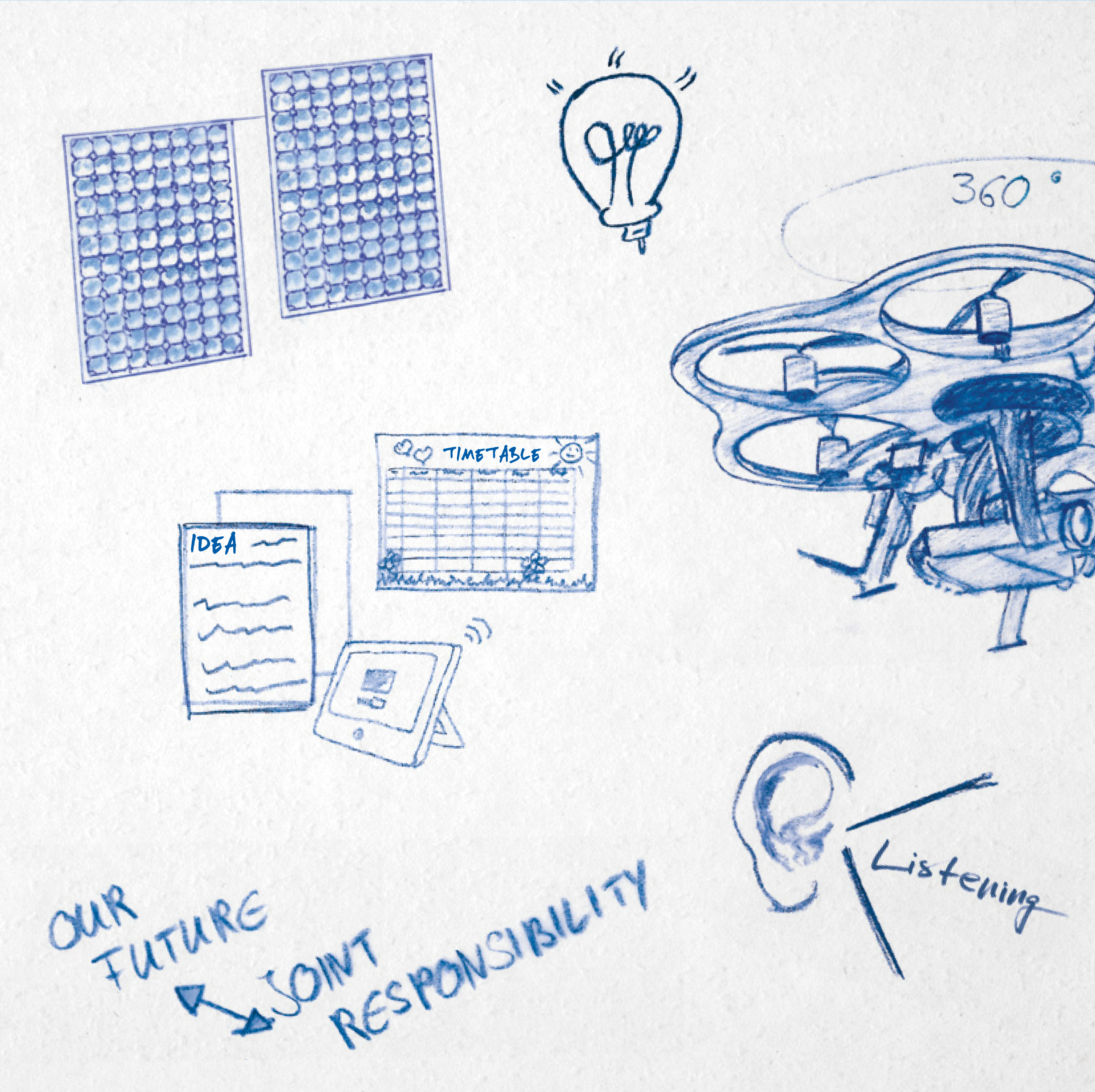
ANNUAL REPORT 2013

SHAPING THE FUTURE



RWE
The energy to lead

2013 KEY FIGURES AT A GLANCE

- Operating result: €5.9 billion
- Net income: –€2.8 billion
- Recurrent net income: €2.3 billion
- Dividend proposal: €1 per share
- Cash flows from operating activities: €5.8 billion
- Leverage factor: 3.5 (unchanged)

RWE Group		2013	2012	+/– %
Electricity production	billion kWh	216.7	227.1	–4.6
External electricity sales volume	billion kWh	270.9	277.8	–2.5
External gas sales volume	billion kWh	335.0	306.8	9.2
External revenue	€ million	54,070	53,227	1.6
EBITDA	€ million	8,762	9,314	–5.9
Operating result	€ million	5,881	6,416	–8.3
Income before tax	€ million	–1,487	2,230	–
Net income/RWE AG shareholders' share in income	€ million	–2,757	1,306	–
Recurrent net income	€ million	2,314	2,457	–5.8
Return on capital employed (ROCE)	%	10.8	12.0	–
Weighted average cost of capital (WACC) before tax	%	9.0	9.0	–
Value added	€ million	990	1,589	–37.7
Capital employed	€ million	54,345	53,637	1.3
Cash flows from operating activities	€ million	5,755	4,395	30.9
Capital expenditure	€ million	4,624	5,544	–16.6
Property, plant and equipment and intangible assets	€ million	4,494	5,081	–11.6
Financial assets	€ million	130	463	–71.9
Free cash flow	€ million	1,267	–686	–
Number of shares outstanding (average)	thousands	614,745	614,480	–
Earnings per share	€	–4.49	2.13	–
Recurrent net income per share	€	3.76	4.00	–6.0
Dividend per share	€	1.00[1]	2.00	–
		31 Dec 2013	31 Dec 2012	
Net debt of the RWE Group	€ million	30,666	33,015	–7.1
Workforce[2]		66,341	70,208	–5.5

1 Dividend proposal for RWE AG's 2013 fiscal year, subject to the passing of a resolution by the 16 April 2014 Annual General Meeting.
2 Converted to full-time positions.

WHAT WE DO

RWE is one of Europe's five leading electricity and gas companies. Through our expertise in oil, gas and lignite production, in electricity generation from gas, coal, nuclear and renewables, and in energy trading as well as electricity and gas distribution and supply, we are active at all stages of the energy value chain. Around 66,000 employees supply over 16 million electricity customers and more than seven million gas customers with energy, both reliably and at fair prices. In fiscal 2013, we recorded approximately €54 billion in revenue.

Europe is our market: in terms of sales, we are No. 3 in electricity and No. 5 in gas. In Germany, the Netherlands and the United Kingdom, we are among the largest suppliers of both fuels. In the Czech Republic, we are No. 1 in the gas business. We also have leading positions in other markets in Central Eastern Europe.

The European energy sector is undergoing fundamental changes. Political intervention is making our business challenging. In addition, the subsidised expansion of renewables in Germany is causing the margins and utilisation of conventional power stations to decline. All of this is having a significant effect on our earnings. To succeed in this environment, we launched the 'RWE 2015' programme. It includes comprehensive measures to reduce costs and increase revenue. We are also adjusting our organisational structure to cope with the challenges. By decreasing investment and reducing debt, we want to improve our financial flexibility.

Despite difficult framework conditions, we want to play our part in the continued development of the European energy system, proving that we are trustworthy and high performing. Our strategy is to invest in renewable energy and a modern network infrastructure. In addition, we take advantage of opportunities in the market which arise due to new customer demands by offering a wide range of innovative energy products and services.

OVER 66,000 PEOPLE READY TO SHAPE THE FUTURE.

Every day, at RWE, we make sure that the economy has the energy to keep running. This is anything but routine. The people who handle this task are both reliable and innovative. By making contributions large and small, they enable us to play our part in shaping the energy world of tomorrow.

We would like to introduce you to some of our visionaries. They all have one thing in common: they are specialists in their fields. Their identification with our company, our customers and our goal of sustainable energy supply has enabled them to do more than just their job. They have made a difference. We promote this mindset and are proud of having so many innovators in our ranks.

We want to understand what's on our customers' minds.

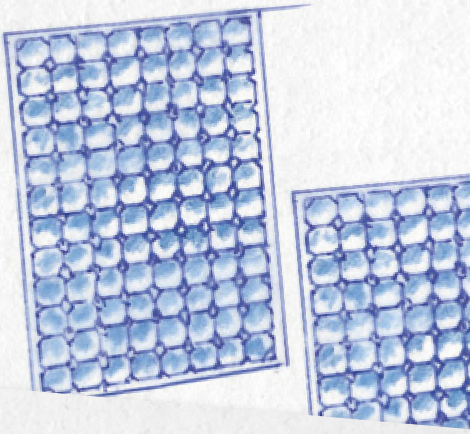
The 'Me and My Energy' programme enabled us to get to know our UK customers better. We wanted to find out what energy-related matters are especially important to them. Our goal is to do an even better job of fulfilling their wishes and to strengthen their trust in us.

We've put energy savings on the timetable.

Thanks to a new timetable-based heat controller for schools, the only classrooms that are heated at any given time are the ones in which lessons are being held. This is done fully automatically and allows cities and communities to cut down on heating costs, while always ensuring a warm learning environment.

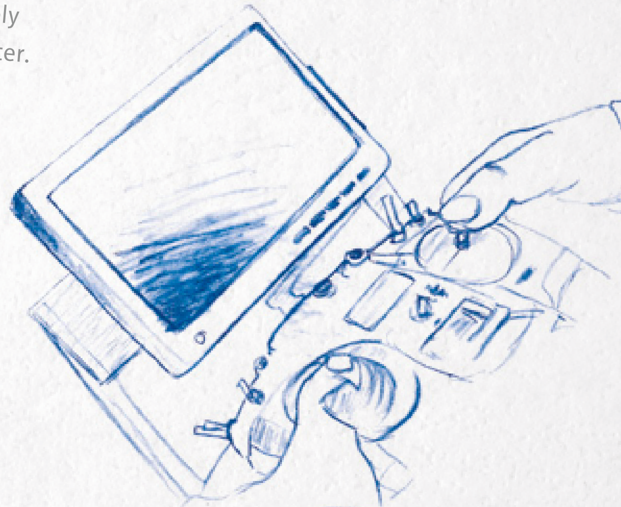
We help people capture the energy of the sun.

'Sun on the Euroborg' enables Dutch households which do not own the roof over their head to make a contribution to protecting the climate. They can do this by generating electricity with their very own solar panel, which is installed on the roof of the Groningen football stadium. Participants can earn an annual 'return on the sun' of up to 4.4 percent.



We keep our feet on the ground – achieving success more safely.

What looks like a UFO to the layman is extremely useful to our experts at Westnetz: the hexacopter. The aircraft has a diameter of slightly more than one metre, is radio controlled and makes visual recordings of pylons, wind turbines and photovoltaic installations for inspections. This saves both time and costs. The fun of flying a hexacopter is an added bonus.



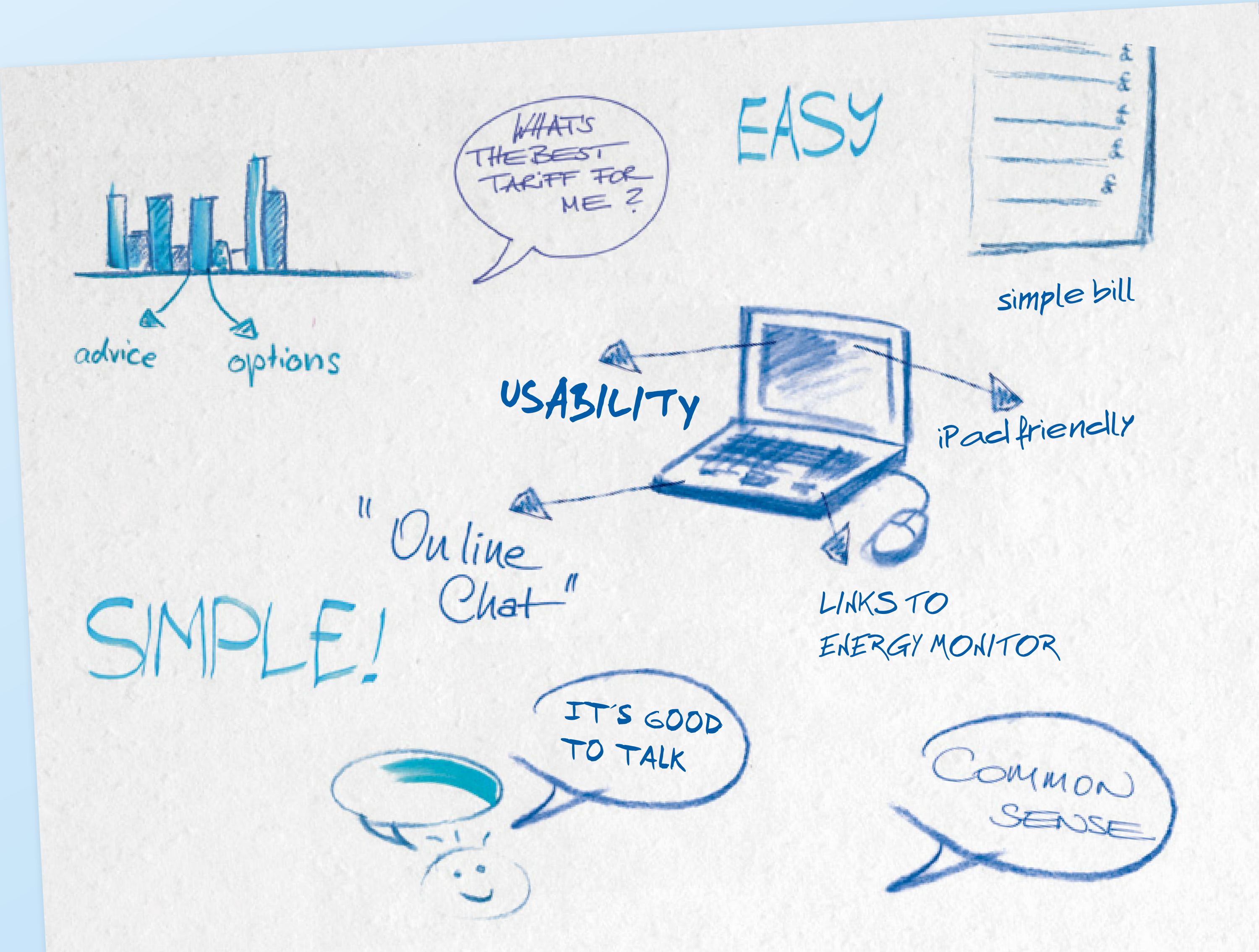
WE WANT TO UNDERSTAND WHAT'S ON OUR CUSTOMERS' MINDS.

Be it charging our mobile phones, using electric toothbrushes or turning up the heat in the winter, having energy at our disposal whenever we need it is par for the course. And we expect this to continue. But what other concerns do our customers have with respect to energy? How can we do a better job of fulfilling their wishes and meeting their expectations of us?

This is precisely what Rosemary Hadden wanted to find out. Rosemary works in the marketing department of our UK supply subsidiary RWE npower. In 2013, she came up with the concept of 'Me and My Energy,' a programme seeking to identify the aspects of energy supply that are particularly important to our customers, what it's like to be one of our customers, and how we can make their lives easier.

Rosemary and her colleagues spent six months talking to people from all walks of life. In addition, a 'Customer Closeness Day' was held, on which customers visited the company and shared ideas and opinions with senior members of the Executive Team. This exchange was further deepened in a rather unusual manner: our senior executives paid the customers a return visit and spent time in their homes.

'Me and My Energy' has become a model: further Customer Closeness activity is being planned. The initial results are already in: we have got to know the people we supply with electricity every day. And they know us better, too.



Brainstorming:
What our customers really care about

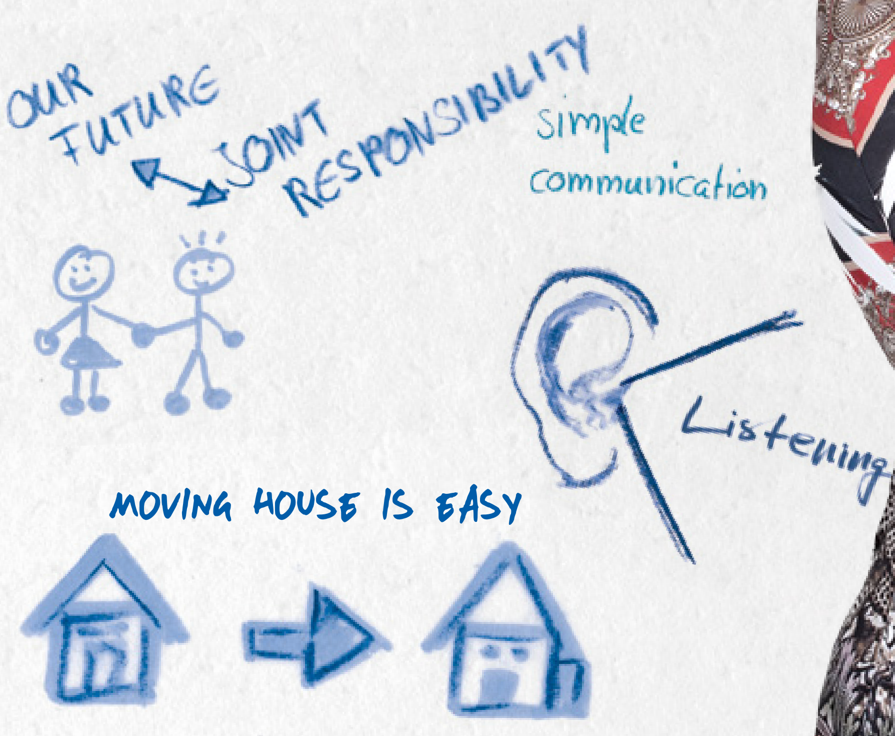
Face to face:
Paul Massara, CEO of RWE npower, having a conversation with customers

Taking note:
A host of ideas on Customer Closeness Day

Being close to the customer is the key to our success.

What matters to us is the wishes of our customers. Through 'Me and My Energy,' we demonstrate how serious we are about this.

Rosemary Hadden
RWE npower, Solihull, United Kingdom



Rosemary Hadden

WE'VE PUT ENERGY SAVINGS ON THE TIMETABLE.

It all began with an idea submitted in RWE's 2011 pupil contest called 'Energie mit Köpfchen' ('Clever Energy'): young scientists at St. Michael's Grammar School in Bad Münstereifel developed software which automatically ensures that, at any given time, only rooms in which classes are being held are heated. Potential savings for their school alone amount to 12,000 euros – every year.

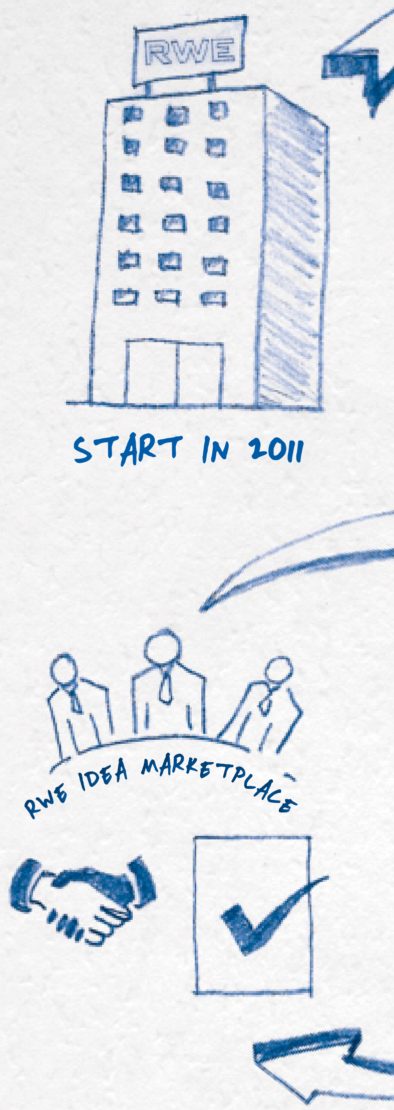
The concept was so convincing that it won the 'Special Environmental Award' in the regional 'Young Scientists' competition. Dr. Nicolas Burkhardt from RWE Effizienz took the idea on board and got together with a developer team to find a way to connect the software designed by the young inventors to the RWE SmartHome intelligent home controller. What remained to be done after that was to find sponsors so that the solution could be implemented. This led to the creation of the 'RWE Idea Marketplace,' a virtual auction platform on which subsidiaries of RWE Deutschland can invest in convincing ideas. The timetable software generated so much positive feedback that it didn't take long for the necessary funds to be raised.

The timetable software is already being used in several buildings and stands a good chance of soon ensuring the right room temperature in many more schools. This will help cities and communities to cut down on heating costs, while always ensuring a warm learning environment.

Zollenspieker Grammar School in Hamburg: Historic building with a high-tech interior

Timetable-based heating: Pupils' idea put into practice

The temperature's always right: The classrooms are warm when the pupils are called into class



There are a lot of good ideas. The trick is to put them into practice.

When it comes to ideas and new concepts, being good is not enough. Developers often lack the funds and expertise to implement them and turn them into marketable products. We help them close this gap. This contributes to a more efficient energy supply.

Dr. Nicolas Burkhardt
RWE Effizienz, Dortmund, Germany

WE KEEP OUR FEET ON THE GROUND – ACHIEVING SUCCESS MORE SAFELY.

Why should people have to perform inspections at dizzying heights if a machine can take this dangerous work off their hands? This is what Maik Neuser, who works for the RWE subsidiary Westnetz in Dortmund, Germany, asked himself.

Maik and his project team came up with the idea of using an aircraft to carry out the visual inspections of aerial lines, pylons, wind turbines and photovoltaic installations. The hexacopter has a diameter of slightly more than one metre and is controlled from the ground. The advantages are the increased safety of the grid inspectors and shorter inspection times. It was Dr. Stefan Küppers, Technical Director at Westnetz, who made sure it didn't take long for the idea to be put into practice. He supported the hexacopter project and made the necessary funds available.

The hexacopter can provide pictures and videos identifying flaws so that maintenance work can be planned. The device is used at heights of up to 100 metres. It can also make visual recordings of areas that are not accessible by a helicopter. Another advantage over a helicopter is that the hexacopter runs on batteries, which means no carbon dioxide or noise emissions.

Dr. Stefan Küppers

Maik Neuser

The hexacopter:
Pylon and aerial line inspections at dizzying heights

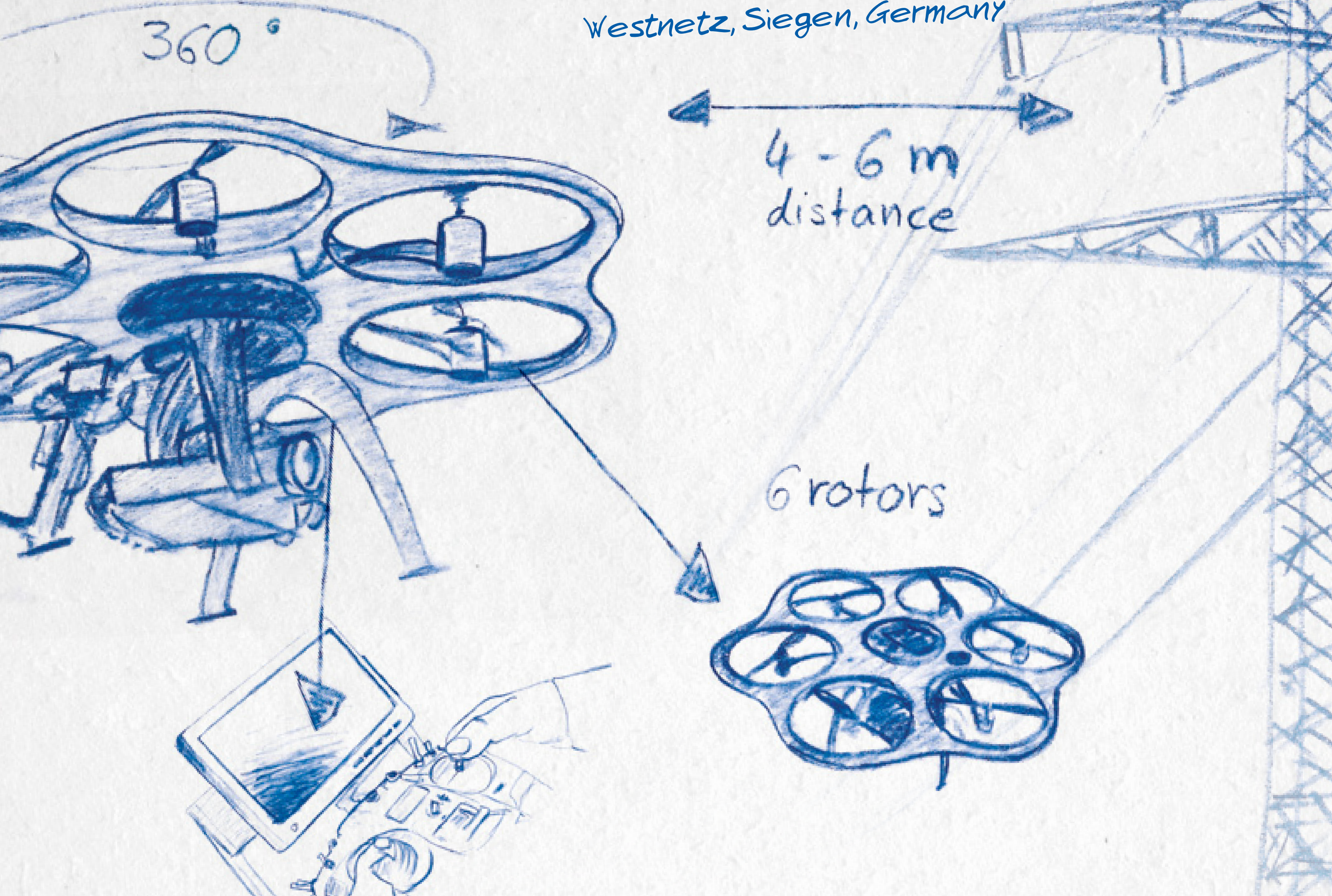
The pilot team:
Maik Neuser and his colleagues testing the hexacopter

A variety of applications:
Photovoltaic installations are examined using an infrared camera

Working more efficiently and safely doesn't mean having less fun.

Our idea has received a lot of attention, both within and outside of the Group. A hexacopter is a spectacular sight and delivers valuable results with elegance. This remote-controlled aircraft enables us to combine efficiency, safety and fun.

Maik Neuser
Westnetz, Siegen, Germany



WE HELP PEOPLE CAPTURE THE ENERGY OF THE SUN.

It's easy to help transform the energy system – if one has a solar panel on one's roof. But what about people who don't own the roof over their head? Our answer to this question is 'Sun on the Euroborg.'

This is the name of a project backed by Charlotte Halbe, Marinda Gaillard and Ludo Andringa, all of whom work for our Dutch subsidiary Essent, and the partner, the '1Miljoenwatt' initiative. They came up with the idea to get households together and look for a roof elsewhere, preferably wherever there is a lot of free space. For example in a football stadium.

FC Groningen agreed to participate in the project by allowing about 1,200 solar panels to be installed on the roof of its stadium, the 'Euroborg.' More than 500 have already been fitted. It costs 550 euros per panel for an individual to take part. FC Groningen buys the electricity at market prices and the proceeds are returned to the investors as a dividend. This results in an annual 'return on the sun' of up to 4.4 percent.

Solar power for everyone:
Small individual contributions to a great idea

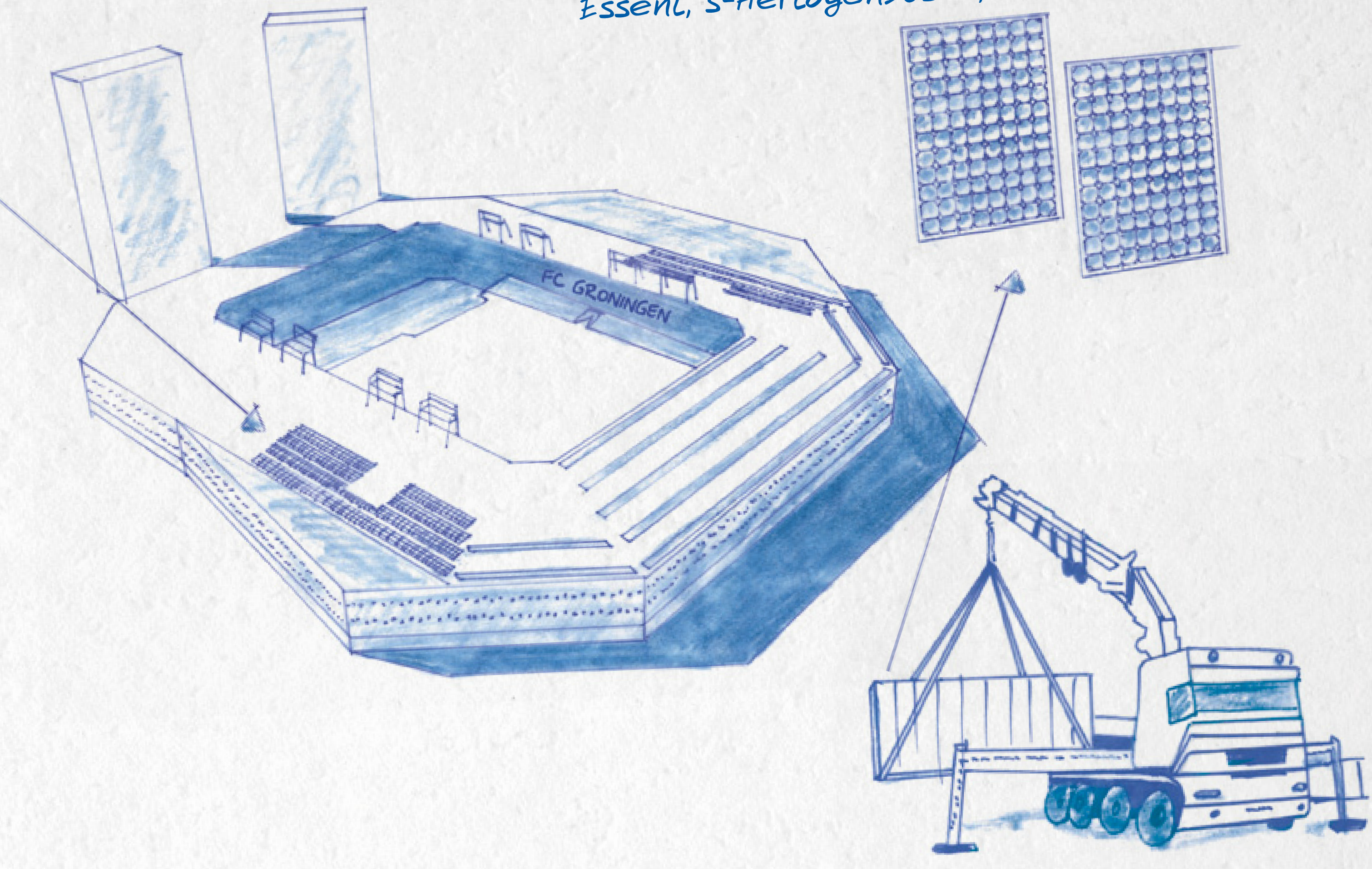
Strong investor community:
More than 200 households are already participating in the Euroborg project

Euroborg Stadium:
Installation of the first solar panel on the roof

It takes a lot of people to make energy supplies environmentally friendly.

Our project enables people living in apartments to generate solar power. At Euroborg Stadium, they make their contribution to protecting the climate. Even if FC Groningen loses a game, they don't lose out.

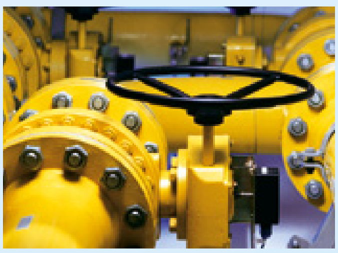
Charlotte Halbe
Essent, 's-Hertogenbosch, Netherlands



ELECTRICITY AND GAS: RWE OFFERS EVERYTHING FROM A SINGLE SOURCE

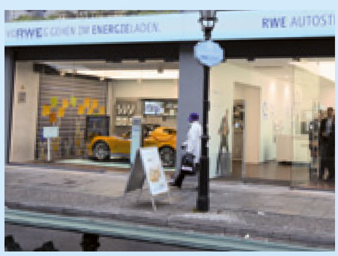
Power generation

Gas and oil production

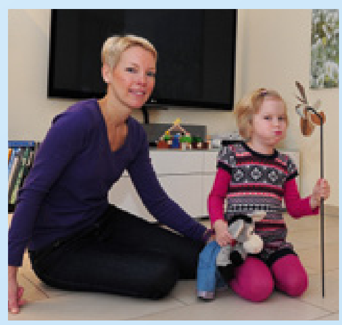


Energy trading/gas midstream

Electricity and gas networks



Electricity and gas supply



Our customers

CONTENTS

"POLITICIANS ARE RESPONSIBLE FOR THE FRAMEWORK – WE ARE RESPONSIBLE FOR OUR SUCCESS."

RWE AG's CEO Peter Terium on the 2013 financial year, the political reforms in the electricity sector and management's plans to continue developing RWE.

Mr. Terium, when you took office, the press thought you were accepting one of the toughest jobs in Germany. Is it still fun?

Absolutely! But it's more than just fun. Every day, our more than 66,000 employees ensure that computers, mobile phones, washing machines and factories remain operational. With our products, electricity and gas, they see to it that the lifeblood of our economy doesn't stop circulating. Representing this company and these people doesn't just make me happy – it makes me proud.

But the numbers are sobering: for the first time in decades, RWE has posted a net loss. I suppose there's no need to ask you what you think about the 2013 financial year.

Well, actually, last year wasn't all bad. In operating terms, we fared pretty well: our operating result of €5.9 billion was right on target. We always knew that earnings in the conventional electricity generation business would deteriorate significantly. That can't be said for the positive arbitral ruling relating to the price revisions with Gazprom. Most of all, I was pleased that we made much more progress than expected with our ambitious cost-cutting programme.

But you still had to recognise a €4.8 billion impairment ...

... which is mainly due to the crisis in the conventional electricity generation business. I clearly stated that we would be facing difficult times here during our interview for the 2012 Annual Report. Back then, in February 2013, a megawatt hour of electricity traded at €42 on the German forward market. By the end of 2013, this figure had dropped to just €37. In other words, our power plants will earn even less in the coming years than we had feared. We had to take this into account in our consolidated financial statements.

In the meantime, you have announced that you will mothball loss-making gas-fired power stations with a combined capacity of some 3,800 megawatts. Will that cushion the effect of the crisis?

Unfortunately, it's just a drop in the ocean. And occasionally what we do in this context seems absurd. Take the Claus C power plant in the Netherlands: it's brand new and state-of-the-art. With an efficiency of nearly 60%, it has the lowest emissions possible for fossil-fuelled power stations. And now we're mothballing this power plant, because it is being forced out of the market by subsidised solar power and is therefore making losses. Accepting this is difficult, not only for me, but particularly for the station's staff.

RWE also wants to stop using several old hard coal units. Together with the gas-fired power stations which you are mothballing, this represents over 5,000 megawatts. Will this figure increase even more in 2014?
That's quite possible. It will depend on how successful we are in returning loss-making plants to profitability. They must at least cover their operating costs. And this is far from being the case with all of the stations we want to keep up and running.

The transformation of the German energy sector is a done deal and renewable energy is an integral component of energy supply. Do coal and gas-fired power stations have a future at all?
Well, electricity from fossil fuel will not become redundant due to the transformation of the energy market. Electricity can only be stored to a very limited extent. And this means that on a cold winter evening with a high-pressure system, we need to have almost our entire fleet in Germany up and running. After all, the sun and the wind cannot help to generate much electricity in this situation. The problem is that under different weather conditions and at other times of the day, huge amounts of green energy flood the grid and drive down prices on the exchange.

Electricity prices were negative again last Christmas …
… like in the year before. With renewable energy being diverted outside the country, Germany gave its neighbours a lovely Christmas present. However, these kinds of gifts do not please operators of conventional power stations.

The Federal Network Agency is receiving an increasing number of power plant closure notices. Do we have to worry about the security of supply?
Probably not in the short term. Since 2013, the Federal Network Agency has been empowered to prohibit power plant closures. In such cases, the operators are paid for keeping their stations on stand-by. However, they don't get paid enough to cover all the costs. And these payments are far from being enough to make the investments in new power stations, which we will need in the long run. So the problem hasn't been solved. It has merely been pushed back.

Germany's new government announced in its coalition agreement that it wants to create a 'capacity mechanism' in the medium term. Does that make you hopeful?
If nothing else, it's a positive signal. We need a system that compensates power plant operators for providing security of supply. This would mean that they would receive both the market price for their product and a payment for being able to step in whenever there is no renewable energy. This is the definition of a 'capacity market.'

Payments for keeping power plant capacity on tap: those who oppose this concept claim that this is a new subsidy …
… and they're wrong. Firemen don't only get paid if they've put out a fire. Incidentally, the subsidised expansion of renewable energy was what triggered the need for a 'capacity market' in the first place, because it pushes conventional power plants, which are still needed, out of the market. If flexible, low-emission power stations are supposed to partner with renewable energy, capacity markets mustn't be rejected as a knee-jerk reaction.

"ANYONE WHO CAN TAKE THE COMPANY A STEP FORWARD WITH A GOOD IDEA SHOULD NOT WAIT TO BE PROMPTED TO DO SO FROM THE TOP."

France and the United Kingdom have already decided to introduce capacity markets. Are the concepts in these countries trailblazers for Germany?
The French solution in particular has what it takes to become a model for Germany, as it is in line with the proposals made by the utility and municipal enterprise associations. However, a jungle of national insular solutions would be bad. The European approach is the most effective and affordable way to overcome the hurdles and achieve all the goals we're pursuing in the energy industry.

Do RWE's fortunes therefore depend on the major decisions taken in respect of energy policy in the future?
No, that isn't how I see it. We won't sit back and wait to see what happens in Berlin or Brussels. Politicians are responsible for the framework – we are responsible for our success. It's up to us to make the most of our future.

One of your main objectives is to increase the company's financial strength. You want to limit net debt to three times EBITDA. At the end of 2013, the ratio was 3.5. Is a leverage factor of 3.0 realistic in the medium term?
It definitely isn't impossible, and we're working hard to achieve this goal. Positive effects on earnings from efficiency enhancements are a big step in the right direction. We've already cut back our capital expenditure. Asset disposals will also be helpful. In addition, we have established the prerequisite for smaller dividend payments.

The last point you made sparked extensive discussions among the shareholders in September. To date, the dividend has eased the pain of drops in the share price. Aren't you afraid of losing the support of the investors?
Necessary cuts are very rarely met by unanimous approval. But our Supervisory Board has endorsed this course of action. I remember several major institutional investors advising us to go down this route. And at the end of the day, it is the shareholders at the Annual General Meeting who will decide on the dividend payment.

“WE MUST START THINKING LIKE OUR CUSTOMERS AND ANTICIPATE THEIR WISHES.“

The Supervisory and Executive Boards intend to propose a dividend of €1 per share at the upcoming Annual General Meeting on 16 April. Will this receive a majority vote?
Our shareholders are aware of the plight of the energy sector and that RWE isn't a bottomless bag of sweets. At RWE, the principle of reason has always prevailed. And the reasonable decisions our shareholders have made are an expression of their solidarity with RWE. I have every faith that this good tradition will continue.

In the future, part of the salary you and your fellow board members receive will depend on the progress you make in reducing debt. Was that your idea?
I endorsed it. This is a clear sign from the Supervisory Board of how important it believes it is to increase our financial strength sustainably. We have to reduce the leverage factor to 3.0 by the end of 2016 if we don't want our salaries to be cut.

You succeeded in reducing net debt by €2.3 billion in 2013. However, EBITDA also dropped. What developments do you expect in 2014?
We expect EBITDA to range between €7.6 billion and €8.1 billion. This is much less than last year, because the margins of our power plants are still shrinking. In addition, the big Gazprom payment we received in 2013 will not

recur. Should our net debt remain stable initially – which we expect – the leverage factor will probably rise instead of falling. However, it should decline in 2015. From then on, we will only invest and pay dividends in line with what we earn from our ongoing operations year by year.

The forecast for 2014 does not consider the planned sale of RWE Dea. Do you still believe that you will be able to announce a deal this year?
I do, in fact – it's a realistic goal. However, this will depend on the offers we receive. Since there are still a lot of open issues, we have kept RWE Dea in the forecast for the time being.

Moving on to efficiency enhancements: in 2013, you stepped up the programme that you had started just a year before. You're now aiming for a positive effect on earnings of at least €1.5 billion. How high is the risk of failure?
Low. I'm not being boastful, but it's my unbiased assessment as a trained accountant. Just look at what we've already accomplished. We had originally planned to achieve half of the programme's goal by the end of 2013. That would have been €750 million. In fact, we have already reached €1 billion. Just a few months ago, we were aiming to have fully implemented the programme by the end of 2017. Now we are fairly confident that we will accomplish this a year earlier. But, of course, this will only happen if we keep up the pace and stay on the ball.

This was not reflected in the 2013 operating result. Here, RWE's performance wasn't anything special.
Wrong. It was reflected. Our performance in the trading business was weaker than anticipated. And in the conventional electricity generation business, an unexpectedly heavy burden was imposed by an electricity purchase agreement. If it hadn't been for the additional efficiency improvements, the result would have fallen short of the target.

Honestly, though, are such efficiency enhancements enough to make RWE fit for the challenges of the energy world of tomorrow?
No, of course not. To survive, being cost-effective is a necessary requirement given the increasing level of competition in our sector. However, it does not guarantee success. One has to do a lot more.

And what would that be?
Energy utilities have long left the comfort zone of previous decades, during which it was enough to offer electricity and gas reliably and at an acceptable price. Back then, one spoke of 'consumers,' but today one speaks of 'customers.' And they have individual wishes and consumption profiles. If we want to be successful, RWE must be able to make all these customers a convincing offer.

Do you believe that the company can gain a competitive advantage with products like RWE SmartHome?
Of course it can. The proof is in the sales figures: 120,000 online orders were placed for our SmartHome products on Smart Friday, the promotional day we held in November last year. In the future, our customers will turn on their radiators before reaching home. Washing machines will be controlled using a smartphone or PC and run whenever electricity prices are particulary low. But this is just a glimpse of the future. And RWE is making it possible.

Are you sure that your customers are ready for this? At the end of the day, don't they just go with whomever has the lowest prices?
This may hold true for many customers. But focusing on this aspect alone would be too short-sighted. Companies like Apple and Google have led by example: we must start thinking like our customers and anticipate their wishes. For instance, many households have solar panels on their roofs. As feed-in fees drop, it will become increasingly advantageous to them to use the solar power they produce themselves. And we already have a solution for this: RWE HomePower solar, an innovative system for local electricity storage. Quality of service also plays a big role. If a customer calls us and is taken care of by a friendly, competent employee, we can at least be sure that we haven't given them reason to be less loyal. This is why I was so pleased that the customer service representatives of RWE Vertrieb received the German Service Award in 2013.

At the beginning of 2014, you pooled the Group's supply expertise in a single management unit, RWE Retail. Will that help to make RWE even more competitive?
Yes, that's the goal. The executive boards of our major supply companies are represented in RWE Retail. But they haven't been appointed to sit around and chat aimlessly over a cup of tea. They will be responsible for our entire supply business. They have been tasked with developing a groupwide retail strategy and overseeing the sale of electricity and gas across countries. There's a lot of potential for synergy here.

But in the final analysis, isn't the supply business a local operation that must be in line with local customer needs, mentalities and regulations?
I'm not denying that at all. Nevertheless, I ask myself: why shouldn't a marketing concept that has been successful in the United Kingdom work in the Netherlands or Germany? And why should I implement a supply concept in Poland if a similar one has already failed in Hungary? I wish that ideas and experiences found their way from the subsidiaries and regions to the whole Group so that everyone could benefit from them. Only then – and this doesn't only hold true for supply – can we make use of the potential offered by the size and diversity of RWE.

Is this what you envisage when you advocate a new corporate culture at RWE?
To talk about a 'new' culture wouldn't be fair to the scores of employees who are already passionately dedicated to RWE and think far outside the box defined by their department or the company. What I wish is that this mentality could be found in more and more offices and plants. And I wish people would take the initiative. Anyone who can take the company a step forward with a good idea should not wait to be prompted to do so from the top. If innovations were only introduced top-down, we would be much too slow to keep up with the competition. A Chinese proverb goes: "When the wind of change blows, some build walls and others build windmills." Despite our tight budget, we can't have enough windmills.

The interview was conducted by Dr. Burkhard Pahnke, RWE Investor Relations.

THE EXECUTIVE BOARD OF RWE AG

Peter Terium
Chairman of the Executive Board
and Chief Executive Officer

Born in 1963 in Nederweert, Netherlands, trained as a chartered accountant at Nederlands Instituut voor Registeraccountants; Audit Supervisor at KPMG from 1985 to 1990; various positions at Schmalbach-Lubeca AG from 1990 to 2002; joined RWE AG as Head of Group Controlling in 2003; Chief Executive Officer of RWE Supply & Trading GmbH from 2005 to 2009; Chief Executive Officer of Essent N.V. from 2009 to 2011; member and Deputy Chairman of the Executive Board of RWE AG from September 2011 to June 2012; Chairman of the Executive Board and Chief Executive Officer of RWE AG since July 2012.

Group-level responsibilities

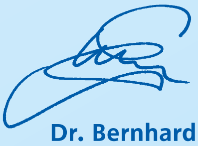
- Group Corporate Affairs
- Group Legal & Compliance
- Group Mergers & Acquisitions
- Group Strategy & Corporate Development
- Information Technology

Dr. Rolf Martin Schmitz
Deputy Chairman of the Executive Board
and Chief Operating Officer

Born in 1957 in Mönchengladbach; doctorate in engineering; various positions including Head of Corporate Development and Economic Policy at VEBA AG from 1988 to 1998; Executive Vice President of rhenag Rheinische Energie AG from 1998 to 2001; Member of the Board of Management of Thüga AG from 2001 to 2004; Chairman of the Board of Directors of E.ON Kraftwerke GmbH from 2004 to 2005; Chairman of the Executive Board of RheinEnergie AG and Managing Director of Stadtwerke Köln from 2006 to 2009; Chief Operating Officer National of RWE AG from May 2009 to September 2010; Chief Operating Officer of RWE AG since October 2010 and concurrently Deputy Chairman of the Executive Board of RWE AG since July 2012.

Group-level responsibilities

- Participation Management
- Local Authorities
- Group Research & Development
- Group Coordination Generation/Networks/Retail



Dr. Bernhard Günther
Chief Financial Officer

Born in 1967 in Leverkusen; doctorate in economics; worked at McKinsey & Company from 1993 to 1998; joined RWE AG in 1999 as department head in the Corporate Controlling Division; Head of Budgeting and Controlling of RWE Power AG from 2001 to 2005; Head of Corporate Controlling at RWE AG from 2005 to 2006; Managing Director and Chief Financial Officer of RWE Gas Midstream GmbH and Managing Director and Chief Financial Officer of RWE Trading GmbH from 2007 to 2008; Managing Director and Chief Financial Officer of RWE Supply & Trading GmbH from 2008 to 2012; member of the Executive Board of RWE AG since July 2012 and Chief Financial Officer of RWE AG since January 2013.

Group-level responsibilities
- Group Accounting & Tax
- Group Controlling
- Group Finance
- Investor Relations
- Group Risk
- Group Audit

Uwe Tigges
Labour Director

Born in 1960 in Bochum; trained as a telecommunications technician and master electrical engineer, studied business administration; various posts in the IT Departments of VEW AG and VEW Energie AG from 1984 to 1994; Independent Works Council Representative (last assignment at RWE Vertrieb AG) and Chairman of the European Works Council of RWE from 1994 to 2012; Chairman of the Group Works Council of RWE from 2010 to 2012; Chief HR Officer of RWE AG since January 2013 and Labour Director of RWE AG since April 2013.

Group-level responsibilities
- Group Security
- Group Procurement
- Group HR & Executive Management
- Group Salaried Staff/Works Council Relationship

2013 IN BRIEF

01 2013

JANUARY

RWE Generation becomes active

We pool nearly all our electricity generation from fossil fuels and nuclear energy in the new company. This gives us a more efficient setup and enables us to react more quickly to the huge changes in the power plant sector. RWE Generation operates stations with a total net installed capacity of about 44 gigawatts at sites in Germany, the Netherlands, the United Kingdom and Turkey.

03 2013

MARCH

Executive Board puts RWE Dea up for sale

Our subsidiary's activities, i.e. the exploration and production of oil and gas, and the conventional utility business hardly have any synergies. Having access to our own sources of gas has become less important for us since the formation of liquid European gas markets. Without RWE Dea, we will be able to save funds for capital expenditure needed to fully tap RWE Dea's potential for growth. We hope to sign a sale agreement in 2014.

03 2013

MARCH

RWE Innogy divests minority interests in UK wind farms

The investment trust Greencoat UK Wind and the state-owned UK Green Investment Bank jointly acquire a 49.9% stake in our Rhyl Flats offshore wind farm. Greencoat UK Wind also purchases minority interests in three onshore wind farms: Little Cheyne Court (41%) in March and Lindhurst and Middlemoor in November (49% in each). RWE Innogy continues to hold the majority stake and be the plant operator in all cases. Sales proceeds total £237 million (€279 million).

08 2013

AUGUST

RWE divests stake in Excelerate Energy

Our 50% share in the US company is acquired by the co-owner George B. Kaiser. Excelerate Energy is active in the liquefied natural gas (LNG) business. Having initially specialised in LNG trading and transport, the company now focuses on providing LNG infrastructure, which is not part of RWE's core business.

08 2013

AUGUST

Gas-fired power plant near the Turkish town of Denizli begins commercial operation

The station has a net installed capacity of 787 megawatts and ranks among the most modern of its kind, thanks to its efficiency of 57%. Its owner and operator is a joint venture, of which RWE owns 70% and the Turkish energy company Turcas owns 30%. Together with Turcas, we spent about €500 million on the station.

09 2013

SEPTEMBER

Executive Board resolves to strengthen financial power by adjusting the dividend policy

The Supervisory Board endorses this decision. The two Boards will propose to the Annual General Meeting on 16 April 2014 that a dividend of €1 per share be paid for the 2013 financial year following a dividend of €2 for fiscal 2012. The dividend proposal for financial years from 2014 onwards will be oriented towards a payout ratio of 40% to 50% of recurrent net income. In the past, the customary range was 50% to 60%. The Executive Board intends to use the retained funds to reduce debt.

04 2013

APRIL

Sixth RWE wind farm in Poland goes online

All 19 of the Nowy Staw wind farm's turbines are constructed in the vicinity of Danzig within ten months. Another three are added by August 2013, increasing the total net installed capacity to 45 megawatts. RWE Innogy's six wind farms in Poland have a combined capacity of 197 megawatts.

06 2013

JUNE

Arbitration court approves improved price conditions for gas purchases from Gazprom

The long-term purchase agreement with the Russian gas group imposed a huge burden on us due to its oil price indexation. The arbitration court rules that the price formula be supplemented by gas price indexation in line with the market conditions at the beginning of the price revision, i.e. May 2010. Furthermore, it grants RWE about €1 billion in damages, which cover a large portion of the losses we incurred due to the contract.

08 2013

AUGUST

RWE sells Czech long-distance gas network operator NET4GAS

The purchaser is a consortium consisting of Allianz and Borealis Infrastructure. The transaction results in proceeds of €1.6 billion. NET4GAS holds the exclusive license for the operation of the long-distance gas network in the Czech Republic, which has a length of over 3,600 kilometres. Besides the Czech domestic transmission business, the company is also active in international gas transit.

10 2013

OCTOBER

RWE Dea starts producing gas in the Breagh North Sea field

Breagh is one of the highest-yielding gas discoveries in the southern part of the UK North Sea. We have a 70% share in the production license. A month before the start of production in Breagh, we began producing gas in the Disouq concession area in Egypt. Disouq is our first gas project in Egypt. We are the sole owner of the concession.

11 2013

NOVEMBER

Topping-up of the efficiency-enhancement programme announced

At the start of the programme in 2012, our goal was to reduce costs and increase revenue in order to sustainably improve our operating result by €1 billion. We wanted to achieve this by the end of 2014. We are now aiming for at least €1.5 billion by the end of 2016. The largest portion of the additional measures, which we began to implement in 2013, is attributable to the conventional electricity generation business.

12 2013

DECEMBER

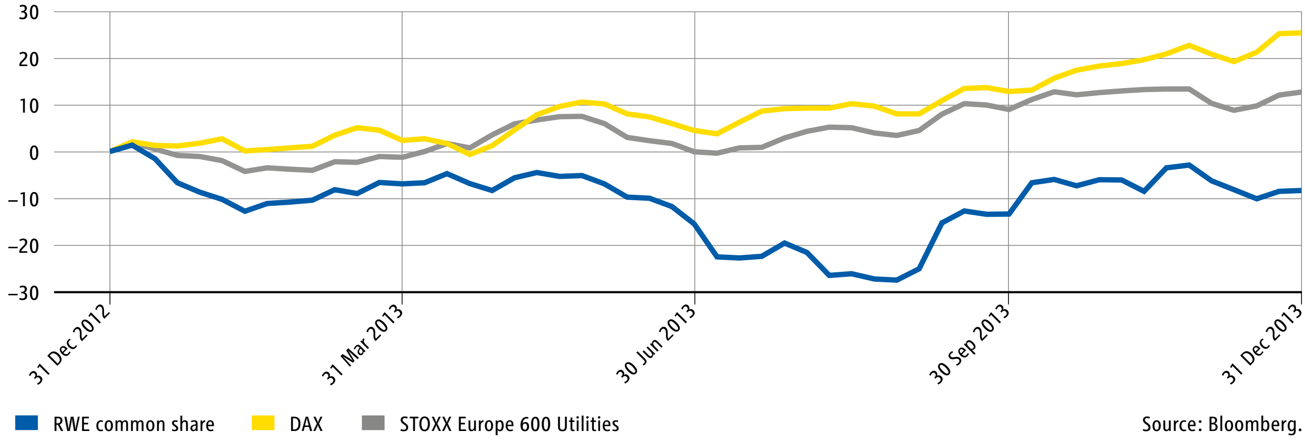
RWE exits Hungarian gas business

We contractually agree with the Hungarian energy group MVM that they will acquire our 49.8% stake in the gas utility FÖGÁZ. In euro terms, the transaction has a volume of €137 million. FÖGÁZ operates a network with a length of 5,800 kilometres and serves over 800,000 customers. The remaining 50.2% of the company is held by the City of Budapest.

RWE ON THE CAPITAL MARKET

Buoyed by the loose monetary policy of leading central banks, share indices in numerous European countries hit record highs in 2013. This also applied to Germany, where the DAX passed the 9,000-point mark for the first time ever in the autumn. The German stock market indicator rose by 25 % over the course of the year. With a total return of –8 %, RWE common shares clearly lagged behind the DAX. The fact that earnings prospects in the conventional electricity generation business deteriorated further played a key role. Refinancing conditions on the bond market were unusually favourable: interest rates were at a historic low.

Performance of the RWE common share compared with the DAX and the STOXX Europe 600 Utilities
% (average weekly figures)



Source: Bloomberg.

Stock markets defy crisis. Despite the Eurozone's persistent sovereign debt crisis and mediocre economic data, 2013 was a good year for the stock market. The loose monetary policy pursued by leading central banks, in particular the European Central Bank and the US Federal Reserve, proved to be the main stimulus for share prices. Germany's leading index, the DAX, broke one record after another, passing the 9,000-point mark for the first time at the end of October. It closed the month of December at 9,552 points. This represents a 25 % gain on its closing quotation in 2012.

Developments for RWE shareholders were less encouraging. Our common and preferred shares ended the year trading at €26.61 and €23.25, respectively. This corresponds to total returns (returns due to changes in price plus the dividend) of –8 % and –12 %, respectively. RWE stocks therefore clearly underperformed the STOXX Europe 600 Utilities, the index for our sector, which advanced by 13 %. A negative impact was felt from the continued decline in forward prices on the German wholesale electricity market, which caused the earnings prospects in the conventional power generation business to deteriorate further. Over the course of the year, an increasing number of analysts were of the opinion that RWE could lower its gearing sustainably only by reducing its dividend and/or by implementing another capital increase. In August, our common shares were occasionally quoted at just over the €20 mark, after which they posted a significant gain. The upturn was triggered by a slight recovery in electricity prices which, however, was temporary. Another positive effect was that rumours about an impending capital increase did not materialise. However, on 19 September 2013, the Executive Board of RWE AG announced that it would pursue a more restrictive dividend policy in the future (see page 50).

Dividend of €1 proposed for fiscal 2013. The Supervisory Board and the Executive Board of RWE AG will propose a dividend of €1 per share for fiscal 2013 to the Annual General Meeting on 16 April 2014. If the proposal is accepted, we will pay 27% of recurrent net income to our shareholders. Our previous dividend policy envisaged a payout ratio of 50% to 60%. We adjusted our payout ratio in reaction to the deterioration in earnings prospects in the conventional power generation business. RWE's dividend proposal for fiscal years from 2014 onwards will be within the range of 40% to 50% of recurrent net income. Nevertheless, RWE is still among the DAX companies with an attractive dividend yield. Based on the year-end closing prices of our common and preferred shares, the dividend yields for the 2013 financial year stood at 3.8% and 4.3%, respectively.

Performance of RWE shares and major indices through to the end of 2013 % p.a.	1 year	5 years	10 years
RWE common share	−8.3	−9.9	3.6
RWE preferred share	−11.9	−8.8	4.0
DAX	25.5	14.7	9.2
EURO STOXX 50	21.5	8.5	4.3
STOXX Europe 50	17.1	10.8	4.3
STOXX Europe 600	20.8	14.0	6.7
STOXX Europe 600 Utilities	13.1	1.0	6.8
REXP[1]	−0.5	4.2	4.5

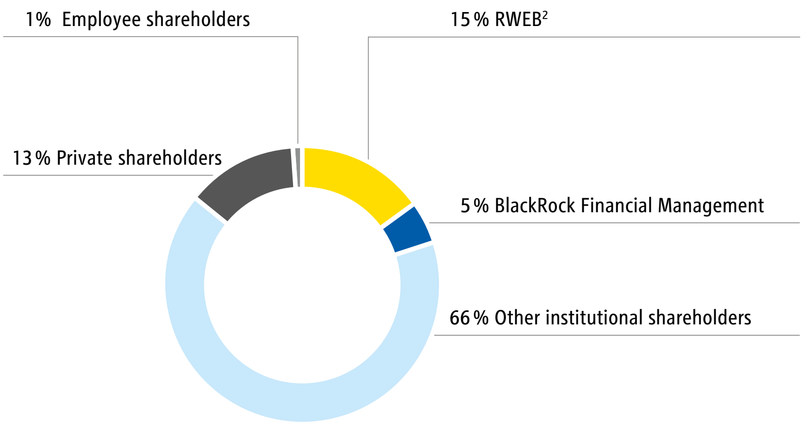
1 Index for government securities on the German bond market.

Ten-year return on RWE common shares of 3.6% p.a. Due to their weak performance last year, RWE shares also fared worse in the long-term comparison of returns. Anyone who purchased RWE common shares worth €10,000 at the end of 2003 and reinvested the dividends had €14,293 ten years later. Our preferred shares would have appreciated to €14,781. The investor would have had annual average returns of 3.6% and 4.0%, respectively. Over the ten-year period, the same initial sum would have grown to €19,230 if invested in the STOXX Europe 600 Utilities index and to €24,090 if invested in the DAX. The investors would have earned annual returns of 6.8% and 9.2%, respectively.

RWE share indicators		2013	2012	2011	2010	2009
Earnings per share[1]	€	–4.49	2.13	3.35	6.20	6.70
Recurrent net income per share[1]	€	3.76	4.00	4.60	7.03	6.63
Cash flows from operating activities per share[1]	€	9.36	7.15	10.22	10.31	9.94
Dividend per share	€	1.00[2]	2.00	2.00	3.50	3.50
Dividend payment	€ million	615[2]	1,229	1,229	1,867	1,867
Payout ratio[3]	%	27	50	50	50	53
Dividend yield on common shares[4]	%	3.8	6.4	7.4	7.0	5.2
Dividend yield on preferred shares[4]	%	4.3	7.0	7.9	7.3	5.6
Common share price						
End of fiscal year	€	26.61	31.24	27.15	49.89	67.96
High	€	31.90	36.90	55.26	68.96	68.58
Low	€	20.74	26.29	21.77	47.96	46.52
Preferred share price						
End of fiscal year	€	23.25	28.53	25.44	47.99	62.29
High	€	29.59	34.25	52.19	62.52	62.65
Low	€	20.53	24.80	20.40	44.51	41.75
Number of shares outstanding (average)	thousands	614,745	614,480	538,971	533,559	533,132
Market capitalisation at the end of the year	€ billion	16.2	19.1	16.6	28.0	38.0

1 Based on the annual average number of shares outstanding.
2 Dividend proposal for RWE AG's 2013 fiscal year, subject to the passing of a resolution by the 16 April 2014 Annual General Meeting.
3 Ratio of the dividend payment to recurrent net income.
4 Ratio of the dividend per share to the share price at the end of the fiscal year.

Shareholder structure of RWE AG[1]



1 Percentages reflect shares in the subscribed capital.
Sources: notifications of shareholdings in accordance with the German Securities Trading Act (WpHG) and shareholder identification, as of December 2013.
2 Formerly RW Energie-Beteiligungsgesellschaft.

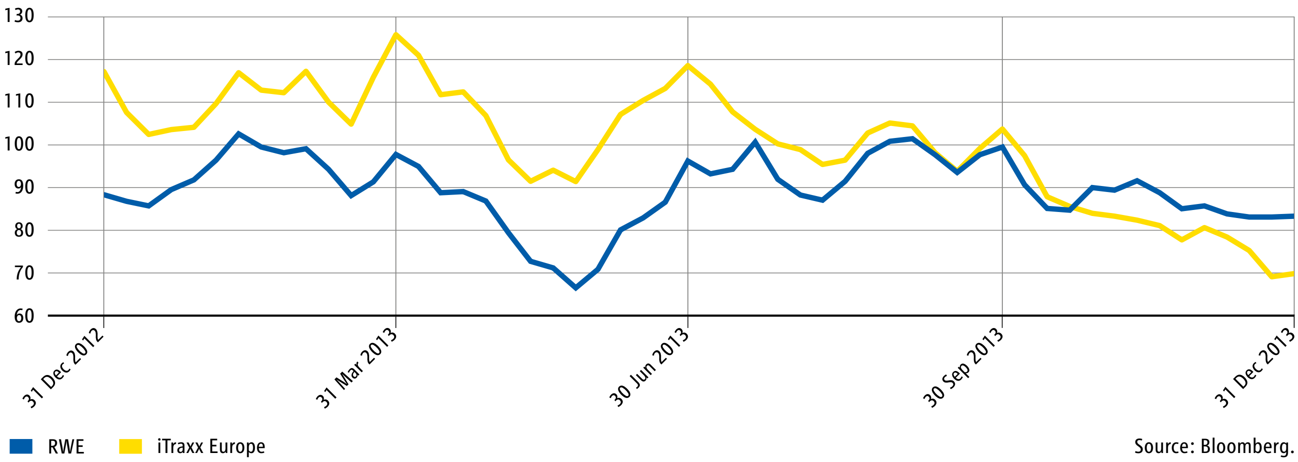
Broad international shareholder base. RWE AG's capital stock is divided into 614,745,499 shares, of which 39,000,000 are non-voting preferred shares. As in the previous year, about 86% of our shares were owned by institutional investors, while 14% were held by private investors (including employee shareholders). At the end of the year, institutional investors in Germany held 32% of the capital stock (prior year: 34%), with those in North America, the United Kingdom and Ireland also accounting for a combined 32% (30%) and those in Continental Europe, excluding Germany, owning 19% (19%). RWEB GmbH, in which municipal shares are pooled, is RWE's single largest shareholder, owning 15%. It is the legal successor of RW Energie-Beteiligungsgesellschaft mbH & Co. KG, which was merged into RWEB GmbH in September 2013. Based on available information, the asset management company BlackRock Financial Management (USA) holds the largest RWE position outside Germany, amounting to around 5%. The free float of RWE common shares considered by Deutsche Börse in terms of index weighting was 84% at the end of the year.

Some 1% of RWE shares are owned by our employees. Last year, nearly 26,000 people, or 59% of those entitled to subscribe, participated in our employee stock ownership plan, subscribing a total of approximately 452,000 shares. By offering this programme, we enable personnel in our German companies to buy RWE shares at favourable conditions. We spent €5.9 million on this in the year being reviewed.

Ticker symbols of RWE shares	Common shares	Preferred shares
Reuters: Xetra	RWEG.DE	RWEG_p.DE
Reuters: Frankfurt	RWEG.F	RWEG_p.F
Bloomberg: Xetra	RWE GY	RWE3 GY
Bloomberg: Frankfurt	RWE GR	RWE3 GR
German Securities Identification Number	703712	703714
International Securities Identification Number (ISIN)	DE 0007037129	DE 0007037145
American Depository Receipt CUSIP Number	74975E303	–

RWE is traded on stock markets in Germany and the USA. In Germany, RWE shares are traded on the Frankfurt am Main and Düsseldorf Stock Exchanges as well as via the electronic platform Xetra. They can also be obtained over the counter in Berlin, Bremen, Hamburg, Hanover, Munich and Stuttgart. Outside Germany, RWE stock is traded in the USA over the counter via American Depositary Receipts (ADRs) in what is known as a Level 1 ADR Programme. ADRs are share certificates issued by US depositary banks, representing a certain number of a foreign company's deposited shares.

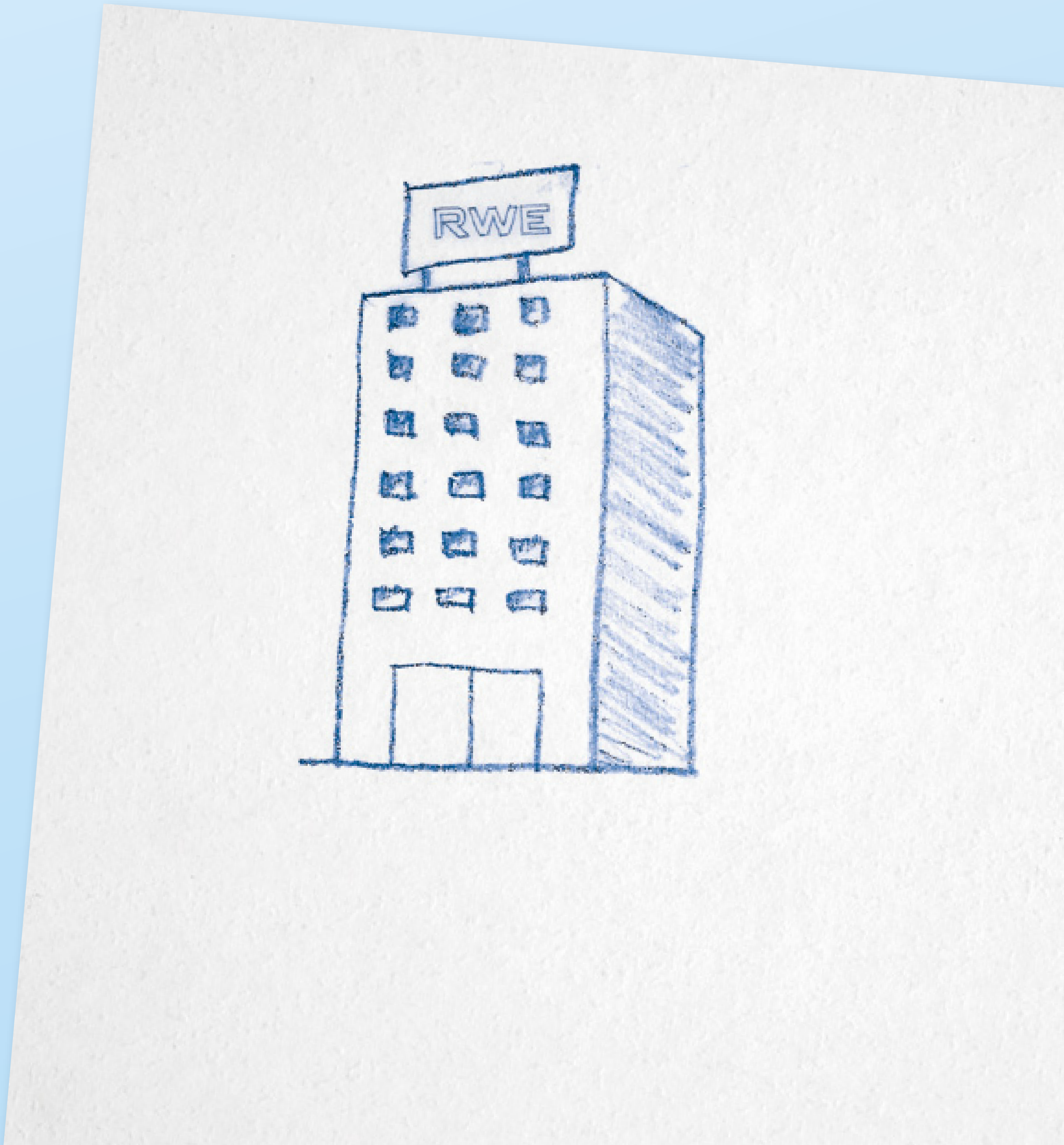
Development of the five-year credit default swap (CDS) for RWE compared with the CDS index iTraxx Europe
Basis points (average weekly figures)



Source: Bloomberg.

Low interest rates and credit risk hedging prices. The expansionary monetary policy pursued by leading central banks also clearly left its mark on the bond market. Interest rates in 2013 were at a historic low. Ten-year German government bonds occasionally had a return of just slightly above 1 %. They recovered somewhat thereafter. The cost of hedging credit risk via credit default swaps (CDSs) was also relatively low. The quotation for five-year CDSs on the iTraxx Europe Index, which consists of the prices of the CDSs of 125 major European companies, totalled 70 basis points at the end of 2013. It dropped in price by 40 % over the course of the year. The five-year CDS for RWE, which was quoted far below the iTraxx Europe in the first half of the year, traded 13 basis points above the index at the end of 2013. It lost its cost advantage partly due to the aforementioned critical analyst opinions on RWE's financial situation. Furthermore, the leading rating agency Moody's lowered its credit rating for RWE from A3 to Baa1 in June (see page 79). Despite these factors, we can still obtain attractive financing conditions on the debt market. In October of 2013, we issued a bond with a tenor of just over ten years and an initial yield of 3.1 % (see page 75).

1 REVIEW OF OPERATIONS



1.1 STRATEGY

Ambitious political goals in relation to climate protection and the expansion of renewable energy are increasingly determining the regulatory environment in the energy sector. This presents RWE with substantial challenges in terms of competitiveness, capacity for innovation and financial strength. Our strategy is in line with our mission statement, which takes account of all of these aspects: becoming the most trusted, high-performing partner for the sustainable transformation of the European energy system.

Increasing financial strength and contributing to the transformation of the energy sector are the focal points of our strategy. Europe's energy markets are undergoing profound change, especially in our established generation business. The rapid, heavily subsidised expansion of renewable energy is playing an important role in this. Based on available information, renewable energy accounted for 45 % of Germany's total electricity generation capacity at the end of 2013. Solar panels alone had a share of 19 %. Four years before, this figure only stood at 6 %. The solar boom and the steep decline in the price of hard coal and CO_2 emission allowances have put wholesale electricity quotations under pressure. As a consequence, the profitability of our power plants has recently deteriorated significantly. This is reflected in the 2013 consolidated financial statements by lower operating earnings and high impairments. Whereas conventional power generation was responsible for more than half of RWE's operating result in 2012, it contributed slightly less than a quarter a year later. It has also become clear that the return on the power plant investment programme, which we launched in the past decade and has an investment volume of more than €12 billion, will not be as high as originally expected.

We have taken the developments witnessed in the last few years, in particular the U-turn in German energy policy, as an occasion to formulate a mission statement reflecting our role in the energy world of tomorrow and to establish specific goals based on it. We have provided extensive commentary on this on page 32 et seqq. In the past, we described the course of the company as being 'more sustainable,' 'more robust' and 'more international' (see page 32 of the 2012 Annual Report). Tapping into new markets is no longer a priority for us, in part due to financial restrictions. Conversely, the goals of sustainable management and becoming more robust continue to be cornerstones of our strategy.

Leading position in numerous European energy markets. Europe remains the geographic focus of our electricity and gas business. We have established ourselves as a leading supplier of electricity and gas and have tapped into the markets which are the most important to us. These are Germany, the Benelux region, the United Kingdom as well as Central Eastern and South Eastern Europe. In the field of electricity and heat generation from renewables, we are also active outside of these regions, for example in Spain and Italy.

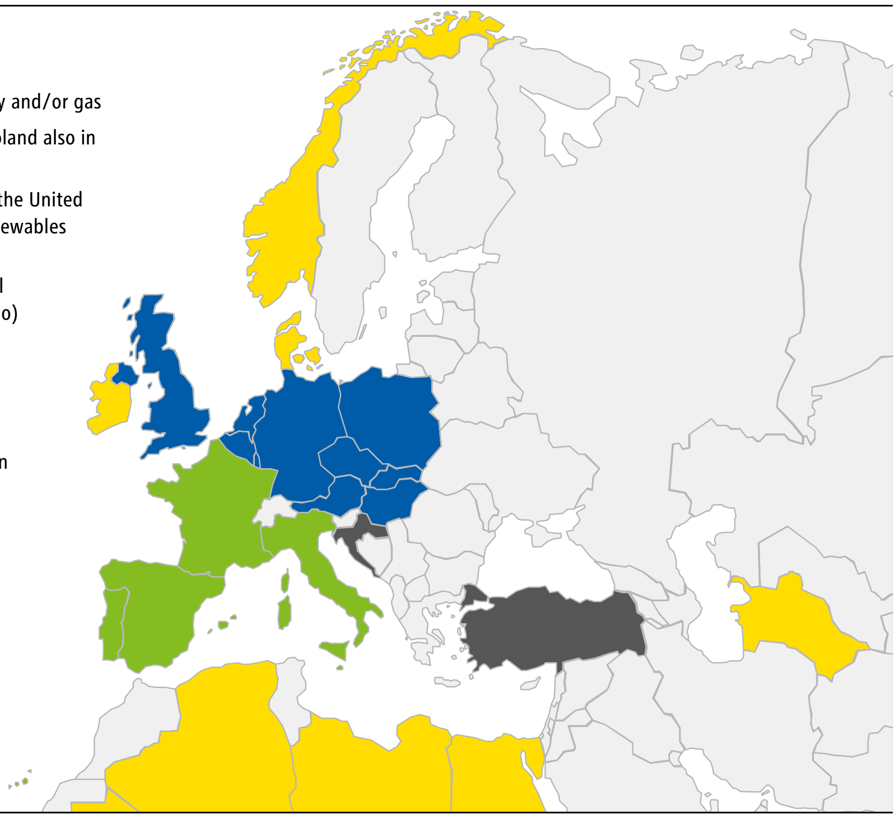
Market positions of the RWE Group in terms of sales	Electricity	Gas
Germany	No. 1	No. 3
Netherlands	No. 2	No. 2
United Kingdom	No. 4	No. 5
Central Eastern and South Eastern Europe	No. 1 in Hungary No. 5 in Slovakia No. 5 in Poland No. 7 in the Czech Republic Active in Croatia Active in Turkey	No. 1 in the Czech Republic No. 2 in Slovakia
Total Europe	**No. 3**	**No. 5**

We only see limited potential for growth in the mature markets, namely Germany, the Benelux countries and the United Kingdom. The exception is Belgium, where we are expanding our energy supply business. In the other countries, we want to defend our market shares in the face of mounting competition by offering innovative products tailored to the needs of our customers. In Germany, our home market, we are required to further develop the energy infrastructure so that the ambitious goals of policymakers in relation to the expansion of renewable energy, energy efficiency and climate protection can be achieved. Only those companies which play an active role will meet with society's acceptance and succeed over the long term.

In Central Eastern Europe, we primarily intend to take advantage of opportunities to expand our supply business. We have identified an opportunity of this kind in the Czech Republic, where we are the No. 1 player in the gas business, and intend to use the existing supply infrastructure as a basis for becoming a leading provider of electricity. Another example is Croatia, where we already have a presence in the wastewater treatment business in the country's capital Zagreb and are co-owner of the Plomin hard coal-fired power station. We are now also becoming active in the Croatian energy supply business and at the end of 2013, we were already supplying 28,000 customers with electricity. We are also establishing a supply business in Turkey, where we have been operating a gas-fired power station near the town of Denizli since 2013. In addition, we intend to become active in the country's energy trading sector.

Where RWE is active

- Established market position in electricity and/or gas
  In Germany, the United Kingdom and Poland also in upstream gas and oil
  In Germany, the Netherlands, Belgium, the United Kingdom, Poland and Austria also in renewables
- Market presence in upstream gas and oil (also in Surinam and Trinidad and Tobago)
- Market presence in renewables
- Market presence in electricity generation and supply



Sustainable business management strengthens acceptance and competitiveness. Energy supply is a long-term oriented business. It is therefore all the more important that our actions be in line with the expectations and goals of society in the long run. Our decisions must be economically, environmentally and socially sustainable. We have defined ten fields of action which we believe address the major challenges in the field of corporate responsibility. We have set ourselves goals for each of these action fields and defined key performance indicators with which we measure the degree to which we achieve these targets. We subsequently communicate this to the public.

Climate protection is particularly important in this context. As Europe's largest emitter of carbon dioxide (CO_2), we shoulder a special responsibility, given that high emissions go hand in hand with high economic risks. We aim to reduce our CO_2 emissions to 0.62 metric tons per megawatt hour (MWh) of electricity generated by 2020. In 2013, our specific emissions totalled 0.76 metric tons. To this end, we place significant emphasis on the expansion of renewable energy. Furthermore, the average efficiency of our power stations will continue to increase, reducing the emission factor. We set the stage for this with our new-build power plant programme, which is scheduled to be completed in 2014: it created the basis for decommissioning even more old, emission-intensive plant in the future, without jeopardising security of supply. However, our sustainability goals are not limited to our own carbon emissions: one of our tasks as a large operator of energy infrastructure is to support the conversion of the energy system, in line with climate protection goals. This is a key element of our mission statement and applies especially to Germany, where we see our role in helping to enable the transformation of the energy market.

Financial robustness more important than ever in today's volatile market environment. The ambitious political goals of energy policy and tight state budgets have led to an increase in government intervention in the electricity and gas markets. An example of this is the ordered tariff cuts and additional tax burdens in Hungary. Succumbing to the pressure of the sovereign debt crisis, the Spanish government actually went as far as reducing renewable subsidies retrospectively. The sudden change of course by the German government in respect of nuclear energy after the reactor accident at Fukushima demonstrates that the regulatory environment has become much less reliable for energy utilities than in the past. Only companies with financial clout will be capable of managing the resulting earnings risks. This is a major reason why we want to increase our financial strength significantly. To us, robustness means also having a well-balanced presence at all stages of the energy value chain. This enables us to at least partially cushion reductions in earnings at one stage, for example in conventional electricity generation, with stable or increased earnings at other stages.

RWE's mission statement. The strategy of the RWE Group is based on a mission statement which takes account of the ambitious political goals regarding climate protection and the expansion of renewable energy as well as the resulting challenges with respect to RWE's competitiveness, capacity for innovation and financial strength: becoming the most trusted and high-performing partner for the sustainable transformation of the European energy system. This mission statement leads to three strategic goals: we aim to (1) increase our financial strength, (2) make RWE more efficient and competitive and (3) successfully contribute to the sustainable transformation of the European energy system. These three goals and what they mean to us in concrete terms are set out in more detail hereinafter.

Our mission statement:
Becoming the most trusted and high-performing partner for the sustainable transformation of the European energy system.

Our strategic goals:	
Increasing financial strength	▪ Safeguarding our unlimited access to the capital market ▪ Reducing net debt to a maximum of 3.0 times EBITDA over the medium term ▪ Fully financing capital expenditure and the dividend payment from cash flows from operating activities from 2015 onwards
Improving performance and competitiveness	▪ Strengthening competitiveness through more efficient processes and a more effective organisation ▪ Establishing a performance-orientated corporate culture
Contributing to the sustainable transformation of the European energy system	▪ Securing electricity supply through flexible and efficient power plants ▪ Expanding renewable energy ▪ Further developing distribution network infrastructure ▪ Strengthening our retail position through innovative products and services

Increasing financial strength. We currently have a high level of debt due to our extensive capital expenditure in recent years and the disappointing returns on investment due to the market environment. This has had a negative effect on our credit ratings by the leading rating agencies Moody's and Standard & Poor's, which are currently Baa1 and BBB+, respectively, but still confirm our high creditworthiness. Due to our significant need for refinancing, our top priority is to ensure that we can always raise debt capital at acceptable conditions, even during crises on financial markets. To accomplish this, we have set ourselves an upper limit for the leverage factor (the ratio of net debt to EBITDA) of 3.0. However, in the last three years, the factor was a constant 3.5. In the medium term, we intend to ensure that it is below the upper limit. Furthermore, from fiscal 2015 onwards, we want to return to fully financing our capital expenditure and dividend payments from cash flows from operating activities. Due to our high level of capital expenditure, we have not managed to do this since 2008, but only just fell short of this goal in 2013.

We are taking several steps to increase our financial strength.

- **Efficiency improvements.** In 2012, we launched the 'RWE 2015' programme, which included an extensive set of measures to reduce costs and increase revenue. Our current efficiency-enhancement programme, which runs until 2016, is designed to have a permanent effect of at least €1.5 billion on the operating result. As set out on page 72, we are on track to achieving this goal.

- **Asset disposals.** The sale of assets should also contribute to improving our financial position. Activities requiring substantial capital expenditure, in particular the oil and gas upstream business overseen by RWE Dea, are at the top of our list of possible disposals. In 2012, we divested assets accounting for a total of €2.1 billion. Last year, a volume of €2.2 billion was added, including the sale of the Czech long-distance gas network operator NET4GAS. Currently, the single-largest divestment project is the sale of RWE Dea, for which we hope to achieve a deal over the course of the year. We also want to sell our minority interest in Urenco, a company specialising in the enrichment of uranium.

- **Reducing capital expenditure.** On completion of the new-build power plant programme this year, we will reduce our capital expenditure on property, plant and equipment significantly. We plan to spend €4.5 billion in capital in 2014. This sum should drop to €3.5 billion and €3 billion in the next two years. These figures still contain an average of €1 billion allocable to RWE Dea. Excluding the upstream business, we expect capital expenditure to total €2 billion starting in 2016. From this point onwards, we will focus on investments required to sustain our business activities, in particular the operation of our networks and power stations. We intend to continue expanding renewable energy, albeit at a reduced pace.

- **New dividend policy.** In previous years, the Supervisory Board and the Executive Board have oriented the dividend proposal to a payout ratio of 50% to 60% of recurrent net income. This range will be reduced to between 40% and 50% for fiscal years from 2014 onwards. A dividend of €1 per share has been proposed for 2013, which is below both ranges (27%). If the corresponding resolution is passed by the Annual General Meeting on 16 April 2014, this will provide us with over €600 million in financial relief compared to last year.

Improving performance and competitiveness. To survive in the face of competition, energy utilities can no longer limit their role to that of a reliable supplier of electricity or gas. Their products must also be offered at attractive prices. In addition, they must cater to the customers' specific needs. To be competitive in terms of price and quality, companies must have efficient production operations, an effective organisation and a corporate culture of performance and innovation. Only if we rise to these challenges can RWE become a fixture in the energy world of tomorrow.

Our 'RWE 2015' programme addresses all of these topics. We have already commented on the measures it includes to reduce costs and increase revenue, which aim not only to streamline processes, but also to improve our organisation. An example of this is the pooling of the management of our conventional power plants in the newly established RWE Generation, which became operational at the beginning of 2013. RWE Group Business Services took up commercial operation at the same time and handles cross-divisional functions such as accounting, purchasing and HR management. To leverage synergies from our supply activities, with effect from 1 January 2014, we established RWE Retail, in which we have pooled our supply expertise. This new management unit is responsible for the groupwide supply strategy, among other things (see page 54). We are increasingly running functional business units as profit centres. Standard processes are being pooled in shared service centres and expert knowledge is being unified in centres of expertise.

Another focal point of 'RW E 2015' is the further development of our corporate culture. We need employees who can draw on their creativity and initiative to improve products and processes, who help the company progress with their ideas, and who do not wait for signals from management to act. If meaningful innovations were only introduced from the top down, we would not be dynamic enough to keep up with the competition. Our business has become far too complex to do so. Creativity and innovation are in demand now more than ever, across all fields of activity and all divisions. In this context, we strive to improve cooperation between RWE's employees, departments and companies. We also want to strengthen our reputation as a trustworthy, competent and service-oriented provider. We measure our success in this respect based on the satisfaction of our customers. Therefore, we were extremely pleased that the customer service representatives of RWE Vertrieb received the German Service Award in 2013. RWE came in first among 65 entrants. High grades were awarded for friendliness, personalised advice and competence. RWE Vertrieb was recognised for its high quality of service in January 2014 once again. The company obtained the first spot in a market survey conducted by the renowned consulting firm imug.

Contributing to the sustainable transformation of the European energy system. Thanks to our integrated business model covering the entire energy value chain, we are able to contribute to the transformation of the European energy system in a variety of areas.

- **Securing electricity supplies through flexible and efficient power plants.** Conventional power stations are indispensable, despite the further expansion of renewable energy. Without them, the fluctuation in the availability of wind turbines and solar panels would result in regular outages, as electricity from renewables is not available at the push of a button because it can only be stored to a very limited extent. According to a study conducted by the German Energy Agency (dena), gas and coal-fired power plants will still have to provide about two-thirds of secured capacity in 2050. Based on dena's calculations, this corresponds to 60 gigawatts (GW). In the last few years, we have increasingly invested in the flexibility of our power stations, in order to enable them to react better to fluctuations in feed-ins of renewable energy. A case in point is the lignite-fired power plant at Neurath near Cologne, which has a capacity of up to 2,100 megawatts (MW). It was commissioned in 2012 and can adjust its capacity utilisation by 500 MW within 15 minutes. In addition, in the Germany/Netherlands region we own the largest amount of capacity of flexible gas-fired power stations. However, these plants have been especially hard hit by the rise in electricity from renewables fed into the system. Today, many gas-fired power stations, including some in our fleet, are unable to cover their operating costs. This has already caused us to mothball some of these facilities (see page 53). Furthermore, a large portion of our efficiency-enhancing measures is designed to make the generation business, which has come under pressure, more profitable with a view to safeguarding our position as one of Europe's leading power plant operators over the long term.
- **Expanding renewable energy.** The expansion of electricity produced from renewable sources continues to be a cornerstone of our strategy. However, for financial reasons, we must further reduce our pace of growth and find new ways to finance our business. RWE Innogy, our Group company specialising in the generation of electricity and heat from renewables, is expected to invest a total of about €1 billion in the expansion of renewable energy from 2014 to 2016. This is less than originally planned. By the end of 2013, RWE Innogy was operating generation facilities with a total net installed capacity of 2.9 GW. This figure should rise to 3.4 GW during the current year.

  As regards the expansion of renewable energy, we are focusing on onshore wind turbines in Germany, the United Kingdom, the Netherlands and Poland. In addition, we are building two offshore wind farms: we hold a 60% stake in Gwynt y Môr off the coast of Wales, which has a total installed capacity of 576 MW, and we are the sole investor in Nordsee Ost (295 MW) near Heligoland, Germany. On completion of these two projects, we intend to stop pursuing several new offshore wind projects simultaneously, following a one-at-a-time strategy instead. Furthermore, we will look for partners. We have not taken any concrete investment-related decisions so far.

  RWE Innogy will not launch any new biomass projects. The company is currently focusing on the completion of a biomass-fired power station with combined heat and power technology at Markinch in Scotland. It will have a net installed electric capacity of 46 MW and is scheduled to start production in the spring of 2014. A second biomass project, in Enna, Sicily, has already been completed: the 19 MW plant has been online since the middle of 2013.

Given the limitation of financial resources, we increasingly involve public and private investors in our projects. However, we draw on our technical expertise to remain the plant developer and operator. We also raise funds for our ongoing capital expenditure by selling stakes in existing assets. For example, last year we sold minority interests in several UK wind farms with a total net installed capacity of over 200 MW to financial investors (see page 51). Proceeds from transactions of this kind enable us to invest in a larger number of projects, which diversifies our portfolio and reduces its risk exposure.

In addition, we forge project partnerships with municipalities and municipal utilities. An example of this is Green GECCO, a joint venture between RWE Innogy and 29 municipal utilities, which was established in April 2010 and already has four wind farms with a total net installed capacity of 57 MW. Together with municipal partners, we are currently planning and implementing projects with a total net installed capacity of 450 MW. Centre stage is taken by the construction and operation of wind turbines. However, our range of activities is much wider than that. For example, last year we carried out a project with the town of Kerpen, Germany: we have built a two kilometre-long photovoltaic power station along the A4 motorway, which will supply electricity to more than 500 households. What is special about this plant is the financing concept: local residents were given the opportunity to take a share in the €2.5 million of construction costs by making a capital contribution limited to five years.

- **Further developing the distribution network infrastructure.** The network business will remain a fixture in our portfolio. Due to the regulations governing our return on capital and revenue caps, the earnings risk exposure arising from our operation of German electricity and gas distribution networks is fairly low. However, we are witnessing a trend towards returning the ownership of assets in the energy sector to municipalities: public utilities increasingly want to take charge of operating local networks themselves. We are reacting to this by offering participation models, strengthening our partnerships with municipalities as a result.

  The power grid plays a key role in the transformation of the German energy market. As a distribution system operator, we face huge challenges from the rising amounts of electricity fed into the grid from weather-dependent sources such as wind and solar, as well as the mounting number of small, decentralised energy generation units. In order to ensure a reliable supply of electricity under these conditions, we must invest in the maintenance and expansion of German network infrastructure. We estimate that this will require €650 million in funds per year until 2016. To use networks more effectively and flexibly, we are developing new control technologies and testing them in field trials. An example of this is the ‘Smart Operator’ project on which we report on page 85.

- **Strengthening our supply position through innovative products and services.** By the end of 2013, we were supplying 16.1 million households and companies in Europe with electricity and 7.4 million with gas. Our customers expect fair prices and offerings that satisfy their needs. In the face of ever fiercer competition, we are extending our field of activity beyond the classical supply of electricity and gas, in order to defend our market positions. We develop new business models for all customer segments by pooling our know-how in the fields of energy supply and information technology. The result is innovative products and solutions tailored to suit individual needs, distinguishing us from other utilities.

  In view of rising energy costs, more and more households want to reduce consumption, albeit without diminishing their quality of life. We have the right products for this, e.g. smart meters, automated domestic consumption controls (smart homes) and offerings for electric cars. We also market our energy efficiency expertise to commercial and medium-sized industrial enterprises. Using state-of-the-art measuring techniques and RWE's energy controlling system, our experts analyse energy consumption and develop tailored optimisation measures.

  We also have a strong position in the field of decentralised energy supply. In Germany, we currently operate over 1,000 combined heat and power (CHP) generation plants with a total net installed capacity of about 3,000 MW. In many cases, we do this together with municipal partners or industrial enterprises. In addition, we develop new business models based on decentralised generation technologies such as micro-CHP units and photovoltaics. For example, we launched an innovative system for the local storage of solar power named 'RWE HomePower solar' in the spring of 2013. Users of the system can consume electricity produced with their solar panels themselves to a far greater extent. The advantage is two-fold: our customers save money and, as fluctuating solar feed-ins drop, the grid becomes more stable.

Value added: the key control parameter of the RWE Group. We measure the economic success of our strategy based on the extent to which it contributes to increasing the company's value. The value management concept presented on page 68 et seq. serves as a basis for this. The central control parameter for all of the Group's activities is value added, which we derive from the operating result, the costs of capital and capital employed. In addition to other individually agreed targets, value added is also a parameter for the variable compensation of our executives. Conversely, the company-linked bonus component for the Executive Board of RWE AG is based on the operating result and, to a limited extent, on the degree to which we achieve our goals in the field of corporate responsibility.

1.2 ECONOMIC ENVIRONMENT

Last year was characterised by economic uncertainty. Based on available data, the economy shrank in the Eurozone, whereas it expanded marginally in Germany. Electricity consumption in our Western European markets decreased slightly due to the weak economy and continued energy savings, but demand for gas was revitalised due to the colder weather. The pressure on margins of conventional power plants increased, particularly in Germany and the Netherlands. This was due to low hard coal prices and the subsidised expansion of renewable energy.

Europe's economy remains weak. Based on available data, global economic output in 2013 was 2% higher than a year earlier. The sovereign debt crisis continues to characterise the general economic situation in the Eurozone, where gross domestic product (GDP) may have declined overall. However, based on initial estimates by the German Bureau of Statistics, GDP in Germany, the currency area's largest economy, rose by 0.4%, partly due to robust consumer spending. Conversely, the Netherlands followed the European trend: Dutch GDP probably declined by 1%. In contrast, a gain of 1.9% was calculated for the United Kingdom, with positive stimulus coming in particular from the service sector. The above-average momentum of the economy in Central Eastern Europe waned substantially. Initial surveys for Poland and Hungary indicate GDP growth of 1.3% and just under 1%, respectively. Conversely, a decline of 1.5% has been estimated for the Czech Republic.

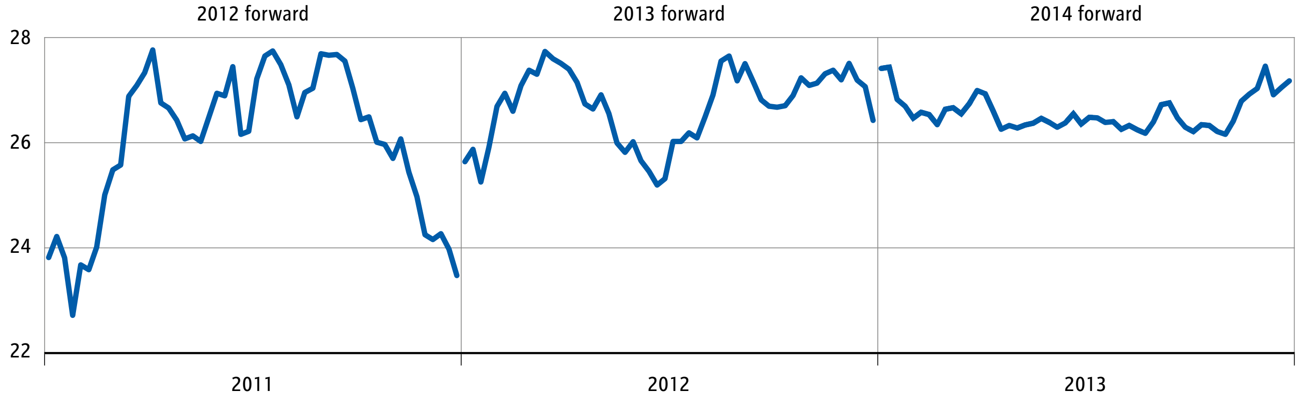
Weather colder than in 2012. Whereas the economic trend is primarily reflected in demand for energy from industrial enterprises, residential consumption of electricity and gas is strongly influenced by weather conditions. The colder it is, the greater the need for heating. In the west of Europe, overall temperatures in 2013 were slightly below the average of the ten preceding years, whereas in the north easternmost countries of Europe, they were slightly above it. Compared to 2012, the weather in all of our key European markets was marginally colder.

The generation of electricity is also affected by the weather, with wind levels playing a major role. In Germany and Poland, average utilisation of our wind farms was down on 2012, whereas in the United Kingdom, the Netherlands and Spain, it was slightly higher. Our German run-of-river power stations benefited from the fact that, in the spring, rivers had higher water levels due to the significant amount of rainfall and melting water. As a consequence of the substantial rise in solar power capacity in Germany, solar intensity also influences developments on the electricity market. In Germany, an average of 1,591 hours of sunshine was recorded in 2013, as opposed to 1,647 a year before.

Weather-driven growth in gas consumption, weak development of demand for electricity. The weak economy curtailed electricity consumption in our core markets. According to estimates made by the German Association of Energy and Water Industries (BDEW) for 2013, demand for electricity in Germany was 1.8% lower than in 2012. Based on available data, demand for electricity in the Netherlands and the United Kingdom was also down, whereas it rose marginally in Poland and grew by 4% in Hungary. In contrast, demand for gas was revitalised by the colder weather: based on figures calculated by BDEW, consumption in Germany was approximately 6% higher year on year. Network operators in the Netherlands and the United Kingdom calculated rises of just over 2% and just under 1%, respectively. Gas consumption in the Czech Republic rose by an estimated 2%.

Uncertainty about demand weighs on oil prices. In 2013, prices on international crude oil markets slightly lagged behind the high level achieved a year earlier. A barrel of North Sea Brent traded at an average of US$109 (€82) on the London spot market. This is US$3 less than in 2012. The marginal decline in price reflects the uncertainty concerning the development of demand in China, the USA and euro crisis countries. Another factor was that US oil inventories occasionally hit all-time highs. The price drop was mitigated by the continued tension in the Middle East, particularly in Syria. Furthermore, the need for crude oil has risen in emerging countries. Unexpected supply stoppages at some producers also contributed to stabilising oil prices.

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

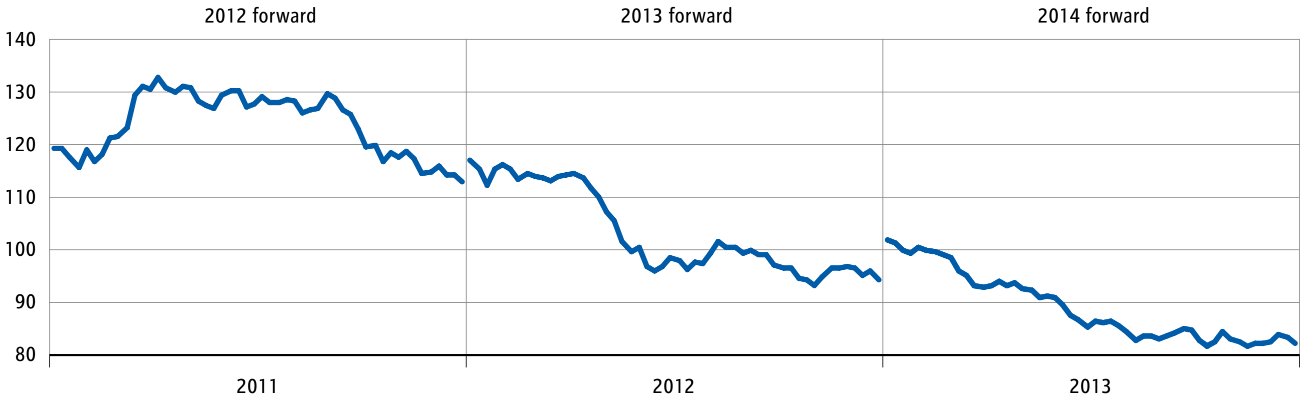


Source: RWE Supply & Trading.

Forward prices in gas trading stable. Some gas imports to Continental Europe are based on long-term agreements indexed to the price of oil concluded between energy utilities and producing companies. Therefore, import prices are partly determined by developments on the oil market. Gas supplied to Germany in 2013 was settled at an average of €28 per megawatt hour (MWh), €2 less than a year earlier. In contrast, oil prices do not have a direct impact on the development of quotations in European gas trading. Spot prices at the Title Transfer Facility (TTF), the Dutch trading hub and reference market for Continental Europe, averaged €27 per MWh, €2 up on 2012. The weather-driven increase in demand for gas was a major factor. Gas forward contracts (2014 forward) were also traded at €27 per MWh. This roughly equals the price of the 2013 forward in 2012.

Gas prices in the customer business developed as follows: households in Germany had to pay slightly higher tariffs than in 2012. In the Netherlands and the United Kingdom, the same customer group had to pay 2% and 8% more, whereas in the Czech Republic, their bills were reduced by 5%. Industrial customers did not experience a notable change in price compared to 2012 in Germany. In the Netherlands and the Czech Republic, gas was 13% and 5% cheaper for them, whereas in the United Kingdom, it was 11% more expensive.

One-year forward wholesale prices for coal deliveries to Amsterdam/Rotterdam/Antwerp
US$/metric ton of coal (average weekly figures)



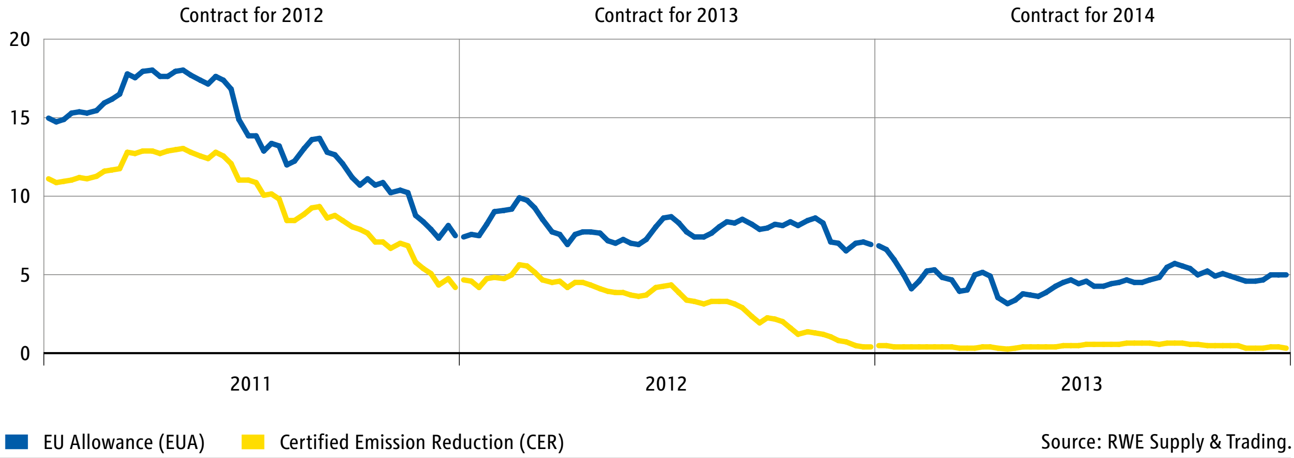
Source: RWE Supply & Trading.

Further drop in prices on the hard coal market. The downward trend in hard coal prices witnessed in the previous year continued. In 2013, coal shipments including freight and insurance to Amsterdam/Rotterdam/Antwerp were quoted at an average of US$82 (€62) in spot trading, US$11 less than in 2012. The one-year forward (API 2 Index) was listed at US$89 (€67), US$14 less than in 2012. The global coal market tends to be oversupplied. On the demand side, China's slowed growth is coming to bear. In addition, the devaluation of the rupee is curtailing India's coal imports, while low-cost shale gas is reducing the need for other energy sources in the USA. On the supply side, the fact that many countries expanded their mining capacities in the past is having an effect. Despite shrinking margins, production volumes are only hesitantly being adjusted to the new circumstances. The development of coal quotations also reflects sea freight rates, which recently stabilised after a long downward trend. Last year, the standard route from South Africa to Rotterdam cost an average of US$9 per metric ton, US$1 more than in 2012.

Weak industrial activity depresses prices in emissions trading. European trading of carbon dioxide (CO_2) emission allowances is also characterised by a persistent slump. In 2013, the standard certificate (referred to as an EU Allowance or EUA) for 2014 traded at an average of €4.70 per metric ton of CO_2 as opposed to the previous year's comparable figure of €7.90. The substantial decline in price observed since 2011 is partly due to the economy-driven weakening in both industrial output and electricity generation. The rapid expansion of renewable energy also plays a role, especially in Germany: feed-ins from solar panels and wind turbines are increasingly replacing electricity generated by fossil-fuelled power stations, also causing demand for emission allowances to decline. In the meantime, it is becoming apparent that far more certificates will be available than are actually needed in the third emissions trading period, which runs from 2013 to 2020. However, based on current legislation, surplus EUAs may be transferred to later trading periods, which means that the development of prices will also be significantly influenced by the market's expectations of the future of the emissions trading system after 2020.

As a result of the Clean Development Mechanism created by the Kyoto Protocol, European companies may also cover their domestic emissions up to a specified cap by submitting Certified Emission Reductions (CERs). These are credits earned from emission-reducing measures in developing and emerging countries. CERs also became much cheaper: in the year under review, certificates for 2014 traded at an average of €0.50 as opposed to the previous year's comparable figure of €3.30. The drop in price is due to the fact that the EU set volume caps for recognising CERs in the European Emissions Trading System. In addition, there are currently no significant sales markets for these certificates outside of Europe. Therefore, in view of the large number of emission-reducing projects around the world, it is expected that far more CERs will be generated than can ever be used.

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



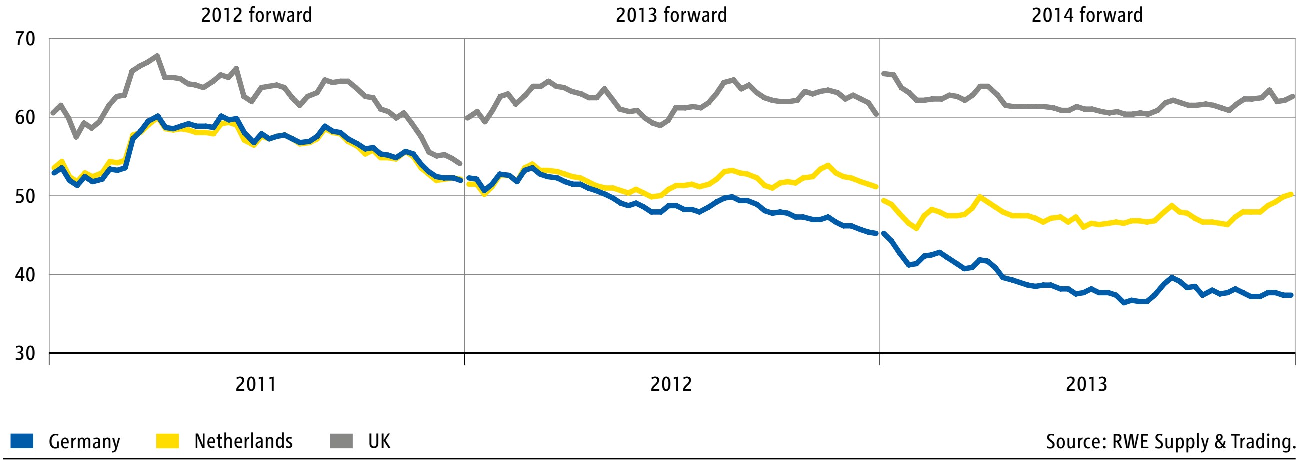
Source: RWE Supply & Trading.

Wholesale electricity market: decline in prices in Germany, rise in prices in the UK. The significant decrease in the price of hard coal and emission allowances as well as the increase of feed-ins under the German Renewable Energy Act (REA) caused wholesale electricity prices in Germany, our largest generation market, to drop considerably. On the spot market last year, base-load power sold for an average of €38 per MWh, €5 down on 2012. Quotations on the forward market also fell: the 2014 base-load forward was priced at an average of €39 per MWh, €10 less than what had to be paid for the 2013 forward in 2012.

In the United Kingdom, where we have our second-largest generation position, base-load power traded at an average of £50 (€59) per MWh on the spot market, compared to £45 a year earlier. The gas price spikes in March 2013 caused by the weather played a role: in the United Kingdom, gas-fired power plants account for a much bigger share of electricity generated than in Germany and therefore have a stronger influence on electricity prices. A tax on CO_2 emissions introduced by the government with effect from 1 April 2013 also had a price-increasing impact. Quotations in UK forward trading were also up. The one-year base-load forward was settled at £53 per MWh in 2013, as opposed to £50 a year earlier. Converted to euros, forward prices were flat (€62). This is due to the devaluation of the British pound.

Wholesale electricity prices in the Netherlands, our third-largest market, are greatly influenced by developments in Germany and therefore also by the rise in feed-ins pursuant to the REA. This is due to cross-border electricity flows. However, as network capacity is limited, prices in the two countries can differ from one another considerably. Last year, wholesale electricity prices in the Netherlands were much higher than in Germany. Averaged for the year, the Dutch base-load spot price was €52 per MWh, €4 more than in 2012. Conversely, forward quotations declined: electricity supply contracts for the following calendar year were settled at an average of €47 in 2013, compared to €52 a year earlier.

One-year forward base load
€/MWh (average weekly figures)



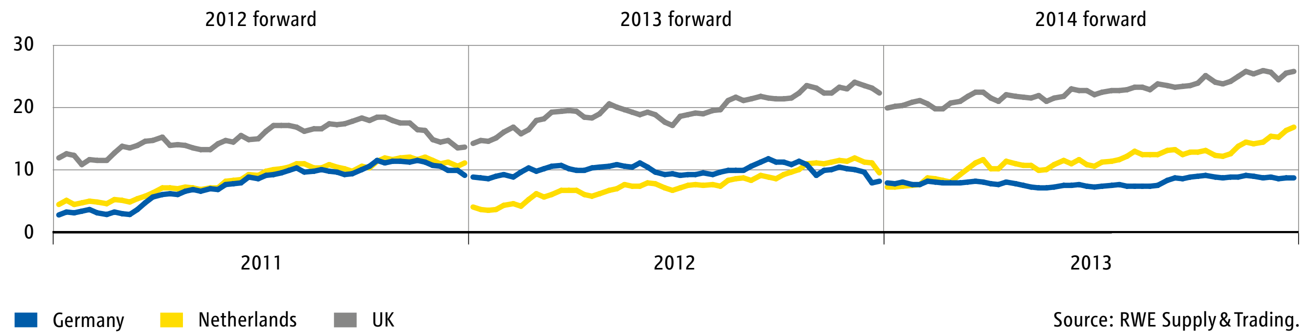
Source: RWE Supply & Trading.

Declining electricity generation margins. The earnings of our power stations depend not only on the development of wholesale prices, but also on the cost of the fuel and emission allowances required to produce electricity. We cover the uranium consumption of our nuclear power plants via long-term agreements at stable conditions. The fuel costs of our lignite-fired power stations also hardly fluctuate. This is because, in general, lignite is not traded, and we mine it ourselves. In contrast, we source nearly all the fuel for our hard coal and gas-fired power plants from liquid trading points. This explains why the generation costs of these stations typically fluctuate more. We operate hard coal and gas-fired power plants primarily in Germany, the United Kingdom and the Netherlands. Their margins are referred to as clean dark spreads (hard coal) and clean spark spreads (gas) and are the result of deducting the costs (including taxes) of the required fuel and CO_2 certificates from the unit price of electricity.

The two following graphs illustrate the development of clean dark spreads and clean spark spreads since 2011 based on one-year forward transactions. Clean dark spreads in Germany were relatively stable. The average margins for one-year forwards in 2012 were slightly higher than in 2011. The spreads in 2013 declined. An opposing trend was witnessed in the Netherlands. In the United Kingdom, clean dark spreads trended upward throughout the entire reporting period, clearly exceeding the German and Dutch levels.

Margins realisable by gas-fired power stations were much lower than the clean dark spreads. In addition, the gap between the two spreads widened over time. Clean spark spreads shrank considerably in Germany. They were also down in the Netherlands, albeit to a lesser extent. In contrast, they were almost flat in the United Kingdom, but still much higher than in Continental Europe.

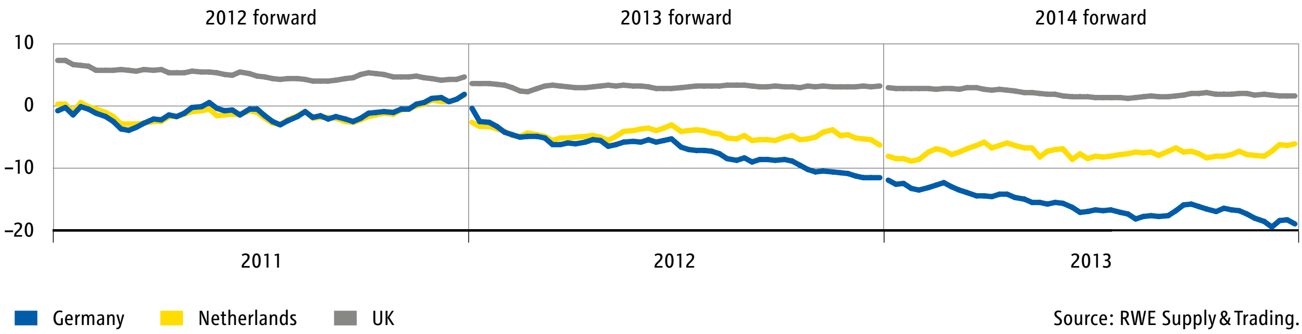
Clean dark spreads[1] forward trading
€/MWh (average weekly figures)



Source: RWE Supply & Trading.

1 Price of base-load electricity minus the cost of hard coal and CO_2 emission allowances based on a power plant efficiency of 35% to 36%, including tax burdens.

Clean spark spreads[1] forward trading
€/MWh (average weekly figures)



Source: RWE Supply & Trading.

1 Price of base-load electricity minus the cost of gas and CO_2 emission allowances based on a power plant efficiency of 49% to 50%, including tax burdens.

Early electricity forward sales curtail earnings drop. We sell forward most of the output of our power plants and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, developments on wholesale markets in 2013 only had a minor impact on the income we generated in that year. What was decisive instead was the conditions at which electricity contracts for delivery in 2013 were concluded in preceding years.

The average wholesale price we realised for our 2013 electricity generation was above the level realisable on today's forward markets, especially in Germany. We sold the electricity produced by our lignite-fired and nuclear power stations for an average of €51 per MWh, falling short of the previous year's comparable figure (€55). As explained earlier, the fuel costs of these two generation technologies are fairly stable. Therefore, the earnings shortfalls were not contrasted by comparable relief on the procurement side, causing margins to deteriorate. We experienced some slight relief in electricity generation from lignite from the decrease in quotations in CO_2 emissions trading. Average prices realised by our gas and hard coal-fired power stations in Germany, the United Kingdom and the Netherlands were also unable to match the previous year's levels. However, in hard coal-based generation, this was mitigated by relief provided by purchases of fuel and emission allowances, whereas in gas-based generation, we recorded shrinking margins.

Heavy burdens due to abolition of free CO_2 emission allowance allocations. The fact that power producers in Western Europe are hardly being allocated any free certificates by government for the third CO_2 emissions trading period, which runs from 2013 to 2020, also resulted in substantial earnings shortfalls. This effect applies to nearly all of RWE's fossil fuel-fired power plants, but is being cushioned somewhat by the decline in prices in emissions trading. It does not have a direct impact on electricity prices or spreads as these are determined by the market prices of emission allowances and not by the manner in which they are allocated by government. About two-thirds of the certificates RWE needed for 2012 were allocated for free.

Electricity retail business: state surcharges drive up German residential tariffs. Unlike on the wholesale market, prices in the German customer business rose: they were 12% and 4% higher year on year in the residential and industrial sectors, respectively. This is mainly due to state surcharges included in electricity bills, which account for half of the total price paid by households. A main contributing factor is the REA apportionment, which was increased from 3.59 euro cents to 5.28 euro cents as of 1 January 2013 and experienced another significant rise as of 1 January 2014, advancing to 6.24 euro cents. The levy in support of combined heat and power plants has also increased. In addition, the offshore liability surcharge in accordance with Section 17f of the German Energy Act was introduced with effect from 1 January 2013. The funds are set aside for financing compensatory payments for delays in connecting offshore wind farms to the grid.

Customers in the United Kingdom also had to pay more for electricity. UK residential tariffs rose by an average of 7% compared to 2012. Electricity bills reflect the costs of energy savings measures in households, which the major utilities are obliged to undertake within the scope of a government programme (see page 48). Electricity became about 4% more expensive for industrial enterprises. In the Netherlands, prices charged to households also rose, increasing by nearly 4%, whereas industrial enterprises paid some 3% less.

In our Central Eastern European markets, residential tariffs developed as follows: for households in Poland they were up marginally, whereas in Slovakia they declined by about 2% and in Hungary they dropped by 12% due to regulatory requirements. Prices paid by Polish industrial enterprises dropped even more: electricity for this customer group was 18% cheaper due to a collapse in prices on the wholesale market. The level of prices charged to Hungarian and Slovak industry was essentially unchanged.

1.3 POLITICAL ENVIRONMENT

Energy policy reforms are on the agenda in many of the markets in which we operate. In Germany, the new governing coalition intends to make the promotion of green electricity more market-oriented and cost efficient. The coalition also envisages the creation of a mechanism for supporting conventional power stations, without which security of supply may be at risk over the long term. The United Kingdom has already decided to introduce a mechanism of this kind. National reforms are being monitored by the European Union. By issuing new framework requirements, Brussels wants to improve the harmonisation of national regulations. However, in addition to these encouraging activities, there were also some setbacks in 2013: political intervention in Hungary and Spain continued, to the detriment of utilities.

EU publishes guidelines for state intervention in the electricity sector. The future of energy supply is at the very top of the political agendas of European countries. Brussels also accords significant importance to the issue. In February 2011, the European Council reached an agreement to complete the single energy market by 2014. In light of the slow progress made, this goal was confirmed in May 2013. The reduction of competition-distorting regulatory intervention is considered the main prerequisite for a functioning single market. Against this backdrop, the EU Commission submitted a notification on 5 November 2013 in which it provided EU member states with guidelines for government intervention in the electricity sector. One of the main topics is the promotion of renewable energy, which is being reformed in many countries. The EU Commission is of the opinion that financial support for renewables should be reduced to a minimum. It believes that subsidised technologies should gradually be exposed to market prices as they mature, eventually having their subsidies removed. The Commission recommends that the member states coordinate their strategies for promoting renewable energy better than in the past. It further suggests avoiding unannounced or retrospective changes to applicable rules.

In its communication, the EU Commission also addresses reserve capacity, which is becoming increasingly important as the amount of fluctuating electricity feed-in from wind turbines and solar panels grows. In this context, it builds on the plans of several countries for creating a capacity mechanism. This type of mechanism ensures that power producers are compensated for keeping power plant capacity in reserve in addition to receiving income from the sale of electricity. In the Commission's view, governments should examine the reasons for insufficient generation before reaching decisions on capacity mechanisms. It feels that the first step should entail removing all distortions of competition which prevent the market from providing the right incentives for investing in generation capacity. Investment hurdles might result from regulated electricity prices or exaggerated renewable energy subsidies, among other things. Furthermore, governments should ensure that green energy producers react to market signals and should support flexibility on the demand side, for example by promoting the introduction of various consumer tariffs as an incentive to use electricity in off-peak periods. If capacity mechanisms are introduced, they should be aligned with the European perspective and not just with their respective national markets.

The Commission's guidelines are not legally binding. However, they should be applied when examining state intervention for the promotion of renewable energy, capacity mechanisms and demand-side measures. Therefore, they are decisive to the enforcement of EU rules governing state subsidies and of EU energy law.

Brussels seeks to harmonise the promotion of renewable energy. On 18 December 2013, EU Competition Commissioner Joaquín Almunia submitted a draft guideline on state energy and environmental subsidies for consultation among EU member states. This initiative also aims to strengthen the single market. Some of the main points of the draft correspond to those of the Commission guidelines for government intervention in the electricity sector set out above. For instance, it recommends a more market-friendly, cost-effective approach to the promotion of renewable energy. Furthermore, the draft confirms the secondary importance of capacity mechanisms as it specifies that they should only be allowed in cases where concerns about the availability of generation capacity cannot be allayed by building additional energy infrastructure or other measures enabling more flexible demand or storage. The finalised subsidy guidelines are scheduled to be submitted in the middle of 2014, after the consultations have ended. They will replace current guidelines, which expire at the end of 2014. From 2015 onwards, for the first time, there may be uniform criteria according to which Brussels decides whether measures to promote renewable energy conform with EU law. So far, Brussels has decided on state aid in the electricity and gas sectors on a case-by-case basis.

Competition Commissioner examines industry rebates on the green energy levy. Concurrent to the submission of the draft guidelines for energy and environmental subsidies, the European Commission opened an investigation into the subsidies under the German Renewable Energy Act (REA). The objective is to determine whether the rebates on the REA apportionment granted to energy-intensive industrial enterprises distort competition and therefore violate EU law. The probe targets the version of the REA that entered into force on 1 January 2012 and enlarged the group of privileged companies. EU regulators are also looking into what is termed the green energy privilege pursuant to Sec. 39 of the REA, which exempts power producers from paying the REA apportionment if certain conditions are met. The Commission has made it extremely clear that the launch of the investigation of the aids is not prejudicial to the final decision. Should the probe reach the conclusion that the special equalisation rule and/or the green energy privilege are impermissible subsidies, they would be illegal. However, the German government or other stakeholders could take legal action against such a decision. In the meantime, Germany's new Christian Democrat/Christian Social Union/ Social Democrat government has initiated a reform of the REA (see page 46).

EU sets the stage for temporary shortage of CO_2 emission allowances. In November 2013, the EU member states approved intervention into the European carbon emissions trading system to support certificate prices. It is envisaged that the allocation of emission allowances covering a total of 900 million metric tons of carbon dioxide from the auction contingent for 2014 to 2016 be withheld until the last two years of the third emissions trading period, which runs from 2013 to 2020 (referred to as backloading). The European Parliament had given the go-ahead for this on 3 July 2013. Backloading is being introduced as a quick reaction to the huge surpluses of emission allowances. However, experts estimate that these surpluses clearly exceed the volume of withheld certificates. Therefore, the general consensus is that price signals – and in turn the incentivising effect of the emissions trading system – can only be strengthened through structural reforms. The EU Commission has taken a first step in this direction by submitting the Climate and Energy Package, which we have outlined below.

EU Commissioner Hedegaard proposes ambitious climate protection roadmap. At the end of January 2014, Connie Hedegaard, the EU Commissioner for Climate Protection, presented a Climate and Energy Package specifying measures for reducing greenhouse gas emissions after 2020. The roadmap envisages a 40% drop in EU emissions by 2030 compared to 1990. At the same time, the package aims to increase the share of gross final energy consumption accounted for by renewable energy at the European level to 27% by 2030. It does not include country-specific targets. Another goal is to strengthen the European Emissions Trading System by making the supply of certificates flexible (Supply Adjustment Mechanism). The basis for this is an annual measurement of the certificate surplus, which corresponds to the difference between the certificates issued and used since 2008. If certain threshold values are exceeded or not reached, the volume of certificates auctioned in subsequent years would be reduced or increased. The Adjustment Mechanism has already been included in a proposed law on structural reforms of the emissions trading system, which is being negotiated between the European Council and the European Parliament under the codecision procedure. However, the emission reduction target is subject to approval by the heads of state and government at the EU Summit in March 2014.

New German government sets course for energy policy. At the end of November 2013, two months after the German Federal elections, the Christian Democrats/Christian Social Union and the Social Democrats entered into a coalition agreement containing guidelines for their joint governmental activities. In the contract, the coalition parties confirm the former course of Germany's energy policy. However, they have emphasised that "the cost-efficiency and economic viability of the system as a whole – including network expansion and the necessary reserve capacity – be accorded higher significance" within the context of the expansion of renewable energy. The government coalition seeks to introduce a rapid and fundamental reform of the REA, which is scheduled to be outlined by Easter 2014. The coalition agreement already includes some of the cornerstones of this project. One of the objectives of the reform is to reduce the compensation paid to owners of wind farms in onshore locations with high wind levels, in order to avoid over-subsidisation. The German government plans to maintain the feed-in fees for electricity generated by offshore wind farms for the time being, but has lowered its offshore capacity expansion target to 6.5 gigawatts (GW) by the end of 2020 (previously 10 GW). Generators of electricity complying with the REA will be increasingly obliged to sell their electricity on the exchange themselves instead of leaving this up to the electricity network operators. Direct sales of this kind are already possible today. In such cases, power producers are refunded the difference between the feed-in tariff and the sales price. Moreover, the government intends to abolish the green energy privilege.

The coalition agreement confirms that lignite, hard coal and gas-fired power stations will be an indispensable part of the domestic energy mix in the foreseeable future, as electricity generated by wind turbines and solar panels alone cannot ensure security of supply. It further sets out that there is currently enough conventional generation capacity, conceding that this situation could change by the end of this decade. This point in the paper considers the recent drop in the profitability of conventional power plants. As a result of the significant decline in German wholesale electricity prices, many stations are not capable of covering their operating costs and should actually be shut down. In addition, since it has largely become unprofitable to build new power plants, it is conceivable that at some point, there may no longer be enough available conventional generation capacity to guarantee security of supply. This is why the coalition agreement stipulates that, over the medium term, a capacity mechanism be developed which is cost-efficient, competition-oriented, open to all technologies and in line with European regulations.

At the end of January, the German government held a convention at which the energy market reform was discussed, and the plans included in the coalition agreement were given more detail. They envisage reducing the capacity expansion of solar panels and onshore wind turbines to 2,500 MW per year for each of the technologies. The objective is to reduce REA compensation. Last year, it averaged 17 euro cents per kilowatt hour (kWh) for all existing plant. An average fee of 12 euro cents for new plant has been targeted for 2015. By then, a cap of 9 euro cents is envisaged for onshore wind power. Furthermore, the government wants to oblige operators of new plant with a net installed capacity of 500 kilowatts or more to sell green energy directly on the market. The obligation would then be gradually expanded to include smaller units. The coalition also wants the REA apportionment to be paid for electricity generated for self-consumption. Facilities which were commissioned before 2013 would be subject to a reduced fee of 0.96 euro cents per kWh. Operators of new plant would pay 90% of the current REA apportionment, which amounts to 6.24 euro cents per kWh. Conversely, the government wants to maintain the exemption from the green energy apportionment for small self-consumers.

German Lower House passes law on selection of final storage facility for highly radioactive waste. On 28 June 2013, the German Lower House enacted the German Site Selection Act, the law governing the search for a final storage facility for highly radioactive waste. At the beginning of July, the Upper House also gave the go-ahead. According to the Act, the search for a site will be conducted nationwide and without a preselection of locations. In addition, sites such as Gorleben in the State of Lower Saxony will not be ruled out from the start. A Committee of Enquiry composed of 33 members representing the federal government, state administrations and non-governmental organisations will prepare the procedure. Their proposals must be submitted by the end of 2015. The period envisaged for the selection process ends in 2031. This does not include the actual approval process or the construction of the final storage facility. By law, the costs of the selection process must be borne by the nuclear power plant operators. These have been set at approximately €2.7 billion in nominal terms. Based on the applicable formula, about a quarter of this sum would be allocable to RWE.

The Netherlands reaches consensus on National Energy Plan. On 6 September 2013, the Dutch government signed a national energy agreement ('Energieakkoord'), which outlines the future course of the country's energy policy. This was preceded by months of negotiations between the Dutch state, industry, the association of power utilities, consumer organisations and environmental associations. Talks were coordinated by the Socio-economic Council of the Netherlands (SER), which advises the government. The agreement envisages at least 14% of energy needs in the Netherlands being covered by renewable sources by 2020 and 16% by 2023. In 2013, this ratio was just 4.4%. In expanding renewables, the Netherlands is focusing on wind power and biomass. The government aims to increase net installed wind power capacity to 6,000 MW onshore by 2020 and 4,450 MW offshore by 2023. A new subsidy system has been planned for co-generation using sustainably produced biomass in coal-fired power stations. Distributed renewables-based electricity supply will be incentivised by tax privileges. Energy efficiency measures are expected to be supported by a number of initiatives, including the creation of a dedicated fund. The objective is to reduce the country's energy usage by an annual 1.5% through to 2020.

The Dutch government has further agreed with the power utilities that five coal-fired power stations, which were built in the 1980s, will be shut down as of 1 January 2016. This includes block 8 of our Amer power plant. In turn, the Dutch coal tax, which we have been paying since 2013 (see page 46 of the 2012 Annual Report), will be abolished – also as of 1 January 2016. However, the Dutch Competition Authority has appealed against this provision in the energy agreement because it believes that it constitutes a restrictive arrangement. Given the widespread acceptance of the Energieakkoord and the contracting parties' intention to maintain its cornerstones, ways are now being sought to implement this part of the agreement nevertheless.

United Kingdom: law to reform the electricity market passed. In December 2013, the UK Parliament passed the Energy Act, which includes the legal framework for a fundamental reform of the UK electricity market ('Electricity Market Reform'or EMR). The reform's primary objective is to achieve goals relating to domestic climate protection and the expansion of renewables. The targeted reduction in the UK's carbon dioxide emissions is 34% by 2020 compared to 1990. The goal is to have renewable energy cover at least 15% of final energy consumption and account for 30% of electricity generation by 2020. The Act includes the key points of a system for supporting climate-friendly electricity generated from renewable sources, nuclear energy and fossil fuel in combination with carbon capture and storage. Green electricity producers currently receive Renewables Obligation Certificates (ROCs). A mechanism referred to as a Contract for Difference (CFD) will be introduced in the future. The idea is to guarantee that electricity generators receive a contractually agreed fee for the electricity they feed into the system. If the price they can realise on the wholesale market is below the fee, they will be refunded the difference. If it exceeds the fee, they will be obliged to make payments. The subsidy will be financed by supply companies in line with the amounts of electricity which they purchase on the market. CFDs are scheduled to be concluded starting in 2014. The prerequisite is that they comply with the EU's future state aid guidelines.

The EMR will also include the introduction of an Emission Performance Standard, limiting allowable carbon emissions for new plants to 450 grams per kilowatt hour of electricity generated. Plans also envisage the introduction of a capacity market, as the expansion of renewable energy is also causing the margins of conventional power stations to shrink in the UK. This will exclude plants that are already receiving subsidies under the ROC or CFD system. Capacity auctions are scheduled to begin in 2014 and will relate to capacity for 2018.

Major elements of the EMR remain to be clarified even though the Energy Act has been passed. They will be addressed by regulations in 2014. It cannot be ruled out that the reform may only be implemented after the parliamentary elections in May 2015.

UK government aims to reduce residential energy costs. Mounting energy costs and the resulting public resentment will be one of the pivotal issues in the campaign for the next parliamentary elections in the UK. Ed Miliband, the Leader of the Labour Party, announced in September 2013 that residential electricity and gas tariffs would be frozen for 20 months in the event of a Labour victory. In reaction, the Conservative-Liberal government announced a catalogue of measures in December, which would lead to a reduction in energy costs as early as 2014. The government's goal is to reduce the average residential electricity and gas bill by a total of £50 (about €60) in the current year. One of the measures it has taken to this end is to scale back the Energy Companies Obligation (ECO), a programme launched by the state. ECO obliges the major power providers to take measures to improve energy efficiency in homes. The resulting costs have made a significant contribution to the increase in electricity prices. In addition, the government intends to make a one-off payment to energy companies in the autumn of 2014, which they will be obliged to pass on to their customers to reduce their energy bills by £12. At the beginning of January, RWE npower announced lower tariffs with effect from 28 February 2014, which will fully take the relief offered by the ECO programme into account. Together with the one-off payment in autumn, the tariff cut will reduce the energy bills of customers who purchased both electricity and gas from us by the targeted £50.

Doubts concerning fair competition in the energy sector have surfaced repeatedly in the debate on energy costs. Although switching providers is more commonplace in the UK supply business than in most other European markets, the government wants to further promote customer willingness to switch. One of the factors it is relying on to achieve this is an increased transparency of price comparisons. From 1 January 2014 onwards, energy companies will be allowed to offer no more than four residential tariffs and from 1 April 2014, they will be obliged to indicate on bills which of their tariffs is most affordable for their customers. In the future, the UK regulator Ofgem (Office of Gas and Electricity Markets) will conduct an analysis of the competitive environment in the energy sector once a year. The first review is scheduled to be completed in the spring of 2014.

As in Germany, there is a widespread lack of public knowledge about the real reasons for the development of prices on the UK energy market. Politicians and the media complaining about a lack of competition and making the energy companies' quest for profits responsible for rising energy costs can therefore expect the public's widespread approval. Against this backdrop, RWE npower initiated the 'Energy Explained' campaign in 2013, through which the company provides detailed information on items making up electricity and gas bills. Among other things, this demonstrates that the energy costs for which the government is responsible have risen disproportionately: their share of the total bill rose from 8% in 2007 to 15% in 2013.

Hungarian government imposes further burdens on energy companies. The difficult energy policy framework conditions in Hungary worsened dramatically last year. In particular, the fiscal burdens on utilities rose substantially. The Hungarian government continued imposing a special tax on companies from the energy, telecommunication and retail sectors, which was set to expire at the end of 2012. In addition, it increased the tax rate: the tariff for energy companies rose from 8% to 31%. Whereas the levy used to apply only to utilities active in the non-regulated sector, since 2013 it has also been imposed on income from regulated businesses. Including the corporate tax (19%), the income tax rate applicable to energy utilities now totals 50%. Furthermore, the country introduced a cable tax in 2013. It affects electricity, gas, district heating and water utilities as well as telecommunications companies. They have to pay an annual 125 forints (€0.43) per metre of cable or pipe. Utilities were also subjected to additional burdens by the Hungarian regulatory authorities: the Energy Authority and the National Development Ministry determined that residential electricity and gas tariffs in the regulated sales segment be reduced by 10% with effect from 1 January 2013 and an additional 11.1% as of 1 November 2013. The interventions mentioned above curtailed our 2013 operating result by approximately €50 million. Against this backdrop, we exited from the Hungarian gas business at the end of the year (see page 51). In contrast, we are still active along the entire value chain in the electricity business.

Spain decides to make drastic cuts in renewable energy subsidies. Subsidies received by producers of electricity from renewables in Spain will decline substantially. This has been established by a law on the reform of the electricity market, which entered into force at the end of December 2013. The fixed feed-in tariffs paid so far will be replaced retrospectively to July 2013 by a new compensation system, the details of which will be set out in a decree. The system should ensure that the generation facilities achieve a pre-tax return on capital equivalent to the ten-year average of Spanish government bonds plus 300 basis points. At present, this would be 7.4%. Based on previous legislation, green energy producers received a fixed tariff, which could be as high as €460 per MWh for old plant, and was set for 25 years. Since 2010, state intervention detrimental to electricity generators has risen in Spain due to the country's tight state budget. We recognised an impairment in the Renewables Division (see page 70) due to the latest amended law and the impending implementation regulation.

1.4 MAJOR EVENTS

In 2013, the critical situation in the conventional electricity generation business caused us to take further measures to strengthen RWE's finances and earnings. We decided to take a number of loss-making gas-fired power stations offline. We significantly expanded and accelerated our current efficiency-enhancement programme. Furthermore, we adopted a new dividend policy, which reflects the tighter financial framework. We successfully concluded the planned sale of the Czech long-distance gas network operator NET4GAS. This and other divestments resulted in total proceeds of €2.2 billion. The outcome of the arbitration proceedings with Gazprom was also encouraging: our loss-making gas purchase agreement with the Russian gas group was adapted and we were awarded a significant compensation payment for earlier losses.

RWE adopts new dividend policy. In light of the deterioration in the earnings prospects of the conventional electricity generation business, in September 2013 the Executive Board of RWE AG decided to adjust the company's dividend policy. The Supervisory Board endorses this decision. The two corporate bodies will propose to the Annual General Meeting, which will take place on 16 April 2014, a dividend of €1 per common and preferred share for fiscal 2013, compared to €2 for the 2012 financial year. The dividend proposal for fiscal years from 2014 onwards will be in line with a payout ratio of 40% to 50% of recurrent net income, as opposed to 50% to 60% in the past years. The funds retained as a result of the reduced payout ratio will be set aside to reduce debt.

New measures to improve efficiency. In November, the Executive Board of RWE AG announced the expansion of the current efficiency-enhancement programme, which we had launched in 2012. We originally intended to take measures to reduce costs and increase revenue, in order to make a recurrent contribution to earnings of €1 billion. We wanted to achieve this goal by the end of 2014. We now aim to reach at least €1.5 billion by 2016. Most of the measures which we started implementing in 2013 concern the conventional electricity generation business.

RWE secures improved price conditions for gas purchases from Gazprom. At the end of June, an arbitration court largely granted RWE's motion for an adjustment of the price conditions for gas under the long-term procurement contract with Gazprom. The contract had caused us to incur losses for several years, as due to its link to the price of oil, the costs incurred for that gas were far above the prices realisable on European wholesale markets. Gas procurement agreements indexed to the price of oil used to be the standard. However, short-term trades, the prices of which oil does not influence directly, became increasingly significant once energy markets were liberalised. Since 2009, prices paid for such transactions have been much lower than those established in gas procurement contracts linked to the price of oil. In its final ruling, the court awarded us a reimbursement of payments. Furthermore, the formula used to determine the purchase conditions was supplemented by gas price indexation, which the judges believe to reflect the relevant market conditions in May 2010, when the price revision began. However, the influence of the price of oil, which put us at a disadvantage, was not eliminated, but reduced. Therefore, the contract still weighs on our result. In consequence, we started a new price revision in May 2013.

RWE puts upstream business up for sale. In March 2013, the Executive Board of RWE AG decided to withdraw from the oil and gas exploration and production business. Since then, we have been considering options for selling RWE Dea. The company was an integral part of the Group's portfolio in the past, as having access to proprietary gas sources was strategically important. This stopped being the case when liquid gas markets were formed in Europe. Furthermore, there are hardly any synergies between RWE Dea and the rest of our core business. We expect the sale of the company to contribute to strengthening our financial power, especially because we will be able to save substantial funds, which have been earmarked for capital expenditures necessary to tap RWE Dea's full potential for growth.

RWE sells Czech long-distance gas subsidiary. In the year under review, we completed the sale of our Czech long-distance gas network operator NET4GAS. It was acquired in early August by a consortium consisting of Allianz Capital Partners and Borealis Infrastructure Management. The transaction resulted in proceeds of €1.6 billion. NET4GAS owns the exclusive license for the operation of the long-distance gas network in the Czech Republic, which has a length of more than 3,600 kilometres. As part of our exit from the Czech gas transmission business, we also withdrew from the Nabucco gas pipeline project, which has since been discontinued. We sold our stake in Nabucco to OMV, the Austrian consortium manager, at the beginning of March 2013.

Exit from LNG company Excelerate Energy. We also divested our 50% interest in Excelerate Energy, a company active in the liquefied natural gas (LNG) business, which was held by RWE Supply & Trading. The buyer was George B. Kaiser, who was the company's other shareholder. The transaction was completed in September, but took retrospective commercial effect from 30 June 2013. Having specialised in trading and transporting LNG initially, the company now focuses on providing LNG infrastructure globally. This is not part of RWE's core business.

RWE Innogy sells minority stakes in UK wind farms. To raise more capital for the expansion of renewable energy, RWE divested minority interests in four UK wind farms. RWE remains the majority owner and operator of the plants. The biggest of these transactions was the sale of a 49.9% share in the Welsh offshore wind farm Rhyl Flats, which has a total net installed capacity of 90 megawatts (MW). The stake was purchased in equal parts by Greencoat UK Wind, a listed investment trust in the field of renewable energy, and state-owned UK Green Investment Bank. In addition, RWE Innogy sold minority interests in three UK onshore wind farms to Greencoat UK Wind: 41% of Little Cheyne Court (60 MW) and 49% of both Middlemoor (54 MW) and Lindhurst (9 MW). The aforementioned transactions provided total proceeds of £237 million (€279 million).

RWE npower sells two supply companies to Telecom Plus. In December, RWE npower sold the supply companies Electricity Plus Supply and Gas Plus Supply to UK-based energy and telecommunications provider Telecom Plus. The price amounted to £218 million (€261 million). We have already received £196 million of this sum, and the remainder falls due after three years. The divested companies have a total of about 770,000 customers, who now buy electricity and gas from us indirectly via Telecom Plus. A 20-year supply agreement to this effect was concluded as part of the sale. The reason for the transaction was that UK energy companies may only offer four electricity and four gas tariffs from 2014 onwards. As Electricity Plus and Gas Plus charge their customers separate tariffs, keeping them would have further limited RWE npower's flexibility in terms of pricing.

FÖGÁZ shareholding sold to Hungarian MVM Group. At the end of the year, we signed a contract for a further disposal: the state-owned Hungarian energy utility MVM will become the new owner of our 49.8% stake in the regional gas utility FÖGÁZ. The transaction has a volume of 41 billion forints (about €137 million) and is pending approval from the competition authorities. FÖGÁZ operates a gas network with a length of 5,800 kilometres and serves over 800,000 customers. The remaining 50.2% of the company is owned by the City of Budapest. The divestment was conducted against the backdrop of the significant rise in regulatory pressure in the Hungarian gas business.

Sale of Dutch district heating business initiated. Also in December, we agreed with pension fund PGGM and energy service provider Dalkia that these two companies would acquire Essent Local Energy Solutions (ELES), our Dutch subsidiary which specialises in district heating. It is also envisaged that PGGM and Dalkia purchase three gas-fired power plants using combined heat and power generation technology from us. The stations in Helmond, Eindhoven and Enschede were previously operated by RWE Generation. It was agreed to keep the transaction volume confidential.

RWE starts producing electricity in Turkey. At the beginning of August, our new gas-fired power station near the town of Denizli in the southwest of Turkey began commercial operation. The plant has a net installed capacity of 787 MW and is among the most modern of its kind, with an efficiency of 57 %. The owner and operator is a joint venture, in which RWE and Turkey-based energy company Turcas hold interests of 70 % and 30 %, respectively. A total of €0.5 billion in capital was spent on the construction of the station.

New wind farms go online. Last year, the RWE Group expanded its wind farm portfolio even further. Early July saw the completion of the expansion of the Belgian Thornton Bank offshore wind farm's net installed capacity from an initial 30 MW to a total of 325 MW. RWE Innogy has a stake of 26.7 % in the wind farm, making it the largest private shareholder. Thornton Bank generates enough electricity to supply approximately 600,000 households. Total capital expenditure on the wind farm amounted to €1.3 billion. We also increased our onshore wind power capacity: wind farms with a total net installed capacity of about 140 MW went online in 2013. The single-largest projects completed were Middlemoor in the United Kingdom (54 MW) and Nowy Staw in Poland (45 MW).

RWE Innogy discontinues Atlantic Array wind farm project. In November, we announced that we would end the development of the Atlantic Array offshore wind project off the southern coast of Wales. Following a thorough review, we reached the conclusion that the undertaking is not profitable in the current market environment due to technical hurdles. The water depth and the unfavourable characteristics of the seabed in particular would have driven up costs significantly. The British Crown had awarded RWE Innogy the exclusive rights to develop Atlantic Array in the middle of 2008. The company had originally planned to build wind farms with a total net installed capacity of 1,200 MW.

RWE takes about 3,700 MW of generation capacity offline in the UK. Three of our UK power stations were decommissioned in the fiscal year under review. They were all subject to lifetime limitations resulting from the implementation of EU emission regulations for large combustion plants. Therefore, in March, we ceased the operation of the Didcot A hard coal-fired power station, which had a net installed capacity of 1,958 MW. Also in March, our oil-fired power plant at Fawley was permanently taken offline. With a net installed capacity of 968 MW, this facility had not reached the end of its allotted lifetime, but had become unprofitable. In August, our biomass-fired power station at Tilbury also stopped generating electricity. The three units, which had a total net installed capacity of 742 MW, had originally run on hard coal, before being converted to biomass in 2011. Despite the retrofit, this power plant was also subject to the lifetime limitation under emission law. We would have had to make substantial investments to continue operating it. However, this would have been unprofitable given the current regulatory framework.

Gas-fired power plant in Duisburg-Huckingen sold. In late December, we reached an agreement with Hüttenwerke Krupp Mannesmann GmbH (HKM) to sell our gas-fired power plant in Duisburg-Huckingen to HKM. We will receive €99 million for it. The station has a net installed capacity of approximately 600 MW and has been in operation since the mid-1970s. It supplies electricity and steam to the HKM metallurgical plant, which is located on the same premises. RWE will retain the operating management of the station until at least 2024.

RWE announces power plant closures. In August 2013 and February 2014, we announced that we intended to take German and Dutch gas-fired power stations with a combined net installed capacity of about 3,800 MW off the market by the middle of 2014. These include the Claus C and Moerdijk 2 stations, which we had only commissioned at the beginning of 2012. The backdrop to this decision is the plants' lack of economic viability due to the substantial drop in wholesale electricity prices. However, the stations may be recommissioned if market conditions improve. In contrast, the 610 MW Dutch hard coal-fired power plant Amer 8 will be shut permanently. This is a result of the Dutch energy agreement, on which we have provided some information on page 47. It requires hard coal power stations built in the 1980s to be closed in 2016. In August, we also announced that we would stop using German hard coal-fired power plants with a total net installed capacity of 1,170 MW, to which RWE has contractual usage rights. These agreements will expire by the end of 2014 at the latest and will not be extended.

Gas production started in the Disouq and Breagh concession areas. RWE Dea has passed some major milestones in expanding its upstream position. At the beginning of September, our subsidiary began producing gas in the Disouq concession in the Egyptian Nile Delta. Since the middle of October, it has also been producing gas from the Breagh UK North Sea field. Disouq is our first gas project in Egypt and we are the sole proprietor of the concession. The Breagh field is one of the highest-yielding gas discoveries in the southern part of the UK North Sea. We have a 70% share in the production license, with the remaining 30% being held by Sterling Resources UK. The total reserves of the Disouq and Breagh fields are an estimated 11.4 billion and 19.8 billion cubic metres. RWE Dea's projected output from the two fields from 2014 to 2017 is an annual 1.8 billion cubic metres of gas and 1.1 billion cubic metres of gas, respectively.

German nuclear fuel tax becomes a case for German Constitutional Court and European Court of Justice. At the end of January 2013, the Hamburg Fiscal Court announced that it found the German Nuclear Fuel Tax Act unconstitutional and would therefore refer the case to the German Constitutional Court for review. The Hamburg judges found that the levy was not an excise duty but instead aimed to skim corporate profits. Income taxes of this kind cannot be introduced by the government alone. In addition, the Hamburg Fiscal Court expressed its doubts about the nuclear fuel tax's compliance with European law. Therefore, it announced in the middle of November 2013 that it would let the European Court of Justice in Luxembourg clarify the main issues concerning the tax. The key question is whether the Nuclear Fuel Tax Act is in line with the Energy Tax Directive and the Excise Tax System Directive. We do not expect the German Constitutional Court or the European Court of Justice to issue their rulings until after 2014. In view of the considerable doubts about the legality of the nuclear fuel tax, we filed a motion for the tax payments to be suspended until the legal situation has been clarified definitively and to be provisionally reimbursed payments already made. A decision was still pending when this report went to print.

Administrative Court finds nuclear moratorium imposed on Biblis illegal. At the end of February 2013, the Hessian Administrative Court of Justice in Kassel ruled that the order to shut down our Biblis nuclear power station immediately after the reactor catastrophe at Fukushima was illegal. In March 2011, the German government had ordered a three-month stoppage of seven German nuclear power plants (nuclear moratorium), including the Biblis A and B units. We filed suits against this order, as we were of the opinion that it lacked a legal basis. The Kassel judges confirmed this assessment. Their judgement became legally binding after the German Administrative Court dismissed an appeal against the rejection of the appeal lodged by the State of Hesse in December 2013. We are preparing a civil suit for compensation for damages.

RWE pools supply expertise in new organisational unit. In November 2013, the Executive Board of RWE AG decided to establish RWE Retail, which will be responsible for all of the Group's supply activities. Its tasks will also entail developing a groupwide supply strategy as well as control measures across companies and countries. Another objective is to make the special expertise and successful concepts of individual regional supply units usable throughout the Group. RWE Retail is not a company: it is a management unit created by RWE AG as of 1 January 2014, which will gradually take on its envisaged tasks over the course of the year. The management team consists of six management board members from RWE supply companies, who will fulfil their new duties in addition to their existing ones. RWE Retail is headed by the Chairman of the Executive Board of RWE Deutschland AG, Dr. Arndt Neuhaus.

RWE streamlines company structure in Czech Republic. We have made our Czech energy business more powerful and efficient by pooling local gas distribution and supply activities in two companies. The basis for this was a complex sequence of transactions: first, in January 2013, we combined the gas distribution activities of our four Czech regional utilities and assigned them to a new company, RWE Grid Holding a.s. (RGH). Then we transferred just under 35% of RGH to a group of funds managed by Macquarie. In addition to a cash payment, we received additional shares in three of our four regional utilities, which Macquarie had purchased from their sole proprietors SPP, E.ON and GDF Suez. This and the acquisition of the last outstanding minority shareholdings increased our stakes in the four regional utilities to 100% and met the prerequisite for bundling our regional supply activities in a single company, RWE Energie, with effect from 1 January 2014. RGH and RWE Energie are managed by RWE Česká republika a.s., which we established in 2012.

RWE AG Executive Board reduced to four mandates; contract extension for Dr. Rolf Martin Schmitz. At its meeting on 27 February 2013, the Supervisory Board of RWE AG extended the contract of the Executive Board member Dr. Rolf Martin Schmitz by five years until 31 January 2019. Dr. Schmitz joined the Executive Board in May 2009 and has been its Deputy Chairman since 1 July 2012. Dr. Leonhard Birnbaum, the Executive Board member in charge of commercial management, resigned his office with immediate effect from 22 March 2013. Alwin Fitting resigned from the corporate body as of 31 March 2013 as he retired. His successor, Uwe Tigges, who joined the Executive Board on 1 January 2013, was appointed Labour Director on 1 April 2013. After Dr. Birnbaum's resignation, the Supervisory Board decided to distribute the tasks of RWE's Executive Board among the four remaining mandates. This decision is also a demonstration of the efforts being made to simplify structures and reduce costs.

Major events after the end of the period under review. In the period from 1 January 2014 until the editorial deadline for this report on 14 February 2014, there were no events which have a material effect on the financial, asset, or earnings positions of the RWE Group.

1.5 COMMENTARY ON THE REPORTING STRUCTURE

RWE Group

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

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

As of 31 December 2013.

Group structure with eight divisions. The presentation of our business performance in 2013 is based on a new reporting structure. We pooled nearly all of our fossil-fuelled and nuclear electricity generation in the newly established RWE Generation SE with effect from 1 January 2013. This gives us a more efficient setup and allows us to react more swiftly to the significant changes in the power plant sector. The establishment of RWE Generation created the new segment called 'Conventional Power Generation.' The RWE Group is now divided into eight segments based on geographic and functional criteria, which are also referred to as divisions. We have adjusted prior-year figures to the new structure, in order to enable like-for-like comparisons.

The following is an overview of the RWE Group's divisions:

- Conventional Power Generation: The electricity generation activities of RWE Power (including opencast lignite mining), Essent and RWE npower have been assigned to this segment. It also includes our new gas-fired power plant near the Turkish town of Denizli and RWE Technology, which specialises in project management and engineering. All of these activities are managed by RWE Generation.

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

- Supply Netherlands/Belgium: This is where we report on the activities of Essent, a leading energy utility in the Netherlands. Since the Dutch electricity generation operations were transferred to RWE Generation, the company has focused on the supply of electricity, gas and heat. Essent is becoming increasingly active in the Belgian supply market.

- Supply United Kingdom: Assigned to this division is RWE npower, which ranks among the six major energy companies in the United Kingdom. As our UK power stations are now operated by RWE Generation, like Essent, RWE npower's focus is solely on the supply business.

- Central Eastern and South Eastern Europe: This division contains our activities in the Czech Republic, Hungary, Poland, Slovakia, Turkey and Croatia. Our Czech business focuses on the supply, distribution, supraregional transmission, transit and storage of gas. We are the nation's market leader in this field. However, as we sold NET4GAS at the beginning of August 2013, we have withdrawn from the gas transmission and transit sector. In 2010, we also started selling electricity in the Czech Republic. In Hungary, we cover the entire electricity value chain, from production through to the operation of the distribution system and sales to end-customers. We were also active in the Hungarian gas supply sector via a minority stake, but have discontinued this business. In addition, the Central Eastern and South Eastern Europe Division includes our Polish activities, consisting of the distribution and supply of electricity. In Slovakia, we are active in the electricity network and electricity retail businesses via a minority interest and in the gas supply sector via RWE Gas Slovensko. We have started to sell electricity in Turkey, an activity in its very early stages. Our wastewater business in Zagreb (Croatia), which used to be assigned to RWE Deutschland, has belonged to the Central Eastern and South Eastern Europe Division since 1 January 2013. In addition, we became active in the Croatian energy supply business via Energija 2 (now RWE Energija), a company which we acquired in early June 2013.

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

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

- Trading/Gas Midstream: Assigned to this division is RWE Supply & Trading, which is responsible for trading energy and commodities, marketing and hedging the RWE Group's electricity position over the long and short term, and running the entire gas midstream business. Furthermore, it supplies some major German and Dutch industrial and corporate customers with electricity and gas.

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

1.6 BUSINESS PERFORMANCE

The deterioration in the market conditions for our power plants clearly left its mark on the consolidated financial statements: significant impairments in the conventional electricity generation business resulted in us recording a negative net income in 2013. In contrast, as expected, the operating result amounted to €5.9 billion. The burdens in the electricity generation business also came to bear here, particularly the abolition of free allocations of emission allowances. However, a substantial positive effect was felt from compensatory payments, which we were awarded in the successful price revision proceedings with Gazprom. The major progress we made in implementing our ongoing efficiency-enhancement programme was also encouraging.

Electricity production by division	Lignite		Hard coal		Gas		Nuclear		Renewables		Pumped storage, oil, other		Total	
Billion kWh	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Conventional Power Generation	75.8	75.6	47.6	59.6	36.1	38.2	30.5	30.7	4.8	4.3	2.9	2.4	197.7	210.8
of which:														
Germany[1]	75.8	75.6	29.4	35.5	6.4	7.3	30.5	30.7	0.9	0.8	2.9	2.4	145.9	152.3
Netherlands/Belgium	–	–	6.5	7.3	5.8	5.9	–	–	1.0	1.4	–	–	13.3	14.6
United Kingdom	–	–	11.7	16.8	22.3	25.0	–	–	2.9	2.1	–	–	36.9	43.9
Turkey	–	–	–	–	1.6	–	–	–	–	–	–	–	1.6	–
Central Eastern and South Eastern Europe	5.4	5.4	0.1	0.1	0.1	0.1	–	–	–	–	–	–	5.6	5.6
Renewables	–	–	–	–	0.2	0.2	–	–	8.0[2]	7.1[2]	–	–	8.2	7.3
RWE Group[3]	**81.2**	**81.0**	**51.3**	**60.6**	**37.0**	**39.6**	**30.5**	**30.7**	**13.8**	**12.4**	**2.9**	**2.8**	**216.7**	**227.1**

1 Including electricity from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In 2013, it amounted to 21.8 billion kWh (previous year: 25.2 billion kWh), of which 18.5 billion kWh were generated by hard coal-fired power plants (previous year: 22.4 billion kWh).
2 Including electricity procured from power plants co-financed by RWE, which are owned by companies that are not fully consolidated. In 2013, these purchases totalled 1.8 billion kWh (previous year: 1.4 billion kWh).
3 Including small generation volumes of other divisions.

Electricity generation down 5 %. In the financial year that just came to a close, the RWE Group produced 216.7 billion kilowatt hours (kWh) of electricity, 5 % less than in 2012. During 2013, 37 % of electricity generation was from lignite, 24 % from hard coal, 17 % from gas, and 14 % from nuclear. The share of renewable energy amounted to 6 %.

The decline in electricity production is in part due to the decrease in our generation capacity. At the end of March 2013, we shut down Didcot A power station in the UK, which had a net installed capacity of 1,958 megawatts (MW). Furthermore, we stopped using some German hard coal stations owned by third parties because the corresponding contracts had expired at the end of the preceding year. The further deterioration in market conditions for our gas-fired power plants also had a negative effect. However, we generated more electricity from renewables than in 2012. This is partly due to the improved availability of the Tilbury biomass-fired power plant in the UK, which had been offline for several months after a fire in 2012. It has since been decommissioned. In addition, the continued expansion of our wind turbine capacity contributed to the increase in electricity generated from renewables. Another factor was the weather-driven rise in the use of our German run-of-river power plants compared to 2012.

In addition to our in-house generation, we procure electricity from external suppliers. These volumes totalled 70.6 billion kWh in 2013, as opposed to 67.2 billion kWh in the previous year.

Among Europe's leading electricity generators, with a capacity of 49 gigawatts. At the end of the 2013 financial year, the RWE Group had an installed capacity of 49.0 gigawatts (GW), ranking it fourth in Europe. This includes mothballed stations, which are currently not operated for economic reasons. Since the end of 2012, our power plant capacity has dropped by 2.9 GW. The decommissioning of Didcot A (hard coal), Fawley (oil) and Tilbury (biomass) power stations in the UK played an important role. However, capacity was also added, in particular the gas-fired power plant near the town of Denizli in the west of Turkey, which was completed in the middle of 2013. In addition, we expanded our onshore wind power portfolio. We have reported on the aforementioned closures and commissioning of plant in more detail on page 52.

At the end of 2013, gas accounted for the biggest share of the RWE Group's installed generation capacity at 34% (preceding year: 30%), followed by lignite at 23% (21%), hard coal at 20% (23%), nuclear at an unchanged 8% and renewables at 7% (8%). The portion accounted for by renewables declined somewhat due to the closure of the Tilbury biomass-fired power plant. The core region for our electricity production is Germany, where 61% of our installed capacity is located. The United Kingdom and the Netherlands follow, accounting for shares of 23% and 10%, respectively.

Power plant capacity by division as of 31 Dec 2013, in MW	Gas	Lignite	Hard coal	Nuclear	Renewables	Pumped storage, oil, other	Total	Total 31 Dec 2012
Conventional Power Generation	15,955	10,291	9,152	3,901	386	4,031	43,716	47,104
of which:								
Germany[1]	5,006	10,291	6,662	3,901	55	2,342	28,257	28,785
Netherlands/Belgium	3,429	–	936	–	331	–	4,696	4,696
United Kingdom	6,733	–	1,554	–	–	1,689	9,976	13,623
Turkey	787	–	–	–	–	–	787	–
Central Eastern and South Eastern Europe	151	780	–	–	3	–	934	935
Renewables	44[2]	–	10[2]	–	2,854	–	2,908	2,803
RWE Group[3]	**16,440**	**11,071**	**9,950**	**3,901**	**3,496**	**4,178**	**49,036**	**51,977**

1 Including capacities of power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. As of 31 December 2013, these generation capacities amounted to 6,424 MW (preceding year: 6,623 MW), of which 4,259MW were based on hard coal (preceding year: 4,458 MW).
2 Mostly combined heat and power plants.
3 Including capacities of other divisions.

CO_2 emissions 9% down year on year. In fiscal 2013, our power stations emitted 163.8 million metric tons of carbon dioxide. Our own plants accounted for 144.3 million metric tons, and the remaining 19.5 million metric tons came from contractually secured capacity. Our emissions were 16.0 million metric tons, or 9%, lower year on year. This is mainly due to the decrease in electricity generation from hard coal. The emission factor of our power stations, reflecting the CO_2 emissions per megawatt hour (MWh) of electricity produced, dropped to 0.76 metric tons (previous year: 0.79 metric tons). The increase in electricity generated from renewables was a significant factor. In contrast, the highly efficient gas-fired power stations we commissioned in the Netherlands and the United Kingdom in 2012 were unable to make the desired contribution to improving our CO_2 balance due to the unfavourable market conditions for these plants.

Emissions balance by division	CO_2 emissions		Free allocation of CO_2 certificates		Shortage of CO_2 certificates	
million metric tons of CO_2	2013	2012	2013	2012	2013	2012
Conventional Power Generation	153.4	171.4	6.7	114.2	146.2	57.2
of which:						
Germany[1]	125.7	136.1	6.3	85.4	119.4	50.7
Netherlands/Belgium	8.3	8.4	0.3	8.6	8.0	–0.2
United Kingdom	18.9	26.9	0.1	20.2	18.8	6.7
Turkey[2]	0.5	–	–	–	–	–
Central Eastern and South Eastern Europe	6.5	6.6	0.2	5.2	6.3	1.4
RWE Group[3]	**163.8**	**179.8**	**7.4**	**121.4**	**155.9**	**58.4**

1 Includes power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the year under review, they produced 19.5 million metric tons of CO_2 (preceding year: 21.1 million metric tons) and stopped receiving free allocations of CO_2 certificates (preceding year: allocation for 18.9 million metric tons).
2 As Turkey does not participate in the European Emissions Trading System, we do not need allowances for our CO_2 emissions in that country.
3 Including small emission volumes of other divisions.

Free emission allowances only cover 5 % of CO_2 emissions. Since the beginning of the third emissions trading period, which runs from 2013 to 2020, the countries of Western Europe have only allocated energy utilities emission allowances for free in exceptional cases. After covering 121.4 million metric tons in carbon emissions with such allocations in 2012, the amount covered in 2013 dropped to a mere 7.4 million metric tons. This results in a shortage of 155.9 million metric tons compared to 58.4 million metric tons in the previous year. We made up for most of the shortage by buying certificates.

We cover a small amount of our CO_2 emissions by submitting certificates obtained through emission reductions within the scope of Kyoto Clean Development Mechanism (CDM) and Joint Implementation (JI) projects. In the past decade, RWE launched a number of projects to acquire certificates of this kind. However, their market price has dropped so much that new projects are hardly worthwhile. In addition, regulatory restrictions hardly leave any room for new projects. Since we began our CDM and JI activities, we have contractually secured emission allowances for 64.4 million metric tons of carbon dioxide. Many of these contracts are still in force. The actual number of certificates received in this manner will probably be smaller than the contractually secured volume as some projects may fail or their carbon savings may lag behind expectations. Taking such risks into account, we expect to have emission allowances covering 49.5 million metric tons of CO_2. By the end of 2013, we had already received certificates for 43.9 million metric tons, almost all of which we have already submitted to the German Emissions Trading Authority or sold on the exchange.

Marginal decline in hard coal purchasing volumes. Raw materials are sourced by our generation companies either directly on the market, or via RWE Supply & Trading. In 2013, the amount of hard coal procured to generate electricity totalled 15.1 million metric tons of hard coal unit (HCU), compared to 18.1 million metric tons in the previous year. The decrease is a result of the reduced utilisation of our hard coal-fired power stations. The figures include coal for plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. We meet most of our need with imports from Colombia, the USA and Russia. In Germany, we buy limited amounts of domestically produced hard coal. Most of the biomass used at our Amer (Netherlands) and Tilbury (United Kingdom) power stations was imported from North America, some of which came from our wood pellet factory in Georgia.

RWE sources lignite from proprietary opencast mines. In the Rhineland, our main mining region, we produced 98.3 million metric tons of lignite in the year under review (prior year: 101.7 million metric tons). Of this, our power plants used 85.8 million metric tons to generate electricity, and we used 12.5 million metric tons to manufacture refined products.

We procure nearly all of the gas needed for electricity production and the supply business via RWE Supply & Trading. Our purchasing volume for 2013 amounted to 39 billion cubic metres, slightly more than the previous year's level (38 billion cubic metres). This was mainly due to the development of sales volumes presented on page 62. Roughly half of our purchasing was based on long-term take-or-pay contracts, largely with producers in Norway, Russia, the Netherlands and Germany. Furthermore, we sourced gas from European wholesale markets and from external suppliers on the basis of short-term agreements. We procured small amounts from our upstream company RWE Dea.

Upstream position remains strong. Via RWE Dea, we are active in the exploration and production of oil and gas. Our main production sites are in Germany, the UK North Sea, off the coast of Norway and in Egypt. As of 31 December 2013, RWE Dea had 20 million cubic metres in crude oil reserves and 57 billion cubic metres in natural gas reserves. Converting the gas to oil equivalent (OE) and adding it to the crude oil results in a total of 75 million cubic metres of OE. Reserves is the term used for raw materials stored under the ground, the existence of which has been proven, and the production of which is economically feasible and legally secured. These are different to proven resources, which are recoverable raw material deposits, for which it has not yet been established whether production is economically feasible and for which no development plan exists. At the end of 2013, RWE Dea had proven resources of 50 million cubic metres of oil and 108 billion cubic metres of gas. This totals 155 million cubic metres of OE, 38 million more than in the prior year, whereas reserves declined by 47 million cubic metres of OE. The main reason is that the hydrocarbon volumes of the large-scale Egyptian project West Nile Delta, formerly classified as reserves, are now reported as proven resources due to an ongoing revision of the field development plan.

Slight increase in gas production. In the fiscal year that just ended, RWE Dea produced 2,625 million cubic metres of gas and 2,316,000 cubic metres of oil. In oil equivalent, this results in a total output of 4,858,000 cubic metres, or 30.6 million barrels. This was nearly on a par with the volume achieved in the previous year, which totalled 4,892,000 cubic metres, or 30.8 million barrels. Natural gas production was up 2% on 2012. This was primarily because we started production in four new fields. The Clipper South and Devenick UK North Sea fields were commissioned in August and September 2012. They were followed in the year being reviewed by the Egyptian field Disouq in September and the UK North Sea field Breagh in October. However, production from Breagh was interrupted from the beginning of November to the end of December due to technical problems. In addition, the reduction in volume caused by the natural depletion of reserves came to bear. This primarily had an impact on our fields in Germany and the United Kingdom. Our gas output was positively affected by the fact that, as production progressed in the Norwegian Gjøa field, the share of output accounted for by gas rose, whereas the proportion allocable to oil dropped. This was also the main reason why RWE Dea produced 3% less oil year on year. In addition, our oil production operations in Denmark were halted for a few months due to problems with processing and storage infrastructure. Conversely, we produced more oil from our German Mittelplate field than in 2012. Besides technical improvements, a new production well was a contributing factor.

External electricity sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Electricity trading		Total	
Billion kWh	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Conventional Power Generation	0.3	0.3	0.8	1.0	11.1	9.1	–	–	12.2	10.4
Supply/Distribution Networks Germany	23.1	24.0	30.0	30.8	78.0	69.3	–	–	131.1	124.1
Supply Netherlands/Belgium	11.3	11.2	10.2	9.5	1.6	–	–	–	23.1	20.7
Supply United Kingdom	17.1	17.9	30.6	30.8	0.2	–	–	–	47.9	48.7
Central Eastern and South Eastern Europe	8.3	8.1	9.2	8.9	6.0	6.1	–	–	23.5	23.1
Renewables	0.1	0.1	–	–	2.0	1.9	–	–	2.1	2.0
Trading/Gas Midstream	–	–	20.7	31.7	–	–	10.2	17.0	30.9	48.7
RWE Group[1]	**60.3**	**61.7**	**101.5**	**112.7**	**98.9**	**86.4**	**10.2**	**17.0**	**270.9**	**277.8**

1 Including small volumes subsumed under 'other, consolidation.'

Electricity sales volume 2 % down year on year. In the year under review, RWE sold 270.9 billion kWh of electricity to external customers, 2 % less than in 2012. Volumes in the Trading / Gas Midstream Division declined significantly, because RWE Supply & Trading has not auctioned off electricity since 1 January 2013. In 2007, we had agreed with the Federal Cartel Office that we would conduct such auctions for the supply period from 2009 to 2012. Customer losses and energy savings by households led to a marginal drop in volume at our UK Group company RWE npower. Conversely, we posted gains in the German supply business, predominantly in the distributor business, thanks to successful customer acquisitions and stronger demand from existing customers. However, the sales volumes we achieved from reselling electricity feed-ins under the German Renewable Energy Act (REA) to transmission network companies were down on 2012. This is because operators of plant covered by the REA increasingly market their electricity directly instead of selling it to the network operators. Furthermore, the divestment of Koblenzer Elektrizitätswerk und Verkehrs-Aktiengesellschaft (KEVAG) in December 2012 removed supply volumes. As in Germany, we also sold more electricity in the Netherlands / Belgium region, where the share of high-volume buyers rose.

Electricity customers by region	Total		Of which: residential and commercial customers	
Thousands	2013	2012	2013	2012
Germany	6,696	6,730	6,644	6,679
Netherlands	2,171	2,181	2,167	2,177
Belgium	332	285	330	283
United Kingdom	3,583	4,030	3,396	3,865
Hungary	2,123	2,152	2,121	2,150
Poland	908	898	907	897
Czech Republic	238	167	236	166
Croatia	28	–	28	–
RWE Group	**16,079**	**16,443**	**15,829**	**16,217**

As of 31 December 2013, the RWE Group’s fully consolidated companies supplied electricity to 16,079,000 customers, of which 6,696,000 were in Germany. Compared to 2012, customer figures decreased by 364,000. The number of households and small commercial enterprises served declined by 388,000 to 15,829,000. This was largely due to the sale of the supply subsidiary Electricity Plus Supply in the United Kingdom, on which we reported on page 51. RWE’s customer base in the other major markets it serves, namely Germany, the Netherlands, Hungary and Poland, was stable. We recorded double-digit percentage gains in Belgium and the Czech Republic. Furthermore, we now state figures for electricity customers in Croatia, because we acquired the supply company Energija 2 (now called RWE Energija) in June 2013.

External gas sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2013	2012	2013	2012	2013	2012	2013	2012
Supply/Distribution Networks Germany	29.2	29.0	22.3	19.3	38.4	25.7	89.9	74.0
Supply Netherlands/Belgium	41.7	37.7	41.5	43.2	–	–	83.2	80.9
Supply United Kingdom	43.1	44.2	2.1	2.2	0.8	–	46.0	46.4
Central Eastern and South Eastern Europe	18.3	20.3	31.2	26.9	1.7	16.1	51.2	63.3
Upstream Gas & Oil	–	–	7.0	1.7	13.3	14.2	20.3	15.9
Trading/Gas Midstream	–	–	20.4	13.5	23.9	12.7	44.3	26.2
RWE Group[1]	**132.3**	**131.2**	**124.6**	**106.9**	**78.1**	**68.7**	**335.0**	**306.8**

1 Including small volumes in the Conventional Power Generation Division.

Weather drives up gas sales volume by 9%. At 335.0 billion kWh, RWE's gas sales volume was 9% higher year on year. We recorded increases in all customer segments at the Group level. In business with households and small commercial enterprises, we benefited from the weather-induced rise in heating needs. Moreover, we won industrial and commercial customers in particular in the German and Czech markets. The strongest rise in sales volume was posted in the distributor segment. Customer acquisitions made a major contribution here, especially in Germany, where, in addition, numerous existing customers increased their purchases, partly due to the weather. The Trading/Gas Midstream Division also posted significant growth in sales to distributors, whereas the Central Eastern and South Eastern Europe Division recorded a decline of a similar order. This is a result of the transfer of the Czech wholesale business to RWE Supply & Trading.

Gas customers by region	Total		Of which: residential and commercial customers	
Thousands	2013	2012	2013	2012
Germany	1,305	1,302	1,291	1,292
Netherlands	1,967	1,958	1,962	1,953
Belgium	209	173	208	172
United Kingdom	2,322	2,655	2,315	2,648
Czech Republic	1,451	1,598	1,445	1,594
Slovakia	97	59	96	59
RWE Group	**7,351**	**7,745**	**7,317**	**7,718**

As of balance sheet date, our fully consolidated companies had a total of 7,351,000 gas customers, most of which were in the United Kingdom, followed by the Netherlands, the Czech Republic and Germany. Compared to the previous year, our customer base shrank by 394,000. In the residential and small commercial enterprises segment, it declined by 401,000 to 7,317,000, primarily due to the sale of the UK subsidiary Gas Plus Supply (see page 51). The significant competitive pressure in the Czech Republic also played a role. We defended our shares of the residential and commercial customer markets in Germany and the Netherlands. In 2013, we successfully maintained the course for expansion charted in Slovakia and Belgium.

External revenue € million	2013	2012	+/– %
Conventional Power Generation	1,570	1,626	–3.4
Supply/Distribution Networks Germany	25,718	23,710	8.5
Supply Netherlands/Belgium	6,308	5,863	7.6
Supply United Kingdom	8,982	8,708	3.1
Central Eastern and South Eastern Europe	4,852	5,274	–8.0
Renewables	402	387	3.9
Upstream Gas & Oil	1,837	1,848	–0.6
Trading/Gas Midstream	4,313	5,698	–24.3
Other, consolidation	88	113	–22.1
RWE Group	**54,070**	**53,227**	**1.6**
Natural gas tax/electricity tax	2,677	2,456	9.0
RWE Group (excluding natural gas tax/electricity tax)	**51,393**	**50,771**	**1.2**

External revenue by product € million	2013	2012	+/– %
Electricity revenue	34,896	34,256	1.9
of which:			
Supply/Distribution Networks Germany	20,643	19,173	7.7
Supply Netherlands/Belgium	2,278	2,144	6.3
Supply United Kingdom	6,168	6,107	1.0
Central Eastern and South Eastern Europe	2,310	2,391	–3.4
Trading/Gas Midstream	2,701	3,707	–27.1
Gas revenue	14,616	14,222	2.8
of which:			
Supply/Distribution Networks Germany	4,128	3,553	16.2
Supply Netherlands/Belgium	3,850	3,551	8.4
Supply United Kingdom	2,312	2,188	5.7
Central Eastern and South Eastern Europe	2,421	2,761	–12.3
Upstream Gas & Oil	501	469	6.8
Trading/Gas Midstream	1,402	1,697	–17.4
Oil revenue	1,325	1,540	–14.0
of which:			
Upstream Gas & Oil	1,257	1,289	–2.5
Trading/Gas Midstream	68	251	–72.9
Other revenue	3,233	3,209	0.7
RWE Group	**54,070**	**53,227**	**1.6**

External revenue 2% up year on year. RWE generated €54,070 million in external revenue (including natural gas and electricity taxes), confirming the forecast of €54 billion, which we published in the 2012 Annual Report at the beginning of March 2013. Compared to the previous year, external revenue was 2% higher. Despite a drop in supply volumes, our electricity revenue rose by the same percentage to €34,896 million. Price increases came to bear here. For example, most of our German regional companies raised tariffs for residential and commercial customers. Among other things, this was in response to the considerable rise in the green energy levy. A marked increase in up-front costs also caused us to raise residential tariffs in the United Kingdom. In the gas business, we posted €14,616 million in revenue. This represents a gain of 3% compared to 2012, largely driven by the growth in sales volumes. The development of Group revenue was also affected by consolidation effects, particularly the sale of NET4GAS at the beginning of August 2013. Changes in currency exchange rates also came to bear. The British pound cost an average of €1.18, less than in 2012 (€1.23). Other currencies of importance to us such as the US dollar, Czech crown, Polish zloty and the Hungarian forint also depreciated against the euro, albeit marginally. Net of material consolidation and currency effects, external revenue rose by 4%.

EBITDA € million	2013	2012	+/– %
Conventional Power Generation	2,432	4,378	–44.4
of which:			
Continental Western Europe	2,251	3,928	–42.7
United Kingdom	165	456	–63.8
Supply/Distribution Networks Germany	2,316	2,266	2.2
Supply Netherlands/Belgium	368	293	25.6
Supply United Kingdom	366	371	–1.3
Central Eastern and South Eastern Europe	1,281	1,312	–2.4
Renewables	397	364	9.1
Upstream Gas & Oil	938	1,041	–9.9
Trading/Gas Midstream	841	–591	–
Other, consolidation	–177	–120	–47.5
RWE Group	**8,762**	**9,314**	**–5.9**

Operating result € million	2013	2012	+/– %
Conventional Power Generation	1,383	3,275	–57.8
of which:			
Continental Western Europe	1,450	3,085	–53.0
United Kingdom	–76	194	–
Supply/Distribution Networks Germany	1,626	1,578	3.0
Supply Netherlands/Belgium	278	190	46.3
Supply United Kingdom	290	286	1.4
Central Eastern and South Eastern Europe	1,032	1,052	–1.9
Renewables	196	183	7.1
Upstream Gas & Oil	521	685	–23.9
Trading/Gas Midstream	831	–598	–
Other, consolidation	–276	–235	–17.4
RWE Group	**5,881**	**6,416**	**–8.3**

Operating result of €5,881 million in line with expectations. The RWE Group achieved EBITDA of €8,762 million and an operating result of €5,881 million, coming close to the forecast of €9.0 billion and €5.9 billion, respectively. Efficiency-enhancement measures added more to the result than expected, but this was contrasted by unexpectedly heavy one-off burdens caused by an unfavourable electricity procurement agreement and a below-par trading performance. Compared to the preceding year, EBITDA and the operating result decreased by 6% and 8%, respectively. This was mainly due to the huge earnings shortfalls in the conventional electricity generation business, a significant deterioration in earnings in the upstream business of RWE Dea and the sale of NET4GAS. The Trading/Gas Midstream Division achieved extraordinarily strong earnings, as we were awarded high compensation payments as a result of the successful revision of the gas procurement agreement with Gazprom. Disregarding material consolidation and currency effects, EBITDA and the operating result declined by 3% and 5% year on year, respectively.

The following is a breakdown of the development of the operating result by division:

- Conventional Power Generation: As expected, the division's operating result decreased considerably: at €1,383 million, it was €1,892 million, or 58%, lower year on year. We experienced a decline of €1,635 million to €1,450 million in Continental Western Europe (Germany and the Netherlands/Belgium) and of €270 million to –€76 million in the United Kingdom. This reflected a number of negative factors, the most significant of which is that governments of Western Europe have hardly granted any free allocations of CO_2 emission allowances since 2013. For 2012, we had received free allocations of emission allowances equivalent to 114.2 million metric tons of carbon dioxide for the Conventional Power Generation Division. They had provided around €1.2 billion in relief. Earnings shortfalls also stemmed from the fact that quotations in Continental European electricity forward trading decreased. In addition, in the preceding year suppliers compensated us for delays in power plant projects, an exceptional effect which did not recur in 2013. Furthermore, we had to significantly increase a provision for impending losses from a loss-making electricity procurement contract. This was contrasted by relief provided by lower purchase prices of hard coal and CO_2 emission allowances as well as a drop in expenses incurred to maintain power plants. Moreover, we benefited from efficiency-enhancement measures, which we implemented more rapidly than expected.

- Supply/Distribution Networks Germany: As expected, the operating result recorded by this division was of the previous year's order (€1,578 million), amounting to €1,626 million. Efficiency improvements and the weather-induced rise in gas sales volumes had a positive impact on earnings. A counteracting effect was felt from the fact that we divested our stakes in the Koblenz-based regional utility KEVAG and in the Berlin waterworks in the prior year. Therefore, the aforementioned activities are no longer included in the division's result. The same applies to our wastewater business in Zagreb, which we reassigned to the Central Eastern and South Eastern Europe Division as of 1 January 2013.

- Supply Netherlands/Belgium: We had originally expected this division to post an operating result in the order of the preceding year's level. However, we recorded a substantial gain of 46% to €278 million, primarily because we released provisions. In addition, we benefited from higher gas sales volumes. As expected, measures taken as part of our efficiency-enhancement programme also had a positive effect. However, gas supply margins declined due to the competition. Furthermore, the introduction of a new customer billing system led to a temporary rise in costs.

- Supply United Kingdom: The operating result achieved by this division totalled €290 million. This slightly exceeded the year-earlier figure and was in line with our forecast. Net of currency effects, it would have grown by 6%. Continued efficiency enhancements strengthened earnings power across all supply segments. However, network usage fees were higher year on year. We also spent more on measures to improve the energy efficiency of households, which major UK energy companies are obliged to do by the government. This trend towards lower energy usage resulted in an additional reduction in earnings. Price increases partly offset these burdens: at the end of November 2012, RWE npower raised its residential electricity and gas tariffs by 8.8% and 8.6%, respectively. We had to increase them again at the beginning of December 2013, by 9.3% and 11.1%, respectively.

- Central Eastern and South Eastern Europe: The operating result recorded by this division declined by 2 % to €1,032 million, essentially due to the sale of NET4GAS as of 2 August 2013. Until it was deconsolidated, the Czech long-distance gas network operator achieved a result of €171 million, as opposed to €298 million in 2012. The company's earnings were better than expected. Consequently, the drop in the operating result of the Central Eastern and South Eastern Europe Division was not as significant as we had assumed in our March forecast. Excluding the impact of NET4GAS and currency translation, the division's operating result was up 15 % year on year. This was due to a considerable improvement in earnings from transactions to limit currency risks. Risks of this kind arise in part because gas and electricity purchases for our markets in Central Eastern Europe are usually settled in euros and US dollars, whereas these volumes are settled in local currency when they are sold on. In addition to this special item, we also benefited from improved distribution network and supply margins in the Czech gas and Polish electricity business. Conversely, in Hungary, a state-ordered reduction in network fees and residential tariffs led to substantial earnings shortfalls in the electricity and gas businesses.

- Renewables: The operating result recorded by RWE Innogy was up 7 % to €196 million. This confirmed the outlook we published in March 2013, although we occasionally feared a weaker development. The strongest driver of earnings at RWE Innogy is the continued expansion of our generation capacity. For example, the Greater Gabbard offshore wind farm, which was completed in September 2012 and in which we hold a 50 % stake, contributed its full capacity of 504 MW to electricity production throughout the year under review. Furthermore, we benefited from the increased utilisation of our German hydroelectric power stations. In addition, a supplier paid us compensation for damages caused by defective wind turbines in Spain. However, these positive factors were contrasted by burdens due to impairments recognised for the Atlantic Array offshore wind project, which has since been terminated (see page 52), and a subsidiary which finances venture capital projects, the income of which is falling short of expectations. We also recognised an impairment loss for our minority interest in the Andasol 3 solar thermal power station in Spain, where the government retrospectively cut renewable energy subsidies. Our Spanish wind farms were also affected by this. In addition, the reduction in wholesale electricity prices curtailed the earnings of RWE Innogy.

- Upstream Gas & Oil: The operating result posted by RWE Dea fell by 24 % to €521 million. One of the main reasons was that realised oil prices were lower year on year, with the weaker US dollar playing a role. Our forecast for RWE Dea originally included an operating result in the order of the level recorded in 2012. However, we did not progress in expanding gas production as rapidly as expected. For example, there was a delay to the start of production at our North Sea field Breagh. Furthermore, some of our exploration wells were not successful, forcing us to recognise associated costs directly as an expense instead of capitalising them. In consequence, exploration costs were much higher than initially anticipated.

- Trading / Gas Midstream: RWE Supply & Trading met our expectations by increasing its operating result by €1,429 million to €831 million. A major contributing factor was the arbitral ruling on our long-term gas procurement agreement with Gazprom at the end of June, on which we have reported on page 50. We had already negotiated improved price conditions for our procurement agreements with other gas suppliers before 2013. Whereas earnings in the gas midstream business improved considerably for the aforementioned reasons, we were unable to match the performance posted in energy trading in the preceding year.

Key figures for value management	Operating result 2013	Capital employed 2013[1]	ROCE 2013	Capital costs before taxes 2013	Absolute value added 2013	Capital costs before taxes 2012	Absolute value added 2012
	€ million	€ million	%	%	€ million	%	€ million
Conventional Power Generation	1,383	20,458	6.8	9.5	–561	9.5	1,490
Supply/Distribution Networks Germany	1,626	16,344	9.9	8.25	278	8.25	201
Supply Netherlands/Belgium	278	2,263	12.3	8.5	85	8.5	–6
Supply United Kingdom	290	2,366	12.3	8.5	89	8.5	78
Central Eastern and South Eastern Europe	1,032	6,257	16.5	8.0	532	8.0	495
Renewables	196	5,377	3.6	8.75	–275	8.75	–254
Upstream Gas & Oil	521	3,309	15.7	12.75	99	12.75	294
Trading/Gas Midstream	831	1,918	43.3	10.0	639	10.0	–879
Other, consolidation	–276	–3,947	–	–	104	–	170
RWE Group	**5,881**	**54,345**	**10.8**	**9.0**	**990**	**9.0**	**1,589**

1 Average of 2012 and 2013 year-end figures.

RWE achieves a return on capital employed of 10.8%. In the financial year that just ended, we earned a return on capital employed (ROCE) of 10.8%, which was lower than a year earlier (12.0%) but higher than the Group's cost of capital before taxes (9.0%). ROCE minus the cost of capital, multiplied by capital employed, equals absolute value added, which amounted to €990 million, down 38% compared to 2012 (€1,589 million). This reflects the decline in the operating result. The fact that capital employed increased also had a negative effect, albeit only marginal. At the divisional level, the development of the operating result was the key determinant of change in value added. We experienced the most significant drop in the Conventional Power Generation Segment, where the value added decreased by €2,051 million to –€561 million. In 2012, the division had posted the highest value added of all divisions, but it delivered the weakest performance in 2013. The Trading/Gas Midstream Division posted the opposite development, increasing its value added by €1,518 million to €639 million.

The RWE Group's value management

Return-oriented control of the company. Increasing shareholder value is a key element of our strategy. We use our value management concept to determine whether and to what extent we succeed in accomplishing this. Additional value is created when the return on capital employed (ROCE) exceeds the cost of capital. ROCE reflects the pure operating return. It is the ratio of the operating result to capital employed.

The table at the top of page 69 shows the parameters used to calculate the cost of capital. We calculate it as a weighted average cost of equity and debt. The cost of equity corresponds to the expectation of company-specific returns on the capital market when investing in an RWE share. The cost of debt is linked to long-term financing conditions for the RWE Group. The figures we used as a basis for determining the cost of capital for 2013 are the same as those of the previous year.

We calculate the cost of equity as follows: we use a long-term average interest rate for a risk-free investment of 3.8% as a basis, plus risk charges specific to the Group and the Group's divisions, which are also referred to as 'market premiums.' The risk charge for the Group amounts to 5.0%. Accordingly, the sum of the 'risk-free interest rate' and the market premium is 8.8%. In the next step, it is multiplied by what is termed the beta factor, which is based on the Capital Asset Pricing model developed in the 1960s. It is the key figure for the systematic risk exposure connected to an investment, which is also referred to as the market risk. The applied beta factor for RWE's value management is 1.03. This results in a cost of equity of 8.9%. As the cost of equity is not tax-deductible, this figure is the same both before and after taxes.

The cost of debt is 5.0% before tax. The imputed tax rate is 27.4%. Multiplying these two figures results in the tax shield, which is the amount by which the cost of debt is reduced because it is classified as tax deductible. The calculated tax shield of 1.4 percentage points results in a cost of debt of 3.6% after taxes.

The ratio of equity to debt is 50:50. We do not derive this parameter from the amounts carried on the balance sheet, but, among other things, from the marked-to-market valuation of equity and assumptions concerning the long-term development of our net financial position and provisions.

In sum, the RWE Group's total cost of capital is 9.0% before tax.

When determining capital employed, depreciable non-current assets are not stated at carrying amounts. Instead, we recognise half of their historic costs over their entire useful life. The advantage of this procedure is that the determination of ROCE is not influenced by the depreciation period. This reduces the fluctuation in value added caused by the investment cycle. In contrast, goodwill from acquisitions is fully recognised; amortisation is not recognised with a value-reducing effect until the subsequent year.

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

RWE Group – capital costs		2013
Risk-free interest rate	%	3.8
Market premium	%	5.0
Beta factor		1.03
Cost of equity after tax	%	8.9
Cost of debt before tax	%	5.0
Tax rate for debt	%	27.4
Tax shield	%	−1.4
Cost of debt after tax	%	3.6
Proportion of equity	%	50
Proportion of debt	%	50
Capital costs after tax	%	**6.3**
Tax rate for blanket conversion	%	31
Weighted average cost of capital (WACC) before tax	%	**9.0**

RWE Group – determining capital employed		31 Dec 2013	31 Dec 2012
Intangible assets/property, plant and equipment[1]	€ million	57,078	59,314
+ Investments including loans[2]	€ million	5,018	5,433
+ Inventories	€ million	2,360	3,128
+ Trade accounts receivable	€ million	7,950	8,024
+ Other accounts receivable and other assets[3]	€ million	6,875	7,174
– Non-interest-bearing provisions[4]	€ million	12,650	12,021
– Non-interest-bearing liabilities[5]	€ million	13,768	15,474
– Adjustments[6]	€ million	847	797
Capital employed	€ million	**52,016**	**54,781**

RWE Group – determining value added		2013
Capital employed before adjustments (averaged for the year)	€ million	53,399
+ Adjustments[7]	€ million	946
Capital employed after adjustments (averaged for the year)	€ million	**54,345**
Operating result	€ million	**5,881**
ROCE	%	**10.8**
Relative value added	%	**1.8**
Absolute value added	€ million	**990**

1 Intangible assets; property, plant and equipment; and investment property were stated at half of their cost (see the statement of changes in assets on page 160 et seqq.); goodwill and the customer base were recognised at carrying amounts. For 2012 and 2013, €808 million in non-productive assets were deducted.
2 Investments accounted for using the equity method and other financial assets (excluding non-current securities).
3 Including tax refund claims; excluding derivative financial instruments in the amount of €740 million (previous year: €1,033 million) and the net present value of defined contribution pension benefit obligations.
4 Tax provisions and other provisions; excluding non-current provisions in the amount of €1,429 million (previous year: €927 million).
5 This item includes trade liabilities, income tax liabilities and other liabilities; it excludes derivative financial instruments in the amount of €620 million (previous year: €818 million) and purchase price liabilities of €1,187 million (previous year: €1,320 million) from put options.
6 Assets essentially capitalised in accordance with IAS 16.15 in the amount of €498 million (previous year: €471 million) are not taken into account since they do not employ capital.
7 Corrections to reflect timing differences, which are primarily made to eliminate the distorting effects of first-time consolidations and deconsolidations during the year and to neutralise the impact of the amortisation of goodwill at RWE Generation for 2013.

Non-operating result € million	2013	2012	+/– € million
Capital gains	476	487	–11
Impact of commodity derivatives on earnings	72	470	–398
Goodwill impairment losses	–1,404	–	–1,404
Restructuring, other	–4,619	–3,051	–1,568
Non-operating result	**–5,475**	**–2,094**	**–3,381**

Reconciliation to net income: significant impairments in the Conventional Power Generation Segment. The significant deterioration of the earnings prospects in the conventional electricity generation business left clear marks on the reconciliation from the operating result to net income. This primarily affected the non-operating result, which declined to –€5,475 million, a considerable drop compared to the year-earlier figure, which was already negative (–€2,094 million). Its components developed as follows:

- The disposal of investments and assets led to a book gain totalling €476 million, roughly as high as in 2012. The largest contribution to earnings was €236 million and came from the sale of the Czech long-distance gas network operator NET4GAS. Added to this was €199 million from the sale of the UK supply companies Electricity Plus Supply and Gas Plus Supply. More detailed information on the aforementioned transactions can be found on page 51 et seq.

- The accounting treatment of certain derivatives with which we hedge the prices of commodity forward transactions resulted in a gain of €72 million compared to €470 million in the previous year. Pursuant to International Financial Reporting Standards (IFRS), such derivatives are accounted for at fair value at the corresponding balance sheet date, whereas the underlying transactions (which display the opposite development) are only recognised as a profit or loss when they are realised. These timing differences result in short-term effects on earnings, which are neutralised over time and are therefore assigned to the non-operating result.

- Unlike in the preceding year, we had to write down goodwill, resulting in an impairment of €1,404 million in the Conventional Power Generation Segment. This was because expectations of the medium and long-term development of electricity prices, the future regulatory environment and the load hours of fossil-fuelled power stations were adjusted. The write-down of goodwill is the result of an impairment test, which we conducted as part of a regular update to our mid-term plan.

- We recognised a €4,619 million loss in the 'restructuring, other' item. This includes €3.4 billion in impairment losses on property, plant and equipment and financial assets (previous year: €2.3 billion). €2.4 billion is attributable to our Dutch generation portfolio, the earnings prospects of which deteriorated significantly due to market conditions. Here, the substantial expansion of German solar power generation capacity comes to bear, which is pushing conventional power plants out of the market not just in Germany, but also in its neighbouring countries. In addition, we wrote down our German gas storage activities by €216 million as the situation in that business also worsened: imports of liquefied natural gas (LNG) and the expansion of pipeline infrastructure contributed to a rise in gas supply during peak usage periods (winter), resulting in less demand being covered by stored gas. Impairments also had to be recognised for RWE Innogy. Here, the write-downs totalled about €620 million, of which €260 million was due to delays and additional costs incurred in the construction of the Nordsee Ost offshore wind farm and about €270 million was due to the substantial cutbacks to renewable energy subsidies in Spain. In addition to the impairment losses, expenses were also incurred to accrue provisions for restructuring measures. They amounted to approximately €970 million (previous year: €433 million) and mainly affected the Conventional Power Generation and Supply/Distribution Networks Germany Divisions. A positive effect was felt from the fact that we depreciated RWE npower's customer base for the last time in May 2012. This provided €113 million in relief in the year under review.

Financial result € million	2013	2012	+/– € million
Interest income	319	413	–94
Interest expenses	–1,073	–1,249	176
Net interest	**–754**	**–836**	**82**
Interest accretion to non-current provisions	–973	–1,208	235
Other financial result	–166	–48	–118
Financial result	**–1,893**	**–2,092**	**199**

The RWE Group's financial result improved by €199 million to –€1,893 million. Its components developed as follows:

- Net interest rose by €82 million to –€754 million. One of the reasons is that the compensatory payments we were awarded in the arbitration proceedings with Gazprom also bore interest. In addition, the decline in financial liabilities and the recently favourable refinancing conditions reduced our interest expense.
- The interest accretion to non-current provisions decreased by €235 million to €973 million. In fiscal 2012, we had recognised an increase in 'other non-current provisions' in this item, which resulted from a reduction in discount rates. No effect of this kind occurred in 2013.
- The 'other financial result' worsened by €118 million to –€166 million. Negative effects were felt from the marked-to-market valuation of financial transactions, which had a positive impact in the preceding year. Furthermore, we generated lower proceeds from the sale of securities.

Income before tax amounted to –€1,487 million. Nevertheless, €956 million in taxes on income were paid. This is because the lion's share of the substantial impairment losses were not tax-deductible in 2013. Income after tax totalled –€2,443 million, down €4,147 million year on year.

The minority interest in income dropped by €92 million to €210 million, owing to the deterioration in the earnings of fully consolidated companies in which third-parties hold stakes, in particular in Hungary.

The portion of our earnings attributable to hybrid investors amounts to €104 million. This sum corresponds to the finance costs after tax. Of our five hybrid bonds, only two are considered here, namely those which are classified as equity pursuant to IFRS. These are the issuances of €1,750 million in September 2010 and of £750 million in March 2012.

The aforementioned developments are the reason for the deterioration in net income by €4,063 million to –€2,757 million compared to 2012. Based on the 614.7 million in RWE shares outstanding, this corresponds to earnings per share of –€4.49 (previous year: €2.13).

At €2,314 million, recurrent net income was in line with the forecast of approximately €2.4 billion. It decreased by 6% compared to 2012. When calculating this figure, the non-operating result and the tax on it as well as major non-recurrent effects in the financial result and income taxes are deducted. The consequence for these financial statements was that substantial burdens arising from impairments were not considered.

Reconciliation to net income		2013	2012	+/– %
EBITDA	€ million	**8,762**	**9,314**	**–5.9**
Operating depreciation and amortisation	€ million	–2,881	–2,898	0.6
Operating result	€ million	**5,881**	**6,416**	**–8.3**
Non-operating result	€ million	–5,475	–2,094	–
Financial result	€ million	–1,893	–2,092	9.5
Income before tax	€ million	**–1,487**	**2,230**	**–**
Taxes on income	€ million	–956	–526	–81.7
Income	€ million	**–2,443**	**1,704**	**–**
Minority interest	€ million	210	302	–30.5
RWE AG hybrid investors' interest	€ million	104	96	8.3
Net income/RWE AG shareholders' share in income	€ million	**–2,757**	**1,306**	**–**
Recurrent net income	€ million	**2,314**	**2,457**	**–5.8**
Earnings per share	€	–4.49	2.13	–
Recurrent net income per share	€	3.76	4.00	–6.0
Number of shares outstanding (average)	millions	614.7	614.5	–
Effective tax rate	%	–	24	–

Efficiency-enhancement programme: target for 2013 exceeded. We launched a new programme immediately after the successful completion of our €1.5 billion efficiency-enhancement programme in 2012. By taking measures to reduce costs and increase revenue, we intend to tap into more and more earnings potential every year. The programme is designed to improve operational processes as well as achieve savings in administration and IT. Our original goal was to achieve a recurrent effect on the operating result of €1 billion by the end of 2014. In November 2013, we supplemented the programme with further measures, a large number of which are designed to improve the earnings power of our conventional electricity generation business. With the expanded programme, we now aim to realise an effect on earnings of at least €1.5 billion. We want to achieve it in 2016, a year earlier than we initially thought was possible. The more ambitious timeline was enabled by the fact we made better progress than expected in implementing the efficiency improvements in 2013. Having achieved a recurrent effect of €200 million on earnings in 2012, we realised another €800 million last year. This was €250 million more than planned. The reasons for this are that we have already greatly reduced headcount and have made major progress with respect to the availability of our lignite-fired power stations.

Capital expenditure on property, plant and equipment and on intangible assets € million	2013	2012	+/– € million
Conventional Power Generation	1,360	1,784	–424
Supply/Distribution Networks Germany	871	904	–33
Supply Netherlands/Belgium	28	43	–15
Supply United Kingdom	106	89	17
Central Eastern and South Eastern Europe	320	518	–198
Renewables	1,074	999	75
Upstream Gas & Oil	663	684	–21
Trading/Gas Midstream	14	4	10
Other, consolidation	58	56	2
RWE Group	**4,494**	**5,081**	**–587**

Capital expenditure on financial assets € million	2013	2012	+/– € million
Conventional Power Generation	3	75	–72
Supply/Distribution Networks Germany	101	255	–154
Supply Netherlands/Belgium	–	–	–
Supply United Kingdom	–	–	–
Central Eastern and South Eastern Europe	12	1	11
Renewables	9	94	–85
Upstream Gas & Oil	–	–	–
Trading/Gas Midstream	1	38	–37
Other, consolidation	4	–	4
RWE Group	**130**	**463**	**–333**

Capital expenditure down 17 %. In the financial year that just ended, capital spending amounted to €4,624 million. This was 17 % less than the level recorded in 2012 (€5,544 million). Our capital expenditure on property, plant and equipment and intangible assets totalled €4,494 million, compared to €5,081 million a year earlier. Spending on financial assets, which amounted to €463 million in 2012, was almost negligible in 2013, totalling €130 million.

Our new-build power plant programme continued to be a focal point of our investing activity. However, capital expenditure in this area has already dropped significantly, as four large stations had begun commercial operation in 2012 (see page 49 of RWE's 2012 Annual Report). In the year being reviewed, three plants were under construction, of which one, the 787 MW gas-fired power station near the Turkish town of Denizli, took up commercial operation in August 2013. The programme will end in 2014, once the dual-block hard coal power plants at Hamm (Germany) with a capacity of 1,528 MW and at Eemshaven (Netherlands) with a capacity of 1,554 MW have been completed.

We are also placing significant emphasis on the expansion of renewables. Our largest projects in this area are two offshore wind farms: Gwynt y Môr (576 MW) off the north coast of Wales, which we intend to complete in November 2014, and Nordsee Ost (295 MW), which is scheduled to put all its turbines online in the spring of 2015. Expanding onshore wind power is also on the agenda. In this area, we are focusing on sites in the United Kingdom, Poland and Germany.

RWE Dea also spent a considerable amount of capital. Centre stage was taken by the development of oil and gas fields in preparation for production. Thanks to such measures, in 2013, we were able to start producing gas in the Egyptian concession area Disouq in September and in the UK North Sea field Breagh in October (see page 53). Production from the Norwegian oil field Knarr is scheduled to begin in 2014. We also invested in ongoing production projects, particularly in Germany, Norway and Egypt, and acquired shares in licenses in the United Kingdom and Surinam.

Funds in the Supply/Distribution Networks Germany and Central Eastern and South Eastern Europe Divisions were primarily used to improve electricity and gas network infrastructure. In Germany, besides maintenance, the focus was on the connection of distributed generation units and network expansion required by the transformation of the German energy sector. Essent mainly invested in the heating network and in IT projects. RWE npower concentrated on measures to develop and introduce smart meters. Furthermore, the company improved its customer billing system.

Workforce[1]	31 Dec 2013	31 Dec 2012	+/– %
Conventional Power Generation	16,311	17,583	–7.2
Supply/Distribution Networks Germany	19,127	19,510	–2.0
Supply Netherlands/Belgium	3,115	3,376	–7.7
Supply United Kingdom	8,730	9,528	–8.4
Central Eastern and South Eastern Europe	10,062	10,900	–7.7
Renewables	1,482	1,573	–5.8
Upstream Gas & Oil	1,445	1,375	5.1
Trading/Gas Midstream	1,524	1,457	4.6
Other[2]	4,545	4,906	–7.4
RWE Group	**66,341**	**70,208**	**–5.5**
Germany	39,268	40,272	–2.5
Outside Germany	27,073	29,936	–9.6

1 Converted to full-time positions.
2 As of 31 December 2013, 2,239 were accounted for by RWE IT (previous year: 2,624) and 1,650 were accounted for by RWE Service (previous year: 1,692).

Personnel down 6 % since 2012. In terms of full-time equivalent, the RWE Group had 66,341 employees as of 31 December 2013. Part-time positions were only included in this figure proportionate to their share of full-time positions. Headcount declined by 3,867, or 6 %, compared to 31 December 2012. Seventy-four percent of the workforce reduction affected our operations outside Germany. It was in great part due to streamlining measures taken in the conventional power generation and the UK supply businesses. The sale of NET4GAS also played a major role: about 560 staff members had been on the company's payroll as of 31 December 2012. As in previous years, we trained far more people than required to cover our own needs. By the end of 2013, some 2,715 young adults were in a professional training programme at RWE. Staff figures do not include trainees.

1.7 FINANCIAL POSITION AND NET WORTH

Last year, our need for financing was mainly covered by cash flows from operating activities. They were not yet able to completely fund our capital expenditure and the dividend payment. However, this should always be the case from 2015 onwards. In addition to our operations, divestments provided substantial income, particularly the sale of NET4GAS. These funds were the main reason why we succeeded in reducing our net debt by €2.3 billion to €30.7 billion. As expected, the ratio of net debt to EBITDA was unchanged, at 3.5. We intend to return it below an upper limit of 3.0 over the medium term.

Central financing. The RWE Group's financing is the responsibility of RWE AG, which obtains funds from banks or on the money and capital markets. When issuing bonds, it usually turns to its Dutch subsidiary RWE Finance B.V., which issues bonds backed by RWE AG. Only in specific cases do other subsidiaries raise debt capital directly, especially if it is more advantageous economically to make use of local credit and capital markets. Furthermore, RWE AG acts as coordinator when Group companies assume a liability: the holding company decides on the scope of warranties issued and letters of comfort signed. Pooling these activities enables us to manage and monitor financial risks centrally. Moreover, this strengthens our position when negotiating with banks, business partners, suppliers and customers.

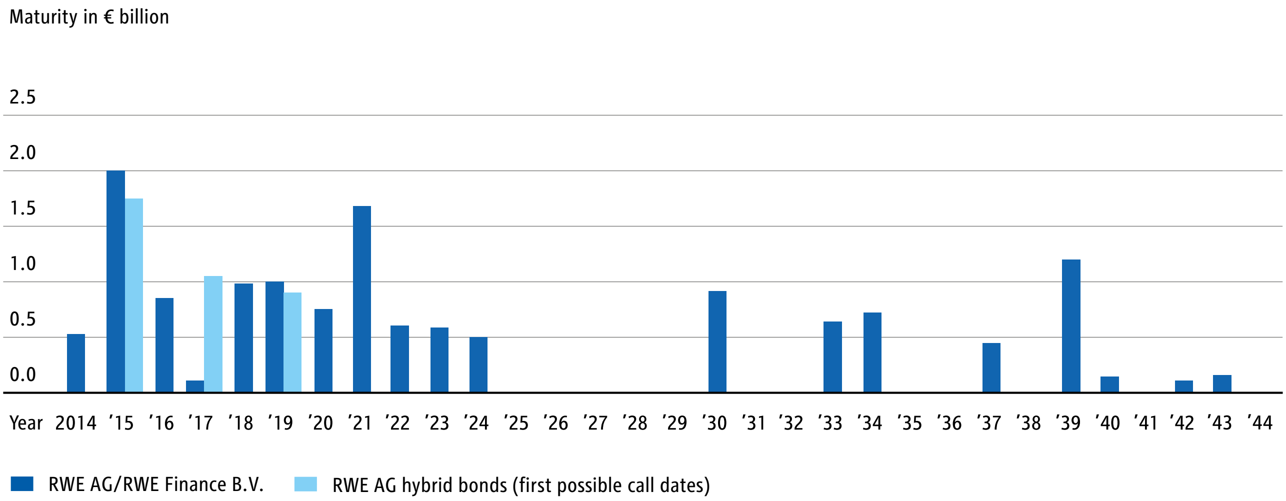
Flexible tools for raising debt capital. We largely meet our financing needs with cash flows from our operating activities. In addition, we have access to a number of flexible financing instruments. We raise long-term debt capital primarily within the scope of our Debt Issuance Programme. The programme enables us to issue a total of €30 billion in bonds. Furthermore, a commercial paper programme gives us a maximum of US$5 billion in headroom for short-term financing on the money market. A €4 billion syndicated credit line with a tenor expiring in November 2017 serves as an additional liquidity reserve. We have not used it so far.

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

RWE conducts public and private bond placements. We took advantage of the unusually favourable financing conditions on the debt market to issue two euro bonds in 2013. The first issuance was in January and had a volume of €750 million. The paper has a seven-year tenor and a 1.875% coupon. We raised €500 million from the second issuance, which took place in October. It has a tenor of just over ten years and a coupon of 3.0%. We increased the volume of this bond by €300 million to €800 million in February 2014.

In addition to these public issuances, we conducted several private placements. The largest of these transactions, which took place in February 2013, provided proceeds of €150 million over 30 years. Furthermore, we topped up a €270 million private bond with a 25-year tenor, which we had issued in October 2012, to €500 million in three steps through to February 2014.

Maturity profile of the RWE Group's capital market debt (as of 31 Dec 2013)



A total of €17.6 billion in bonds was outstanding at the end of 2013. The aforementioned public and private issuances conducted last year had a total volume equivalent to €1.6 billion. This was contrasted by an equivalent of €2 billion in maturities: we redeemed public bonds in the amount of US$250 million (February/coupon: 2%), £630 million (June/6.375%) and €1 billion (November/5.75%). On balance, the total volume of bonds outstanding in 2013 was reduced by €0.5 billion to €17.6 billion (including hybrid bonds). Besides the redemptions, changes in foreign exchange rates were a reason for the decline. Our bonds are denominated in euros, sterling, Swiss francs, US dollars and yen. We concluded hedges to manage our currency exposure. Taking such transactions into account, at the balance sheet date, our debt broke down into 68% in euros and 32% in sterling. This means that we did not have any currency exposure from capital market debt in US dollars, Swiss francs or yen.

Our bonds' initial tenors range from six to 30 years. Their weighted average remaining term to maturity at the end of 2013 was just under ten years. Hybrid bonds are not included in this figure. Our maturities in 2014 are limited to a €530 million bond with a 4.625% coupon, which falls due at the end of July. An issuance with a volume of €2 billion and a coupon of 5% is repayable in February 2015. Furthermore, in September 2015, we will be allowed to cancel the €1.75 billion hybrid bond which we issued in 2010 for the first time. It has a coupon of 4.625%.

Bridge financing via commercial paper reduced to zero. We only exercised the option to conduct short-term refinancing by issuing commercial paper in the first three quarters of 2013, during which our issue volume totalled €3.7 billion. Due to the cash flows provided by the arbitral ruling in the price review proceedings with Gazprom and the sale of NET4GAS, we were able to redeem all the commercial paper in the third quarter without conducting any further issuances through to the cut-off date for the financial statements. By comparison, €1.0 billion in commercial paper was outstanding at the end of 2012.

RWE Group's capital market debt as of 31 Dec 2013 by maturity[1]		2014–2018	2019–2022	2023–2027	From 2028
Nominal volume	€ billion	4.5	4.0	1.1	5.3
Share of total volume of capital market debt (€14.9 billion)	%	30	27	7	36

1 Excluding the €1,750 million and £750 million hybrid bonds with a theoretically perpetual tenor. The other hybrid bonds are considered based on the end of their tenors.

Cash flow statement € million	2013	2012	+/– € million
Funds from operations	7,068	5,446	1,622
Change in working capital	–1,313	–1,051	–262
Cash flows from operating activities	**5,755**	**4,395**	**1,360**
Cash flows from investing activities	–2,646	–1,285	–1,361
Cash flows from financing activities	–1,857	–2,463	606
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–19	16	–35
Total net changes in cash and cash equivalents	**1,233**	**663**	**570**
Cash flows from operating activities	5,755	4,395	1,360
Minus capital expenditure on property, plant and equipment and on intangible assets	–4,488	–5,081	593
Free cash flow	**1,267**	**–686**	**1,953**

Cash flows from operating activities up 31 %. In 2013, we covered most of our financing with cash flows from operating activities. Amounting to €5,755 million, they were 31 % higher than in 2012, clearly outperforming the operating result. One of the reasons is that the previous year's financial statements were strongly characterised by changes in the fair values of commodity contracts, which resulted in income, but did not lead to corresponding cash inflows because the contracts had not yet been realised by the end of the year. In addition, in 2013 the operating result was curtailed by the accrual of non-cash-effective provisions to a greater degree than in 2012. A negative effect on cash flows was felt from tax prepayments, which we made in connection with an ongoing tax audit. The related decline in our tax liabilities was reflected in the change in working capital.

Our investing activity led to a cash outflow of €2,646 million, which was much less than what we spent on property, plant and equipment, intangible assets and financial assets. This is due to the proceeds from the sale of investments and non-current assets, which were offset.

Cash outflows from financing activities amounted to €1,857 million. One main contributing factor was the €1,229 million dividend payment for fiscal 2012. Bond and commercial paper issuances and redemptions resulted in a net cash outflow of €1,307 million. The aforementioned cash flows caused our cash and cash equivalents to rise by €1,233 million.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, result in free cash flow. Amounting to €1,267 million, the latter was much higher than the year-earlier figure (–€686 million).

Net debt € million	31 Dec 2013	31 Dec 2012	+/– %
Cash and cash equivalents	3,905	2,672	46.1
Marketable securities	3,207	3,047	5.3
Other financial assets	1,156	1,892	–38.9
Financial assets	**8,268**	**7,611**	**8.6**
Bonds, other notes payable, bank debt, commercial paper	16,224	17,748	–8.6
Other financial liabilities	2,464	2,198	12.1
Financial liabilities	**18,688**	**19,946**	**–6.3**
Net financial debt	**10,420**	**12,335**	**–15.5**
Provisions for pensions and similar obligations	6,227	6,856	–9.2
Surplus of plan assets over benefit obligations	–	36	–
Provisions for nuclear waste management	10,250	10,201	0.5
Mining provisions	2,952	2,874	2.7
Adjustment for hybrid capital (portion of relevance to the rating)	817	785	4.1
Plus 50% of the hybrid capital stated as equity	1,351	1,351	–
Minus 50% of the hybrid capital stated as debt	–534	–566	5.7
Net debt of the RWE Group	**30,666**	**33,015**	**–7.1**

Net debt drops by €2.3 billion. As of the balance sheet date, our net financial debt totalled €10.4 billion, down €1.9 billion on the year-earlier figure. Net debt declined by €2.3 billion to €30.7 billion. In addition to the high level of free cash flow, proceeds from the disposal of investments and assets made a decisive contribution. Moreover, pension, nuclear and mining provisions, which are considered in net debt, declined by a total of €0.5 billion. The dividend payment mentioned earlier had a debt-increasing effect. Furthermore, €0.4 billion in profits were distributed among minority shareholders of subsidiaries of RWE AG and hybrid bond investors.

Credit rating	Moody's	Standard & Poor's
Non-current financial liabilities		
Senior debt	Baa1	BBB+
Subordinated debt (hybrid bonds)	Baa3	BBB–
Current financial liabilities	P–2	A–2
Outlook	stable	stable

Moody's downgrades RWE. Assessments of creditworthiness made by independent rating agencies have a substantial influence on a company's options to raise debt capital. Generally, the better the rating, the easier it is to gain access to international capital markets and the better the conditions for debt financing. Therefore, we benefit from rating agencies confirming our high creditworthiness. However, due in particular to the crisis in conventional electricity generation, Standard & Poor's and Moody's, the two leading rating agencies, lowered their long-term credit ratings for RWE by one notch, from A- and A3 to BBB+ and Baa1, respectively. Standard & Poor's took this step in July 2012, with Moody's following in June 2013. As part of their downgrades, the two rating agencies raised their rating outlooks from 'negative' to 'stable.' Increasing our financial strength over the long term continues to be a major priority for us. The prime objective in this context is to ensure that we are capable of refinancing our business on the debt capital market at acceptable conditions at all times – even during general financial crises.

Leverage factor remains at 3.5. We manage our debt based on performance indicators, among other things. One of the key figures is the ratio of net debt to EBITDA, which is referred to as the 'leverage factor.' This key performance indicator is of more informational value than total liabilities as it reflects the company's earnings power and, in turn, its ability to service the debt. As expected, our leverage factor in 2013 was 3.5, the same level as in the two preceding years. However, we aim to return it to a maximum of 3.0 over the medium term.

Cost of debt drops marginally. In 2013, our cost of debt was 5.0%. It was calculated for average debt outstanding such as bonds, commercial paper and bank loans. The cost of debt considers interest-rate swaps concluded with banks, through which we convert fixed interest obligations into flexible ones. In contrast, the €1.75 billion and £0.75 billion hybrid bonds classified as equity pursuant to IFRS were not taken into account. Compared to 2012 (5.1%), the cost of debt decreased slightly. This was primarily due to the extremely low-interest refinancing of 2013, whereas the average coupon of the redeemed bonds was higher.

Balance sheet structure: impairments reduce the equity ratio. The balance sheet total reported in the 2013 financial statements amounts to €81.1 billion. This was €7.1 billion less than at the end of 2012. On the assets side, non-current assets declined by €5.0 billion in part owing to the impairments recognised for electricity generation facilities and goodwill reported on page 70. The sale of NET4GAS also came to bear. Accounts receivable and other assets were down €2.6 billion and inventories declined by €0.8 billion, whereas cash and cash equivalents were up €1.2 billion and marketable securities rose by €0.2 billion. On the liabilities side, accounts payable decreased by €3.4 billion, whereas provisions grew by €0.7 billion. Equity was €4.4 billion down on the level recorded a year earlier, largely due to the aforementioned impairments and the dividend payment for fiscal 2012. The equity ratio, which reflects the share of the balance sheet total accounted for by equity, stood at 15.0%, 3.7 percentage points lower than in 2012.

Balance sheet structure[1]	31 Dec 2013		31 Dec 2012	
	€ million	%	€ million	%
Assets				
Non-current assets	56,743	70.0	63,338	71.8
Intangible assets	13,198	16.3	16,017	18.2
Property, plant and equipment	33,305	41.1	36,006	40.8
Current assets	24,376	30.0	24,840	28.2
Receivables and other assets[2]	15,320	18.9	16,436	18.6
Total	**81,119**	**100.0**	**88,178**	**100.0**
Equity and liabilities				
Equity	12,137	15.0	16,489	18.7
Non-current liabilities	47,103	58.0	47,445	53.8
Provisions	27,119	33.4	27,991	31.7
Financial liabilities	16,539	20.4	15,417	17.5
Current liabilities	21,879	27.0	24,244	27.5
Other liabilities[3]	13,341	16.4	14,904	16.9
Total	**81,119**	**100.0**	**88,178**	**100.0**

1 Prior-year figures adjusted due to the first-time application of the revised version of IAS 19.
2 Including financial accounts receivable, trade accounts receivable and income tax refund claims.
3 Including trade accounts payable and income tax liabilities.

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

As the management holding company of the RWE Group, RWE AG handles central management tasks and obtains the funds for the subsidiaries' business operations. Its assets and income largely depend on the economic success of the Group companies. The significant deterioration of earnings in the conventional electricity generation business was also reflected in the financial statements of RWE AG. Its net profit was only about half the figure recorded in the previous year.

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

Balance sheet of RWE AG (abridged) € million	31 Dec 2013	31 Dec 2012
Non-current assets		
Financial assets	39,837	42,440
Current assets		
Accounts receivable from affiliated companies	4,869	9,039
Other accounts receivable and other assets	863	587
Marketable securities and cash and cash equivalents	3,014	1,755
Deferred tax assets	2,204	2,221
Total assets	**50,787**	**56,042**
Equity	9,533	10,058
Provisions	4,280	5,037
Accounts payable to affiliated companies	30,194	33,439
Other liabilities	6,780	7,508
Total equity and liabilities	**50,787**	**56,042**

Income statement of RWE AG (abridged) € million	2013	2012
Net income from financial assets	1,570	3,259
Net interest	−1,218	−1,219
Other income and expenses	450	−52
Profit from ordinary activities	**802**	**1,988**
Taxes on income	−98	−635
Net profit	**704**	**1,353**
Retained earnings	–	1
Allocation to retained earnings	−89	−125
Distributable profit	**615**	**1,229**

Assets. RWE AG had €50.8 billion in total assets as of 31 December 2013, down €5.3 billion compared to the preceding year. The main reason for this was the dissolution of a financing company, which caused RWE AG's financial assets and liabilities to drop. In addition, some Group companies redeemed loans, which had been granted to them by the holding company. This increased cash and cash equivalents while allowing for financial liabilities to be reduced. As of the cut-off date for the financial statements, the equity ratio was 18.8% as opposed to 17.9% a year earlier.

Financial position. The Group's financing is a corporate task handled by RWE AG, which obtains funds from banks or on the money or capital markets. When issuing bonds, it usually uses the services of its subsidiary RWE Finance B.V., which conducts issuances backed by RWE AG. A detailed presentation of the financial position and financing activity in the year under review has been made on page 75 et seqq.

Earnings position. RWE AG achieved a profit from ordinary activities of €802 million compared to €1,988 million in the prior year. The significant decline is due to net income from financial assets, which amounted to €1,570 million, roughly half as much as in 2012. This was in part owed to the deterioration in earnings in the conventional generation business, which was reflected in impairments and the accrual of provisions for restructuring and impending losses. Furthermore, foreign subsidiaries paid lower dividends to RWE AG. In addition, the financial statements for the previous year included one-off income from the release of provisions at controlled companies. Conversely, RWE AG's net interest was essentially unchanged, totalling –€1,218 million. In contrast, the balance of other income and expenses improved considerably, from –€52 million to €450 million. Among other things, the release of provisions came to bear.

Like the profit from ordinary activities, the tax expense also decreased significantly, dropping by €537 million to €98 million.

Appropriation of distributable profit. The Supervisory Board and the Executive Board of RWE AG will propose to the Annual General Meeting on 16 April 2014 that a dividend of €1 per share be paid for fiscal 2013.

Corporate Governance Declaration in accordance with Sec. 289a of the German Commercial Code. On 14 February 2014, the Executive Board of RWE AG issued a corporate governance statement in accordance with Sec. 289a of the German Commercial Code and published it on the internet at **www.rwe.com/corporate-governance-declaration-sec-289a-HGB**.

1.9 DISCLOSURE RELATING TO GERMAN TAKEOVER LAW

The following disclosure is in accordance with Sec. 315, Para. 4 and Sec. 289, Para. 4 of the German Commercial Code as well as with Sec. 176, Para. 1, Sentence 1 of the German Stock Corporation Act. The information relates to issues that may play a role in the event of a change of control of the company and pertains to executive board authorisations to change a company's capital structure. All of the rules applicable in the event of a takeover or merger meet the standards generally accepted by German listed companies.

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

Shares in capital accounting for more than 10% of the voting rights. As of 31 December 2013, one holding in RWE AG exceeded 10% of the voting rights. It was held by RWEB GmbH, which is headquartered in Dortmund. In compliance with Sec. 21, Para. 1 of the German Securities Trading Act, the company informed us that it held 16.15% of RWE AG's voting stock as of 25 September 2013. The voting rights of RWEB GmbH are allocable to RWB GmbH & Co. KG, which is also headquartered in Dortmund.

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

Executive Board authorisation for the issuance of option and convertible bonds. Pursuant to the resolution passed by the Annual General Meeting on 22 April 2009, the Executive Board is authorised to issue option or convertible bonds until 21 April 2014. The bonds' combined nominal value is limited to €6 billion. The shareholders' subscription rights can be excluded if the bonds are issued at a price in line with the market. In addition, new shares for which subscription rights have been waived may not account for more than 10% of the share capital when the authorisation enters into force or when it is exercised. The 10% limit is calculated taking into account other cash capital measures under exclusion of subscription rights, such as the €133,991,677.44 cash capital increase from authorised capital conducted in December 2011. Therefore, the authorisation to conduct cash capital measures waiving subscription rights has largely been exercised. The Executive Board may also exclude the shareholders' subscription rights in order to prevent the number of shares allocated from the subscription resulting in fractional amounts (fractions of shares). Furthermore, the subscription rights of holders of convertible or option bonds already issued may be excluded. They may be granted subscription rights commensurate to the rights to which they would be entitled as shareholders on conversion of the bond or on exercise of the option. Pursuant to Art. 4, Paras. 3a and 3b of the Articles of Incorporation, €143,975,680 in conditional capital, divided among 56,240,500 common shares in the name of the bearer, may be used to exercise conversion or option rights.

Effects of a change of control on debt financing. Our debt financing instruments often contain clauses that take effect in the event of a change of control. This also applies to our bonds. The following rule applies to non-subordinated paper: in the event of a change of control in conjunction with a drop in RWE AG's credit rating below investment-grade status, creditors may demand immediate redemption. RWE has the right to cancel its subordinated hybrid bonds within the defined change of control period. If the hybrid bonds are not redeemed and RWE's credit rating falls below investment-grade status within the change of control period, the annual compensation payable on the hybrid bonds increases by 500 basis points. RWE AG's €4 billion syndicated credit line also has a change of control clause including the following main provisions: in the event of a change of control or majority at RWE, further drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. Should we fail to reach an agreement with the majority of them within 30 days from such a change of control, the lenders may cancel the line of credit. A €645 million loan we were granted by the European Investment Bank (EIB) in October 2011 and a £350 million loan to which the EIB committed in September 2013, which we have not yet drawn on, have a similar provision. Both of the contracts with the EIB stipulate that the continuation of the loans be negotiated within a 30-day time limit. If the talks fail, the EIB has the right to cancel the loans.

Effects of a change of control on Executive Board and executive compensation. Members of the Executive Board of RWE AG have a special right of termination in the event of a change of control. On exercise of this right, they receive a one-off payment covering the contract's agreed term, which shall correspond to at least twice and no more than three times their annual contractual compensation. This is in line with the requirements of the version of the German Corporate Governance Code which has been in force since 2008.

Furthermore, in the event of a change of control, retained Executive Board bonuses are prematurely valued and possibly paid. This is done on the basis of the average bonus malus factor of the three preceding years. This is what determines whether retained bonuses are paid out and the amount of the payout.

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

In the event of a change of control, the Mid-Term Incentive Plan (MTIP) planned for the Executive Board and executives of RWE AG and subordinated affiliated companies, which envisages performance-linked compensation in line with the leverage factor achieved by 31 December 2016 (see page 124), can lead to a compensation payment to its participants before the end of its term. This payment is based on the leverage factor forecast for 31 December 2016 at the time of the change of control. The detailed contractual conditions had not been established by the editorial deadline for this report.

Detailed information on Executive Board and executive compensation can be found on page 114 et seqq. of this report.

1.10 INNOVATION

How can the grid remain stable despite fluctuating amounts of wind and solar power? Are there ways of saving energy in homes that no-one has thought about yet? How can the greenhouse gas carbon dioxide be turned into a valuable commodity? These are questions to which we provide answers, thanks to our research and development activities. Our work goes beyond just developing new technologies, as we also improve existing processes. Many of our more than 200 projects primarily serve one goal: help to make the transformation of the energy sector in our home market, Germany, a success.

Research and development for a reliable and environmentally friendly supply of energy. Our research and development (R&D) work aims to engineer solutions for an environmentally friendly, reliable and affordable supply of energy, in order to safeguard our competitiveness over the long term. To this end, we cover all stages of the value chain in the energy sector, from the extraction of raw materials, electricity generation, network operation and storage through to energy use. Most of our R&D activities involve co-operating with external partners in the plant engineering sector, the chemical industry and research institutions. This is why the financial spend on our projects clearly exceeds our R&D costs, which totalled €151 million in 2013 (previous year: €150 million). About 430 of our employees were solely or partially dedicated to R&D activities. Some 200 R&D projects with an average duration of four years were on our agenda in 2013. Presenting all of them would exceed the scope of this report. Therefore, we have limited ourselves to a selection of major projects. Please refer to our commentary at **www.rwe.com/innovation** for further information.

Small, but effective: the 'Smart Operator' network control box. In the energy world of yesterday, electricity was produced almost exclusively by large power stations and the role played by homes was limited to that of consumer. Nowadays, an increasing number of households generate their own electricity and feed surplus amounts into the grid. This requires greater co-ordination, in particular by operators of medium and low-voltage networks. 'Intelligent' balancing mechanisms must be created using new technologies, in order to prevent the grid from becoming imbalanced. A whole series of RWE projects addresses this topic, one of which involves connecting approximately 250 households in communities in Rhineland-Palatinate and Bavaria to a state-of-the-art low-voltage grid for two years. The 'intelligence' is provided by a control unit, which is smaller than a shoe box: the 'Smart Operator.' It is packed with powerful electronics, enabling it to monitor the network's condition and optimise electricity flows, for example by automatically controlling the operation of household appliances, heat pumps as well as electricity and hot water tanks. The partners working on this project are the Technical University of Aachen, the software development company PSI AG and several mechanical engineering companies. Last year, nearly all participating households were equipped with the necessary communication and control devices. The next step involves testing the Smart Operator. In addition, we intend to install further controllable devices such as battery storage units and heat pumps, in order to measure their contribution to stabilising grid conditions.

Intelligent energy use field trial successfully completed in Mülheim. People often take electricity for granted and hardly think when consuming it. This mentality will probably change fundamentally in the future when passive consumers become active players on the energy market. For 700 homes in Mülheim an der Ruhr, the future has already begun: they participated in a field trial for the use of innovative energy services, which was conducted by RWE Deutschland and completed in March 2013. The households were able to monitor price developments on the electricity market and their own consumption on PCs, enabling them to identify ways to use energy more cost-effectively. In addition, some participants received intelligent household appliances: washing machines, tumble driers and dishwashers which automatically start a preset programme when electricity is particularly cheap. As well as demonstrating that all of this is technically possible, the trial proved that customers change their consumption patterns if tariffs motivate them to do so.

Solar power storage unit by RWE: home solution for transforming the energy market. Anyone who runs a solar panel will be familiar with the problem: most of the electricity is generated when one's own consumption is the lowest, i.e. during the day, when one is out of the house. This is when most of the solar power is fed into the grid, which is becoming less and less attractive as a result of declining feed-in tariffs. In contrast, electricity must be sourced from the grid during the night, when solar panels are not operational. To remedy this, we launched an innovative system for the distributed storage of solar power named 'RWE HomePower solar' in the spring of 2013. It enables users of the system to use their solar panels to cover their own needs to a far greater extent. In addition to allowing our customers to save money, it stabilises the grid because it reduces fluctuating feed-ins of solar power.

A glimpse at future living. On 18 July 2013, we inaugurated the 'RWE Energy House of the Future' in Bottrop, Germany. The house is part of the 'Innovation City Ruhr – Model City Bottrop' initiative which involves a number of projects designed to demonstrate how urban development can combine goals such as climate protection while maintaining a city's attractiveness as a business location. The RWE Energy House of the Future is a converted detached house built in the 1960s. With it, we demonstrate that more energy can be produced than needed in a residential building by using new technologies in combination with existing products such as 'RWE SmartHome' in an innovative manner. We reduced energy consumption by 90 %. We now use the house to test the practical feasibility of the solutions implemented in it, among other things.

Partial transformation of the Hungarian energy market. Distributed energy supply for home use is also the subject of a project in Hungary. On 2 October 2013, RWE and the country's President Dr. János Áder inaugurated an energy farm, which supplies a therapeutic riding and learning centre in Fót with electricity and heat from renewable sources. The basis for this is the combined use of solar collectors, wind and micro-water turbines, a battery storage unit, a heat pump and an energy management system. The project was implemented in co-operation with the International Child Aid Service as well as partners from the fields of industry and science.

RWE constructs subterranean cable based on modern superconductor technology. In Essen, where RWE AG has its headquarters, we are laying the world's longest underground cable based on modern superconductor technology. The groundbreaking ceremony took place at the beginning of April 2013. We use materials that are capable of transmitting electricity at very low temperatures of about –200 degrees Celsius nearly loss-free. This enables the transmission of large amounts of electricity at low voltage – and saves space. The advantage for the municipalities is that valuable plots of inner city land that would otherwise be needed to operate networks can be used for other purposes. Named 'AmpaCity,' the project is supported by the German Ministry of Economics and Energy. Our partners are the cable manufacturer Nexans Deutschland and the Karlsruhe Institute of Technology (KIT). As the first set of tests at the end of 2013 delivered positive results, we plan to commission the cable in 2014.

Climate protection still a focus: progress in CO_2 scrubbing. In the past decades, we have continuously improved the efficiency of our power plants by making use of new technologies and methods. More efficient means generating the same amount of electricity with less fuel and, when fossil fuel is used, with much lower carbon dioxide (CO_2) emissions. However, despite these advances in efficiency, the generation of electricity from coal is still a source of substantial emissions. Consequently, for several years, we have been working on ways to prevent carbon dioxide from being released into the atmosphere. This involves isolating and then capturing the gas, a method which has been performed on sulphur dioxide successfully for decades.

One promising approach is known as CO_2 scrubbing. This technique binds most of the carbon dioxide within a chemical solution and then removes it from the flue gas. We intend to use this method in our lignite-based generation in particular. Since 2009, we have been testing it in a pilot plant at our Niederaussem power station near Cologne. Our partners are BASF and Linde. In one of the first phases of the project, we significantly improved the efficiency of the technique by using newly developed solvents. We will be able to make further progress by cleaning the flue gas even more through the elimination of pollutants such as sulphur dioxide before isolating the carbon dioxide. In cooperation with ANDRITZ Energy & Environment, we developed a powerful flue gas desulphurisation unit, which is being used at Niederaussem. We are currently subjecting it to a long-term trial together with a carbon capture pilot plant. The combined use of the two units allows for the flue gas to be purified only once before CO_2 scrubbing, namely during the flue gas desulphurisation step. An added bonus is the fact that even more sulphur dioxide and dust is filtered out compared to conventional techniques.

CO_2 – from greenhouse gas to valuable commodity. Capturing carbon dioxide is only the first step. In addition, the gas must be kept from the atmosphere permanently. One way to accomplish this is to store the gas, for example in rock formations deep under the surface of the earth, but there is a lack of acceptance for this in Germany. Therefore, we are taking another step forward: in times of increasingly scarce resources, we are investigating how to turn a greenhouse gas into a valuable commodity. In 2013, three projects, all using the carbon dioxide captured at Niederaussem, were dedicated to achieving this.

As a part of the first undertaking, named 'Dream Production,' we joined forces with Bayer and the Technical University of Aachen to look into ways to manufacture high-quality plastics from the carbon dioxide we captured. Dream Production has shown that the carbon dioxide captured from the flue gas of the Niederaussem power station is pure enough to be used for this purpose.

We also proved that this carbon dioxide can be reacted with hydrogen to form synthesis gas in our second project called 'CO_2RRECT.' This synthesis gas can be used by the chemical industry as a raw material in various ways. We implemented CO_2RRECT in collaboration with Siemens, Bayer and several universities and research institutions. The special feature is that the required hydrogen is obtained by electrolysis, enabling its production to be flexibly adapted to the availability of electricity from renewables. Both Dream Production and CO_2RRECT were completed in 2013.

In our third project, 'Power-to-Gas,' we use carbon dioxide and hydrogen to obtain methane, the main component of natural gas. Reacting the two substances to make them bond and form methane requires special catalysts. Through the project, we proved that catalysts that are already commercially available can be used to produce methane from carbon dioxide obtained in lignite-fired power stations. Endurance tests are being run in order to determine whether such catalysts are suitable for long-term use.

Reduced costs and less noise: new approaches to installing offshore wind turbines. A further objective of our research and development work is the cost-effective and environmentally friendly expansion of renewable energy. In this respect, we focus especially on the construction of offshore wind farms. In July 2010, we started participating in the Offshore Wind Accelerator (OWA) initiative, where the UK Carbon Trust has pooled the expertise of nine leading energy companies. We are implementing several projects within the scope of OWA. Our most recent undertaking, which we launched in 2013, aims to anchor wind turbines to the seabed at reduced costs. The use of foundations made of tubular steel (monopile design) is widespread. These are usually driven into the seabed using heavy pile driving equipment. In the 'Vibro' project, we are testing an alternative method, which supports this process with vibrations and makes it more cost-effective. Furthermore, it reduces underwater noise, which can significantly impact the sensitive hearing of dolphins and harbour porpoises.

RWE recognised for innovation. The current innovation index of the European School of Management and Technology (ESMT) ranks RWE third among Europe's 16 largest energy utilities. This was announced by the ESMT in February 2014. The index measures the innovativeness of companies. We have our wide range of R&D work to thank for our good position. Through our projects, we cover all the fields of research classified as important by the ESMT. Our activities in the fields of smart grids, electric cars and energy services were highlighted in particular. The judges also rewarded us for our large number of patent applications.

1.11 DEVELOPMENT OF RISKS AND OPPORTUNITIES

The last few years have shown how quickly the framework conditions in the energy sector can change. Political intervention makes it difficult to establish business models and plan investments. Changes in wholesale electricity and fuel prices can also significantly affect our earnings. Therefore, professional risk management is indispensable for utilities like RWE. 'Professional' means that we record, assess and control risks systematically. But it also means that we identify opportunities – and seize them.

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

Our Risk Management Committee is in charge of monitoring and refining the risk management system. It is composed of the heads of the following RWE AG departments, which are accountable for the entire Group: Commodity Management (until the end of 2013), Controlling, Finance, Human and Executive Resource Management, Accounting & Taxes, Legal & Compliance, Audit as well as Corporate Development & Strategy. A representative of the Group Risk Department, which we established as of 1 January 2014, recently joined the Committee. It is chaired by the Head of Group Controlling. This department is assigned to the finance mandate.

The Group Controlling Department and – starting in 2014 – the new Group Risk Department, which report to the Risk Management Committee, bear responsibility for the control, steering and co-ordination of the risk management system. They regularly report on the Group's risk situation to both the Committee and the Executive Board of RWE AG.

In addition, a number of additional organisational units have been entrusted with corporate risk management tasks: commodity hedging strategies deviating from general performance targets are approved by the Commodity Management Committee. The framework for this is determined by the Executive Board. In the year under review, the Committee consisted of the Executive Board member in charge of commercial management, the Chief Financial Officer, the Head of Commodity Management, the Head of Group Controlling and representatives of the Board of Directors of RWE Supply & Trading. In the future, it will be composed solely of the Head of Group Risk and the Board of Directors of RWE Supply & Trading.

The CFO of RWE AG monitors commodity risks. In fulfilling this task, he is assisted by the CFOs and managing directors in charge of finance of our major Group companies.

Until the end of 2013, the Group Risk Controlling Unit, which belongs to the Group Controlling Department, established groupwide performance targets for risk measurement, tracked commodity risks and reported on this to the Executive Board of RWE AG. The control of the RWE Group's credit risks was handled by the Group Credit Risk Unit, which also belonged to the Group Controlling Department. From 2014 onwards, these tasks will also be fulfilled by the newly created Group Risk Department. By using dual controls, we ensure that major risks are closely monitored and that guidelines are implemented uniformly throughout the Group.

Financial risks at RWE AG are monitored by the Financial Controlling Unit. The tasks of this unit, which belongs to the Group Finance Department, also include reporting on currency, interest and liquidity risks.

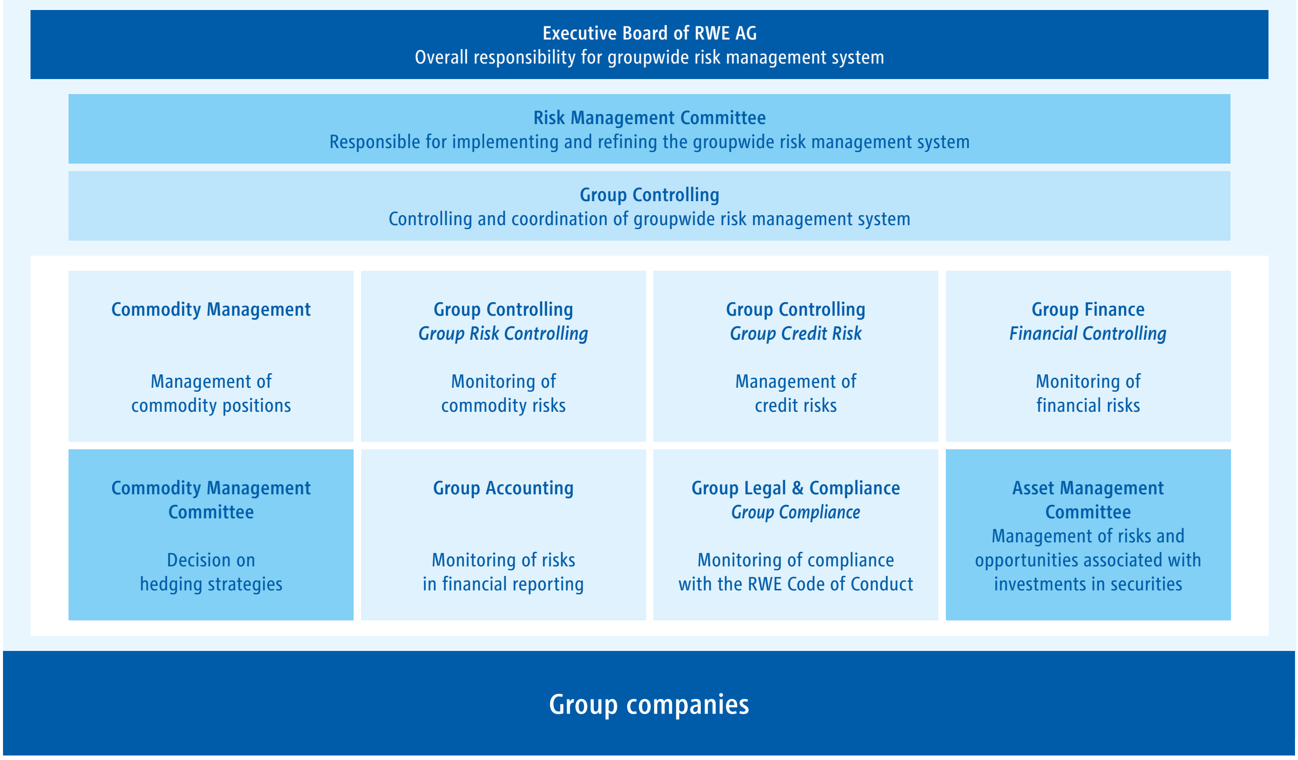
The strategic guidelines for the management of our financial assets (including the funds of RWE Pensionstreuhand e.V. and RWE Pensionsfonds AG) are determined by RWE AG's Asset Management Committee. It weighs the earnings prospects and risks against each other, selects suitable asset classes (bonds,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

The monitoring of risks associated with financial reporting is handled by RWE AG's Group Accounting & Tax Department (until the end of 2013: Group Accounting). It reports directly to the CFO and uses an accounting-related internal control system, which is described on page 98 et seq.

The Group Compliance Unit, which is assigned to the Group Legal & Compliance Department, monitors compliance with RWE's Code of Conduct, paying special attention to the avoidance of corruption risks. It reports to the CEO of RWE AG or, if members of the Executive Board are affected, directly to the Chairman of the Supervisory Board and the Chairman of the Audit Committee.

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

Organisation of risk management in 2013



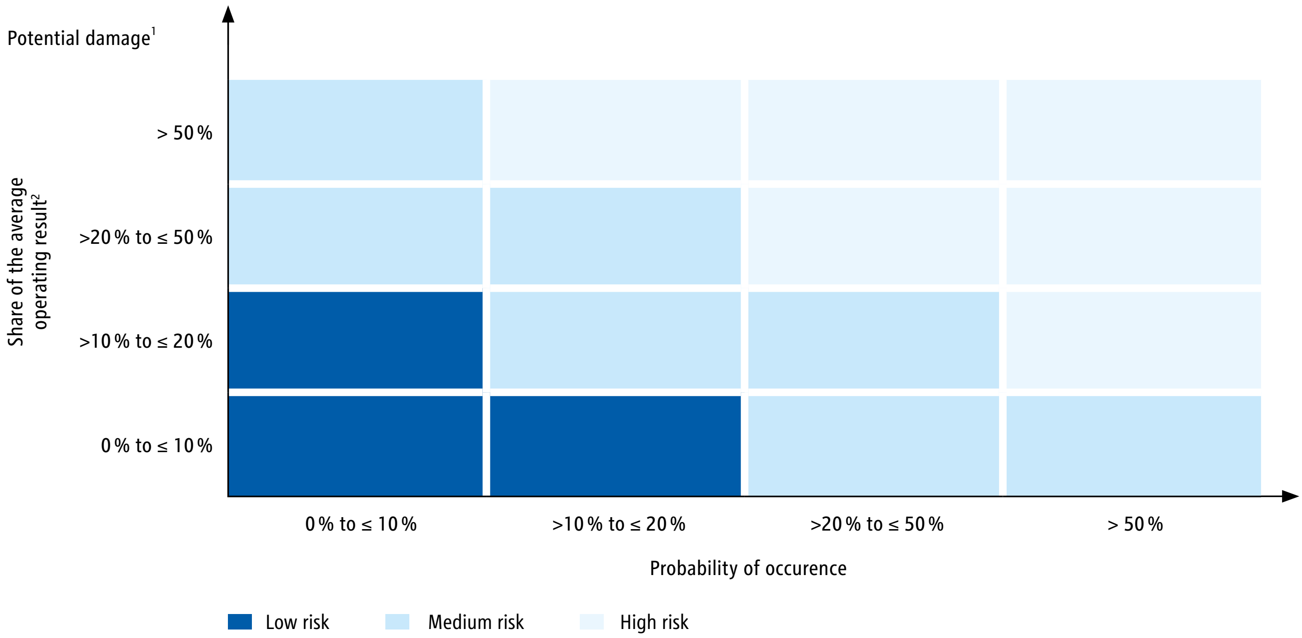
Risk management as a continuous process. Risk management is an integral and continuous part of our operating workflow. Risks and opportunities, defined as negative or positive deviations from target figures, are identified and classified early on. We evaluate risks according to their probability of occurrence and damage potential and aggregate them at the Group company or Group level. Our analysis covers the three-year horizon of our medium-term planning and may extend beyond that for material strategic risks. Risks that share the same cause are aggregated to one position. The damage potential is put in relation to the operating result and equity of the business unit concerned and the Group as a whole.

We analyse our earnings risks using a matrix, in which the risks' probability of occurrence and potential net damage are represented. From this, we can derive whether there is a need for action and the scope of such action. In this context, we have three risk classes: low, medium and high risks. All risks are constantly monitored. Medium and high risks are mitigated by taking operational measures. In addition to the earnings risks recorded in the matrix, indebtedness and liquidity risks are also covered by our risk management system. These risks are described in more detail on page 98.

The company's management and supervisory committees are updated on our risks and opportunities several times a year. This is always preceded by a groupwide bottom-up analysis. Our reporting obligations for companies accounted for using the equity method are limited. We record their risks at least once a year as part of our medium-term planning. The Executive Board of RWE AG is immediately informed of unforeseen material changes to the risk situation.

Our Group Audit Department conducts regular appraisals of the quality and functionality of our risk management system, the most recent of which took place in December 2013/ January 2014. In functional respects, it reports to the entire Executive Board and for disciplinary matters, it is assigned to the Group CFO. Our Group Audit Department is certified to the Quality Management in Internal Auditing Standard recommended by the German Internal Audit Association.

RWE risk matrix



1 Related to the year in which the maximum damage may occur.
2 Derived from the medium-term planning for 2014 to 2016.

Overall assessment of the risk and opportunity situation by executive management. The development of our business is significantly affected by energy policy. For example, the subsidisation of renewable energy in Germany has resulted in the rapid rise in the number of wind turbines and solar panels. This has put wholesale electricity prices under substantial pressure and pushed conventional power plants out of the market, both in Germany and in neighbouring markets such as the Netherlands. Declining margins, especially of gas-fired power stations, have already caused us to recognise considerable impairments. Should market conditions continue to deteriorate, we will be at risk of having to perform further write-downs.

A lot depends on the future course of energy policy in Germany and the requirements imposed by Brussels. As set out on page 44 et seq., the EU is developing binding guidelines for reforms in the energy sector, which are currently on the agendas of many countries. Such structural reforms also present opportunities. For example, the introduction of capacity markets open to all technologies may safeguard the profitable operation of conventional power plants, and therefore also the reliability of electricity supplies. Efforts to make the promotion of renewable energy more market-oriented would also benefit us, if this reduced disadvantageous distortions of competition.

Apart from the regulatory framework, market-driven changes can also have significant effects on our earnings. For example, the decline in German electricity prices is in part due to the drop in hard coal quotations, as the marginal costs of hard coal power stations significantly affect pricing on the electricity market. There is a danger that the slump on the hard coal market may persist as well as a chance that quotations may rise. Unfavourable price developments also imposed substantial burdens on gas procurement. However, the losses incurred were partially offset and the risk of further burdens was reduced considerably thanks to the successful arbitration proceedings with Gazprom and renegotiations with other suppliers (see page 93). Macroeconomic developments can also have a strong impact on the energy sector and RWE's earnings. For example, if the Eurozone's sovereign debt crisis were to escalate, a significant decline in demand for electricity and gas in our markets may be the result. In contrast, opportunities may arise if the weak economy picks up again.

Against the backdrop of the difficult framework conditions in the energy sector and the existing risks, we have taken extensive measures to strengthen RWE's earnings and financial clout. We intend to make a substantial, lasting contribution to earnings with our current efficiency-enhancement programme. As set out on page 72, we have already achieved major success in this area. In addition, we are stabilising our financial strength through divestments and reductions in capital expenditure. We have made good progress here as well. There is a chance that our measures may be more effective than anticipated. For example, efficiency improvements may exceed budgeted figures. However, there is also a danger that we may fail to achieve our goals, for instance because necessary restructuring measures cannot be implemented to the extent expected.

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

RWE's earnings risks	Classification of the highest individual risk
Market risks	
Risks arising from the volatility of commodity prices	Medium
Revision of the price conditions of the gas procurement contract with Gazprom	Medium
Framework risks	
Regulatory and political risks	Medium
CO_2 emissions	Low
Other legal and arbitration risks	Low
Operational risks	
Continuity of business activities/ risks associated with corporate strategy	Medium
Information technology	Low
Human resources	Low
Financial market and credit risks	
Financial risks	Low
Creditworthiness of business partners	Low
Other risks	Low

As of 31 December 2013.

RWE's earnings risks. As illustrated in the above overview, our material earnings-related risks and opportunities can be divided into five categories. It also shows how we classify them by degree. We currently accord the highest importance to market price, regulatory and certain operational risks. Below, we comment on the aforementioned risks as well as on the associated opportunities. In addition, we explain the measures we take to limit the danger of negative developments.

Market risks:

- **Risks and opportunities arising from the volatility of commodity prices.** The development of prices on commodity markets greatly influences our earnings, especially in electricity generation. For example, further decreases in electricity prices may lead to a decline in margins and reduce the value of our power plants. In the past two fiscal years, we have already had to recognise substantial impairments due to decreased margins in the electricity generation business. This has reduced the risk of further impairments. Furthermore, wholesale electricity prices and generation margins may develop in RWE's favour again. We assess the price risks to which we are exposed on the procurement and supply markets taking account of current forward prices and expected price volatility. Commodity and price risks faced by generation and supply companies are managed through hedging rules established by RWE AG. We limit the exposure of our power stations to such risks by selling most of our electricity early on, via forward contracts, and hedging the price of the required fuel and CO_2 emission allowances. We also make use of forward markets to limit price risks in RWE Dea's upstream business and in RWE Supply & Trading's gas midstream business.

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

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

The upper risk limits in the energy trading business are set by the Executive Board of RWE AG. In this context, the Value at Risk (VaR) is of central significance. It quantifies the potential loss resulting from a risk position that will not be exceeded with a predetermined probability and within a predetermined time period. In principle, the VaR figures within the RWE Group are based on a confidence interval of 95% and a holding period of one day. This means that, with a probability of 95%, the maximum daily loss will not exceed the VaR. The central risk controlling parameter for commodity positions is the Global VaR that relates to the trading business of RWE Supply & Trading and may not exceed €40 million. In fiscal 2013, it averaged €8 million (previous year: €6 million), and the daily maximum was €14 million (previous year: €13 million). In addition, we have set limits for each trading desk. Furthermore, we develop extreme scenarios and factor them into stress tests, determine the influence they can have on our liquidity and earnings, and take countermeasures whenever the risks are too high.

We also apply the VaR concept to measure commodity price risks to which we are exposed outside the trading business. To this end, we identify the absolute change in the Group's operating result caused by changes in commodity prices which will not be exceeded with a given probability. First, our Group companies determine their commodity risk positions and report them to RWE AG, where the overall risk for the Group on the basis of the individual risks is calculated. The overall risk mainly stems from German electricity generation, the upstream business and the portion of our gas purchases that depends on oil prices. With a confidence level of 95%, changes in commodity prices will have a maximum positive or negative effect on our operating result in 2014 of about €330 million. The cut-off date for determining this figure was 30 November 2013.

- **Revision of price conditions in the gas procurement contract with Gazprom.** We source gas on liquid wholesale gas markets such as the NCG (Germany), TTF (Netherlands) and the NBP (United Kingdom) as well as based on long-term purchase agreements, particularly in Germany and the Czech Republic. These contracts used to be linked to the price of oil. However, gas prices on the trading markets have been decoupled from those of contracts linked to the price of oil since 2009, temporarily falling significantly below them. As a result, some of the gas we bought was much more expensive than on the market. To obtain purchase conditions reflecting the development of the market, we entered into contractually agreed renegotiations with our gas suppliers. As a result, nearly all of the contracts were converted to wholesale gas price indexation or terminated prematurely by mutual consent. The last and largest contract was the one with Gazprom, which was adapted per an arbitral ruling handed down in June 2013. As set out on page 50, the influence of oil prices was diminished, but it was not eliminated. Therefore, the contract still causes us to incur losses. In consequence, in May 2013 we initiated another price revision with Gazprom. There is a danger that the result of our revision will lag behind our expectations, but there is also a chance that we will be able to obtain conditions that are more favourable than anticipated.

Framework risks:

- **Regulatory and political risks and opportunities.** As a utility, we plan our capital expenditure for periods extending over decades, making us especially affected by changes in political framework conditions. Extensive reforms of the energy sector are currently on the agendas of numerous European countries and the European Union. We have provided in-depth information on the political plan that are most important to us on page 44 et seqq. One of the main objectives is to make the promotion of renewable energy more cost-effective and bring it more in line with the market. In light of the recent considerable drop in the profitability of conventional power stations, policymakers are increasingly addressing the security of supply. Reforms to this end, such as the introduction of a capacity market in Germany, may provide us with an opportunity, as this would establish the prerequisites for the profitable operation of the conventional power plants required to ensure a reliable supply of electricity. The governing coalition between the Christian Democrats/ Christian Social Union and the Social Democrats formed after the German Lower House elections in September 2013 has committed to creating a capacity mechanism in the medium term (see page 46). The coalition is also seeking to bring the promotion of renewable energy more in line with the market and make it more cost-effective. We also welcome this. However, certain projects may impose additional burdens on us, for instance the plan to apply the apportionment under the German Renewable Energy Act to own electricity consumption.

  We are exposed to substantial regulatory risks especially in the field of nuclear energy, the framework conditions of which have deteriorated significantly in Germany. Through the 13th amendment to the German Nuclear Energy Act, which became effective at the beginning of August 2011, the former government nullified the lifetime extension for German nuclear power plants, which had been introduced in 2010, requiring the immediate shutdown of eight of the country's 17 reactors. Staggered decommissioning dates were established for the remaining units. We believe the 13th amendment to the German Nuclear Energy Act is unconstitutional because the operators of the reactors affected will not be compensated and the decommissioning dates were established without sound justification. Therefore, in February and August 2012, we filed constitutional complaints. Prior to this, in April 2011, we had brought lawsuits before the Hessian Administrative Court of Justice in Kassel against the nuclear moratorium imposed on Biblis A and B from March to June 2011. In February 2013, the Court ruled that the decommissioning orders were illegal. Pursuant to a decision reached by the German Administrative Court in December 2013, the ruling is legally enforceable. We are now preparing civil remedies for damages (see page 53).

  The introduction of a nuclear fuel tax as of 1 January 2011 also imposed substantial burdens on our German nuclear power stations. We filed a suit with the competent fiscal courts as the legality of the levy is questionable. In January 2013, the Hamburg Fiscal Court referred the point of the constitutionality of the nuclear fuel tax to the German Constitutional Court for a ruling. Moreover, in December 2013 the Hamburg Fiscal Court decided to refer the same matter in parallel proceedings to the European Court of Justice. In view of the aforementioned decisions, we are optimistic about the enforcement of the tax being suspended until a ruling on its legality has been handed down, which we do not expect to be made until after 2014.

  We are also exposed to earnings risks by the search for a site for a final storage facility for highly radioactive waste. The German Site Selection Act, which entered into force at the end of July 2013, will make the search much more expensive (see page 46). The costs of the selection process will be borne by the nuclear power plant operators. We have accrued provisions for the expected additional burdens. However, it cannot be ruled out that political resistance renders the selection of a location difficult, causing further delays and burdens.

Energy markets outside of Germany have also been subject to increases in regulatory intervention. The difficult budgetary situation numerous European countries are facing plays a role. It may cause the governments to impose further burdens on the economy. As demonstrated in Spain and Hungary, this particularly affects companies that are bound to their locations, such as energy utilities. In the dialogue we maintain with policymakers, we take the position that unstable framework conditions and the introduction of additional burdens reduce the utilities' ability and willingness to make necessary investments in energy infrastructure. Nevertheless, political short-sightedness may result in additional regulatory intervention to our detriment.

Political risks outside of Europe exist predominantly in RWE Dea's upstream business. We are following the political upheaval in North Africa very closely, as RWE Dea is conducting several large-scale projects in this region. We already produce oil and gas in Egypt. As in all non-OECD countries, we have hedged capital expenditure there against political risks largely through federal guarantees and will also do this for future projects.

In the present political environment, we are exposed to risks associated with approvals when building and operating production facilities. This particularly affects our opencast mines, power stations and wind farms. If their operation is interrupted or curtailed, this can result in significant production and earnings shortfalls. Furthermore, there is a danger of new-build projects either receiving late or no approval, or of granted approvals being withdrawn. Depending on the construction progress made and the contractual obligations to suppliers, this can have a significant negative financial impact. For example, the hard coal-fired power station at Eemshaven in the Netherlands, which is scheduled to go online this year, is exposed to this type of risk. We take precautionary measures against this by preparing our applications for approval with great care and ensuring that approval processes are handled competently.

In parts of our energy business, we are also exposed to risks in relation to competition law. In March 2013, the German Federal Cartel Office instigated proceedings against several district heat suppliers, including an RWE company. The authority suspects abusive pricing, but we believe our tariffs are appropriate. Furthermore, the Cartel Office announced that it will be keeping competition on the market for electricity for heating purposes under close scrutiny.

Further risks arise from the regulation of energy trading transactions, which has been tightened significantly by two EU directives. The Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) entered into force in December 2011, with the aim of preventing insider trading and market manipulation in electricity and gas trading. It obliges market participants to publish insider information. Furthermore, they must now register themselves and their wholesale transactions. In addition to REMIT, the European Market Infrastructure Regulation (EMIR), an EU directive which entered into force in August 2012, also has a substantial effect on the trading business. Companies which conclude a considerable number of speculative trades have to settle certain derivative transactions via clearing points, pledging more financial collateral than previously. Moreover, all transactions have to be entered into a transaction register. It is too early to determine the degree to which we are affected by REMIT and EMIR. We expect a significant increase in reporting and transaction costs in energy trading.

The incentive-based regulation of electricity and gas networks in Germany also harbours earnings risks. The second five-year regulatory period began on 1 January 2014 for electricity network operators and on 1 January 2013 for gas network operators. We are yet to receive notifications on the revenue caps imposed by the regulatory authorities on our network companies. There is a risk of the upper limits being too low, failing to reflect the actual development of costs. However, this also opens up the opportunity for our future network earnings to exceed expectations if the revenue caps are appropriate and our efficiency measures are successful. Initial signals from the regulatory authorities indicate that the regulatory restrictions will be in line with our expectations.

- **CO_2 emissions.** Lignite and hard coal power plants account for a significant proportion of our electricity generation portfolio. Our specific carbon dioxide emissions are therefore far above the sector average. By 2020, we aim to reduce our CO_2 emissions to 0.62 metric tons per megawatt hour of electricity generated compared to 0.76 metric tons in 2013, partly through the expansion of renewable energy and the use of modern conventional power plants. By taking technical and financial measures, we have reduced our CO_2 risk for the third emissions trading period, which ends in 2020, to such a degree that an increase in the price of emission allowances is not expected to have a material effect on our earnings. However, there is a danger that individual EU member states may find the European Emissions Trading System (ETS) insufficient and impose additional burdens on companies through domestic regulations. In the meantime, however, the EU Commission has submitted a Climate and Energy Package with which it intends to improve the effectiveness of the ETS after 2020 (see page 45). If the measures proposed by the package are implemented, the probability of national solo attempts should drop considerably.

- **Other legal and arbitration procedures.** Individual RWE Group companies are involved in litigation and arbitration proceedings due to their operations or the acquisition of companies. Out-of-court claims have been filed against some of them. Furthermore, Group companies are directly involved in various procedures with public authorities or are at least affected by their results. We have accrued provisions for potential losses resulting from pending proceedings before ordinary courts and arbitration courts. However, the claims asserted against us exceed the provisions considerably in some cases. Taking account of the legal assessments we have obtained, we believe that such claims are unfounded, but we cannot be sure that we will prevail.

  Some conciliation proceedings in connection with the legal restructuring of companies are still pending. The object of the proceedings is to examine the appropriateness of the cash compensation we offered outside shareholders. We are of the opinion that it was appropriate. The compensation payments were calculated by independent experts and reviewed by auditors. If, based on a legally enforceable decision, it is determined that the cash compensation was too low, we will pay the difference to all affected shareholders, including those who are not directly involved in the conciliation proceedings.

Operational risks:

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

  We constantly work on improving the profitability of our organisation and operating processes. We are currently implementing the efficiency-enhancement programme which we launched in 2012 and which should have an impact of at least €1.5 billion on the operating result from 2016 onwards. In 2013, we made more progress than expected. We also believe that we may exceed our targets in the future. However, we may also fail to achieve our goals, if for example, planned restructuring proves impossible to implement or can only be implemented slowly.

  Capital expenditure on property, plant and equipment, acquisitions and divestments may give rise to major risks or opportunities as they have a long-term effect on our portfolio. Income achieved from projects involving capital expenditure on property, plant and equipment and intangible assets may fall short of expectations.

Furthermore, prices paid for acquisitions may prove to be too high in hindsight. Impairments may have to be recognised for such cases. Planned asset disposals (e.g. RWE Dea) are in danger of not being implemented if offers do not meet our price expectations. In addition, they are exposed to indemnity and warranty risks. RWE has specific accountability provisions and approval processes in place to prepare and implement decisions concerning capital expenditure on property, plant and equipment as well as acquisitions and divestments. Closely monitoring both our markets and competitors helps us record and assess strategic risks and opportunities early on.

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

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

Financial market and credit risks:

- **Financial risks and opportunities.** The volatility of market interest and foreign exchange rates as well as share prices can also have a significant effect on our earnings. Due to our international presence, we attach significant importance to currency risk management. Furthermore, energy commodities such as coal and oil are traded in US dollars. Group companies are generally obliged to limit their currency risks via RWE AG. The parent company determines the net financial position for each currency and hedges it if necessary. The VaR concept is one of the tools used to measure and limit risk. In 2013, the average VaR for RWE AG's foreign currency position was less than €1 million, as in the preceding year.

  We differentiate between several categories of interest rate risks. On the one hand, rises in interest rates can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for the securities price risk of our capital investments in 2013 averaged €5 million, just as high as in the preceding year. We measure the sensitivity of the interest expense with respect to rises in market interest rates using the Cash Flow at Risk. We apply a confidence level of 95 % and a holding period of one year. In 2013, the average Cash Flow at Risk was €8 million, compared to €14 million in the previous year.

  The securities we hold in our portfolio include shares. The VaR for the risk associated with changes in share prices averaged €7 million for the year (prior year: €9 million).

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

- **Creditworthiness of business partners.** Our business relations with key accounts, suppliers and trading partners expose us to credit risks. We track the creditworthiness of our transaction partners closely. We assess their credit standing based on internal ratings, both before and during the business relationship. Third-party information is also considered, e.g. assessments by rating agencies. Groupwide standards are applied when measuring and managing credit risks. Sales transactions that exceed certain approval thresholds and all trading transactions are subject to a credit limit, which we determine before the transaction is concluded and adjust if necessary, for instance in the event of a change in creditworthiness. If necessary, we request cash collateral or bank guarantees. Credit risks and the exhaustion of the limits in the trading business are measured daily.

  As a rule, over-the-counter energy trading transactions are concluded on the basis of framework agreements, e.g. those prescribed by the European Federation of Energy Traders (EFET). In addition, we agree on collateral. For financial derivatives, we make use of the German master agreement or the master agreement of the International Swaps and Derivatives Association (ISDA).

Other earnings risks: This class includes reputation risks and risks associated with non-compliance and criminal offences committed by employees of the Group. However, based on our assessment, relative to the aforementioned risks, these earnings risks are fairly low.

Indebtedness/liquidity risk: In 2013, we redeemed the RWE Group's net debt by €2.3 billion to €30.7 billion, and we want to reduce it even further. There is a danger that our cash outflows and inflows may develop less favourably than planned. Deviations of this kind may be experienced by our cash flows from operating activities, capital expenditure and proceeds from divestments. In addition, the collateral required to back our trading transactions could increase if our credit rating were lowered. Moreover, transactions that do not have a direct effect on cash may influence our indebtedness. For example, changes in the market interest rate level can also affect the net present value of non-current provisions in RWE's consolidated financial statements. If discount rates must be lowered, provisions are increased, and vice-versa. We classify our indebtedness risk as medium.

In contrast, we classify our liquidity risk as low. It consists of the danger of our liquidity reserves no longer being sufficient to meet our financial obligations in a timely manner. Such obligations result above all from our financial liabilities, which we must service. Furthermore, we must put up collateral if trading contracts marked to market result in a loss. We have strong cash flows from operating activities, substantial cash and cash equivalents, unused credit lines and further financial latitude thanks to our Commercial Paper and Debt Issuance Programmes. Our prudent planning ensures that we are liquid at all times. Among other things, we make use of a groupwide notification system, which records the Group companies' short, medium and long-term need for financial resources.

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

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

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

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

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

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

When in session, the Audit Committee of the Supervisory Board regularly concerns itself with the effectiveness of the accounting-related ICS. Once a year, representatives of RWE AG's finance function present to the Committee on the risks of financial reporting. They also explain which control measures were taken and how the proper implementation of the controls was verified.

1.12 OUTLOOK

The difficult market conditions for our conventional power stations will also clearly leave their mark on the consolidated financial statements for fiscal 2014. We do not expect any positive special items such as the effect of the gas price revision with Gazprom. Therefore, despite our current efficiency-enhancement programme, this year's operating result will be far below the 2013 level; we expect a figure of between €4.5 billion and €4.9 billion. We expect recurrent net income, to which we orientate our dividend proposal, to be within a range of €1.3 billion to €1.5 billion. These figures do not take account of the planned sale of RWE Dea, but we hope to reach a contractual arrangement for the divestment over the course of the year.

Experts predict slight economic upturn. According to initial forecasts, global economic output in 2014 will be around 3 % higher year on year. Measures required to consolidate state budgets in the Eurozone will probably continue to curtail growth. The gross domestic product (GDP) of the currency union may rise by 1 %, following a decline in 2013. Measured against this, the prospects of the German economy are above average: the German Council of Economic Experts is of the opinion that economic output may rise by 1.6 % in 2014. Stimulus is expected to come in particular from the strong employment situation and the increase in disposable income. Current economic outlooks have GDP growing by up to 1 % in the Netherlands, about 1 % in Belgium and as much as 2 % in the United Kingdom. In relation to our markets in Central Eastern Europe, experts anticipate growth of 3 % in Poland, 2 % in the Czech Republic and up to 2 % in Hungary.

No revitalisation of energy consumption in sight in Western Europe. If the economy develops as described above, demand for electricity in Germany should roughly be the same as in 2013. The stimulating effect of economic growth will probably be contrasted by reduced consumption resulting from progress made in energy efficiency. Our forecast for the United Kingdom and the Netherlands is similar. We expect electricity usage in our key markets in Central Eastern Europe to rise marginally: Poland may post the strongest growth, of up to 2 %, followed by Hungary and the Czech Republic, each with about 1 %.

As regards gas, the economy's stimulating effect on consumption may well be weakened by measures to save energy, especially in the United Kingdom. Gas usage in electricity generation is not expected to provide noteworthy stimulus in view of the stable, high level of gas quotations and the low price of coal and CO_2 emission allowances. As by and large temperatures in Europe were below the ten-year average in 2013, normal weather conditions would curtail consumption. Against this backdrop, gas usage in most RWE markets can be expected to stagnate or decline marginally.

Moderate changes in commodity prices. Current developments on forward markets do not indicate a significant change in the price of energy commodities which are of relevance to us. At the end of the year, the 2014 forward for a barrel of Brent crude was quoted at US$109 on the London oil market. This matches the level of spot prices in 2013. The development of the 2014 forwards for hard coal, gas and electricity is shown on page 39 et seqq. Here, there are no signs of an upturn either, despite the marginal improvement in the economic outlook. In European trading of CO_2 emission allowances, only structural reforms may trigger long-term price stimulus.

However, the development of commodity prices will not have a significant effect on our earnings in the current fiscal year. We have already sold almost all of our electricity generation for 2014 and secured the prices of the required fuel and emission allowances. The average price we have realised for electricity produced by our German lignite-fired and nuclear power stations is lower than in the previous year (€51 per MWh). We also limited the price risk exposure of our oil and gas production through forward sales, albeit to a much lesser extent than for electricity.

Conventional electricity generation still faces huge challenges. The price trends on forward markets for electricity and fuel do not indicate an improvement in the earnings prospects of the conventional electricity generation business in the years ahead. If implemented, the German government's plan to create a capacity mechanism in the medium term (see page 46) will not have its intended effect before the second half of this decade. The design of this mechanism has been left entirely open. Therefore, we anticipate that the margins of our conventional power plants will remain under pressure. However, we benefit from the fact that we sell forward most of our electricity generation by up to three years. We sold this year's production and some of our 2015 generation when prices were substantially above the current market level. However, this advantage will be reduced year after year.

We have already taken extensive measures to reduce costs and improve efficiency in order to limit these earnings shortfalls. We are implementing an efficiency-enhancement programme launched in 2012, which is designed to have a recurrent impact of at least €1.5 billion on the operating result. The savings are expected to take their full effect on earnings as early as 2016, a year ahead of schedule. A large portion of the measures concerns our generation business. In addition, we decided to take several gas-fired power stations, which cannot cover their fixed operating costs, offline and mothball them (see page 53). Further plants are being assessed. If we find that their continued operation is unprofitable despite efficiency-enhancement measures, we will also shut them down.

2014 revenue in the order of last year's level. We expect external revenue in the current fiscal year to be in the order of €54 billion. This would match the level achieved in 2013. RWE Dea, which is up for sale, has been considered in the outlook on a 12-month basis. In view of rising oil and gas production volumes, its revenue may be higher than in 2013. In addition, we expect revenue in the German and UK supply businesses to rise, as higher upfront costs will result in price adjustments. For example, RWE npower raised residential electricity and gas tariffs in December 2013. However, a normalisation of weather conditions would curtail gas sales volumes. Furthermore, we anticipate that electricity revenue recorded by RWE Supply & Trading will decline.

2014 operating result: expected range of €4.5 billion to €4.9 billion. We anticipate that EBITDA for the 2014 fiscal year will be between €7.6 billion and €8.1 billion. The operating result is expected to range from €4.5 billion to €4.9 billion. Recurrent net income should total between €1.3 billion and €1.5 billion. RWE Dea has also been included in these figures for the full year. Earnings contributed by the Trading/Gas Midstream Division will be significantly down on the figure recorded in 2013, which included the large compensation payment received from Gazprom. In addition, margins in conventional electricity generation will continue to shrink. However, we expect efficiency-enhancing measures to have a positive effect.

Outlook for fiscal 2014[1]	2013 actual € million	2014
External revenue	54,070	In the order of €54 billion
EBITDA	8,762	€7.6 – 8.1 billion
Operating result	5,881	€4.5 – 4.9 billion
Conventional Power Generation	1,383	Significantly below previous year
Supply/Distribution Networks Germany	1,626	Moderately above previous year
Supply Netherlands/Belgium	278	Significantly below previous year
Supply United Kingdom	290	Moderately below previous year
Central Eastern and South Eastern Europe	1,032	Significantly below previous year
Renewables	196	Moderately above previous year
Upstream Gas & Oil	521	Significantly above previous year
Trading/Gas Midstream	831	Significantly below previous year
Recurrent net income	2,314	€1.3 – 1.5 billion

1 Qualifiers such as 'in the order of,' 'moderately,' and 'significantly' indicate percentage deviations from the previous year's figures.

We expect earnings at the divisional level to develop as follows:

- Conventional Power Generation: This division's operating result will decline significantly. We have already sold most of this year's electricity generation. Overall, the margins we realised were smaller than in 2013. In addition, expenses incurred to maintain our power stations will probably rise compared to last year, when very few plant revisions were undertaken. We expect efficiency-enhancement measures to have a positive impact on earnings. Furthermore, certain burdens experienced last year, for example the increase in provisions for impending losses from a loss-making electricity contract, will not recur this year.

- Supply/Distribution Networks Germany: Here, we expect to end the year with an operating result which is moderately higher than in 2013. We anticipate that earnings will be stable in the distribution network business and that the contribution made by our supply activities will grow. Our efficiency-enhancement programme will be the key success factor.

- Supply Netherlands/Belgium: Although Essent also benefits from efficiency measures, its operating result will significantly decline. The main reason is that there was a substantial release of provisions in 2013 and we do not expect a similar exceptional effect in 2014. In addition, gas supply margins may well come under increased pressure due to fierce competition. Furthermore, if weather conditions normalise, we will not benefit from the revitalisation of demand caused by the cold weather in 2013.

- Supply United Kingdom: We expect competition in the retail business to become tougher in the United Kingdom as well. Together with a tighter regulatory environment, this will probably cause earnings recorded by RWE npower to decrease moderately. Another reason is the sale of two supply companies to Telecom Plus mentioned on page 51: as a result, we will no longer serve 770,000 customers directly. Instead, we will serve them indirectly based on a supply agreement with Telecom Plus, which will result in reduced margins. Our expenditure on energy savings in households, which we are obliged to promote through the government programme ECO, will be lower than in 2013. However, we will pass on the relief to our residential customers by lowering tariffs as of 28 February 2014. We expect efficiency-enhancing measures to have a positive effect on earnings.

- Central Eastern and South Eastern Europe: The earnings level posted by this division will be significantly down year on year, primarily due to the sale of NET4GAS in August 2013. Last year, the Czech long-distance gas network operator contributed €171 million to the operating result. However, this division will probably close the financial year down on fiscal 2013 even without this deconsolidation effect. One of the reasons is that certain transactions used to hedge currency risks, which had a positive impact on the operating result in 2013, are now stated as part of the non-operating result. In the Czech Republic, we expect margins in the gas storage and gas supply businesses to shrink. Earnings achieved by our Hungarian lignite-based electricity generator Mátra are likely to drop, as the electricity prices realisable by the country's power plant operators have also declined substantially.

- Renewables: Thanks to efficiency enhancements and new generation capacity, RWE Innogy's earnings will improve, albeit not as much as originally assumed. Instead of achieving a level of over €300 million as forecast in March last year for 2014, the operating result posted by this company will only be moderately higher year on year. One reason are the delays in building our two large-scale offshore wind farms Gwynt y Môr (576 MW) and Nordsee Ost (295 MW), which are scheduled to be completed by the end of 2014 and the spring of 2015, respectively. In addition, conditions for generating renewable energy in Spain have worsened and wholesale electricity prices are below expectations. Furthermore, our German biomass activities no longer contribute to RWE Innogy's operating result because they have been transferred to the Supply/Distribution Networks Germany Division.

- Upstream Gas & Oil: We anticipate that the operating result posted by RWE Dea will rise significantly, to between €600 million and €650 million. The decisive factor is the strong increase in gas and oil production. In 2014, we want to achieve a production volume of at least 40 million barrels of oil equivalent (2013: 30.6 million barrels), driven by increases in output from the new gas fields Breagh, Clipper South and Disouq. In addition, we plan to start production at the Norwegian oil field Knarr in the second half of the year. Our exploration costs will probably be lower than in 2013. However, the average price we realise for our oil may well be below the level achieved in 2013.

- Trading/Gas Midstream: This division generated an unusually strong operating result due to the large compensation payments received from Gazprom in 2013. We will be significantly below it in the year underway. As set out on page 50, the gas procurement agreement with Gazprom still imposes burdens on us despite the successful arbitration proceedings. Furthermore, we anticipate that margins in the gas storage business will shrink. However, we are optimistic about being able to exceed last year's result in the energy trading business.

Dividend payout ratio of 40% to 50% planned. Our dividend proposal for the current fiscal year will be in line with a payout ratio of 40% to 50%. The basis for calculating the dividend is recurrent net income. As mentioned earlier, recurrent net income is expected to total between €1.3 billion and €1.5 billion.

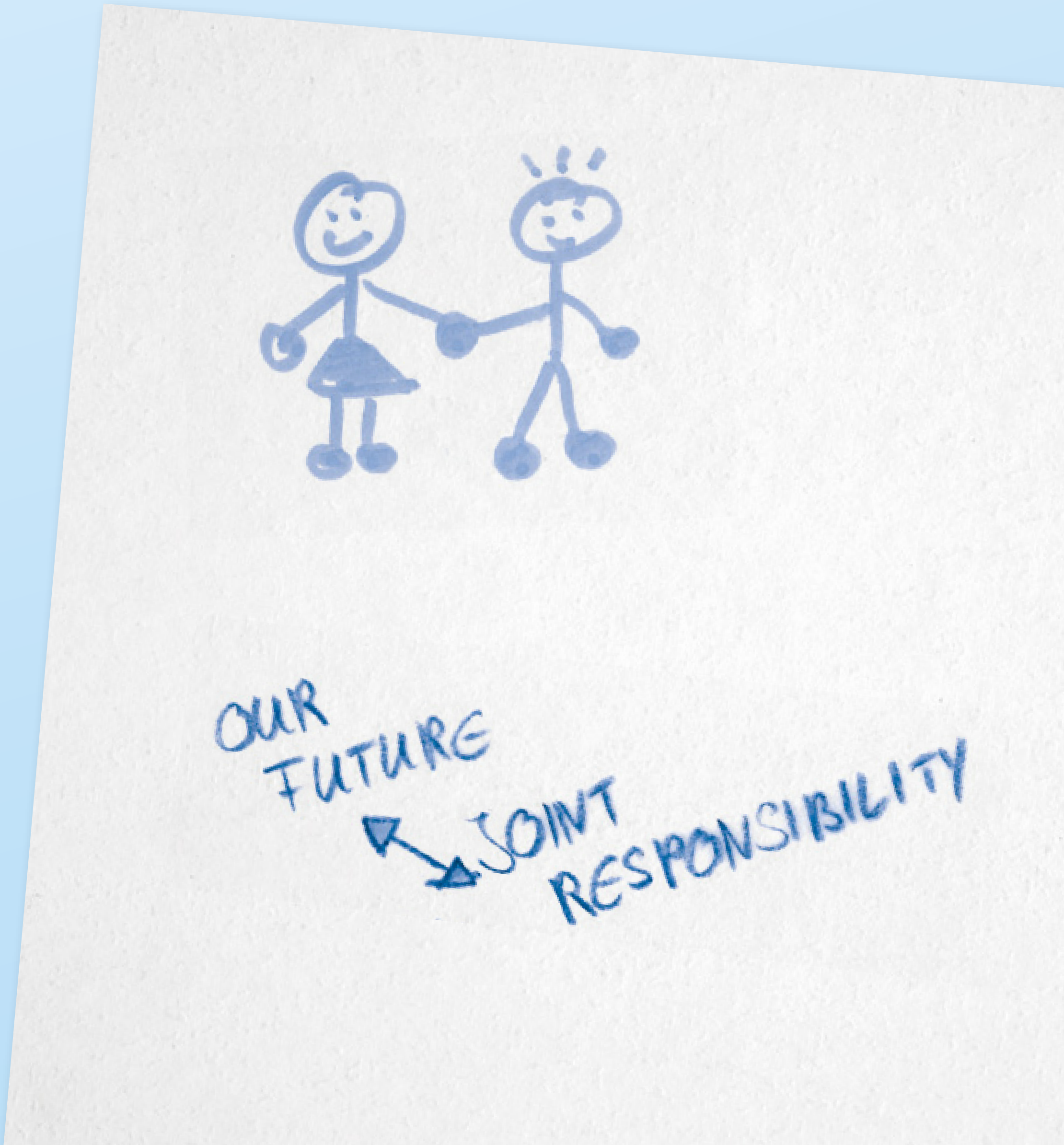
Headcount down year on year. We expect our workforce to further decline in 2014. As part of our efficiency-enhancement programme, there will be redundancies in nearly all our divisions, in our IT and service companies and at RWE AG.

€4.5 billion earmarked for capital expenditure on property, plant and equipment in 2014. Our capital expenditure on property, plant and equipment and intangible assets from 2014 to 2016 will total about €11 billion. This sum includes the €3 billion we expect to spend during the three-year period on our upstream subsidiary RWE Dea, which is up for sale. A similar amount has been set aside for the maintenance and expansion of our electricity and gas networks. Approximately €1 billion in capital expenditure has been earmarked for the expansion of electricity generation from renewables. Here, we will focus on the construction of onshore and offshore wind farms. In addition, in 2014 we intend to complete the two dual-block hard coal-fired power plants at Hamm (1,528 MW) and Eemshaven (1,554 MW), which would bring our new-build power plant programme to an end. This year, capital invested in property, plant and equipment and intangible assets (including RWE Dea) is expected to total about €4.5 billion, on a par with the level recorded in 2013.

Net debt in the order of last year's level. We aim to fully finance our capital expenditure and dividend payments with cash flows from operating activities from 2015 onwards. However, we will probably not achieve this goal in the current year. By the end of 2014, our net debt should roughly match last year's level (€30.7 billion). This figure also does not consider the effects of the potential sale of RWE Dea. In addition, we assume that interest rates will remain stable, which would also cause the discount rates for non-current provisions to be flat. Based on our forecasts for net debt and EBITDA, the ratio of these two parameters, i.e. the leverage factor, will be significantly higher than in 2013 (3.5). However, our goal is to return it below our self-imposed upper limit of 3.0 over the medium term.

Unfavourable market for gas-fired power stations slows reduction in CO_2 emissions. We want to reduce the carbon dioxide emissions of our power plants to 0.62 metric tons per MWh of electricity by 2020. To this end, we place significant emphasis on the expansion of renewable energy. Furthermore, the average efficiency of our power stations will continue to increase, thereby reducing specific emissions. We set the stage for this with our new-build power plant programme, which is scheduled to be completed in 2014. Six of the nine stations included in the programme are state-of-the-art gas-fired power plants. However, the programme cannot yet make the envisaged contribution to reducing emissions due to the unfavourable market conditions for this type of generation, which is based on a relatively low emission technology. This situation will probably not change in 2014. Therefore, we do not expect our emissions factor to decline significantly compared to 2013 (0.76 metric tons per MWh). However, we anticipate that the share of our electricity generation accounted for by older hard coal-fired power stations will decrease moderately due to capacity reductions. This should have a small positive effect.

2 OUR RESPONSIBILITY



2.1 SUPERVISORY BOARD REPORT

Dear Shareholders,

In fiscal 2013, the Supervisory Board fulfilled all of the duties imposed on it by German law and the company's Articles of Incorporation. We regularly advised the Executive Board on running the company and monitored its activities. We were consulted on all fundamental decisions. The Executive Board informed us of material aspects of business developments both verbally and in writing. This was done regularly, extensively and in a timely fashion. We were kept abreast of the earnings situation, risks and risk management in an equally thorough manner.

The Supervisory Board convened four times in the year under review. All 20 of the members of this corporate body attended three of the meetings, and 19 attended the other session. Decisions were taken on the basis of detailed reports and draft resolutions submitted by the Executive Board. We were also informed of projects and transactions of special importance or urgency between meetings. The Supervisory Board passed the resolutions required of it by law or the Articles of Incorporation. Where necessary, it also did so by circular resolution. As Chairman of the Supervisory Board, I was constantly in touch with the Chairman of the Executive Board in order to discuss events of material importance to the Group's situation and development.

Main points of debate. In 2013, our deliberations concentrated on the difficult situation in the conventional electricity generation sector and its effects on RWE as well as on measures required to increase the company's earning and financial power, including efficiency enhancements, capex cuts and an adjustment of the dividend policy. Further main points of debate were the sale of NET4GAS and Excelerate Energy. The Executive Board regularly informed us of the Group's financial situation, ongoing legal proceedings, the price renegotiations with Gazprom, necessary impairments in the conventional electricity generation business, developments on energy markets and changes in political framework conditions. At our session on 12 December 2013, following in-depth consultations, we adopted the Executive Board's planning for 2014 and the forecasts for fiscal 2015 and 2016. We received detailed commentary on deviations from plans and goals established previously.

Conflicts of interest. The members of the Supervisory Board are obliged to immediately disclose any conflicts of interest they have. No such notifications were made in the year under review.

Committees. The Supervisory Board has five committees. Their members are listed on page 227. These committees are charged with preparing the Supervisory Board meetings, including drafting resolutions. In certain cases, they exercise decision-making powers conferred on them by the Supervisory Board. The committee chairmen regularly informed the Supervisory Board of their work.

The **Executive Committee** convened one meeting in the 2013 financial year. Among other things, it did preparatory work for the Supervisory Board debates regarding the planning for fiscal 2014 and forecasts for 2015 and 2016.

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

The **Audit Committee** convened five times. It discussed at length the quarterly financial reports, the half-year financial statements and the annual financial statements. It discussed the financial statements with the Executive Board before they were published. The independent auditor participated in the debates at all of the committee meetings and reported on his audit and/or his audit-like review. In addition, the Audit Committee prepared the award of the audit contract to the independent auditor, including setting the priorities of the audit and the fee agreement. Special attention was paid to the Group's risk management and accounting-related internal control systems. Furthermore, the committee dealt with compliance issues and with the schedule and results of the internal audit. A number of additional topics were on the committee's agenda in the year under review, including the RWE Group's exposure to risk as defined by the German Corporate Control and Transparency Act, the continued development of RWE Supply & Trading's internal control system, progress made in establishing shared service centres for certain service processes, the economic situation in the electricity generation and network businesses, the Group's investing activities in recent years, RWE Innogy's new-build programmes, measures to combat crime and safeguard the security of information, the results of the impairment test to which generation plant, gas storage facilities and goodwill were subjected, the arbitration proceedings with Gazprom and the RWE Group's fiscal and legal position.

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

The **Nomination Committee** was convened once to prepare the proposals for candidates for submission to the Annual General Meeting on 18 April 2013.

In the 2013 financial year, there was again no reason to convene the **Mediation Committee** which complies with Sec. 27, Para. 3 of the German Co-Determination Act.

Financial statements for fiscal 2013. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft scrutinised and issued an unqualified auditor's opinion on the 2013 financial statements of RWE AG, which were prepared by the Executive Board in compliance with the German Commercial Code, the financial statements of the Group, which were prepared in compliance with International Financial Reporting Standards (IFRS) pursuant to Sec. 315a of the German Commercial Code, the combined review of operations for RWE AG and the Group, and the accounts. In addition, PricewaterhouseCoopers found that the Executive Board had established an appropriate early risk detection system. The company was elected independent auditor by the Annual General Meeting on 18 April 2013 and commissioned by the Supervisory Board to audit the financial statements of RWE AG and the Group. Documents supporting the annual financial statements, the annual report and the audit reports were submitted to the members of the Supervisory Board in good time. Furthermore, the Executive Board commented on the documents in the Supervisory Board's balance sheet meeting of 25 February 2014. The independent auditors reported at this meeting on the material results of the audit and were available to provide supplementary information. The Audit Committee had previously concerned itself in depth with the financial statements of RWE AG and the Group, as well as audit reports, during its meeting on 24 February 2014, with the auditors present. It had recommended that the Supervisory Board approve the financial statements as well as the appropriation of profits proposed by the Executive Board.

At its meeting on 25 February 2014, the Supervisory Board reviewed the financial statements of RWE AG and the Group, the combined review of operations for RWE AG and the Group, and the Executive Board's proposal regarding the appropriation of distributable profit. No objections were raised as a result of this review. As recommended by the Audit Committee, the Board approved the results of the audits of both financial statements and adopted the annual financial statements of RWE AG and the Group. The 2013 annual financial statements are thus adopted. The Supervisory Board concurs with the Executive Board's proposal regarding the appropriation of profits, which envisages a dividend payment of €1 per share.

Changes in personnel on the Supervisory Board and the Executive Board. There were two changes in personnel relating to the shareholder representatives on the Supervisory Board of RWE AG: Dr. Werner Brandt and Prof. Dr. Hans-Peter Keitel were elected members of the Board by the Annual General Meeting on 18 April 2013. They succeeded Dr. Paul Achleitner and Carl-Ludwig von Boehm-Bezing, who resigned from the Supervisory Board with effect from the end of the Annual General Meeting. This had an effect on the staffing of the Supervisory Board's committees. For instance, Dr. Werner Brandt was appointed independent finance expert of the Supervisory Board and Audit Committee in accordance with Sec. 100, Para. 5 of the German Stock Corporation Act. This position was previously held by Carl-Ludwig von Boehm-Bezing.

The composition of the Executive Board of RWE AG also changed: Dr. Leonhard Birnbaum, who was the Executive Board member responsible for commercial management, resigned from this office on 22 March 2013 with immediate effect. The Supervisory Board decided not to appoint a successor to Dr. Leonhard Birnbaum and to distribute his former tasks among existing mandates. As of 1 April 2013, Uwe Tigges took over as Labour Director from Alwin Fitting, who had retired at the end of March.

On behalf of the Supervisory Board, I thank Messrs. Achleitner, von Boehm-Bezing, Birnbaum and Fitting for their dedication and commitment to the company.

Gratitude for commitment and loyalty. Looking back on 2013, one must acknowledge the fact that the economic environment for energy utilities like RWE has become more difficult. The company is facing huge challenges, to which it is reacting by reducing costs substantially, among other things. Regrettably, these measures, which are necessary, will affect many employees. Therefore, RWE's more than 66,000 staff members, who have demonstrated commitment and loyalty in working towards ensuring the company's success and future, are all the more deserving of recognition. I would like to take this opportunity to express my sincere gratitude to you all.

On behalf of the Supervisory Board

Dr. Manfred Schneider
Chairman

Essen, 25 February 2014

2.2 CORPORATE GOVERNANCE

The principles we apply in managing and monitoring the company are oriented towards the recommendations of the German Corporate Governance Code. We have usually fully accomplished this in the past. Deviations generally occurred only in cases where the Code was refined and implementing the new recommendations took some time. Our declaration of compliance of February 2013 therefore included two restrictions. By reforming the compensation of the Supervisory Board and establishing a goal in respect of the number of its independent members, we succeeded in returning RWE to full compliance with the recommendations of the Code.

The German Corporate Governance Code. Corporate governance is the term used to designate the framework of rules applied to manage and monitor companies. It is generally understood that the Code sets out a framework within which executive and supervisory boards can ensure a company's continued existence and long-term value creation in line with the principles of the social market economy. Recommendations and suggestions for living up to this ambition when managing and monitoring companies are summarised in the German Corporate Governance Code (GCGC). The Code, to which we orientate ourselves, aims to strengthen the trust of investors, customers, employees and the public in German listed companies. It is produced by the German Corporate Governance Code Government Commission, which published the first version of the Code in February 2002. The Commission has since reviewed it every year against the backdrop of national and international developments, adapting it where necessary.

Once again, the Commission refined the Code last year. The current version was published in the German Federal Gazette on 10 June 2013.

Executive Board compensation and compensation report. The main issues addressed by the review of the Code in 2013 were the remuneration of management boards and the manner in which companies report on it. Some new recommendations were included in the Code to this end:

- Pursuant to Item 4.2.3, Para. 2, Sentences 5 and 6 of the GCGC, the amount of compensation should be capped, both overall and for individual compensation components. In addition, the variable compensation components should be related to stringent, relevant comparison parameters. The current compensation system for the members of the Executive Board of RWE AG is already in line with these recommendations.

- According to Item 4.2.2, Para. 2, Sentence 3 of the GCGC, the Supervisory Board should consider the relationship between the compensation of the Executive Board and that of senior management and the staff overall, particularly in terms of its development over time. To this end, the Code stipulates how to differentiate between senior management and the relevant staff. The Supervisory Board of RWE AG has not yet reached a decision on the compensation of the Executive Board since this recommendation was introduced. However, it has determined the aforementioned and will ensure that future resolutions on Executive Board compensation are in line with the new recommendation.

- Pursuant to Item 4.2.3, Para. 3 of the GCGC, for pension schemes, the Supervisory Board shall establish the level of benefits aimed for in each case - also considering the length of time for which the individual has been an Executive Board member - and take into account the resulting annual and long-term expense for the company. This recommendation is of no relevance to RWE AG as new Executive Board members have not been granted any pension commitments since 2011.

- Item 4.2.5, Para. 3 of the GCGC recommends that for financial years starting after 31 December 2013, and for each Executive Board member, the compensation report present:
  - the benefits granted for the year under review including fringe benefits, and including the maximum and minimum achievable compensation for variable compensation components;
  - the allocation of fixed compensation, short-term variable compensation and long-term variable compensation in/for the year under review, broken down into the relevant reference years;
  - for pension provisions and other benefits, the service cost in/for the year under review.

The model tables provided in the appendix to the Code should be used to present this information. RWE already followed this recommendation in the compensation report for fiscal 2013 (see pages 114 et seqq.).

Supervisory board compensation. The German Corporate Governance Code Government Commission also made some adjustments to the GCGC in 2012. The amended version of the Code was published on 15 June of the same year. RWE was unable to fully follow all of the new recommendations immediately, but took the measures necessary for doing so in 2013.

The previous recommendation pursuant to Item 5.4.6, Para. 2, Sentence 1 of the GCGC stipulating that supervisory board members receive performance-linked pay in addition to fixed compensation was removed when the Code was reviewed in 2012. Since then, purely fixed remuneration has also been in compliance with the Code. In addition, the Government Commission introduced a new recommendation in Item 5.4.6, Para. 2, Sentence 2 of the GCGC, according to which, in cases where performance-based compensation is granted, it should be in line with the principles of sustainable corporate development. These amendments were based on the belief that supervisory boards should not allow themselves to be influenced by the company's short-term performance when fulfilling their monitoring duties.

Against this backdrop, the Supervisory Board of RWE AG proposed to the Annual General Meeting of 18 April 2013 that the compensation of the Supervisory Board – which had been linked to the dividend until then – be switched to purely fixed remuneration (also see page 114). The Annual General Meeting endorsed this and amended the Articles of Incorporation of RWE AG accordingly. To underscore that their interests are in line with the company's long-term success, within the scope of the adjustment of the compensation system, the members of the Supervisory Board imposed on themselves the obligation to spend 25% of the fixed compensation promised (before taxes) to buy RWE shares and to hold them for the duration of their membership in the Supervisory Board. For members of this corporate body who donate parts of their remuneration to the Hans Böckler Foundation in accordance with the guidelines of the German Trade Union Federation or relinquish them to their employer to meet an obligation arising from their service or employment contracts, this selfimposed obligation does not apply to the relinquished portion, and if 85% or more is relinquished, it does not apply at all.

Adapting the compensation of the Supervisory Board ensures that RWE is in line with the recommendation in Item 5.4.6, Para. 2, Sentence 2 of the GCGC. It was not possible to determine this with sufficient legal certainty for the old compensation system. Therefore, as a precautionary measure, we declared that we deviated from this recommendation in our statement of compliance of 27 February 2013 (see page 110 of the 2012 Annual report).

Independence of supervisory board members. One further change made in 2012, with which RWE could not comply immediately, related to the recommendation in Item 5.4.1, Para. 2 of the GCGC, according to which supervisory boards should define specific goals regarding their composition. From then on, these objectives also had to include the number of independent members. Pursuant to Item 5.4.2 of the GCGC, a supervisory board member is not to be considered independent in particular "if he/she has personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interest."

After doing the requisite preparatory work, at its meeting on 12 December 2013, the Supervisory Board of RWE AG defined the goal of having at least twelve of its 20 members be independent. Employee representatives are not considered dependent simply because they have signed an employment contract with RWE AG or a Group company. Instead, they are considered dependent only if further circumstances substantiate a dependence that differs from that of a comparable employee. The objective in relation to the number of independent members on the Supervisory Board has already been met by the corporate body's current composition, which also serves as a model for its future staffing.

The above resolutions regarding the compensation of the Supervisory Board and the number of its independent members established the prerequisites for RWE to issue an unqualified statement of compliance for the period starting on 12 December 2013.

Achieving the diversity goals. According to Item 5.4.1 of the GCGC, supervisory boards must not only define specific objectives regarding their composition but also provide in the corporate governance report information on the goals and the degree to which they have been achieved. In December 2011, RWE AG approved a list of requirements that must be met by the members of the Supervisory Board and in particular established diversity goals (see page 106 et seq. of the 2011 Annual Report). For example, it was determined that the proportion of women on the Supervisory Board should rise from 15% to 20% over the medium term. In 2013, two seats on the Supervisory Board were re-staffed, which did not affect the degree to which our diversity goals had been achieved as reported previously.

Directors' dealings and potential conflicts of interest. Transparency is a core element of good corporate governance. It is indispensable, especially in cases where transactions concluded by the Executive Board may lead to conflicts of interest. None of the members of the Executive or Supervisory Board notified us of such conflicts of interest. Furthermore, no Supervisory Board members concluded a contract with RWE AG. Executive and Supervisory Board members purchased RWE shares in the year under review. No sales were notified to us. We were notified of transactions in accordance with Sec. 15a of the German Stock Corporation Act. We published information on them throughout Europe. The RWE shares and related financial instruments directly or indirectly held by members of the Executive Board and the Supervisory Board account for less than 1% of the share capital.

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

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

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

Between 27 February 2013 (the date of the last statement of compliance) and 18 April 2013, RWE Aktiengesellschaft complied with the recommendations of the Government Commission of the German Corporate Governance Code issued in the 15 June 2012 version of the Code published in the German Federal Gazette with the following exceptions:

- The recommendation in Item 5.4.1, Para. 2 of the GCGC was not yet followed entirely. At the time, the Supervisory Board had not defined the number of independent members it intended to have within the meaning of Item 5.4.2 of the GCGC.

- The Supervisory Board of RWE AG received both fixed and performance-linked compensation, the latter of which was orientated to the dividend. The dividend proposal is orientated to the RWE Group's recurrent net income, which is adjusted for short-term exceptional items. It could not be determined with sufficient legal certainty whether RWE was therefore in compliance with the recommendation in Item 5.4.6, Para. 2, Sentence 2 of the GCGC. Therefore, as a precaution, we declare that we did not follow this recommendation in the aforementioned period.

In the period from 19 April to 11 December 2013, RWE Aktiengesellschaft also followed the recommendation in Item 5.4.6, Para. 2, Sentence 2 of the GCGC, whereas it continued to deviate from the recommendation in Item 5.4.1, Para. 2 of the GCGC. Neither of the recommendations has changed in the current version of the GCGC, which was published in the German Federal Gazette on 10 June 2013.

Since 12 December 2013, RWE Aktiengesellschaft has been in line with the recommendation in Item 5.4.1, Para. 2 of the GCGC and has thus followed all of the recommendations of the Code.

RWE Aktiengesellschaft

On behalf of the Supervisory Board

Dr. Manfred Schneider

On behalf of the Executive Board

Peter Terium

Dr. Rolf Martin Schmitz

Essen, 25 February 2014

2.3 COMPENSATION REPORT

We believe that the transparent reporting of Supervisory and Executive Board compensation is a key element of good corporate governance. In this chapter, we have provided some information on the principles of RWE AG's remuneration system as well as its structure and benefits. The 2013 compensation report adheres to all statutory regulations and is fully compliant with the recommendations of the German Corporate Governance Code. It is part of the combined review of operations.

Structure of Supervisory Board compensation

Fundamental reform of the compensation system. The remuneration of the Supervisory Board is governed by the provisions of the Articles of Incorporation of RWE AG, which were amended per a resolution passed by the Annual General Meeting on 18 April 2013. Since then, the Articles of Incorporation have stipulated that compensation only consists of a fixed component: as it is not linked to the company's short-term performance, this is more appropriate for the Supervisory Board given its monitoring function. In addition, this fixed compensation is in line with the current recommendations of the German Corporate Governance Code. The new provisions governing the remuneration of the Supervisory Board of RWE AG are presented below.

Compensation for Supervisory Board mandates. Pursuant to the old provisions, which were in force until 18 April 2013, Supervisory Board members received €40,000 in fixed compensation after the end of each financial year. The compensation increased by €225 for every €0.01 by which the dividend exceeded €0.10 per common share (standard compensation). The Chairman of the Supervisory Board received three times the amount calculated in this manner, the Deputy twice the amount. In contrast, based on the new provisions, which became effective on 19 April 2013, compensation now only consists of a fixed component: for every fiscal year in office, the members of the Supervisory Board receive €100,000, the Chair receives €300,000 and the Deputy receives €200,000.

Compensation for committee mandates. Based on the old provisions, members of Supervisory Board committees received one-and-a-half times the standard compensation and the Chairs of these committees received twice the standard compensation. According to the new provisions, members of the Audit Committee receive €40,000 in additional compensation. This additional payment is increased to €80,000 for the Chair of this committee. With the exception of the Nomination Committee, the members and the Chairs of all the other Supervisory Board committees receive an additional €20,000 and €40,000 in compensation, respectively. The following principles apply to both the old and new provisions: compensation for a committee mandate is only paid if the committee is active at least once in the fiscal year. Supervisory Board members who hold several offices in this corporate body concurrently only receive compensation for the highest-paid position. Compensation for functions performed by Supervisory Board members for only part of a fiscal year is prorated. Out-of-pocket expenses are refunded.

Pursuant to a resolution passed by the Annual General Meeting on 18 April 2013, the compensation of the Supervisory Board for fiscal 2013 was prorated in accordance with the provisions effective until 18 April 2013 and from 19 April 2013 onwards.

Level of Supervisory Board compensation

In total, the emoluments of the Supervisory Board amounted to €2,704,000 in fiscal 2013 (previous year: €2,659,000). Of this sum, €167,000 (previous year: €120,000) was remuneration paid for mandates at subsidiaries and €71,000 (previous year: €58,000) was paid to refund out-of-pocket expenses (including value-added tax). Base compensation amounted to €2,466,000 (previous year: €2,481,000), of which €434,000 (previous year: €573,000) was paid for mandates on Supervisory Board committees. The base compensation of all of the people who have served on the Supervisory Board in 2012 and 2013 and the compensation included for committee mandates are shown in the following tables.

Supervisory Board base compensation[1]	Compensation until 18 Apr 2013		Compensation since 19 Apr 2013	Total	
€ '000	Fixed	Variable[2]	Fixed	2013	2012
Dr. Manfred Schneider, Chairman	36	18	211	265	249
Frank Bsirske, Deputy Chairman	24	12	141	177	166
Dr. Paul Achleitner (until 18 Apr 2013)	18	9	–	27	124
Werner Bischoff	18	9	99	126	124
Carl-Ludwig von Boehm-Bezing (until 18 Apr 2013)	24	12	–	36	166
Reiner Böhle (since 1 Jan 2013)	18	9	84	111	–
Heinz Büchel (until 31 Dec 2012)	–	–	–	–	124
Dr. Werner Brandt (since 18 Apr 2013)	–	–	127	127	–
Dieter Faust	18	9	99	126	124
Roger Graef	12	6	70	88	83
Arno Hahn	18	9	99	126	59
Manfred Holz	18	9	84	111	124
Prof. Dr. Hans-Peter Keitel (since 18 Apr 2013)	–	–	84	84	–
Frithjof Kühn	18	9	84	111	124
Hans Peter Lafos	12	6	70	88	83
Christine Merkamp	12	6	70	88	83
Dagmar Mühlenfeld	18	9	84	111	124
Dagmar Schmeer	18	9	84	111	124
Prof. Dr.-Ing. Ekkehard D. Schulz	18	9	99	126	124
Dr. Wolfgang Schüssel	12	6	84	102	83
Ullrich Sierau	18	9	99	126	124
Uwe Tigges (until 30 Jun 2012)	–	–	–	–	62
Manfred Weber	18	9	84	111	124
Dr. Dieter Zetsche	12	6	70	88	83
Total	**360**	**180**	**1,926**	**2,466**	**2,481**

1 Supervisory Board members who joined or retired from the corporate body during the year receive prorated compensation.
2 The variable compensation is linked to the dividend for fiscal 2013. The figures presented are based on a proposed dividend of €1 per share and are subject to the resolution on the appropriation of distributable profit passed by the Annual General Meeting on 16 April 2014.

Supervisory Board committee compensation[1]	Compensation until 18 Apr 2013		Compensation since 19 Apr 2013	Total	
€ '000	Fixed	Variable[2]	Fixed	2013	2012
Dr. Paul Achleitner (until 18 Apr 2013)	6	3	–	9	41
Werner Bischoff	6	3	28	37	41
Carl-Ludwig von Boehm-Bezing (until 18 Apr 2013)	12	6	–	18	83
Reiner Böhle (since 1 Jan 2013)	6	3	14	23	–
Dr. Werner Brandt (since 18 Apr 2013)	–	–	56	56	–
Heinz Büchel (until 31 Dec 2012)	–	–	–	–	41
Dieter Faust	6	3	28	37	41
Arno Hahn	6	3	28	37	18
Manfred Holz	6	3	14	23	41
Prof. Dr. Hans-Peter Keitel (since 18 Apr 2013)	–	–	14	14	–
Frithjof Kühn	6	3	14	23	41
Dagmar Mühlenfeld	6	3	14	23	41
Dagmar Schmeer	6	3	14	23	41
Prof. Dr.-Ing. Ekkehard D. Schulz	6	3	28	37	41
Dr. Wolfgang Schüssel	–	–	14	14	–
Ullrich Sierau	6	3	28	37	41
Uwe Tigges (until 30 Jun 2012)	–	–	–	–	21
Manfred Weber	6	3	14	23	41
Total	**84**	**42**	**308**	**434**	**573**

1 Supervisory Board members who joined or retired from the corporate body during the year receive prorated compensation.
2 The variable compensation is linked to the dividend for fiscal 2013. The figures presented are based on a proposed dividend of €1 per share and are subject to the resolution on the appropriation of distributable profit passed by the Annual General Meeting on 16 April 2014.

Structure of Executive Board compensation

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

The compensation of the Executive Board is made up of several components. These include the non-performance-based components, which consist of the fixed salary and pension instalments, and the performance-based components such as the bonus and share-based payments in the form of performance shares. In addition, the Executive Board receives non-cash remuneration and other emoluments as well as compensation for the exercise of mandates. The aforementioned components are described in more detail below.

Non-performance-based compensation:

- **Fixed compensation and pension instalments.** All Executive Board members receive a fixed salary. Peter Terium, Dr. Bernhard Günther and Uwe Tigges receive an annual pension instalment as a second fixed compensation component. The old pension model described on page 118 was replaced by a defined-contribution plan with effect from 1 January 2011. Since then, for each year of active service, new Executive Board members receive a pension instalment equivalent to 15% of their target cash compensation, i.e. the sum of their base salary and the baseline bonus amount, which is described later on. They can choose whether the sum is paid in cash or retained in part or in full in exchange for a future pension benefit. In the latter case, the funds are turned into a pension commitment of equal value through a gross compensation conversion. A reinsurance policy is concluded to finance the pension commitment. The amassed capital may be drawn upon in the form of a one-off payment or in a maximum of nine instalments on retirement, but not before the Executive Board member turns 60. Executive Board members and their surviving dependants do not receive any further benefits. Vested retirement benefits from earlier activities remain unaffected by this.

- **Non-cash and other remuneration.** Non-performance-based compensation components also include non-cash and other remuneration, consisting primarily of the use of company cars and accident insurance premiums.

Performance-based compensation:

- **Bonus.** In addition, Executive Board members receive a bonus, which is based on the economic development of RWE and the degree to which they achieve their goals individually. The bonus for fiscal 2013 was based on a new approach, which was adopted by the Supervisory Board of RWE AG at its meeting on 13 December 2012 (see page 116 of the 2012 Annual Report). The starting point is what is referred to as the company bonus. Its level is determined based on the degree to which the target for the consolidated operating result is achieved. This target is set at the beginning of every fiscal year and was €5,867 million for 2013. If the actual and target figure are a perfect match, the degree of achievement is 100%. In this case, the bonus paid equals the budgeted sum (baseline bonus amount). Depending on the level of the operating result, the bonus paid can equal between 0% and 150% of the baseline bonus amount. Since fiscal 2013, the performance of individual Executive Board members has been considered by multiplying the company bonus by a performance factor. The performance factor may be between 0.8 and 1.2, depending on the degree to which the Executive Board member achieves his or her individual goals, which are established by the Supervisory Board at the beginning of the year. At the end of the fiscal year, the Supervisory Board assesses the degree to which the Executive Board member has achieved his or her individual goals and determines the performance factor accordingly.

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

  A 45% share of the bonus malus factor is based on the company's economic success, which until the end of 2012 was measured based on the development of value added. In accordance with a resolution passed by the Supervisory Board on 13 December 2012, the new basis from 2013 onwards is the development of the consolidated operating result (see page 116 of the 2012 Annual Report). A further 45% of the bonus malus factor is determined on the basis of a company-specific Corporate Responsibility (CR) Index, which builds on the sustainability reporting that has been a fixture at RWE for many years and reflects the company's environmental and social activity. The remaining 10% is determined by a Group-specific Motivation Index, which measures employee commitment and satisfaction based on anonymous surveys.

  Before the three-year period, the Supervisory Board establishes binding target figures for the operating result, the CR Index, and the Motivation Index. At the end of the period, these target figures are compared to the figures actually achieved. The better the latter, the higher the bonus malus factor. It may vary between 0% and 150%.

- **Share-based payment.** Apart from the bonus retention, the second performance-based compensation component with a long-term incentive is 'performance shares' as part of the Beat 2010 long-term incentive plan ('Beat' for short). Beat aims to reward executives for the sustainability of the contribution they make to the company's success.

Performance shares grant their holders the conditional right to receive a payout in cash following a waiting period of four (optionally up to five) years. However, a payout only takes place if the total return on the RWE common share – consisting of the return on the share price, dividend and subscription right – is better than the performance of at least 25% of the peer group companies included in the STOXX Europe 600 Utilities at the end of the waiting period. When performance is measured, the peer group companies are given the same weighting as they had at the inception of the corresponding Beat tranche. Consequently, the decisive factor is not only RWE's position among the companies in the peer group, but also which of the companies RWE outperforms. If RWE outperforms 25% of the index weighting, 7.5% of the performance shares are paid out. The proportion of performance shares that is paid out increases by 1.5% for every further percentage point by which the index weighting is exceeded.

Payment is based on the payout factor as determined above, on the average RWE share price during the last 60 trading days prior to the expiry of the programme, and on the number of allocated performance shares. Payment for Executive Board members is limited to one-and-a-half times the value of the performance shares at grant. Executive Board members may participate in Beat on condition that they invest in RWE common shares a sum which is equal to one-third of the value of the grant after taxes. The shares must be held for the respective Beat tranche's entire waiting period.

Compensation for exercising mandates. Executive Board members are paid for exercising supervisory board mandates at affiliates. This income is deducted from the bonus and therefore does not increase the total remuneration.

Shares of total compensation accounted for by the individual components. Assuming that both the company and the members of the Executive Board fully achieve their performance targets for a fiscal year, the compensation structure roughly breaks down as follows: the non-performance-based components, i.e. the base salary, pension instalment, non-cash remuneration and other emoluments as well as compensation for exercising supervisory board mandates, make up about 39% of total compensation. Approximately 26% is allocable to short-term variable compensation, i.e. the bonus paid directly. Together, the two long-term components, i.e. the bonus retention and performance shares, account for about 35% of total compensation.

Employment termination benefits. Under certain conditions, Executive Board members also receive benefits from RWE when they retire from the Board. For Executive Board members appointed before 1 January 2011 and who are therefore not entitled to the pension instalment, these benefits may serve as a pension. Alternatively, these benefits may be caused by a change of control.

Pensions (old scheme). Before the introduction of the pension instalment as of 1 January 2011, a pension commitment was made to the members of the Executive Board. Dr. Rolf Martin Schmitz is the corporate body's only current member to whom such a commitment has been made. This commitment will remain unchanged. A pension commitment was also made to Dr. Leonhard Birnbaum and Alwin Fitting, whose Executive Board mandates ended in 2013. This commitment is an entitlement to life-long retirement benefits granted to beneficiaries in the event of retirement upon reaching the company age limit, permanent disability, early termination or non-extension of the employment contract by the company. In the event of death, their surviving dependants are entitled to the benefits. The amount of qualifying income and the level of benefits determined by the duration of service are taken as a basis for each member's individual pension and surviving dependants' benefits. Vested pension benefits do not expire.

In the event of an early termination or non-extension of an employment contract, Executive Board members shall only receive payments if the termination or non-extension was occasioned by the company and effected without due cause within the meaning of Section 626 of the German Civil Code. In such cases, they start receiving pension payments when they leave the company, but not before they turn 55. Fifty percent of the income earned by an Executive Board member until they turn 60 or the beginning of the member's occupational disability is taken into account in determining early retirement payments.

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

On termination of their employment contracts, Executive Board members receive a one-off payment equalling the compensation due until the end of the duration of their contract: this amount shall not be higher than three times their total contractual annual compensation and shall not be less than twice their total contractual annual compensation. As regards benefits, effective from the end of the employment contract's agreed duration, Executive Board members are treated as if the company had not extended their employment contracts at that time, without there being a material reason within the meaning of Section 626 of the German Civil Code. In the event of a change of control, all performance shares shall expire. Instead, a compensatory payment shall be made. The amount shall be in line with the price paid for RWE shares at the time of the takeover. This shall then be multiplied by the final number of performance shares.

Performance shares shall also expire in the event of a merger with another company. In this case, the compensatory payment shall be calculated based on the expected value of the performance shares at the time of the merger. This expected value shall be multiplied by the number of performance shares granted, pro-rated up to the date of the merger.

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

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

Level of Executive Board compensation

Total compensation for fiscal 2013. The Executive Board of RWE AG received a total of €13,338,000 in compensation for fiscal 2013 (previous year: €19,264,000).

Non-performance-based components amounted to €5,096,000 (previous year: €8,224,000). This included pension instalments of €480,000 for Peter Terium, €255,000 for Dr. Bernhard Günther and €195,000 for Uwe Tigges. Dr. Bernhard Günther turned his instalment into a pension commitment of equal value through a gross compensation conversion.

Performance-based components totalled €8,242,000 (previous year: €11,040,000), of which €3,801,000 was attributable to the bonus for fiscal 2013 paid directly. In addition, the Executive Board was granted performance shares with a fair value at issue of €3,859,000 under Beat (2013 tranche).

The following is an overview of the payment of the bonus retained for 2010, broken down by individual. Dr. Rolf Martin Schmitz was the only current Executive Board member affected by the retention. A payment will also be made to Dr. Leonhard Birnbaum and Alwin Fitting, who both resigned from the Executive Board in 2013. The overview also shows the bonuses retained for the 2011 to 2013 fiscal years.

Bonus retention				Bonus malus factor		Payment in fiscal 2014
€ '000	2013	2012	2011	2010		
Peter Terium	444	368	82	–	–	–
Dr. Rolf Martin Schmitz	296	295	245	260	112.1 %	291
Dr. Bernhard Günther	234	97	–	–	–	–
Uwe Tigges	177	–	–	–	–	–
Dr. Leonhard Birnbaum	61	268	245	260	112.1 %	291
Alwin Fitting	61	269	259	266	112.1 %	298
Total	**1,273**	**1,297**	**831**	**786**	**–**	**880**

No payments were made based on the Beat programme in the year being reviewed. The introduction of Beat 2010 extended the waiting period from three years (Beat 2005) to four years starting in the 2010 fiscal year. Therefore, the waiting period for the 2010 tranche for Executive Board members ended on 31 December 2013. The tranche was not payable by then and therefore lapsed. The following procedure was implemented once for 2010 for the other executives of the RWE Group who participated in Beat 2010: half of the performance shares were allocated with a three-year waiting period (expiring on 31 December 2012) and the other half with a four-year waiting period (expiring on 31 December 2013). At the time, Peter Terium and Dr. Bernhard Günther were executives, but had not yet joined the Executive Board of RWE AG and were thus covered by this rule.

The following is an overview of the value of the performance shares allocated to members of the Executive Board in fiscal 2013.

Long-term incentive share-based payment	Beat 2010: 2013 tranche	
	No.	Allocation value at grant € '000
Peter Terium	154,512	1,250
Dr. Rolf Martin Schmitz	92,707	750
Dr. Bernhard Günther	92,707	750
Uwe Tigges	92,707	750
Dr. Leonhard Birnbaum[1]	21,081	171
Alwin Fitting[2]	23,177	188
Total	**476,891**	**3,859**

1 Allocation prorated to 22 March 2013.
2 Allocation prorated to 31 March 2013.

Due to the development of RWE's common share price, the following expenses were incurred for share-based payments in 2013:

Addition to provisions for long-term incentive share-based payments 2010/2011/2012/2013 tranches € '000	2013	2012
Peter Terium	311	541
Dr. Rolf Martin Schmitz	25	509
Dr. Bernhard Günther	98	26
Uwe Tigges	108	–
Dr. Leonhard Birnbaum	–59	509
Alwin Fitting	–56	509
Total	**427**	**2.094**

The service cost of pension commitments in 2013 which was not classified as compensation according to German commercial law totalled €590,000. At the end of the year, the present value of the defined benefit obligation was €12 million. The following is a breakdown of service costs and the present value of pension benefits, taking into account both age and years of service.

Pensions		Predicted annual pension on reaching the company age limit (60 years)[1]		Service cost		Defined benefit obligation		Pension allocation in accordance with the German Commercial Code		Pension value in accordance with the German Commercial Code	
€ '000	Age	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Dr. Rolf Martin Schmitz[2]	56	484	484	472	294	9,187	8,664	681	1,506	7,320	6,639
Dr. Leonhard Birnbaum (until 22 Mar 2013)	46	288	288	63	143	2,380	2,197	267	329	1,721	1,454
Alwin Fitting (until 31 Mar 2013)[3]	60	–	312	55	221	–	6,889	1	798	5,610	5,609
				590	**658**	**11,567**	**17,750**	**949**	**2,633**	**14,651**	**13,702**

1 Based on compensation qualifying for pensions as of 31 December 2013.
2 Dr. Rolf Martin Schmitz's projected pension includes pensions due from former employers.
3 Alwin Fitting has been receiving a company pension of €312,000 p.a. since 1 April 2013.

Other arrangements. In agreement with the company, Dr. Leonhard Birnbaum's tenure on the Executive Board, which was scheduled to expire as of 30 September 2013, ended early with effect from 30 June 2013. Dr. Birnbaum was relieved of his duties as of the date of his resignation from the Executive Board, i.e. 22 March 2013. He received his base salary until 30 June 2013, in accordance with his employment contract. In line with the provisions of his contract, he also received a bonus of €182,000 for the period from 1 January to 31 March 2013. Dr. Birnbaum was also allocated performance shares for the first quarter of 2013, prorated to the amount allocated to the other members of the Executive Board. According to the provisions of Beat, performance shares granted earlier remain valid. The bonuses retained for fiscal 2010 to 2012 and for the period from 1 January 2013 to 31 March 2013 will be paid out on expiry of the respective three-year assessment periods, taking account of the bonus malus factor. Dr. Birnbaum will receive a company pension from 28 February 2027 onwards.

Emoluments of former Executive Board members. In 2013, the emoluments of former members of the Executive Board and their surviving dependants amounted to €12,200,000 (previous year: €13,126,000). As of 31 December 2013, €154,472,000 (previous year: €144,738,000) had been set aside for the vested pension benefits of this group of people.

New recommendations of the German Corporate Governance Code (GCGC). According to the current version of the GCGC, which was published on 10 June 2013, the total compensation of management board members comprises the monetary compensation elements, pension awards, other awards, especially in the event of termination of activity, fringe benefits of all kinds and benefits by third parties which were promised or granted in the financial year with regard to management board work. Unlike under German commercial law, the annual service cost of pension commitments is also part of total compensation.

Item 4.2.5, Paragraph 3 of the new version of the Code lists the compensation components that should be disclosed for every management board member. The recommended presentation is illustrated by sample tables, which are annexed to the Code. Although the new recommendation relates to compensation reports for fiscal years starting after 31 December 2013, we are already following it in this report. The following tables, the structure of which has been taken from the Code, show the benefits granted to the members of the Executive Board of RWE AG for 2013 and the preceding year. As some of these benefits have not yet resulted in payments, the tables also show the level of funds paid to the Executive Board members.

Benefits granted	Peter Terium Chief Executive Officer				Dr. Rolf Martin Schmitz Chief Operating Officer				Dr. Bernhard Günther Chief Financial Officer				Uwe Tigges Chief HR Officer/Labour Director since 1 Jan 2013			
€ '000	2013	2012	2013 (min)	2013 (max)	2013	2012	2013 (min)	2013 (max)	2013	2012	2013 (min)	2013 (max)	2013	2012	2013 (min)	2013 (max)
Fixed compensation	1,400	1,075	1,400	1,400	960	880	960	960	750	290	750	750	580	–	580	580
Pension payments	480	368	480	480	–	–	–	–	255	98	255	255	195	–	195	195
Fringe benefits	24	5	24	24	11	11	11	11	23	11	23	23	17	–	17	17
Total	**1,904**	**1,448**	**1,904**	**1,904**	**971**	**891**	**971**	**971**	**1,028**	**399**	**1,028**	**1,028**	**792**	**–**	**792**	**792**
One-year variable compensation	1,350	1,031	0	2,430	900	825	0	1,620	713	270	0	1,283	540	–	0	972
Multi-year variable compensation																
Bonus malus factor	–	–	–	–	291	–	0	390	–	–	–	–	–	–	–	–
Beat	1,250	1,250	0	1,875	750	750	0	1,125	750	–	0	1,125	750	–	0	1,125
Total	**2,600**	**2,281**	**0**	**4,305**	**1,941**	**1,575**	**0**	**3,135**	**1,463**	**270**	**0**	**2,408**	**1,290**	**–**	**0**	**2,097**
Service cost	–	–	–	–	472	294	–	–	–	–	–	–	–	–	–	–
Total compensation	**4,504**	**3,729**	**1,904**	**6,209**	**3,384**	**2,760**	**971**	**4,106**	**2,491**	**669**	**1,028**	**3,436**	**2,082**	**–**	**792**	**2,889**

Benefits granted	Alwin Fitting Labour Director until 31 Mar 2013				Dr. Leonhard Birnbaum Chief Commercial Officer until 22 Mar 2013				Dr. Rolf Pohlig Chief Financial Officer until 31 Dec 2012				Dr. Jürgen Großmann Chief Executive Officer until 30 Jun 2012			
€ '000	2013	2012	2013 (min)	2013 (max)	2013	2012	2013 (min)	2013 (max)	2013	2012	2013 (min)	2013 (max)	2013	2012	2013 (min)	2013 (max)
Fixed compensation	199	796	199	199	182	800	182	182	–	890	–	–	–	1,425	–	–
Pension payments	–	–	–	–	–	–	–	–	–	–	–	–	–	1,500	–	–
Fringe benefits	11	10	11	11	9	24	9	9	–	25	–	–	–	16	–	–
Total	**210**	**806**	**210**	**210**	**191**	**824**	**191**	**191**	**–**	**915**	**–**	**–**	**–**	**2,941**	**–**	**–**
One-year variable compensation	188	753	0	270	171	750	0	246	–	833	–	–	–	1,800	–	–
Multi-year variable compensation																
Bonus malus factor	298	–	0	399	291	–	0	390	–	–	–	–	–	–	–	–
Beat	188	750	0	281	171	750	0	281	–	750	–	–	–	–	–	–
Total	**674**	**1,503**	**0**	**950**	**633**	**1,500**	**0**	**917**	**–**	**1,583**	**–**	**–**	**–**	**1,800**	**–**	**–**
Service cost	55	221	–	–	63	143	–	–	–	109	–	–	–	–	–	–
Total compensation	**939**	**2,530**	**210**	**1,160**	**887**	**2,467**	**191**	**1,108**	**–**	**2,607**	**–**	**–**	**–**	**4,741**	**–**	**–**

Allocation	Peter Terium Chief Executive Officer		Dr. Rolf Martin Schmitz Chief Operating Officer		Dr. Bernhard Günther Chief Financial Officer		Uwe Tigges Chief HR Officer/ Labour Director since 1 Jan 2013	
€ '000	2013	2012	2013	2012	2013	2012	2013	2012
Fixed compensation	1,400	1,075	960	880	750	290	580	–
Pension payments	480	368	–	–	255	98	195	–
Fringe benefits	24	5	11	11	23	11	17	–
Total	**1,904**	**1,448**	**971**	**891**	**1,028**	**399**	**792**	**–**
One-year variable compensation	1,331	1,105	887	884	702	289	532	–
Multi-year variable compensation								
Bonus malus factor	–	–	291	–	–	–	–	–
Beat	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total	**1,331**	**1,105**	**1,178**	**884**	**702**	**289**	**532**	**–**
Service cost	–	–	472	294	–	–	–	–
Total compensation	**3,235**	**2,553**	**2,621**	**2,069**	**1,730**	**688**	**1,324**	**–**

Allocation	Alwin Fitting Labour Director until 31 Mar 2013		Dr. Leonhard Birnbaum Chief Commercial Officer until 22 Mar 2013		Dr. Rolf Pohlig Chief Financial Officer until 31 Dec 2012		Dr. Jürgen Großmann Chief Executive Officer until 30 Jun 2012	
€ '000	2013	2012	2013	2012	2013	2012	2013	2012
Fixed compensation	199	796	182	800	–	890	–	1,425
Pension payments	–	–	–	–	–	–	–	1,500
Fringe benefits	11	10	9	24	–	25	–	16
Total	**210**	**806**	**191**	**824**	**–**	**915**	**–**	**2,941**
One-year variable compensation	183	806	166	804	–	893	–	2,008
Multi-year variable compensation								
Bonus malus factor	298	–	291	–	–	–	–	–
Beat	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Total	**481**	**806**	**457**	**804**	**–**	**893**	**–**	**2,008**
Service cost	55	221	63	143	–	109	–	–
Total compensation	**746**	**1,833**	**711**	**1,771**	**–**	**1,917**	**–**	**4,949**

Structure of Executive Board compensation from 2014 onwards

Leverage factor as additional performance indicator. At its meeting on 13 February 2014, the Personnel Affairs Committee of the Supervisory Board considered amending the existing Beat 2010 long-term incentive plan. The Committee recommends to the Supervisory Board the introduction of a supplementary mid-term incentive plan (MTIP) for Executive Board members with effect from fiscal 2014. The MTIP's performance parameter is the leverage factor, which reflects the ratio of the Group's net debt to EBITDA. The plan is designed to support management in bringing all relevant measures and activities in the Group in line with the goal of re-establishing a healthy, sustainable relation between indebtedness and earnings power.

The Beat 2010 long-term incentive plan will be continued for 2014 to 2016, albeit at a reduced level of 50% of the former allocation. In addition, the MTIP will be introduced in 2014.

The allocation under the MTIP will be made once for the period from 2014 to 2016. It will equal half of the amounts which would have been allocated under the current Beat 2010 long-term incentive plan for these three years. The objective is to reduce the leverage factor from 3.5 (end of 2013) to 3.0 (end of 2016). If this goal is achieved completely, the members of the Executive Board will be paid 100% of the budgeted allocation. If the leverage factor is reduced even further, the payment will increase linearly to a maximum of 150% of the budgeted allocation. This upper limit corresponds to a factor of 2.7. The payment will be reduced if the factor exceeds the 3.0 target. If the leverage factor is 3.3, the members of the Executive Board will receive 50% of the budgeted allocation. If it is higher, no payment will be made.

2.4 WORKFORCE

The structural change in the energy sector is calling traditional business models into question. More than ever, utilities are being assessed based on how flexible and innovative they are. This is reflected in RWE's corporate culture. We want employees who draw on their creativity and initiative to improve products and processes, who help the company to progress with their ideas, and who do not wait for signals from management to do so. Our executives need to be ambassadors and role models in such a performance-oriented culture. Helping our executives achieve this is one of the main tasks of our personnel activities.

Cultural change at RWE. A market environment that develops dynamically can be mastered only by companies that are dynamic themselves. Equipping oneself for the huge upheavals caused by the transformation of the energy sector translates into more than cutting costs and making one's organisational structure more efficient. It also means establishing a performance-oriented culture in which employees take the initiative to improve processes, products and structures without waiting for orders from above. It also means that the aforementioned improvements are part of business as usual without them needing to become the object of a 'project.' Creativity and innovation are called for more than ever. Examples of how RWE already benefits from the wealth of ideas and entrepreneurial mindset of its employees can be found on page 2 et seqq. of this annual report. Stimulating and establishing this kind of mentality is the task of the executives of the RWE Group. And it is up to human resources management to assist them in doing so. But which qualities must our executives have and how must they lead in order to be successful at and with RWE? A comprehensive answer to this question is provided by the RWE Leadership Model.

Job description for RWE executives. The basic concept underlying the RWE Leadership Model is that the performance and success of executives depend not only on their expert knowledge, but also on other skills, which have been summarised in the diagram on the right. These skills entail executives having knowledge of market developments and customer needs, acting for the benefit of the Group as a whole, assessing risks realistically, having the courage to take decisions and implementing them effectively ('leading business'). It is equally important for them to question habits, be open to new ideas and initiatives, foster creativity, create acceptance for necessary changes and implement them successfully ('leading change'). In our opinion, an executive's key skills include the ability to establish working relationships based on trust, convince people of goals and plans, lead by example when it comes to thinking like a team, give employees tasks that match their interests and abilities and promote their development ('leading people'). In addition, we attach great importance to superiors being role models, who distinguish themselves by virtue of their integrity and trustworthiness, can work under pressure and are motivated, exude optimism, seek feedback proactively and are willing to learn ('leading self').

RWE Leadership Model

New programme for improving leadership skills. The RWE Leadership Model is more than just a theoretical construct. It is a mission statement to which we adhere in selecting, training and assessing our executives. They personify and promote RWE's performance-oriented culture. To make them better equipped for taking on this role, we launched the 'Delivering Breakthrough Performance' (DBP) programme at the beginning of 2013. With this programme, we want to teach executives how to identify the interests and needs of their staff more precisely and motivate their teams even more. In light of the crisis in the conventional electricity generation business, which requires reductions in costs and personnel, this is a huge challenge. Within the scope of the DBP programme, which consists of four modules and lasts for about six months, small teams are required to complete tasks relevant to RWE's business. One of six ongoing DBP projects has the working title 'Connectivity@RWE2015' and is dedicated to standardising the entire Group's communication structure. On a personal level, executive skills are developed and improved on the job. One of the focal points is the identification and removal of barriers, which stand in the way of implementing necessary changes.

Identifying talent within RWE. We staff executive positions from within our own ranks wherever possible and sensible. This enables us to reduce costs and incentivise highly qualified personnel. To ensure that every talent is discovered, our executives assess their staff every two years. On completion of the evaluations, the superiors meet to choose those who they believe are especially suitable from a list of suggestions. This talent is recorded in a database, which executives from all Group companies can access. In addition, executives from RWE AG and the Group companies convene once a year to nominate candidates to succeed people in the most important management positions. This enabled us to staff over 90% of the executive positions that became vacant last year with internal candidates.

Recruiting young professionals. One of the main areas of our HR work is recruiting young adults to work for RWE. This requires establishing contact with them. The internet offers a host of possibilities in this regard. Via our portal at **www.rwe.com/career**, we target pupils, students and university graduates as well as experienced professionals. People seeking to apply for a job are offered sample cover letters and résumés as well as pointers regarding application photos by our online applicant academy. The portal also provides extensive information on how to prepare for an assessment centre.

Furthermore, in Germany RWE works with universities to offer courses of study that combine practical and academic elements. Our objective is to establish ties with young graduates early on. One example is our partnership with Hochschule Ruhr West in Mülheim an der Ruhr: energy computer science students at this university are provided with the opportunity to do internships with us between semesters for several years. We provide those who have already graduated from university the opportunity to start working for RWE via a trainee programme.

We recruit most of our young professionals by offering them apprenticeships. By the end of 2013, some 2,700 young adults were learning a profession at RWE. We continue to offer more apprenticeships than we need to cover our own needs. Our apprentices are faced with a variety of challenges. They can participate in ambitious projects and become familiar with various Group companies. In addition, we enable them to combine their apprenticeship with studies.

Diversity provides opportunities. Taking advantage of the diversity of modern society for the benefit of RWE is the goal of our diversity management system. As co-signee of the 'Diversity Charter,' an initiative by German companies, we have committed ourselves to maintain an organisational culture characterised by respect and appreciation. We believe that the cultural diversity resulting from the international reach of our business harbours substantial potential which is beneficial to RWE. We therefore promote mobility across countries within the Group. To us, capitalising on diversity to the fullest also means improving women's career prospects. We want to increase female representation in management positions. As of 31 December 2013, women accounted for 27.7% of RWE's workforce and 13.9% (2012: 12.3%) of our executives were women. We aim to increase this share to 22% by the end of 2018. An international mentor programme helps women plan their careers so that we can also staff senior executive positions with women. In addition, in 2008 we created an international network for women, in which more than 450 female staff from all levels and departments throughout the Group are involved. Moreover, in 2013 we launched an advancement programme through which we prepare women to become Supervisory Board members.

2.5 SUSTAINABILITY

To be successful in the long run, we need society's acceptance – from policymakers, associations and employees to environmental organisations. Our dialogue with these stakeholder groups has enabled us to define ten action fields of central importance to RWE in terms of sustainability. We are pursuing concrete, measurable goals in each of these action fields. In addition, part of our Executive Board's compensation depends on whether and to what degree these goals are achieved.

Ten fields of sustainable action. Our goals and measures in the field of corporate responsibility (CR) are derived from the expectations that the public has of us. To better assess these expectations, we are in constant dialogue with our stakeholder groups. These are primarily representatives of shareholders, political parties, associations and employees as well as non-governmental organisations and resident groups. Based on this dialogue, in 2007 we defined ten fields of action, in which we believe the major challenges for RWE lie. We have established goals for each of them, the achievement of which we measure based on key performance indicators. This gives our sustainability strategy a binding character. Moreover, this makes our performance and progress both transparent and measurable.

Changes in society and at RWE caused us to revise some of our action fields last year. For example, the 'demographic change' action field was expanded and renamed 'employees.' In the past, we believed that our biggest challenge was to ensure that RWE had enough skilled labour at its disposal over the long term, given the low birth rates. Now, the difficult market environment and the need to further develop RWE's corporate culture require us to change the emphasis. Today, our main objective is to strengthen our employees' motivation and capacity for innovation in order to meet an important prerequisite for remaining competitive in the long run. In the 'pricing and marketplace' action field, we will direct our focus even more to the trust our customers place in us, as we believe that this is a fundamental requirement for being successful over the long term. Therefore, this action field is now called 'customer trust.' Furthermore, we changed the name of the 'environmental protection' action field to 'biodiversity/ environmental protection,' in order to demonstrate even more clearly how important the protection of biodiversity is to us.

Whether and to what degree we achieve our CR targets also affects the compensation of the members of the Executive Board of RWE AG. Since 2010, 25% of their annual bonus has been retained for three years. At the end of this period, the Supervisory Board decides, based on a bonus malus factor, whether the Executive Board has managed the company in a sustainable manner. Only if this applies is the retained part of the bonus paid. The bonus malus factor depends on several aspects, one of which is the CR index specific to RWE, which bears a weighting of 45% and measures the degree to which we have achieved RWE's sustainability objectives based on representative key performance indicators. The first payment of a retained bonus will be made in 2014 and covers the period from 2011 to 2013 (see page 120).

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

(1) Climate protection. Society expects us to provide solutions for protecting the climate. In past years, we have invested billions of euros in new cutting-edge gas and coal-fired power plants, which emit less carbon dioxide than old stations and replace some of them. In the fiscal year that just ended, we commissioned a state-of-the-art gas-fired power station near the Turkish town of Denizli, which has a net installed capacity of 787 MW and an efficiency of 57%. It is one of the country's lowest-emitting fossil-fuelled power plants and contributes to covering Turkey's rising need for electricity in an environmentally compatible manner. Another key element of our climate protection strategy is the expansion of renewable energy. We have less funds available for this than in the past. However, we are maintaining our long-term emission-reduction target: by 2020, we want to reduce the specific carbon emissions of our power plants to 0.62 metric tons of CO_2 per megawatt hour (MWh) of electricity. By comparison, we emitted 0.76 metric tons last year.

(2) Energy efficiency. By modernising our power plants, we are not only protecting the climate, but also conserving limited resources such as coal and gas, as our new stations have a higher degree of energy utilisation (the amount of electricity and available heat generated per unit of primary energy used). On conclusion of our ongoing power plant new-build programme in 2014, the average efficiency of our fossil fuel-fired power stations should amount to 41.2%. Last year, it was 40.5%. We are also looking for ways to improve the energy efficiency of our electricity network operations. In addition, we have been successfully working to reduce the energy consumption of our vehicle fleet and buildings. Moreover, we help our residential customers to make more efficient use of electricity and gas. We also put our expertise in the field of energy efficiency at the disposal of commercial and industrial enterprises. Using cutting-edge measuring technology and RWE's energy controlling system, our experts detect the weak points in terms of energy efficiency in a company and develop business-specific optimisation measures. In 2013, more than 300 companies in a number of sectors benefited from this offering.

(3) Biodiversity/environmental protection. Our opencast mines, production plants, power stations and networks all affect nature and landscapes. Regarding the protection and restoration of ecosystems, we can look back on many years of experience, for instance in the network business and in the production of lignite, gas and oil. Many environmental protection measures are mandated by law or operating permits. Our environmental management system, which now covers 99.7% of RWE's activities, helps us to satisfy environmental requirements. Many subsidiaries have been certified to the globally accepted ISO 14001 standard. Relative to headcount, 45% of the Group's activities was certified at the end of 2013.

At the end of 2013, we began cooperating with the International Union for Conservation of Nature (IUCN). Together with the IUCN, we want to explore how we can do more to protect biodiversity. In 2014, we will launch a pilot project in our Rhenish lignite mining region, with a view to explore ways to improve the recultivation of opencast mine premises.

Last year, we incurred €1,342 million in costs to protect the environment, roughly as much as in 2012. Added to this was €1,298 million in capital expenditure, which served the same purpose and was 9% down year on year. Nearly two-thirds of our environmental spending was dedicated to climate protection. In particular, this includes investments in the modernisation of our power plant portfolio and the expansion of renewable energy. A large proportion of environmental cost was dedicated to waste disposal, for example in relation to the dismantling of the Biblis nuclear power station. Costs to keep air clean are mainly incurred due to the operation of flue gas desulphurisation units. Most of the spending on water protection was dedicated to the purification of wastewater.

Environmental cost and capital expenditure	Cost		Capital expenditure		Total	
€ million	2013	2012	2013	2012	2013	2012
Clean air	222	233	51	47	273	280
Nature and landscape protection	62	60	10	22	72	82
Water protection	171	165	49	37	220	202
Waste disposal	351	363	2	3	353	366
Noise abatement	9	8	5	5	14	13
Brownfield sites, soil contamination	8	16	–	1	8	17
Climate protection	519	520	1,181	1,303	1,700	1,823
Total	**1,342**	**1,365**	**1,298**	**1,418**	**2,640**	**2,783**

(4) Community engagement. Energy utilities have very firm roots in the regions in which they operate. For decades, RWE has had such ties to many regions, where we are a reliable employer and principal, partner to communities, taxpayer and infrastructure provider. Our regional roots are also reflected by our social volunteering. Our charitable activities are pooled in the RWE Foundation. It is endowed with a capital stock of €56 million and promotes the education, culture and social integration of children and teenagers. In the financial year that just ended, it spent about €750,000 on this. Furthermore, we support the strong effort put in by RWE employees for social causes through the 'RWE Companius' initiative. Engagement of this kind also benefits RWE, as it improves our acceptance. Once a year, we commission a market research company to conduct an opinion survey to identify how RWE is perceived by the German public when compared to major competitors. The most recent poll conducted last year confirmed that, as in the past, we had the best reputation in our peer group, a position we intend to maintain.

(5) Customer trust. Energy costs are a topic of public debate in many of our markets. Recently, this has particularly been the case in the United Kingdom. In Germany, this issue has attracted a lot of attention for a long time: electricity has become much more expensive for households, although wholesale prices have declined. This is because the portion of electricity bills accounted for by state surcharges has consistently risen, especially as a result of the apportionment under the German Renewable Energy Act. Although this is a consequence of fundamental political decisions, it also increases pressure on the energy utilities. Rising numbers of customers are willing to switch suppliers, in order to offset at least a part of the additional burdens. It is therefore all the more important that our customers perceive us as a fair supplier. To achieve this, we must convince them of the quality and value for money of our product range. In Germany, we measure our success in this area based not only on churn, but also on a loyalty index. It builds on representative surveys of residential and commercial customers by the independent market research institute Ipsos. The index moves on a scale of 0 to 100 points. A score below 70 designates low satisfaction, with values from 70 to 79 indicating average satisfaction and 80 points or more representing high satisfaction. In the year under review, we achieved a score of 73 points. We aim to score at least 74 points in 2015.

(6) Employees. We can only succeed in contributing to the transformation of the energy industry and competing for customers with qualified and motivated staff. We already take advantage of many ways to attract young talent to our company and create a working environment that meets their expectations. In addition, we do our best to retain highly qualified personnel from within our own ranks. Furthermore, we project our staff requirements over the long term, taking account of the effects of demographic change on various professions. One of the tools we use in this analysis is a demographic index, which measures the RWE Group's age structure. The higher the index score, the more evenly the age groups are represented in our Group companies. The best possible ranking is 100. In the financial year under review, we achieved a score of 83 points. The score targeted for the period from 2014 to 2016 is 84 points.

(7) Supply chain. Media coverage of inhumane labour conditions and environmental damage in hard coal mines in Colombia and South Africa has made the headlines in the last few years. To gain better insight into the situation, at the beginning of 2012 we created the 'Bettercoal' initiative with seven other European energy utilities. Worldwide audits commissioned by Bettercoal are scheduled to start this year. They will be performed by independent auditors who will determine the extent to which the conditions in the mines comply with the strict standards established in the Bettercoal Code, which was published in 2013. The Code draws from international regulations such as the requirements of the International Labour Organisation (ILO) and the OECD guidelines for multinational companies. Information obtained through the audits can be used by energy utilities as an additional reference source when selecting suppliers.

The use of biomass to produce energy is another controversial topic. Sceptics fear that land which is of environmental value or is used to cultivate food will be repurposed to produce energy crops. In recent years, the use of palm oil from Indonesia and Malaysia to generate electricity has been publicly criticised, as it is obtained by destroying valuable tropical forests. The production of electricity from biomass has become less important to RWE as it closed Tilbury power station last year (see page 52). However, we still operate some smaller plants and co-fire hard coal power stations with biomass. To ensure that environmental standards and human rights have not been violated in the supply chain, we established rules to which our suppliers must adhere. For this reason, it is important to us that we are able to trace the biomass used to fire our power stations back to the source. The 'Green Gold Label' co-developed by Essent is helpful in this respect: it covers all of the steps involved, from cultivation via subsequent processing and transportation through to utilisation.

When purchasing energy commodities, we also undertake our own risk assessments of our business partners. Our suppliers of staple goods and services must also comply with standards pertaining to labour conditions and environmental protection. We have set up a quality management system for purchases of plant and complex components. In 2011, RWE Technology, which is in charge of our power plant new builds, obtained ISO 9001 certification, the standard for quality management. As a result, the company is obliged to verify compliance with occupational and environmental standards by partner companies and their vendors, for example by visiting their premises.

Our goal for 2014 is for at least 98% of our purchasing volume to be covered by minimum standards or risk assessments of our choice. We already achieved this target in 2012 and 2013.

(8) Occupational health and safety management. We want our employees to return home as healthy as when they arrive at work. Doing the best possible justice to this ambition is the goal of our occupational health management system. In 2012, we developed a programme at RWE Power, which contains a large number of measures, including the consideration of health matters when agreeing targets for our executives. We are currently assessing the success of the programme, so that we can perhaps implement it in other RWE companies. Above and beyond that, RWE conducted three nationwide health campaigns in Germany in 2013. Two of them were dedicated to the early detection of illnesses, namely bowel cancer and rheumatism. About 6,800 and 1,900 employees participated in the initiatives, respectively. The third campaign involved us inviting staff members to register for the German bone marrow donor database. More than 300 people signed up.

The safety of work processes is also very important to RWE. We continuously refine our culture of occupational safety with special programmes, resulting in a drop in accidents. We recently focused on employees of partner companies which were assigned to RWE construction sites and plants. Our occupational safety programme called 'The Energy to Lead with Partner Companies' is dedicated to this target group and received the 2013 German Occupational Safety Award in the 'Process Solution, Large Corporations' category. The development of the Group accident rate, which we also started recording for the employees of partner companies in 2012, proves the success of this programme and other measures. Last year, there were 2.3 accidents for every million hours worked leading to an absence of at least one day, compared to 2.8 in the prior year. Therefore, the accident rate declined for the twelfth straight year. By 2016, we intend to achieve a figure below 1.8.

(9) Security of supply. Energy – be it electricity or heat – must be available whenever it is needed. Our customers rely on us to ensure this. The current debate on security of supply is focusing on the stability of electricity networks. Supply and demand must constantly be balanced in order to keep network frequency stable. We aim to keep the average annual system availability interruption duration indicator (SAIDI) of our distribution networks in Germany below 30 minutes per customer. Based on the latest available statistics, it was clearly below this mark in 2013, at about 17 minutes. Nevertheless, we believe this goal is ambitious, because the requirements placed on the capabilities and operation of networks are rising due to the expansion of weather-dependent renewable energy and the increasing use of decentralised power generation units. By the end of 2013, nearly 300,000 green energy plants (solar panels, wind turbines and biomass-fired stations) with a total net installed capacity of about 18 gigawatts (GW) were feeding electricity into our German distribution network. About 8 GW of this capacity has been added in the last four years, resulting in a substantial need for investment to maintain security of supply. We plan to spend about €650 million in capital per year on our German distribution network until 2016. The risk of interruptions in the supply of gas is much smaller, because the gas network acts as a buffer. Interruptions averaged less than one minute per customer.

(10) Innovation. Secure, affordable and environmentally friendly energy supplies are unattainable without technological progress. We are conducting around 200 research and development (R&D) projects, making our contribution to opening the door to the energy world of tomorrow. They run along RWE's entire value chain – from raw material extraction and the conversion, distribution and storage of energy to its use by the customer (see page 85 et seqq.). Our R&D activities are managed groupwide. We start by identifying the R&D areas which are most strategically important to RWE. We do this at the beginning of every year. We measure our success by the degree to which we have taken specific measures in these areas and informed the public about our activities. Last year, we addressed all of the major R&D areas.

RWE honoured for sustainable management. Our performance in the field of sustainable management is widely recognised. This is also the case in the capital market. In September 2013, we were included in the Dow Jones Sustainability World Index (DJSI World) for another 12 months for the 15th straight time and, after a year of absence, we returned to the Dow Jones Sustainability Europe Index (DJSI Europe). Dow Jones Sustainability Indexes are globally recognised as one of the world's prime index groups for sustainable management and honour the best performers in each sector. They are compiled and published by RobecoSAM in cooperation with Dow Jones Indexes. When included in the DJSI, RWE received the Silver Class Award 2014 from RobecoSAM. This honour recognises companies which achieve at least 95 % of the points scored by the sector's leader. RWE is one of the few German companies to have been included in the world index without interruption since DJSI's inception in 1999. It assesses performance in the categories of economy, environment and social matters. RWE traditionally scores highly in the risk management and transparency of corporate governance categories. In 2013, we were the sector leader for some aspects of these categories.

Important sustainability indicators		2013	2012	2011	2010	2009
Environment						
RWE power plant portfolio						
NO_x emissions[1]	g/kWh	0.68	0.69	0.60	0.58	0.67
SO_2 emissions[1]	g/kWh	0.37	0.40	0.31	0.29	0.34
Particulate emissions[1]	g/kWh	0.022	0.025	0.021	0.019	0.024
Ash[1]	thousand mt	8,308	8,710	7,843	7,740	7,429
Gypsum[1]	thousand mt	2,192	2,200	2,148	2,053	1,956
Primary energy consumption[2]	billion kWh	409.6	435.7	390.6	403.0	368.2
Water consumption[1,3]	m^3/MWh	1.45	1.56	1.62	1.41	1.70
Scope 1 CO_2 emissions[4]	million mt	146.2	160.6	143.4	144.9	135.9
Specific CO_2 emissions	mt/MWh	0.747	0.792	0.778	0.715	0.792
Total power plant portfolio						
Scope 1 CO_2 emissions[5]	million mt	165.7	181.7	163.8	167.1	151.3
Scope 2 CO_2 emissions[6]	million mt	1.5	1.9	2.4	3.1	3.5
Scope 3 CO_2 emissions[7]	million mt	105.0	105.2	121.0	135.7	128.1
Specific CO_2 emissions	mt/MWh	0.756	0.792	0.787	0.732	0.796
Capital expenditure of the renewables division	€ million	1,083	1,093	891	709	733
Share of the Group's electricity generation accounted for by renewables	%	6.4[8]	5.5	4.3	4.0	3.5
R&D costs	€ million	151	150	146	149	110
Society						
Employees[9]		66,341	70,208	72,068	70,856	70,726
Fluctuation rate	%	11.5	10.8	10.1	8.3	8.7
Training days per employee (Germany)		4.2	4.5	4.6	4.7	4.8
Health ratio	%	95.4	95.5	95.8	95.6	95.4
Lost-time incident frequency	LTIF[10]	2.3	2.8	2.8	3.5	4.3
Fatal work-related accidents[11]		1	4	3	3	5
Corporate governance						
Share of women in the company	%	27.7	27.5	27.1	26.2	26.1
Share of women in executive positions[12]	%	13.9	12.3	11.3	10.8	9.0
Share of the RWE Group's revenue earned in countries with a high or very high risk of corruption[13]	%	13.0	13.7	12.4	12.0	12.7

1 Figures for 2009 adjusted due to the inclusion of Netherlands/Belgium and Hungary.
2 Figures for 2009 adjusted due to the inclusion of Netherlands/Belgium.
3 Difference between power plant water withdrawals and returns to rivers and other surface water; excluding power plants with sea water cooling.
4 Scope 1: direct CO_2 emissions from in-house sources (oil and gas production, gas transmission & electricity generation).
5 Including power stations not under RWE ownership, but that we can deploy at our discretion on the basis of long-term agreements.
6 Scope 2: indirect CO_2 emissions from the transmission and distribution of electricity purchased from third parties.
7 Scope 3: indirect CO_2 emissions that do not fall under scope 1 or 2, produced through the generation of electricity procured from third parties, the transmission and distribution of electricity in third-party networks, the production and transmission of used fuel, as well as the consumption of gas sold to customers.
8 Electricity generation based on wind (5.4 billion kWh), hydro (4.0 billion kWh) and biomass (4.4 billion kWh).
9 Converted to full-time positions.
10 Sum of all accidents resulting in at least one day of absence for every million hours worked. Figures for 2012 onwards include employees of third-party companies; figures for 2008 to 2011 exclude employees of third-party companies.
11 Including employees of third-party companies.
12 Encompasses the top four management levels; figures include Essent from 2010 onwards.
13 Countries rated lower than 60 on a scale of zero to 100 in the Corruption Perceptions Index by the anti-corruption organisation Transparency International (TI), with 100 corresponding to the lowest risk of corruption.

3 RESPONSIBILITY STATEMENT

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

Essen, 14 February 2014

The Executive Board

Terium Schmitz Günther Tigges

4 CONSOLIDATED FINANCIAL STATEMENTS

4.1 INCOME STATEMENT

€ million	Note	2013	2012
Revenue (including natural gas tax/electricity tax)	(1)	**54,070**	**53,227**
Natural gas tax/electricity tax	(1)	2,677	2,456
Revenue	(1)	**51,393**	**50,771**
Other operating income	(2)	2,191	1,867
Cost of materials	(3)	36,108	34,496
Staff costs	(4)	5,277	5,318
Depreciation, amortisation, and impairment losses	(5), (10)	7,619	5,071
Other operating expenses	(6)	4,452	3,908
Income from investments accounted for using the equity method	(7)	384	261
Other income from investments	(7)	–106	216
Financial income	(8)	829	770
Finance costs	(8)	2,722	2,862
Income before tax		**–1,487**	**2,230**
Taxes on income	(9)	956	526
Income		**–2,443**	**1,704**
of which: minority interest		210	302
of which: RWE AG hybrid capital investors' interest		104	96
of which: net income/income attributable to RWE AG shareholders		**–2,757**	**1,306**
Basic and diluted earnings per common and preferred share in €	(28)	**–4.49**	**2.13**

4.2 STATEMENT OF COMPREHENSIVE INCOME[1]

€ million	Note	2013	2012
Income		**–2,443**	**1,704**
Actuarial gains and losses of defined benefit pension plans and similar obligations		451	–2,276
Income and expenses of investments accounted for using the equity method (pro rata)		–71	–26
Income and expenses recognised in equity, not to be reclassified through profit or loss		**380**	**–2,302**
Currency translation adjustment	(22)	–711	318
Fair valuation of financial instruments available for sale	(29)	37	106
Fair valuation of financial instruments used for hedging purposes	(29)	–220	–131
Income and expenses of investments accounted for using the equity method (pro rata)	(22)	55	–20
Income and expenses recognised in equity, to be reclassified through profit or loss in the future		**–839**	**273**
Other comprehensive income		**–459**	**–2,029**
Total comprehensive income		**–2,902**	**–325**
of which: attributable to RWE AG shareholders		(–3,214)	(–697)
of which: attributable to RWE AG hybrid capital investors		(104)	(96)
of which: attributable to minority interests		(208)	(276)

1 Figures stated after taxes.

4.3 BALANCE SHEET[1]

Assets € million	Note	31 Dec 2013	31 Dec 2012	1 Jan 2012
Non-current assets				
Intangible assets	(10)	13,198	16,017	16,946
Property, plant and equipment	(11)	33,305	36,006	34,847
Investment property	(12)	96	111	136
Investments accounted for using the equity method	(13)	4,254	3,625	4,113
Other non-current financial assets	(14)	884	959	836
Financial receivables	(15)	506	1,461	1,928
Other receivables and other assets	(16)	1,071	1,519	2,041
Income tax assets		171	60	71
Deferred taxes	(17)	3,258	3,580	2,597
		56,743	**63,338**	**63,515**
Current assets				
Inventories	(18)	2,360	3,128	3,342
Financial receivables	(15)	988	1,737	2,171
Trade accounts receivable	(19)	7,959	8,033	7,468
Other receivables and other assets	(16)	6,161	6,501	8,934
Income tax assets		212	165	198
Marketable securities	(20)	2,791	2,604	4,995
Cash and cash equivalents	(21)	3,905	2,672	2,009
		24,376	**24,840**	**29,117**
		81,119	**88,178**	**92,632**

Equity and liabilities € million	Note	31 Dec 2013	31 Dec 2012	1 Jan 2012
Equity	(22)			
RWE AG shareholders' interest		7,738	12,171	14,028
RWE AG hybrid capital investors' interest		2,701	2,702	1,759
Minority interest		1,698	1,616	1,347
		12,137	**16,489**	**17,134**
Non-current liabilities				
Provisions	(24)	27,119	27,991	23,753
Financial liabilities	(25)	16,539	15,417	15,428
Other liabilities	(27)	2,233	2,714	3,438
Deferred taxes	(17)	1,212	1,323	1,696
		47,103	**47,445**	**44,315**
Current liabilities				
Provisions	(24)	6,389	4,811	5,327
Financial liabilities	(25)	2,149	4,529	6,495
Trade accounts payable	(26)	6,468	7,315	7,886
Income tax liabilities		232	136	144
Other liabilities	(27)	6,641	7,453	11,331
		21,879	**24,244**	**31,183**
		81,119	**88,178**	**92,632**

1 Prior-year figures adjusted due to first-time application of the revised IAS 19.

4.4 CASH FLOW STATEMENT

€ million	Note (32)	2013	2012
Income		−2,443	1,704
Depreciation, amortisation, impairment losses/write-backs		7,655	5,356
Changes in provisions		2,167	371
Changes in deferred taxes		100	−341
Income from disposal of non-current assets and marketable securities		−366	−530
Other non-cash income/expenses		−45	−1,114
Changes in working capital		−1,313	−1,051
Cash flows from operating activities		**5,755**	**4,395**
Intangible assets/property, plant and equipment/investment property			
Capital expenditure		−4,488	−5,081
Proceeds from disposal of assets		227	397
Acquisitions, investments			
Capital expenditure		−83	−412
Proceeds from disposal of assets/divestitures		1,658	1,881
Changes in marketable securities and cash investments		54	2,212
Cash flows from investing activities (before transfer to contractual trust arrangements)		**−2,632**	**−1,003**
Transfer to contractual trust arrangements		−14	−282
Cash flows from investing activities (after transfer to contractual trust arrangements)		**−2,646**	**−1,285**
Net change in equity (incl. minority interest)		163	56
Issuance of hybrid capital[1]			892
Dividends paid to RWE AG shareholders and minority interests		−1,611	−1,556
Issuance of financial debt[2]		7,454	7,298
Repayment of financial debt		−7,863	−9,153
Cash flows from financing activities		**−1,857**	**−2,463**
Net cash change in cash and cash equivalents		1,252	647
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents		−19	16
Net change in cash and cash equivalents		**1,233**	**663**
Cash and cash equivalents at beginning of the reporting period		2,672	2,009
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet		**3,905**	**2,672**

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

4.5 STATEMENT OF CHANGES IN EQUITY[1]

Statement of changes in equity € million	Subscribed capital of RWE AG	Additional paid-in capital of RWE AG	Retained earnings and distributable profit	Treasury shares	Accumulated other comprehensive income			**RWE AG shareholders' interest**	RWE AG hybrid capital investors' interest	Minority interest	**Total**
					Currency translation adjustments	Fair value measurement of financial instruments					
						Available for sale	Used for hedging purposes				
Note (22)											
Balance at 1 Jan 2012	**1,574**	**2,385**	**10,804**	**–24**	**177**	**–37**	**–851**	**14,028**	**1,759**	**1,347**	**17,134**
Capital paid in									892	11	903
Issue of treasury shares			–16	24				8			8
Dividends paid[2]			–1,229					–1,229	–81	–180	–1,490
Income			1,306					1,306	96	302	1,704
Other comprehensive income			–2,213		271	70	–131	–2,003		–26	–2,029
Total comprehensive income			–907		271	70	–131	–697	96	276	–325
Other changes			61					61	36	162	259
Balance at 31 Dec 2012	**1,574**	**2,385**	**8,713**		**448**	**33**	**–982**	**12,171**	**2,702**	**1,616**	**16,489**
Capital repayments										–156	–156
Dividends paid[2]			–1,229					–1,229	–145	–176	–1,550
Income			–2,757					–2,757	104	210	–2,443
Other comprehensive income			325		–645	83	–220	–457		–2	–459
Total comprehensive income			–2,432		–645	83	–220	–3,214	104	208	–2,902
Other changes			10					10	40	206	256
Balance at 31 Dec 2013	**1,574**	**2,385**	**5,062**		**–197**	**116**	**–1,202**	**7,738**	**2,701**	**1,698**	**12,137**

1 Prior-year figures adjusted due to first-time application of the revised IAS 19.
2 Following reclassification of minority interests to other liabilities as per IAS 32.

4.6 NOTES

Basis of presentation

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

The consolidated financial statements for the period ended 31 December 2013 were approved for publication on 14 February 2014 by the Executive Board of RWE AG. The statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU, as well as in accordance with the supplementary accounting regulations applicable pursuant to Sec. 315a, Para. 1 of the German Commercial Code (HGB). The previous year's figures were calculated according to the same principles.

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

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

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

These consolidated financial statements were prepared for the fiscal year from 1 January to 31 December 2013.

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

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

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

The consolidated financial statements, the combined review of operations and the independent auditors' report are discussed in detail by the Audit Committee and at the Supervisory Board's meeting on financial statements with the independent auditors present. The results of the Supervisory Board's examination are presented in the report of the Supervisory Board (on page 106 et seqq. of this Annual Report).

Scope of consolidation

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

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

The list of Group shareholdings pursuant to Sec. 313, Para. 2 of the German Commercial Code (HGB) is presented on page 200 et seqq.

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

Number of fully consolidated companies	Germany	Abroad	Total
1 Jan 2013	164	202	366
First-time consolidation	5	8	13
Deconsolidation	−2	−7	−9
Mergers	−7	−6	−13
31 Dec 2013	160	197	357

Number of investments accounted for using the equity method	Germany	Abroad	Total
1 Jan 2013	67	46	113
Acquisitions	2		2
Disposals	−3	−12	−15
Transformations	7	−3	4
31 Dec 2013	73	31	104

First-time consolidation and deconsolidation generally take place when control is transferred.

Disposals
Effective as of 20 December 2013, RWE sold its 100% stake in Electricity Plus Supply Ltd. and Gas Plus Supply Ltd. for £218 million. The gain on deconsolidation amounted to €199 million and has been recognised in the "Other operating income" line item in the income statement. The companies were assigned to the Supply United Kingdom Segment.

In March 2013, RWE signed an agreement on the sale of 100% of its shares in NET4GAS, the independent gas transmission system operator in the Czech Republic, to a consortium consisting of Allianz and Borealis Infrastructure for approximately €1.6 billion. On obtaining outstanding approvals from the competent authorities, the disposal was completed in August 2013. The gain on the deconsolidation amounted to €236 million and has been recognised in the "Other operating income" line item in the income statement. NET4GAS was assigned to the Central Eastern and South Eastern Europe Segment.

On 22 February 2013, RWE sold its 80% stake in Gocher Bioenergie GmbH for €30 million. The gain on deconsolidation amounted to €2 million and is reported in the "Other operating income" line item in the income statement. The company was a part of the Renewables Segment.

On the same date, RWE sold its 51% share in BEB Bio Energie Baden GmbH for €23 million. The loss on deconsolidation amounted to €0.1 million and is reported in the "Other operating expenses" line item in the income statement. The company was a part of the Renewables Segment.

On 8 November 2013, RWE Npower Renewables Ltd. indirectly sold a 49% stake in the company ML Wind LLP to the fund management company Greencoat UK Wind. Prior to this, the onshore wind farms Lindhurst and Middlemoor had been transferred to ML Wind LLP by way of internal corporate restructuring. The sales price for the 49% stake in ML Wind LLP amounted to £71 million. RWE still controls the company. With this sale, the share of equity attributable to RWE AG's shareholders increased by €36 million and the share of minority interests increased by €48 million.

On 22 March 2013, RWE sold a 49.9% stake in Rhyl Flats Wind Farm Ltd., Swindon, United Kingdom, for £115 million. RWE still controls the company, which operates an offshore wind farm off the coast of Wales. With this sale, the share of equity attributable to RWE AG's shareholders increased by €17 million and the share of minority interests increased by €118 million.

On the same date, RWE sold a 41% stake in Little Cheyne Court Wind Farm Ltd., Swindon, United Kingdom, for £51 million. RWE still controls the company, which operates an onshore wind farm in the County of Kent in the southeast of England. With this sale, the share of equity attributable to RWE AG's shareholders increased by €32 million and the share of minority interests increased by €27 million.

On 19 September 2013, RWE sold its investment accounted for using the equity method in Excelerate Energy, The Woodlands, USA, which was a part of the Trading/Gas Midstream Segment.

On 24 December 2013, the cooperative Dutch pension fund PGGM and the energy services provider Dalkia concluded a contract with RWE on the sale of the heat activities of Essent Local Energy Solutions (ELES). ELES is a part of the Supply Netherlands/Belgium Segment. In addition, PGGM and Dalkia also acquired the combined heating and power stations linked to the district heating network, which belong to the segment Conventional Power Generation. The transaction was approved by the Dutch anti-trust authorities in the first quarter of 2014.

On 18 December 2013, RWE and the Hungarian power utility MVM concluded a contract on the acquisition of RWE's 49.83% stake in the FÖGÁZ Group. The purchase price in the transaction was HUF41 billion. Transfer of the shares is expected to occur in the first half of 2014, following the necessary approvals by the competent authorities and the Municipality of Budapest, which owns the remaining stake of 50.17% in FÖGÁZ. The company is part of the Central Eastern and South Eastern Europe Segment.

Within the framework of business transactions, purchase prices amounted to €0 million (previous year: €51 million) and sales prices amounted to €1,236 million (previous year: €378 million); all payments were made in cash.

Changes in the scope of consolidation resulted in a decrease of €1,345 million in non-current assets (including deferred taxes) and €87 million in cash and cash equivalents, and an increase of €290 million in current assets (excluding cash and cash equivalents); non-current and current liabilities declined by €71 million.

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

Consolidation principles

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

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

In the event of deconsolidation, residual carrying amounts of capitalised goodwill are taken into account when calculating income from disposals. Changes in the ownership share which do not alter the ability to control the subsidiary are recognised without an effect on income. By contrast, if there is a change in control, the remaining shares are revalued with an effect on income.

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

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

Foreign currency translation

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

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

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

Exchange rates	Average		Year-end	
in €	2013	2012	31 Dec 2013	31 Dec 2012
1 US dollar	0.75	0.77	0.73	0.76
1 pound sterling	1.18	1.23	1.20	1.23
100 Czech korunas	3.84	3.98	3.65	3.98
100 Hungarian forints	0.34	0.35	0.34	0.34
1 Polish zloty	0.24	0.24	0.24	0.25

Accounting policies

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

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

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

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

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

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

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

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

Useful life in years	
Buildings	12 – 75
Technical plants	
Thermal power plants	10 – 43
Wind turbines	up to 20
Electricity grids	20 – 45
Water main networks	20 – 80
Gas and water storage facilities	15 – 60
Gas distribution facilities	10 – 40
Mining facilities	3 – 25
Mining developments	33 – 35
Wells in Upstream Gas & Oil	up to 28

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

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

Investment property consists of all real property held to earn rental income or for long-term capital appreciation rather than for use in production or for administrative purposes. This property is measured at depreciated cost. Transaction costs are also included in the initial measurement. Depreciable investment property is depreciated over 16 to 50 years using the straight-line method. Fair values of investment property are stated in the Notes and are determined using internationally accepted valuation methods such as the discounted cash flow method or are derived from the current market prices of comparable real estate.

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

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

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

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

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

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

Deferred taxes result from temporary differences in the carrying amount in the separate IFRS financial statements and tax bases, and from consolidation procedures. Deferred tax assets also include tax reduction claims resulting from the expected utilisation of existing loss carryforwards in subsequent years. Deferred taxes are capitalised if it is sufficiently certain that the related economic advantages can be used. Their amount is assessed with regard to the tax rates applicable or expected to be applicable in the specific country at the time of realisation. The tax regulations valid or adopted as of the balance-sheet date are key considerations in this regard. The tax rate used to calculate deferred taxes in Germany is 31.4% (previous year: 31.4%). This is derived from the prevailing 15% corporate tax rate, the solidarity surcharge of 5.5%, and the Group's average local trade tax rate. Deferred tax assets and deferred tax liabilities are netted out for each company and/or tax group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions for defined benefit plans are based on the actuarial present value of the respective obligation. This is measured using the projected unit credit method. This benefit/years-of-service method not only takes into account the pension benefits and benefit entitlements known as of the balance-sheet date, but also anticipated future increases in salaries and pension benefits. The calculation is based on actuarial reports, taking into account appropriate biometric parameters (for Germany, in particular the "Richttafeln 2005 G" by Klaus Heubeck, and Standard Table A92 and S1PA for the United Kingdom). The provision derives from the balance of the actuarial present value of the obligations and the fair value of the plan assets. The service cost is disclosed in staff costs. Net interest is included in the financial result.

Gains and losses on the revaluation of net debt or net assets are fully recognised in the fiscal year in which they occur. They are reported outside of profit or loss, as a component of other comprehensive income in the statement of comprehensive income, and are immediately assigned to retained earnings. They remain outside profit or loss in subsequent periods as well.

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

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

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

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

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

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

Other liabilities include advances and contributions in aid of construction and building connection that are carried as liabilities by the utilities and are generally amortised and included in income over the useful life of the corresponding asset.

Furthermore, certain minority interests are also included in other liabilities. Specifically, this pertains to purchase price obligations from rights to tender minority interests (put options).

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

Fair value hedges are used to hedge assets or liabilities carried on the balance sheet against the risk of a change in their fair value. The following applies: changes in the fair value of the hedging instrument and the fair value of the respective underlying transactions are recognised in the same line item in the income statement. Hedges of unrecognised firm commitments are also recognised as fair value hedges. Changes in the fair value of the firm commitments with regard to the hedged risk result in the recognition of an asset or liability with an effect on income.

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

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

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

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

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

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

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

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

Amongst other things, these assumptions and estimates relate to the accounting and measurement of provisions. With regard to non-current provisions, the discount factor to be applied is an important estimate, in addition to the amount and timing of future cash flows. The discount factor for pension obligations is determined on the basis of yields on high quality, fixed-rate corporate bonds on the financial markets as of the balance-sheet date.

The impairment test for goodwill and non-current assets is based on certain assumptions pertaining to the future, which are regularly adjusted. Property, plant and equipment is tested for indications of impairment on each cut-off date.

Power plants are grouped together as a cash-generating unit if their production capacity and fuel needs are centrally managed as part of a portfolio, and it is not possible to ascribe individual contracts and cash flows to the specific power plants.

Upon first-time consolidation of an acquired company, the identifiable assets, liabilities and contingent liabilities are recognised at fair value. Determination of the fair value is based on valuation methods which require a projection of anticipated future cash flows.

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

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

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

As of the date of preparation of the consolidated financial statements, it is not presumed that there will be any material changes compared to the assumptions and estimates.

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

RWE manages its capital structure on the basis of financial indicators. One key indicator is the "debt factor" (leverage factor), which is calculated using net debt. Net debt is calculated by adding material non-current provisions to net financial debt, and subtracting the surplus of plan assets over benefit obligations; furthermore, hybrid capital is corrected, with the result that one half of this is included in net debt. The debt factor is the ratio of net debt to EBITDA. For the year under review, this factor was 3.5 (previous year: 3.5). The debt factor is not to exceed 3.0 over the long term. With this target, we wish to maintain our financial flexibility and ensure that we can access the capital market at any time.

Setting a limit for the debt factor also has a positive effect on our credit rating. This is influenced by a number of qualitative and quantitative factors. These include aspects such as the amount of cash flows and debt as well as market conditions, competition, and the political framework. The hybrid bonds totalling €1.75 billion, US$1.0 billion, £0.75 billion and CHF0.4 billion issued since 2010 support our rating. The two leading rating agencies, Moody's and Standard & Poor's, classify one half of hybrid capital as equity. As a result, the debt indicators relevant to the rating are better than they would be if we had only issued traditional bonds.

The non-subordinated bonds issued by RWE are currently rated Baa1 by Moody's and BBB+ by Standard & Poor's, both with stable outlooks. Our rating thus remains in the investment-grade range. The credit ratings are P–2 and A–2, respectively, for short-term RWE bonds.

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved amendments of existing International Financial Reporting Standards (IFRSs) and issued new IFRSs and a new interpretation, which became effective for the RWE Group as of fiscal 2013:

IFRS 13 Fair Value Measurement (2011) defines general standards for measuring fair value. Amongst other things, counterparty risk must also be taken into account in determining fair value. Due to first-time application of IFRS 13, there was a change of –€97 million in other receivables and other assets, of –€79 million in other liabilities and of –€40 million in other comprehensive income. The Standard also expands the required information on fair values reported in the notes.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (2011) relates to the presentation of items included in the statement of comprehensive income. These items must now be divided into two categories, depending on whether they are to be recognised in the income statement in the future ("recycling") or remain in equity without an effect on profit and loss.

Amendments to IAS 19 Employee Benefits (2011) abolish options to recognise actuarial gains and losses. New regulations on considering the expected return on plan assets are also introduced. Furthermore, there was a change in the definition of benefits occasioned by the termination of employment and an expansion of the disclosure requirements in the notes. Abolishing the options has no impact on the RWE Group's consolidated financial statements, as we already recognised actuarial gains and losses directly in equity. As a result of the new regulations on income from plan assets, the anticipated income from plan assets and the interest expense on defined benefit obligations is replaced with a uniform measure of net interest result. For fiscal 2013, this resulted in a reduction of the anticipated plan returns of €96 million. Due to the amended definition of termination benefits, supplementary payments within the scope of old-age part-time employment are now classified as other long-term employee benefits which are accrued in instalments. The retroactive application of this has the following impact on the items of the consolidated balance sheet for the periods ended on 31 December 2012 and 1 January 2012.

€ million	31 Dec 2012	1 Jan 2012
Deferred taxes	–24	–24
Equity	52	52
Provisions	–76	–76

Amendments to IFRS 7 Financial Instruments: Disclosures (2011) mandate disclosure in the notes on the offsetting of financial assets and financial liabilities. The presentation of this disclosure is in the section entitled "Reporting on financial instruments".

Furthermore, starting from fiscal 2013, RWE has voluntarily applied an **amendment to IAS 36 Impairment of Assets.** This Standard changes the disclosure requirements in the notes on determining fair value less costs to sell within the framework of impairment tests for non-financial assets. These disclosures are found in the sections "Depreciation, amortisation and impairment losses" and "Intangible assets".

The following amendments to standards and interpretations becoming effective from fiscal 2013 onwards have no material effects on the RWE Group's consolidated financial statements:

- Annual Improvements to International Financial Reporting Standards, Cycle 2009–2011 (2012)
- Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards (2012): Government Loans
- IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (2012)
- Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards (2010): Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- Amendments to IAS 12 Income Taxes (2010): Deferred Taxes: Recovery of Underlying Assets

New accounting policies

The IASB has adopted further standards and amendments to standards, which were not yet mandatory in the European Union (EU) in fiscal 2013. The most important changes are presented below. EU endorsement is still pending in some cases.

IFRS 9 Financial Instruments (2011) replaces the previous regulations of IAS 39 for the classification and measurement of financial assets and contains minor changes in relation to the measurement of financial liabilities. With the new Standard, there is a decline in the number of measurement categories for financial assets. The mandatory effective date has not yet been determined. The effects of IFRS 9 (2011) on the RWE Group's consolidated financial statements are being reviewed.

IFRS 9 Financial Instruments (2013) replaces the previous regulations of IAS 39 on the treatment of hedge accounting. The new regulations are intended to improve the presentation of risk management activities in the consolidated financial statements. For this, amongst other things, IFRS 9 (2013) expands the scope of underlying transactions eligible for hedge accounting and facilitates the effectiveness testing. The mandatory effective date has not yet been determined. The effects of IFRS 9 (2013) on the RWE Group's consolidated financial statements are being reviewed.

IFRS 10 Consolidated Financial Statements (2011) replaces the previous regulations of IAS 27 and of SIC-12 for consolidation. According to IFRS 10 (2011), the following three requirements must be cumulatively fulfilled in order for control to exist: power over the relevant activities, a right to variable returns from the investee, and the ability to use power over the investee to affect the amount of the variable returns. IFRS 10 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2014. First-time application of the Standard will not result in any changes to the scope of consolidation of RWE AG.

IFRS 11 Joint Arrangements (2011) replaces the previous regulations of IAS 31 and of SIC-13 for the accounting treatment of joint ventures. IFRS 11 (2011) regulates the accounting treatment of cases in which a company is managed jointly or an activity is carried out jointly. A further amendment is that in the future proportionate consolidation will no longer be allowed. RWE had not exercised this option in the past anyway. IFRS 11 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2014. As a result of first-time application of the new Standard, starting from fiscal 2014 investments which have so far been accounted for using the equity method will be reported as joint operations. In the future, reporting will no longer cover the investments and related balance-sheet items, but rather the assets and liabilities of the companies which are attributable to RWE. Essentially, this is expected to lead to an increase in property, plant and equipment, a reduction in investments accounted for using the equity method and financial receivables as well as to an increase in the RWE Group's long-term debt. We do not expect any changes in business results.

IFRS 12 Disclosure of Interests in Other Entities (2011) encompasses the disclosure obligations resulting from the application of IFRS 10, IFRS 11 and IAS 28. These disclosure obligations should enable users of financial statements to evaluate the risks and financial implications resulting from subsidiaries, joint ventures and joint operations, associated companies and unconsolidated structured entities. IFRS 12 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2014. RWE AG's consolidated financial statements for the period ending 31 December 2014 will contain the additional information for the first time.

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

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (2013)
- Annual Improvements to IFRSs 2010-2012 Cycle (2013)
- Annual Improvements to IFRSs 2011-2013 Cycle (2013)
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (2013)
- IFRIC Interpretation 21 Levies (2013)
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (2012)
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interest in Other Entities: Transition Guidance (2012)
- Amendments to IAS 32 Financial Instruments: Presentation (2011)
- IAS 27 Separate Financial Statements (2011)
- IAS 28 Investments in Associates and Joint Ventures (2011)

Notes to the Income Statement

(1) Revenue

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

To improve the presentation of business development, we report revenue generated by energy trading operations as net figures, reflecting realised gross margins. By contrast, we report electricity, gas, coal and oil transactions that are subject to physical settlement on a gross basis. Energy trading revenue is generated by the segment Trading/Gas Midstream. In fiscal 2013, gross revenue (including energy trading) totalled €110,660 million (previous year: €125,137 million).

A breakdown of revenue by division and geographical region is contained in the segment reporting on page 193 et seq. Revenue decreased by a net total of €456 million as a result of first-time consolidations and deconsolidations.

RWE did not generate more than 10% of revenues with any single customer in the year under review or the previous year.

The item natural gas tax/electricity tax comprises the taxes paid directly by Group companies.

(2) Other operating income

Other operating income € million	2013	2012
Income from own work capitalised	198	212
Income from changes in finished goods and work in progress	77	46
Release of provisions	379	373
Cost allocations/refunds	94	6
Disposal and write-back of current assets excluding marketable securities	47	67
Disposal and write-back of non-current assets including income from deconsolidation	614	452
Income from derivative financial instruments	196	44
Compensation for damage/insurance benefits	55	22
Rent and lease	25	29
Miscellaneous	506	616
	2,191	**1,867**

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

(3) Cost of materials

Cost of materials € million	2013	2012
Cost of raw materials and of goods for resale	24,473	24,709
Cost of purchased services	11,635	9,787
	36,108	**34,496**

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

Cost of materials in exploration activities amounted to €120 million in the reporting period (previous year: €66 million).

A total of €56,590 million in energy trading revenue (previous year: €71,910 million) was netted out against cost of materials. Changes in the scope of consolidation resulted in a decline of €200 million in the cost of materials.

(4) Staff costs

Staff costs € million	2013	2012
Wages and salaries	4,174	4,315
Cost of social security, pensions and other benefits	1,103	1,003
	5,277	**5,318**

Number of employees	2013	2012
Employees covered by collective agreements and other employees	52,057	54,945
Employees not covered by collective agreements	15,847	16,474
	67,904	**71,419**

The number of employees is arrived at by conversion to full-time positions, meaning that part-time and fixed-term employment relationships are included in accordance with the ratio of the part-time work or the duration of the employment to the annual employment time. On average, 2,483 trainees were employed (previous year: 2,619). Trainees are not included in the personnel headcount.

A decrease of €15 million in staff costs is attributable to changes in the scope of consolidation.

(5) Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses € million	2013	2012
Intangible assets	2,272	1,149
Property, plant and equipment	5,338	3,915
Investment property	9	7
	7,619	**5,071**

In respect of amortisation on intangible assets, €58 million (previous year: €153 million) pertained to customer bases of acquired enterprises. Exploration activities resulted in depreciation, amortisation and impairment losses of €21 million on property, plant and equipment and intangible assets (previous year: €14 million).

Changes in the scope of consolidation reduced depreciation, amortisation and impairments losses by €27 million.

Impairments € million	2013	2012
Intangible assets	1,959	673
Property, plant and equipment	2,852	1,423
Investment property	3	1
	4,814	**2,097**

Of the impairment losses on intangible assets during the reporting period, €1,404 million pertained to the goodwill of the Conventional Power Generation Segment.

Impairments on operating rights in the Renewables Segment amounted to €92 million (recoverable amount: €0.2 billion), mainly due to the future loss of feed-in compensation for onshore wind farms in the Netherlands.

Impairment losses relating to the Dutch power plant portfolio in the Conventional Power Generation Segment amounted to €2,311 million (of which €2,307 million pertained to property, plant and equipment and €4 million to intangible assets); this was mainly due to the current assessment of the medium to long-term development of electricity prices, the regulatory environment, and the lower utilisation of parts of the fossil-fuelled power plant portfolio (recoverable amount: €1.3 billion). For the same reason, a long-term electricity purchase contract in the Conventional Power Generation Segment was almost completely impaired in the amount of €76 million.

Impairment losses of €216 million (of which €172 million pertained to property, plant and equipment and €44 million to intangible assets) were recorded on gas storage facilities in the Supply/Distribution Networks Germany Segment (recoverable amount: €0.2 billion), mainly due to changes in price expectations.

An impairment of €260 million was recognised on a German offshore wind farm in the Renewables Segment (of this €185 million pertained to property, plant and equipment and €75 million to operating rights reported under intangible assets; recoverable amount: €0.5 billion), mainly due to delays in network connection and increased investment costs.

An impairment of €270 million was recognised on Spanish onshore wind farms in the Renewables Segment (of this €48 million pertained to property, plant and equipment and €222 million to operating rights reported under intangible assets; recoverable amount: €0.2 billion), mainly due to the deterioration of the regulatory environment in Spain.

During the previous year, €1,738 million of the impairment losses (of which €1,264 million pertained to property, plant and equipment and €474 million to intangible assets) related to the Dutch power plant portfolio in the Conventional Power Generation Segment (recoverable amount: €3.1 billion), mainly due to changes in electricity price expectations. For the same reason, in the Conventional Power Generation Segment, an impairment of €139 million was also recorded on a long-term electricity purchase contract (recoverable amount: €0.1 billion).

Recoverable amounts are determined on the basis of fair values less costs to sell using valuation models based on planned cash flows. Valuation of the Dutch power plant portfolio was based on a discount rate of 5.25% (previous year: 5.5%), with discount rates ranging from 4.5% to 7.5% (previous year: 5.4% to 7.5%) used for the other valuation models. Our key planning assumptions relate to the development of wholesale prices of electricity, crude oil, natural gas, coal and CO_2 emission allowances, retail prices of electricity and gas, market shares and regulatory framework conditions. Based on the use of internal planning assumptions, the determined fair values are assigned to Level 3 of the fair value hierarchy.

(6) Other operating expenses

Other operating expenses € million	2013	2012
Maintenance and renewal obligations	830	829
Additions to provisions	104	203
Concessions, licenses and other contractual obligations	498	515
Structural and adaptation measures	707	375
Legal and other consulting and data processing services	325	265
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	303	280
Disposal of non-current assets including expenses from deconsolidation	111	93
Insurance, commissions, freight and similar distribution costs	272	262
General administration	177	219
Advertising	178	229
Expenses from derivative financial instruments	93	4
Lease payments for plant and grids as well as rents	174	182
Postage and monetary transactions	73	88
Fees and membership dues	109	109
Exchange rate losses	20	25
Other taxes (primarily on property)	113	79
Miscellaneous	365	151
	4,452	**3,908**

Exploration activities resulted in other operating expenses of €84 million (previous year: €46 million).

(7) Income from investments

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

Income from investments € million	2013	2012
Income from investments accounted for using the equity method	**384**	**261**
of which: amortisation / impairment losses / write-backs on investments accounted for using the equity method	(–52)	(–272)
Income from non-consolidated subsidiaries	1	5
of which: amortisation / impairment losses on non-consolidated subsidiaries	(–7)	(–2)
Income from other investments	25	23
of which: impairment of shares in other investments	(–11)	(–17)
Income from the disposal of investments	35	154
Expenses from the disposal of investments	181	5
Income from loans to investments	39	69
Expenses from loans to investments	25	30
Other income from investments	**–106**	**216**
	278	**477**

Expenses from loans to investments relate exclusively to impairment losses.

Of the impairments on investments accounted for using the equity method, €50 million (previous year: €41 million) pertained to a foreign investment in the segment Supply/Distribution Networks Germany, due to deterioration in business results. Furthermore, during the previous year, an impairment of €107 million was recognised on a foreign investment accounted for using the equity method in the segment Renewables due to delays in project development, an impairment of €46 million was recognised on power plant investments in the Netherlands accounted for using the equity method and €65 million on the stake in RWE-Veolia Berlinwasser Beteiligungs GmbH which was sold.

(8) Financial result

Financial result € million	2013	2012
Interest and similar income	319	413
Other financial income	510	357
Financial income	**829**	**770**
Interest and similar expenses	1,073	1,249
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	232	196
Provisions for nuclear waste management as well as to mining provisions	637	612
Other provisions	104	400
Other finance costs	676	405
Finance costs	**2,722**	**2,862**
	–1,893	**–2,092**

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

Interest accretion to provisions contains the annual amounts of accrued interest. It is reduced by the projected income on plan assets for the coverage of pension obligations.

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

In the year under review, €68 million in borrowing costs were capitalised as costs in connection with the acquisition, construction or production of qualifying assets (previous year: €86 million). The underlying capitalisation rate ranged from 5% to 5.25% (previous year: from 5.10% to 5.25%).

Net interest € million	2013	2012
Interest and similar income	319	413
Interest and similar expenses	1,073	1,249
	–754	**–836**

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

Interest result by category € million	2013	2012
Loans and receivables	252	335
Financial assets available for sale	66	78
Financial liabilities carried at (amortised) cost	–1,072	–1,249
	–754	**–836**

Other financial income includes €44 million in gains realised from the disposal of marketable securities (previous year: €81 million). Of the other finance costs, €0 million (previous year: €14 million) stems from write-downs of marketable securities due to decreases in their fair value, and €5 million (previous year: €10 million) from realised losses on the disposal of marketable securities.

(9) Taxes on income

Taxes on income € million	2013	2012
Current taxes on income	856	867
Deferred taxes	100	–341
	956	**526**

Of the deferred taxes, –€7 million is related to temporary differences (previous year: –€59 million). The write-down on deferred tax assets resulted in an expense of €978 million, mainly in the Conventional Power Generation Segment.

Current taxes on income contain –€50 million in net tax expenses (previous year: income of €39 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were reduced by €9 million (previous year: €9 million). Expenses from deferred taxes declined by €24 million (previous year: €0 million), due to reassessments of and previously unrecognised tax carryforwards.

Changes in the scope of consolidation decreased income taxes by €37 million.

Income taxes recognised in other comprehensive income € million	2013	2012
Fair valuation of financial instruments available for sale	5	–21
Fair valuation of financial instruments used for hedging purposes	56	93
Actuarial gains and losses of defined benefit pension plans and similar obligations	–221	956
	–160	**1,028**

Taxes in the amount of €40 million (previous year: €38 million) were offset directly against equity in relation to hybrid capital reported as equity and the equity capital measures taken during the previous year.

Tax reconciliation € million	2013	2012
Income before tax	**–1,487**	**2,230**
Theoretical tax expense	**–467**	**700**
Differences to foreign tax rates	–126	215
Tax effects on		
Tax-free domestic dividends	–75	–85
Tax-free foreign dividends	–21	–40
Other tax-free income	–4	–198
Expenses not deductible for tax purposes	98	95
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	–10	55
Unutilisable loss carryforwards, utilisation of unrecognised loss carryforwards, write-downs on loss carryforwards, recognition of loss carryforwards	409	79
Income on the disposal of investments	–13	–73
Changes in domestic tax rates		–4
Changes in foreign tax rates	–36	–32
Write-downs/impairments of deferred taxes in the Conventional Power Generation Segment which have no effect on taxes during the reporting period	1,181	
Other	20	–186
Effective tax expense	**956**	**526**
Effective tax rate in %	–64.3	23.6

Notes to the Balance Sheet

(10) Intangible assets

Intangible assets € million	Development costs	Concessions, patent rights, licences and similar rights	Customer relationships and similar assets	Goodwill	Prepayments	Total
Cost						
Balance at 1 Jan 2013	732	3,932	2,990	13,551	1	21,206
Additions/disposals due to changes in the scope of consolidation	−7	−52	1	−557		−615
Additions	112	142			11	265
Transfers	1	1			−1	1
Currency translation adjustments	−11	−22	−53	−210		−296
Disposals		292		1,410		1,702
Balance at 31 Dec 2013	827	3,709	2,938	11,374	11	18,859
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2013	368	2,131	2,684	6		5,189
Additions/disposals due to changes in the scope of consolidation	−7	−45				−52
Amortisation/impairment losses in the reporting period	95	715	58	1,404		2,272
Transfers		1				1
Currency translation adjustments	−5	−12	−54			−71
Disposals		265		1,410		1,675
Additions		3				3
Balance at 31 Dec 2013	451	2,522	2,688			5,661
Carrying amounts						
Balance at 31 Dec 2013	376	1,187	250	11,374	11	13,198
Cost						
Balance at 1 Jan 2012	513	4,082	2,939	13,599	25	21,158
Additions/disposals due to changes in the scope of consolidation	−19	−21	−3	−169	−22	−234
Additions	96	124			1	221
Transfers	154	−103			−3	48
Currency translation adjustments	7	26	57	121		211
Disposals	19	176	3			198
Balance at 31 Dec 2012	732	3,932	2,990	13,551	1	21,206
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2012	287	1,439	2,480	6		4,212
Additions/disposals due to changes in the scope of consolidation	−19	−42	−1			−62
Amortisation/impairment losses in the reporting period	100	896	153			1,149
Transfers						
Currency translation adjustments	4	9	55			68
Disposals	4	171	3			178
Balance at 31 Dec 2012	368	2,131	2,684	6		5,189
Carrying amounts						
Balance at 31 Dec 2012	364	1,801	306	13,545	1	16,017

In the reporting period, the RWE Group's total expenditures on research and development amounted to €151 million (previous year: €150 million). Development costs of €113 million were capitalised (previous year: €250 million).

As of the balance-sheet date, the carrying amount of intangible assets related to exploration activities was €300 million (previous year: €268 million).

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2013	31 Dec 2012
Conventional Power Generation		1,440
Supply/Distribution Networks Germany	3,356	3,486
Supply Netherlands/Belgium	2,682	2,682
Supply United Kingdom	2,120	2,226
Central Eastern and South Eastern Europe	1,422	1,910
Renewables	763	770
Upstream Gas & Oil	25	25
Trading/Gas Midstream	1,006	1,006
	11.374	**13.545**

In the year under review, goodwill decreased by €557 million due to disposals (previous year: €169 million). In the segment Supply/Distribution Networks Germany, changes in current redemption liabilities from put options resulted in a decline in goodwill without an effect on income; these are included in disposals in the amount of €132 million (previous year: €159 million).

With effect from 1 January 2013, we pooled nearly all of our fossil-fuelled and nuclear electricity generation in the new segment Conventional Power Generation. In doing so, goodwill of €904 million from the segment Supply United Kingdom and goodwill of €132 million from the segment Central Eastern and South Eastern Europe was transferred to the new segment.

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

Fair value is assessed from an external perspective and value in use from a company-internal perspective. Values are determined using a business valuation model, based on planned future cash flows. These cash flows, in turn, are based on the business plan, as approved by the Executive Board and valid at the time of the impairment test. They pertain to a detailed planning period of up to five years. In certain justifiable cases, a longer detailed planning period is taken as a basis, insofar as it is necessary due to economic or regulatory conditions. The cash flow plans are based on experience as well as on expected market trends in the future. If available, market transactions in the same sector or third-party valuations are taken as a basis for determining fair value. Based on the use of internal planning assumptions, the determined fair values are assigned to Level 3 of the fair value hierarchy.

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

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

The discount rates used for business valuations are determined on the basis of market data. With regard to cash-generating units, during the period under review they ranged from 7.5% to 16.6% before tax (previous year: 7.7% to 18.8%) and from 5.25% to 8.75% after tax (previous year: 5.75% to 8.75%).

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

Due to the current assessment of the medium to long-term development of electricity prices, the regulatory environment, and the lower utilisation of parts of the fossil-fuelled power plant portfolio, it was necessary to carry out an impairment test on the goodwill of the Conventional Power Generation Segment in the fourth quarter of 2013. Based on the fair value less costs to sell, the recoverable amount of the Segment was determined to be €3.8 billion, leading to an impairment of €1,404 million on the Segment's goodwill. The calculations were based on a discount rate of 7.5% before taxes and 5.25% after taxes.

As of the balance-sheet date, the recoverable amounts of the remaining segments were higher than the carrying amounts of the cash-generating units. These surpluses react especially sensitively to changes in the discount rate, the growth rate and the operating result after taxes in terminal value.

At €1.2 billion, the Renewables Segment exhibited the smallest surplus of recoverable amount over carrying amount. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 0.9 percentage points to above 6.9%, a growth rate decreased by more than 1.6 percentage points to below –0.6%, or an after-tax operating result reduced by more than €105 million in terminal value.

(11) Property, plant and equipment

Property, plant and equipment € million	Land, land rights and buildings incl. buildings on third-party land	Technical plant and machinery	Other equipment, factory and office equipment	Prepayments	Plants under construction	Total
Cost						
Balance at 1 Jan 2013	7,361	69,772	1,970	2,531	6,083	87,717
Additions/disposals due to changes in the scope of consolidation	−77	−2,439	−35		−8	−2,559
Additions	113	1,598	126	320	2,310	4,467
Transfers	39	1,808	26	−28	−1,853	−8
Currency translation adjustments	−46	−780	−15	−2	−117	−960
Disposals	64	685	134	1	54	938
Balance at 31 Dec 2013	7,326	69,274	1,938	2,820	6,361	87,719
Accumulated depreciation/impairment losses						
Balance at 1 Jan 2013	3,699	45,819	1,436		757	51,711
Additions/disposals due to changes in the scope of consolidation	−37	−1,446	−32			−1,515
Depreciation/impairment losses in the reporting period	236	3,470	163		1,481	5,350
Transfers	−9	55	3		−54	−5
Currency translation adjustments	−16	−373	−10			−399
Disposals	28	556	119			703
Write-backs	25					25
Balance at 31 Dec 2013	3,820	46,969	1,441		2,184	54,414
Carrying amounts						
Balance at 31 Dec 2013	3,506	22,305	497	2,820	4,177	33,305

Cost						
Balance at 1 Jan 2012	7,127	63,434	2,079	2,048	9,301	83,989
Additions/disposals due to changes in the scope of consolidation	−64	−253	−57		36	−338
Additions	166	1,594	142	522	2,616	5,040
Transfers	171	5,572	23	−41	−5,792	−67
Currency translation adjustments	74	462	16	2	48	602
Disposals	113	1,037	233		126	1,509
Balance at 31 Dec 2012	7,361	69,772	1,970	2,531	6,083	87,717
Accumulated depreciation/impairment losses						
Balance at 1 Jan 2012	3,579	44,042	1,444		77	49,142
Additions/disposals due to changes in the scope of consolidation	−42	−271	−29		3	−339
Depreciation/impairment losses in the reporting period	180	2,835	181		719	3,915
Transfers	−3	12			−13	−4
Currency translation adjustments	32	231	9			272
Disposals	43	1,022	169		24	1,258
Write-backs	4	8			5	17
Balance at 31 Dec 2012	3,699	45,819	1,436		757	51,711
Carrying amounts						
Balance at 31 Dec 2012	3,662	23,953	534	2,531	5,326	36,006

The carrying amount of property, plant, and equipment for exploration activities was €262 million (previous year: €309 million).

Property, plant and equipment in the amount of €94 million (previous year: €121 million) were subject to restrictions from land charges or chattel mortgages. Of the total carrying amount of property, plant and equipment, €257 million (previous year: €222 million) was attributable to assets leased under finance leases. These assets consist of technical plant and equipment. Disposals of property, plant and equipment resulted from sale or decommissioning.

(12) Investment property

Investment property € million	
Cost	
Balance at 1 Jan 2013	306
Additions	1
Transfers	8
Disposals	22
Balance at 31 Dec 2013	293
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2013	195
Depreciation/impairment losses in the reporting period	9
Transfers	5
Disposals	12
Balance at 31 Dec 2013	197
Carrying amounts	
Balance at 31 Dec 2013	96

Investment property € million	
Cost	
Balance at 1 Jan 2012	341
Additions	
Transfers	5
Disposals	40
Balance at 31 Dec 2012	306
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2012	205
Depreciation/impairment losses in the reporting period	7
Transfers	4
Disposals	21
Balance at 31 Dec 2012	195
Carrying amounts	
Balance at 31 Dec 2012	111

As of 31 December 2013, the fair value of investment property amounted to €184 million (previous year: €204 million), of which €137 million is assigned to Level 2 and €47 million is assigned to Level 3 of the fair value hierarchy. Of the fair value, €53 million (previous year: €60 million) is based on valuations by independent appraisers. Of the carrying amount of investment property, €7 million (previous year: €7 million) is attributable to assets leased under finance leases. Rental income in the reporting period amounted to €17 million (previous year: €19 million). Direct operating expenses totalled €10 million (previous year: €10 million).

(13) Investments accounted for using the equity method

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

Investments accounted for using the equity method	31 Dec 2013		31 Dec 2012	
€ million	Total	Of which: joint ventures	Total	Of which: joint ventures
Equity				
Assets	26,445	7,079	26,499	7,993
Liabilities	17,133	3,706	18,896	6,395
	9,312	**3,373**	**7,603**	**1,598**
Adjustment to RWE interest and equity method	−5,058	−1,738	−3,978	−863
	4,254	**1,635**	**3,625**	**735**

Income from investments accounted for using the equity method	2013		2012	
€ million	Total	Of which: joint ventures	Total	Of which: joint ventures
Revenue	31,414	3,855	22,994	3,329
Income	1,265	373	1,114	338
Adjustment to RWE interest and equity valuation	–881	–187	–853	–307
	384	**186**	**261**	**31**

As of 31 December 2013, the fair value of investments accounted for using the equity method for which quoted market prices exist amounted to €4 million (previous year: €3 million).

In respect of joint ventures, €5,824 million of assets (previous year: €7,211 million) and €2,866 million of liabilities (previous year: €5,511 million) were non-current.

As of the balance-sheet date, there were the following receivables and liabilities from associates and joint ventures:

Associates and joint ventures € million	31 Dec 2013	31 Dec 2012
Financial receivables	457	1,860
Trade accounts receivable	458	466
Financial liabilities	199	206
Trade accounts payable	235	265

(14) Other non-current financial assets

Other non-current financial assets € million	31 Dec 2013	31 Dec 2012
Non-consolidated subsidiaries	126	121
Other investments	342	395
Non-current securities	416	443
	884	**959**

Non-current securities primarily consist of fixed-interest marketable securities and shares of listed companies. Long-term securities amounting to €299 million and €15 million (previous year: €298 million and €20 million) were deposited in a trust account for RWE AG and its subsidiaries, in order to cover credit balances stemming from the block model for pre-retirement part-time work, pursuant to Sec. 8a of the Pre-Retirement Part-Time Work Act (AltTZG) and from the management of long-term working hours accounts pursuant to Sec. 7e of the German Code of Social Law (SGB IV), respectively. This coverage applies to the employees of RWE AG as well as to the employees of Group companies.

(15) Financial receivables

Financial receivables € million	31 Dec 2013 Non-current	 Current	31 Dec 2012 Non-current	 Current
Loans to non-consolidated subsidiaries and investments	269	69	1,210	96
Collateral for trading activities		591		841
Other financial receivables				
Accrued interest		85		97
Miscellaneous other financial receivables	237	243	251	703
	506	**988**	**1,461**	**1,737**

Companies of the RWE Group deposited collateral for the trading activities stated above for exchange-based and over-the-counter transactions. These are to guarantee that the obligations from the transactions are discharged even if the development of prices is not favourable for RWE. Regular replacement of the deposited collateral depends on the contractually agreed thresholds, above which collateral must be provided for the market value of the trading activities.

(16) Other receivables and other assets

Other receivables and other assets € million	31 Dec 2013 Non-current	 Current	31 Dec 2012 Non-current	 Current
Derivatives	857	2,755	1,215	3,353
Surplus of plan assets over benefit obligations			36	
Prepayments for items other than inventories		234		830
CO_2 emission allowances		1,448		547
Miscellaneous other assets	214	1,724	268	1,771
	1,071	**6,161**	**1,519**	**6,501**
of which: financial assets	(887)	(3,261)	(1,298)	(3,852)
of which: non-financial assets	(184)	(2,900)	(221)	(2,649)

The financial instruments reported under miscellaneous other assets are measured at amortised cost. Derivative financial instruments are stated at fair value.

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

Changes in the scope of consolidation decreased other receivables and other assets by €15 million.

(17) Deferred taxes

Deferred tax assets and liabilities principally stem from the fact that measurements in the IFRS statements differ from those in the tax bases. €1,960 million and €1,658 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €2,339 million and €1,930 million).

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

Deferred taxes[1] € million	31 Dec 2013		31 Dec 2012	
	Assets	Liabilities	Assets	Liabilities
Non-current assets	585	2,681	814	2,718
Current assets	280	1,317	414	1,613
Exceptional tax items		372		187
Non-current liabilities				
Provisions for pensions	1,556	2	1,696	7
Other non-current provisions	2,195	22	1,760	113
Current liabilities	1,680	341	1,925	317
	6,296	**4,735**	**6,609**	**4,955**
Tax loss carryforwards				
Corporate income tax (or comparable foreign income tax)	429		591	
Trade tax	56		12	
Gross total	**6,781**	**4,735**	**7,212**	**4,955**
Netting	−3,523	−3,523	−3,632	−3,632
Net total	**3,258**	**1,212**	**3,580**	**1,323**

1 Prior-year figures adjusted due to first-time application of the revised IAS 19.

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

It is sufficiently certain that these tax carryforwards will be realised. At the end of the reporting period, corporate income tax loss carryforwards and trade tax loss carryforwards for which no deferred tax claims have been recognised amounted to €2,855 million and €189 million, respectively (previous year: €1,274 million and €353 million). Of these income tax loss carryforwards, €2,367 million apply to the following nine years.

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

In the year under review, deferred tax income of –€43 million arising from the currency translation of foreign financial statements was offset against equity (previous year: €29 million).

(18) Inventories

Inventories € million	31 Dec 2013	31 Dec 2012
Raw materials, incl. nuclear fuel assemblies and earth excavated for lignite mining	1,599	1,588
Work in progress – goods/services	205	164
Finished goods and goods for resale	490	1,259
Prepayments	66	117
	2,360	**3,128**

Inventories of €3 million were subject to restrictions on disposal; there were no further obligations.

The carrying amount of inventories acquired for resale purposes was €91 million (previous year: €201 million).

The valuations are based on prices which can be observed directly or indirectly (Level 2 of the fair value hierarchy).

Liabilities of €19 million (previous year: €20 million) were related to exploration activities.

(19) Trade accounts receivable

Trade accounts receivable increased by €25 million due to changes in the scope of consolidation.

(20) Marketable securities

Of the current marketable securities, €2,177 million were fixed-interest marketable securities (previous year: €2,075 million) with a maturity of more than three months from the date of acquisition, and €614 million were stocks and profit-participation certificates (previous year: €529 million). Marketable securities are stated at fair value. As of 31 December 2013, the average return on fixed-interest securities was 1.2 % (previous year: 1.2 %). Securities in the amount of €540 million (previous year: €541 million) were deposited with clearing banks as collateral. Regular replacement of the deposited collateral depends on the contractually agreed thresholds, above which collateral must be provided for the market value of the trading activities.

(21) Cash and cash equivalents

Cash and cash equivalents € million	31 Dec 2013	31 Dec 2012
Cash and demand deposits	3,672	2,433
Marketable securities and other cash investments (maturity less than three months from the date of acquisition)	233	239
	3,905	**2,672**

RWE keeps demand deposits exclusively for short-term cash positions. For cash investments, banks are selected on the basis of various creditworthiness criteria. Examples of such criteria include their rating from one of the three renowned rating agencies – Moody's, Standard & Poor's and Fitch – their equity capital and the prices for credit default swaps. As in the previous year, interest rates on cash and cash equivalents were at market levels in 2013.

(22) Equity

A breakdown of equity is shown on page 140. The subscribed capital of RWE AG is structured as follows:

Subscribed capital	31 Dec 2013 Number of shares		31 Dec 2012 Number of shares		31 Dec 2013 Carrying amount	31 Dec 2012 Carrying amount
	in '000	in %	in '000	in %	€ million	€ million
Common shares	575,745	93.7	575,745	93.7	1,474	1,474
Preferred shares	39,000	6.3	39,000	6.3	100	100
	614,745	**100.0**	**614,745**	**100.0**	**1,574**	**1,574**

Common and preferred shares are no-par-value bearer share certificates. Preferred shares have no voting rights. Under certain conditions, preferred shares are entitled to payment of a preference dividend of €0.13 per share, upon allocation of the company's profits.

Pursuant to a resolution passed by the Annual General Meeting on 22 April 2009, the Executive Board was authorised to issue option or convertible bonds until 21 April 2014. The total nominal value of the bonds is limited to €6,000 million. Shareholders' subscription rights may be excluded under certain conditions. In order to redeem the bonds, the Annual General Meeting decided to establish €143,975,680 in conditional capital. This is equivalent to 56,240,500 bearer common shares. In this regard, since the shares issued from the approved capital as part of a cash capital increase conducted in 2011 are netted against this, this authorisation has already been used for the most part in relation to cash capital increase measures with an exclusion of subscription rights.

No treasury shares were held as of 31 December 2013.

In fiscal 2013, RWE AG purchased 462,060 RWE common shares at an average purchase price of €26.53 per share on the capital market. This is equivalent to €1,182,873.60 of the capital stock (0.08% of subscribed capital). Within the framework of the employee share scheme for capital formation, employees of RWE AG and its subsidiaries received a total of 452,095 shares (at an average price of €26.42 per share) and 9,965 shares for service anniversaries (at an average price of €24.75 per share). This generated total proceeds of €12,192,882.35. The differences compared to the purchase price were offset against available retained earnings.

Pursuant to IAS 32, the hybrid bonds issued by Group companies must be classified as equity.

Hybrid bonds Issuer	Nominal value	First call date	Coupon in % p.a.[1]
RWE AG	€1,750 million	2015	4.625
RWE AG	£750 million	2019	7.0

1 Until the first call date.

Proceeds from the bond issue were reduced by the capital procurement costs and added to equity, taking account of taxes. Interest payments to bondholders will be booked directly against equity, after deduction of taxes. Such payments can be deferred by the company; under certain circumstances, however, they must be made up again, for example if the Executive Board and Supervisory Board propose to the Annual General meeting that a dividend be paid.

During the year under review, transaction costs of €0 million (previous year: €9 million) were recognised as a deduction from equity.

Accumulated other comprehensive income reflects changes in the fair values of financial instruments available for sale, cash flow hedges and hedges of the net investment in foreign operations, as well as changes stemming from foreign currency translation adjustments from foreign financial statements.

As of 31 December 2013, the share of accumulated other comprehensive income attributable to investments accounting for using the equity method amounted to –€13 million (previous year: –€68 million).

During the reporting year, €111 million in differences from currency translation (previous year: €0 million) which had originally been recognised without an effect on income were realised as income. Income and expenses of investments accounted for using the equity method which had previously been recognised pro rata without an effect on income were realised in the amount of €33 million as expenses (previous year: €0 million) during the year under review.

Dividend proposal

We propose to the Annual General Meeting that RWE AG's distributable profit for fiscal 2013 be appropriated as follows:

Distribution of a dividend of €1.00 per individual dividend-bearing share:

Dividend	€614,745,499.00
Profit carryforward	€90,657.63
Distributable profit	€614,836,156.63

Based on a resolution of RWE AG's Annual General Meeting on 18 April 2013, the dividend for fiscal 2012 amounted to €2.00 per dividend-bearing common and preferred share. The dividend payment to shareholders of RWE AG amounted to €1,229 million.

Minority interest

The share ownership of third parties in Group entities is presented in this item.

The income and expenses recognised directly in equity (other comprehensive income - OCI) include the following minority interests:

Minority interest in OCI € million	2013	2012
Actuarial gains and losses of defined benefit pension plans and similar obligations	55	–89
Income and expenses recognised directly in equity, not to be reclassified through profit or loss	**55**	**–89**
Currency translation adjustment	–66	47
Fair valuation of financial instruments available for sale	9	16
Income and expenses recognised directly in equity, to be reclassified through profit or loss in the future	**–57**	**63**
	–2	**–26**

(23) Share-based payment

For the executives of RWE AG and subordinate affiliates, there is a groupwide share-based payment system known as Beat 2010. The expenses associated with these are borne by the Group companies which employ the persons holding notional stocks.

	Beat 2010			
	2010 tranche Waiting period: 4 years	2011 tranche Waiting period: 4 years	2012 tranche Waiting period: 4 years	2013 tranche Waiting period: 4 years
Grant date	1 Jan 2010	1 Jan 2011	1 Jan 2012	1 Jan 2013
Number of conditionally granted performance shares	1,059,467	2,621,542	6,942,033	5,355,398
Term	Five years	Five years	Five years	Five years
Pay-out conditions	Possible pay-out on three exercise dates (valuation dates: Dec 31 of the fourth year, June 30 and Dec 31 of the fifth year) if – as of the valuation date – an outperformance compared to at least 25% of the peer group of the STOXX Europe 600 Utilities Index has been achieved, measured in terms of their index weighting as of the issue of the tranche. Measurement of outperformance is carried out using Total Shareholder Return, which takes into account both the development of the share price together with reinvested dividends. Automatic pay-out occurs on the third valuation date; the number of performance shares available for pay-out can be freely chosen on the first and second valuation date.			
Determination of payment	1. Determination of the index weighting of the peer group companies which exhibit a lower Total Shareholder Return than RWE at the valuation date. 2. The total number of performance shares which can be paid out is determined on the basis of a linear payment curve. If the index weighting of 25% is outperformed, 7.5% of the conditionally-granted performance shares can be paid out. Another 1.5% of the performance shares granted can be paid out for each further percentage point above and beyond the index weighting of 25%. 3. Payment corresponds to the number of payable performance shares valued at the average RWE share price during the last 60 exchange trading days prior to the valuation date. The payment for each performance share is limited to twice the value of each performance share as of the grant date.			
Change in corporate control/merger	▪ If during the waiting period there is a change in corporate control, a compensatory payment is made. This is calculated by multiplying the price paid in the acquisition of the RWE shares by the final number of performance shares which have not been used. The latter shall be determined as per the plan conditions with regard to the time when the bid for corporate control is submitted. ▪ In the event of merger of RWE AG with another company, the performance shares shall expire and a compensatory payment shall be made. First, the fair value of the performance shares as of the time of merger shall be calculated. This fair value is then multiplied by the number of performance shares granted, reduced pro-rata. The reduction factor is calculated as the ratio of the time from the beginning of the total waiting period until the merger takes place to the entire waiting period of the programme, multiplied by the ratio of the performance shares not yet used as of the time of the merger to the total number of performance shares granted at the beginning of the programme.			
Personal investment	As a prerequisite for participation, plan participants must demonstrably invest one sixth of the gross grant value of the performance shares before taxes in RWE common shares and hold such investment until expiration of the waiting period of the tranche in question.			
Form of settlement	Cash settlement			

The fair value of the performance shares conditionally granted in the Beat programme amounted to €8.09 as of the grant date for the 2013 tranche, €6.66 per share for the 2012 tranche, €17.01 per share for the 2011 tranche, and €25.96 per share for the 2010 tranche. These values were calculated externally using a stochastic, multivariate Black-Scholes standard model via Monte Carlo simulations on the basis of one million scenarios each. In the calculations, due consideration was taken of the maximum payment stipulated in the programme's conditions for each conditionally granted performance share, the discount rates for the remaining term, the volatilities and the expected dividends of RWE AG and of peer companies.

In the year under review, the number of performance shares developed as follows:

Performance Shares from Beat 2010	2010 tranche	2011 tranche	2012 tranche	2013 tranche
Outstanding at the start of the fiscal year	1,016,812	2,528,323	6,668,196	
Granted				5,355,398
Change (granted/expired)	−13,720	−27,150	−117,534	−494,254
Paid out				
Outstanding at the end of the fiscal year	1,003,092	2,501,173	6,550,662	4,861,144
Payable at the end of the fiscal year				

The remaining contractual term amounts to four years for the 2013 tranche, three years for the 2012 tranche, two years for the 2011 tranche, and one year for the 2010 tranche.

During the period under review, expenses for the groupwide share-based payment system totalled €4 million (previous year: €27 million). The claims were settled in cash only. As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €33 million (previous year: €30 million).

(24) Provisions

Provisions[1]	31 Dec 2013			31 Dec 2012		
€ million	Non-current	Current	Total	Non-current	Current	Total
Provisions for pensions and similar obligations	6,227		6,227	6,856		6,856
Provisions for taxes	2,217	318	2,535	2,814	292	3,106
Provisions for nuclear waste management	9,875	375	10,250	9,841	360	10,201
Provisions for mining damage	2,845	107	2,952	2,774	100	2,874
	21,164	**800**	**21,964**	**22,285**	**752**	**23,037**
Other provisions						
Staff-related obligations (excluding restructuring)	976	865	1,841	1,017	805	1,822
Restructuring obligations	1,386	350	1,736	868	213	1,081
Purchase and sales obligations	1,443	733	2,176	1,438	470	1,908
Uncertain obligations in the electricity business	617	82	699	578	86	664
Environmental protection obligations	134	41	175	135	41	176
Interest payment obligations	721	42	763	882	42	924
Obligations to deliver CO_2 emission allowances/certificates for renewable energies		1,804	1,804		824	824
Miscellaneous other provisions	678	1,672	2,350	788	1,578	2,366
	5,955	**5,589**	**11,544**	**5,706**	**4,059**	**9,765**
	27,119	**6,389**	**33,508**	**27,991**	**4,811**	**32,802**

1 Prior-year figures adjusted due to first-time application of the revised IAS 19.

Provisions for pensions and similar obligations. The company pension plan consists of defined contribution and defined benefit plans. The defined benefit commitments mainly relate to pension commitments based on final salary.

In the reporting period, €74 million (previous year: €69 million) was paid into defined contribution plans. This includes payments made by RWE for a benefit plan in the Netherlands which covers the commitments of various employers. This fund does not provide the participating companies with information allowing for the pro-rata allocation of commitments, plan assets and service cost. In RWE's consolidated financial statements, the contributions are thus recognised analogously to a defined contribution plan, although this is a defined benefit plan. The pension plan for employees in the Netherlands is administered by Stichting Pensioenfonds ABP (cf. http://www.abp.nl/). Contributions to the pension plan are calculated as a percentage rate of employees' salaries and are paid by the employees and employers. The rate of the contributions is determined by ABP. There are no minimum transfer obligations. Approximately €38 million will be paid to the ABP pension fund in fiscal 2014. The contributions are used for all of the beneficiaries. If ABP's funds are insufficient, it can either curtail pension benefits and future post-employment benefits, or increase the contributions of the employer and employees. In the event that RWE terminates the ABP pension plan, ABP will charge a termination fee. Amongst other things, this depends on the number of participants in the plan, the amount of salary and the age structure of the participants. As of 29 November 2013, there were around 3,000 active participants in the plan.

RWE transferred assets to RWE Pensionstreuhand e.V. within the framework of contractual trust arrangements (CTA). There is no obligation to provide further assets. From the assets held in trust, funds were transferred to RWE Pensionsfonds AG to cover pension commitments to most of the employees who have already retired. RWE Pensionsfonds AG falls under the scope of the Act on the Supervision of Insurance Undertakings and oversight by the Federal Financial Supervisory Agency (BaFin). Insofar as a regulatory deficit occurs in the pension fund, supplementary payment shall be requested from the employer. Independently of the aforementioned rules, the liability of the employer shall remain in place. The bodies of RWE Pensionstreuhand e.V. and RWE Pensionsfonds AG are responsible for ensuring that the funds under management are used in compliance with the contract and thus fulfil the requirements for recognition as plan assets.

The corporate pension system in the United Kingdom is managed by Electricity Supply Pension Scheme (ESPS). In the United Kingdom, corporate defined benefit plans provided with adequate and suitable assets to cover pension provisions are legally mandated. Pension provisions are measured on the basis of conservative assumptions, taking into consideration specific demographic aspects for the members of the plan and assumptions for the market return on the plan assets.

The last valuation of ESPS was carried out on 31 March 2010 and showed a deficit of £732 million. RWE and the trustees then prepared a plan for annual payments to rectify this deficit. These payments were calculated for the period from 2011 to 2020. For 2011, an initial amount of £84 million was determined and was extrapolated forward to £114 million in 2020 using an assumption for anticipated inflation. The next valuation had to occur by 31 March 2013. From this point in time, the company and the trustees have 15 months to approve the valuation. So far, approval has not occurred. ESPS is managed by nine trustees. These are responsible for management of the plan, including investments, pension payments and financing plans.

The defined benefit costs of ESPS are charged to the participating companies on the basis of a contractual agreement. This agreement stipulates that, with the exception of RWE npower companies, all companies participating in ESPS make predefined, regular payments. Consequently, the RWE npower companies must make up the difference which arises between the defined benefit costs of the plan and the regular payments of the companies.

In 2013, roughly €15 million was transferred to RWE Pensionstreuhand e.V. for the external financing of the company's pension plans, within the framework of CTAs. As the transferred assets are qualified as plan assets in the sense of IAS 19, pensions for provisions and similar obligations were netted against the transferred funds as of 31 December 2013. Provisions declined by a corresponding amount.

Provisions for defined benefit plans are determined using actuarial methods. We apply the following assumptions:

Calculation assumptions	31 Dec 2013		31 Dec 2012	
in %	Germany	Foreign[1]	Germany	Foreign[1]
Discount factor	3.50	4.30	3.50	4.20
Compensation increase	2.75	2.40 and 3.80	2.75	4.40
Pension increase	1.00 and 1.75	3.00	1.00 and 1.75	2.80

1 Pertains to benefit commitments to employees of the RWE Group in the UK.

Composition of plan assets (fair value)	31 Dec 2013				31 Dec 2012			
€ million	Germany[1]	Of which: active market	Foreign[2]	Of which: active market	Germany[1]	Of which: active market	Foreign[2]	Of which: active market
Equity instruments, exchange-traded funds	2,703	2,665	842	197	2,705	2,674	564	236
Interest-bearing instruments	5,022	2,273	3,207	1,617	4,908	2,067	3,674	1,788
Real estate	113		180	5	127		183	4
Mixed funds[3]	1,097	1,027			1,051	979		
Alternative investments	1,044	262	641	13	894	152	686	10
Other[4]	625	114	137	12	679	69	40	5
	10,604	**6,341**	**5,007**	**1,844**	**10,364**	**5,941**	**5,147**	**2,043**

1 Plan assets in Germany primarily pertain to assets of RWE AG and other Group companies which are managed by RWE Pensionstreuhand e.V. as a trust, as well as to assets of RWE Pensionsfonds AG.
2 Foreign plan assets pertain to the assets of a UK pension fund for covering benefit commitments to employees of the RWE Group in the UK.
3 Includes dividend securities and interest-bearing instruments.
4 Includes claims from corporate tax credits transferred to RWE Pensionstreuhand e.V., reinsurance claims against insurance companies and other fund assets of provident funds.

Composition of plan assets (targeted investment structure)	31 Dec 2013		31 Dec 2012	
in %	Germany[1]	Foreign[2]	Germany[1]	Foreign[2]
Equity instruments, exchange-traded funds	23.4	16.8	23.4	11.0
Interest-bearing instruments	54.5	64.1	54.5	71.4
Real estate	2.3	3.6	2.3	3.5
Mixed funds[3]	10.0		10.0	
Alternative investments	9.8	15.5	9.8	14.1
	100.0	**100.0**	**100.0**	**100.0**

1 Plan assets in Germany primarily pertain to assets of RWE AG and other Group companies which are managed by RWE Pensionstreuhand e.V. as a trust, as well as to assets of RWE Pensionsfonds AG.
2 Foreign plan assets pertain to the assets of a UK pension fund for covering benefit commitments to employees of the RWE Group in the UK.
3 Includes dividend securities and interest-bearing instruments.

The investment policy is based on a detailed analysis of the plan assets and the pension commitments and the relation of these two items to each other, in order to determine the best possible investment strategy (Asset Liability Management Study). Using an optimisation process, portfolios are identified which can earn the best targeted results at a defined level of risk. One of these efficient portfolios is selected and the strategic asset allocation is determined; the related risks are also analysed in detail.

The focus of the strategic investment policy is on domestic and foreign government bonds. In order to increase the average yield, corporate bonds with a higher yield are also included in the portfolio. The ratio of equities in the portfolio is lower than that of bonds. Investment occurs in various regions. The investment position in equities is intended to earn a risk premium over bond investments over the long term. In order to achieve additional returns which are consistently as high as possible, there is also investment in products which offer relatively regular positive returns over time. This involves products which fluctuate similar to bond investments, but which achieve an additional return over the medium term, such as so-called absolute return products (including funds of hedge funds).

As a part of its investment strategy, the British ESPS uses asset liability management and invests in liability matching investments, interest rate swaps and inflation swaps. As of 30 September 2013, 59% of the interest rate risk and 68% of the inflation risk was hedged.

Pension provisions for pension commitments changed as follows:

Changes in pension provisions € million	Present value of pension commitments	Fair value of plan assets	Capitalised surplus of plan assets	Total
Balance at 1 Jan 2013	**22,331**	**15,511**	**36**	**6,856**
Current service cost	327			
Interest cost/income	789	557		
Return on fund assets less interest components		205		
Gain/loss on changes in demographic assumptions	–35			
Gain/loss on change in financial assumptions	–129			
Experience-based gains/losses	–303			
Currency translation adjustments	–138	–111		
Employee contributions to funded plans	17	17		
Employer contributions to funded plans		377		
Benefits paid by funded plans	–1,049	–942		
Changes in the scope of consolidation	1	2		
Past service cost	27			
General administration expenses		–5		
Change in capitalised surplus of plan assets			–36	
Balance at 31 Dec 2013	**21,838**	**15,611**		**6,227**
of which: domestic	(15,988)	(10,604)		
of which: foreign	(5,850)	(5,007)		

Changes in pension provisions € million	Present value of pension commitments	Fair value of plan assets	Capitalised surplus of plan assets	Total
Balance at 1 Jan 2012	**18,141**	**14,355**	**60**	**3,846**
Current service cost	220			
Interest cost/income	909	713		
Return on fund assets less interest components		792		
Gain/loss on change in financial assumptions	3,789			
Experience-based gains/losses	255			
Currency translation adjustments	130	118		
Employee contributions to funded plans	18	18		
Employer contributions to funded plans		457		
Benefits paid by funded plans	−1,061	−942		
Changes in the scope of consolidation	−77			
Past service cost	7			
Change in capitalised surplus of plan assets			−24	
Balance at 31 Dec 2012	**22,331**	**15,511**	**36**	**6,856**
of which: domestic	(16,011)	(10,364)		
of which: foreign	(6,320)	(5,147)		

As in the previous year, in fiscal 2013, past service costs contained an increase in benefit commitments, relating primarily to commitments in the United Kingdom.

The present value of pension claims, less the fair value of the plan assets, equals the net amount of funded and unfunded pension plans.

Domestic company pensions are subject to an obligation to review for adjustment every three years pursuant to the Act on the Improvement of Company Pensions (Sec 16 of the German Company Pension Act (BetrAVG)). Additionally, some commitments grant annual adjustments of pensions, which may exceed the legally mandated adjustment obligation.

Some domestic pension plans guarantee a certain pension level, taking into account the statutory pension (total retirement earnings schemes). As a result, future reductions in the statutory pension can result in higher pension payments by RWE.

The weighted average duration of the pension obligations is 16 years in Germany (previous year: 15 years) and 14 years in the United Kingdom (previous year: 15 years).

In Germany, an increase or decrease of one half of a percentage point in the discount factor would result in a reduction of €1,067 million or an increase of €1,226 million, respectively, in the present value of the obligations of the corporate pension plans. The same variation in rates of compensation or pension increase by one half of a percentage point would increase the present value of the commitments by €220 million or €913 million or reduce this value by €207 million or €816 million. For the Group companies in the United Kingdom, such changes in the discount factor would reduce or increase pension obligations by €380 million or €429 million, respectively. The same variation in rates of compensation or pension increase would increase the present value of the commitments by €53 million or €325 million or reduce this value by €50 million or €292 million. An increase in life expectancy of one year would increase the present value of commitments by €608 million in Germany and by €169 million in the United Kingdom.

The sensitivity analyses are based on a change in one assumption, with all other assumptions remaining unchanged. Actual developments will probably be different than this. The methods of calculating the aforementioned sensitivities and for calculating the pension provisions are in agreement. The methods and assumptions used as a basis for the calculation of sensitivities have changed compared to the previous year in terms of the number of sensitivities and the intervals.

The dependence of pension provisions on market interest rates is limited by an opposite effect. The background of this is that the commitments stemming from company pension plans are primarily covered by funds, and mostly plan assets exhibit negative correlation with the market yields of fixed-interest securities. Consequently, declines in market interest rates are typically reflected in an increase in plan assets, and vice-versa.

Payments for defined benefit plans are expected to amount to €473 million in fiscal 2014.

Roll-forward of provisions € million	Balance at 1 Jan 2013	Additions	Unused amounts released	Interest accretion	Changes in the scope of consolidation, currency adjustments, transfers	Amounts used	Balance at 31 Dec 2013
Provisions for pensions	6,856	354		232	–750[1]	–465	6,227
Provisions for taxes	3,106	366	–126		–569	–242	2,535
Provisions for nuclear waste management	10,201	44	–237	489		–247	10,250
Provisions for mining damage	2,874	109	–100	171	–25	–77	2,952
	23,037	**873**	**–463**	**892**	**–1,344**	**–1,031**	**21,964**
Other provisions							
Staff-related obligations (excluding restructuring)	1,822	806	–40	22	–27	–742	1,841
Restructuring obligations	1,081	858	–59	36	13	–193	1,736
Purchase and sales obligations	1,908	759	–177	7	–77	–244	2,176
Uncertain obligations in the electricity business	664	78	–27	11	–1	–26	699
Environmental protection obligations	176	8	–11	1	9	–8	175
Interest payment obligations	924	58	–4		–207	–8	763
Obligations to deliver CO_2 emission allowances/certificates for renewable energies	824	1,955	–56		12	–931	1,804
Miscellaneous other provisions	2,366	604	–364	27	–10	–273	2,350
	9,765	**5,126**	**–738**	**104**	**–288**	**–2,425**	**11,544**
Provisions	**32,802**	**5,999**	**–1,201**	**996**	**–1,632**	**–3,456**	**33,508**
of which: changes in the scope of consolidation							(4)

1 Including treatment of actuarial gains and losses as per IAS 19.127.

Provisions for nuclear waste management are almost exclusively recognised as non-current provisions, and their settlement amount is discounted to the balance-sheet date. From the current perspective, the majority of utilisation is anticipated to occur in the years 2020 to 2050. The rest is distributed over another 50 years, as a result of German Site Selection Act, which entered into effect in 2013. Due to the development of long-term capital market rates, the discount rate was lowered from 5.0% to 4.6%. This is contrasted against a decline of the estimated settlement amount, due to a change in cost increases in the future. Volume-based increases in the provisions are measured at their present value. In the reporting period, they amounted to €44 million (previous year: €46 million). Releases of provisions amounted to €237 million (previous year: releases of €262 million) and stemmed from the fact that on balance current estimates resulted in a decline (previous year: decline) in the anticipated nuclear waste management costs. Additions to provisions for nuclear waste management primarily consist of annual interest accretion of €489 million (previous year: €484 million). €790 million in prepayments, primarily to the German Federal Office for Radiation Protection (BfS) for the construction of final storage facilities, were deducted from these provisions (previous year: €896 million).

In terms of their contractual definition, provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2013	31 Dec 2012
Provisions for nuclear obligations, not yet contractually defined	7,471	7,713
Provisions for nuclear obligations, contractually defined	2,779	2,488
	10,250	**10,201**

In respect of the disposal of spent nuclear fuel assemblies, the provisions for obligations which are not yet contractually defined cover the estimated long-term costs of direct final storage of fuel assemblies, which is currently the only possible disposal method in Germany, as well as the costs for the disposal of radioactive waste from reprocessing, which essentially consist of costs for transport from centralised storage facilities and the plants' intermediate storage facilities to reprocessing plants and final storage as well as conditioning for final storage and containers. These estimates are mainly based on studies by internal and external experts, in particular by GNS Gesellschaft für Nuklear-Service mbH in Essen, Germany. With regard to the decommissioning of nuclear power plants, the costs for the remaining operational phase of the operating plants and dismantling are taken into consideration, on the basis of data from external expert opinions prepared by NIS Ingenieurgesellschaft mbH, Alzenau, Germany, which are generally accepted throughout the industry and are updated continuously. Finally, this item also covers all of the costs of final storage for all radioactive waste, based on data provided by BfS.

Provisions for contractually defined nuclear obligations are related to all nuclear obligations for the disposal of fuel assemblies and radioactive waste as well as for the decommissioning of nuclear power plants, insofar as the value of said obligations is specified in contracts under civil law. They include the anticipated residual costs of reprocessing, return (transport, containers) and intermediate storage of the resulting radioactive waste, as well as the additional costs of the utilisation of uranium and plutonium from reprocessing activities. These costs are based on existing contracts with foreign reprocessing companies and with GNS. Moreover, these provisions also take into account the costs for transport and intermediate storage of spent fuel assemblies within the framework of final direct storage. The power plants' intermediate storage facilities are licensed for an operational period of 40 years. These facilities commenced operations between 2002 and 2006. Furthermore, the amounts are also stated for the conditioning and intermediate storage of radioactive operational waste, which is primarily performed by GNS. In respect of decommissioning, this includes the residual operating costs of the plants which are permanently decommissioned.

With due consideration of the German Atomic Energy Act (AtG), in particular to Sec. 9a of AtG, the provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2013	31 Dec 2012
Decommissioning of nuclear facilities	4,769	4,945
Disposal of nuclear fuel assemblies	4,677	4,494
Disposal of radioactive operational waste	804	762
	10,250	**10,201**

Provisions for mining damage also consist almost entirely of non-current provisions. They are reported at the settlement amount discounted to the balance-sheet date. The discount rate was lowered from 5.0% to 4.6% due to developments in long-term interest rates on the capital markets. This is contrasted with a reduction in the estimated settlement amount, due to changes in cost increases for the future. In the reporting period, additions to provisions for mining damage for quantity-induced increases in the obligatory volume amounted to €109 million (previous year: €99 million). Of this, an increase of €76 million (previous year: €55 million) was capitalised under property, plant and equipment. The interest accretion increased provisions for mining damage by €171 million (previous year: €128 million), of which €23 million was capitalised (previous year: €0 million).

Provisions for restructuring pertain mainly to measures for socially acceptable payroll downsizing.

(25) Financial liabilities

Financial liabilities	31 Dec 2013		31 Dec 2012	
€ million	Non-current	Current	Non-current	Current
Bonds payable[1]	14,370	530	13,482	1,966
Commercial paper				997
Bank debt	869	455	890	413
Other financial liabilities				
Collateral for trading activities		374		348
Miscellaneous other financial liabilities	1,300	790	1,045	805
	16,539	**2,149**	**15,417**	**4,529**

1 Including other notes payable and hybrid bonds classified as debt as per IFRS.

€15,688 million of the non-current financial liabilities were interest-bearing liabilities (previous year: €15,130 million).

The outstanding bonds payable were primarily issued by RWE AG or RWE Finance B.V.

In January 2013, RWE Finance B.V. issued a €750 million bond with a coupon of 1.875% p.a. The bond matures in January 2020.

In February 2013, RWE AG placed a €150 million bond with a tenor of 30 years and a coupon of 3.55% p.a.

In February and September 2013, a €270 million bond with a coupon of 3.5% p.a. and a tenor ending in October 2037 issued by RWE AG in October 2012 was topped up by €105 million and €64 million, respectively.

In April 2013, RWE AG issued a US$50 million bond with a coupon of 3.8% p.a. and a tenor ending in April 2033.

In October 2013, RWE Finance B.V. issued a €500 million bond with a coupon of 3.0% p.a. and a tenor ending in January 2024.

The following overview shows the key data on the major bonds as of 31 December 2013:

Bonds payable Issuer	Outstanding amount	Carrying amount € million	Coupon in %	Maturity
RWE Finance B.V.	€530 million	530	4.625	July 2014
RWE Finance B.V.	€2,000 million	1,996	5.0	February 2015
RWE Finance B.V.	€850 million	852	6.25	April 2016
RWE AG	€100 million	100	variable[1]	November 2017
RWE Finance B.V.	€980 million	979	5.125	July 2018
RWE Finance B.V.	€1,000 million	994	6.625	January 2019
RWE Finance B.V.	€750 million	744	1.875	January 2020
RWE Finance B.V.	£570 million	686	6.5	April 2021
RWE Finance B.V.	€1,000 million	997	6.5	August 2021
RWE Finance B.V.	£500 million	595	5.5	July 2022
RWE Finance B.V.	£488 million	583	5.625	December 2023
RWE Finance B.V.	€500 million	495	3.0	January 2024
RWE Finance B.V.	£760 million	913	6.25	June 2030
RWE AG	€600 million	595	5.75	February 2033
RWE AG	US$50 million	38	3.8	April 2033
RWE Finance B.V.	£600 million	716	4.75	January 2034
RWE AG	€439 million	431	3.5	October 2037
RWE Finance B.V.	£1,000 million	1,181	6.125	July 2039
RWE AG	€159 million[2]	160	4.76[2]	February 2040
RWE AG	€100 million	97	3.5	December 2042
RWE AG	€150 million	146	3.55	February 2043
RWE AG	CHF250 million[3]	203	5.25	April 2072
RWE AG	CHF150 million[3]	121	5.0	July 2072
RWE AG	US$1,000 million[3]	724	7.0	October 2072
Other	Various	24	Various	Various
Bonds payable[4]		**14,900**		

1 Interest payment dates: 15 May/15 Nov.
2 After swap into euro.
3 Hybrid bonds classified as debt as per IFRS.
4 Including hybrid bonds classified as debt as per IFRS.

Above and beyond this, RWE placed issues on the European capital market within the framework of a commercial paper programme. €0 billion was raised within the framework of this programme up to 31 December 2013 (31 December 2012: €1.0 billion). The interest rates on the instruments ranged between 0.09% and 0.33% p.a. (previous year: 0.05% and 1.00% p.a.).

Other financial liabilities contain finance lease liabilities. Lease agreements principally relate to capital goods in the electricity business.

Liabilities arising from finance lease agreements have the following maturities:

Liabilities from finance lease agreements	Maturities of minimum lease payments					
	31 Dec 2013			31 Dec 2012		
€ million	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in the following year	14		14	8		8
Due after 1 to 5 years	110	1	109	89	2	87
Due after 5 years	142	1	141	139	1	138
	266	**2**	**264**	**236**	**3**	**233**

€43 million (previous year: €45 million) of the financial liabilities are secured by mortgages, and €57 million (previous year: €71 million) by similar rights.

(26) Trade accounts payable

Exploration activities accounted for liabilities of €63 million (previous year: €17 million).

Changes in the scope of consolidation resulted in a decline of €7 million in trade accounts payable.

(27) Other liabilities

Other liabilities	31 Dec 2013		31 Dec 2012	
€ million	Non-current	Current	Non-current	Current
Tax liabilities		875		1,094
Social security liabilities	14	44	18	61
Restructuring liabilities	22	30	49	31
Derivatives	432	2,353	768	2,993
Advances and contributions in aid of construction and building connection	1,348	180	1,416	188
Miscellaneous other liabilities	417	3,159	463	3,086
	2,233	**6,641**	**2,714**	**7,453**
of which: financial debt	(552)	(4,149)	(921)	(4,965)
of which: non-financial debt	(1,681)	(2,492)	(1,793)	(2,488)

The principal component of social security liabilities are the amounts payable to social security institutions.

Changes in the scope of consolidation resulted in a decline of €55 million in other liabilities. Of the miscellaneous other liabilities, €1,186 million (previous year: €1,318 million) related to financial debt in the form of current purchase price obligations from rights granted to tender minority interests (put options).

Other information

(28) Earnings per share

Basic and diluted earnings per share are calculated by dividing the portion of net income attributable to RWE shareholders by the average number of shares outstanding; treasury shares are not taken into account in this calculation. The earnings per share are the same for both common and preferred shares.

Earnings per share		2013	2012
Net income for RWE AG shareholders	€ million	−2,757	1,306
Number of shares outstanding (weighted average)	thousands	614,745	614,480
Basic and diluted earnings per common and preferred share	€	−4.49	2.13
Dividend per share	€	1.00[1]	2.00

1 Proposal for fiscal 2013.

(29) Reporting on financial instruments

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

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

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

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, in accordance with IFRS 13.48.

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 hierarchy € million	Total 2013	Level 1	Level 2	Level 3	Total 2012	Level 1	Level 2	Level 3
Other financial assets	884	100	390	394	959	119	398	442
Derivatives (assets)	3,612		3,511	101	4,568		4,331	237
of which: used for hedging purposes	(1,447)		(1,447)		(1,731)		(1,676)	(55)
Securities	2,791	1,755	1,036		2,604	1,609	995	
Derivatives (liabilities)	2,785		2,779	6	3,761		3,586	175
of which: used for hedging purposes	(1,574)		(1,574)		(1,673)		(1,638)	(35)

Due to increasing price quotations on active markets, financial assets with a fair value of €49 million were reclassified from Level 2 to Level 1 during the year under review (previous year: €430 million) at the beginning of the reporting period. Furthermore, due to the absence of input factors for measurement which are based on non-observable market data, €8 million in derivatives (assets) and €50 million in derivatives (liabilities) were reclassified from Level 3 to Level 2 as of the beginning of the reporting period (previous year: €0 million).

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

Level 3 financial instruments: Development in 2013 € million	Balance at 1 Jan 2013	Changes in the scope of consolidation, currency adjustments and other	Changes Recognised in profit or loss	Changes Not recognised in profit or loss (OCI)	Changes With a cash effect	Balance at 31 Dec 2013
Other financial assets	442	−31	−3		−14	394
Derivatives (assets)	237	−8	−21		−107	101
of which: used for hedging purposes	(55)				(−55)	
Derivatives (liabilities)	175	−49	−35		−85	6
of which: used for hedging purposes	(35)				(−35)	

Level 3 financial instruments: Development in 2012 € million	Balance at 1 Jan 2012	Changes in the scope of consolidation, currency adjustments and other	Changes Recognised in profit or loss	Changes Not recognised in profit or loss (OCI)	Changes With a cash effect	Balance at 31 Dec 2012
Other financial assets	383	17	−15		57	442
Derivatives (assets)	422	−2	−13	−19	−151	237
of which: used for hedging purposes	(147)		(−19)	(−19)	(−54)	(55)
Derivatives (liabilities)	847	−6	−246		−420	175
of which: used for hedging purposes	(113)	(−61)	(−16)		(−1)	(35)

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total 2013	Of which: attributable to financial instruments held at the balance-sheet date	Total 2012	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	23	8	291	270
Cost of materials	–10	2	–58	–69
Other operating income/expenses	8	8	5	
Income from investments	–10	–11	–20	–6
	11	**7**	**218**	**195**

Level 3 derivative financial instruments essentially consist of commodity and electricity purchase agreements, which relate to trading periods for which there are no active markets yet. These contracts include in particular the RWE Group's long-term gas procurement contracts linked to the price of oil, the valuation of which depends on the development of wholesale gas and oil prices. All other things being equal, rising gas and/or sinking oil prices cause the fair values of the corresponding contracts to increase and vice-versa. A change in pricing by +/–10% would cause the market value to rise by €18 million or decline by €17 million.

The following impairments were recognised on financial assets which fall under the scope of IFRS 7 and are reported under the balance-sheet items stated below:

Impairments on financial assets € million	Other non-current financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2013	165	275	548	12	1,000
Additions	13	48	62	2	125
Transfers	–7	21	2		16
Currency translation adjustments	–1		–9		–10
Disposals	44	23	51	1	119
Balance at 31 Dec 2013	**126**	**321**	**552**	**13**	**1,012**

Impairments on financial assets € million	Other non-current financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2012	164	293	401	7	865
Additions	29	21	152	7	209
Transfers	8		32	–2	38
Currency translation adjustments	1		7		8
Disposals	37	39	44		120
Balance at 31 Dec 2012	**165**	**275**	**548**	**12**	**1,000**

As of the cut-off date, there were unimpaired, past due receivables falling under the scope of IFRS 7 in the following amounts:

Receivables, past due and not impaired € million	Gross amount as of 31 Dec 2013	Receivables, past due, impaired	Receivables not impaired, past due by: less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	1,815	77					
Trade accounts receivable	8,511	1,242	379	95	66	47	128
Other receivables and other assets	4,161	12					1
	14,487	**1,331**	**379**	**95**	**66**	**47**	**129**

Receivables, past due and not impaired € million	Gross amount as of 31 Dec 2012	Receivables, past due, impaired	Receivables not impaired, past due by: less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	3,473	46					
Trade accounts receivable	8,580	727	487	118	47	54	88
Other receivables and other assets	5,125	13	1				2
	17,178	**786**	**488**	**118**	**47**	**54**	**90**

Financial assets and liabilities can be broken down into categories with the following carrying amounts:

Carrying amounts by category € million	31 Dec 2013	31 Dec 2012
Financial assets recognised at fair value through profit or loss	2,165	2,837
of which: held for trading	(2,165)	(2,837)
Financial assets available for sale	3,675	3,563
Loans and receivables	13,892	14,446
Financial liabilities recognised at fair value through profit or loss	1,210	2,088
of which: held for trading	(1,210)	(2,088)
Financial liabilities carried at (amortised) cost	23,950	25,364

The carrying amounts of financial assets and liabilities within the scope of IFRS 7 basically correspond to their fair values. The only deviations are for bonds, commercial paper, bank debt and other financial liabilities: the carrying amount of these was €18,688 million (previous year: €19,946 million), while the fair value amounted to €20,314 million (previous year: €22,293 million). Of this, €4,729 million was related to Level 1 and €15,585 million to Level 2 of the fair value hierarchy.

The following net results from financial instruments as per IFRS 7 were recognised in the income statement, depending on the category:

Net gain/loss by category € million	2013	2012
Financial assets and liabilities recognised at fair value through profit or loss	532	682
of which: held for trading	(532)	(682)
Financial assets available for sale	−15	313
Loans and receivables	−48	471
Financial liabilities carried at (amortised) cost	−1,011	−1,262

The net result as per IFRS 7 essentially includes interest, dividends and results from the measurement of financial instruments at fair value.

In fiscal 2013, changes of €60 million after taxes in the value of financial assets available for sale were recognised in accumulated other comprehensive income without an effect on income (previous year: €143 million). Above and beyond this, €23 million in changes in the value of financial instruments available for sale which had originally been recognised without an effect on income were realised as income (previous year: €37 million).

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

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

Netting of financial assets and financial liabilities as of 31 Dec 2012[1]	Gross amounts recognised	Amount set off	Net amounts recognised	Related amounts not set off		Net total
€ million				Financial instruments	Cash collateral received/ pledged	
Derivatives (assets)	3,398	−2,499	899		−453	446
Derivatives (liabilities)	3,430	−2,763	667	−53	−526	88

1 Adjusted prior-year figures.

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

As a utility enterprise with international operations, the RWE Group is exposed to market, credit and liquidity risks in its ordinary business activity. We limit these risks via systematic, groupwide risk management. The range of action, responsibilities and controls are defined in binding internal directives.

Market risks stem from changes in exchange rates, interest rates and share prices as well as commodity prices, which can have an influence on business results.

Due to the RWE Group's international profile, exchange rate management is a key issue. Sterling and US dollar are two important currencies for the RWE Group. Fuels are traded in these two currencies, and RWE also does business in the UK currency area. The companies of the RWE Group are required to hedge their foreign currency risks via RWE AG. Only RWE AG itself may maintain open foreign currency positions, subject to predefined limits.

Interest rate risks stem primarily from financial debt and the Group's interest-bearing investments. We hedge against negative changes in value caused by unexpected interest-rate movements using non-derivative and derivative financial instruments.

Opportunities and risks from changes in the values of securities are controlled by a professional fund management system. The Group's financial transactions are recorded using centralised risk management software and monitored by RWE AG. This enables the balancing of risks across the individual companies.

For commodity operations, risk management directives have been established by the department Group Risk Controlling, which is part of Group Controlling. These regulations stipulate that derivatives may be used to hedge price risks, optimise power plant schedules and increase margins. Furthermore, commodity derivatives may be traded, subject to limits. Compliance with limits is monitored daily.

Risks stemming from fluctuations in commodity prices and financial market risks (foreign currency risks, interest rate risks, securities risks) are monitored and managed by RWE using indicators such as Value at Risk (VaR), amongst other things. In addition, for the management of interest rate risk, a Cash Flow at Risk (CFaR) is determined.

Using the VaR method, we determine and monitor the maximum expected loss arising from changes in market prices with a specific level of probability during specific periods. Historical price volatility is taken as a basis in the calculations. With the exception of the CFaR data, all VaR figures are based on a confidence interval of 95% and a holding period of one day. For CFaR, a confidence interval of 95% and a holding period of one year is taken as a basis.

In respect of interest rate risks, RWE distinguishes between two risk categories: on the one hand, increases in interest rates can result in declines in the prices of securities from RWE's holdings. This pertains primarily to fixed-rate instruments. On the other hand, financing costs also increase along with the level of interest rates. A VaR is determined to quantify securities price risk. As of 31 December 2013, the VaR for securities price risk amounted to €5.3 million (previous year: €2.7 million). The sensitivity of interest expenses to increases in market interest rates is measured with CFaR. As of 31 December 2013 this amounted to €7.2 million (previous year: €9.0 million).

As of 31 December 2013, the VaR for foreign currency positions was less than €1 million (previous year: less than €1 million). This corresponds to the figure used internally, which also includes the underlying transactions for cash flow hedges.

As of 31 December 2013, the VaR for risks related to the RWE share portfolio amounted to €6.3 million (previous year: €4.8 million).

As of 31 December 2013, VaR for the commodity positions of the trading business of RWE Supply & Trading amounted to €8.4 million (previous year: €5.5 million). This corresponds to the figure used for management purposes.

Additionally, stress tests are continuously carried out in relation to the trading operations of RWE Supply & Trading to model the impact of commodity price changes on the liquidity and earnings conditions and take risk-mitigating measures if necessary. In these stress tests, market price curves are modified, and the commodity position is revalued on this basis. Historical scenarios of extreme prices and realistic, fictitious price scenarios are modelled. Above and beyond this, possible extreme scenarios for the major trading desks are assessed on a monthly basis. In the event that the stress tests exceed internal thresholds, these scenarios are then analysed in detail in relation to their impact and probability, and – if necessary – risk-mitigating measures are considered.

Commodity risks of the Group's power generation companies are transferred on the basis of available market liquidity – in accordance with Group guidelines – at market prices to the segment Trading/Gas Midstream, where they are hedged. In accordance with the approach for long-term investments for example, it is not possible to manage commodity risks from long-term positions or positions which cannot be hedged due to their size and the prevailing market liquidity using the VaR concept. As a result, these positions are not included in the VaR figures. Above and beyond open production positions which have not yet been transferred, Group companies are not allowed to maintain significant risk positions, according to a Group guideline.

One of our most important instruments to limit market risk is the conclusion of hedging transactions. The instruments most commonly used are forwards and options with foreign currency, interest rate swaps, interest rate currency swaps, and forwards, options, futures and swaps with commodities.

Maturities of derivatives related to interest rates, currencies, equities, indices and commodities for the purpose of hedging are based on the maturities of the underlying transactions and are thus primarily short term and medium term in nature. Hedges of the foreign currency risks of foreign investments have maturities of up to 27 years.

All derivative financial instruments are recognised as assets or liabilities and are measured at fair value. When interpreting their positive and negative fair values, it should be taken into account that, with the exception of trading in commodities, these financial instruments are generally matched with underlying transactions that carry offsetting risks.

Hedge accounting pursuant to IAS 39 is used primarily for mitigating currency risks from net investments in foreign entities with foreign functional currencies, risks related to foreign currency items and interest rate risks from non-current liabilities, as well as for price risks from sales and purchase transactions.

Fair value hedges are used to limit market price risks related to fixed-interest loans and liabilities. Fixed-interest instruments are transformed into variable-rate instruments, thereby hedging their fair value. Hedging instruments used are interest rate swaps and interest rate currency swaps. In the case of fair value hedges, both the derivative as well as the underlying hedged transaction are recorded at fair value with an effect on income. As of the reporting date, the fair value of instruments used as fair value hedges amounted to €10 million (previous year: €44 million).

In the year under review, a gain of €30 million (previous year: €31 million) was recognised from adjustment of the carrying amounts of the underlying transactions, while a loss of €23 million (previous year: €30 million) stemming from changes in the fair value of the hedges was recognised. Both of these are reported in the financial result.

Cash flow hedges are primarily used to hedge against foreign currency and price risks from future sales and purchase transactions. Hedging instruments consist of forwards and options with foreign currency and interest rates, and forwards, options, futures and swaps with commodities. Changes in the fair value of the hedging instruments – insofar as they affect the effective portion – are recorded under other comprehensive income until the underlying transaction is realised. The ineffective portion of changes in value is recognised in profit or loss. Upon realisation of the underlying transaction, the hedge's contribution to income from accumulated other comprehensive income is recognised in the income statement. As of the reporting date, the recognised fair value of instruments used as cash flow hedges amounted to –€377 million (previous year: –€274 million).

The future sales and purchase transactions hedged with cash flow hedges are expected to be realised in the following ten years and recognised in profit or loss.

In the year under review, changes of –€481 million after taxes in the fair values of instruments used for cash flow hedges (previous year: €42 million) were disclosed under accumulated other comprehensive income without an effect on income. These changes in value reflect the effective portion of the hedges.

An expense of €8 million was recognised with an effect on income in relation to the ineffective portions of cash flow hedges (previous year: €5 million).

Above and beyond this, during the reporting period changes of €48 million after taxes in the value of cash flow hedges which had originally been recognised without an effect on income were realised as expenses (previous year: income of €121 million).

In the period under review, the cost of non-financial assets was increased by €108 million (previous year: increase of €7 million) by changes in the value of cash flow hedges reported in other comprehensive income and not recognised in profit or loss.

Hedges of net investment in a foreign operation are used to hedge the foreign currency risks of net investment in foreign entities whose functional currency is not the euro. We use bonds with various terms in the appropriate currencies and interest rate currency swaps as hedging instruments. If there are changes in the exchange rates of currencies in which the bonds used for hedging are denominated or changes in the fair value of interest rate currency swaps, this is recorded under foreign currency translation adjustments in other comprehensive income. As of the reporting date, the fair value of the bonds amounted to €1,415 million (previous year: €2,218 million) and the fair value of the swaps amounted to €248 million (previous year: €288 million).

During the year under review, an expense of €67 million (previous year: income of €64 million) was recognised in the income statement in relation to the ineffective portions of hedges of net investment in foreign operations.

Above and beyond this, after taxes €30 million in changes in the value from hedges of a net investment in foreign operations which had originally been recognised without an effect on income were realised as an expense during the year under review (previous year: 0 million).

Credit risks. In the fields of finance and commodities, we primarily have credit relationships with banks and other trading partners with good creditworthiness. The resulting counterparty risks are reviewed upon conclusion of the contract and constantly monitored. We limit such risks by defining limits for trading with contractual partners and, if necessary, by requiring additional collateral, such as cash collateral. Credit risks in commodities and financial operations are monitored on a daily basis.

We are exposed to credit risks in our retail business, because it is possible that customers will fail to meet their financial obligations. We identify such risks in regular analyses of the creditworthiness of our major customers and take appropriate countermeasures, if necessary.

We also employ credit insurance, financial guarantees, bank guarantees and other forms of security to protect against credit risks in our financial and trading activities, and our retail business.

The maximum balance-sheet default risk is derived from the carrying values of the receivables stated in the balance sheet. If default risks materialise, they are recognised through impairments. The default risks for derivatives correspond to their positive fair values. Risks can also stem from financial guarantees and loan commitments for external creditors. As of 31 December 2013, these obligations amounted to €104 million (previous year: €691 million). As of 31 December 2013, default risks were balanced against credit collateral, financial guarantees, bank guarantees and other collaterals amounting to €1.2 billion (previous year: €1.5 billion). Of this, €0.1 billion relates to financial receivables, €0.4 billion to trade receivables, €0.3 billion to derivatives used for hedging purposes and €0.4 billion to other derivatives. There were no material defaults in 2013 or the previous year.

Liquidity risks. As a rule, RWE Group companies centrally refinance with RWE AG. In this regard, there is a risk that liquidity reserves will prove to be insufficient to meet financial obligations in a timely manner. In 2014, capital market debt with a nominal volume of approximately €0.5 billion (previous year: €2.0 billion) and bank debt of €0.5 billion (previous year: €0.4 billion) is due. Additionally, short-term debt must also be repaid.

As of 31 December 2013, holdings of cash and cash equivalents and current marketable securities amounted to €6,696 million (previous year: €5,276 million). Additionally, as of the balance-sheet date, RWE AG had a fully committed, unused syndicated credit line of €4 billion (previous year: €4 billion) at its disposal. As of the balance-sheet date, €0 billion (previous year: €1.0 billion) of the US$5 billion commercial paper programme (previous year: US$5 billion) had been used. Above and beyond this, we can finance ourselves using our €30 billion debt issuance programme; as of the balance-sheet date, outstanding bonds from this programme amounted to €13.9 billion (previous year: €14.4 billion). Accordingly, the medium-term liquidity risk can be classified as low.

Financial liabilities falling under the scope of IFRS 7 are expected to result in the following (undiscounted) payments in the coming years:

Redemption and interest payments on financial liabilities € million	Carrying amount 31 Dec 2013	Redemption payments			Interest payments		
		2014	2015 to 2018	From 2019	2014	2015 to 2018	From 2019
Bonds payable[1]	14,900	530	5,006	9,418	926	2,954	4,806
Bank debt	1,324	454	134	736	27	98	50
Liabilities arising from finance lease agreements	264	14	110	142			
Other financial liabilities	1,826	785	318	743	41	122	556
Derivative financial liabilities	2,785	2,170	324	41	44	120	273
Collateral for trading activities	374	374					
Redemption liabilities from put options	1,187	1,186	1				
Miscellaneous other financial liabilities	6,942	6,828	61	90			

1 Including hybrid bonds classified as debt as per IFRS.

Redemption and interest payments on financial liabilities € million	Carrying amount 31 Dec 2012	Redemption payments			Interest payments		
		2013	2014 to 2017	From 2018	2013	2014 to 2017	From 2018
Bonds payable[1]	15,448	1,967	4,597	8,938	1,015	3,129	4,954
Commercial paper	997	997					
Bank debt	1,303	408	171	724	27	99	69
Liabilities arising from finance lease agreements	233	8	89	139			
Other financial liabilities	1,617	823	269	551	52	159	568[2]
Derivative financial liabilities	3,761	3,013	276	–15	59	201	328
Collateral for trading activities	348	348					
Redemption liabilities from put options	1,320	1,318	2				
Miscellaneous other financial liabilities	7,868	7,748	48	83			

1 Including other notes payable and hybrid bonds classified as debt as per IFRS.
2 Prior-year figures adjusted.

Above and beyond this, as of 31 December 2013, there were financial guarantees for external creditors in the amount of €78 million (previous year: €327 million), which are to be allocated to the first year of repayment. Additionally, Group companies have provided loan commitments to third-party companies amounting to €26 million (previous year: €364 million), which is callable in 2014.

Detailed information on the risks of the RWE Group and on the objectives and procedures of the risk management is presented on page 88 et seqq. in the chapter "Development of risks and opportunities" in the review of operations.

(30) Contingent liabilities and financial commitments
As of 31 December 2013, the Group had €1,505 million in capital commitments (previous year: €2,324 million).

Commitments from operating leases refer largely to rental arrangements for power generation and supply plants as well as rent and lease contracts for storage and administration buildings. Minimum lease payments have the following maturity structure:

Operating leases	Nominal value	
€ million	31 Dec 2013	31 Dec 2012
Due within 1 year	232	224
Due after 1 to 5 years	517	504
Due after 5 years	460	467
	1,209	**1,195**

Capital contributions to joint ventures amounted to €0 billion (previous year: €0.4 billion).

We have made long-term contractual purchase commitments for supplies of fuels, including natural gas and hard coal in particular. Payment obligations stemming from the major long-term purchase contracts amounted to €48.5 billion as of 31 December 2013 (previous year: €75.8 billion), of which €4.3 billion is due within one year (previous year: €6.1 billion).

Gas purchases by the RWE Group are mostly based on long-term take-or-pay contracts. The conditions in these contracts, which have terms up to 2035 in some cases, are renegotiated by the contractual partners at certain intervals, which may result in changes in the reported payment obligations. Calculation of the payment obligations resulting from the purchase contracts is based on parameters from the internal planning.

Furthermore, RWE has long-term financial commitments for purchases of electricity. As of 31 December 2013, the minimum payment obligations stemming from the major purchase contracts totalled €15.5 billion (previous year: €17.4 billion), of which €1.7 billion is due within one year (previous year: €0.8 billion). Above and beyond this, there are also long-term purchase and service contracts for uranium, conversion, enrichment and fabrication.

We bear legal and contractual liability from our membership in various associations which exist in connection with power plant projects, profit- and loss-pooling agreements and for the provision of liability cover for nuclear risks, amongst others.

On the basis of a mutual benefit agreement, RWE AG and other parent companies of German nuclear power plant operators undertook to provide approximately €2,244 million in funding to liable nuclear power plant operators to ensure that they are able to meet their payment obligations in the event of nuclear damages. RWE AG has a 25.851 % contractual share in the liability, plus 5 % for damage settlement costs.

RWE AG and its subsidiaries are involved in regulatory and anti-trust proceedings, litigation and arbitration proceedings related to their operations. However, we do not expect any material negative repercussions from these proceedings on the RWE Group's economic or financial position. Additionally, companies belonging to the RWE Group are directly involved in various administrative and regulatory proceedings (including approval procedures) or are directly affected by their results.

Outside shareholders initiated several legal proceedings to examine the appropriateness of the conversion ratios and the amount of cash paid in compensation in connection with company restructurings pursuant to German company law. We are convinced that the conversion ratios and cash compensation calculated on the basis of expert opinions and verified by auditors within the framework of the respective restructurings are adequate. If a different legally enforceable conclusion is reached, all affected shareholders will be compensated, even if they are not involved in the conciliation proceedings.

At end-September 2011, the EU Commission conducted reviews of gas wholesale trading throughout Europe, including at RWE. In September 2012, the EU Commission opened formal anti-trust proceedings against the Russian gas producer Gazprom. The main focus of these investigations is the suspicion that Gazprom abused its market power. The investigations are now focused solely on Gazprom and may last for several years.

(31) Segment reporting

Effective as of 1 January 2013, we pooled nearly all of our fossil-fuelled and nuclear electricity generation in the new segment “Conventional Power Generation“. The RWE Group is now divided into eight segments which are clearly delineated on the basis of regional and functional criteria. We have adjusted prior-year figures to the new structure, in order to enable like-for-like comparisons.

The segment “Conventional Power Generation“ essentially bundles the power generation business of RWE Power, Essent and RWE npower, the German opencast lignite mining business, and the project management and engineering specialist RWE Technology.

The segment “Supply/Distribution Networks Germany“ essentially consists of the supply and distribution networks business in Germany.

In the segment “Supply Netherlands/Belgium“ we report on the Group’s business with end customers for electricity, gas, and heat in this region.

Analogously to this, the segment “Supply United Kingdom” covers the supply business in electricity and gas in the United Kingdom.

Central Eastern and South Eastern European supply and distribution activities are included in the segment “Central Eastern and South Eastern Europe”, along with power generation in Hungary.

Activities for the generation of electricity and heat from renewable energy sources are bundled in RWE Innogy and presented in the segment “Renewables”.

The segment “Upstream Gas & Oil“ covers all of the Group’s gas and oil production activities.

The segment “Trading/Gas Midstream” covers energy trading and the gas midstream business of the Group. This segment is the responsibility of RWE Supply & Trading, which also supplies certain major industrial and commercial customers with electricity and natural gas.

“Other, consolidation“ covers consolidation effects, RWE AG and the activities of other business areas which are not presented separately. These activities include the internal group services provided by RWE Group Business Services, RWE Service, RWE IT, and RWE Consulting.

Segment reporting Divisions 2013 € million	Conventional Power Generation	Supply/ Distribution Networks Germany	Supply Netherlands/ Belgium	Supply United Kingdom	Central Eastern and South Eastern Europe	Renewables	Upstream Gas & Oil	Trading/ Gas Midstream	Other, consolidation	RWE Group
External revenue (incl. natural gas tax/electricity tax)	**1,570**	**25,718**	**6,308**	**8,982**	**4,852**	**402**	**1,837**	**4,313**	**88**	**54,070**
Intra-group revenue	9,016	1,244	186	277	292	534	263	23,841	–35,653[1]	
Total revenue	10,586[2]	26,962	6,494	9,259	5,144	936	2,100	28,154	–35,565	54,070
Operating result	**1,383**	**1,626**	**278**	**290**	**1,032**	**196**	**521**	**831**	**–276**	**5,881**
Operating income from investments	87	295	8		42	30	–1	–2	31	490
Operating income from investments accounted for using the equity method	87	213	7		47	17		–2	65	434
Operating depreciation and amortisation	1,049	690	90	76	249	201	417	10	99	2,881
Total impairment losses	3,864	267	77		3	624	45		4	4,884
Cash flows from operating activities	**1,122**	**1,621**	**286**	**119**	**1,166**	**601**	**773**	**1,293**	**–1,226**	**5,755**
Carrying amount of investments accounted for using the equity method	318	2,199	52		357	1,036		8	284	4,254
Capital expenditure on intangible assets, property, plant and equipment and investment property	1,360	871	28	106	320	1,074	663	14	58	4,494

1 Of which: consolidation of intra-group revenue –€38,782 million and intra-group revenue of other companies €3,129 million.
2 Of which: total revenue from power generation in the United Kingdom of €903 million.

Regions 2013	EU			Rest of Europe	Other	RWE Group
€ million	Germany	UK	Other EU			
External revenue[1,2]	28,115	9,812	12,186	763	517	51,393
Intangible assets, property, plant and equipment and investment property	24,763	9,441	10,391	946	1,058	46,599

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

Segment reporting Divisions 2012 € million	Conven-tional Power Genera-tion	Supply/ Distri-bution Networks Germany	Supply Nether-lands-/ Belgium	Supply United Kingdom	Central Eastern and South Eastern Europe	Renew-ables	Upstream Gas & Oil	Trading/ Gas Mid-stream	Other, consoli-dation	RWE Group
External revenue (incl. natural gas tax/electricity tax)	**1,626**	**23,710**	**5,863**	**8,708**	**5,274**	**387**	**1,848**	**5,698**	**113**	**53,227**
Intra-group revenue	9,605	2,020	13	227	502	491	143	25,738	–38,739[1]	
Total revenue	11,231[2]	25,730	5,876	8,935	5,776	878	1,991	31,436	–38,626	53,227
Operating result	**3,275**	**1,578**	**190**	**286**	**1,052**	**183**	**685**	**–598**	**–235**	**6,416**
Operating income from investments	83	383	6		63	22		–8	38	587
Operating income from investments accounted for using the equity method	129	227	7		60	3		–8	71	489
Operating depreciation and amortisation	1,103	688	103	85	260	181	356	7	115	2,898
Total impairment losses	1,977	111	39			215	26		21	2,389
Cash flows from operating activities	**1,357**	**783**	**82**	**325**	**1,065**	**–16**	**768**	**46**	**–15**	**4,395**
Carrying amount of investments ac-counted for using the equity method	354	2,278	48		326	375		11	233	3,625
Capital expendi-ture on intangible assets, property, plant and equip-ment and invest-ment property	1,784	904	43	89	518	999	684	4	56	5,081

1 Of which: consolidation of intra-group revenue –€41,987 million and intra-group revenue of other companies €3,248 million.
2 Of which: total revenue from power generation in the United Kingdom of €1,168 million

Regions 2012	EU			Rest of Europe	Other	RWE Group
€ million	Germany	UK	Other EU			
External revenue[1,2]	27,602	9,350	12,482	1,015	322	50,771
Intangible assets, property, plant and equipment and investment property	25,496	9,904	14,610	988	1,136	52,134

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

Products	RWE Group	
€ million	2013	2012
External revenue[1]	51,393	50,771
of which: electricity	(33,471)	(32,867)
of which: gas	(13,374)	(13,156)
of which: crude oil	(1,325)	(1,540)

1 Excluding natural gas tax/electricity tax.

Notes on segment data. We report revenue between the segments as RWE intra-group revenue. Internal supply of goods and services is settled at arm's length conditions. The operating result is used for internal management. The following table presents the reconciliation of the operating result to income before tax:

Reconciliation of income items € million	2013	2012
Operating result	**5,881**	**6,416**
+ Non-operating result	−5,475	−2,094
+ Financial result	−1,893	−2,092
Income before tax	**−1,487**	**2,230**

Income and expenses that are unusual from an economic perspective, or stem from exceptional events, prejudice the assessment of operating activities. They are reclassified to the non-operating result. Amongst other things, these can include sales proceeds from the disposal of investments or non-current assets not required for operations, impairment of the goodwill of fully consolidated companies, effects of the fair valuation of certain commodity derivatives and restructuring expenses.

More detailed information is presented on page 70 in the review of operations.

(32) Notes to the cash flow statement

The cash flow statement classifies cash flows according to operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to the amount stated in the balance sheet. Cash and cash equivalents consist of cash on hand, demand deposits and fixed-interest marketable securities with a maturity of three months or less from the date of acquisition.

Among other things, cash flows from operating activities include:

- cash flows from interest income of €331 million (previous year: €428 million) and cash flows used for interest expenses of €1,075 million (previous year: €1,227 million)
- €1,454 million (previous year: €628 million) in taxes on income paid (less refunds)
- income from investments, corrected for items without an effect on cash flows, in particular from accounting using the equity method, amounted to €676 million (previous year: €490 million)

Flows of funds from the acquisition and sale of consolidated companies are included in cash flows from investing activities. Effects of foreign exchange rate changes are stated separately.

Cash flows from financing activities include €1,229 million (previous year: €1,229 million) which was distributed to RWE shareholders, €237 million (previous year: €246 million) which was distributed to minority shareholders, and €145 million (previous year: €81 million) which was distributed to hybrid capital investors.

Changes in the scope of consolidation decreased cash and cash equivalents by a net amount of €87 million (excluding Assets held for sale). Offsetting additions of €4 million against capital expenditures on financial assets and disposals of €100 million against proceeds from divestitures results in a balance of €9 million, which is attributed to companies consolidated for the first time.

Exploration activities reduced cash flows from operating activities by €86 million (previous year: €90 million) and cash flows from investing activities by €93 million (previous year: €82 million).

Restrictions on the disposal of cash and cash equivalents amounted to €33 million.

(33) Information on concessions

In the fields of electricity, gas and water supply, there are a number of easement agreements and concession contracts between RWE Group companies and the governmental authorities in the areas we supply.

Easement agreements are used in the electricity and gas business to regulate the use of public rights of way for laying and operating lines for public energy supply. These agreements are generally limited to a term of 20 years. After expiry, there is a legal obligation to transfer ownership of the local distribution facilities to the new operator, for appropriate compensation.

Water concession agreements contain provisions for the right and obligation to provide water and wastewater services, operate the associated infrastructure, such as water utility plants, as well as to implement capital expenditure. Concessions in the water business generally have terms of up to 25 years.

(34) Related party disclosures

Within the framework of their ordinary business activities, RWE AG and its subsidiaries have business relationships with numerous companies. These include associated companies and joint ventures, which are classified as related parties. In particular, this category includes material investments of the RWE Group which are accounted for using the equity method.

Business transactions were concluded with major associates and joint ventures, resulting in the following items in RWE's consolidated financial statements:

Key items from transactions with associates and joint ventures € million	Associated companies		Joint ventures	
	2013	2012	2013	2012
Income	3,716	3,614	63	65
Expenses	2,830	2,340	145	205
Receivables	164	269		1,370
Liabilities	109	190	40	44

The key items from transactions with associates and joint ventures mainly stem from supply and service transactions. In addition to supply and service transactions, there are also financial links with joint ventures. During the reporting period, income of €60 million (previous year: €52 million) was recorded from interest-bearing loans to joint ventures. As of the balance-sheet date, financial receivables accounted for €0 million of the receivables from joint ventures (previous year: €1,369 million). All transactions were completed at arm's length conditions; i.e. on principle the conditions of these transactions did not differ from those with other enterprises. €164 million of the receivables (previous year: €693 million) and €143 million of the liabilities (previous year: €226 million) fall due within one year. In respect of the receivables, there was collateral amounting to €1 million (previous year: €1 million). Other obligations from executory contracts amounted to €5,630 million (previous year: €6,480 million).

Until 30 June 2012, the corporate groups of Georgsmarienhütte Holding GmbH and RGM Holding GmbH were classified as related companies of the RWE Group as Dr. Jürgen Großmann, CEO of RWE AG at that time, is a partner in these companies. Up to 30 June 2012, RWE Group companies provided services and deliveries amounting to €4.2 million to these companies, and received from them services and deliveries amounting to €1.7 million. All transactions were completed at arm's length conditions; the business relations did not differ from those maintained with other companies.

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

The compensation model and compensation of the Executive and Supervisory Boards is presented in the compensation report, which is included in the review of operations.

In total, the compensation of the Executive Board amounted to €13,338,000 (previous year: €19,264,000), plus pension service costs of €590,000 (previous year: €767,000). The Executive Board received short-term compensation components amounting to €9,479,000 for fiscal 2013 (previous year: €15,014,000). In addition to this, long-term compensation components of the Beat programme (2013 tranche) in the amount of €3,859,000 were allocated (€4,250,000 from the 2012 Beat tranche in the previous year).

The Supervisory Board received total compensation of €2,466,000 (previous year: €2,481,000) in fiscal 2013. Supervisory Board members also received a total of €167,000 in compensation from subsidiaries for the exercise of mandates (previous year: €120,000). The employee representatives on the Supervisory Board have labour contracts with the respective Group companies. Remuneration occurs in accordance with the relevant contractual conditions.

During the period under review, no loans or advances were granted to members of the Executive or Supervisory Boards. One employee representative has an outstanding loan from the period before his membership of the Board.

Former members of the Executive Board and their surviving dependents received €12,200,000 (previous year: €13,126,000), of which €1,987,000 came from subsidiaries (previous year: €1,928,000). As of the balance-sheet date, €154,472,000 (previous year: €144,738,000) had been accrued for defined benefit obligations to former members of the Executive Board and their surviving dependents. Of this, €21,270,000 was set aside at subsidiaries (previous year: €20,387,000).

Information on the members of the Executive and Supervisory Boards is presented on page 225 et seqq. of the Notes.

(35) Auditor’s fees

RWE recognised the following fees as expenses for the services rendered by the auditors of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC) and companies belonging to PwC’s international network:

Auditor’s fees	2013		2012	
€ million	Total	Of which: Germany	Total	Of which: Germany
Audit services	15.2	(8.7)	15.3	(8.2)
Other assurance services	6.9	(6.6)	8.4	(7.3)
Tax services	0.6	(0.5)	0.4	(0.3)
Other services	1.4	(0.5)	1.2	(0.7)
	24.1	**(16.3)**	**25.3**	**(16.5)**

The fees for audit services primarily contain the fees for the audit of the consolidated financial statements and for the audit of the financial statements of RWE AG and its subsidiaries. Other assurance services include fees for the review of interim reports, review of the internal controlling system, in particular the IT systems, due diligence audits, as well as expenses related to statutory or court ordered requirements. In particular, the fees for tax services include compensation for consultation in the preparation of tax returns and other national and international tax-related matters as well as review of resolutions of the tax authorities.

During the year under review, subsidiaries of RWE AG recognised fees amounting to €0 million (previous year: €0.1 million) in relation to audit services rendered by the companies of the BDO network.

(36) Application of Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code

In fiscal 2013, the following German subsidiaries made partial use of the exemption clause included in Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code (HGB):

- BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen
- GBV Dreizehnte Gesellschaft für Beteiligungsverwaltung mbH & Co. KG, Gundremmingen
- GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen
- GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen
- Rheinbraun Brennstoff GmbH, Cologne
- Rheinische Baustoffwerke GmbH, Bergheim
- rhenag Beteiligungs GmbH, Cologne
- RSB LOGISTIC GMBH, Cologne
- RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne
- RWE Aqua GmbH, Mülheim an der Ruhr
- RWE Beteiligungsgesellschaft mbH, Essen
- RWE Beteiligungsverwaltung Ausland GmbH, Essen
- RWE Consulting GmbH, Essen
- RWE FiberNet GmbH, Essen
- RWE Gastronomie GmbH, Essen
- RWE Group Business Services GmbH, Essen
- RWE IT GmbH, Essen
- RWE Offshore Logistics Company GmbH, Hamburg
- RWE Rheinhessen Beteiligungs GmbH, Essen
- RWE RWN Beteiligungsgesellschaft Mitte mbH, Essen
- RWE Seabreeze I GmbH & Co. KG, Bremerhaven
- RWE Technology GmbH, Essen
- RWE Trading Services GmbH, Essen

(37) Events after the balance-sheet date

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

(38) Declaration according to Sec. 161 of the German Stock Corporation Act

The declarations on the German Corporate Governance Code prescribed by Sec. 161 of the German Stock Corporation Act (AktG) have been submitted for RWE AG and its publicly traded German subsidiaries and have been made accessible to the shareholders on the Internet pages of RWE AG and its publicly traded German subsidiaries.

Essen, 14 February 2014

The Executive Board

Terium Schmitz Günther Tigges

4.7 LIST OF SHAREHOLDINGS (PART OF THE NOTES)

List of shareholdings as per Sec. 285, No. 11 and No. 11a and Sec. 313, Para. 2 (in relation to Sec. 315 a I) of HGB as of 31 Dec 2013

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Aktivabedrijf Wind Nederland B.V., Zwolle/Netherlands		100	115,015	28,095
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	20,616	372
Andromeda Wind S.r.l., Bolzano/Italy		51	9,573	2,239
Artelis S.A., Luxembourg/Luxembourg		53	37,459	2,682
A/V/E GmbH, Halle (Saale)		76	2,030	483
Bayerische Bergbahnen-Beteiligungs-Gesellschaft mbH, Gundremmingen		100	22,879	566
Bayerische Elektrizitätswerke GmbH, Augsburg		100	34,008	[1]
Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH, Gundremmingen		62	63,474	9,025
BC-Therm Energiatermelõ és Szolgáltató Kft., Budapest/Hungary		100	3,717	404
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen	100	100	4,317,944	[1]
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	2,133	507
Biomasse Sicilia S.p.A., Enna/Italy		100	1,480	–1,455
BPR Energie Geschäftsbesorgung GmbH, Essen		100	17,328	27
Bristol Channel Zone Limited, Swindon/United Kingdom		100	–633	–182
BTB-Blockheizkraftwerks, Träger- und Betreibergesellschaft mbH Berlin, Berlin		100	18,094	[1]
Budapesti Elektromos Muvek Nyrt., Budapest/Hungary		55	832,714	100
Carl Scholl GmbH, Cologne		100	401	42
Cegecom S.A., Luxembourg/Luxembourg		100	12,345	2,445
Channel Energy Limited, Swindon/United Kingdom		100	–781	–432
Delta Gasservice B.V., Middelburg/Netherlands		100	–857	6
Dorcogen B.V., 's-Hertogenbosch/Netherlands		100	–1,626	–1,808
E & Z Industrie-Lösungen GmbH, Gundremmingen		100	6,699	–1,892
ELE Verteilnetz GmbH, Gelsenkirchen		100	25	–1,108
Electra Insurance Limited, Hamilton/Bermudas		100	31,129	2,510
Elektrizitätswerk Landsberg GmbH, Landsberg am Lech		100	657	95
ELES B.V., Arnhem/Netherlands		100	1,954	–34,400
ELMU Halozati Eloszto Kft., Budapest/Hungary		100	747,512	–132,574
ELMU-EMASZ Halozati Szolgáltató Kft., Budapest/Hungary		100	7,783	1,491
ELMU-EMASZ Ugyfelszolgalati Kft., Budapest/Hungary		100	4,720	946
EMASZ Halozati Kft., Miskolc/Hungary		100	289,341	4,553
Emscher Lippe Energie GmbH, Gelsenkirchen		50	36,154	24,083
ENB Energienetze Berlin GmbH, Berlin		100	25	[1]
Energie Direct B.V., Waalre/Netherlands		100	–54,119	–16,205
Energies France S.A.S. - Group - (pre-consolidated)			34,057	1,346[2]
Centrale Hydroelectrique d'Oussiat S.A.S., Paris/France		100		
Energies Charentus S.A.S., Paris/France		100		
Energies France S.A.S., Paris/France		100		
Energies Maintenance S.A.S., Paris/France		100		
Energies Saint Remy S.A.S., Paris/France		100		

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by contractual agreement.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Energies VAR 1 S.A.S., Paris/France		100		
Energies VAR 2 S.A.S., Paris/France		100		
Energies VAR 3 S.A.S., Paris/France		100		
RWE Innogy Développement France S.A.S., Paris/France		100		
SAS Île de France S.A.S., Paris/France		100		
Energis GmbH, Saarbrücken		64	139,946	25,802
energis-Netzgesellschaft mbH, Saarbrücken		100	25	[1]
Energy Direct Limited, Swindon/United Kingdom		100	296,310	2,992
Energy Direct Supply Limited, Swindon/United Kingdom		100	258,515	7
Energy Resources B.V., 's-Hertogenbosch/Netherlands		100	140,325	8,746
Energy Resources Holding B.V., 's-Hertogenbosch/Netherlands		100	306,418	2,616
Energy Resources Ventures B.V., 's-Hertogenbosch/Netherlands		100	23,492	−1,897
Enerservice Maastricht B.V., Maastricht/Netherlands		100	−90,230	2,248
envia AQUA GmbH, Chemnitz		100	510	[1]
envia Mitteldeutsche Energie AG, Chemnitz		59	1,435,594	185,035
envia SERVICE GmbH, Cottbus		100	921	−79
envia TEL GmbH, Markkleeberg		100	12,389	3,611
envia THERM GmbH, Bitterfeld-Wolfen		100	63,415	[1]
enviaM Beteiligungsgesellschaft Chemnitz GmbH, Chemnitz		100	56,366	[1]
enviaM Beteiligungsgesellschaft mbH, Essen		100	175,741	31,725
eprimo GmbH, Neu-Isenburg		100	4,600	[1]
Essent Belgium N.V., Antwerp/Belgium		100	5,610	610
Essent Corner Participations B.V., 's-Hertogenbosch/Netherlands		100	11,076	5,141
Essent Energie Belgie N.V., Antwerp/Belgium		100	137,389	23,692
Essent Energie Productie B.V., 's-Hertogenbosch/Netherlands		100	849,122	99
Essent Energie Verkoop Nederland B.V., 's-Hertogenbosch/Netherlands		100	196,320	35,400
Essent Energy Gas Storage B.V., 's-Hertogenbosch/Netherlands		100	1,548	996
Essent Energy Group B.V., Arnhem/Netherlands		100	−49	24
Essent Energy Systems Noord B.V., Zwolle/Netherlands		100	4,539	12,406
Essent IT B.V., Arnhem/Netherlands		100	−218,064	−19,208
Essent Meetdatabedrijf B.V., 's-Hertogenbosch/Netherlands		100	−8,752	−2,279
Essent Nederland B.V., Arnhem/Netherlands		100	2,822,500	1,009,000
Essent New Energy B.V., 's-Hertogenbosch/Netherlands		100	−22,230	−5,794
Essent N.V., 's-Hertogenbosch/Netherlands		100	10,843,800	510,700
Essent Participations Holding B.V., Arnhem/Netherlands		100	308,671	0
Essent Personeel Service B.V., Arnhem/Netherlands		100	3,008	408
Essent Power B.V., Arnhem/Netherlands		100	−133,970	−81,916
Essent Productie Geleen B.V., 's-Hertogenbosch/Netherlands		100	−1,525	1,311
Essent Projects B.V., 's-Hertogenbosch/Netherlands		100	−34,920	0
Essent Retail Bedrijven B.V., Arnhem/Netherlands		100	112,820	−8,300
Essent Retail Energie B.V., 's-Hertogenbosch/Netherlands		100	255,420	68,700

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Essent Retail Participations B.V., 's-Hertogenbosch/Netherlands		100	96,720	12,400
Essent Sales Portfolio Management B.V., 's-Hertogenbosch/Netherlands		100	244,156	141,295
Essent Service B.V., Arnhem/Netherlands		100	–73,297	–14,516
Essent Wind Nordsee Ost Planungs- und Betriebsgesellschaft mbH, Heligoland		100	256	[1]
Essent Zuid B.V., Waalre/Netherlands		100	106,184	5,782
Eszak-magyarorszagi Aramszolgáltató Nyrt., Miskolc/Hungary		54	313,174	13,161
EuroSkyPark GmbH, Saarbrücken		51	287	191
EVIP GmbH, Bitterfeld-Wolfen		100	11,347	[1]
EWK Nederland B.V., Groningen/Netherlands		100	–17,217	–8,296
EWV Energie- und Wasser-Versorgung GmbH, Stolberg		54	41,547	13,700
EZN Swentibold B.V., Geleen/Netherlands		100	2,872	1,654
FAMIS Gesellschaft für Facility Management und Industrieservice mbH, Saarbrücken		63	9,820	–1,275
Fri-El Anzi Holding S.r.l., Bolzano/Italy		51	7,039	–688
Fri-El Anzi S.r.l., Bolzano/Italy		100	26,954	2,791
Fri-El Guardionara Holding S.r.l., Bolzano/Italy		51	12,672	–622
Fri-El Guardionara S.r.l., Bolzano/Italy		100	39,664	1,809
GBV Dreizehnte Gesellschaft für Beteiligungsverwaltung mbH & Co. KG, Gundremmingen	94	94	–18,979	–493
GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	4,202,487	[1]
GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	100	[1]
Gemeinschaftskraftwerk Bergkamen A OHG der STEAG GmbH und der RWE Power AG, Bergkamen		51	14,078	1,300
Gemeinschaftskraftwerk Steinkohle Hamm GmbH & Co. KG, Essen		78	–102,014	–152,014
Georgia Biomass Holding LLC, Savannah/USA		100	47,949	2,442
Georgia Biomass LLC, Savannah/USA		100	13,597	–20,658
GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund		100	74,596	–675
GISA GmbH, Halle (Saale)		75	9,007	3,407
Great Yarmouth Power Limited, Swindon/United Kingdom		100	3,599	0
Green Gecco GmbH & Co. KG, Essen		51	90,559	2,834
GWG Grevenbroich GmbH, Grevenbroich		60	20,248	4,642
ICS adminservice GmbH, Leuna		100	726	126
Industriepark LH Verteilnetz GmbH, Chemnitz		100	100	[1]
INVESTERG - Investimentos em Energias, SGPS, Lda. - Group - (pre-consolidated)			10,090	–60[2]
INVESTERG - Investimentos em Energias, Sociedade Gestora de Participações Sociais, Lda., São João do Estoril/Portugal		100		
LUSITERG - Gestão e Produção Energética, Lda., São João do Estoril/Portugal		74		
Jihomoravská plynárenská, a.s., Brno/Czech Republic		100	256,240	183,897
JMP DS, s.r.o, Brno/Czech Republic		100	10,606	8,216
KA Contracting SK s.r.o., Banská Bystrica/Slovakia		100	1,289	279
Kazinc-Therm Fûtõerõmû Kft., Kazincbarcika/Hungary		100	–442	–776
Kernkraftwerk Gundremmingen GmbH, Gundremmingen		75	84,184	8,343

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Kernkraftwerk Lingen GmbH, Lingen (Ems)		100	20,034	1
Kernkraftwerke Lippe-Ems GmbH, Lingen (Ems)		99	432,269	1
KMG Kernbrennstoff-Management Gesellschaft mbH, Essen		100	696,225	1
Knabs Ridge Wind Farm Limited, Swindon/United Kingdom		100	5,290	1,081
Kraftwerksbeteiligungs-OHG der RWE Power AG und der E.ON Kernkraft GmbH, Lingen (Ems)		88	144,433	657
Krzecin Sp. z o.o., Warsaw/Poland		100	22,540	167
KW Eemsmond B.V., Zwolle/Netherlands		100	8,815	0
Lechwerke AG, Augsburg		90	385,307	70,770
Leitungspartner GmbH, Düren		100	100	1
LEW Anlagenverwaltung GmbH, Gundremmingen		100	236,629	12,215
LEW Beteiligungsgesellschaft mbH, Gundremmingen		100	407,635	10,757
LEW Netzservice GmbH, Augsburg		100	87	1
LEW Service & Consulting GmbH, Augsburg		100	1,250	1
LEW TelNet GmbH, Neusäss		100	5,918	4,716
LEW Verteilnetz GmbH, Augsburg		100	4,816	1
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		59	27,050	7,979
LYNEMOUTH POWER LIMITED, Northumberland/United Kingdom		100	9,577	–1,195
Magyar Áramszolgáltató Kft., Budapest/Hungary		100	8,134	6,285
Mátrai Erömü Zártkörüen Müködö Részvénytársaság, Visonta/Hungary		51	331,955	35,447
MEWO Wohnungswirtschaft GmbH & Co. KG, Halle (Saale)		100	10,304	1,355
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)		75	133,061	39,274
Mitteldeutsche Netzgesellschaft Gas mbH, Kabelsketal		100	25	1
Mitteldeutsche Netzgesellschaft Strom mbH, Halle (Saale)		100	4,070	1
Mittlere Donau Kraftwerke AG, Munich		40[4]	5,113	0
ML Wind LLP, Swindon/United Kingdom		51		3
NEW AG, Mönchengladbach		44[4]	158,202	60,565
NEW Netz GmbH, Geilenkirchen		100	47,403	23,420
NEW Niederrhein Energie und Wasser GmbH, Mönchengladbach		100	1,000	4,371
NEW Niederrhein Wasser GmbH, Viersen		100	11,272	1,272
NEW Service GmbH, Mönchengladbach		100	100	1,597
NEW Tönisvorst GmbH, Tönisvorst		95	5,961	0
NEW Viersen GmbH, Viersen		100	38,714	18,938
Nordsee One GmbH, Hamburg		100	11,300	1
Npower Business and Social Housing Limited, Swindon/United Kingdom		100	–2,233	–1,790
Npower Cogen (Hythe) Limited, Swindon/United Kingdom		100	17,474	–4,406
Npower Cogen Limited, Swindon/United Kingdom		100	172,134	44,395
Npower Cogen Trading Limited, Swindon/United Kingdom		100	0	889
Npower Commercial Gas Limited, Swindon/United Kingdom		100	–9,556	3,524
Npower Direct Limited, Swindon/United Kingdom		100	226,079	48,431
Npower Financial Services Limited, Swindon/United Kingdom		100	–300	41

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	Direct	Total	€ '000	€ '000
Npower Gas Limited, Swindon/United Kingdom		100	–263,085	38,478
Npower Limited, Swindon/United Kingdom		100	–207,029	68,582
Npower Northern Limited, Swindon/United Kingdom		100	–621,660	–139,156
Npower Yorkshire Limited, Swindon/United Kingdom		100	–664,412	–21,398
Npower Yorkshire Supply Limited, Swindon/United Kingdom		100	0	0
NRW Pellets GmbH, Erndtebrück		90	438	–2,761
Octopus Electrical Limited, Swindon/United Kingdom		100	2,555	–253
OIE Aktiengesellschaft, Idar-Oberstein		100	8,822	1
Oval (2205) Limited, Swindon/United Kingdom		100	–5,757	0
Ózdi Erõmû Távhõtermelõ és Szolgáltató Kft., Kazincbarcika/Hungary		100	497	–537
Park Wiatrowy Nowy Staw Sp. z o.o., Warsaw/Poland		100	26,503	–2,115
Park Wiatrowy Suwalki Sp. z o.o., Warsaw/Poland		100	77,039	–195
Park Wiatrowy Tychowo Sp. z o.o., Warsaw/Poland		100	65,837	–1,999
Piecki Sp. z o.o., Warsaw/Poland		51	44,012	2,258
Plus Shipping Services Limited, London/United Kingdom		100	18,913	5,859
Powerhouse B.V., Almere/Netherlands		100	13,918	12,300
RE GmbH, Cologne		100	12,463	1
Regenesys Holdings Limited, Swindon/United Kingdom		100	–11	0
Regenesys Technologies Limited, Swindon/United Kingdom		100	730	12
regionetz GmbH, Eschweiler		100	37	–20
Restabwicklung SNR 300 GmbH, Essen		100	2,506,790	32,626
Rheinbraun Brennstoff GmbH, Cologne		100	63,316	1
Rheinische Baustoffwerke GmbH, Bergheim		100	9,236	1
Rheinkraftwerk Albbruck-Dogern Aktiengesellschaft, Waldshut-Tiengen		77	30,816	1,757
rhenag Beteiligungs GmbH, Cologne		100	25	1
rhenag Rheinische Energie Aktiengesellschaft, Cologne		67	143,919	29,751
Rhenas Insurance Limited, Sliema/Malta	100	100	48,300	93
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		50	13,982	8,032
RL Besitzgesellschaft mbH, Gundremmingen		100	110,875	10,472
RL Beteiligungsverwaltung beschr. haft. OHG, Gundremmingen[5]	51	100	347,116	18,528
RSB LOGISTIC GMBH, Cologne		100	19,304	1
RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne		100	36,694	1
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey		69	118,954	–23,243
RWE Aktiengesellschaft, Essen			9,532,842	704,344
RWE Aqua GmbH, Mülheim an der Ruhr		100	233,106	1
RWE Benelux Holding B.V., 's-Hertogenbosch/Netherlands		100	2,745,600	–1,078,900
RWE Beteiligungsgesellschaft mbH, Essen	100	100	8,058,440	1
RWE Beteiligungsverwaltung Ausland GmbH, Essen	100	100	740,420	1
RWE Ceská republika a.s., Prague/Czech Republic		100	1,859,052	93,996
RWE Consulting GmbH, Essen		100	1,555	1
RWE Dea AG, Hamburg		100	1,323,905	1

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RWE Dea Cyrenaica GmbH, Hamburg		100	26	1
RWE Dea E & P GmbH, Hamburg		100	32,930	1
RWE Dea Global Limited, London/United Kingdom		100	1	0
RWE Dea Idku GmbH, Hamburg		100	13,772	1
RWE Dea International GmbH, Hamburg		100	290,741	1
RWE Dea Nile GmbH, Hamburg		100	130,581	1
RWE Dea Norge AS, Oslo/Norway		100	275,695	270,500
RWE Dea North Africa/Middle East GmbH, Hamburg		100	130,025	1
RWE Dea Polska Sp. z o.o., Warsaw/Poland		100	63	17
RWE Dea Speicher GmbH, Hamburg		100	25	1
RWE Dea Suez GmbH, Hamburg		100	87,226	1
RWE Dea Suriname GmbH, Hamburg		100	25	1
RWE Dea Trinidad & Tobago GmbH, Hamburg		100	25	1
RWE Dea UK Holdings Limited, Aberdeen/United Kingdom		100	275,487	653
RWE Dea UK SNS Limited, London/United Kingdom		100	155,960	16,357
RWE Deutschland Aktiengesellschaft, Essen	12	100	499,142	1
RWE Distribucní služby, s.r.o., Brno/Czech Republic		100	21,426	16,588
RWE East, s.r.o., Prague/Czech Republic	2	100	309	283
RWE Eemshaven Holding B.V., 's-Hertogenbosch/Netherlands		100	–625,555	–565,992
RWE Effizienz GmbH, Dortmund		100	25	1
RWE Energetyka Trzemeszno Sp. z o.o., Wroclaw/Poland		100	1,813	239
RWE Energie, a.s., Ústí nad Labem/Czech Republic		100	417,073	395,485
RWE Energiedienstleistungen GmbH, Dortmund		100	18,845	1
RWE Energija d.o.o., Zagreb/Croatia		100		3
RWE Energo, s.r.o., Prague/Czech Republic		100	18,882	–1,206
RWE Energy Beteiligungsverwaltung Luxembourg S.A.R.L., Luxembourg/Luxembourg		100	86,013	9,115
RWE Enerji Toptan Satis A.S., Istanbul/Turkey		100	1,535	–2,197
RWE FiberNet GmbH, Essen		100	25	1
RWE Finance B.V., 's-Hertogenbosch/Netherlands	100	100	10,227	2,466
RWE Gas International N.V., 's-Hertogenbosch/Netherlands	100	100	6,853,256	1,432,065
RWE Gas Slovensko, s.r.o., Košice/Slovakia		100	4,222	1,659
RWE Gas Storage, s.r.o., Prague/Czech Republic		100	593,723	88,624
RWE GasNet, s.r.o., Ústí nad Labem/Czech Republic		100	847,613	130,227
RWE Gasspeicher GmbH, Dortmund	100	100	350,087	1
RWE Gastronomie GmbH, Essen		100	275	1
RWE Generation SE, Essen	100	100	264,622	1
RWE Grid Holding, a.s., Prague/Czech Republic		65	1,262,803	160,491
RWE Group Business Services CZ, s.r.o., Prague/Czech Republic		100	860	514
RWE Group Business Services GmbH, Essen		100	25	1
RWE Group Business Services Polska Sp.z o.o., Warsaw/Poland		100	1,085	–710

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RWE Hrvatska d.o.o., Zagreb/Croatia		100	53	53
RWE Hungaria Tanacsado Kft., Budapest/Hungary		100	6,745	−194
RWE Innogy AERSA S.A.U.- Group - (pre-consolidated)			358,930	14,813[2]
Danta de Energías, S.A., Soria/Spain		99		
Explotaciones Eólicas de Aldehuelas, S.L., Soria/Spain		95		
General de Mantenimiento 21, S.L.U., Barcelona/Spain		100		
Hidroeléctrica del Trasvase, S.A., Barcelona/Spain		60		
RWE Innogy AERSA, S.A.U., Barcelona/Spain		100		
RWE Innogy Benelux B.V., 's-Hertogenbosch/Netherlands		100	145	−1,254
RWE Innogy Brise Windparkbetriebsgesellschaft mbH, Hanover		100	226	[1]
RWE Innogy Cogen Beteiligungs GmbH, Dortmund		100	7,350	[1]
RWE Innogy GmbH, Essen	100	100	653,471	[1]
RWE Innogy Grebbin Windparkbetriebsgesellschaft mbH, Obere Warnow (OT Grebbin)		100	25	[1]
RWE Innogy Italia S.p.A., Bolzano/Italy		100	20,737	−165,060
RWE Innogy Lüneburger Heide Windparkbetriebsgesellschaft mbH, Walsrode		100	25	[1]
RWE Innogy Mistral Windparkbetriebsgesellschaft mbH, Hanover		100	578	[1]
RWE Innogy Sandbostel Windparkbetriebsgesellschaft mbH, Sandbostel		100	25	[1]
RWE Innogy (UK) Ltd., Swindon/United Kingdom		100	1,545,445	−41,714
RWE Innogy Windpark GmbH, Essen		100	1,273	1,248
RWE Innogy Windpower Hannover GmbH, Hanover		100	77,373	[1]
RWE Innogy Windpower Netherlands B.V., 's-Hertogenbosch/Netherlands		100	−23,335	−2,837
RWE Interní služby, s.r.o., Prague/Czech Republic		100	9,707	6,964
RWE IT Czech s.r.o., Brno/Czech Republic	1	100	7,470	417
RWE IT GmbH, Essen	100	100	22,724	[1]
RWE IT MAGYARORSZÁG Kft., Budapest/Hungary		100	758	125
RWE IT Poland Sp. z o.o., Warsaw/Poland		100	1,676	53
RWE IT Slovakia s.r.o., Košice/Slovakia	15	100	843	801
RWE IT UK Limited, Swindon/United Kingdom		100	10,102	−51,422
RWE Key Account CZ, s.r.o., Prague/Czech Republic		100	6,734	4,941
RWE Kundenservice GmbH, Bochum		100	25	[1]
RWE Metering GmbH, Mülheim an der Ruhr		100	25	[1]
RWE Netzservice GmbH, Siegen		100	50	[1]
RWE Npower Group plc, Swindon/United Kingdom		100		[3]
RWE Npower Holdings plc, Swindon/United Kingdom		100	1,537,721	2,353
RWE Npower plc, Swindon/United Kingdom		100	2,019,907	552,894
RWE Npower Renewables (Galloper) No.1 Limited, Swindon/United Kingdom		100	−96	−88
RWE Npower Renewables (Galloper) No.2 Limited, Swindon/United Kingdom		100	−96	−88
RWE Npower Renewables Limited, Swindon/United Kingdom		100	1,153,214	2,359
RWE Npower Renewables (Markinch) Limited, Swindon/United Kingdom		100	−14,816	−9,542
RWE Npower Renewables (NEWCO)1 Limited, Swindon/United Kingdom		100	4	−18

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RWE Npower Renewables (NEWCO)2 Limited, Swindon/United Kingdom		100	2	–20
RWE Npower Renewables (NEWCO)3 Limited, Swindon/United Kingdom		100	2	–20
RWE Npower Renewables (NEWCO)4 Limited, Swindon/United Kingdom		100	11	–56
RWE Npower Renewables (Stallingborough) Limited, Swindon/United Kingdom		100	–8,294	–2,969
RWE Offshore Logistics Company GmbH, Hamburg		100	30	[1]
RWE Offshore Wind Nederland B.V., 's Hertogenbosch/Netherlands		100	551	331
RWE Polska Contracting Sp. z o.o., Wroclaw/Poland		100	4,207	789
RWE Polska S.A., Warsaw/Poland		100	118,177	77,873
RWE Power Aktiengesellschaft, Cologne and Essen	100	100	3,399,197	[1]
RWE Renewables Polska Sp. z o.o., Warsaw/Poland		100	300,151	788
RWE Rheinhessen Beteiligungs GmbH, Essen		100	57,840	[1]
RWE RWN Beteiligungsgesellschaft Mitte mbH, Essen		100	286,356	[1]
RWE Seabreeze I GmbH & Co. KG, Bremerhaven		100	48,352	17,252
RWE Seabreeze II GmbH & Co. KG, Bremerhaven		100	27,268	6,830
RWE Service GmbH, Dortmund	100	100	248,451	[1]
RWE Slovensko s.r.o., Bratislava/Slovakia	1	100	2,181	–819
RWE Solutions Ireland Limited, Dublin/Ireland		100	13,653	1,467
RWE Stoen Operator Sp z o.o., Warsaw/Poland		100	679,012	45,554
RWE Supply & Trading Asia-Pacific PTE. LTD., Singapore/Singapore		100	4,203	4,203
RWE Supply & Trading CZ, a.s., Prague/Czech Republic		100	2,092,165	923,539
RWE Supply & Trading GmbH, Essen	100	100	446,800	[1]
RWE Supply & Trading Netherlands B.V., 's-Hertogenbosch/Netherlands		100	688,532	–37,800
RWE Supply & Trading Participations Limited, London/United Kingdom		100	28,219	–375,265
RWE Supply & Trading Switzerland S.A., Geneva/Switzerland		100	59,532	–26,216
RWE Technology GmbH, Essen		100	25	[1]
RWE Technology Tasarim ve Mühendislik Danismanlik Ticaret Limited Sirketi, Istanbul/Turkey		100	3,398	2,012
RWE Technology UK Limited, Swindon/United Kingdom		100	–451	–2,538
RWE Trading Americas Inc., New York/USA		100	37,293	5,279
RWE Trading Services GmbH, Essen		100	5,735	[1]
RWE Turkey Holding A.S., Istanbul/Turkey	100	100	8,177	50
RWE Vertrieb Aktiengesellschaft, Dortmund		100	22,316	[1]
RWE Zákaznické služby, s.r.o., Ostrava/Czech Republic		100	2,678	2,399
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH, Mülheim an der Ruhr		80	76,170	10,192
Saarwasserkraftwerke GmbH, Essen		100	14,368	[1]
Scarcroft Investments Limited, Swindon/United Kingdom		100	–13,740	0
Schwäbische Entsorgungsgesellschaft mbH, Gundremmingen		100	19,369	620
Severomoravská plynárenská, a.s., Ostrava/Czech Republic		100	312,403	171,592
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft., Budapest/Hungary		100	28,508	–1,416
Speicher Breitbrunn/Eggstätt RWE Dea & Storengy, Hamburg		80	0	17,108
SPER S.p.A., Enna/Italy		70	11,823	–1,422

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
SRS EcoTherm GmbH, Salzbergen		90	13,530	2,459
Stadtwärme Kamp-Lintfort GmbH, Kamp-Lintfort		100	2,970	1
STADTWERKE DÜREN GMBH, Düren		75	26,721	5,956
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort		51	13,847	3,858
Südwestsächsische Netz GmbH, Crimmitschau		100	917	160
Süwag Beteiligungs GmbH, Frankfurt am Main		100	4,425	1
Süwag Energie AG, Frankfurt am Main		78	428,675	86,300
Süwag Vertrieb AG & Co. KG, Frankfurt am Main		100	680	1
Süwag Wasser GmbH, Frankfurt am Main		100	318	1
Syna GmbH, Frankfurt am Main		100	4,939	1
Taciewo Sp. z o.o., Warsaw/Poland		100	37,787	–83
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	529	93
Tisza-Therm Fûtõerõmû Kft., Tiszaújváros/Hungary		100	–698	–1,005
Tisza-WTP Vízelõkészítõ és Szolgáltató Kft., Tiszaújváros/Hungary		100	1,649	283
Transpower Limited, Dublin/Ireland		100	4,216	983
Triton Knoll Offshore Wind Farm Ltd., Swindon/United Kingdom		100	–7,755	–333
Überlandwerk Krumbach GmbH, Krumbach		75	4,801	594
Verteilnetz Plauen GmbH, Plauen		100	22	1
Volta Limburg B.V., Schinnen/Netherlands		89	25,448	7,124
VSE Aktiengesellschaft, Saarbrücken		50	170,527	23,872
VSE Net GmbH, Saarbrücken		100	13,122	1,036
VSE Verteilnetz GmbH, Saarbrücken		100	25	1
VWS Verbundwerke Südwestsachsen GmbH, Lichtenstein		98	27,095	2,452
Východoceská plynárenská, a.s., Prague/Czech Republic		100	179,731	82,545
Wendelsteinbahn GmbH, Brannenburg		100	3,085	565
Wendelsteinbahn Verteilnetz GmbH, Brannenburg		100	38	1
Westnetz GmbH, Dortmund		100	308	1
Windpark Bentrup Betriebsgesellschaft mbH, Barntrup		100	25	1
Windpark Westereems B.V., Zwolle/Netherlands		100	7,862	22
Windpark Zuidwester B.V., 's-Hertogenbosch/Netherlands		100	12,284	0
WINKRA Hörup Windparkbetriebsgesellschaft mbH, Hörup		100	26	487
WINKRA Lengerich Windparkbetriebsgesellschaft mbH, Gersten		100	25	1
WINKRA Sommerland Windparkbetriebsgesellschaft mbH, Sommerland		100	26	1
WINKRA Süderdeich Windparkbetriebsgesellschaft mbH, Süderdeich		100	106	1
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover		100	425	245
YE Gas Limited, Swindon/United Kingdom		100	–105,946	0
Yorkshire Energy Limited, Bristol/United Kingdom		100	13,450	0

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	Direct	Total	€ '000	€ '000
Agenzia Carboni S.R.L., Genoa/Italy		100	408	11
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen		100	5,113	0
Allt Dearg Wind Farm Limited, Swindon/United Kingdom		100	0	0
Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund		100	–68,631	849
Ardoch Over Enoch Windfarm Limited, Glasgow/United Kingdom		100	0	0
Balassagyarmati Biogáz Erõmû Kft, Budapest/Hungary		100	2	0
Ballindalloch Muir Wind Farm Limited, Swindon/United Kingdom		100	0	0
b_gas Eicken GmbH, Schwalmtal		100	–976	7
bildungszentrum energie GmbH, Halle (Saale)		100	560	85
Bioenergie Bad Wimpfen GmbH & Co. KG, Bad Wimpfen		51	1,922	21
Bioenergie Bad Wimpfen Verwaltungs-GmbH, Bad Wimpfen		100	27	1
Bioenergie Kirchspiel Anhausen GmbH & Co. KG, Anhausen		51	998	–411
Bioenergie Kirchspiel Anhausen Verwaltungs-GmbH, Anhausen		100	26	1
Biogasanlage Schwalmtal GmbH, Schwalmtal		99	33	2
Brims Ness Tidal Power Limited, Swindon/United Kingdom		100	0	0
Burgar Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	0	0
Carr Mor Windfarm Limited, Glasgow/United Kingdom		100	0	0
Carsphairn Windfarm Limited, Glasgow/United Kingdom		100	1	0
Causeymire Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Comco MCS S.A., Luxembourg/Luxembourg		95	514	325
Craigenlee Wind Farm Limited, Swindon/United Kingdom		100	0	0
Culbin Farm Wind Farm Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 1A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 1B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 2A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 2B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 3A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 3B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 4A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 4B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 5A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 5B RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 6A RWE Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 6B RWE Limited, Swindon/United Kingdom		100	0	0
ECS - Elektrárna Cechy-Stred, a.s., v likvidaci, Prague/Czech Republic		51	1,721	97
EDON Group Costa Rica S.A., San Jose/Costa Rica		100	837	–133
Energetyka Wschod Sp. z o.o., Wroclaw/Poland		100	38	1
Energetyka Zachod Sp. z o.o., Wroclaw/Poland		100	85	16

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	Direct	Total	€ '000	€ '000
Energie Mechernich Verwaltungs-GmbH, Mechernich		100		[3]
Energiegesellschaft Leimen GmbH & Co. KG, Leimen		75	1	7
Energiegesellschaft Leimen Verwaltungsgesellschaft mbH, Leimen		75	23	1
energienatur Gesellschaft für Erneuerbare Energien mbH, Siegburg		100	96	–4
Energieversorgung Bad Bentheim Verwaltungs-GmbH, Bad Bentheim		100		[3]
Energieversorgung Niederkassel GmbH & Co. KG, Niederkassel		100		[3]
Energieversorung Niederkassel Verwaltung GmbH, Niederkassel		100		[3]
enviaM Erneuerbare Energien Verwaltungsgesellschaft mbH, Markkleeberg		100	28	2
ESK GmbH, Dortmund		100	128	1,786
Fernwärme Saarlouis-Steinrausch Investitionsgesellschaft mbH, Saarlouis		95	7,567	[1]
'Finelectra' Finanzgesellschaft für Elektrizitäts-Beteiligungen AG, Hausen/Switzerland		100	13,724	585
GBV Achtundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	[1]
GBV Einundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	[1]
GBV Neunundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	[1]
GBV Siebenundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	[1]
GBV Verwaltungsgesellschaft mbH, Gundremmingen	94	94	20	2
GBV Zweiundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	28	[1]
GKB Gesellschaft für Kraftwerksbeteiligungen mbH, Cottbus		100	139	7
GkD Gesellschaft für kommunale Dienstleistungen mbH, Siegburg		100	62	1
Green Gecco Verwaltungs GmbH, Essen		51	29	3
GWG Kommunal GmbH, Grevenbroich		100	100	0
HM&A Verwaltungs GmbH i.L., Essen		100	378	1
Hospitec Facility Management GmbH, Saarbrücken		100	–1,794	0
Infraestructuras de Aldehuelas, S.A., Soria/Spain		100	428	0
Infrastrukturgesellschaft Netz Lübz mbH, Hanover		100	32	–12
Kazinc-BioEnergy Kft., Budapest/Hungary		100	2	0
Kieswerk Kaarst GmbH & Co. KG, Bergheim		51	668	70
Kieswerk Kaarst Verwaltungs GmbH, Bergheim		51	28	0
Kiln Pit Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
KWS Kommunal-Wasserversorgung Saar GmbH, Saarbrücken		100	30	[1]
Lochelbank Wind Farm Limited, Swindon/United Kingdom		100	0	0
Lößnitz Netz GmbH & Co. KG, Lössnitz		100	21	–4
Lößnitz Netz Verwaltungs GmbH, Lössnitz		100	26	1
Mátrai Erömü Központi Karbantartó KFT, Visonta/Hungary		100	2,978	359
Meterplus Limited, Swindon/United Kingdom		100	0	0
MEWO Wohnungswirtschaft Verwaltungs-GmbH, Halle (Saale)		100	45	1
Middlemoor Wind Farm Limited, Swindon/United Kingdom		100	0	0
MIROS Mineralische Rohstoffe, GmbH i.L., Bergheim		100	0	–10

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	Direct	Total	€ '000	€ '000
Mitteldeutsche Netzgesellschaft mbH, Chemnitz		100	24	–1
Netzgesellschaft Grimma GmbH & Co. KG, Grimma		100		[3]
Netzmanagement Grimma GmbH, Grimma		100		[3]
Netzwerke Saarwellingen GmbH, Saarwellingen		100	50	[1]
NEW Re GmbH, Mönchengladbach		75	590	0
NEW Schwalm-Nette GmbH, Viersen		100	6,586	713
NEW Schwalm-Nette Netz GmbH, Viersen		100	25	–3
Niederrheinwerke Impuls GmbH, Grefrath		67	220	145
NiersEnergieNetze Verwaltungs-GmbH, Kevelaer		51		[3]
North Kintyre Wind Farm Limited, Swindon/United Kingdom		100	0	0
Novar Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Npower Northern Supply Limited, Swindon/United Kingdom		100	0	0
NRF Neue Regionale Fortbildung GmbH, Halle (Saale)		100	160	27
Oschatz Netz GmbH & Co. KG, Oschatz		100	–10	–35
Oschatz Netz Verwaltungs GmbH, Oschatz		100	26	1
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	1,334	–13
Park Wiatrowy Elk Sp. z o.o., Warsaw/Poland		100	898	–13
Park Wiatrowy Gaworzyce Sp. z o.o., Warsaw/Poland		100	3,095	110
Park Wiatrowy Msciwojów Sp. z o.o., Warsaw/Poland		100	2,148	–9
Park Wiatrowy Prudziszki Sp. z o.o., Warsaw/Poland		100	109	–24
Park Wiatrowy Smigiel I Sp. z o.o., Warsaw/Poland		100	2,763	29
Park Wiatrowy Znin Sp. z o.o., Warsaw/Poland		100	2,493	–44
Projecta 15 GmbH, Saarbrücken		100	16	1
Projecta 5 - Entwicklungsgesellschaft für kommunale Dienstleistungen mbH, Saarbrücken		100	17	–2
PT Rheincoal Supply & Trading Indonesia, PT, Jakarta/Indonesia		100		[3]
RD Hanau GmbH, Hanau		100	0	0
Rebyl Limited, Swindon/United Kingdom		100	0	0
ReEnergie Niederrhein Biogas Schwalmtal GmbH & Co. KG, Schwalmtal		66	1,564	0
Rheinland Westfalen Energiepartner GmbH, Essen		100	5,369	[1]
rhenagbau GmbH, Cologne		100	1,258	[1]
ROTARY-MATRA Kútfúró és Karbantartó KFT, Visonta/Hungary		100	812	29
RWE & Turcas Dogalgaz Ithalat ve Ihracat A.S., Istanbul/Turkey		100	314	–7
RWE Australia Pty. Ltd., Brisbane/Australia		100		[3]
RWE Dea Guyana GmbH, Hamburg		100	25	0
RWE Dea Petróleo e Gás do Brasil Ltda., Rio de Janeiro/Brazil		100	48	0
RWE DEA Ukraine LLC, Kiev/Ukraine		100	35	–223
RWE East Bucharest S.R.L, Bucharest/Romania		100	903	–5
RWE Eurotest GmbH, Dortmund		100	51	[1]

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	Direct	Total	€ '000	€ '000
RWE Gas Transit, s.r.o., Prague/Czech Republic		100	4,949	–16
RWE Innogy d.o.o. za koristenje obnovljivih izvora energije, Sarajevo/Bosnia and Herzegovina		100	38	–68
RWE Innogy Kaskasi GmbH, Hamburg		100	99	[1]
RWE Innogy Serbia d.o.o., Belgrade/Serbia		100	0	0
RWE Innogy Windpark Bedburg GmbH & Co. KG, Essen		100	996	–5
RWE Innogy Windpark Bedburg Verwaltungs GmbH, Essen		100	27	2
RWE Innogy Windpark Jüchen Verwaltungs GmbH, Essen		100	33	8
RWE Pensionsfonds AG, Essen	100	100	3,739	16
RWE POLSKA Generation Sp. z o.o., Warsaw/Poland		100	174	–327
RWE Power Benelux B.V., Hoofddorp/Netherlands		100	648	2
RWE Power Beteiligungsverwaltung GmbH & Co. KG, Grevenbroich		100	0	0
RWE Power Climate Protection China GmbH, Essen		100	25	[1]
RWE Power Climate Protection Clean Energy Technology (Beijing) Co., Ltd., Beijing/China		100	1,801	63
RWE Power Climate Protection GmbH, Essen		100	23	[1]
RWE Power Climate Protection Southeast Asia Co., Ltd., Bangkok/Thailand		100	47	28
RWE Power Zweite Gesellschaft für Beteiligungsverwaltung mbH, Grevenbroich		100	24	1
RWE Principal Investments (3) Limited, Halifax/Canada		100	3,608	–13
RWE Principal Investments (4) Limited, Halifax/Canada		100	0	–1
RWE Rhein Oel Ltd., London/United Kingdom		100	–1	0
RWE Seabreeze I Verwaltungs GmbH, Bremerhaven		100	37	6
RWE Seabreeze II Verwaltungs GmbH, Bremerhaven		100	37	6
RWE Stiftung gemeinnützige GmbH, Essen	100	100	59,621	437
RWE Supply & Trading (India) Private Limited, Mumbai/India		100		[3]
RWE Trading Services Ltd., Swindon/United Kingdom		100	1,010	74
RWE Wärme Berlin GmbH, Berlin		100	2,089	429
RWE-EnBW Magyarország Energiaszolgáltató Korlátolt Felelösségü Társaság, Budapest/Hungary		70	324	63
SASKIA Informations-Systeme GmbH, Chemnitz		90	638	224
SchlauTherm GmbH, Saarbrücken		75	151	33
Securum AG, Zug/Switzerland		100	3,027	31
Sinergy Energiakereskedõ Kft., Budapest/Hungary		100	10	0
Snowgoat Glen Wind Farm Limited, Swindon/United Kingdom		100	0	0
Stadtwerke Korschenbroich GmbH, Mönchengladbach		100	20	–5
Steinkohlendoppelblock Verwaltungs GmbH, Essen		100	255	50
Stromverwaltung Schwalmtal GmbH, Schwalmtal		100		[3]
Stroupster Wind Farm Limited, Swindon/United Kingdom		100	0	0
Süwag Erneuerbare Energien GmbH, Frankfurt am Main		100	124	[1]
Süwag Vertrieb Management GmbH, Frankfurt am Main		100	24	0

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	Direct	Total	€ '000	€ '000
Taff-Ely Wind Farm Project Limited, Swindon/United Kingdom		100	105	0
Tarskavaig Wind Farm Limited, Swindon/United Kingdom		100	0	0
T.B.E. TECHNISCHE BERATUNG ENERGIE für wirtschaftliche Energieanwendung GmbH, Duisburg		100	337	[1]
TEPLO Rumburk s.r.o., Rumburk/Czech Republic		98	242	–11
Thermolux S.a.r.l., Luxembourg/Luxembourg		100	98	–484
Thyssengas-Unterstützungskasse GmbH, Dortmund		100	41	–34
Tisza BioTerm Kft., Budapest/Hungary		60	219	0
Tisza-BioEnergy Kft, Budapest/Hungary		100	2	0
TWS Technische Werke der Gemeinde Saarwellingen GmbH, Saarwellingen		51	2,886	625
Versuchsatomkraftwerk Kahl GmbH, Karlstein		80	542	31
Verwaltungsgesellschaft Dorsten Netz mbH, Dorsten		100		[3]
VKB-GmbH, Saarbrücken		50		[3]
VKN Saar Geschäftsführungsgesellschaft mbH, Ensdorf		51	46	2
VKN Saar Gesellschaft für Verwertung von Kraftwerksnebenprodukten und Ersatzbrennstoffen mbH & Co. KG, Ensdorf		51	50	280
VSE - Windpark Merchingen GmbH & Co. KG, Saarbrücken		100	2,484	–316
VSE - Windpark Merchingen Verwaltungs GmbH, Saarbrücken		100	57	2
VSE Stiftung gGmbH, Saarbrücken		100	2,577	19
Wärmeversorgung Schwaben GmbH, Augsburg		100	64	0
Windpark Jüchen GmbH & Co. KG, Essen		54	9,958	57
Windpark Losheim-Britten GmbH, Saarbrücken		100		[3]
Windpark Oberthal GmbH, Saarbrücken		100		[3]
Windpark Perl GmbH, Saarbrücken		100		[3]

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III. Companies accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Amprion GmbH, Dortmund	25	25	861,900	197,800
AS 3 Beteiligungs GmbH, Essen		51	0	–25,644
ATBERG - Eólicas do Alto Tâmega e Barroso, Lda., Ribeira de Pena/Portugal		40	2,142	–191
AVA Abfallverwertung Augsburg Gesellschaft mit beschränkter Haftung, Augsburg		25	24,064	3,299
AVU Aktiengesellschaft für Versorgungs-Unternehmen, Gevelsberg		50	101,813	14,400
BEW Netze GmbH, Wipperfürth		61	10,892	1,425
Blackhawk Mining LLC, Lexington/USA		25	100,775	–7,441[2]
Budapesti Disz- es Közvilagitasi Kft., Budapest/Hungary		50	30,666	1,086
C-Power N.V., Oostende/Belgium		27	170,695	5,918
Delesto B.V., Delfzijl/Netherlands		50	61,328	3,173
Dortmunder Energie- und Wasserversorgung GmbH (DEW 21), Dortmund		47	176,346	40,825
EdeA VOF, Geleen/Netherlands		50	36,300	0
EGG Holding B.V., 's-Hertogenbosch/Netherlands		50	10,597	1,687
Electrorisk Verzekeringsmaatschappij N.V., Arnhem/Netherlands		25	11,270	–70
Elsta B.V., Middelburg/Netherlands		25	194	176
Elsta B.V. & CO C.V., Middelburg/Netherlands		25	21,201	23,785
Energie Nordeifel GmbH & Co. KG, Kall		50	11,479	3,362[2]
Energieversorgung Guben GmbH, Guben		45	5,870	527
Energieversorgung Hürth GmbH, Hürth		25	4,961	0
Energieversorgung Oberhausen AG, Oberhausen		10	30,305	10,973
Energiewacht N.V., Veendam/Netherlands		50	22,175	3,856
ENNI Energie & Umwelt Niederrhein GmbH, Moers		20	38,995	9,526
Enovos International S. A., Luxembourg/Luxembourg		18	723,683	54,862
EPZ - N.V. Elektriciteits Produktiemmaatschappij Zuid-Nederland, Borssele/Netherlands		30	69,672	34,703
EWR Aktiengesellschaft, Worms		2	74,307	14,447
EWR Dienstleistungen GmbH & Co. KG, Worms		50	140,747	14,498
EWR GmbH - Energie und Wasser für Remscheid, Remscheid		20	83,816	13,785
Fovarosi Gazmuvek Zrt., Budapest/Hungary		50	119,307	24,470
Freiberger Stromversorgung GmbH (FSG), Freiberg		30	9,017	1,669
FSO GmbH & Co. KG, Oberhausen		50	26,951	11,621[2]
Gas- und Wasserwerke Bous-Schwalbach GmbH, Bous		49	13,597	1,559
Geas Energiewacht B.V., Enschede/Netherlands		50	9,096	1,838
GNS Gesellschaft für Nuklear-Service mbH, Essen		28	6,253	5,521[2]
Greater Gabbard Offshore Winds Limited, Reading/United Kingdom		50	139,604	50,244
Grosskraftwerk Mannheim Aktiengesellschaft, Mannheim		40	114,142	6,647
Gwynt Y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		60	–3,380	4
HIDROERG - Projectos Energéticos, Lda., Lisbon/Portugal		32	9,045	301
Innogy Renewables Technology Fund I GmbH & Co. KG, Essen		78	45,356	–16,550
Innogy Venture Capital GmbH, Essen		75	199	80

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by contractual agreement.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.

III. Companies accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria		49	566,843	87,297
KELAG-Kärntner Elektrizitäts-AG, Klagenfurt/Austria		13	644,840	96,226[2]
Kemkens B.V., Oss/Netherlands		49	15,641	6,753
KEW Kommunale Energie- und Wasserversorgung AG, Neunkirchen		29	73,133	9,919
Konsortium Energieversorgung Opel oHG der RWE Innogy GmbH und der Kraftwerke Mainz-Wiesbaden AG, Karlstein		67	35,206	16,707
MAINGAU Energie GmbH, Obertshausen		47	19,757	5,034
medl GmbH, Mülheim an der Ruhr		49	21,829	0
Mingas-Power GmbH, Essen		40	3,394	2,725
Nebelhornbahn-Aktiengesellschaft, Oberstdorf		27	4,922	361
Pfalzwerke Aktiengesellschaft, Ludwigshafen		27	205,885	31,682[2]
PRENU Projektgesellschaft für Rationelle Energienutzung in Neuss mbH, Neuss		50	232	–22
Projecta 14 GmbH, Saarbrücken		50	38,359	2,134
Propan Rheingas GmbH & Co KG, Brühl		30	16,776	2,238
Przedsiêbiorstwo Wodociagów i Kanalizacji Sp. z o.o., Dabrowa Górnica/Poland		34	31,076	1,923
Rain Biomasse Wärmegesellschaft mbH, Rain		75	6,515	508
Regionalgas Euskirchen GmbH & Co. KG, Euskirchen		43	61,253	13,989
RheinEnergie AG, Cologne		20	741,918	171,676
Rhein-Main-Donau AG, Munich		22	110,169	0
Sampi Anlagen-Vermietungs GmbH & Co. Objekt Meerbusch KG, Mainz		100	555	1,328
Schluchseewerk Aktiengesellschaft, Laufenburg (Baden)		50	59,339	2,809
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb/Croatia		50	1,424	104
Siegener Versorgungsbetriebe GmbH, Siegen		25	22,766	3,985
Société Electrique de l'Our S.A., Luxembourg/Luxembourg		40	11,770	–1,159[2]
SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus		33	34,093	5,530
SSW Stadtwerke St. Wendel GmbH & Co. KG, St. Wendel		50	20,215	1,988
Stadtwerke Aschersleben GmbH, Aschersleben		35	15,831	2,617
Stadtwerke Bernburg GmbH, Bernburg (Saale)		45	31,709	5,468
Stadtwerke Bitterfeld-Wolfen GmbH, Bitterfeld-Wolfen		40	20,789	1,913
Stadtwerke Bühl GmbH, Bühl		30	22,107	0
Stadtwerke Duisburg Aktiengesellschaft, Duisburg		20	164,077	1,006
Stadtwerke Dülmen Dienstleistungs- und Beteiligungs-GmbH & Co. KG, Dülmen		50	26,286	3,526
Stadtwerke Emmerich GmbH, Emmerich am Rhein		25	12,115	2,843
Stadtwerke Essen Aktiengesellschaft, Essen		29	117,597	26,784
Stadtwerke Geldern GmbH, Geldern		49	8,595	615
Stadtwerke GmbH Bad Kreuznach, Bad Kreuznach		25	39,925	0
Stadtwerke Kirn GmbH, Kirn		49	2,137	360

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III. Companies accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Stadtwerke Lingen GmbH, Lingen (Ems)		40	13,471	0
Stadtwerke Meerane GmbH, Meerane		24	12,578	1,805
Stadtwerke Meinerzhagen GmbH, Meinerzhagen		27	20,895	829
Stadtwerke Merseburg GmbH, Merseburg		40	20,392	3,563
Stadtwerke Merzig GmbH, Merzig		50	15,906	1,703
Stadtwerke Neuss Energie und Wasser GmbH, Neuss		25	88,344	11,880
Stadtwerke Radevormwald GmbH, Radevormwald		50	4,818	1,289
Stadtwerke Ratingen GmbH, Ratingen		25	44,011	3,179
Stadtwerke Reichenbach/Vogtland GmbH, Reichenbach im Vogtland		24	12,979	2,354
Stadtwerke Saarlouis GmbH, Saarlouis		49	33,522	4,667
Stadtwerke Velbert GmbH, Velbert		50	82,005	7,211
Stadtwerke Weißenfels GmbH, Weissenfels		24	23,660	3,815
Stadtwerke Willich GmbH, Willich		25	12,581	0
Stadtwerke Zeitz GmbH, Zeitz		24	20,434	3,000
Stromnetz Günzburg GmbH & Co. KG, Günzburg		49		[3]
Südwestfalen Energie und Wasser AG, Hagen		19	229,559	23,729[2]
SVS-Versorgungsbetriebe GmbH, Stadtlohn		38	20,930	2,592
TCP Petcoke Corporation, Dover/USA		50	16,692	13,890[2]
TE Plomin d.o.o., Plomin/Croatia		50	29,731	1,151
URANIT GmbH, Jülich		50	73,683	62,650
Vliegasunie B.V., De Bilt/Netherlands		43	17,009	14,052
Východoslovenská energetika a.s., Košice/Slovakia		49	217,763	66,794[2]
Wasser- und Energieversorgung Kreis St. Wendel GmbH, St. Wendel		28	20,274	1,343
wbm Wirtschaftsbetriebe Meerbusch GmbH, Meerbusch		40	20,414	2,954
WestEnergie und Verkehr GmbH, Geilenkirchen		50	41,067	11,113
Zagrebacke otpadne vode d.o.o., Zagreb/Croatia		48	155,511	22,421
Zagrebacke otpadne vode-upravljanje i pogon d.o.o., Zagreb/Croatia		33	2,803	3,972
Zephyr Investments Limited, Swindon/United Kingdom		33	−41,740	−13,910[2]
Zwickauer Energieversorgung GmbH, Zwickau		27	39,360	8,784

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IV. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Abwasser-Gesellschaft Knapsack, GmbH, Hürth		33	440	210
Awotec Gebäude Servicegesellschaft mbH, Saarbrücken		48	94	−1
Bäderbetriebsgesellschaft St. Ingbert GmbH, St. Ingbert		49	70	12
BC-Eromu Kft., Miskolc/Hungary		74	16,054	4,476
BIG Breitband-Infrastrukturges. Cochem Zell mbH, Cochem-Zell		21	132	−32
Biogas Mönchengladbach-Süd GmbH & Co. KG, Mönchengladbach		50	25	0
Breer Gebäudedienste Heidelberg GmbH, Heidelberg		45	301	142
Brockloch Rig Windfarm Limited, Glasgow/United Kingdom		50	1	0
CARBON CDM Korea Ltd., Seoul/South Korea		49	6,999	5,845
CARBON Climate Protection GmbH, Langenlois/Austria		50	−108	469
CARBON Egypt Ltd., Cairo/Egypt		49	4,230	4,339
CUT! Energy GmbH, Essen		49	−116	−176
CZT Valašské Mezirící s.r.o., Valašské Mezirící/Czech Republic		20	174	30
DES Dezentrale Energien Schmalkalden GmbH, Schmalkalden		30	73	16
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, Gorleben		31	680	172
Doggerbank Project 1 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 2 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 3 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 4 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 5 Bizco Limited, Reading/United Kingdom		25	0	0
Doggerbank Project 6 Bizco Limited, Reading/United Kingdom		25	0	0
ELE-GEW Photovoltaikgesellschaft mbH, Gelsenkirchen		49	34	9
ELE-RAG Montan Immobilien Erneuerbare Energien GmbH, Bottrop		50	56	21
ELE-Scholven-Wind GmbH, Gelsenkirchen		30	692	167
Enercraft Energiemanagement OHG haftungsbeschränkt, Frankfurt am Main		50	1,633	0
Energie BOL GmbH, Ottersweier		50	26	1
Energie Nordeifel Beteiligungs-GmbH, Kall		50	27	2
Energie Service Saar GmbH, Völklingen		50	−1,533	131
Energiepartner Dörth GmbH, Dörth		49	27	4
Energiepartner Elsdorf GmbH, Elsdorf		40	22	2
Energiepartner Hermeskeil GmbH, Hermeskeil		20		[3]
Energiepartner Kerpen GmbH, Kerpen		49	0	−27
Energiepartner Projekt GmbH, Essen		49		[3]
Energiepartner Solar Kreuztal GmbH, Kreuztal		40	24	1
Energiepartner Wesseling GmbH, Wesseling		30	25	0
Energieversorgung Beckum GmbH & Co. KG, Beckum		34	3,119	751
Energieversorgung Beckum Verwaltungs-GmbH, Beckum		34	49	3
Energieversorgung Marienberg GmbH, Marienberg		49	1,770	1,144
Energieversorgung Oelde GmbH, Oelde		25	7,441	1,866
Enerventis GmbH & Co. KG, Saarbrücken		33	1,090	116
Ensys AG, Frankfurt am Main		25	1,015	−961

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	Direct	Total	€ '000	€ '000
Eólica de la Mata, S.A., Soria/Spain		26	607	0
Eólica de Sarnago, S.A., Soria/Spain		50	78	0
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig		50	462	27
ESG Energie Schmallenberg GmbH, Schmallenberg		44	25	0
EWC Windpark Cuxhaven GmbH, Munich		50	910	257
EWV Baesweiler GmbH & Co. KG, Baesweiler		45	1,184	173
EWV Baesweiler Verwaltungs GmbH, Baesweiler		45	26	1
FAMOS - Facility Management Osnabrück GmbH, Osnabrück		49	109	8
Fernwärmeversorgung Zwönitz GmbH, Zwönitz		50	2,772	184
Forewind Limited, Swindon/United Kingdom		25	0	0
FSO Verwaltungs-GmbH, Oberhausen		50	31	1
Galloper Wind Farm Limited, Reading/United Kingdom		50	–2	–4
Gasgesellschaft Kerken Wachtendonk mbH, Kerken		49	2,478	277
Gasnetzgesellschaft Wörrstadt mbH & Co. KG, Saulheim		49		[3]
Gasnetzgesellschaft Wörrstadt Verwaltungs-GmbH, Wörrstadt		49		[3]
Gasversorgung Delitzsch GmbH, Delitzsch		49	5,702	957
Gemeindewerke Everswinkel GmbH, Everswinkel		45	4,537	37
Gemeindewerke Namborn GmbH, Namborn		49	686	165
Gemeindewerke Schwalbach GmbH, Schwalbach		49	550	103
Gemeinschaftswerk Hattingen GmbH, Essen		52	2,045	–2,894
GfB, Gesellschaft für Baudenkmalpflege mbH, Idar-Oberstein		20	65	9
GfS Gesellschaft für Simulatorschulung mbH, Essen		31	54	3
GKW Dillingen GmbH & Co. KG, Saarbrücken		25	19,651	4,313
Green Bioenergie Cereshof GmbH, Selfkant		49		[3]
GREEN GECCO Beteiligungsgesellschaft mbH & Co. KG, Troisdorf		21	48,655	986
GREEN GECCO Beteiligungsgesellschaft-Verwaltungs GmbH, Troisdorf		21	33	1
GREEN Gesellschaft für regionale und erneuerbare Energie mbH, Stolberg		49	10	8
Green Solar Herzogenrath GmbH, Herzogenrath		45	2,933	133
Greenplug GmbH, Hamburg		49	1,000	0
GWE-energis Netzgesellschaft mbH & Co. KG, Eppelborn		50	–49	124
GWE-energis-Geschäftsführungs-GmbH, Eppelborn		50	31	1
HOCHTEMPERATUR-KERNKRAFTWERK GmbH (HKG). Gemeinsames Europäisches Unternehmen, Hamm		31	0	0
Homepower Retail Limited, Swindon/United Kingdom		50	–27,407	0
Hungáriavíz Vagyonkezelõ Zrt., Budapest/Hungary		49	19,875	–25,558
Infrastrukturgemeinschaft Windpark Losheim GbR, Losheim		40		[3]
IWW Rheinisch-Westfälisches Institut für Wasserforschung gemeinnützige GmbH, Mülheim an der Ruhr		30	997	–226
Kavernengesellschaft Staßfurt mbH, Stassfurt		50	824	385
KAWAG AG Co. KG, Pleidelsheim		49	0	–1
KAWAG Netze GmbH & Co. KG, Frankfurt am Main		49	1	0
KAWAG Netze Verwaltungsgesellschaft mbH, Frankfurt am Main		49	25	0
KEVAG Telekom GmbH, Koblenz		50	2,385	753

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IV. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in % Direct	Shareholding in % Total	Equity € '000	Net income/loss € '000
Klärschlammentsorgung Hesselberg Service GmbH, Unterschwaningen		49	21	–1
KlickEnergie GmbH & Co. KG, Neuss		65		3
KlickEnergie Verwaltungs-GmbH, Neuss		65		3
K-net GmbH, Kaiserslautern		25	960	50
Kommunale Dienste Marpingen GmbH, Marpingen		49	2,856	288
Kommunale Dienste Tholey GmbH, Tholey		49	967	208
Kommunale Entsorgung Neunkirchen Geschäftsführungsgesellschaft mbH, Neunkirchen		50	52	1
Kommunale Entsorgung Neunkirchen (KEN) GmbH & Co. KG, Neunkirchen		46	2,733	152
Kommunalwerk Rudersberg GmbH & Co. KG, Rudersberg		50	–7	–8
Kommunalwerk Rudersberg Verwaltungs-GmbH, Rudersberg		50	22	–3
Kraftwerk Buer Betriebsgesellschaft mbH i.L., Gelsenkirchen		50	13	0
Kraftwerk Buer GbR, Gelsenkirchen		50	5,113	0
Kraftwerk Voerde OHG der STEAG GmbH und RWE Power AG, Voerde		25	4,840	403
Kraftwerk Wehrden GmbH, Völklingen		33	10,627	29
KSG Kraftwerks-Simulator-Gesellschaft mbH, Essen		31	538	26
KSP Kommunaler Service Püttlingen GmbH, Püttlingen		40	85	77
KÜCKHOVENER Deponiebetrieb GmbH & Co. KG, Bergheim		50	39	–9
KÜCKHOVENER Deponiebetrieb Verwaltungs-GmbH, Bergheim		50	37	2
MBS Ligna Therm GmbH i. L., Hofheim am Taunus		33	–96	–86
Moravske Hidroelektrane d.o.o., Belgrade/Serbia		51	3,890	–54
Naturstrom Betriebsgesellschaft Oberhonnefeld mbH, Koblenz		25	146	–2
Netzanbindung Tewel OHG, Cuxhaven		25	1,178	14
Netzgesellschaft Bühlertal GmbH & Co. KG, Bühlertal		50	–10	0
Netzgesellschaft Korb GmbH & Co. KG, Korb		50	–4	–2
Netzgesellschaft Korb Verwaltungs-GmbH, Korb		50	23	1
Netzgesellschaft Lauf GmbH & Co. KG, Lauf		50	–5	0
Netzgesellschaft Leutenbach GmbH & Co. KG, Leutenbach		50		3
Netzgesellschaft Leutenbach Verwaltungs-GmbH, Leutenbach		50	23	–2
Netzgesellschaft Ottersweier GmbH & Co. KG, Ottersweier		50	–6	0
Netzgesellschaft Rheda-Wiedenbrück GmbH & Co. KG, Rheda-Wiedenbrück		49		3
Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		49	25	0
NiersEnergieNetze GmbH & Co. KG, Kevelaer		51		3
Ningxia Antai New Energy Resources Joint Stock Co., Ltd., Yinchuan/China		25	22,176	5,840
Objektverwaltungsgesellschaft Dampfkraftwerk Bernburg mbH, Hanover		58	568	56
Offshore Trassenplanungs-GmbH OTP, Hanover		50	90	0
Peißenberger Wärmegesellschaft mbH, Peissenberg		50	1,246	371
prego services mbH, Saarbrücken		37	7,160	–780
Propan Rheingas GmbH, Brühl		28	44	2
Recklinghausen Netzgesellschaft mbH & Co. KG, Recklinghausen		50		3
Recklinghausen Netz-Verwaltungsgesellschaft mbH, Recklinghausen		49		3
Renergie Stadt Wittlich GmbH, Wittlich		30	20	–5
rhenag - Thüga Rechenzentrum GbR, Cologne		50	187	178

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IV. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
RIWA GmbH Gesellschaft für Geoinformationen, Kempten		33	1,285	287
RKH Rheinkies Hitdorf GmbH & Co. KG i.L., Bergheim		33	329	12
RKH Rheinkies Hitdorf Verwaltungs GmbH i.L., Bergheim		33	43	0
RurEnergie GmbH, Düren		25	169	–227
RWE Power International Middle East LLC, Dubai/UAE		49		3
Sandersdorf-Brehna Netz GmbH & Co. KG, Sandersdorf-Brehna		49	13,413	180
SolarProjekt Mainaschaff GmbH, Mainaschaff		50	45	6
SolarProjekt Rheingau-Taunus GmbH, Bad Schwalbach		50	268	119
SSW Stadtwerke St. Wendel Geschäftsführungsgesellschaft mbH, St. Wendel		50	107	4
Stadtentwässerung Schwerte GmbH, Schwerte		48	51	0
Städtische Werke Borna GmbH, Borna		37	3,193	327
Städtisches Wasserwerk Eschweiler GmbH, Eschweiler		25	3,805	25
Stadtwerke - Strom Plauen GmbH & Co. KG, Plauen		49	4,642	535
Stadtwerke Ahaus GmbH, Ahaus		36	11,086	1,813
Stadtwerke Aue GmbH, Aue		24	12,602	1,682
Stadtwerke Dillingen/Saar Gesellschaft mbH, Dillingen		49	5,327	1,092
Stadtwerke Dülmen Verwaltungs-GmbH, Dülmen		50	29	0
Stadtwerke Gescher GmbH, Gescher		42	2,936	455
Stadtwerke Langenfeld GmbH, Langenfeld		20	7,751	5,087
Stadtwerke Lübbecke GmbH, Lübbecke		25	16,894	1,839
Stadtwerke Oberkirch GmbH, Oberkirch		33	6,192	0
Stadtwerke Roßlau Fernwärme GmbH, Dessau-Rosslau		49	1,592	412
Stadtwerke Schwarzenberg GmbH, Schwarzenberg/Erzgeb.		28	14,346	1,542
Stadtwerke Steinfurt GmbH, Steinfurt		48	6,602	928
Stadtwerke Unna GmbH, Unna		24	12,523	2,330
Stadtwerke Vlotho GmbH, Vlotho		25	4,780	172
Stadtwerke Wadern GmbH, Wadern		49	3,516	328
Stadtwerke Weilburg GmbH, Weilburg		20	8,101	833
Stadtwerke Werl GmbH, Werl		25	6,735	2,905
STEAG - Kraftwerksbetriebsgesellschaft mbH, Essen		21	325	0
Stromnetz Diez GmbH & Co. KG, Diez		25	1,162	47
Stromnetz Diez Verwaltungsgesellschaft mbH, Diez		25	26	1
Stromnetz Günzburg Verwaltungs GmbH, Günzburg		49		3
Stromnetz Verbandsgemeinde Katzenelnbogen GmbH & Co. KG, Katzenelnbogen		49		3
Stromnetz Verbandsgemeinde Katzenelnbogen Verwaltungsgesellschaft mbH, Katzenelenbogen		49		3
Stromnetz VG Diez GmbH & Co. KG, Altendiez		49		3
Stromnetz VG Diez Verwaltungsgesellschaft mbH, Altendiez		49		3
Stromnetzgesellschaft Neunkirchen-Seelscheid mbH & Co.KG, Neunkirchen-Seelscheid		49		3
SWL-energis Netzgesellschaft mbH & Co. KG, Lebach		50	3,684	659
SWL-energis-Geschäftsführungs-GmbH, Lebach		50	32	2
Talsperre Nonnweiler Aufbereitungsgesellschaft mbH, Saarbrücken		23	560	71

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	Direct	Total	€ '000	€ '000
Technische Werke Naumburg GmbH, Naumburg (Saale)		49	7,394	610
Teplarna Kyjov, a.s., Kyjov/Czech Republic		32	19,927	–4,634
TEPLO Votice s.r.o., Votice/Czech Republic		20	99	33
The Bristol Bulk Company Limited, London/United Kingdom		25	1	0
Toledo PV A.E.I.E., Madrid/Spain		33	908	265
trilan GmbH, Trier		26	826	376
TVK Eromu Termelo es Szolgáltató Korlatolt Felelossegu Tarsasag, Tiszaujvaros/Hungary		74	15,537	4,119
TWE Technische Werke Ensdorf GmbH, Ensdorf		49	2,394	66
TWL Technische Werke der Gemeinde Losheim GmbH, Losheim		50	5,752	1,250
TWM Technische Werke der Gemeinde Merchweiler GmbH, Merchweiler		49	1,859	68
TWN Trinkwasserverbund Niederrhein GmbH, Grevenbroich		33	162	11
TWRS Technische Werke der Gemeinde Rehlingen - Siersburg GmbH, Rehlingen		35	4,699	174
Umspannwerk Putlitz GmbH & Co. KG, Frankfurt am Main		25	0	–169
Untere Iller Aktiengesellschaft, Landshut		40	1,134	41
Untermain EnergieProjekt AG & Co. KG, Kelsterbach		49		[3]
Untermain Erneuerbare Energien Verwaltungs-GmbH, Raunheim		25	25	0
Verteilnetze Energie Weißenhorn GmbH & Co. KG, Weissenhorn		35	843	220
Verwaltungsgesellschaft Energie Weißenhorn GmbH, Weissenhorn		35	24	1
Verwaltungsgesellschaft GKW Dillingen mbH, Saarbrücken		25	155	7
VEW-VKR Fernwärmeleitung Shamrock-Bochum GbR, Gelsenkirchen		45	0	0
Voltaris GmbH, Maxdorf		50	2,397	910
Wärmeversorgung Mücheln GmbH, Mücheln		49	848	85
Wärmeversorgung Wachau GmbH, Markkleeberg OT Wachau		49	140	9
Wärmeversorgung Würselen GmbH, Würselen		49	1,315	60
Wasserver- und Abwasserentsorgungsgesellschaft 'Thüringer Holzland' mbH, Hermsdorf		49	4,529	477
Wasserverbund Niederrhein Gesellschaft mit beschränkter Haftung, Krefeld		42	9,620	575
Wasserversorgung Main-Taunus GmbH, Frankfurt am Main		49	106	4
Wasserwerk Wadern GmbH, Wadern		49	3,435	196
WEV Warendorfer Energieversorgung GmbH, Warendorf		25	2,173	2,008
Windenergie Frehne GmbH & Co. KG, Marienfliess		41	7,575	199
Windenergiepark Heidenrod GmbH, Heidenrod		51		[3]
WINDTEST Grevenbroich GmbH, Grevenbroich		38	272	132
WLN Wasserlabor Niederrhein GmbH, Mönchengladbach		45	343	17
Wohnungsbaugesellschaft für das Rheinische Braunkohlenrevier GmbH, Cologne		50	47,225	1,547
WVG-Warsteiner Verbundgesellschaft mbH, Warstein		35	1,310	560
WVL Wasserversorgung Losheim GmbH, Losheim		50	4,886	241
WWS Wasserwerk Saarwellingen GmbH, Saarwellingen		49	3,213	169
Zugló-Therm Kft., Budapest/Hungary		49	3,799	–533
Zweckverband Wasser Nalbach, Nalbach		49	1,717	70

1 Profit and loss-pooling agreement.
2 Figures from the Group's consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by contractual agreement.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.

V. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Aarewerke AG, Klingnau/Switzerland		30	20,043	1,286
APEP Dachfonds GmbH & Co. KG, Munich	48	48	595,699	58,751
AURICA AG, Aarau/Switzerland		8	92	1
BEW Bergische Energie- und Wasser-GmbH, Wipperfürth		19	25,478	4,220
BFG-Bernburger Freizeit GmbH, Bernburg (Saale)		1	9,465	–4,238
CELP II Chrysalix Energy II US Limited Partnership, Vancouver/Canada		6	0	0
CELP III Chrysalix Energy III US Limited Partnership, Vancouver/Canada		11	0	0
Deutsches Forschungszentrum für künstliche Intelligenz GmbH, Kaiserslautern		4		[3]
Die BürgerEnergie eG, Dortmund		2		[3]
DII GmbH, Munich	8	8	2,970	187
eins energie in sachsen GmbH & Co. KG, Chemnitz		9	444,143	64,776
Elektrocieplownia Bedzin S.A., Bedzin/Poland		4	21,775	2,461
Energías Renovables de Ávila, S.A., Madrid/Spain		17	595	0
Energieagentur Region Trier GmbH, Trier		10	25	19
Energiegenossenschaft Chemnitz-Zwickau e.G., Chemnitz		7	103	7
Energiehandel Saar GmbH & Co. KG, Neunkirchen		1	414	–5
Energiehandel Saar Verwaltungs-GmbH, Neunkirchen		2	25	0
Energieversorgung Limburg GmbH, Limburg an der Lahn		10	24,886	3,291
Entwicklungsgesellschaft Neu-Oberhausen mbH-ENO, Oberhausen		2	744	–1,115
Erdgas Münster GmbH, Münster		5	6,060	11,993[2]
Erdgas Westthüringen Beteiligungsgesellschaft mbH, Bad Salzungen		10	25,181	3,099
ESV-ED GmbH & Co. KG, Buchloe		4	124	–79
European Energy Exchange AG, Leipzig		4	113,696	11,813[2]
Fernkälte Geschäftsstadt Nord GbR, Hamburg		10	0	0
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen		10	58	2
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen		10	41,000	47,966
Gemeinschafts-Lehrwerkstatt Neheim-Hüsten GmbH, Arnsberg		7	1,125	81
Gesellschaft für Stadtmarketing Bottrop mbH, Bottrop		3	161	–366
Gesellschaft für Wirtschaftsförderung Duisburg mbH, Duisburg		1	864	–1,770
GSG Wohnungsbau Braunkohle GmbH, Cologne		15	42,411	253
High-Tech Gründerfonds II GmbH & Co. KG, Bonn		1	15,532	0
Hubject GmbH, Berlin		17	3,622	–1,778
ISR Internationale Schule am Rhein in Neuss GmbH, Neuss		6	–86	–56
IZES gGmbH, Saarbrücken		9	630	–74
KEV Energie GmbH, Kall		2	457	0
Kreis-Energie-Versorgung Schleiden GmbH, Kall		2	7,598	0
Neckar-Aktiengesellschaft, Stuttgart		12	10,179	0
Neustromland GmbH & Co. KG, Saarbrücken		5		[3]

1 Profit and loss-pooling agreement.
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3 Newly founded, financial statements not yet available.
4 Control by contractual agreement.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.

V. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Ökostrom Saar Biogas Losheim KG, Merzig		10	–335	–3
Oppenheim Private Equity Institutionelle Anleger GmbH & Co. KG, Cologne	26	26	9,015	912
Parkstad Energiediensten B.V., Voerendaal/Netherlands		0	0	0
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	54	–1
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	538	–4
Parque Eólico Leo, S.L., Oviedo/Spain		10	138	–5
Parque Eólico Sagitario, S.L., Oviedo/Spain		10	127	–1
PEAG Holding GmbH, Dortmund	12	12	13,659	31
pro regionale energie eG, Diez		2	1,300	44
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	65	–1
PSI AG für Produkte und Systeme der Informationstechnologie, Berlin		18	83,278	5,856
ratioenergie GmbH & Co. KG, Ostseebad Nienhagen		8		[3]
ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf		100	0	419
SALUS Grundstücks-Vermietungsges. mbH & Co. Objekt Leipzig KG, Düsseldorf		100	–34	15
Sdruzení k vytvorení a vyuzívání digitální technické mapy mesta Pardubic, Pardubice/Czech Republic		12	153	42
SE SAUBER ENERGIE GmbH & Co. KG, Cologne		17	853	117
SE SAUBER ENERGIE Verwaltungs-GmbH, Cologne		17	105	8
SET Fund II C.V., Amsterdam/Netherlands		30	0	0
SET Sustainable Energy Technology Fund C.V., Amsterdam/Netherlands		50	0	0
Solarpark St. Wendel GmbH, St. Wendel		15	1,003	173
SolarRegion RengsdorferLAND eG, Rengsdorf		2	313	14
Stadtmarketing-Gesellschaft Gelsenkirchen mbH, Gelsenkirchen		2	–1	57
Stadtwerke Detmold GmbH, Detmold		12	31,495	0
Stadtwerke ETO GmbH & Co. KG, Telgte		3	29,990	3,138
Stadtwerke Porta Westfalica GmbH, Porta Westfalica		12	7,272	628
Stadtwerke Sulzbach GmbH, Sulzbach		15	11,431	2,268
Stadtwerke Völklingen Netz GmbH, Völklingen		18	16,387	1,874
Stadtwerke Völklingen Vertrieb GmbH, Völklingen		18	7,301	2,569
Store-X storage capacity exchange GmbH, Leipzig		12	857	357
SWT Stadtwerke Trier Versorgungs-GmbH, Trier		19	51,441	9,560
Technologiezentrum Jülich GmbH, Jülich		5	814	67
TGZ Halle TECHNOLOGIE- UND GRÜNDERZENTRUM HALLE GmbH, Halle (Saale)		15	14,289	133
Transport- und Frischbeton-GmbH & Co. KG Aachen, Aachen		17	390	137
Trianel GmbH, Aachen		3	84,922	2,290
Trinkaus Secondary GmbH & Co. KGaA, Düsseldorf	43	43	13,008	2,307
Umspannwerk Lübz GbR, Lübz		18	10	2
Union Group, a.s., Ostrava/Czech Republic		2	83,473	59,067

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V. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ ’000	€ ’000
Untermain ErneuerbareEnergien GmbH & Co. KG, Raunheim		17		[3]
URSUS, Warsaw/Poland		1	–114,463	–1,192
vitronet Holding GmbH, Essen		15	9,098	114
WASSERWERKE PADERBORN GmbH, Paderborn		10	24,105	0
WiN Emscher-Lippe Gesellschaft zur Strukturverbesserung mbH, Herten		2	160	–399
Windpark Saar GmbH & Co. Repower KG, Freisen		10	8,317	440
Zellstoff Stendal GmbH, Arneburg		17	41,391	–3,125

1 Profit and loss-pooling agreement.
2 Figures from the Group’s consolidated financial statements.
3 Newly founded, financial statements not yet available.
4 Control by contractual agreement.
5 RWE AG bears unlimited liability pursuant to Sec. 285, No. 11a of HGB.

4.8 BOARDS (PART OF THE NOTES)

As of 14 February 2014

Supervisory Board

Dr. Manfred Schneider
Cologne
Chairman
Year of birth: 1938
Member since: 10 December 1992

Other appointments:
▪ Linde AG (Chairman)

Frank Bsirske[1]
Berlin
Deputy Chairman
Chairman of ver.di Vereinte Dienstleistungsgewerkschaft
Year of birth: 1952
Member since: 9 January 2001

Other appointments:
▪ Deutsche Bank AG
▪ Deutsche Postbank AG
▪ IBM Central Holding GmbH
- KfW Bankengruppe

Dr. Paul Achleitner[2]
Munich
Chairman of the Supervisory Board of Deutsche Bank AG
Year of birth: 1956
– until 18 April 2013 –

Other appointments:
▪ Bayer AG
▪ Daimler AG
▪ Deutsche Bank AG (Chairman)

Werner Bischoff[1]
Monheim am Rhein
Former member of the Main Executive Board
of IG Bergbau, Chemie, Energie
Year of birth: 1947
Member since: 13 April 2006

Other appointments:
▪ RWE Dea AG
▪ RWE Power AG

Carl-Ludwig von Boehm-Bezing[2]
Bad Soden
Former member of the Management Board of Deutsche Bank AG
Year of birth: 1940
– until 18 April 2013 –

Reiner Böhle[1]
Witten
Chairman of the General Works Council of RWE Deutschland AG
Year of birth: 1960
Member since: 1 January 2013

Other appointments:
▪ RWE Deutschland AG

Dr. Werner Brandt
Bad Homburg
Member of the Executive Board of SAP AG
Year of birth: 1954
Member since: 18 April 2013

Other appointments:
▪ Deutsche Lufthansa AG
- Qiagen N.V.

Dieter Faust[1]
Eschweiler
Chairman of the Group Works Council of RWE
Year of birth: 1958
Member since: 1 August 2005

Other appointments:
▪ RWE Generation SE
▪ RWE Power AG

Roger Graef
Bollendorf
Managing Director of Verband der kommunalen
RWE-Aktionäre GmbH
Year of birth: 1943
Member since: 20 April 2011

Arno Hahn[1]
Waldalgesheim
Chairman of the General Works Council of RWE Vertrieb AG
Year of birth: 1962
Member since: 1 July 2012

Other appointments:
▪ RWE Vertrieb AG

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.
2 Information valid as of the date of retirement.

Manfred Holz[1]
Grevenbroich
Deputy Chairman of the General Works Council of RWE Power AG
Year of birth: 1954
Member since: 20 April 2011

Other appointments:
- ▪ RWE Generation SE

Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel
Essen
Vice-President of the Federation of German Industries
Year of birth: 1947
Member since: 18 April 2013

Other appointments:
- ▪ Commerzbank AG
- ▪ EADS Deutschland GmbH
- ▪ National-Bank AG
- ▪ ThyssenKrupp AG
- ▪ Voith GmbH
- \- EADS N.V.

Frithjof Kühn
Sankt Augustin
Chief Administrative Officer, Rhein-Sieg Rural District
Year of birth: 1943
Member since: 1 February 2010

Other appointments:
- ▪ RW Holding AG
- \- Energie- und Wasserversorgung Bonn/Rhein-Sieg GmbH
- \- Gemeinnützige Wohnungsbaugesellschaft für den Rhein-Sieg-Kreis GmbH (Chairman)
- \- Kreissparkasse Köln
- \- Rhein-Sieg-Abfallwirtschaftsgesellschaft AöR (Chairman)
- \- Rhein-Sieg-Verkehrsgesellschaft mbH (Chairman)

Hans Peter Lafos[1]
Bergheim
Regional District Sector Head, Utilities and Disposal (Sector 2), ver.di Vereinte Dienstleistungsgewerkschaft, District of NRW
Year of birth: 1954
Member since: 28 October 2009

Other appointments:
- ▪ GEW Köln AG
- ▪ RWE Deutschland AG
- ▪ RWE Generation SE
- ▪ RWE Power AG

Christine Merkamp[1]
Cologne
Head of Controlling, Upgrading, RWE Power AG
Year of birth: 1967
Member since: 20 April 2011

Dagmar Mühlenfeld
Mülheim an der Ruhr
Mayor of the City of Mülheim an der Ruhr
Year of birth: 1951
Member since: 4 January 2005

Other appointments:
- ▪ RW Holding AG (Chairwoman)
- \- Beteiligungsholding Mülheim an der Ruhr GmbH
- \- Flughafen Essen/Mülheim GmbH (Chairwoman)
- \- medl GmbH (Chairwoman)
- \- Mülheim & Business GmbH (Chairwoman)
- \- Sparkasse Mülheim an der Ruhr AöR

Dagmar Schmeer[1]
Saarbrücken
Technical Officer Grid Services at VSE Verteilnetz GmbH
Year of birth: 1967
Member since: 9 August 2006

Other appointments:
- ▪ VSE AG

▪ Member of other mandatory supervisory boards.
\- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.

Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Krefeld
Former Chairman of the Executive Board of ThyssenKrupp AG
Year of birth: 1941
Member since: 13 April 2006

Other appointments:
- ▪ Bayer AG
- ▪ MAN SE

Dr. Wolfgang Schüssel
Vienna
Former Federal Chancellor of Austria
Year of birth: 1945
Member since: 1 March 2010

Other appointments:
- Bertelsmann Stiftung

Ullrich Sierau
Dortmund
Mayor of the City of Dortmund
Year of birth: 1956
Member since: 20 April 2011

Other appointments:
- ▪ Dortmunder Stadtwerke AG (Chairman)
- Emschergenossenschaft
- KEB Holding AG (Chairman)
- Klinikum Dortmund gGmbH (Chairman)
- KSBG Kommunale Verwaltungsgesellschaft GmbH
- Medicos Holding GmbH & Co. KG
- Schüchtermann-Schiller'sche Kliniken Bad Rothenfelde GmbH & Co. KG
- Sparkasse Dortmund (Chairman)

Manfred Weber[1]
Wietze
Chairman of the General Works Council of RWE Dea AG
Year of birth: 1947
Member since: 1 December 2008

Other appointments:
- ▪ RWE Dea AG

Dr. Dieter Zetsche
Stuttgart
Chairman of the Executive Board of Daimler AG
Year of birth: 1953
Member since: 16 July 2009

Supervisory Board Committees

Executive Committee of the Supervisory Board
Dr. Manfred Schneider (Chairman)
Dr. Paul Achleitner – until 18 April 2013 –
Frank Bsirske
Manfred Holz
Dagmar Mühlenfeld
Dagmar Schmeer
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Ekkehard D. Schulz
Dr. Wolfgang Schüssel – since 18 April 2013 –
Manfred Weber

Mediation Committee in accordance with Sec. 27, Para. 3 of the German Co-Determination Act (MitbestG)
Dr. Manfred Schneider (Chairman)
Werner Bischoff
Frank Bsirske
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Personnel Affairs Committee
Dr. Manfred Schneider (Chairman)
Dr. Paul Achleitner - until 18 April 2013 -
Rainer Böhle
Frank Bsirske
Dieter Faust
Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel – since 18 April 2013 –
Frithjof Kühn

Audit Committee
Dr. Werner Brandt (Chairman) – since 18 April 2013 –
Carl-Ludwig von Boehm-Bezing (Chairman) – until 18 April 2013 –
Werner Bischoff
Dieter Faust
Arno Hahn
Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h. c. Ekkehard D. Schulz
Ullrich Sierau

Nomination Committee
Dr. Manfred Schneider (Chairman)
Dr. Paul Achleitner – until 18 April 2013 –
Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel – since 18 April 2013 –
Frithjof Kühn

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.

Executive Board

Peter Terium (Chief Executive Officer)
Chairman of the Executive Board of RWE AG since 1 July 2012, appointed until 31 August 2016

Other appointments:
- ▪ RWE Dea AG (Chairman)
- ▪ RWE IT GmbH (Chairman)
- ▪ RWE Supply & Trading GmbH (Chairman)

Dr. Rolf Martin Schmitz (Deputy Chairman and Chief Operating Officer)
Deputy Chairman of the Executive Board of RWE AG since 1 July 2012
Member of the Executive Board of RWE AG since 1 May 2009, appointed until 31 January 2019

Other appointments:
- ▪ RWE Deutschland AG (Chairman)
- ▪ RWE Generation SE (Chairman)
- ▪ RWE Innogy GmbH
- ▪ RWE Power AG (Chairman)
- ▪ Süwag Energie AG (Chairman)
- ▪ TÜV Rheinland AG
- - Essent N.V.
- - KELAG-Kärntner Elektrizitäts-AG
- - RWE Turkey Holding A.S. (Chairman)

Dr. Bernhard Günther (Chief Financial Officer)
Member of the Executive Board of RWE AG since 1 July 2012, appointed until 30 June 2017

Other appointments:
- ▪ RWE Deutschland AG
- ▪ RWE Generation SE
- ▪ RWE Pensionsfonds AG (Chairman)
- ▪ RWE Power AG
- - Essent N.V.

Uwe Tigges (Labour Director)
Member of the Executive Board of RWE AG
since 1 January 2013,
appointed until 31 December 2015

Other appointments:
- ▪ Amprion GmbH
- ▪ RWE Generation SE
- ▪ RWE Pensionsfonds AG
- ▪ RWE Service GmbH (Chairman)

Exiting Members of the Executive Board

Dr. Leonhard Birnbaum (former Chief Commercial Officer)[1]
Member of the Executive Board of RWE AG until 22 March 2013

Other appointments:
- ▪ Georgsmarienhütte Holding GmbH
- - RWE Turkey Holding A.S.

Alwin Fitting (former Labour Director)
Member of the Executive Board of RWE AG until 31 March 2013

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Information valid as of the date of retirement.

4.9 INDEPENDENT AUDITORS' REPORT

To RWE Aktiengesellschaft, Essen

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RWE Aktiengesellschaft, Essen, and its subsidiaries, which comprise the income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and the notes to the financial statements for the business year from 1 January to 31 December 2013.

Executive Board's Responsibility for the Consolidated Financial Statements

The Executive Board of RWE Aktiengesellschaft is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Executive Board is also responsible for the internal controls as the Executive Board determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2013 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of RWE Aktiengesellschaft, for the business year from 1 January to 31 December 2013. The Executive Board of RWE Aktiengesellschaft is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, 18 February 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Reuther
Wirtschaftsprüfer
(German Public Auditor)

Markus Dittmann
Wirtschaftsprüfer
(German Public Auditor)

GLOSSARY

Asset coverage. Ratio of long-term capital (shareholders' equity and non-current liabilities) to long-term assets.

Barrel. International unit of measurement for trading oil. A US barrel corresponds to 158.987 litres.

Base load. Constant minimum demand for electricity irrespective of load fluctuation. This electricity is used by household appliances running 24 hours a day, industrial enterprises that operate around the clock, etc. Base-load power is primarily generated by lignite and nuclear power stations. These facilities are usually in operation more than 6,000 hours a year. Run-of-river power stations and biomass plants also supply base-load power.

Beta factor. Term for the risk exposure of a share relative to the market as a whole. If the factor is greater than one, the risk exposure of the share is greater, and vice-versa.

Biomass. In energy terms, biomass encompasses animal and plant products that can be used to generate heat and electric energy or as fuel. Examples are wood pellets, straw, corn, waste wood, biodiesel and biogas.

Clean Development Mechanism. In accordance with the Kyoto Protocol, companies and countries can obtain emission certificates by participating in projects to reduce emissions in newly industrialising and developing countries which are not obliged to reduce emissions themselves. These credits can be used to cover self-produced greenhouse gas emissions.

CO_2. Chemical formula for carbon dioxide. CO_2 is a chemical compound made of carbon and oxygen.

Combined heat and power generation (CHP). In CHP plants, heat produced during chemical or physical conversion and the electric power generated by the energy conversion process are used. Unlike thermal power stations, which are solely designed to generate electricity, CHP plants use waste heat, thereby achieving higher efficiencies, which result in fuel savings.

Commercial paper. Tradeable, unsecured bearer bond issued only for short-term debt financing. Commercial paper is a revolving credit facility, with terms typically ranging from one day to 24 months.

Commodity. Term for standardised, tradeable goods such as electricity, oil or gas.

Confidence level. Probability of a value lying within a certain interval.

Credit default swap (CDS). Financial derivative for trading default risks associated with debt financing. The party seeking to hedge such risks generally pays an annual fee to the principal. In the event that the underlying credit is not repaid, the hedge-seeking party receives contractually agreed compensation from the principal.

Current asset intensity of investment. Ratio of current assets to total assets.

Debt Issuance Programme (DIP). Contractual master and model documents for the simplified and standardised issuance of bonds on the capital market.

Defined benefit obligation. Net present value of an employee's benefit entitlements from a company pension plan as of the balance sheet date.

Degree of asset depreciation. Cumulative property, plant and equipment depreciation-to-cost ratio.

EBITDA. Earnings before interest, taxes, depreciation and amortisation.

Efficiency. In energy conversion, the ratio of useful work performed to total energy expended. In thermal power stations, the efficiency is the percentage of thermal energy contained in the fuel which can be converted to electricity. The higher the efficiency, the lower the loss of the fuel's energy content. Modern gas-fired power plants have an efficiency of over 58 %. Efficiencies of 46 % and 43 % can be achieved with hard coal and lignite, respectively.

Equity accounting. Method for accounting for entities, the assets and liabilities of which cannot be entirely included in the consolidated financial statements by fully consolidating the entity. In such cases, the carrying amount of the investment is recorded on the basis of the development of the share held in the entity's equity. This change is recorded in the income statement of the company which owns the entity.

EU Allowance (EUA). Unit of trade in the EU emissions trading scheme. One EUA confers the right to emit one metric ton of carbon dioxide.

Exploration. Term used for the search for, and prospecting of, oil and gas resources.

Fixed asset intensity of investments. Ratio of non-current assets (property, plant and equipment; intangible assets; investment property) to total assets.

Forward market/forward trading. Contracts for transactions to be fulfilled at a fixed point in time in the future are traded on forward markets. Certain conditions, e.g. the price or settlement date, are established when the contract is agreed.

Full consolidation. Method for including subsidiaries in the financial statements of a group in cases where the subsidiaries are controlled by the parent company (e.g. through the majority of the voting rights).

Gas Midstream. Encompasses gas wholesale trading, storage and transportation. Gas production is covered by the term 'upstream', and supply to the end customer is covered by the term 'downstream'.

Green electricity privilege. Under Section 39 of the German Renewable Energy Act (REA) electricity supply companies meeting certain conditions are exempt from paying the REA surcharge to the transmission system operator. The condition is that the supplier sources at least 50 % of its electricity sales volume from plant meeting REA requirements, with at least 20 % of this volume being solar or wind power. In addition, the green electricity must be sold by the producer directly to the supply company, without going through the transmission system operator, and the producer may not receive an REA feed-in fee.

Hard coal unit (HCU). Unit of measurement for the energy content of primary energy carriers. One kilogram of HCU corresponds to 29,308 kilojoules.

Hybrid bond. Mixture of debt and equity financing. Hybrid bonds usually have very long or unlimited tenors and can usually only be redeemed by the issuer on contractually agreed dates. Depending on the bond provisions, interest payments may be suspended if certain prerequisites are met.

Impairment test. Method of verifying the value of assets, involving a comparison of the carrying amount to the realisable amount. The objective is not to account for assets at an amount higher than their realisable amount. The difference is recognised as a reduction in value with an effect on the profit or loss.

International Financial Reporting Standards (IFRS). Accounting regulations which are published by the International Accounting Standards Board (IASB) and applied throughout the world. They are independent of national accounting principles and applied in the preparation of separate and consolidated financial statements which can be compared at an international level.

Investment grade. Rating category for companies of very good to average creditworthiness. This category includes the AAA to BBB rating classes awarded by Standard & Poor's and Fitch and the Aaa to Baa rating classes awarded by Moody's. Non-investment-grade companies are at a much higher risk of not being able to meet their financial obligations.

Joint implementation. In accordance with the Kyoto Protocol, countries or companies can obtain emission certificates by participating in projects to reduce emissions in certain other countries which are also obliged to reduce emissions. These credits can be used to cover self-produced greenhouse gas emissions.

Kilowatt (kW). Unit of measurement of electric output.
1 megawatt (MW) = 10^3 kilowatts;
1 gigawatt (GW) = 10^6 kilowatts;
1 terawatt (TW) = 10^9 kilowatts.

Leverage factor. Ratio of net debt to EBITDA.

LNG. Acronym for liquefied natural gas. LNG is obtained by cooling gas until it becomes liquid. It occupies only 1/600th of the space filled by natural gas in its gaseous state. In this form, it is very well suited for transportation and storage.

Nuclear fuel tax. Levy on nuclear fuel which is used for the commercial generation of electrical power amounting to €145 per gram. A nuclear fuel tax was introduced in Germany with effect from 1 January 2011.

Peak load. Designates phases in which electricity demand is especially high, for example, at noon, when warm meals are prepared. Peak-load power plants are often in service less than 3,000 hours per year. Gas-fired and pumped storage power stations belong to this category.

Performance shares. Virtual shares, which entitle participants in the Beat Long-Term Incentive Plan to receive a payment at the end of the plan period. The prerequisite is that the predefined performance targets have been met or exceeded.

Photovoltaics. Term for the direct conversion of light energy – usually from sunlight – to electric energy using solar cells.

Put or call options. Options granting the holder the right to purchase (call option) or sell (put option) a specific underlying, for example a share, at a pre-arranged price within a predetermined period of time.

Rating. In the financial sector, a rating or credit rating is an assessment of the creditworthiness of a debtor. Ratings are often represented by codes and issued by specialised rating agencies. For example, 'AAA' designates the highest possible credit standing, while C and D represent very low creditworthiness.

Service cost. Reflects the increase in the cost associated with the net present value of an employee's pension benefit entitlements in accordance with the employee's work performance in the period being reviewed.

Smart home. Intelligent technology used to network and remotely control devices in homes, offering additional features for increased convenience, safety and energy efficiency.

Smart meter. Technology which provides customers with real-time information on energy consumption and energy costs. It enables users to monitor their energy needs more closely.

Spot market/spot trading. General term for markets where payment and delivery are usually effected soon after conclusion of the transaction.

Syndicated credit line. Credit line offered to companies, backed by several banks, which can be drawn down in various amounts, terms and currencies. Generally used to secure liquidity.

Take-or-pay contract. Agreement between a supplier and its customer on a guaranteed payment. The customer must pay for a minimum offtake, even if it does not take full advantage of it.

Upstream. Term for the exploration and production of oil and gas. Also includes the processing of these resources into marketable raw materials meeting generally accepted quality standards.

Value at Risk (VaR). Measure of risk indicating the maximum loss that might occur from a risk position (e.g. a securities portfolio) assuming a certain probability under normal market conditions and that the position is held for a certain period of time. A VaR of €1 million with a holding period of one day and a confidence level of 95% means that there is a 95% probability that the potential loss resulting from the risk position will not exceed €1 million from one day to the next.

FIVE-YEAR OVERVIEW

Five-year overview RWE Group		2013	2012	2011	2010	2009
External revenue	€ million	54,070	53,227	51,686	53,320	47,741
Income						
EBITDA	€ million	8,762	9,314	8,460	10,256	9,165
Operating result	€ million	5,881	6,416	5,814	7,681	7,090
Income before tax	€ million	−1,487	2,230	3,024	4,978	5,598
Net income/RWE AG shareholders' share in income	€ million	−2,757	1,306	1,806	3,308	3,571
Earnings per share	€	−4.49	2.13	3.35	6.20	6.70
Recurrent net income	€ million	2,314	2,457	2,479	3,752	3,532
Recurrent net income per share	€	3.76	4.00	4.60	7.03	6.63
Return on equity	%	−17.1	10.2	12.6	23.1	28.5
Return on revenue	%	−0.8	6.9	8.3	12.3	14.8
Value management						
Return on capital employed (ROCE)	%	10.8	12.0	10.9	14.4	16.3
Value added	€ million	990	1,589	1,286	2,876	3,177
Capital employed	€ million	54,345	53,637	53,279	53,386	43,597
Cash flow/capital expenditure/depreciation and amortisation						
Cash flows from operating activities	€ million	5,755	4,395	5,510	5,500	5,299
Free cash flow	€ million	1,267	−686	−843	−879	−614
Capital expenditure including acquisitions	€ million	4,624	5,544	7,072	6,643	15,637
of which: Property, plant and equipment and intangible assets	€ million	4,494	5,081	6,353	6,379	5,913
Depreciation, amortisation, impairment losses and asset disposals	€ million	7,878	5,343	3,632	3,410	2,553
Degree of asset depreciation	%	62.0	59.0	58.5	61.8	64.0
Free cash flow per share	€	2.06	−1.12	−1.56	−1.65	−1.15
Asset/capital structure						
Non-current assets	€ million	56,743	63,338	63,539	60,465	56,563
Current assets	€ million	24,376	24,840	29,117	32,612	36,875
Balance sheet equity	€ million	12,137	16,489	17,082	17,417	13,717
Non-current liabilities	€ million	47,103	47,445	44,391	45,162	45,633
Current liabilities	€ million	21,879	24,244	31,183	30,498	34,088
Balance sheet total	€ million	81,119	88,178	92,656	93,077	93,438
Fixed asset intensity of investments	%	57.4	59.1	56.0	53.4	49.4
Current asset intensity of investments	%	30.0	28.2	31.4	35.0	39.5
Asset coverage	%	104.4	100.9	96.7	103.5	104.9
Equity ratio	%	15.0	18.7	18.4	18.7	14.7
Net financial debt	€ million	10,420	12,335	12,239	11,904	10,382
Net debt	€ million	30,666	33,015	29,948	28,964	25,787
Leverage factor		3.5	3.5	3.5	2.8	2.8

Five-year overview **RWE Group**		2013	2012	2011	2010	2009
Workforce						
Workforce at end of the year[1]		66,341	70,208	72,068	70,856	70,726
Research & development						
R&D costs	€ million	151	150	146	149	110
R&D employees		430	450	410	360	350
Emissions balance						
CO_2 emissions	million mt	163.8	179.8	161.9	164.9	149.1
Free allocation of CO_2 certificates	million mt	7.4	121.4	116.6	115.1	105.2
Shortage of CO_2 certificates	million mt	155.9[2]	58.4	45.3	49.8	43.9
Specific CO_2 emissions	mt/MWh	0.756	0.792	0.787	0.732	0.796

Five-year overview **RWE Aktiengesellschaft**		2013	2012	2011	2010	2009
Dividend/dividend payment						
Dividend payment	€ million	615[3]	1,229	1,229	1,867	1,867
Dividend per share	€	1.00[3]	2.00	2.00	3.50	3.50
Market capitalisation						
Market capitalisation at the end of the year	€ billion	16.2	19.1	16.6	28.0	38.0
Long-term credit rating						
Moody's		Baa1	A3	A3	A2	A2
Outlook		stable	negative	negative	negative	negative
Standard & Poor's		BBB+	BBB+	A-	A	A
Outlook		stable	stable	negative	negative	negative

1 Converted to full-time positions.
2 As Turkey does not participate in European emissions trading, our emissions in that country, which amounted to 0.5 million metric tons, were not considered in calculating the shortage.
3 Proposed dividend for RWE AG's 2013 fiscal year, subject to approval by the 16 April 2014 Annual General Meeting.

IMPRINT

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For annual reports, interim reports and further information on RWE, please visit us on the internet at **www.rwe.com.**

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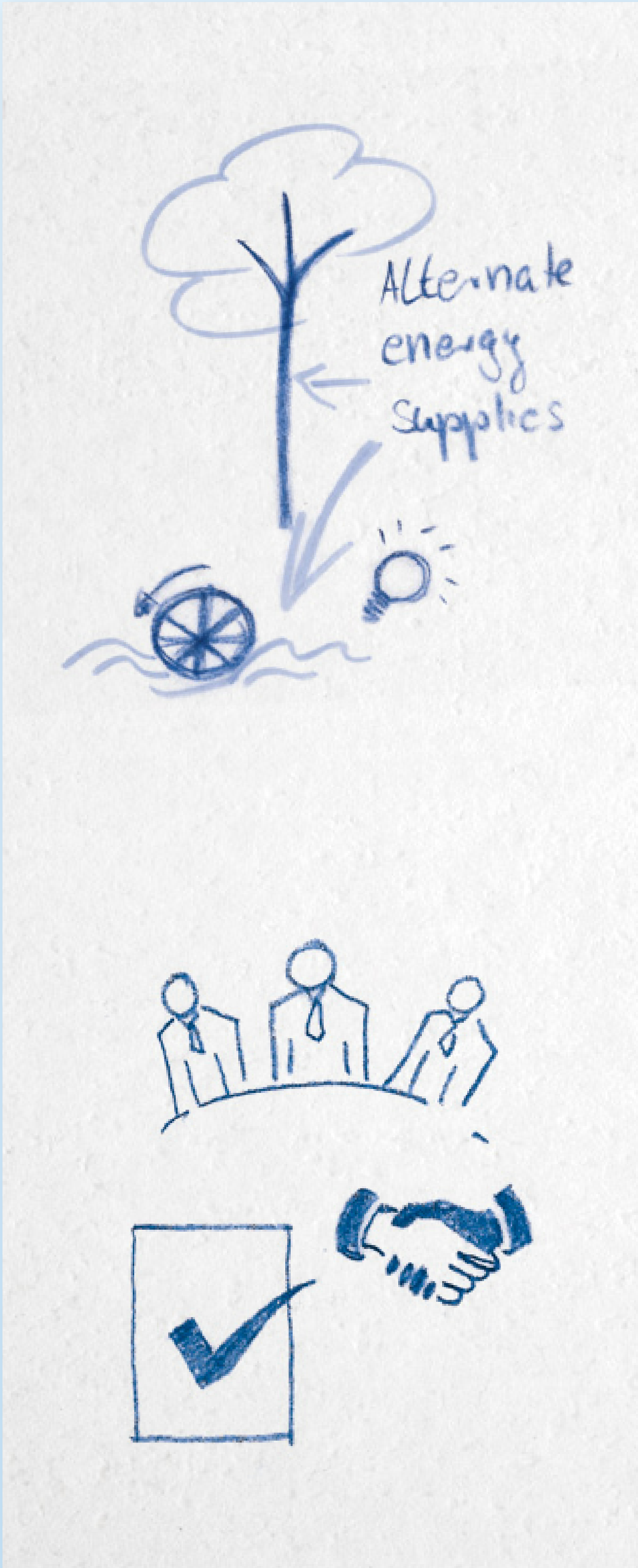
Forward-looking statements. This report contains forward-looking statements regarding the future development of the RWE Group and its companies as well as economic and political developments. These statements are assessments that we have made based on information available to us at the time this document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

References to the internet. The contents of pages on the internet to which we refer are not part of the review of operations and are merely intended to provide additional information. The corporate governance declaration in accordance with Section 289a of the German Commercial Code is an exception.

FINANCIAL CALENDAR

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

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



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