wicklow. RWE is developing it together with Irish company Saorgus Energy. The companies each hold half of the shares. A final investment decision will be made as soon as all the necessary approvals for the project have been secured. All turbines are expected to go online in 2028.

North Sea wind farm Kaskasi inaugurated. At the end of March, we inaugurated Kaskasi our new German offshore wind farm in the presence of Robert Habeck, Federal Minister for Economic Affairs and Climate Action. The 342 MW facility is located 35 kilometres to the north of Heligoland. All 38 of its turbines have been online since late 2022. The ceremony marked Kaskasi's move into regular operations, following a test period during which it was already producing electricity. We are the sole owners of the wind farm and have invested around €840 million in the project. Three turbines have been fitted with recyclable rotor blades from Siemens Gamesa, which were manufactured using a novel resin. This allows for the composite materials to be separated after use. Kaskasi is the first wind farm in the world to use these environmentally friendly rotor blades.

RWE takes over Northland Power's stake in four wind projects in the German North Sea.

Since the end of May, we have been the sole owner of four offshore wind projects located north of the island of Juist. The cluster was formerly co-developed with Canadian energy company Northland Power. We purchased our partner's 49% stake for €34 million. Together, the planned North Sea wind farms will have a maximum power output of 1,560 MW upon completion. Two projects, N-3.8 and N-3.7, which have a combined capacity of 660 MW, are in the permit application phase. Offshore works are expected to start in 2025 and if construction progresses as planned, the wind farms will start commercial operation in early 2027. The other two projects, N-3.5 and N-3.6, with a combined capacity of 900 MW, are not as far advanced. We still have to secure the necessary usage rights for the sites at upcoming auctions, although our step-in rights allow us to match the winning bid. The two wind farms could then be commissioned in 2029.

Dutch gas-fired power station Magnum now owned by RWE. On 31 January, we acquired the Magnum gas-fired power plant in the Netherlands from Vattenfall. The facility has been in operation since 2013, and has a net capacity of 1.4 GW. It is considered to be one of the most modern power stations in the Netherlands. We paid €430 million for the plant. The transaction includes a neighbouring solar farm with a generation capacity of 5.6 MW. Magnum is located a stone's throw away from our Eemshaven power station, which runs on hard coal and biomass. We expect to leverage considerable synergies from the joint use of the local infrastructure. Another standout feature of our new gas-fired power station is that it can be operated with 30% hydrogen after basic technical conversions. There is also the option to transition to 100% hydrogen in the long term. This will allow Magnum to be part of the future hydrogen infrastructure which we are looking to build together with local energy and manufacturing partners in the province of Groningen.

Grid stability reserve plant commissioned in Biblis. Our new 300 MW gas-fired power station in Biblis, South Hesse, Germany, went online in March. It took about two years to build. The facility will not be used to generate power for the electricity market, but will instead only fire up when prompted by the transmission system operator. Its sole purpose is to help stabilise grid frequency, thus contributing to security of supply.

Largest battery to date completed by RWE. Midway through the year, we took our largest battery storage system to date online in Fresno County, California. The plant has the ability to discharge 137 MW into the grid over a four-hour period, giving it a capacity of 548 MWh. The battery forms part of the Fifth Standard project, which also comprises a 150 MW solar farm nearing completion. The farm comprises 370,000 solar panels spanning 1,600 hectares. With the help of 'solar trackers', the modules follow the position of the sun as it moves through the sky, which improves energy output. In addition, the storage system is able to optimise the timings of feed-ins to the local grid.

RWE successful at British capacity market auction. In February 2023 at a British capacity market auction relating to the period from 1 October 2026 to 30 September 2027, we secured a capacity payment for all participating RWE power plants. The stations have a combined secured capacity of 6,638 MW, almost all of which is gas-fired. The auction cleared at £63/kW (plus inflation adjustment). We will receive this amount for making our assets available during the above period and thus contributing to power supply.

RWE and Equinor agree strategic partnership. In January, RWE and Norwegian energy company Equinor entered into a strategic partnership to drive the ramp-up of the hydrogen economy and the expansion of renewables. The two companies want to harness Norwegian hydrogen to help decarbonise the German energy industry through a number of large-scale projects. The plan is for Equinor to create up to 2 GW of capacity for producing 'blue' hydrogen in its domestic market of Norway by 2030. Blue hydrogen is derived from natural gas and the resulting carbon dioxide is stored underground. The hydrogen would be transported via a North Sea pipeline to Germany, where it could be used e.g. for power generation. In addition, RWE and Equinor are considering building offshore wind farms and electrolyzers near the North Sea pipeline, so green hydrogen, which is expected to slowly replace blue hydrogen, can be fed into it. Furthermore, there are plans to potentially collaborate with Equinor on building hydrogen capable gas-fired power stations at German sites. Wind energy projects in Norway and Germany that are exclusively focused on power generation are also on the cards. The realisation of these major joint ventures is largely contingent on the completion of the aforementioned North Sea pipeline. Furthermore, this requires that Germany have a suitable regulatory framework for investments in new gas-fired power plants as well as sufficient hydrogen infrastructure.

Emsland nuclear plant taken off the grid. On 15 April, our last German nuclear power station went offline. The Emsland plant near Lingen had a net capacity of 1,336 MW and had been used to securely produce zero-carbon electricity since 1988. It was one of three German nuclear power plants that was still online in 2023. Originally, the assets should have been decommissioned at the end of last year in line with the German nuclear phaseout. However, the German government delayed regulatory decommissioning by three-and-a-half months to mid-April to ensure security of supply in the 2022 / 2023 winter.

Dividend of €0.90 per share paid. The Annual General Meeting of RWE AG held on 4 May approved the dividend proposed by the Executive Board and the Supervisory Board for the past fiscal year by a substantial majority. We therefore paid a dividend of €0.90 per share on 9 May, which is equal to last year's dividend. The distribution increased to €669 million (previous year: €609 million) due to the capital increase mentioned on page 8 and the corresponding increase in the number of shares.

RWE issues two green bonds totalling €1 billion. To improve our fiscal headroom for growth investments, we issued two green bonds in February with a nominal value of €0.5 billion each. The notes have a respective term of six and twelve years with coupons of 3.625% and 4.125%. In total, RWE now has seven green bonds with a nominal volume of €4.85 billion outstanding. The funds raised through their issuance must be used for projects that benefit the environment and climate. We will use the proceeds for wind and solar projects.

After the period under review

RWE increases credit line volume to €10 billion. In July 2023, we signed a €5 billion syndicated credit line to support our commodity hedging activities. It was granted us by a consortium of 28 banks. The requested volume of €5 billion was well oversubscribed, a reflection of RWE's high creditworthiness and positive growth prospects. The new line of credit replaces an existing one of €3 billion. It has a maturity of one year, but we have the option to extend it twice by six months at a time. This gives us a total of three syndicated credit lines with an aggregate volume of €10 billion. In addition to the new facility, the company has lines of €3 billion and €2 billion, which run until April 2026. At our request, the conditions of all three lines of credit have been linked to sustainability criteria. They depend in part on the development of the three following key figures: the share of renewables in RWE's generation portfolio, the carbon intensity of our generation assets, and the percentage of capital expenditure classified as sustainable under the EU Taxonomy Regulation. We have established goals for all three criteria. If we do not achieve them, we will pay higher interest rates and commitment fees. Half of the additional expenditure would be donated to non-profit organisations.

Katja van Doren the new Chief Human Resources Officer at RWE AG. On 1 August 2023, Katja van Doren took office as Chief Human Resources Officer and Labour Director of RWE AG. Her Executive Board mandate also includes responsibility for IT, Internal Audit and Safety. She succeeds Zvezdana Seeger, whose Executive Board contract was not extended at her own request. Katja van Doren studied business, before working for KPMG as an auditor and tax consultant. She then moved to RWE in 1999 and joined the Board of RWE Generation at the beginning of 2018, where she was responsible for Finance and HR.

Commentary on reporting

Group structure features five segments. We distinguish between five segments when reporting RWE's business performance, the first four of which constitute the core business. The segments are defined as follows:

1. Offshore Wind: We present our offshore wind business here. It is overseen by RWE Offshore Wind.

2. Onshore Wind / Solar: This is the segment in which we report on our onshore wind and solar business as well as parts of our battery storage operations. Depending on the continent, responsibility for these activities is assumed by either RWE Renewables Europe & Australia (formerly 'RWE Renewables') or RWE Clean Energy, which is active in America.

3. Hydro / Biomass / Gas: This segment encompasses our run-of-river, pumped storage, biomass and gas power stations. It also includes the hard coal and biomass-fired Dutch Amer 9 and Eemshaven power plants as well as stand-alone battery storage systems. Furthermore, the project management and engineering consulting company RWE Technology International and our 37.9% stake in Austrian energy utility KELAG are assigned to this segment. RWE Generation is the overarching management company for the segment and is also responsible for the design and implementation of our hydrogen strategy.

4. Supply & Trading: The main business in this segment is proprietary trading of energy commodities. This activity is overseen by the Group company RWE Supply & Trading, which also acts as an intermediary for gas, supplies key accounts with energy, and undertakes a number of additional trading-related activities. In addition, the company is responsible for selling the majority of the electricity we produce and procuring the fuel and emission allowances we need to generate electricity. Our LNG infrastructure construction activities and our gas storage business also form part of this segment.

5. Coal / Nuclear: This is where we report our non-core business, which primarily consists of our lignite production and lignite-fired electricity generation in the Rhenish mining region to the west of Cologne. In addition, the segment also subsumes our nuclear operations, including our stakes in Dutch nuclear power plant operator EPZ (30%) and Germany-based URANIT (50%), which holds a 33% share in uranium enrichment specialist Urenco. These lines of business are operationally overseen by RWE Power.

Companies with cross-segment tasks such as the corporate headquarters RWE AG, as well as balance sheet effects from the consolidation of Group activities are reported as part of the core business under 'other, consolidation'. This line item also includes our 25.1% stake in German transmission system operator Amprion and our 15% stake in E.ON. However, the dividends we receive from E.ON are recognised in the financial result.

Prior-year figures adjusted due to reallocation of effects on income. Over the course of the last year and at the beginning of 2023, we reallocated certain earnings-relevant factors in the reconciliation of adjusted EBITDA to net income. We therefore restated specific figures for 2022. These adjustments are set out and explained below:

- In light of sanctions against Russia, we stopped sourcing hard coal from Russian producers in the spring of 2022 and recognised an impairment on the affected contracts for deliveries. After all supply volumes had been settled, associated charges came to €748 million. We considered these effects in the non-operating result in our reporting over the course of last year. In the consolidated financial statements as at 31 December 2022, we then recognised them in adjusted EBITDA for our Supply & Trading segment and are now also retroactively doing so for the 2022 interim statements.

- Last year, a retroactive levy on excess profits was applied in Italy for the period between 1 October 2021 and 30 April 2022, which affected our Onshore Wind / Solar segment. In 2022, the levy was initially recognised in full under adjusted EBITDA. The consolidated financial statements as at 31 December 2022 recognised the portion of the levy that was economically attributable to 2021 as an aperiodic effect within the non-operating result. This change has now also been applied retroactively to the interim reporting of the previous year.
- Since the interim statement for the first three quarters of 2022, temporary gains and losses, resulting from the valuation of currency derivatives used for hedging purposes, have no longer been reported as part of the adjusted financial result, but are recognised in the non-operating result. Our reporting for the first half of 2023 will be based on appropriately restated prior-year figures.
- Until recently, changes in the market value of money market funds were accounted for in the non-operating result. For reasons of consistency, we now recognise them as part of the adjusted financial result, where we also recognise income from these funds. This change became effective as of 1 January 2023 and has led to the restatement of all financial statements for the prior year.

We have also made retroactive changes to reporting which have affected external revenue. These are explained below:

- A methodological change was made in relation to contracts for difference (CfDs) for supporting renewable assets. Depending on their conditions, the CfDs guarantee generators a fixed electricity price. If generators achieve a higher market price, they must pay back the difference. In the consolidated financial statements as at 31 December 2022, we recognise such payments in the cost of materials and not in revenue. We have therefore restated the prior-year figures accordingly in this 2023 interim report. This has had a revenue-increasing effect. Income, however, remains unchanged.

- The way in which compensation in relation to redispatch measures is reported has also changed. These measures refer to interventions by transmission system operators in the operation of power plants to protect grids from congestion. A claim for compensation arises when plant operators are required by grid operators to ramp-down production. Previously, we did not recognise this compensation in revenue, however from 2023 onwards and retroactively for 2022, we will now do so.
- Special levies on power generation companies' revenues were introduced in many European countries last year. Depending on their specific characteristics, we reported them as reducing revenue or increasing the cost of materials. We changed this reporting approach in the consolidated financial statements as at 31 December 2022 by uniformly including these levies in other operating expenses. We have now made the same adjustment to last year's interim reporting.

Forward-looking statements. This interim 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. Despite this, actual developments can deviate from the prognoses, for instance if underlying assumptions do not materialise or unforeseen risks arise. Therefore, we cannot assume responsibility for the correctness of forward-looking statements.

Business performance

Power generation January – June	Renewables		Pumped storage, batteries		Gas		Lignite		Hard coal		Nuclear		Total ¹	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
GWh														
Offshore Wind	5,247	4,837	-	-	-	-	-	-	-	-	-	-	5,247	4,837
Onshore Wind / Solar	13,760	10,588 ²	-	-	-	-	-	-	-	-	-	-	13,760	10,588 ²
Hydro / Biomass / Gas	2,990	3,125	76	8	21,573	26,244	-	-	2,871	2,598	-	-	27,594	32,071
of which:														
Germany	957	841	76	8	2,686	2,858	-	-	-	-	-	-	3,803	3,803
United Kingdom	261	275	-	-	15,540	20,205	-	-	-	-	-	-	15,801	20,480
Netherlands	1,772	2,009	-	-	2,461	1,972	-	-	2,871	2,598	-	-	7,104	6,579
Türkiye	-	-	-	-	886	1,209	-	-	-	-	-	-	886	1,209
Coal / Nuclear	12	8	-	-	53	72	18,280	24,420	-	-	2,610	5,555	21,077	30,162
RWE Group	22,009	18,558²	76	8	21,626	26,316	18,280	24,420	2,871	2,598	2,610	5,555	67,678	77,658²

1 Including production volumes not attributable to any of the energy sources mentioned (e.g. electricity from waste-to-energy plants).

2 Adjusted figure.

Electricity production down – renewables post strong gain. RWE generated 67,678 GWh of electricity in the first half of 2023. This was 13% below the year-earlier level despite a significant rise posted by renewables. The generation of our German lignite-fired power plants and our UK gas-fired power stations declined due to market conditions. In addition, our lignite-fired assets experienced prolonged planned outages for maintenance. Nuclear power production also decreased, because our last German nuclear power station, Emsland, only operated on reduced capacity during the period under review and was shut down on 15 April 2023 (see page 10).

By contrast, electricity generation from renewables was up 19%. We registered a gain above all in solar power, which resulted in generation volumes increasing fivefold. This growth was largely driven by our acquisition of US energy firm Con Edison Clean Energy Businesses, which we included in our reporting as of 1 March 2023. Wind power production recorded a 4% increase despite unfavourable weather conditions. Here, we benefited from the commissioning of a number of large-scale wind farms in 2022 / 2023, including Triton Knoll (857 MW) and Kaskasi (342 MW) in the North Sea, as well as El Algodon Alto (200 MW) and Blackjack Creek (240 MW) in Texas.

Power generation from renewables January – June	Offshore Wind		Onshore Wind		Solar		Hydro		Biomass		Total	
GWh	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Germany	978	945	638	610	9	1	957	841	-	-	2,582	2,397
United Kingdom	4,176	3,793	847	1,002	-	-	74	77	187	198	5,284	5,070
Netherlands	-	-	478	494	14	12	16	14	1,756	1,995	2,264	2,515
Poland	-	-	607	654	14	-	-	-	-	-	621	654
Spain	-	-	472	468	113	47	-	5	-	-	585	520
Italy	-	-	519	565	-	-	-	-	-	-	519	565
Sweden	94	99	140	166	-	-	-	-	-	-	234	265
USA	-	-	6,075	5,816	3,382	398	-	-	-	-	9,457	6,214
Australia	-	-	-	-	225	252 ¹	-	-	-	-	225	252 ¹
Rest of the world	-	-	175	65	63	41	-	-	-	-	238	106
RWE Group	5,248	4,837	9,951	9,840	3,820	751¹	1,047	937	1,943	2,193	22,009	18,558¹

1 Adjusted figure.

In addition to our in-house generation, we procure electricity from external suppliers. In the period being reviewed, these purchases totalled 13,732 GWh (previous year: 18,867 GWh). In-house production and power purchases combined for 81,410 GWh (previous year: 96,525 GWh).

Electricity and gas sales 15% and 10% lower year on year. RWE sold 78,548 GWh of electricity and 19,985 GWh of gas in the first half of the year. These volumes are primarily attributable to our subsidiary RWE Supply & Trading, which markets the majority of our electricity generation and manages our gas business. We sold 15% less of our main product, electricity, versus 2022. This is in part due to the drop in production volumes and the developments that caused it. In our gas business, deliveries were down 10%, which is attributable to lower demand from companies we supply due to persistently high energy prices.

External revenue ¹ € million	Jan – Jun 2023	Jan – Jun 2022	+ / -	Jan – Dec 2022
Offshore Wind	727	601	126	1,401
Onshore Wind / Solar	921	1,145	-224	2,232
Hydro / Biomass / Gas	630	876	-246	1,830
Supply & Trading	12,212	13,212	-1,000	31,959
Other, consolidation	-	-	-	-
Core business	14,490	15,834	-1,344	37,422
Coal / Nuclear	395	469	-74	944
RWE Group (excluding natural gas tax / electricity tax)	14,885	16,303	-1,418	38,366
of which:				
Electricity revenue	13,189	13,152	37	31,027
Gas revenue	979	2,230	-1,251	4,633

1 Some prior-year figures restated; see commentary on page 12 et seq.

Electricity revenue stable – gas revenue clearly down. Our external revenue (excluding natural gas tax / electricity tax) decreased by 9% to €14,885 million. Electricity revenue totalled €13,189 million. Despite lower generation volumes, it was roughly on a par year on year. What came to bear here is that we sell forward a large portion of our generation up to three years in advance and we achieved much higher prices through such transactions for 2023 than for 2022. This is why the recent drop in electricity quotations only had a minor impact on revenue. Conversely, our gas revenue experienced a price-driven 56% decline to €979 million.

At 21%, the share of our coal-related business in revenue was slightly higher than the previous year (18%), although we produced much less electricity from lignite, and CO₂ emissions decreased accordingly. This was because we realised higher prices above all from forward sales of electricity produced by our lignite-fired power stations, which offset the volume effect.

Internal revenue € million	Jan – Jun 2023	Jan – Jun 2022	+ / -	Jan – Dec 2022
Offshore Wind	410	361	49	721
Onshore Wind / Solar	383	290	93	476
Hydro / Biomass / Gas	5,952	4,114	1,838	11,092
Supply & Trading	5,706	4,678	1,028	9,947
Other, consolidation	-10,467	-8,241	-2,226	-20,831
Core business	1,984	1,202	782	1,405
Coal / Nuclear	2,541	2,237	304	5,483

Adjusted EBITDA significantly up year on year. In the first six months of 2023, our adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) amounted to €4,540 million. This represents a rise of €2,416 million compared to last year's corresponding figure, which was restated retrospectively and now also contains the impairment that we had to recognise for coal purchasing agreements with Russian producers in 2022 (see page 12). Besides the non-recurrence of this charge, significant income from the short-term optimisation of power plant dispatch and an outstanding trading performance also contributed to the increase in earnings. In addition, we benefited from the commissioning of new wind and solar farms as well as the first-time recognition of US-based Con Edison Clean Energy Businesses, which we acquired on 1 March 2023. Earnings contributed by German transmission system operator Amprion (RWE stake: 25.1%) reported in 'other, consolidation' were exceptionally high for this period due to a federal subsidy. The state funds are to cover additional expenses for system-related services over the course of the year. Therefore, Amprion's earnings should normalise by the end of 2023.

In view of the unexpectedly good earnings in the core business, we raised our earnings forecast for the current fiscal year. More detailed information on this can be found on page 25.

Adjusted EBITDA¹ € million	Jan – Jun 2023	Jan – Jun 2022	+/-	Jan – Dec 2022
Offshore Wind	762	632	130	1,412
Onshore Wind / Solar	519	505	14	827
Hydro / Biomass / Gas	1,939	755	1,184	2,369
Supply & Trading	799	-203	1,002	1,161
Other, consolidation	90	-66	156	-210
Core business	4,109	1,623	2,486	5,559
Coal / Nuclear	431	501	-70	751
RWE Group	4,540	2,124	2,416	6,310

1. Some prior-year figures restated; see commentary on page 12 et seq.

Earnings by segment developed as follows:

- **Offshore Wind:** Here, we grew adjusted EBITDA by €130 million to €762 million. This is partly due to our two new North Sea wind farms, Triton Knoll (857 MW) and Kaskasi (342 MW), which were completed in April and December 2022. Furthermore, we realised higher electricity prices than a year before. We had sold forward a portion of the generation of our offshore wind farms early on, when prices exceeded the current level. There were, however, also negative contributing factors, first and foremost unfavourable wind conditions as well as rising operational and development costs.
- **Onshore Wind / Solar:** Adjusted EBITDA in this segment increased by €14 million to €519 million, with the first-time consolidation of Con Edison Clean Energy Businesses as of 1 March 2023 positively affecting earnings to the tune of €175 million. Moreover, we benefited from the commissioning of new wind and solar farms. However, we were hit by lower realised electricity prices and less favourable wind conditions, as well as rising operational and development costs.

- **Hydro / Biomass / Gas:** We recorded exceptionally high adjusted EBITDA of €1,939 million (previous year: €755 million) here. This was largely attributable to a strong rise in income from the short-term optimisation of our power plant dispatch along with improved margins on electricity forward sales. Moreover, we recorded proceeds from the sale of former power plant sites.
- **Supply & Trading:** At €799 million, adjusted EBITDA registered by this segment was also unexpectedly high. Both our very good trading performance and the significantly improved earnings situation in the gas business came to bear. By contrast, the previous year's earnings (-€203 million) were dampened by the aforementioned €748 million impairment recognised for Russian hard coal supply contracts.
- **Coal / Nuclear:** In our non-core business, adjusted EBITDA decreased by €70 million to €431 million. During the period under review, our lignite-fired power stations were faced with less favourable market conditions than in 2022. This mainly affected assets for which production was not hedged. By contrast, the portion of our generation which we had sold forward early achieved better margins. Charges also resulted from extensive maintenance. In addition, Emsland nuclear power plant only contributed to earnings until it was shut down on 15 April 2023.

Adjusted EBIT¹ € million	Jan – Jun 2023	Jan – Jun 2022	+/-	Jan – Dec 2022
Offshore Wind	411	334	77	836
Onshore Wind / Solar	187	281	-94	370
Hydro / Biomass / Gas	1,699	595	1,104	2,005
Supply & Trading	776	-222	998	1,111
Other, consolidation	89	-65	154	-210
Core business	3,162	923	2,239	4,112
Coal / Nuclear	344	448	-104	456
RWE Group	3,506	1,371	2,135	4,568

1 Some prior-year figures restated; see commentary on page 12 et seq.

Reconciliation to net income¹ € million	Jan – Jun 2023	Jan – Jun 2022	+/-	Jan – Dec 2022
Adjusted EBIT	3,506	1,371	2,135	4,568
Adjusted financial result	-121	-124	3	-417
Non-operating result	-870	1,330	-2,200	-3,436
Income before tax	2,515	2,577	-62	715
Taxes on income	-446	-385	-61	2,277
Income	2,069	2,192	-123	2,992
of which:				
Non-controlling interests	76	109	-33	275
Net income / income attributable to RWE AG shareholders	1,993	2,083	-90	2,717

1 Some prior-year figures restated; see commentary on page 12 et seq.

Adjusted EBIT up to €3.5 billion. Adjusted EBIT totalled €3,506 million compared to €1,371 million in the first six months of last year. This figure differs from adjusted EBITDA in that it includes operating depreciation and amortisation, which amounted to €1,034 million in the period under review (previous year: €753 million).

Reconciliation to net income marked by negative one-off effects. The reconciliation from adjusted EBIT to net income was characterised by a substantial decline in the non-operating result, which was caused in part by impairments in the lignite business. We present the development of the reconciliation items as follows.

Adjusted financial result¹ € million	Jan – Jun 2023	Jan – Jun 2022	+/-	Jan – Dec 2022
Interest income	437	232	205	356
Interest expenses	-482	-221	-261	-581
Net interest	-45	11	-56	-225
Interest accretion to non-current provisions	-215	-65	-150	-149
Other financial result	139	-70	209	-43
Adjusted financial result	-121	-124	3	-417

1 Some prior-year figures restated; see commentary on page 12 et seq. All items in the table have been adjusted.

Non-operating result¹ € million	Jan – Jun 2023	Jan – Jun 2022	+/-	Jan – Dec 2022
Adjustments to EBIT	-910	865	-1,775	-4,680
of which:				
Disposal result	-2	-1	-1	-
Effects on income from the valuation of derivatives	605	1,062	-457	-4,195
Other	-1,513	-196	-1,317	-485
Adjustments to the financial result	40	465	-425	1,244
Non-operating result	-870	1,330	-2,200	-3,436

1 Some prior-year figures restated; see commentary on page 12 et seq.

At –€121 million, our adjusted financial result essentially matched last year's figure of –€124 million. The rise in market interest rates triggered a number of developments, which largely netted each other out. The components of the financial result changed as follows:

- Net interest declined by €56 million, in part due to the increased volume of RWE bonds outstanding. Elevated interest rates caused the cost of short-term hedge financing to rise and bank deposits to earn higher yields.
- Burdens on earnings from the interest accretion to non-current provisions rose by €150 million. The increased interest rates, among other things, came to bear here.
- The other financial result rose by €209 million. In the period being reviewed, we no longer had to pay negative interest rates for our bank deposits. Furthermore, the return on our investments in money market funds improved.

The non-operating result, in which we recognise certain factors which are not related to operations or the period being reviewed, declined by €2,200 million to –€870 million. Its main items developed as follows:

- The adjustments made to EBIT curtailed earnings by €910 million, having bolstered them by €865 million in the previous year. One reason for this was the significant deterioration of items reported under 'other', where we account for impairments relating to our lignite-fired power plants and opencast mines. In the period under review, these adjustments amounted to €1.1 billion and are attributable to the most recent market developments, i.e. the decline in electricity prices, contrasted by the persistently very high price of CO₂ emission allowances. The impairment reversed write-backs resulting from the extremely high electricity prices in 2022. At €605 million, effects on earnings from the valuation of derivatives were positive but failed to match the prior-year level (€1,062 million).
- Adjustments to the financial result came to €40 million. The prior-year figure was substantially higher due to extraordinary effects (€465 million): an increase in discount rates used to calculate mining and nuclear provisions reduced the present value of obligations, leading to a substantial earnings contribution.

Income before tax amounted to €2,515 million (previous year: €2,577 million). Taxes on income totalled €446 million, which corresponds to an effective tax rate of 18%. This figure comes close to the expected rate of 20% which we established, having taken account of projected income in our markets, local tax rates, and the use of loss carryforwards.

At €76 million, non-controlling interests were €33 million down on last year, driven mainly by reduced earnings from UK offshore wind farms in which third parties own minority shareholdings.

Our net income, which reflects income attributable to RWE shareholders, amounted to €1,993 million. This represents a slight decline compared to 2022 (€2,083 million).

Reconciliation to adjusted net income ¹ € million	Jan – Jun 2023	Jan – Jun 2022	+/-	Jan – Dec 2022
Income before financial result and taxes	2,596	2,236	360	-112
Adjustments to EBIT	910	-865	1,775	4,680
Adjusted EBIT	3,506	1,371	2,135	4,568
Financial result	-81	341	-422	827
Adjustments to the financial result	-40	-465	425	-1,244
Taxes on income	-446	-385	-61	2,277
Adjustments to taxes on income to a tax rate of 20% or 15% (previous year)	-231	197	-428	-2,900
Non-controlling interests	-76	-109	33	-275
Adjusted net income	2,632	950	1,682	3,253

1 Some prior-year figures restated; see commentary on page 12 et seq.

Adjusted net income increases to €2.6 billion. Adjusted net income rose by €1,682 million to €2,632 million. To calculate this figure, we eliminated the non-operating result from the reconciliation statement and applied the aforementioned pre-established tax rate of 20% (previous year: 15%) instead of the effective tax rate. The significant improvement relative to 2022 was due to the good business performance. Moreover, last year's figure was curtailed by the impairment recognised for coal purchase agreements mentioned earlier.

Adjusted net income per share totalled €3.54, based on 743.8 million RWE shares outstanding. The new shares from the conversion of the mandatory convertible bond issued to Qatar Holding have been recognised in full. Adjusted net income per share in the first half of 2022 (€1.40) had been determined based on 676.2 million RWE shares outstanding.

Investments focus on renewable energy expansion. In the first six months of 2023, our capital expenditure totalled €6,562 million, which was significantly more than in the same period last year (€2,154 million). Our capex on acquisitions and financial assets was exceptionally high, totalling €4,681 million (previous year: €861 million). The majority of the funds was used to purchase Con Edison Clean Energy Businesses in the USA (€3,695 million) as well as financing the acquisition of UK solar developer JBM Solar and Dutch gas-fired power plant Magnum. We dedicated €1,881 million to property, plant and equipment and intangible assets (previous year: €1,293 million). The lion's share was invested in wind and solar projects in Europe and the USA. Our single-largest expenditure item was the construction of the Sofia wind farm in the British North Sea. We also allocated funds to building LNG and hydrogen infrastructure in Germany.

Of the investments made during the period under review, 90% were 'taxonomy-aligned', meaning that these funds were spent on activities classified as sustainable under the EU Taxonomy Regulation. This percentage is based on total capital expenditure of €8,476 million. The difference to the amount stated above (€6,562 million) results from the fact that non-cash transactions are also taxonomy-relevant and that balance sheet values of assets acquired are considered instead of acquisition expenditure.

Capital expenditure on property, plant and equipment and on intangible assets¹ € million	Jan – Jun 2023	Jan – Jun 2022	+/-	Jan – Dec 2022
Offshore Wind	556	380	176	1,029
Onshore Wind / Solar	895	659	236	1,580
Hydro / Biomass / Gas	207	151	56	424
Supply & Trading	94	17	77	42
Other, consolidation	-	-	-	-
Core business	1,752	1,207	545	3,075
Coal / Nuclear	129	86	43	228
RWE Group	1,881	1,293	588	3,303

1. Table only shows cash investments.

Capital expenditure on financial assets and acquisitions¹ € million	Jan – Jun 2023	Jan – Jun 2022	+/-	Jan – Dec 2022
Offshore Wind	92	754	-662	847
Onshore Wind / Solar	4,124	97	4,027	256
Hydro / Biomass / Gas	431	7	424	68
Supply & Trading	34	3	31	9
Other, consolidation	-	-	-	1
Core business	4,681	861	3,820	1,181
Coal / Nuclear	-	-	-	-
RWE Group	4,681	861	3,820	1,181

1. Table only shows cash investments.

Cash flow statement € million	Jan – Jun 2023	Jan – Jun 2022	+/-	Jan – Dec 2022
Funds from operations	-1,094	5,439	-6,533	5,306
Change in working capital	3,107	-2,534	5,641	-2,900
Cash flows from operating activities	2,013	2,905	-892	2,406
Cash flows from investing activities	-754	-2,105	1,351	-9,892
Cash flows from financing activities	214	-2,009	2,223	8,615
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	72	-1	73	34
Total net changes in cash and cash equivalents	1,545	-1,210	2,755	1,163
Cash flows from operating activities	2,013	2,905	-892	2,406
Minus capital expenditure	-6,562	-2,154	-4,408	-4,484
Plus proceeds from divestitures / asset disposals	114	41	73	110
Free cash flow	-4,435	792	-5,227	-1,968

Operating cash flow down to €2.0 billion. Our cash flows from operating activities amounted to €2,013 million, declining by €892 million despite improved earnings. This was in part because we received far fewer variation margins on commodity derivatives than during the first half of 2022. Variation margins are sureties for exchange-traded futures contracts pledged during the term of the contracts. Additional price-related expenses for the procurement of CO₂ emission allowances also contributed to the decline in operating cash flow. Proceeds on sales of stored gas had a positive effect. By contrast, in the first half of 2022 we injected more gas into storage than we took out, and paid exorbitant prices for gas purchases owing to the uncertainty of supply after the start of the war in Ukraine.

Cash flows from investing activities totalled –€754 million (previous year: –€2,105 million). The acquisition of Con Edison Clean Energy Businesses, JBM Solar, and the Magnum gas-fired power plant resulted in significant cash outflows. However, we also achieved high proceeds on the sale of fixed-interest securities.

Financing activities led to a cash flow of €214 million (previous year: –€2,009 million) although we settled large amounts of short-term bank debt. Repayments were contrasted by substantial income from initial margins and collateral. Unlike variation margins, these sureties are reported in cash flows from financing activities. Further cash inflows came from the two green bonds we issued in February 2023 at €0.5 billion each (see page 10).

On balance, the aforementioned developments increased our cash and cash equivalents by €1,545 million.

Cash flows from operating activities, less capital expenditure, plus proceeds from divestments and asset disposals, result in free cash flow. This came to –€4,435 million, which was clearly below last year's corresponding figure (€792 million).

Net debt of €5.9 billion. As of 30 June 2023, we reported net debt of €5,916 million, having recorded net cash of €1,630 million at the end of 2022. The aforementioned purchases, in particular the acquisition of Con Edison Clean Energy Businesses, were pivotal to this development. Our capital expenditure on property, plant and equipment and intangible assets and the dividend paid on 9 May 2023 also added to the rise in net debt, whereas operating cash flow had a counteractive effect.

Net debt / net cash¹ € million	30 Jun 2023	31 Dec 2022	+/-
Cash and cash equivalents	8,523	6,988	1,535
Marketable securities	8,175	13,730	-5,555
Other financial assets	3,964	8,543	-4,579
Financial assets	20,662	29,261	-8,599
Bonds, other notes payable, bank debt, commercial paper	-14,764	-15,621	857
Hedging of bond currency risk	3	8	-5
Other financial liabilities	-5,155	-5,382	227
Financial liabilities	-19,916	-20,995	1,079
Plus 50% of the hybrid capital stated as debt	289	299	-10
Net financial assets	1,035	8,565	-7,530
Provisions for pensions and similar obligations	-964	-900	-64
Surplus of plan assets over benefit obligations	579	680	-101
Provisions for nuclear waste management	-5,502	-5,704	202
Provisions for dismantling wind and solar farms	-1,064	-1,011	-53
Net debt (-) / net cash (+)	-5,916	1,630	-7,546

1 Mining provisions are not included in net debt. The same holds true for the assets which we attribute to them. At present, this includes our 15% stake in E.ON and our claim for state compensation for the German lignite phaseout.

Equity ratio rises to 30%. The balance-sheet total in the half-year financial statements is €114.2 billion compared to €138.5 billion in the consolidated financial statements for the period ended 31 December 2022. The main reason for the decline was the development of the value of commodity derivatives, which was down €20.4 billion to €28.2 billion on the assets side and down €27.9 billion to €24.8 billion on the equity and liabilities side.

Marketable securities also lost value, to the tune of €5.7 billion. By contrast, intangible assets as well as property, plant and equipment were up €7.6 billion, due in part to the acquisition of Con Edison Clean Energy Businesses. Equity advanced by €4.8 billion to €34.1 billion. Its share of the balance-sheet total (equity ratio) was 29.9%. This is 8.8 percentage points more than at the end of 2022.

Group balance sheet structure	30 Jun 2023		31 Dec 2022			30 Jun 2023		31 Dec 2022	
	€ million	%	€ million	%		€ million	%	€ million	%
Assets					Equity and liabilities				
Non-current assets	51,333	44.9	42,286	30.5	Equity	34,117	29.9	29,279	21.1
of which:					Non-current liabilities	34,743	30.4	29,584	21.4
Intangible assets	10,017	8.8	5,668	4.1	of which:				
Property, plant and equipment	27,047	23.7	23,749	17.1	Provisions	16,049	14.1	15,595	11.3
Current assets	62,883	55.1	96,262	69.5	Financial liabilities	12,782	11.2	9,789	7.1
of which:					Current liabilities	45,356	39.7	79,685	57.5
Trade accounts receivable	8,307	7.3	9,946	7.2	of which:				
Derivatives, other receivables and other assets	35,214	30.8	61,035	44.1	Provisions	4,840	4.2	6,489	4.7
Marketable securities	7,802	6.8	13,468	9.7	Financial liabilities	7,137	6.2	11,214	8.1
Assets held for sale	938	0.8	619	0.4	Trade accounts payable	6,862	6.0	7,464	5.4
					Derivatives and other liabilities	26,452	23.2	54,518	39.3
Total	114,216	100.0	138,548	100.0	Liabilities held for sale	65	0.1	-	-
					Total	114,216	100.0	138,548	100.0

Workforce¹	30 Jun 2023	31 Dec 2022	+ / -
Offshore Wind	2,143	1,663	480
Onshore Wind / Solar	3,166	2,509	657
Hydro / Biomass / Gas	2,936	2,691	245
Supply & Trading	2,082	1,965	117
Other ²	522	499	23
Core business	10,849	9,327	1,522
Coal / Nuclear	8,853	8,983	- 130
RWE Group	19,702	18,310	1,392

1 Converted to full-time positions.

2 This item currently only comprises employees of the holding company RWE AG.

Headcount markedly up thanks to green growth. As of 30 June 2023, the RWE Group had 19,702 people on its payroll, of which 13,254 were employed in Germany and 6,448 worked at locations abroad. These figures are full-time equivalents, meaning that part-time positions are considered on a pro-rata basis. Personnel numbers were significantly up compared to the end of 2022, increasing by 1,392 at the Group level and as much as 1,522 full-time equivalents in the core business. The acquisition of Con Edison Clean Energy Businesses (+ 471) played a major role. Growth projects in the field of renewable energy also drove up headcount. The rise in the core business was contrasted by a marginal decline in the Coal / Nuclear segment (- 130) where employees accepted partial and early retirement offers e.g. as part of the German coal phaseout.

Outlook for 2023

Forecast 2023 € million	Updated forecast	Previous forecast ¹	2022 actual
Adjusted EBITDA	7,100 – 7,700	5,800 – 6,400	6,310
of which:			
Core business	6,300 – 6,900	4,800 – 5,400	5,559
of which:			
Offshore Wind	1,400 – 1,800	1,400 – 1,800	1,412
Onshore Wind / Solar	1,100 – 1,500	1,100 – 1,500	827
Hydro / Biomass / Gas	2,600 – 3,000	1,750 – 2,150	2,369
Supply & Trading	Significantly above 600	300 – 600	1,161
Coal / Nuclear	800 – 1,200	800 – 1,200	751
Adjusted EBIT	5,000 – 5,600	3,600 – 4,200	4,568
Adjusted net income	3,300 – 3,800	2,200 – 2,700	3,253 ²

1 See page 63 et seq. of the 2022 Annual Report.

2 Figure restated; see commentary on page 12 et seq.

RWE raises earnings forecast for 2023. Our earnings this year will most likely be higher than reported in our 2022 Annual Report on page 63 et seq. In July, we updated our earnings forecast. The new figures are shown in the table above. In terms of adjusted EBITDA, we now expect to achieve a figure between €7.1 billion and €7.7 billion for the Group as a whole (previously: €5.8 billion and €6.4 billion) and €6.3 billion and €6.9 billion for our core business (previously: €4.8 billion and €5.4 billion). Strong earnings from the short-term optimisation of our generation portfolio and a very successful performance from our trading and gas business have played a key part. Due to the aforementioned factors, the earnings prospects of our Hydro / Biomass / Gas and Supply & Trading segments improved substantially.

With operating depreciation and amortisation projected to total around €2.1 billion, the Group's adjusted EBIT should be between €5.0 billion and €5.6 billion (previously: €3.6 billion to €4.2 billion). We have lifted the outlook for adjusted net income to between €3.3 billion and €3.8 billion (previously: €2.2 billion to €2.7 billion).

Capex on property, plant and equipment up on 2022. We confirm our forecast for capital expenditure, which will be markedly up on 2022 (€4.5 billion). Although this is largely attributable to the acquisition of Con Edison CEB, we are also significantly increasing our capital expenditure on property, plant and equipment and intangible assets. The majority of these investments will be dedicated to wind, solar, battery, LNG and hydrogen projects. Our largest single item of expenditure is the construction of the Sofia wind farm in the British North Sea.

Leverage factor stays below upper limit of 3.0. As explained on page 22, our net debt increased from –€1.6 billion in late 2022 to €5.9 billion during the first half of 2023. We expect this figure to remain significantly above zero through to the end of 2023. The same goes for the leverage factor, which shows the ratio of net debt to adjusted EBITDA for our core business. However, we remain confident that the leverage factor will stay well below 3.0, which is the upper limit we set for it.

Dividend for fiscal 2023. The Executive Board of RWE AG continues to aim to pay a dividend of €1.00 per share for the 2023 financial year. This is an increase of €0.10 over the distribution of profits for 2022.

Current assessment of risk exposure

Risk exposure of the Group largely unchanged. Information on the structure and processes of our risk management, the responsible organisational units, the major risks and opportunities as well as our measures to control and monitor risks is presented on page 65 et seqq. of our 2022 Annual Report. It reflects the knowledge we had as of March 2023.

We break down our risks by cause into the seven following classes: (1) market risks, (2) regulatory and political risks, (3) legal risks, (4) operational risks, (5) financial risks, (6) creditworthiness of business partners, and (7) other risks. We assess the risks in each of these classes, based on the highest individual risk. The categories are 'low', 'medium' and 'high'. We assess risks twice a year, using a bottom-up analysis. The most recent assessment in the second quarter of 2023 gave us no cause to assess major elements of the risk exposure of the Group differently than at March 2023. We continue to see classes (1) and (2) as harbouring our greatest risk factors.

We categorise our market risks (1) as 'high' given that a sustained drop in prices on wholesale electricity markets could see future earnings fall well below expectations. However, we have also identified opportunities: changes in prices caused by the increasingly tight market as well as volatile feed-ins of wind and solar power enable us to commercially optimise the use of our flexible power plants. Our regulatory and political risks (2) are also high. The need to restructure the electricity market in the context of the energy transition has been on the cards for years. In the long term, there is a risk that the market could be redesigned to accommodate a more state-regulated energy industry where revenues are capped. If this were to happen, earnings would be curtailed substantially.

Despite the uncertainties touched on above, we do not currently foresee any developments that would undermine the viability of RWE AG or the RWE Group.

Risk indicators in the first half of 2023. We manage commodity price and financial market risks using indicators such as the Value at Risk, Cash Flow at Risk and sensitivities.

The risk exposure of the trading operations of RWE Supply & Trading is measured using the Value at Risk (VaR). It 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 calculated using a confidence interval of 95% – with an observation period of one day. This means that, with a probability of 95%, the maximum daily loss does not exceed the VaR. The VaR for the price risks associated with commodity positions in the trading business is subject to a limit, which is currently €60 million. The actual daily figures usually remained significantly lower. The average for the first half of the year was €22 million.

The management of our gas portfolio and LNG business is pooled in a dedicated organisational unit at RWE Supply & Trading. These activities are also subject to a daily VaR ceiling, which is set at €40 million. The average of the actual VaR values for the first half of the year was €19 million.

The development of market interest rates is a major financial risk, because rising interest rates drive up our finance costs. We measure this risk using the Cash Flow at Risk (CFaR). In doing so, we apply a confidence level of 95% and a holding period of one year. In the first half of 2023, the average CFaR was €92 million.

If interest rates rise, we can suffer losses on the securities on our books – and vice versa. This primarily relates to fixed-interest bonds. We measure the securities price risk using a sensitivity analysis. This led to the following results as at the balance-sheet date: if market interest rates had increased by 100 basis points, the value of the bonds on our books would have dropped by €23 million.

Responsibility statement

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

Essen, 7 August 2023

The Executive Board



Krebber



Müller



van Doren

Interim consolidated financial statements (condensed)

Income statement

€ million	Apr – Jun 2023 ¹	Apr – Jun 2022 ¹	Jan – Jun 2023	Jan – Jun 2022
Revenue (including natural gas tax / electricity tax)^{2,4,5}	5,523	8,349	14,976	16,415
Natural gas tax / electricity tax	-47	-53	-91	-112
Revenue^{2,3,4,5}	5,476	8,296	14,885	16,303
Cost of materials ^{2,5}	-3,157	-8,207	-12,408	-15,777
Staff costs	-767	-634	-1,427	-1,325
Depreciation, amortisation and impairment losses	-1,591	-403	-2,085	-785
Other operating result ^{4,5}	191	238	3,251	3,733
Income from investments accounted for using the equity method	122	68	369	140
Other income from investments	20	-12	11	-53
Income before financial result and tax	294	-654	2,596	2,236
Financial income	657	958	1,177	1,440
Finance costs	-351	-456	-1,258	-1,099
Income before tax	600	-152	2,515	2,577
Taxes on income	-180	90	-446	-385
Income	420	-62	2,069	2,192
of which: non-controlling interests	25	21	76	109
of which: net income / income attributable to RWE AG shareholders	395	-83	1,993	2,083
Basic and diluted earnings per share in €	0.53	-0.12	2.68	3.08

1 Voluntary reporting of the quarterly figures for the period 1 April to 30 June 2023 and the prior-year quarter are not part of the audit review as of 30 June 2023.

2 Prior-year figures restated due to a change in the reporting of amounts from CfDs (see page 139 of the 2022 RWE Annual Report).

3 A presentation of revenue by product and segment can be found on page 16.

4 Prior-year figures restated due to a change in the reporting of compensation from redispatch measures (see page 35).

5 Prior-year figures restated due to a change in the reporting of special levies for power generation companies (see page 35).

Statement of comprehensive income

Figures stated after taxes – € million	Apr – Jun 2023 ¹	Apr – Jun 2022 ¹	Jan – Jun 2023	Jan – Jun 2022
Income	420	-62	2,069	2,192
Actuarial gains and losses of defined benefit pension plans and similar obligations	-95	381	-148	1,175
Income and expenses of investments accounted for using the equity method (pro-rata)	61	4	61	2
Fair valuation of equity instruments	90	-984	953	-1,606
Income and expenses recognised in equity, not to be reclassified through profit or loss	56	-599	866	-429
Currency translation adjustment	111	-44	173	-98
Fair valuation of debt instruments	1	-5	2	-12
Fair valuation of financial instruments used for hedging purposes	563	-472	4,651	-5,901
Income and expenses of investments accounted for using the equity method (pro-rata)	-29	10	-28	20
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	646	-511	4,798	-5,991
Other comprehensive income	702	-1,110	5,664	-6,420
Total comprehensive income	1,122	-1,172	7,733	-4,228
of which: attributable to RWE AG shareholders	1,050	-1,191	7,605	-4,351
of which: attributable to non-controlling interests	72	19	128	123

1. Voluntary reporting of the quarterly figures for the period 1 April to 30 June 2023 and the prior-year quarter are not part of the audit review as of 30 June 2023.

Balance sheet

Assets	30 Jun 2023	31 Dec 2022
€ million		
Non-current assets		
Intangible assets	10,017	5,668
Property, plant and equipment	27,047	23,749
Investments accounted for using the equity method	4,049	3,827
Other non-current financial assets	5,351	4,434
Derivatives, receivables and other assets	4,308	4,002
Deferred taxes	561	606
	51,333	42,286
Current assets		
Inventories	2,099	4,206
Trade accounts receivable	8,307	9,946
Derivatives, receivables and other assets	35,214	61,035
Marketable securities	7,802	13,468
Cash and cash equivalents	8,523	6,988
Assets held for sale	938	619
	62,883	96,262
	114,216	138,548

Equity and liabilities	30 Jun 2023	31 Dec 2022
€ million		
Equity		
RWE AG shareholders' interest	32,452	27,576
Non-controlling interests	1,665	1,703
	34,117	29,279
Non-current liabilities		
Provisions	16,049	15,595
Financial liabilities	12,782	9,789
Derivatives and other liabilities	2,865	2,419
Deferred taxes	3,047	1,781
	34,743	29,584
Current liabilities		
Provisions	4,840	6,489
Financial liabilities	7,137	11,214
Trade accounts payable	6,862	7,464
Derivatives and other liabilities	26,452	54,518
Liabilities held for sale	65	
	45,356	79,685
	114,216	138,548

Cash flow statement

€ million	Jan - Jun 2023	Jan - Jun 2022
Income	2,069	2,192
Depreciation, amortisation, impairment losses / write-backs	2,072	196
Changes in provisions	-1,431	-623
Deferred taxes / non-cash income and expenses / income from disposal of non-current assets and marketable securities	-3,804	3,674
Changes in working capital	3,107	-2,534
Cash flows from operating activities	2,013	2,905
Cash flows from investing activities	-754	-2,105
Cash flows from financing activities	214	-2,009
Net cash change in cash and cash equivalents	1,473	-1,209
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	72	-1
Net change in cash and cash equivalents	1,545	-1,210
Cash and cash equivalents at beginning of the reporting period	6,988	5,825
Cash and cash equivalents at end of the reporting period	8,533	4,615
of which: reported as 'Assets held for sale'	10	
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet	8,523	4,615

Statement of changes in equity

Statement of changes in equity € million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Accumulated other comprehensive income	RWE AG shareholders' interest	Non-controlling interests	Total
Balance at 1 Jan 2022	5,959	10,724	-1,415	15,268	1,748	17,016
Capital paid out					-5	-5
Dividends paid		-609		-609	-175	-784
Income		2,083		2,083	109	2,192
Other comprehensive income		-430	-6,004	-6,434	14	-6,420
Total comprehensive income		1,653	-6,004	-4,351	123	-4,228
Other changes		24	-2,560	-2,536	7	-2,529
Balance at 30 Jun 2022	5,959	11,792	-9,979	7,772	1,698	9,470
Balance at 1 Jan 2023	5,965	15,733	5,878	27,576	1,703	29,279
Capital paid in / paid out	2,428 ¹	-2,429 ¹		-1	-4	-5
Dividends paid		-669		-669	-151	-820
Income		1,993		1,993	76	2,069
Other comprehensive income		865	4,747	5,612	52	5,664
Total comprehensive income		2,858	4,747	7,605	128	7,733
Other changes		-25	-2,034	-2,059	-11	-2,070
Balance at 30 Jun 2023	8,393	15,468	8,591	32,452	1,665	34,117

1 Effects from conversion of the mandatory convertible bond into RWE AG shares on 15 March 2023 (see page 39).

Notes

Accounting policies

RWE AG, headquartered in Essen, Germany, is the parent company of the RWE Group ('RWE' or 'Group').

The interim consolidated financial statements as of 30 June 2023, including the additional information in the interim Group review of operations, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the European Union (EU). The statements were authorised for issue on 7 August 2023.

In line with IAS 34, the scope of reporting for the presentation of the interim consolidated financial statements for the period ended 30 June 2023 was condensed compared with the scope applied to the consolidated financial statements as of 31 December 2022. With the exception of the changes and new rules described below, these interim consolidated financial statements were prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2022. For further information, please see the Group's 2022 Annual Report, which provides the basis for this half-year financial report.

The average discount rate applied to provisions for nuclear waste management is 2.5% (31 December 2022: 2.5%), and 3.1% (31 December 2022: 3.2%) for mining-related provisions. Provisions for pensions and similar obligations are discounted at an interest rate of 4.0% in Germany and 5.2% abroad (31 December 2022: 4.2% and 4.9%, respectively).

Turkey has been classified as a hyperinflationary economy according to IAS 29 since 30 June 2022. Since 1 January 2022, RWE has thus applied IAS 29 in respect of the financial statements of a fully-consolidated Turkish subsidiary. As of 1 January 2022, the retroactive application of IAS 29 resulted in an effect of €20 million, which was recognised in equity. In the first half of 2023, IAS 29 application led to a loss of €3 million (previous year: €15 million) from the net positions of the monetary items, which was reported in depreciation, amortisation

and impairment losses as well as in the financial result. In this regard, the consumer price index of the Turkish Statistical Institute was used to adjust purchasing power effects. As of 1 January 2023, this amounted to 1,128 basis points (previous year: 687 basis points), which increased to 1,352 basis points (previous year: 978 basis points) during the first half of 2023.

The following effects were registered for the cash flow statement:

Adjustment effects from IAS 29 application	Jan – Jun 2023	Jan – Jun 2022
€ million		
Income	3	- 15
Depreciation, amortisation and impairment losses / write-backs	- 2	4
Changes in provisions	2	0
Deferred taxes / non-cash income and expenses / income from disposal of non-current assets and marketable securities	- 2	15
Change in working capital	- 1	- 4
Cash flows from operating activities	0	0

The inflation effect (purchasing power loss) on the initial balance of cash in Turkey, which was not recognised in the cash flow statement, amounted to €10 million as of 30 June 2023 (previous year: €19 million).

Changes in accounting regulations

The International Accounting Standards Board (IASB) has approved new IFRSs and several amendments to existing IFRSs, which are effective for the RWE Group as of fiscal 2023, due to EU endorsement:

- IFRS 17 Insurance Contracts (2017),
- Amendments to IAS 1 Presentation of Financial Statements (2021),
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (2021),
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2021),
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (2021).

These new policies do not have any material effects on the RWE Group's consolidated financial statements.

Change in the reporting of compensation from redispatch measures and special levies for power generation companies. In the past, compensation received in relation to redispatch measures was reported in other operating income. Redispatch measures refer to intervention by transmission system operators in the generation capacities of power plants to protect network segments against overloading. A claim for compensation arises when a facility is subjected to a redispatch measure.

In order to more accurately present the effects of these compensation payments, starting from this reporting year the related amounts are reported in revenue. The prior-year figures were adjusted accordingly, as a result of which the reported revenue increased by €25 million for the period January to June 2022, while other operating income declined by €25 million for the period January to June 2022.

Additionally, depending on their specific characteristics, the special levies on power generation companies which were introduced in many European countries in the first half of 2022 were reported as reducing revenue or increasing the cost of materials. This reporting approach was already changed in the RWE's 2022 Annual Report, in which these special levies for power generation companies were uniformly included in other operating expenses. The prior-year figures for this half-year report were adjusted accordingly, as a result of which the reported revenue increased by €22 million for the period January to June 2022, the cost of material declined by €33 million for the period January to June 2022, and other operating income decreased by €55 million for the period January to June 2022.

New accounting policies

The IASB issued further standards and amendments to standards, which are not yet mandatory in the EU in fiscal 2023. These standards and amendments to standards are listed below and are not expected to have any material effects on RWE's consolidated financial statements:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (2020) and Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date (2020) and Presentation of Financial Statements: Non-current Liabilities with Covenants (2022),
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (2022),
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (2023),
- Amendments to IAS 7 Statement of Cash Flows (2023) and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (2023).

Scope of consolidation

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

The changes in the number of fully consolidated companies as well as of associates and joint ventures accounted for using the equity method are presented below:

Number of fully consolidated companies	Germany	Abroad	Total
Balance at 1 Jan 2023	54	395	449
First-time consolidation	7	351	358
Deconsolidation	-2	-7	-9
Mergers		-1	-1
Balance at 30 Jun 2023	59	738	797

Number of companies accounted for using the equity method	Germany	Abroad	Total
Balance at 1 Jan 2023	11	21	32
Acquisitions			
Disposals			
Other changes			
Balance at 30 Jun 2023	11	21	32

Furthermore, two companies are presented as joint operations (31 December 2022: two companies).

Acquisitions

Acquisition of the Dutch gas-fired power station Magnum. On 31 January 2023, RWE purchased 100 % of the shares in the company Eemshaven Magnum B.V., Amsterdam, Netherlands. With this acquisition, RWE took over the gas-fired power plant Magnum with a net capacity of around 1.4 GW, together with about 70 employees and related solar activities of approximately 6 MW.

The assets and liabilities acquired within the scope of the transaction are presented in the following table:

Balance-sheet items € million	IFRS carrying amounts (fair value) at initial consolidation (as at 30 Jun 2023)
Non-current assets	619
Current assets	3
Non-current liabilities	18
Current liabilities	161
Net assets	443
Purchase price	430
Provisional negative difference	-13

The fair value of the receivables included in non-current and current assets amounted to €144 million and corresponded to the gross amount of the receivables that are fully recoverable.

Since first-time consolidation, the acquired company has contributed €290 million to the Group's revenue, €59 million to income and €55 million to adjusted EBITDA.

The purchase price was paid exclusively in cash and cash equivalents.

The income from the provisional negative difference was recognised in the 'Other operating income' line item on the income statement. The negative difference results from purchase price adjustments due to a delay in completing the acquisition.

The initial accounting of the business combination has not been finalised.

Purchase of Con Edison's renewable energy business. The purchase of 100% of the shares of Con Edison Clean Energy Businesses, Inc. (CEB), Valhalla, USA, was completed on 1 March 2023. This acquisition was agreed with the US group Con Edison, Inc., New York, USA, in October 2022. CEB is a leading renewables company in the United States, with 3.1 GW of power generation capacity, around 90% of which comes from solar systems. The portfolio is complemented by a development pipeline of more than 7 GW.

The assets and liabilities acquired within the scope of the transaction are presented in the following table:

Balance-sheet items € million	IFRS carrying amounts (fair value) at initial consolidation (as at 30 Jun 2023)
Non-current assets	5,898
Current assets	885
Non-current liabilities	3,131
Current liabilities	1,211
Net assets	2,441
Purchase price	3,802
Provisional difference	1,361

The fair value of the receivables included in non-current and current assets amounted to €207 million and corresponded to the gross amount of the receivables that are fully recoverable.

Since first-time consolidation as of 1 March 2023, the acquired company has contributed €241 million to the Group's revenue, €34 million to income and €175 million to adjusted EBITDA.

The purchase price was paid exclusively in cash and cash equivalents.

The provisional difference is primarily based on expected future use effects, including the project development competencies of the development team, repowering potential and access to new markets. The anticipated provisional difference which is deductible for tax purposes amounts to €1,291 million.

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

Acquisition of the British developer JBM Solar. On 1 March 2023, RWE acquired 100% of the shares in the British photovoltaic and battery storage developer JBM Solar Ltd, Cardiff, United Kingdom. Along with a PV project pipeline with a total capacity of around 3.8 GW and 2.3 GW of battery storage, RWE is also taking on a team of around 30 employees.

The assets and liabilities acquired within the scope of the transaction are presented in the following table:

Balance-sheet items € million	IFRS carrying amounts (fair value) at initial consolidation (as at 30 Jun 2023)
Non-current assets	283
Current assets	1
Non-current liabilities	77
Current liabilities	28
Net assets	179
Purchase price	362
Provisional difference	183

Since initial consolidation as of 1 March 2023, the acquired company has not made significant contributions to the Group's revenue, income and adjusted EBITDA.

The purchase price was paid exclusively in cash and cash equivalents.

The provisional difference is primarily based on expected future use effects, such as the project development competencies of the development team.

The initial accounting of the business combination has not been finalised.

If all of the business combinations in the reporting period had occurred on 1 January 2023, Group income and Group revenue would have amounted to €2,048 million and €15,064 million, respectively.

Share-based payment

The consolidated financial statements for the period ended 31 December 2022 presented the share-based payment system for executives of RWE AG and subordinate affiliates. As part of the Long-Term Incentive Plan for executives entitled 'Strategic Performance Plan' (SPP), RWE AG issued another tranche for fiscal 2023.

Impairments

The required impairment test in the Coal / Nuclear segment resulted in impairments of €1,063 million for the Nord-Süd-Bahn and Inden cash-generating units (CGUs). These impairments reverse the write-backs that were necessary last year due to the turbulence on the energy markets. The CGU Nord-Süd-Bahn includes the Niederaußem and Neurath power stations, the Hambach and Garzweiler opencast mines and the refining operations. The CGU Inden includes the Weisweiler power station and the Inden opencast mine.

The impairment is mainly justified by the much lower market prices for electricity and the simultaneous smaller decline in market prices for CO₂ emissions allowances in comparison to the extremely high prices seen in the previous year.

In determining the recoverable amount as the fair value less costs to sell, the same valuation models and parameters as in fiscal 2022 were used, with updated after-tax discount rates of 5.00% (previous year: 5.25%). Based on the use of internal planning assumptions, the fair value is assigned to Level 3 of the fair value hierarchy.

Dividend distribution

RWE AG's Annual General Meeting, held on 4 May 2023, decided to pay a dividend of €0.90 per dividend-bearing RWE share for fiscal 2022. The dividend payment for fiscal 2022 occurred on 9 May 2023 and totalled €669 million (previous year: €609 million).

Financing measures

On 15 March 2023, the mandatory convertible bond with a nominal value of €2,427,600,000 issued for a cash contribution in October 2022 to Qatar Holding LLC, a subsidiary of Qatar Investment Authority, was converted into new RWE shares. Upon issuance of the mandatory convertible bond in October 2022, the amount of said bond of €2,365,138,635 was recognised in equity and €62,461,365 was recognised as a financial liability. With the conversion into RWE shares performed on 15 March 2023, the amount of the mandatory convertible bond recorded in equity did not change, but – in line with the legal conversion into RWE shares – it is no longer shown in the statement of changes in equity under retained earnings and is reported exclusively in the item 'Subscribed capital and additional paid-in capital of RWE AG'. Additionally, transaction costs related to the issuance of the mandatory convertible bond were offset directly against equity in the amount of €2,139,469.

In February 2023, RWE issued two more green bonds, each with a volume of €500 million (total volume: €1 billion). For the first bond with maturity in 2029, the yield-to-maturity amounted to 3.680%, based on a coupon of 3.625% p.a. and an issue price of 99.709%. For the second bond with maturity in 2035, the yield-to-maturity was 4.148%, based on a coupon of 4.125% p.a. and an issue price of 99.786%. In accordance with RWE's guidelines for green bonds, the RWE Green Bond Framework, the proceeds from the issues may only be used for the financing or refinancing of wind and solar projects.

In March 2023, tranche C of the €3 billion syndicated credit line expired. It was extended by six months to September 2023. Tranche A with a volume of €3 billion and tranche B with a volume of €2 billion remain unchanged and will run until April 2026.

Earnings per share

Earnings per share		Jan – Jun 2023	Jan – Jun 2022
Net income / income attributable to RWE AG shareholders	€ million	1,993	2,083
Number of shares outstanding	thousands	743,841	676,220
Basic and diluted earnings per share	€	2.68	3.08

Related party disclosures

The RWE Group classifies associated companies and joint ventures as related parties. In the first half of 2023, transactions concluded with material related parties generated income of €564 million (previous year: €387 million). Furthermore, transactions concluded with material related parties led to expenses of €253 million (previous year: €457 million). As of 30 June 2023, accounts receivable amounted to €261 million (31 December 2022: €244 million) and accounts payable totalled €291 million (31 December 2022: €405 million). All business transactions were concluded at arm's length conditions and on principle do not differ from transactions involving the supply of goods and services concluded with other companies. Other obligations from executory contracts amounted to €111 million (31 December 2022: €111 million).

Above and beyond this, the RWE Group did not execute any material transactions with related parties or persons.

Reporting on financial instruments

Financial instruments are divided into non-derivative and derivative. Non-derivative financial assets essentially include other financial assets, accounts receivable, marketable securities and cash and cash equivalents. Financial instruments are recognised at amortised cost or fair value, depending on their classification. Financial instruments on the asset side are assigned to the following categories for accounting purposes:

- Debt instruments measured at amortised cost: The contractual cash flows solely consist of interest and principle on the outstanding capital and the financial instrument is intended to be held to final maturity.
- Debt instruments measured at fair value through other comprehensive income: The contractual cash flows solely consist of interest and principle on the outstanding capital and the financial instrument is intended to be held and sold.
- Equity instruments measured at fair value through other comprehensive income: The option to recognise changes in fair value in other comprehensive income is exercised.
- Financial assets measured at fair value through profit or loss: The contractual cash flows of debt instruments do not solely consist of interest and principle on the outstanding capital or the option to recognise changes in the fair value of the equity instruments in other comprehensive income is not exercised.

On the liabilities side, non-derivative financial instruments principally include liabilities recorded at amortised cost.

The fair value of financial instruments is established based on the published exchange price, insofar as the financial instruments are traded on an active market. On principle, the fair value of non-quoted debt and equity instruments is determined on the basis of discounted expected cash flows, taking into consideration macroeconomic developments and corporate planning data. Current market interest rates corresponding to the remaining maturity are used for discounting.

Derivative financial instruments are recognised at fair value as of the balance-sheet date, insofar as they fall under the scope of IFRS 9. Exchange-traded products are measured using the published closing prices of the relevant exchange. Non-exchange traded products are measured on the basis of publicly available broker quotations or, if such quotations are not available, on generally accepted valuation methods. In doing so, we draw on prices on active markets as much as possible. If such are not available either, company-specific planning estimates are used in the measurement process. These estimates encompass all of the market factors which other market participants would take into account in the course of price determination. Assumptions pertaining to the energy sector and the economy are the result of a comprehensive process with the involvement of both in-house and external experts.

Measurement of the fair value of a group of financial assets and financial liabilities is conducted on the basis of the net risk exposure per business partner.

As a rule, the carrying amount of financial assets and liabilities subject to IFRS 7 are identical with their fair values. There are deviations only in relation to financial liabilities. Their carrying amounts totalled €18,236 million (31 December 2022: €19,438 million) and their fair values totalled €17,694 million (31 December 2022: €18,830 million).

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

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

Fair value hierarchy¹ € million	Total 30 Jun 2023	Level 1	Level 2	Level 3	Total 31 Dec 2022	Level 1	Level 2	Level 3
Other non-current financial assets	5,351	4,873	150	328	4,434	3,871	97	466
Derivatives (assets)	29,605		27,313	2,292	50,361		46,002	4,359
of which: used for hedging purposes	7,704		7,704		9,058		9,058	
Marketable securities	6,687	6,687			10,695	10,695		
Derivatives (liabilities)	25,468		24,666	802	53,656		51,694	1,962
of which: used for hedging purposes	3,975		3,975		8,029		8,029	

1 Some prior-year figures restated.

In the previous year, impairments in the amount of €748 million were recognised in other operating income in relation to contracts for hard coal deliveries from Russia which were reported as derivatives at fair value. These impairments were necessary due to the sanctions on Russia imposed by the EU and the United Kingdom as a result of the Ukraine war.

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

Level 3 financial instruments: Development in 2023	Balance at 1 Jan 2023	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 30 Jun 2023
			Recognised in profit or loss	Recognised in OCI	With a cash effect	
€ million						
Other non-current financial assets	466	-142	10		-6	328
Derivatives (assets)	4,359		-944		-1,123	2,292
Derivatives (liabilities)	1,962	-4	-616		-540	802

Level 3 financial instruments: Development in 2022	Balance at 1 Jan 2022	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 30 Jun 2022
			Recognised in profit or loss	Recognised in OCI	With a cash effect	
€ million						
Other non-current financial assets	282	-11	-2		58	327
Derivatives (assets)	3,879	-2	4,641		-1,836	6,682
Derivatives (liabilities)	1,232	4	1,345		-795	1,786

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

Level 3 financial instruments: Amounts recognised in profit or loss	Total Jan – Jun 2023	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan – Jun 2022	Of which: attributable to financial instruments held at the balance-sheet date
€ million				
Other operating income / expenses	- 328	- 335	3,297	3,297
Income from investments	10	10	- 3	- 3
	- 318	- 325	3,294	3,294

Level 3 derivative financial instruments essentially consist of energy purchase and commodity agreements, which relate to trading periods for which there are no active markets yet. The valuation of such depends on the development of electricity, oil and gas prices in particular. All other things being equal, rising market prices cause the fair values to increase, whereas declining market prices cause them to drop. A change in pricing by +/- 10% would cause the market value to rise by €34 million (previous year: €45 million) or decline by €34 million (previous year: €45 million).

Events after the balance-sheet date

Information on events after the balance-sheet date is provided in the interim Group review of operations.

Translation – the German text is authoritative

Review report

To RWE Aktiengesellschaft, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the condensed income statement, condensed statement of comprehensive income, condensed statement of financial position, condensed statement of cash flows, condensed 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 2023 to 30 June 2023 which are part of the half-year financial report pursuant to § (Article) 115 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, 7 August 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sign. Markus Dittmann)
Wirtschaftsprüfer
(German Public Auditor)

(sign. Aissata Touré)
Wirtschaftsprüferin
(German Public Auditor)

Financial calendar 2023 / 2024

14 November 2023	Interim statement on the first three quarters of 2023
28 November 2023	Capital Market Day
14 March 2024	Annual report for fiscal 2023
03 May 2024	Annual General Meeting
06 May 2024	Ex-dividend date
08 May 2024	Dividend payment
15 May 2024	Interim statement on the first quarter of 2024
14 August 2024	Interim report on the first half of 2024
13 November 2024	Interim statement on the first three quarters of 2024

This document was published on 10 August 2023. It is a translation of the German interim report on the first half of 2023. In case of divergence the German version shall prevail. All events concerning the publication of our financial reports and the Annual General Meeting are broadcast online and recorded. We will keep recordings on our website for at least twelve months.

RWE Aktiengesellschaft

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