

REPORT ON THE FIRST HALF OF 2012

- Group operating result up 9%
- Outlook for 2012: expectation of stable earnings confirmed
- 'RWE 2015' programme launched
- Hybrid capital volume target achieved



AT A GLANCE

RWE Group – key figures		Jan – Jun 2012	Jan – Jun 2011	+/- %	Jan – Dec 2011
Electricity production	billion kWh	112.5	104.3	7.9	205.7
External electricity sales volume	billion kWh	141.7	154.0	-8.0	294.6
External gas sales volume	billion kWh	165.3	185.3	-10.8	322.2
External revenue	€ million	27,090	27,457	-1.3	51,686
EBITDA	€ million	5,040	4,622	9.0	8,460
Operating result	€ million	3,642	3,341	9.0	5,814
Income before tax	€ million	2,643	2,425	9.0	3,024
Net income	€ million	1,584	1,590	-0.4	1,806
Recurrent net income	€ million	1,665	1,667	-0.1	2,479
Earnings per share	€	2.58	2.98	-13.4	3.35
Recurrent net income per share	€	2.71	3.13	-13.4	4.60
Cash flows from operating activities	€ million	1,371	3,139	-56.3	5,510
Capital expenditure	€ million	2,233	2,760	-19.1	7,072
Property, plant and equipment and intangible assets	€ million	2,111	2,709	-22.1	6,353
Financial assets	€ million	122	51	139.2	719
Free cash flow	€ million	-740	430	-272.1	-843
		30 Jun 2012	31 Dec 2011		
Net debt of the RWE Group	€ million	33,974	29,948	13.4	
Workforce ¹		71,917	72,068	-0.2	

1 Converted to full-time positions.

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»We are pressing ahead with our package of measures for strengthening our financial power and confirm our earnings forecast for 2012.«

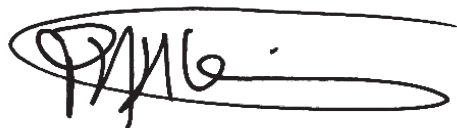
Dear Shareholders, Customers and Friends of the Company,

On 1 July, I took over from Jürgen Großmann as President and CEO of RWE AG. I am excited about my new task, but I am also aware that major challenges lie ahead of us. Our goal remains becoming more sustainable, more international and more robust. The 2011 Annual Report describes in detail how we intend to accomplish this. We cannot afford to waste any time, as the present framework conditions are anything but favourable. Germany's accelerated nuclear phase-out is an example of this. Mounting state intervention in the energy sector poses substantial risks to our earnings. At the same time, we are witnessing shrinking power plant margins and increasingly fierce competition in electricity and gas sales. We must react to this by taking action, including optimising our processes and organisational structures. We are doing this with our 'RWE 2015' programme, which encompasses a number of measures, including the establishment of a European generation company that will manage our German, UK and Dutch power stations. Measures which will impact on personnel are also part of the programme. Unfortunately, they are unavoidable for ensuring that RWE remains competitive over the long term. Our goal is to implement them with the consent of the employee representatives.

Our package of measures to strengthen our financial power is also at the top of our list of priorities. This is an area in which we have made good progress: in July, we reached an agreement with the Senate of the City of Berlin regarding the sale of our minority interest in the Berlin waterworks. At the same time, we completed our programme for raising a total of €2 billion in hybrid capital. There is also some good news with respect to the ongoing negotiations regarding our loss-making oil price-linked gas procurement contracts. Another supplier, Statoil, agreed to put prices in line with current market conditions from now on. This reduces the burdens we have at present as well as future risks.

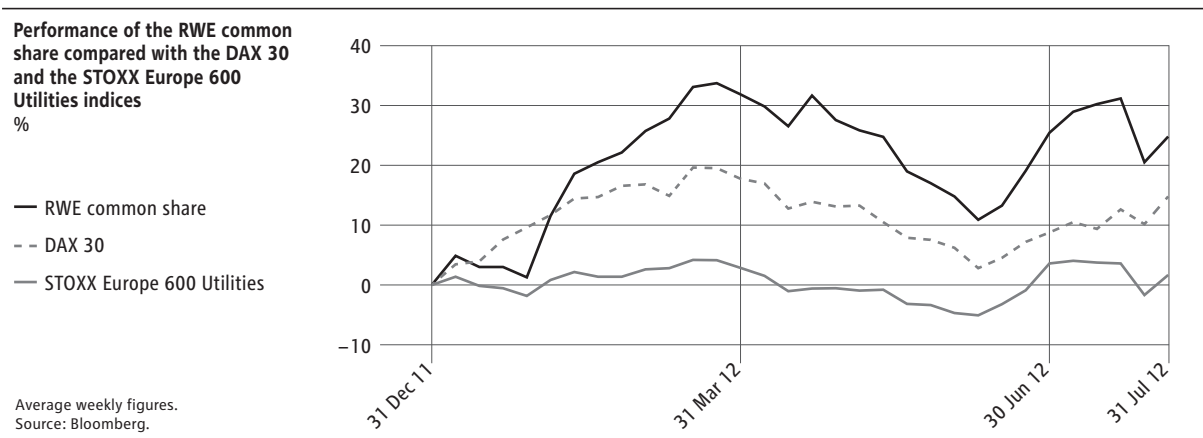
We can also be satisfied with our business performance in the first half of 2012. Our operating result improved by 9%. However, this is in part because the U-turn in German energy policy had significant one-off effects on last year's earnings. We confirm our forecast for 2012 as a whole: we expect to achieve an operating result on a par with last year's level. The same applies to recurrent net income, to which our dividend payment policy is orientated. Therefore, despite these turbulent times, the RWE share will continue to bear the strong dividends you have become used to.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'PT', enclosed within a large, hand-drawn oval.

Peter Terium
President and CEO of RWE AG
Essen, August 2012

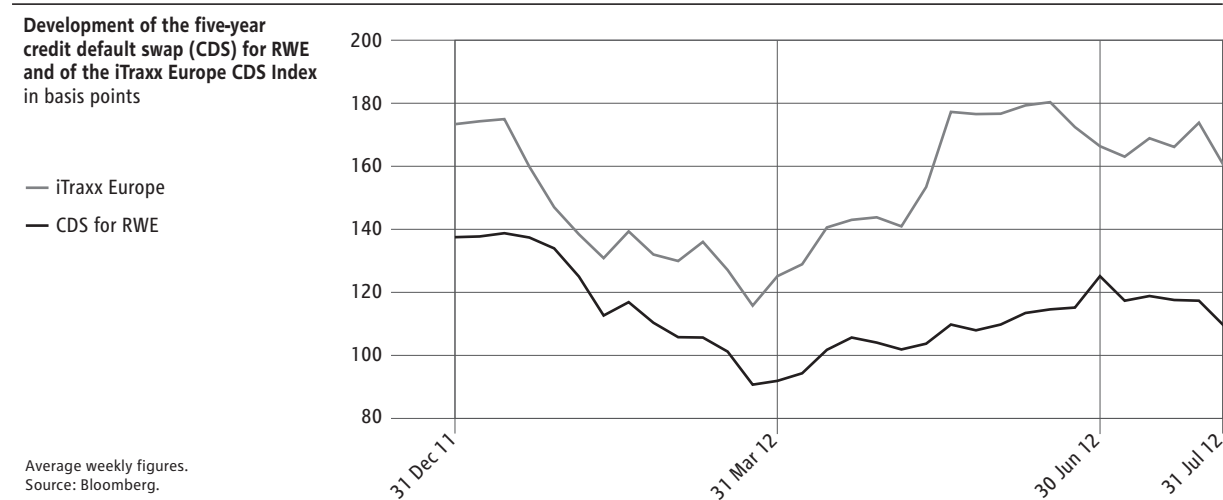
RWE SHARES STRONGEST IN THE DAX IN THE FIRST HALF OF THE YEAR



After a strong start to the year on the stock markets, quotations came under pressure again in the middle of March. The German lead index, the DAX 30, which had gained 20% temporarily, saw nearly the entire rise in share prices reversed by the middle of June. It trended back upwards thereafter, closing the month at 6,416 points, corresponding to a return of 9% for the first half of the year. The ups and downs on the stock markets were primarily caused by the sovereign debt crisis in the Eurozone. After the Greek state was saved from bankruptcy by having some of its debt cancelled and the banking system was stabilised with low-interest loans from the European Central Bank in the first quarter, the sense of crisis became stronger again in the second quarter. The Spanish budget and many of the country's large banks, which have come under pressure as a result of real-estate transactions, were a major cause of concern. At the end of June, the agreement reached by the Eurozone's heads of state to provide short-term aid to Italy and Spain and to allow banks to receive direct assistance from the ESM bail-out fund led to a substantial recovery in the price of shares, in particular those of financial institutions.

RWE shareholders can look back on a rewarding performance at the mid-year point. Our common and preferred shares ended the month of June trading at €32.18 and €29.27, respectively. This corresponds to half-year total returns (returns on the share price plus the dividend) of 25% and 22%, respectively. RWE's common shares took the leading position in the DAX and clearly surpassed the STOXX Europe 600 Utilities index (+4%). The strong performance is partially due to the fact that the capital increase implemented in December 2011 eliminated one negative factor: many capital market participants had waited for the capital measure before investing in RWE. The earnings forecast for 2013 we published at the beginning of March clearly exceeded expectations, buoying our share price even further. Moreover, by the middle of the year, the market had become more confident of our ability to reach a successful conclusion to the negotiations with our major gas suppliers to adjust the purchase conditions that are disadvantageous to us. This was occasioned by statements made by Gazprom's Deputy CEO Alexander Medvedev. Market participants saw their optimism validated by the agreement reached between E.ON and Gazprom at the beginning of July.

In the first six months, the corporate bond market was also marked by developments surrounding the Eurozone's sovereign debt crisis. Whereas it became less attractive to invest in crisis-ridden countries, there was a rise in demand for German government bonds, which are believed to be safer. Returns realisable on this paper declined accordingly, causing investors to increasingly focus on bonds issued by German industrial enterprises. The refinancing costs of these companies declined as a result. The markets' nervousness triggered by the sovereign debt crisis was reflected especially in the prices of credit default swaps (CDSs) used by investors to hedge credit risk. The iTraxx Europe Index, which consists of the prices of the five-year CDSs of 125 major European companies, began the year at 173 points before dropping by 60 points by March, after which the sovereign debt crisis flared up again, returning it close to its starting point. It was at 166 points at the end of June. Prices of the five-year CDS for RWE were far below the index for the duration. They fell from 137 basis points at the beginning of the year to 88 basis points in March before rising to 125 basis points at the end of June. They trended back downwards in July, even after RWE's rating was downgraded by Standard & Poor's (see page 13).



ECONOMIC ENVIRONMENT

Economic recovery continues to lose momentum

The weakening of global economic growth observed at the end of 2011 continued in 2012. Based on current information, the cumulative gross domestic product (GDP) achieved by all OECD countries in the first half of 2012 was still about 2% higher than in the same period last year. The Eurozone continues to suffer from the sovereign debt crisis: its GDP probably shrank. Posting an estimated 1% growth, the German economy was fairly robust. In particular, consumer spending had a stabilising effect. In contrast, the Netherlands was unable to decouple itself from the European trend. According to the most recent data available, Dutch GDP decreased. Economic output in the UK was also down year on year, by an estimated 0.5%. The country still has not fully recovered from the crisis in the property sector. The government's austerity measures also had a dampening effect. The countries of Central Eastern Europe displayed varying developments in the first half of the year: GDP is likely to have grown considerably in Poland, but it may have decreased slightly in the Czech Republic and Hungary.

Weather cooler than in 2011

Whereas the economic trend primarily impacts on demand for energy among industrial enterprises, residential energy consumption is influenced more by weather conditions. The temperature dependency of demand for heating comes to bear in this context. This is reflected in seasonal fluctuations in revenue and earnings. We generate around two-thirds of our gas sales volume in the winter and autumn months (Q1 and Q4). However, weather conditions also play a role when comparing various fiscal years. In the period under review, temperatures in Germany and the Netherlands were slightly below the ten-year average and significantly so in the United Kingdom. This is predominantly due to the months of February and April. Conversely, weather conditions in Central Eastern Europe were normal on the whole. Compared to 2011, temperatures in all the aforementioned regions were lower. In addition to energy consumption, the generation of electricity is also subject to weather-related influences, with wind levels playing a major role. In Germany and Spain, our wind turbine capacity utilisation was much higher year on year. It also rose in the UK, albeit only marginally.

Economic downturn curtails energy consumption

The slowing economy had a dampening effect on demand for electricity and gas. This was contrasted by a weather-induced rise in the need for heating. According to surveys conducted by the German Association of Energy and Water Industries, German electricity usage in the first half of 2012 was 2% lower than in the same period last year. Based on estimates, demand for electricity was also down compared to 2011 in Hungary, whereas it was roughly unchanged in the Netherlands and the United Kingdom. An increase of about 1% was calculated for Poland.

Based on the latest available data, gas consumption in Germany stagnated despite the cooler weather. The main reason was that the market conditions for gas-fired power stations worsened, resulting in a reduction in their utilisation. This was particularly the case in the UK, where about 30% less gas was required for power plants, resulting in UK gas consumption falling by some 6% year on year, despite the cold weather. In Hungary, volumes probably declined to the same extent, while in the Netherlands, they are believed to have fallen by 2%. In contrast, an increase of nearly 2% is estimated for the Czech Republic.

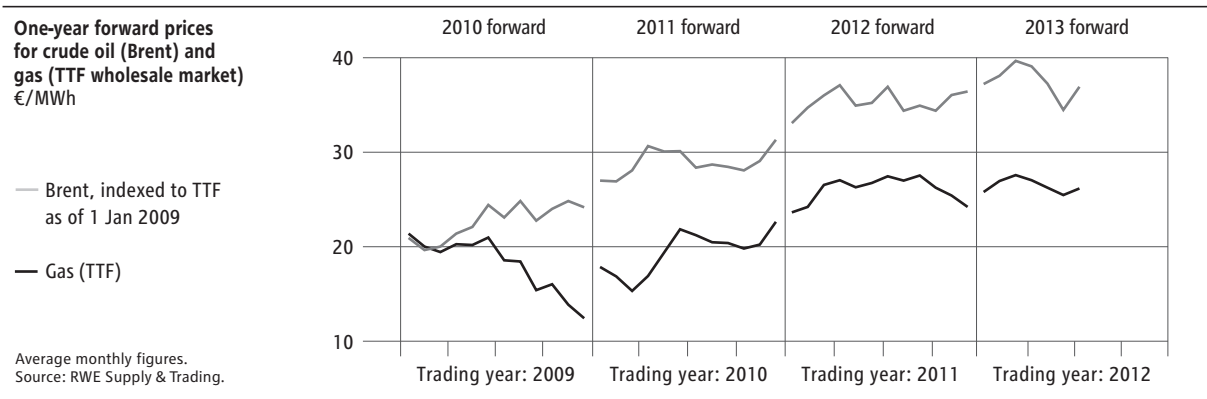
Crude oil slightly more expensive than in 2011 despite price drop in the second quarter

The economic slowdown was also reflected in the development of prices on international commodity markets. However, in the first quarter of 2012, the economic effect on crude oil was overshadowed by tense relationships with Iran caused by the country's nuclear programme. Tehran's threatened closure of the Hormus sea route, which is important to oil transportation, gave rise to fears of a shortage of oil. This was reflected in high market quotations. In the second quarter, the price curve trended downward, in part because talks with Iran calmed the situation. Another reason was the announcement by the USA and UK that they would release some of their strategic crude oil reserves. In June, the downward price spiral accelerated as OPEC increased its crude oil supplies and demand expectations worsened due to the weak economy. In the first half of 2012, a barrel of Brent cost an average of US\$114 (€88), up 2% on the same period last year. In euro terms, this equates to an increase of 11% because the US dollar appreciated compared to Europe's key currency.

Gas prices rise considerably

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

In the period being reviewed, gas imports to Germany were an average of 23% more expensive than a year earlier. Quotations on European gas trading platforms were also up, albeit to a far lesser extent. The TTF spot price averaged €24 per megawatt hour (MWh), compared to €23 in the same period in 2011. In TTF forward trading, contracts for delivery in the coming calendar year (2013 forward) sold for €27 per MWh. They were slightly more expensive compared to the 2012 forward last year.

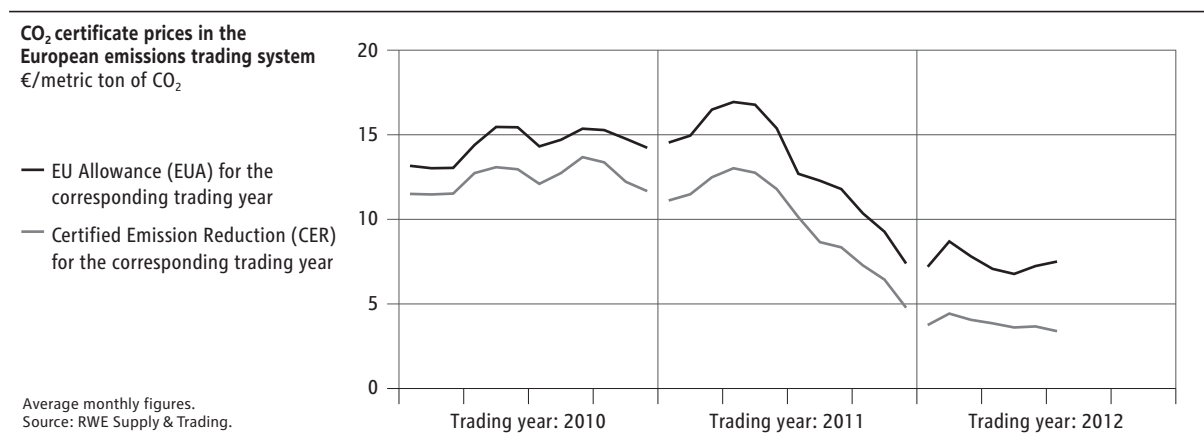


Prices for end customers rose considerably. In Germany, the average rate of increase was 6% for households and 15% for industrial enterprises. These customer groups had to pay 16% and 9% more in the United Kingdom, 18% and 27% more in the Czech Republic and 9% and 45% more in Hungary. Dutch residential gas bills were up 9%, and the country's industrial enterprises may have seen their bills rise by even more.

US shale gas puts hard coal prices under pressure

Conversely, thermal coal prices declined considerably. A metric ton including freight and insurance cost an average of US\$95 (€73) in Rotterdam spot trading. Hard coal was therefore down 23% and 16% on the first half of 2011 in dollar and euro terms, respectively. Observations made on the supply side indicate that US coal producers are increasingly turning to the export market in reaction to the heightened competitive pressure exerted by cheap shale gas. This has recently put prices on international markets under substantial pressure. The slight cool-down of the Chinese economy is having an impact on the demand side. Nevertheless, the Asian market was the main reason for the continued increase in the worldwide consumption of thermal coal. Sea freight rates are a major component of hard coal quotations. The downward trend triggered by the expansion of shipping capacity continued: in the period under review, the standard route from South Africa to Rotterdam cost an average of US\$8.60 per metric ton, US\$1 less than in the same period last year.

The German Federal Office of Economics and Export Control (BAFA) determines the price of hard coal produced in Germany based on quotations for imported hard coal. Therefore, the BAFA price follows developments on international markets, albeit with a time lag. No average figure was available for the first half of 2012 when this report went to print, but experts estimate it to be €99 per metric ton of hard coal unit. In the same period last year, it amounted to €105.



CO₂ emissions trading: certificates much cheaper than in 2011

Prices in European trading of emission allowances are far below the levels witnessed a year earlier. EU Allowances (EUAs) for 2012 traded at an average of €7.50 per metric ton of carbon dioxide (CO₂) in the first six months of 2012. This is less than half as much as what had to be paid for 2011 certificates in the year-earlier period. Certified Emission Reductions (CERs), which are credits earned from emission-reducing measures in developing and emerging countries, cost an average of just €3.90, losing two-thirds of their value compared to a year earlier. Certificate prices collapsed in the second half of 2011, in part due to the sovereign debt crisis in the Eurozone and the resultant weakening of the industrial cycle. The rapid increase in renewable energy also played a role as it reduces the amount of electricity generated by fossil-fuelled power plants, causing demand for CO₂ certificates to decline. Due to the aforementioned factors, European carbon dioxide emissions in 2011 were slightly lower than in the preceding year, although Germany's accelerated nuclear phase-out eliminated a substantial amount of carbon-free electricity production. EU plans to limit allocations of certificates at least temporarily and thus drive up prices have failed so far, primarily as a result of resistance from Poland.

Decline in wholesale electricity prices

Drops in the prices of hard coal and emission certificates as well as increasing amounts of electricity fed into the system by wind turbines and solar panels weighed on German wholesale electricity prices. On the spot market in the first six months of 2012, base-load power sold for an average of €43 per MWh, while peak-load electricity settled at €53 per MWh. The corresponding prices a year before were €53 and €62, respectively. Electricity also became cheaper in German forward trading. The 2013 forward was priced at an average of €51 per MWh of base-load power and €63 per MWh of peak-load power. This was €5 and €6 less than what had to be paid for 2012 forwards in the same period last year.

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

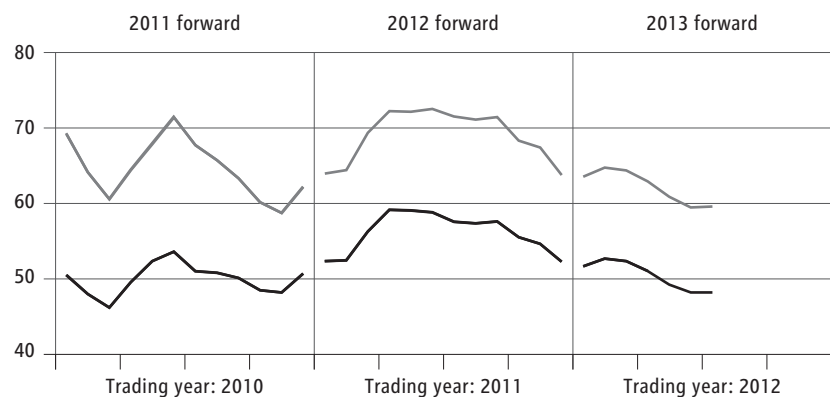
— Peak load
— Base load

Average monthly figures.
Source: European Energy Exchange EEX.


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

— Peak load
— Base load

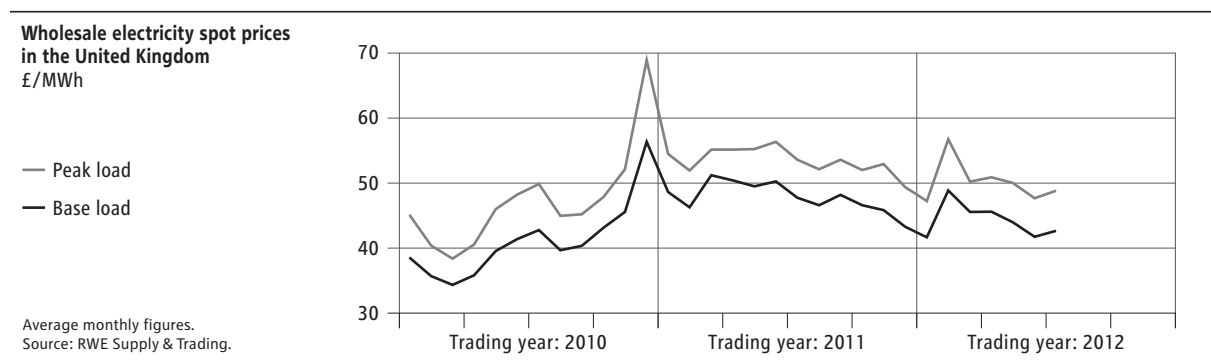
Average monthly figures.
Source: RWE Supply & Trading.



We sell forward nearly all of the output of our German power plants and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, the market's current development only had a minor impact on our income in the period under review. What is decisive instead is the conditions at which electricity contracts for delivery in 2012 sold in preceding years. The average price we realised in such transactions for the electricity we generated in the first half of 2012 was lower than the comparable figure for 2011. This had a negative effect on our power plant margins (spreads), which are calculated by deducting the cost of the respective fuel and emission allowances used from the price of electricity. The spreads of our nuclear power stations were down year on year due to the reduction in electricity prices. The margins we achieved for electricity produced from hard coal (clean dark spreads) and gas (clean spark spreads) also decreased, partly due to higher fuel procurement costs compared to the previous year. In contrast, the margins of electricity produced from lignite were stable: earnings shortfalls caused by electricity prices were offset by cheaper CO₂ certificates.

Prices in the German end-customer business developed as follows. In the period under review, tariffs for households were an average of 3% higher than a year earlier, whereas for industrial enterprises they were slightly lower. If certain prerequisites are met, the latter are exempt from network fees pursuant to a law that was enacted in July 2011. As a result, payments made by other electricity customers are commensurately higher. The burdens associated with the German Renewable Energy Act (REA) also grew. This is due to the increasing expansion of wind, biomass and, above all, solar generation capacity. The REA levy rose from 2.05 euro cents per kilowatt hour (kWh) in 2010 to 3.53 euro cents in 2011 and 3.59 euro cents in 2012. The major increase therefore already took place in 2011, but was not factored into end-customer prices by many sales companies until later. Industrial enterprises receive relief from the REA, as long as their annual electricity consumption exceeds a certain threshold. This limit was reduced from 10 gigawatt hours (GWh) to 1 GWh as of 1 January 2012.

In UK electricity wholesale trading, averaged for the first half, spot prices were £44 (€54) per MWh of base-load power and £50 (€61) per MWh of peak-load power. In both cases, this is £5 less than in 2011. Quotations on the forward market also decreased. In the first six months of 2012, base-load contracts for the 2013 calendar year were settled for an average of £51 (€62) per MWh. This is £4 less than the price paid for the 2012 forward in the same period last year. Peak-load power also dropped in price by £4, to £58 (€70).



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

The majority of UK energy suppliers raised their electricity tariffs over the course of 2011. Although this was followed by some tariff cuts in 2012, average residential tariffs were 9% higher year on year, while industrial tariffs were up about 8%.

In the Netherlands, wholesale electricity prices and power plant margins displayed developments similar to those in Germany. In the end-customer business, households had to pay nearly 6% more than in 2011, while tariffs for industrial enterprises only increased marginally.

The situation in our Central Eastern European electricity markets was even more varied. Electricity for households in Poland was almost 10% more expensive. In Slovakia, residential tariffs rose by approximately 1%, whereas they were essentially unchanged in Hungary. In contrast, electricity supplied to industrial enterprises became cheaper: by some 2% in Poland, roughly 1% in Slovakia, and just under 4% in Hungary.

MAJOR EVENTS

In the period under review

Hybrid capital programme completed successfully

In the middle of 2012, we concluded the programme for raising hybrid capital launched last year through two bond issuances. At the end of June, we increased a US\$500 million hybrid bond we placed in March 2012 by the same amount. The issue rate for the new paper, which bears a coupon of 7.0%, was 101.63%. The issuance primarily targeted investors in Asia. Also at the end of June, we placed a CHF 150 million hybrid bond with a coupon of 5.0% and an issue rate of 100%. Retail investors domiciled in Switzerland and institutional investors were the target group of this issuance. Both bonds have a tenor of 60 years, but may be redeemed early by RWE for the first time in 2017. They have not been considered in our figures for the first half as we did not receive the proceeds from the issuances until July.

The RWE Group's hybrid capital outstanding now totals an equivalent of €3.75 billion. Our issuance of a €1.75 billion hybrid bond in September 2010 was the first time we made use of this financing instrument. Bonds with a total volume of an equivalent of €2 billion have followed under the hybrid capital programme since October of last year. In addition to the aforementioned paper, these were a CHF 250 million and a £750 million bond.

Hybrid bonds are a mix of equity and debt financing. They are recognised in our net debt on a 50% basis. This is in line with the procedure followed by rating agencies. Deviating from this, International Financial Reporting Standards (IFRS) require that the bonds are fully classified as equity or debt, depending on their terms and conditions. Accordingly, our €1.75 billion and £750 million bonds are fully recognised as equity on the IFRS balance sheet because their tenors are theoretically perpetual, whereas our other hybrid bonds are entirely recognised as debt.

RWE reduces stake in VSE

At the end of June, we completed the sale of a 19.33% interest in the regional utility VSE, which is based in the German State of Saarland. The buyers are local municipal and community utilities (15.33%) and the State of Saarland (4%). The transaction is part of our ongoing divestment programme. RWE still owns the majority of VSE, accounting for a stake of 50% plus one share.

New gas-fired power station in the UK starts production

In May, two of the five units of our new gas-fired power plant at Pembroke (Wales) went into commercial operation, with the third and fourth following in June and July. The fifth unit is currently undergoing a trial run and is scheduled to start generating electricity commercially from September. The power station has a total net installed capacity of 2,188 megawatts (MW). Its efficiency of 59% makes it one of the most efficient and environmentally friendly of its kind. We invested €1.2 billion in the plant.

Tilbury power station back online

Our biomass-fired power plant at Tilbury is generating electricity again following the fire which interrupted operations at the end of February. The first of the three units went online at the end of June, with the remaining two to follow at the end of August. The fire had broken out in one of the two wood pellet bunkers, requiring extensive repairs. The Tilbury plant has an aggregate installed capacity of 750 MW. Last year, we converted it to run solely on biomass, before which it was fired with hard coal.

Polish wind power portfolio expanded

RWE Innogy enlarged its production base with the acquisition of two wind farms in the north of Poland: Krzecin (14 MW) was acquired in late June, and Taciewo (30 MW) followed at the beginning of August. The plants were developed and built by the Spanish wind power specialist Gamesa and generate enough electricity for approximately 50,000 homes. RWE Innogy currently operates five onshore wind farms in Poland with a combined net installed capacity of 152 MW. A sixth wind farm, Nowy Staw (39 MW), is under construction and is scheduled to go online at the beginning of 2013.

Further major events occurred in the period under review. We presented them on pages 11 and 12 of the report on the first quarter of 2012.

After the period under review

'RWE 2015' programme launched

In light of the difficult framework conditions in the energy sector, the Executive Board of RWE AG adopted the 'RWE 2015' programme in early August. It encompasses measures for providing financial relief to the company and safeguarding its competitiveness. As announced in March 2012, once the current cost-reduction programme has ended, we intend to tap further earnings potential totalling €1 billion in the next two years alone. Areas identified for realising savings include services and administration. This may result in outsourcing or transferring jobs to regions with more favourable cost structures. In addition to the Group's internal service companies RWE IT and RWE Service, RWE Supply & Trading will be particularly affected by the measures. Furthermore, we will make changes to the organisational structure: the most important step is the establishment of a European generation company headquartered in Germany, which is scheduled to take up operations as a 'societas europaea' (SE) with effect from 1 January 2013. The new company will manage all of RWE's conventional power stations in Germany, the Netherlands and the UK. We aim to implement the 'RWE 2015' programme in agreement with the labour representatives. Talks are already underway.

RWE sells minority interest in Berlin waterworks

We took an important step in implementing our ongoing divestment programme. In the middle of July, we agreed to sell our minority stake in the Berlin waterworks to the State of Berlin. The state will acquire RWE's indirect interest of 24.95% and two shareholder loans granted by RWE for a total of €618 million. The approval of the Berlin City Parliament and RWE AG's Supervisory Board is still pending. Co-shareholder Veolia Wasser GmbH is trying to stop the execution of the transaction via a preliminary injunction. This attempt failed at the first instance before the Berlin District Court.

Standard & Poor's downgrades RWE to BBB+, Moody's maintains A3 rating

Against the backdrop of the difficult framework conditions in the European energy sector, the rating agency Standard & Poor's lowered its rating for RWE from A- to BBB+ in July. The outlook was raised from 'negative' to 'stable'. In contrast, Moody's confirmed its A3 rating for RWE, keeping the outlook negative. Irrespective of the rating decisions, we are working on fully implementing the package of measures to strengthen our financial power, which we announced in August 2011. Our main focus are the impending disposals and cost reductions. The capital-related measures that form part of the package have already been taken.

State-of-the-art lignite-fired power station at Neurath starts operating commercially

At the beginning of July and August, RWE Power registered the two units of the new lignite-fired power plant at Neurath (near Cologne) with the European Energy Exchange (EEX). The facility is now generating commercially. It has a total net installed capacity of 2,100 MW and meets the highest efficiency and emission standards, thanks to its efficiency of over 43%. Thereby, with unchanged electricity generation, we are reducing our carbon dioxide emissions by about 6 million metric tons per year compared to our old 150 MW units. We will have shut down all 16 of these units by the end of 2012. Six blocks have already been closed. Another six have ceased to operate, but serve as backup and outage reserve capacity for the new lignite-fired power station.

Administrative Court finds RWE suits against nuclear moratorium admissible

In early July, the Hessian Administrative Court of Justice in Kassel ruled that the lawsuits filed by RWE Power against the stoppage ordered for the Biblis A and B reactors as part of the German nuclear moratorium are admissible. An appeal was not allowed. After the reactor incident at Fukushima in Japan, the State of Hesse had ordered a three-month stoppage for Biblis in March 2011. We believe that the nuclear moratorium is unlawful, because we are of the opinion that the prerequisites for it did not exist.

NOTES ON THE REPORTING STRUCTURE

Group structure with seven divisions

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

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

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

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

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

- Renewables: This is where we present RWE Innogy, which specialises in electricity and heat production from renewable sources.
- 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: RWE Supply & Trading is assigned to this division. The company is responsible for the Group's energy trading activities and its gas midstream business. Furthermore, it supplies major German industrial and corporate customers with electricity and gas.

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

BUSINESS PERFORMANCE

Electricity production by division January – June	Germany ¹		Netherlands/ Belgium		United Kingdom		Central Eastern and South Eastern Europe		Renewables		RWE Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Billion kWh												
Lignite	39.2	33.3	-	-	-	-	2.5	2.8	-	-	41.7	36.1
Hard coal	17.3	17.3	3.4	2.6	8.8	3.9	-	-	-	-	29.5	23.8
Nuclear	14.7	19.1	-	-	-	-	-	-	-	-	14.7	19.1
Gas	4.2	6.4	3.1	2.4	11.9	10.9	0.1	0.1	0.1	0.1	19.4	19.9
Renewables	0.9	0.6	0.7	0.9	0.6	-	-	-	3.6 ²	3.0 ²	5.8	4.5
Pumped storage, oil, other	1.4	0.9	-	-	-	-	-	-	-	-	1.4	0.9
Total	77.7	77.6	7.2	5.9	21.3	14.8	2.6	2.9	3.7	3.1	112.5	104.3

1 Including electricity from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the first half of 2012, it amounted to 12.0 billion kWh, of which 10.6 billion kWh were generated from hard coal.

2 Including electricity procured from power plants co-financed by RWE, which are owned by companies that are not fully consolidated. In the first half of 2012, these purchases totalled 0.6 billion kWh.

Electricity generation up 8% year on year

In the first half of 2012, the RWE Group produced 112.5 billion kilowatt hours (kWh) of electricity. This was 8% more than a year earlier, even though the Biblis nuclear power plant had to be shut down due to Germany's accelerated nuclear phase-out. This was made up for by the utilisation of new power stations, including the new twin-unit lignite-fired power plant at Neurath near Cologne. The facility has a net installed capacity of 2,100 MW and started a trial run at the beginning of the year. This was the main reason why electricity generation from lignite increased by 16%. Three new gas-fired power stations began commercial operation in the period under review: Claus C (1,304 MW) and Moerdijk 2 (426 MW) in the Netherlands and Pembroke (2,188 MW) in the United Kingdom. However, the market conditions for gas-fired power plants have recently deteriorated considerably. Therefore, their contribution to RWE's electricity production was only on a par year on year. Conversely, we generated 24% more electricity from hard coal, largely due to improved margins on the UK spot market. From renewables, we posted a gain of 29%. One contributing factor was the conversion of the Tilbury hard coal power station (UK) to a biomass facility. All three of the plant's units had been online before the fire at Tilbury at the end of February. RWE Innogy benefited from the weather-induced improvement in wind turbine capacity utilisation and the expansion of the generation portfolio. Among other things, the company doubled its stake in the Spanish wind farm operator Explotaciones Eólicas de Aldehuelas to 95% at the end of 2011. As a result, our Spanish installed wind power capacity rose by 47 MW to 447 MW.

In addition to our in-house generation, we procure electricity from external suppliers. These purchases amounted to 39.1 billion kWh compared to 59.1 billion kWh in the first half of last year. The significant decline is due to the deconsolidation of Amprion in September 2011.

Gas and oil production slightly down

In the period under review, RWE Dea produced 1,331 million cubic metres of gas and 1,230 thousand cubic metres of oil. Converting the gas to oil equivalent and adding it to crude oil production results in a total output of 2,518 thousand cubic metres, or 15.8 million barrels. This compares to 2,651 thousand cubic metres, or 16.7 million barrels, in the first half of 2011. Gas production decreased by 6%. The main reason was the depletion of our existing reserves in our German and UK concession areas, which we could not yet compensate for despite the ongoing expansion of our upstream position. However, we expect gas volume to rise slightly for the full year, because we will start production in several UK North Sea fields. Our crude oil output decreased by 4%. The natural drop in production caused by the progressive depletion of reserves also played a role here. This particularly affected our German Mittelplate field. In addition, we were forced to interrupt production at our Danish sites for weather-related reasons. This was contrasted by volume growth in the Norwegian Gjøa field. We anticipate that oil production will reach its 2011 level for the year as a whole.

External electricity sales volume January – June	Residential and commercial customers		Industrial and corporate customers		Distributors		Electricity trading		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Billion kWh										
Germany	13.0	13.4	14.7	16.0	42.1	28.1	-	-	69.8	57.5
Netherlands/Belgium	5.6	5.5	4.8	5.5	-	-	-	-	10.4	11.0
United Kingdom	9.2	9.0	16.0	16.1	-	-	-	-	25.2	25.1
Central Eastern and South Eastern Europe	4.1	4.2	4.5	4.9	3.0	2.8	-	-	11.6	11.9
Trading/Gas Midstream	-	-	15.8	15.2	-	-	7.8	11.8	23.6	27.0
RWE Group¹	32.1	32.3	55.8	57.9	46.0	52.0	7.8	11.8	141.7	154.0

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

Deconsolidation of Amprion reduces electricity sales volume

In the first half of 2012, we sold 141.7 billion kWh of electricity to external customers. This was 8% less than in the same period last year. The decline is largely due to the deconsolidation of the transmission system operator Amprion. However, transactions between RWE companies and Amprion are now included in our external sales. This mainly relates to our German distribution system operators. Therefore, external electricity deliveries in the Germany Division advanced significantly, rising by 21%. In business with distributors, new customers won and increased electricity supplies to existing customers also contributed to this growth. This was contrasted by competition-induced volume shortfalls in the other customer segments. Electricity sales volume in the Netherlands/Belgium Division decreased by 5%. In the UK, we matched the level achieved a year earlier despite the weak industrial output and continued energy savings in the residential sector, as we enlarged our customer base. We sold 3% less electricity in the Central Eastern and South Eastern Europe Division, with mounting competitive pressure in Hungary playing a role. RWE Supply & Trading won new

industrial and corporate customers, but experienced a 13% decline in external sales overall. The main reason was that the company sold more in-house electricity production internally to our sales companies. Volumes sold on the wholesale market dropped accordingly.

External gas sales volume January - June	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Billion kWh								
Germany	17.1	16.1	9.3	12.7	11.6	20.7	38.0	49.5
Netherlands/Belgium	22.3	22.9	23.2	26.9	-	-	45.5	49.8
United Kingdom	24.5	21.9	1.3	1.3	-	-	25.8	23.2
Central Eastern and South Eastern Europe	12.4	16.0	14.9	14.8	9.1	2.0	36.4	32.8
Upstream Gas & Oil	-	-	0.4	1.3	7.9	8.2	8.3	9.5
Trading/Gas Midstream	-	-	6.9	11.6	4.4	8.9 ¹	11.3	20.5
RWE Group	76.3	76.9	56.0	68.6	33.0	39.8	165.3	185.3

¹ Including gas trading.

Gas sales volume down despite cooler weather

The RWE Group sold 165.3 billion kWh of gas, 11% less than in 2011. The Germany Division recorded a steep decline. Its supply volume was 23% smaller than a year earlier. This is primarily due to business with distributors, some of which switched suppliers or increased their share of purchases from third parties. The lower capacity utilisation of the gas-fired power stations we supply also left its mark. In addition, competition-induced shortfalls were recorded in sales to German industrial and corporate customers. In contrast, we increased sales to households and small commercial enterprises, as we acquired new customers and demand for heating was higher due to lower temperatures. The Netherlands/Belgium Division suffered a 9% decrease in gas volume, primarily because a major key account switched suppliers. The deterioration of the general economic situation also had an effect. In the United Kingdom, the cooler weather and customer acquisitions were the main reasons why RWE npower sold 11% more gas. Supply volume was also up 11% in the Central Eastern and South Eastern Europe Division. In the Czech Republic, distributors required more gas from us in reaction to the weather-induced rise in demand from their customers, whereas our share of the residential and small commercial enterprise market deteriorated further. Sales volume at RWE Supply & Trading decreased by 45%, largely because supply agreements expired and key accounts bought less gas.

External revenue € million	Jan – Jun 2012	Jan – Jun 2011	+/- %	Jan – Dec 2011
Germany	12,676	10,767	17.7	21,520
Power Generation	609	558	9.1	1,166
Sales/Distribution Networks	12,067	10,209	18.2	20,354
Netherlands/Belgium	3,144	3,253	-3.4	5,818
United Kingdom	4,595	3,846	19.5	7,696
Central Eastern and South Eastern Europe	2,802	2,633	6.4	4,990
Renewables	211	224	-5.8	443
Upstream Gas & Oil	1,011	886	14.1	1,766
Trading/Gas Midstream	2,595	3,515	-26.2	5,750
Other, consolidation	56	2,333	-97.6	3,703
RWE Group	27,090	27,457	-1.3	51,686
of which:				
Electricity revenue	17,039	17,398	-2.1	33,765
Gas revenue	7,684	7,418	3.6	13,229
Oil revenue	766	1,093	-29.9	1,641
Natural gas tax/electricity tax	1,329	1,400	-5.1	2,533
RWE Group (excluding natural gas tax/electricity tax)	25,761	26,057	-1.1	49,153

External revenue up 7% excluding special items

The RWE Group generated €27,090 million in external revenue, slightly less than in 2011. The deconsolidation of Amprion came to bear, among other things. As we have only held a minority stake in the transmission system operator since September 2011, we no longer recognise its revenue. However, the revenue earned by RWE companies from Amprion is now being recognised as external instead of internal revenue. In addition to sales and price effects, changes in currency exchange rates also affected the development of revenue. In the first half of 2012, the British pound cost an average of €1.22, as opposed to €1.14 the year before. The US dollar was also up on the euro, increasing in value from €0.70 to €0.77. Conversely, the Czech crown depreciated slightly. Net of material consolidation and foreign exchange effects, Group revenue rose by 7%.

- Germany: External revenue achieved by this division totalled €12,676 million, up 18% year on year. Electricity revenue climbed by 25% to €9,827 million. The main reason is that external revenue now also includes the revenue earned by our German distribution system operators from Amprion. We also posted a considerable gain in operating terms on the basis of the aforementioned rise in sales to distributors. Furthermore, some of our regional companies have raised tariffs for residential and commercial customers. This was in response to the increase in expenses caused in part by network fees and levies for electricity generated in accordance with the German Renewable Energy Act. External revenue in the gas business declined by 6% to €1,874 million. The volume shortfalls mentioned earlier were the main reason. A counteracting effect was felt from the fact that certain sales companies raised tariffs in view of higher gas procurement costs.

- Netherlands/Belgium: The division earned €3,144 million in revenue, 3% less than a year earlier. Electricity revenue declined by 8% to €1,070 million, reflecting the drop in sales volume. At €1,952 million, gas revenue was 2% down on the same period last year. Once again, the main driver was lower volume.
- United Kingdom: RWE npower's external revenue improved by 19% to €4,595 million. Excluding the foreign exchange impact, it rose by 12%. Electricity revenue amounted to €3,131 million, equating to an increase of 17% compared to 2011 and of 10% in Sterling terms. Apart from the acquisition of new customers, cost-driven price adjustments were the main reason. RWE npower lifted its residential customer tariffs by 7.2% with effect from 1 October 2011. In the gas supply business, tariffs were raised by 15.7% as of the same date and decreased by 5% as of 1 February 2012. In sum, the price trend therefore had a revenue-increasing effect here as well. This and the cooler weather were the main reasons why RWE npower's gas revenue advanced by 34% to €1,206 million. Net of currency effects, the rise amounted to 25%.
- Central Eastern and South Eastern Europe: At €2,802 million, external revenue was 6% higher than in the same period last year. Net of foreign exchange effects, it grew by 12%. Electricity revenue amounted to €1,180 million, down by 7%, but up 1% excluding the currency impact. Price increases offset negative volume effects. External revenue in the gas business climbed by 19% to €1,559 million. Deducting foreign exchange rate changes results in a gain of 22%, which is in part due to the volume improvements in sales to Czech distributors.
- Renewables: External revenue achieved by this division declined by 6% to €211 million, in part because electricity produced by RWE Innogy was increasingly sold via RWE Supply & Trading. In addition, we transferred the Czech company KA Contracting to RWE Transgas in the Central Eastern and South Eastern Europe Division as of 1 January 2012. The company operates several small power plants that generate electricity and heat for municipal customers. The sale of our French wind farm portfolio in September 2011 also had a revenue-reducing impact. Additional revenue came from the first-time full consolidation of the Spanish wind power generator Explotaciones Eólicas de Aldehuelas and the commissioning of new wind farms.
- Upstream Gas & Oil: In this division, revenue totalled €1,011 million, a rise of 14%. RWE Dea realised higher prices for its crude oil and gas production than in the first half of 2011. The appreciation of the US dollar also had a positive effect, whereas the decline in gas production in particular curtailed the rise in revenue.
- Trading/Gas Midstream: At RWE Supply & Trading, external revenue decreased by 26% to €2,595 million. In particular, oil revenue was down on the level achieved a year before, which was unusually high due to the positive effects of the fair valuation of oil forward contracts. We had concluded these contracts in order to limit risks arising from our long-term oil price-indexed gas purchase agreements. Gas and electricity revenue also dropped. This was a result of the aforementioned decline in volumes.

Internal revenue € million	Jan – Jun 2012	Jan – Jun 2011	+/- %	Jan – Dec 2011
Germany	5,462	6,767	-19.3	12,910
Power Generation	4,431	4,659	-4.9	9,064
Sales/Distribution Networks	1,031	2,108	-51.1	3,846
Netherlands/Belgium	45	23	95.7	53
United Kingdom	21	5	320.0	17
Central Eastern and South Eastern Europe	255	271	-5.9	500
Renewables	222	111	100.0	282
Upstream Gas & Oil	149	100	49.0	176
Trading/Gas Midstream	11,196	10,934	2.4	21,742

Reconciliation of income from operating activities to EBITDA € million	Jan – Jun 2012	Jan – Jun 2011	+/- %	Jan – Dec 2011
Income from operating activities ¹	3,279	2,794	17.4	4,129
+ Operating income from investments	290	353	-17.8	600
+ Non-operating income from investments	-69	-16	-331.3	-72
- Non-operating result	142	210	-32.4	1,157
Operating result	3,642	3,341	9.0	5,814
+ Operating depreciation and amortisation	1,398	1,281	9.1	2,646
EBITDA	5,040	4,622	9.0	8,460

¹ See the income statement on page 39.

EBITDA € million	Jan – Jun 2012	Jan – Jun 2011	+/- %	Jan – Dec 2011
Germany	3,222	2,807	14.8	5,419
Power Generation	2,014	1,544	30.4	3,252
Sales/Distribution Networks	1,208	1,263	-4.4	2,167
Netherlands/Belgium	303	291	4.1	462
United Kingdom	470	457	2.8	606
Central Eastern and South Eastern Europe	702	817	-14.1	1,364
Renewables	185	166	11.4	338
Upstream Gas & Oil	603	497	21.3	923
Trading/Gas Midstream	-336	-591	43.1	-784
Other, consolidation	-109	178	-161.2	132
RWE Group	5,040	4,622	9.0	8,460

Operating result € million	Jan – Jun 2012	Jan – Jun 2011	+/- %	Jan – Dec 2011
Germany	2,567	2,211	16.1	4,205
Power Generation	1,691	1,268	33.4	2,700
Sales/Distribution Networks	876	943	-7.1	1,505
Netherlands/Belgium	162	187	-13.4	245
United Kingdom	319	352	-9.4	357
Central Eastern and South Eastern Europe	575	691	-16.8	1,109
Renewables	98	89	10.1	181
Upstream Gas & Oil	425	334	27.2	558
Trading/Gas Midstream	-340	-598	43.1	-800
Other, consolidation	-164	75	-318.7	-41
RWE Group	3,642	3,341	9.0	5,814

Operating result improved by 9%

In the first half of 2012, the RWE Group achieved EBITDA of €5,040 million and an operating result of €3,642 million. In both cases, this was 9% more than in the same period last year. Significant one-off effects of the reduction in the lifetimes of our German nuclear power plants a year earlier came to bear. Furthermore, in 2012 we benefited from a substantial improvement in the performance of our energy trading activities. Disregarding major consolidation and currency effects, EBITDA and the operating result both rose by 13%. We still expect to close 2012 with these two key earnings figures roughly at the level achieved in 2011.

- Germany: The operating result recorded by this division increased by 16% to €2,567 million. Developments in the Power Generation and Sales/Distribution Networks Business Areas were as follows.

Power Generation: At €1,691 million, the result posted by this division was one third higher than in the same period last year. The main reason was the aforementioned exceptional burden in 2011. Due to the accelerated nuclear phase-out, we had to increase the provisions we built to decommission and dismantle our nuclear power plants, among other things. Furthermore, we were forced to recognise an impairment loss on the fuel rods we could no longer use at Biblis. However, the current year was also marked by negative effects. The average price achieved when selling forward our 2012 electricity generation was below last year's comparable figure, whereas the fuel prices we paid were higher overall. This was contrasted by relief experienced in procuring CO₂ emission allowances. Another positive effect was felt from the fact that our new twin-unit lignite-fired power plant at Neurath started its trial run at the beginning of 2012. However, we have also been depreciating the facility since then.

Sales/Distribution Networks: The operating result posted by this business area declined by 7% to €876 million, mainly due to a deterioration in electricity sales margins and a decrease in income from investments, which had benefited from special items a year earlier. In contrast, we took advantage of efficiency-enhancing measures. Furthermore, the sale of networks forced by the loss of concessions led to capital gains. This mainly related to the Eastern German regional company enviaM.

- Netherlands/Belgium: The division posted an operating result of €162 million, down 13% year on year. Earnings in the electricity generation business worsened despite the commissioning of the new gas-fired power stations Claus C and Moerdijk 2. The progressive expansion of German solar power capacity is also leaving its mark in the Netherlands, due to cross-border electricity flows and the similar development of wholesale prices in the two countries. In addition, depreciation rose owing to the new power stations. Conversely, Essent posted a moderate gain in the end customer business on the back of cost reduction measures and income from the optimisation of the gas procurement portfolio.
- United Kingdom: The operating result achieved by RWE npower decreased by 9% to €319 million. Net of currency effects, the decline amounted to 15%. A deterioration of margins in forward sales of electricity generation is the main reason. Due to the fire, Tilbury power station, which has been converted to a biomass facility, achieved a much lower result than in 2011, when it was fired with coal. In addition, a year earlier the accounts included non-recurrent income stemming in part from compensation for damages from a supplier. RWE npower's supply activities displayed positive development, benefiting among other things from efficiency enhancements and higher gas volumes. However, our margins shrank in the corporate customer segment and the fees for using electricity networks increased. As before, we expect that RWE npower will close 2012 up year on year.
- Central Eastern and South Eastern Europe: The operating result recorded by this division declined by 17% to €575 million. Net of foreign exchange effects, the decrease amounted to 13%. The drop is in part attributable to the Czech gas supply business, but its earnings for the full year should return close to the level achieved in 2011. The Hungarian electricity business also closed the period down year on year, both in generation as well as in supply.
- Renewables: Increased generation volumes and higher realised electricity prices were the main drivers of the division's €9 million growth to €98 million. However, similar to RWE npower, the year-earlier period benefited from one-off income from claims for damages. These were due to delays in the construction of the Greater Gabbard offshore wind farm, in which we hold a 50% stake.
- Upstream Gas & Oil: RWE Dea's operating result improved by 27% to €425 million, due to higher realised oil and gas prices as well as the appreciation of the US dollar over the euro. However, depreciation was above the year-earlier level. In addition, we had to pay higher royalties in Germany, which are linked to the development of oil and gas prices.
- Trading/Gas Midstream: The division closed the first six months with an operating loss of €340 million, which was much smaller than in the same period last year. A marked improvement of the performance of our energy trading activities was contrasted by ongoing heavy burdens in the gas midstream business. Parts of our gas purchases are based on long-term, oil-indexed contracts, and we have to pay prices for this gas that are much higher than those we can realise when we sell it on the market. However, we have agreed on adjustments to our contracts and on compensatory payments with several gas suppliers, the most recent of which was Statoil in June.

Reconciliation to net income: significant rise in the effective tax rate

The reconciliation from the operating result to net income is characterised by special items. Smaller capital gains, interest rate-driven additions to provisions and a substantially higher effective tax rate were contrasted by positive effects of the fair valuation of commodity derivatives.

Non-operating result € million	Jan – Jun 2012	Jan – Jun 2011	+/- € million	Jan – Dec 2011
Capital gains	54	315	-261	393
Impact of commodity derivatives on earnings	356	-3	359	-176
Restructuring, other	-552	-522	-30	-1,374
Non-operating result	-142	-210	68	-1,157

At –€142 million, the non-operating result was negative, but was €68 million better than in the first half of 2011. Its components developed as follows.

- In the period under review, we realised €54 million in capital gains, mainly stemming from the sale of our 25.3% stake in Netherlands-based KEMA, a leading company in the fields of consulting, testing and certification in the energy sector. A year earlier, capital gains were much higher (€315 million), primarily due to the sale of Thyssengas and of a minority stake in a hard coal-fired power station in Rostock.
- The accounting treatment of certain derivatives with which we hedge the prices of commodity forward transactions resulted in a gain of €356 million compared to a marginal loss of €3 million in the same period last year. Pursuant to International Financial Reporting Standards (IFRS), these derivatives are accounted for at fair value at the corresponding balance sheet date, whereas the underlying transactions (which display the opposite development) are only recognised as a profit or loss when they are realised. These timing differences result in short-term effects on earnings, which are neutralised over time.
- The result stated under ‘restructuring, other’ declined by €30 million to –€552 million, in part because we accrued risk provisions for investments. Furthermore, we recognised a €134 million write-down on our long-term electricity procurement agreement with the Dutch nuclear power plant operator EPZ. We had acquired the contract together with a 30% stake in EPZ in 2011. We receive the electricity at cost. Due to the drop in wholesale electricity prices, the margins realisable when re-selling it are lower than we had assumed when the EPZ transaction was completed. In 2011, the result already included impairments relating to the Dutch electricity generation business. Moreover, we had accrued provisions for old-age part-time arrangements and severance payments last year. The latter also occurred in the period under review, albeit to a much lesser extent. Amortisation on RWE npower’s customer base amounted to €113 million compared to €128 million a year before. It ended in May 2012.

Financial result € million	Jan – Jun 2012	Jan – Jun 2011	+/- € million	Jan – Dec 2011
Interest income	217	210	7	430
Interest expenses	-624	-467	-157	-1,063
Net interest	-407	-257	-150	-633
Interest accretion to non-current provisions	-541	-416	-125	-869
Other financial result	91	-33	124	-131
Financial result	-857	-706	-151	-1,633

The financial result deteriorated by €151 million to –€857 million. Its components changed as follows:

- Net interest decreased by €150 million to –€407 million. As our financial liabilities rose, so did the finance cost. This was contrasted by a drop in interest rates on our cash investments. Furthermore, the year-earlier figure included the positive special item resulting from the release of provisions, as the obligation of German nuclear power plant operators to make non interest-bearing advance payments into the Climate and Energy Fund ceased to exist due to the U-turn in German energy policy (see page 43 of the 2011 Annual Report).
- The interest accretion to non-current provisions grew by €125 million to €541 million, mainly due to the adjustments we made to ‘other non-current provisions’ occasioned by a reduction in discount rates. In so doing, we are taking account of the decline in market interest rates.
- The ‘other financial result’ improved by €124 million to €91 million, in part as a result of the positive impact of the fair valuation of financial transactions. In addition, there was a rise in income from the sale of securities.

Income before tax was up 9% to €2,643 million. Conversely, income after tax experienced a slight decline, falling to €1,764 million. This is due to a substantial increase in the effective tax rate, which was 33%, six percentage points above the year-earlier figure. The fact that our tax-free capital gains decreased and the aforementioned risk provisions which we recognised for investments are not tax-effective came to bear here. The minority interest fell by €25 million to €137 million. Some companies, in which third parties hold a minority interest, recorded drops in income. This related to subsidiaries in Hungary, among others. €43 million in earnings are attributable to our hybrid investors. This sum corresponds to the finance costs after tax allocable to the period being reviewed. However, only the hybrid bonds classified as equity pursuant to IFRS are considered. This applies to the issuances of €1.75 billion in October 2010 and £750 million in March 2012. The latter was the main reason why the share in earnings attributable to hybrid investors rose by €13 million.

At €1,584 million, the RWE Group's net income was essentially unchanged. Per share, however, it declined by €0.40 to €2.58. This is due to the capital increase implemented in December 2011. As set out on page 46 of the 2011 Annual Report, we placed 52.3 million new and 28.1 million treasury common shares on the market at the end of last year. Therefore, at 614.4 million, the average number of RWE shares outstanding was much higher than in the first half of 2011 (533.6 million).

Reconciliation to net income		Jan – Jun 2012	Jan – Jun 2011	+/- %	Jan – Dec 2011
Operating result	€ million	3,642	3,341	9.0	5,814
Non-operating result	€ million	-142	-210	32.4	-1,157
Financial result	€ million	-857	-706	-21.4	-1,633
Income before tax	€ million	2,643	2,425	9.0	3,024
Taxes on income	€ million	-879	-643	-36.7	-854
Income	€ million	1,764	1,782	-1.0	2,170
Minority interest	€ million	137	162	-15.4	305
RWE AG hybrid investors' interest	€ million	43	30	43.3	59
Net income/RWE AG shareholders' share in net income	€ million	1,584	1,590	-0.4	1,806
Recurrent net income	€ million	1,665	1,667	-0.1	2,479
Earnings per share	€	2.58	2.98	-13.4	3.35
Recurrent net income per share	€	2.71	3.13	-13.4	4.60
Number of shares outstanding (average)	thousands	614,447	533,559	15.2	538,971
Effective tax rate	%	33	27	-	28

Recurrent net income essentially unchanged

The yardstick for determining our dividend is recurrent net income, which does not include the non-operating result or the tax on it. If major non-recurrent effects in the financial result and income taxes occur, these are also excluded. In the first six months of this year, we generated €1,665 million in recurrent net income. We therefore closed the period on a par year on year.

Capital expenditure on property, plant and equipment and on intangible assets € million	Jan – Jun 2012	Jan – Jun 2011	+/- € million	Jan – Dec 2011
Germany	704	752	-48	2,374
Power Generation	479	482	-3	1,168
Sales/Distribution Networks	225	270	-45	1,206
Netherlands/Belgium	292	484	-192	971
United Kingdom	85	180	-95	416
Central Eastern and South Eastern Europe	280	344	-64	852
Renewables	406	467	-61	825
Upstream Gas & Oil	312	368	-56	701
Trading/Gas Midstream	1	12	-11	20
Other, consolidation	31	102	-71	194
RWE Group	2,111	2,709	-598	6,353

Capital expenditure on financial assets € million	Jan – Jun 2012	Jan – Jun 2011	+/- € million	Jan – Dec 2011
Germany	13	3	10	19
Power Generation	-	-	-	-
Sales/Distribution Networks	13	3	10	19
Netherlands/Belgium	2	-	2	431
United Kingdom	72	23	49	184
Central Eastern and South Eastern Europe	-	1	-1	6
Renewables	29	16	13	66
Upstream Gas & Oil	-	-	-	-
Trading/Gas Midstream	6	8	-2	6
Other, consolidation	-	-	-	7
RWE Group	122	51	71	719

Capital expenditure 19% down on high year-earlier level

The RWE Group spent €2,233 million in capital, 19% less than in the equivalent period last year. Capital expenditure on financial assets amounted to €122 million. We spent €2,111 million on property, plant and equipment and intangible assets. The expansion and modernisation of our electricity generation capacity continue to be the focus of the RWE Group's capital expenditure. The Germany Division's major projects are the lignite-fired power plant at the Neurath site, which has been completed, and a 1,528 MW twin-unit hard coal facility in Hamm, which is scheduled to start producing electricity by the end of 2013. The division also invests in improving network infrastructure. In the Netherlands/Belgium Division, the majority of the funds is earmarked for a 1,560 MW dual-block hard coal power plant at Eemshaven, which is due to go online in 2014. Our focus in the United Kingdom is on the new gas-fired power station at Pembroke, all five units of which

we expect to be in commercial operation by September (see page 11). Our capital expenditure in the Central Eastern and South Eastern Europe Division is focused on the improvement of electricity and gas network infrastructure. In addition, we are building a 775 MW gas-fired power station near the Turkish town of Denizli, which is scheduled to start producing electricity at the beginning of 2013. RWE Innogy aims to expand its renewable generation base significantly. The focus is currently on wind power projects, with the construction of wind farms off the coasts of the United Kingdom and Germany leading the way. RWE Dea concentrates on the development of oil and gas fields in preparation for production. Investment activity is focused on the Breagh, Clipper South and Devenick fields in the UK North Sea, where we intend to begin production over the course of the year.

Cash flow statement¹ € million	Jan – Jun 2012	Jan – Jun 2011	+/- %	Jan – Dec 2011
Cash flows from operating activities	1,371	3,139	-56.3	5,510
of which changes in working capital	-1,080	155	-	-436
Cash flows from investing activities	-40	-1,672	97.6	-7,766
Cash flows from financing activities	-1,183	-2,439	51.5	1,742
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	16	7	128.6	-12
Total net changes in cash and cash equivalents	164	-965	117.0	-526
Cash flows from operating activities	1,371	3,139	-56.3	5,510
Minus capital expenditure on property, plant and equipment and on intangible assets	-2,111	-2,709	22.1	-6,353
Free cash flow	-740	430	-272.1	-843

¹ The full cash flow statement can be found on page 42.

Cash flows from operating activities influenced by negative special items

At €1,371 million, our cash flows from operating activities were 56% down on the figure recorded in the same period last year. Therefore, they developed much worse than our earnings. This is in part due to the fact that positive changes in the fair values of certain commodity contracts produced income without resulting in cash inflows, because the contracts are not realised until later. In addition, negative extraordinary effects in working capital came to bear. They were partially caused by the fact that payments in connection with purchases and sales by RWE Supply & Trading fluctuate substantially over the course of the year. Furthermore, a positive effect relating to Amprion a year earlier did not recur: the liquidity of the electricity transmission system operator, which has since been deconsolidated, experienced a strong temporary improvement at the beginning of 2011 as a result of the significant increase in the levy under the German Renewable Energy Act.

Despite the high level of capital expenditure on property, plant and equipment, cash outflows for investing activities only amounted to €40 million, primarily due to the sale of securities. We used the resulting funds to redeem commercial paper, which dropped by €2.3 billion. In addition, we made a €1,229 million dividend payment in April. This was contrasted by a total of €2.0 billion in cash inflows from bond issuances. On balance, financing activities led to a cash outflow of €1,183 million. Our cash and cash equivalents have increased by €164 million since the beginning of the year.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, results in free cash flow. The latter amounted to –€740 million, which was €1,170 million less than in the same period last year. This reflects the significant decline in cash inflows from operating activities.

Net debt € million	30 Jun 2012	31 Dec 2011	+/- %
Cash and cash equivalents	2,173	2,009	8.2
Marketable securities	3,339	5,353	-37.6
Other financial assets	1,812	2,322	-22.0
Financial assets	7,324	9,684	-24.4
Bonds, other notes payable, bank debt, commercial paper	19,094	19,959	-4.3
Other financial liabilities	2,175	1,964	10.7
Financial liabilities	21,269	21,923	-3.0
Net financial debt	13,945	12,239	13.9
Provisions for pensions and similar obligations	5,852	3,846	52.2
Surplus of plan assets over benefit obligations	31	60	-48.3
Provisions for nuclear waste management	10,317	10,366	-0.5
Mining provisions	2,843	2,780	2.3
Adjustment for hybrid capital (portion of relevance to the rating)	1,048	777	34.9
of which recognised in equity in accordance with IFRS	1,355	880	54.0
of which recognised in debt in accordance with IFRS	-307	-103	-198.1
Net debt of the RWE Group	33,974	29,948	13.4

Net debt €4 billion up year on year

As of 30 June 2012, our net debt totalled €34.0 billion. The €4.0 billion rise compared to the level at 31 December 2011 was stronger than planned, as provisions for pensions had to be increased due to a market-induced reduction in discount rates. Our capital expenditure and the dividend payment in April also contributed to the rise in liabilities. The raising of hybrid capital, only half of which we classify as debt in accordance with the procedure adopted by rating agencies, had a counteracting effect. We expect that our net debt will have declined again by the end of the year. However, it may well be higher than the level achieved in 2011. This will partially depend on the development displayed by market interest rates and, in turn, by the discount rates applicable to our non-current provisions.

Balance sheet structure: equity ratio rises to 19%

In the interim consolidated financial statements for the period ending on 30 June 2012, the RWE Group's balance sheet total was €91.2 billion, down €1.4 billion on the level at the end of 2011. On the assets side, derivative positions decreased by €0.9 billion, and current securities were down €2.1 billion. In contrast, property, plant and equipment was up €1.2 billion. On the equity and liabilities side, we recorded a decline in derivative positions of €1.5 billion. Liabilities were €1.9 billion below the figure posted a year earlier, while provisions were €2 billion higher. The RWE Group's equity rose by €0.3 billion. As of the balance sheet date, it accounted for 19.0% of the balance sheet total. Our equity ratio therefore improved by 0.6 percentage points.

RWE Group's balance sheet structure	30 Jun 2012		31 Dec 2011	
	€ million	%	€ million	%
Assets				
Non-current assets	65,088	71.3	63,539	68.6
Intangible assets	16,626	18.2	16,946	18.3
Property, plant and equipment	35,998	39.5	34,847	37.6
Current assets	26,152	28.7	29,117	31.4
Receivables and other assets ¹	17,687	19.4	18,771	20.3
Total	91,240	100.0	92,656	100.0
Equity and liabilities				
Equity	17,365	19.0	17,082	18.4
Non-current liabilities	47,100	51.6	44,391	47.9
Provisions	26,190	28.7	23,829	25.7
Financial liabilities	15,816	17.3	15,428	16.7
Current liabilities	26,775	29.4	31,183	33.7
Other liabilities ²	16,351	17.9	19,361	20.9
Total	91,240	100.0	92,656	100.0

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

2 Including financial accounts payable and income tax liabilities.

Headcount essentially unchanged

As of 30 June 2012, the RWE Group had 71,917 employees. Part-time positions were included on a pro-rata basis. Our workforce decreased only marginally compared to 31 December 2011. The decline predominantly affected our non-German sites, where headcount dropped by 148 to 30,288, whereas in Germany, it was essentially unchanged at 41,629 (-3). Consolidations did not have a notable impact. However, reorganisational measures caused positions to shift within the Group. The single-largest effect stemmed from our incorporation of a Czech IT business from the Central Eastern and South Eastern Europe Division into RWE IT in the 'other' line item with effect from 1 January 2012.

Workforce ¹	30 Jun 2012	31 Dec 2011	+/- %
Germany	35,698	35,769	-0.2
Power Generation	15,231	15,371	-0.9
Sales/Distribution Networks	20,467	20,398	0.3
Netherlands/Belgium	3,695	3,794	-2.6
United Kingdom	12,041	12,053	-0.1
Central Eastern and South Eastern Europe	11,160	11,328	-1.5
Renewables	1,475	1,493	-1.2
Upstream Gas & Oil	1,341	1,362	-1.5
Trading/Gas Midstream	1,526	1,562	-2.3
Other	4,981 ²	4,707	5.8
RWE Group	71,917	72,068	-0.2

¹ Converted to full-time positions.

² Of which 2,621 at RWE IT (end of 2011: 2,417) and 1,584 at RWE Service (end of 2011: 1,557).

Research and development: smart grid field trial off to successful start

We spent €67 million on research and development (R&D) in the first half of 2012 (H1 2011: €45 million). Furthermore, we capitalised €11 million in development costs (H1 2011: €45 million). Our R&D activities focus on the development of long-term solutions for an energy supply that is gentle on the environment, reliable and affordable. To this end, we often cooperate with external partners.

For example, RWE Power coordinates the ZeroCarbFP innovation alliance, for which we received subsidy approval from the Federal Ministry of Education and Research in June 2012. ZeroCarbFP explores new ways of using micro-organisms to manufacture products from high-carbon waste, including flue gas from coal-fired power stations. Experts from RWE Power and Brain AG working in the Coal Innovation Centre on our power plant site at Niederaussem (near Cologne) have already identified a number of micro-organisms that are especially good at absorbing carbon dioxide and have outstanding growth characteristics. The innovation alliance currently includes 21 companies.

Another promising cooperation project is Smart Country, for which we received the Hessian State Award for Smart Energy in the Network category in May 2012. Within the scope of this project, we operate a state-of-the-art distribution network in Bitburg-Prüm County: using intelligent mechanisms, we have ensured that the network remains balanced despite weather-dependent electricity feed-ins from renewable sources. Furthermore, a biogas plant combined with a gas storage facility ensures that electricity supply can be flexibly adapted to demand. Our partners are ABB, Consentec and Dortmund Technical University. By joining forces with them, we intend to demonstrate how to provide a reliable supply of electricity especially in rural regions, despite the increase in solar panels and wind turbines.

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

OUTLOOK

Economic prospects have deteriorated

Based on initial forecasts, global economic output will increase by 2.5% in 2012, as long as the Eurozone's sovereign debt crisis does not escalate. China may well remain the economy's main pillar, although the country's economy has already lost some of its momentum. In the Eurozone, measures to consolidate the state budgets will dampen growth. The cumulative gross domestic product (GDP) of all member states of the monetary union will probably not exceed, and in all likelihood be lower, than last year's level. Germany's prospects are a little brighter. Following a 3% expansion last year, the German Council of Economic Experts is of the opinion that a gain of 0.8% is possible. It expects stimulus to mainly come from consumer spending. The basis for this are the encouraging employment situation and higher disposable income. The forecasts for the Netherlands and the United Kingdom are more restrained: economic output in these countries will probably decrease. The economic prospects of our Central Eastern European markets have also clouded: whereas Poland's industrial output is likely to grow by more than 2%, in the Czech Republic it will probably stagnate. Hungary is expected to see a decline in economic output.

Weather expected to have positive effect on energy consumption

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

In relation to electricity, we anticipate that demand in Germany will decline. Stimulus will probably come primarily from the service sector, with demand in energy-intensive branches of industry likely to be moderate. Demand for electricity in the UK and the Netherlands may well reach last year's level. Poland's more than 1% growth forecast is the highest of all RWE markets.

As far as gas is concerned, we anticipate stimulating weather effects, given that temperatures in the first six months were lower than in the first half of 2011. Disregarding temperature effects, Germany may well experience a slight decrease in gas demand. This estimate is based on the assumption that the continued expansion of renewable energy and the currently low price of CO₂ emission allowances will result in a decline in the deployment of gas-fired power plants. We also anticipate this development to occur in the Netherlands. In the United Kingdom, the situation is exacerbated by the fact that the country is making substantial progress in insulating buildings. Poland will probably be the only one of our Central Eastern European countries to record a temperature-adjusted rise in demand for gas, due to the country's good economy.

Waning economy curtails commodity prices

The weakening economy is clearly leaving its mark on international commodity markets. This is especially evident in hard coal quotations, which will probably be much lower than in 2011 for the full year. In contrast, developments in oil prices are influenced more by geopolitical factors – predominantly the development of the Iran crisis. If relations with this country do not become more tense, crude oil will probably become cheaper than in 2011. Given that gas purchase agreements are still often indexed to oil prices, this would also have an impact on gas quotations. The development of the price of emission allowances largely depends on whether

the EU member states succeed in agreeing on more ambitious carbon reduction goals. However, none of these developments would have a notable impact on our earnings in the current year, because we have sold forward nearly all our electricity generation for 2012 and have secured the prices of the required fuel and emission allowances. Part of our generation for the two coming years has already been placed in the market. The portions already sold forward in Germany amount to more than 80% (2013) and more than 40% (2014). These figures represent the situation as of 30 June 2012. We have also limited the price risk associated with our oil and gas production through forward sales.

Outlook for 2012: revenue in the order of last year

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

Stable earnings trend expected

Despite divestments, we anticipate that earnings will be stable in 2012. We will benefit from the commissioning of new generation capacity. Furthermore, the extraordinary burdens which occurred in 2011 as a result of Germany's accelerated nuclear phase-out will not recur. This will be contrasted by mounting expenses in relation to the German nuclear fuel tax. In the gas midstream business, in some cases, we still have to pay much more for gas purchases based on oil price-indexed long-term contracts in 2012 than we can realise when selling it on. This may result in further negative effects on earnings.

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

¹ See page 33 of the report on the first quarter of 2012.

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

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

Power Generation: We expect this business area to improve earnings, as we will benefit from the fact that the new twin-unit lignite-fired power plant at Neurath has gone online. Furthermore, we anticipate a more favourable development of nuclear provisions after the one-off burdens caused by the reduction of the lifetimes of our nuclear power stations in 2011. Maintenance and operating costs will probably be lower than in 2011, as should the cost of buying emission allowances. However, there will also be counteracting effects: the price of the electricity we generate in Germany this year, nearly all of which we have placed on the market, is down on the €63 per MWh realised last year. In addition, our fuel procurement costs have risen due to increased prices, and we expect the nuclear fuel tax to place a heavier burden on us.

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

- Netherlands/Belgium: From our current perspective, the operating result posted by Essent will decline, albeit not as much as assumed initially. We expect earnings to be curtailed in part because the margins of gas-fired power plants are currently weak. Furthermore, depreciation will increase due to the commissioning of our new Claus C and Moerdijk 2 plants. This will be contrasted by improved sales margins. The ongoing efficiency-enhancement programme will also help stabilise earnings.
- United Kingdom: We expect RWE npower to close 2012 up year on year. Continued efficiency enhancements will be a major success factor this year. We will benefit from them above all in the residential supply business, where the margins that have come under pressure in past years should continue to recover. However, we expect costs to remain high in relation to measures to promote energy savings in households, to which UK energy companies are obliged under state programmes. Despite the commissioning of our new gas-fired power station at Pembroke, earnings in the generation business will continue to deteriorate due to market conditions.
- Central Eastern and South Eastern Europe: The division will probably not be able to match the good operating result achieved last year. We expect distribution margins in the Czech gas business to decline, but sales and transmission earnings to be stable. In the Polish electricity business, we will probably close 2012 on a par with last year's level, whereas we anticipate competition-induced earnings shortfalls in the Hungarian electricity sales business.

- **Renewables:** The commissioning of new electricity generation capacity will add to revenue, contributing to an improvement in RWE Innogy's operating result. Furthermore, we expect the construction of the Greater Gabbard offshore wind farm to be completed over the course of the year. However, the income from compensation for damages in 2011 for delays in the construction of the wind farm will not recur this year. Should weather conditions be normal for the remainder of the year, both wind levels and rainfall should be higher than in 2011, and the utilisation of our wind turbines and run-of-river power plants should rise accordingly. This would have a positive impact on earnings. A counteracting effect will come from the fact that the development of projects involves significant costs.
- **Upstream Gas & Oil:** RWE Dea's operating result should improve significantly. We expect to realise higher gas prices than in 2011. The strength of the US dollar should also be beneficial. Furthermore, we are commencing production in some gas fields which we developed. However, as production increases, so do depreciation and production costs.
- **Trading/Gas Midstream:** We expect RWE Supply & Trading to record another operating loss, which may well be in the order achieved in 2011 and therefore smaller than we assumed initially. This is because the negotiations with our gas suppliers over the terms and conditions of our loss-making supply contracts have been successful so far. Negotiations regarding contracts with two major suppliers are ongoing. Therefore, in the meantime, we expect our gas midstream business to continue suffering high burdens. However, in energy trading, RWE Supply & Trading will probably post a substantial gain, following its weak performance last year.

Dividend for fiscal 2012

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

Capex of €6 billion planned

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

Leverage factor: slight increase expected

Contrary to our expectations, net debt may well be higher than at the end of 2011 (€29.9 billion), primarily due to adjustments made to provisions in reaction to the decline in interest rates. Proceeds from our divestment programme will not be able to offset this. If EBITDA remains stable, this would also cause the leverage factor to rise somewhat. In 2011, it was 3.5. We aim to be within an upper limit of 3.0 over the medium term.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

Professional risk management at RWE

Uncertain political framework conditions, changing market structures and volatile electricity and fuel prices bring huge entrepreneurial challenges, making professional risk management more important than ever. To us, the systematic recording, assessment and control of risks is a key element of good corporate governance. It is equally important to identify and take advantage of opportunities. We have reported on the organisation and processes of our risk management, the organisational units entrusted with it, and measures taken to control and monitor major risks in detail on pages 87 to 95 of our 2011 Annual Report.

Overall assessment of the risk and opportunity situation by executive management

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

In addition to energy policy, the development of supply and demand on electricity and gas markets affects our earnings. Should the Eurozone's sovereign debt crisis escalate, its dampening effect on economic output, energy consumption and energy prices may well become much stronger. Furthermore, we are witnessing changes in market structures. For instance, the continued rise in the number of wind turbines and solar panels is crowding out conventional generation capacity. Market conditions have deteriorated in particular for gas-fired power plants. If their margins stay at their current level, a curtailment of the profitability of our new-build projects may be one of the consequences.

The gas market is also undergoing change. The increasing significance of liquid trading points and the expansion of shale gas production in the USA have made a major contribution to prices in gas trading decoupling themselves from those set in gas purchase agreements indexed to the price of oil, with the former being much lower than the latter since 2009. We procure parts of our gas based on such long-term oil price-linked contracts. We already succeeded in adjusting the conditions of some of these contracts to the market's developments. This is also what we are aiming for in our ongoing renegotiations with two major international oil and gas companies.

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

Current key Value at Risk figures

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

The central risk controlling parameter for commodity positions is the Global VaR, which is related to the trading business of RWE Supply & Trading and may not exceed €40 million. It averaged €8 million in the first half of 2012; its maximum daily value was €13 million.

As regards interest risks, we differentiate between two categories. On the one hand, interest rate increases can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for our securities price risk associated with our capital investments in the first half of 2012 averaged €5 million. We measure the sensitivity of the interest expense with respect to rises in market interest rates using the Cash Flow at Risk. We apply a confidence level of 95% and a holding period of one year. The Cash Flow at Risk in the period under review averaged €17 million.

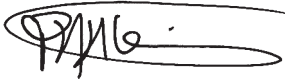
The securities we hold in our portfolio include shares. In the period under review, the VaR for the risk associated with changes in share prices averaged €11 million. The VaR for our foreign currency position was less than €1 million.

RESPONSIBILITY STATEMENT

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

Essen, 10 August 2012

The Executive Board



Terium



Schmitz



Birnbaum



Fitting



Günther



Pohlig

CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement¹

€ million	Apr – Jun 2012	Apr – Jun 2011	Jan – Jun 2012	Jan – Jun 2011
Revenue (including natural gas tax/electricity tax)	11,497	11,703	27,090	27,457
Natural gas tax/electricity tax	-499	-532	-1,329	-1,400
Revenue	10,998	11,171	25,761	26,057
Cost of materials	-7,598	-8,100	-17,350	-18,002
Staff costs	-1,321	-1,293	-2,630	-2,514
Depreciation, amortisation, and impairment losses	-907	-1,042	-1,669	-1,706
Other operating income	-189	-761	-833	-1,041
Income from operating activities	983	-25	3,279	2,794
Income from investments accounted for using the equity method	28	94	131	228
Other income from investments	40	26	90	109
Financial income	193	167	315	361
Finance costs	-580	-501	-1,172	-1,067
Income before tax	664	-239	2,643	2,425
Taxes on income	-324	83	-879	-643
Income	340	-156	1,764	1,782
of which: minority interest	41	58	137	162
of which: RWE AG hybrid capital investors' interest	26	15	43	30
of which: net income/income attributable to RWE AG shareholders	273	-229	1,584	1,590
Basic and diluted earnings per common and preferred share in €	0.45	-0.43	2.58	2.98

¹ Prior-year figures adjusted.

Statement of recognised income and expenses¹

€ million	Apr – Jun 2012	Apr – Jun 2011	Jan – Jun 2012	Jan – Jun 2011
Income	340	-156	1,764	1,782
Currency translation adjustment	-89	30	222	131
Fair valuation of financial instruments available for sale	-61	-11	25	-69
Fair valuation of financial instruments used for hedging purposes	-101	-524	126	-488
Other comprehensive income of investments accounted for using the equity method (pro rata)	-28	-8	-16	-6
Actuarial gains and losses of defined benefit pension plans and similar obligations	-1,029	-62	-1,528	-154
Other comprehensive income	-1,308	-575	-1,171	-586
Total comprehensive income	-968	-731	593	1,196
of which: attributable to RWE AG shareholders	(-988)	(-804)	(424)	(977)
of which: attributable to RWE AG hybrid capital investors	(26)	(15)	(43)	(30)
of which: attributable to minority interests	(-6)	(58)	(126)	(189)

¹ Figures stated after taxes.

Balance sheet

Assets € million	30 Jun 2012	31 Dec 2011
Non-current assets		
Intangible assets	16,626	16,946
Property, plant and equipment	35,998	34,847
Investment property	118	136
Investments accounted for using the equity method	4,142	4,113
Other non-current financial assets	928	836
Receivables and other assets	4,115	4,040
Deferred taxes	3,161	2,621
	65,088	63,539
Current assets		
Inventories	3,369	3,342
Trade accounts receivable	8,347	7,468
Receivables and other assets	9,340	11,303
Marketable securities	2,923	4,995
Cash and cash equivalents	2,173	2,009
	26,152	29,117
	91,240	92,656
Equity and liabilities € million	30 Jun 2012	31 Dec 2011
Equity		
RWE AG shareholders' interest	13,174	13,979
RWE AG hybrid capital investors' interest	2,710	1,759
Minority interest	1,481	1,344
	17,365	17,082
Non-current liabilities		
Provisions	26,190	23,829
Financial liabilities	15,816	15,428
Other liabilities	3,329	3,438
Deferred taxes	1,765	1,696
	47,100	44,391
Current liabilities		
Provisions	4,971	5,327
Financial liabilities	5,453	6,495
Trade accounts payable	6,642	7,886
Other liabilities	9,709	11,475
	26,775	31,183
	91,240	92,656

Cash flow statement

€ million	Jan – Jun 2012	Jan – Jun 2011
Income	1,764	1,782
Depreciation, amortisation, impairment losses/write-backs	1,778	1,711
Changes in provisions	-232	-511
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	-859	2
Changes in working capital	-1,080	155
Cash flows from operating activities	1,371	3,139
Capital expenditure on non-current assets/acquisitions	-2,226	-2,695
Proceeds from disposal of assets/divestitures	483	560
Changes in marketable securities and cash investments	1,703	463
Cash flows from investing activities¹	-40	-1,672
Cash flows from financing activities	-1,183²	-2,439
Net cash change in cash and cash equivalents	148	-972
Effects of changes in foreign exchange rates and other changes on cash and cash equivalents	16	7
Net change in cash and cash equivalents	164	-965³
Cash and cash equivalents at beginning of the reporting period	2,009	2,535
of which: reported as "Assets held for sale"		-59
Cash and cash equivalents at beginning of the reporting period as per the consolidated balance sheet	2,009	2,476
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet	2,173	1,570

1 In the first half of 2012 after transfer to contractual trust arrangements (€282 million).

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

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

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Treasury shares	Accumulated other comprehensive income	RWE AG shareholders' interest	RWE AG hybrid capital investors' interest	Minority interest	Total
Balance at 1 Jan 2011	2,598	12,970	-2,272	1,278	14,574	1,759	1,084	17,417
Dividends paid		-1,867			-1,867		-268	-2,135
Income		1,590			1,590	30	162	1,782
Other comprehensive income		-161		-452	-613		27	-586
Total comprehensive income		1,429		-452	977	30	189	1,196
Other changes		-1			-1	11	231	241
Balance at 30 Jun 2011	2,598	12,531	-2,272	826	13,683	1,800	1,236	16,719
Balance at 1 Jan 2012	3,959	10,755	-24	-711	13,979	1,759	1,344	17,082
Capital paid in/repayments						892	-10	882
Dividends paid		-1,229			-1,229		-182	-1,411
Income		1,584			1,584	43	137	1,764
Other comprehensive income		-1,460		300	-1,160		-11	-1,171
Total comprehensive income		124		300	424	43	126	593
Other changes						16	203	219
Balance at 30 Jun 2012	3,959	9,650	-24	-411	13,174	2,710	1,481	17,365

NOTES

Accounting policies

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

The consolidated interim financial statements as of 30 June 2012 were approved for publication on 10 August 2012. They have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of the consolidated financial statements of RWE AG for the period ended 30 June 2012 was condensed compared with the scope applied to the consolidated financial statements for the full

year. With the exception of the changes and new rules described below, this consolidated interim report was prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2011. For further information, please see the Group's 2011 Annual Report, which provides the basis for this interim report.

The discount rate applied to provisions for nuclear waste management and provisions for mining damage is 5.00% (31 December 2011: 5.00%). Provisions for pensions and similar obligations are discounted at an interest rate of 4.00% in Germany and 4.50% abroad (31 December 2011: 5.25% and 4.80%, respectively).

Changes in accounting policies

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

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

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

Scope of consolidation

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

Changes in the scope of consolidation in the first half of 2012 relate to four companies that were consolidated for the first time in the Sales/Distribution Networks, Central Eastern and South Eastern Europe, and Renewables Segments. Thirteen former fully consolidated companies, most of which belonged to the Renewables and Trading/Gas Midstream Segments, were removed from the scope of consolidation and four were merged, of which two belonged to the Sales/Distribution Networks Segment.

The scope of consolidation is as follows:

	30 Jun 2012	31 Dec 2011
Fully consolidated companies	400	413
Investments accounted for using the equity method	117	121

The total sales price for business transactions amounted to €0 million (first half of 2011: €478 million which was fully paid in cash).

Revenue

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

Equity

RWE AG issued a perpetual £750 million subordinate hybrid bond in the middle of March 2012. The issue rate was 99.3%. RWE AG has the right to call the bond for the first time in 2019. It has a coupon of 7.0% p.a.

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

Share-based payment

Information was provided on share-based payment plans for executive staff at RWE AG and at subsidiaries in the consolidated financial statements for the period ended 31 December 2011.

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

Dividend distribution

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

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

Financial liabilities

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

In March 2012, RWE AG issued a US\$500 million hybrid bond with a tenor ending in October 2072. The issue rate was 100%. RWE AG has the right to call the bond for the first time in 2017. It has a coupon of 7.0% p.a.

Other liabilities

Other liabilities include €1,339 million (31 December 2011: €1,593 million) in current redemption liabilities from put options

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

Earnings per share

		Jan – Jun 2012	Jan – Jun 2011
Net income/income attributable to RWE AG shareholders	€ million	1,584	1,590
Number of shares outstanding (weighted average)	thousands	614,447	533,559
Basic and diluted earnings per common and preferred share	€	2.58	2.98

Related party disclosures

The RWE Group classifies associated entities as related parties. In the first half of 2012, transactions concluded with material related parties generated €1,638 million in income (first half of 2011: €521 million) and €1,301 million in expenses (first half of 2011: €142 million). As of 30 June 2012, accounts receivable amounted to €2,332 million (31 December 2011: €2,048 million), and accounts payable totalled €228 million (31 December 2011: €176 million). All business transactions are concluded at arm's length conditions and on principle do not differ from those concluded with other companies. Other obligations from executory contracts amounted to €6,762 million (31 December 2011: €6,206 million).

Furthermore, companies in which Dr. Jürgen Großmann, the former CEO of RWE AG, is a partner, were classified as related parties of the RWE Group until 30 June 2012. These were the corporate groups of Georgsmarienhütte Holding GmbH and RGM Holding GmbH. In the first half of 2012, RWE Group companies provided services and deliveries to these companies amounting to €4.2 million (first half of 2011: €7.1 million) and received services and deliveries from these companies amounting to €1.7 million (first half of 2011: €1.4 million). As of 30 June 2012, there were receivables of €0.3 million (31 December 2011: €0.4 million) from and liabilities of €0.5 million to these companies (31 December 2011: €0.9 million). Furthermore, RWE had obligations from executory contracts totalling €0.5 million to these companies (31 December 2011: €0.5 million). All transactions are completed at arm's length prices and on principle, the business relations do not differ from those maintained with other enterprises.

Events after the balance-sheet date

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

REVIEW REPORT

To RWE Aktiengesellschaft, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and statement of recognised income and expense, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of RWE Aktiengesellschaft, Essen, for the period from 1 January to 30 June 2012 which are part of the interim financial report pursuant to § 37w WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial report-

ing as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Essen, 13 August 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Manfred Wiegand
Wirtschaftsprüfer
(German Public Auditor)

Markus Dittmann
Wirtschaftsprüfer
(German Public Auditor)

FINANCIAL CALENDAR 2012/2013

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

The interim report for the first half of 2012 was published on 14 August 2012.

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

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

Forward-looking statements

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



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