ANNUAL REPORT 2012

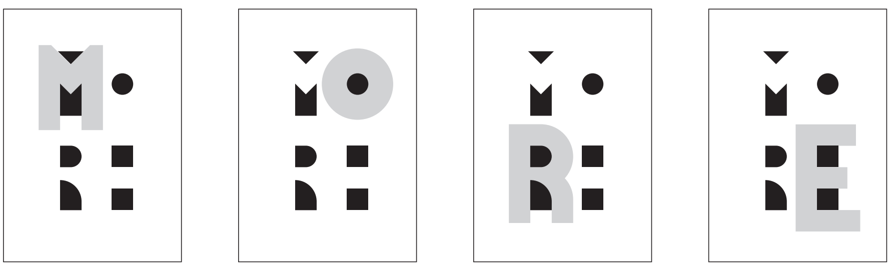
The energy to lead

2012 KEY FIGURES AT A GLANCE

- Operating result: €6.4 billion
- Recurrent net income: €2.5 billion
- Dividend proposal: €2 per share
- Leverage factor unchanged at 3.5
- Outlook for 2013: operating result in the order of €5.9 billion

RWE Group		2012	2011	+/– %
Electricity production	billion kWh	227.1	205.7	10.4
External electricity sales volume	billion kWh	277.8	294.6	–5.7
External gas sales volume	billion kWh	306.8	322.2	–4.8
External revenue	€ million	53,227	51,686	3.0
EBITDA	€ million	9,314	8,460	10.1
Operating result	€ million	6,416	5,814	10.4
Income before tax	€ million	2,230	3,024	–26.3
Net income/RWE AG shareholders' share in net income	€ million	1,306	1,806	–27.7
Recurrent net income	€ million	2,457	2,479	–0.9
Return on capital employed (ROCE)	%	12.0	10.9	-
Weighted average cost of capital (WACC) before tax	%	9.0	8.5	-
Value added	€ million	1,589	1,286	23.6
Capital employed	€ million	53,637	53,279	0.7
Cash flows from operating activities	€ million	4,395	5,510	–20.2
Capital expenditure	€ million	5,544	7,072	–21.6
Property, plant and equipment and intangible assets	€ million	5,081	6,353	–20.0
Financial assets	€ million	463	719	–35.6
Free cash flow	€ million	–686	–843	18.6
Number of shares outstanding (average)	thousands	614,480	538,971	14.0
Earnings per share	€	2.13	3.35	–36.4
Recurrent net income per share	€	4.00	4.60	–13.0
Dividend per share	€	2.00[1]	2.00	-
		31 Dec 2012	31 Dec 2011	
Net debt of the RWE Group	€ million	33,015	29,948	10.2
Workforce[2]		70,208	72,068	–2.6

1 Dividend proposal for RWE AG's 2012 fiscal year, subject to approval by the 18 April 2013 Annual General Meeting.
2 Converted to full-time positions.



There's MORE to the design of our cover page than meets the eye.

WHAT WE DO

RWE is one of Europe's five leading electricity and gas companies. Through our expertise in oil, gas and lignite production; electricity generation from gas, coal, nuclear and renewables; energy trading as well as electricity and gas distribution and sales; we are active at all stages of the energy value chain. Around 70,000 employees supply over 16 million electricity customers and nearly eight million gas customers with energy, both reliably and at fair prices. In fiscal 2012, we recorded approximately €53 billion in revenue.

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

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

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

ELECTRICITY AND GAS: RWE OFFERS EVERYTHING FROM A SINGLE SOURCE

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

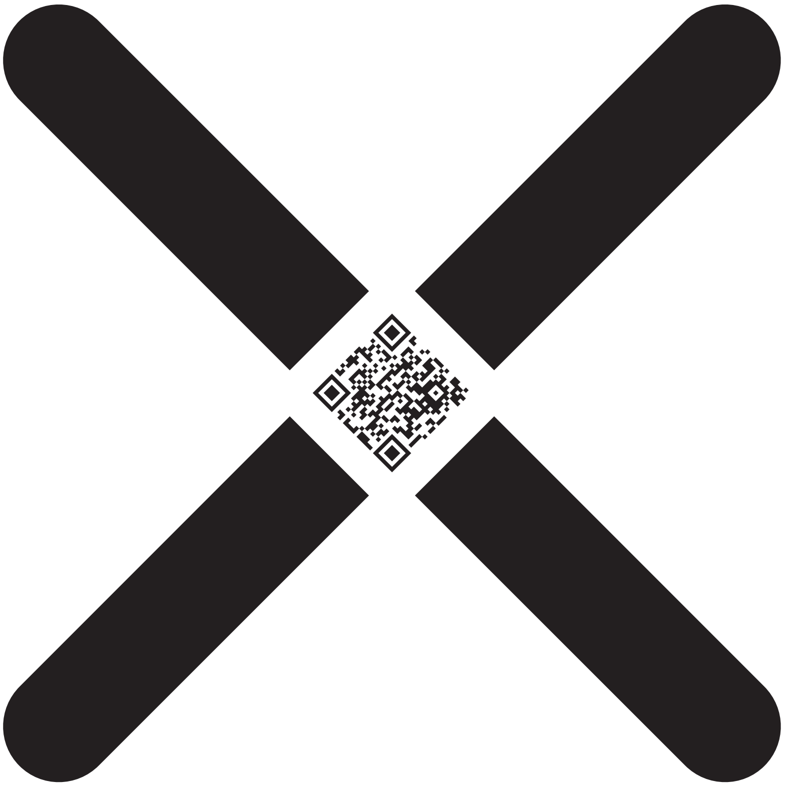
> × + ↗

MORE

Accomplishing more with more resources: that is easy. Accomplishing more with less resources: that is clever – and the basic principle of successful business management. RWE wants to accomplish more with less in many respects. How does this work? Read on – we are happy to let you know.

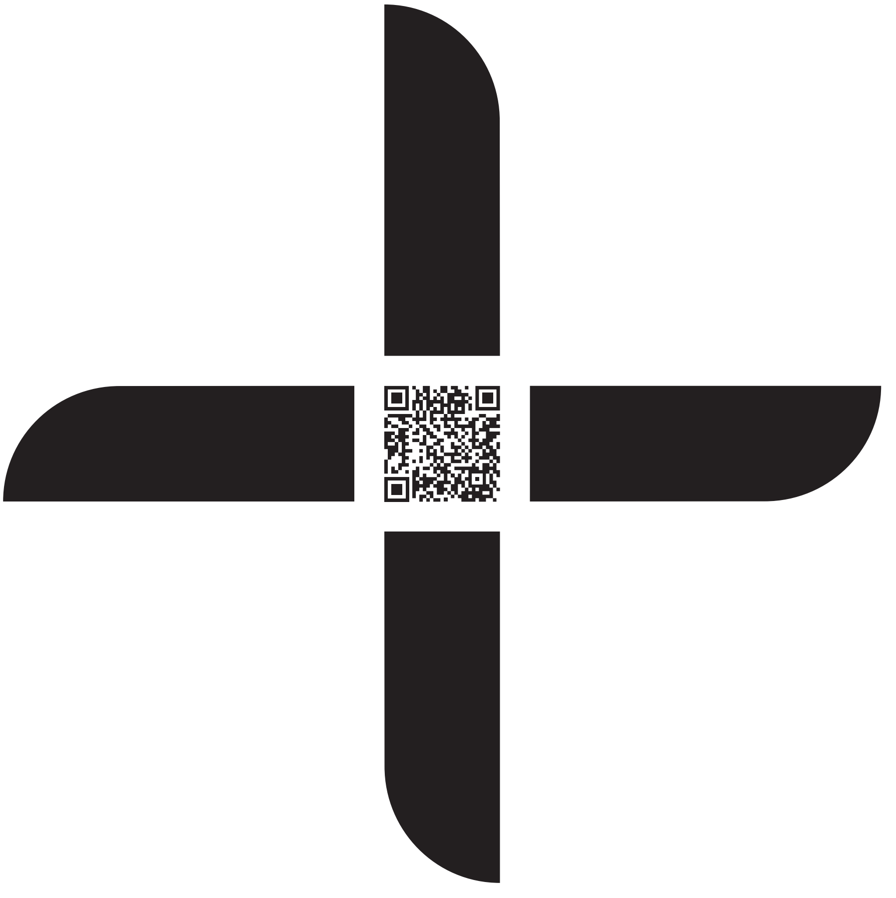
EFFICIENCY

Bergheim, 1912: not far from Cologne, the region's first lignite-fired power plant goes online. Efficiency: about 17 percent. In other words, of the energy content in the lignite, one-sixth is converted to electricity. A century later: a few kilometres away at Neurath, RWE commissions a new lignite-fired power station. Efficiency: 43 percent. So, to produce a unit of electricity, it uses 60% less coal than needed at Bergheim. And it emits 60% less carbon dioxide. For years, RWE has been investing billions in a modern power plant portfolio. New, highly efficient stations are replacing older ones. The principle never changes: **more** electricity with **less** fuel, **more** climate protection with **less** emissions.
www.rwe.com/more-efficiency



FOCUS

RWE is active in many countries. This helps us to mitigate risks. But as advantageous as it is to be broadly positioned, we never forget where our home is. Our markets are in Europe. Where we know our way around. Where we have leading market positions. And where we want to participate in the continued development of the energy system. We are doing this by investing in modern electricity generation plants and networks. But now we have less funds. For the future this means: **less** investment in growth and **more** focus on the challenges in our core regions. Because we must prove ourselves here if we want to be successful elsewhere.
www.rwe.com/more-focus



CUSTOMER SATISFACTION

In the past, energy utilities had one main task: supply electricity and gas. This is not enough any more. Resources are becoming increasingly scarce. Our customers want to save and expect us to help them. And we are doing so with a broad range of innovative products and solutions, from the insulation of buildings via heat generation and home automation through to electric cars. Our motto: those who conserve energy intelligently do not need to sacrifice quality of life. We also act as a partner to businesses in relation to energy management. This is how **less** energy consumption leads to **more** satisfaction. Would you like to know how this works? Then visit us on the internet!
www.rwe.com/more-customer-satisfaction

FLEXIBILITY

A basic principle of sound business practice: in the long run, you can only spend as much as you earn. This applies to both households and companies. Five years ago, we launched the biggest investment programme in RWE's history. We have spent about 28 billion euros, much more than we could finance from our operating activities. We want to reduce the resulting debt. Because **less** debt means **more** financial flexibility, higher credit ratings and better refinancing conditions. By 2015 at the latest, our investments and dividends will again be fully in line with our cash flow from operating activities. And from then on, we will stick to the aforementioned principle.
www.rwe.com/more-flexibility

HOW WE HAVE ORGANISED OURSELVES

RWE Group since 1 January 2013

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

NET4GAS	Internal Service Providers
unbundled	RWE Consulting RWE Group Business Services RWE IT RWE Service

CONTENTS

"WE'RE A COMPANY THAT HAS TO WORK HARD FOR ITS FUTURE."

Peter Terium, CEO of RWE AG, on fiscal 2012, the challenges caused by the transformation of the German energy market and RWE's medium-term earnings prospects.

Mr. Terium, 2012 was your first financial year at the helm. Looking back, how do you feel the company fared?
We certainly put in a positive performance. Despite the difficult framework conditions, we generally had a good year. This is also evidenced by the figures. We grew our operating result by 10%, exceeding our own expectations.

What does this mean for the shareholders? Can they expect to receive a higher dividend?
Our dividend proposal is orientated to recurrent net income, which excludes special items. In line with expectations, recurrent net income in 2012 was on a par with the previous year.

And as far as the dividend is concerned this means...?
...that it should also remain unchanged. We will propose to the Annual General Meeting on 18 April another dividend of two euros per share. In terms of dividend yield, this again places us among the leaders in the DAX.

What drove the operating improvement in the last fiscal year?
To be fair, we benefited from the absence of exceptional burdens. The 2011 financial year was marked by Fukushima and the German decisions on nuclear energy, which put a dent of one billion euros in our earnings. In 2012, the burden was much lighter. Furthermore, we benefited from our efficiency programme, the successful renegotiations of loss-making gas procurement contracts and a strong performance by the trading business.

But the development of the share price in recent months obviously doesn't reflect this.
The capital markets don't care what happened yesterday. Instead, they care about the medium and long-term earnings outlook. Unfortunately, we see dark clouds on the horizon, especially in electricity generation. The highly subsidised expansion of renewable energy in Germany is particularly forcing our gas-fired power stations out of the market.

Temporary excess capacities are reflected in price drops on electricity wholesale markets. Electricity in German forward trading is currently cheaper than it has been since 2005. In spot trading, prices are even occasionally negative.

You mean, those who buy electricity get money to boot? That's an absurd notion…

…but very real. For example, on Christmas Day in 2012, electricity traded at minus 57 euros on the EEX energy exchange. Yes, I did say "minus." That was a nice Christmas present – also for our neighbouring countries, which often buy surplus green electricity from us.

The German subsidisation of renewable energy is now being viewed more critically, not least because of the substantial costs imposed on the end consumer. Do you think that the expansion of wind and solar power will continue despite this?

Yes, although perhaps not at the same pace. The transformation of the energy market is a done deal and renewables are its most important element. So we have to expect the utilisation of gas and coal power plants to drop further. Don't get me wrong: we're supporting the transformation of the market and are working on ensuring that it succeeds. But we also realise that it curtails the profitability of our power stations.

Do we need a new market model for Germany?

That would be too short-sighted. What we need is a European solution. European integration provides huge opportunities especially in the energy sector, for instance when it comes to building the required network infrastructure. Going it alone on a national level is very unfavourable, both in terms of costs and security of supply.

Speaking of security of supply: hardly any more conventional power stations are being built in Germany. However, more and more unprofitable capacity is to be taken offline. Isn't that a recipe for disaster?

It is indeed necessary to have enough conventional generation capacity to be able to offset fluctuations in the amounts of electricity fed into the grid from solar panels and wind turbines. However, if the plants required to do so aren't profitable because they aren't used enough, we need to find a solution. Various options are conceivable here. What's important is that the solution conforms with the market.

What do you expect from policymakers?

It would help us if the framework conditions became predictable again. Utilities invest over the long term. The planning periods for networks and power stations can last for decades. Unfortunately, there has recently been a lot of political intervention, usually to our detriment. Just think about the German nuclear fuel tax. Starting in 2013, we will have to pay a levy on hard coal in the Netherlands, on carbon emissions in the United Kingdom and on our networks in Hungary. I could give you even more examples, but the obvious conclusion is always the same: times are becoming more difficult for us.

And that means?

For our conventional power plants, this means that their contribution to Group earnings will drop – significantly I might add. This will be reflected in the figures as early as 2013.

You definitely won't sit back and watch this happen.

No, absolutely not. What this means for us is that we have to roll up our sleeves. Everyone at RWE has to pitch in so that we can tackle the challenges ahead of us successfully. But one thing's for certain: the good old days are over. And the future is not looking particularly rosy. We're a company that has to work hard for its future.

"WE'RE SUPPORTING THE TRANSFORMATION OF THE ENERGY MARKET AND ARE WORKING ON ENSURING THAT IT SUCCEEDS."

How is RWE going to roll up its sleeves?
We have set out what we want to do in the 'RWE 2015' programme. The programme has many facets. Measures to improve efficiency are a priority. The efforts we will make through to the end of 2014 alone should contribute a billion euros annually. We will optimise operating processes throughout the Group and reduce administrative costs. We will also become more powerful from an organisational point of view...

...you mean as in pooling the operation of power stations in the new company RWE Generation?
Yes, but not just that. We also want to bundle activities and save costs in other areas. But 'RWE 2015' is far more than that. Ultimately, we also intend to refine our corporate culture. Our quest to improve processes, structures and business models must become part of our daily work, be it in a call centre, a power plant or in a network control station: everyone can make a contribution.

Are you planning to shut down any power plants?
If they are unprofitable over extended periods of time, then of course we have to react. However, I would like to take this opportunity to remind you that we recently decreased the average age of our power plant portfolio significantly. By the end of 2014, new power stations will make up 25% of our fleet. These plants are state-of-the-art and therefore produce electricity at low cost, which will benefit us in the long run.

RWE's second mainstay is the gas business. What are the prospects in this field?
The gas business has also undergone fundamental change. European gas trading has become increasingly liquid and purchase contracts linked to the price of oil, which used to be customary, have been making losses for a considerable amount of time. We were hit very hard by this. But we started negotiating with our suppliers early on and managed to agree amendments to the long-term contracts to bring them in line with the market price of gas. The biggest contract we have with a supplier...

...Gazprom...
...is the only one yet to be adjusted. Arbitration proceedings are pending and may well clarify the situation before the end of the year. I'm confident that we will find a satisfactory solution in this case as well. This would provide us with substantial relief.

"IT WILL BE VIRTUALLY IMPOSSIBLE TO MAINTAIN OUR LEVEL OF EARNINGS AFTER 2013."

The markets are at a turning point and policymakers are intervening: Does RWE have to realign its strategy to remain successful?
We took the time to analyse the changes to our environment and thoroughly review our strategy. All our senior executives were involved. Of course, we have to continue developing our business, especially so that we can take advantage of the opportunities offered by the transformation of the energy market. It opens up potential for new business models which are more in line with customer requirements, for example for distributed power generation and home automation. But I don't see any reason for a radical change of course.

Does this mean that you'll maintain your current business model?
Yes, basically, although we'll fine-tune it here and there. We've already spoken about the challenges in electricity generation. We will continue to focus on Europe. This is our home, where we have obligations and where we want to play our part in ensuring that energy supply is reliable and affordable, while defending our position on the market as a leading supplier of electricity and gas.

A year ago, RWE announced that it would reduce carbon emissions per unit of electricity generated by 20% by 2020. Are you still aiming for this?
It looks as if we'll be able to accomplish this. However, we will be slower in expanding renewable energy than planned. This is simply because we don't have as many funding options available to us as we did before.

That sounds as though you'll be reducing capital expenditure…

...which I fear is unavoidable. As you know, we have to invest more than two billion euros a year just for the upkeep of our plants and to make our networks fit for the future. In addition, we have already launched several projects that tie up resources. Naturally, the expansion of renewables is still one of our priorities. However, we aren't planning any new coal or gas power plants, at least not for the time being.

At 33 billion euros, RWE's net debt is three-and-a-half times as high as EBITDA. The target is a factor of no more than three. Will capex reductions be enough to push debt below this limit?

Of course not. As I said earlier, we will improve efficiency to the tune of billions of euros. Furthermore, we are strengthening our financial power by selling assets.

You're referring to the current divestment programme. So far, it has resulted in 2.1 billion euros in income. The target is seven billion euros. Will you achieve it by the end of 2013?

For now, I don't believe we will. As we began to implement the programme, it became clear that we would not be able to realise a suitable price for some of the assets that are up for sale. If we were to sell assets for less than they're worth, the leverage factor mentioned earlier would actually deteriorate. After all, when we make disposals, we don't just increase our cash reserves: we usually lose earnings as well. If this trade-off is skewed, we shoot ourselves in the foot.

Which disposals can we expect before year-end?

We will focus on selling NET4GAS, the operator of our Czech long-distance gas network. If we manage to divest even more, that would be great. But we won't let ourselves be put under any time pressure.

Can you still push down the leverage factor to below three under these circumstances?

Yes, but not this year. Our capex budget is an estimated five billion euros, which is still quite a lot. Therefore, we expect that our net debt will be at a level similar to that of 2012. This should also apply to its relation to EBITDA, or in other words, the leverage factor.

This would require earnings to be constant. Is that in line with the planning for 2013?

We expect that EBITDA will be around nine billion euros. That would be slightly less than in 2012. With regard to the operating result, the difference to last year will probably be a little bigger. But recurrent net income should be stable.

And what will happen after 2013?

It will be virtually impossible to maintain our level of earnings. Our planning for 2013 is based on the assumption that we will receive substantial compensatory payments for our loss-making gas purchasing contract with Gazprom. This effect will not recur in 2014. I've already talked about the difficult prospects in electricity generation. But there is a glimmer of hope: our significant investments in renewables are increasingly paying off, albeit not as quickly as planned. We are also observing a positive earnings trend in oil and gas production. At the same time, our network and supply activities will provide a robust basis for generating income.

A brief word on the annual report: its motto is 'more' and it gives examples of how to achieve this with 'less.' Is that RWE's new philosophy?

Basically, all we're doing is describing the principle of efficient business management. This should be a matter of course. The only new element is the resolve with which we want to apply it. The annual report itself is an example of this: the modest presentation allowed us to reduce production costs by a low six-digit figure. You may argue that this isn't a lot of money for a German blue chip. But, as we say in the Netherlands, a crumb is also bread. And if you eat enough crumbs, you'll satisfy your hunger. If we can get everyone at RWE to think like this, we'll have accomplished a lot.

This interview was conducted by Dr. Burkhard Pahnke, Manager Investor Relations.

THE EXECUTIVE BOARD OF RWE AG

Peter Terium

Chief Executive Officer

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

Group-level responsibilities

- Public Affairs/Energy Politics
- Legal & Compliance
- Communications
- Corporate Responsibility
- Corporate Development & Strategy
- Audit

Dr. Rolf Martin Schmitz

Deputy Chairman of the Executive Board of RWE AG

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

Group-level responsibilities

- Management of Affiliated Companies
- Municipalities
- Generation/Networks/Sales Coordination

Dr. Leonhard Birnbaum

Chief Commercial Officer

Born in 1967 in Ludwigshafen am Rhein; doctorate in chemical engineering; consultant at McKinsey & Company from 1996 to 2008; promoted to partner (principal) in 2000 and to senior partner (director) in 2006, exiting as member of McKinsey's global management team for the energy sector; joined RWE AG as Head of Corporate Strategy and Business Development in April 2008; member of the Executive Board since October 2008; Chief Strategy Officer of RWE AG from January 2009 to September 2010; Chief Commercial Officer of RWE AG since October 2010.

Group-level responsibilities
- Commodity Management
- Mergers & Acquisitions
- Research & Development

Alwin Fitting

Labour Director

Born in 1953 in Westhofen (Rhine-Hesse); joined the RWE Group in 1974; trained master electrician; Executive Board member and Labour Director of RWE Power AG from October 2000 to July 2005; member of the Executive Board and Labour Director of RWE AG since August 2005.

Group-level responsibilities
- Security

Dr. Bernhard Günther

Chief Financial Officer

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

Group-level responsibilities

- Controlling
- Finance
- Investor Relations
- Accounting
- Tax

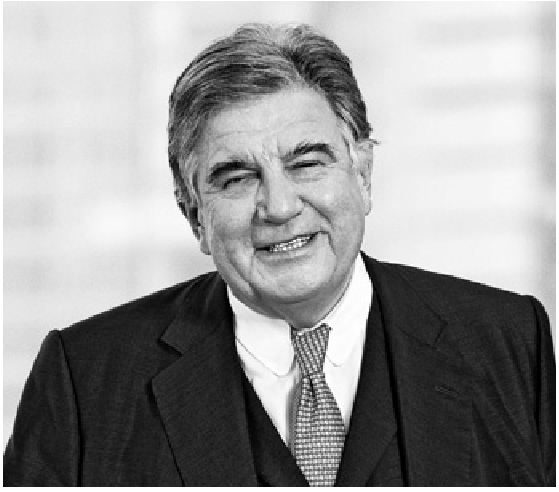
Uwe Tigges

Chief HR Officer

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

Group-level responsibilities

- HR and Executive Management/Labour Law



Dr. Jürgen Großmann

Former President and Chief Executive Officer

Born in 1952 in Mülheim an der Ruhr; studied ferrous metallurgy and economics; doctorate in ferrous metallurgy; active within the Klöckner Group from 1980 to 1993, exiting as member of the Executive Board of Klöckner-Werke AG; acquired Georgsmarienhütte in 1993; Owner and Managing Director of Georgsmarienhütte Holding GmbH from 1993 to 2006; President and Chief Executive Officer of RWE AG from October 2007 to June 2012.

Dr. Rolf Pohlig

Former Chief Financial Officer

Born in 1952 in Solingen; doctorate in economics; Executive Vice President Finance and Accounting of VEBA AG from 1993 to 2000; Executive Vice President Mergers & Acquisitions of E.ON AG from 2000 to 2006; member of the Executive Board of RWE AG from January to April 2007 and Chief Financial Officer of RWE AG from May 2007 to December 2012.

2012 IN BRIEF

01 2012

JANUARY

Dutch Claus C gas-fired power station begins commercial operation

It has three units with a total net installed capacity of 1,304 megawatts. With an efficiency of over 58 %, the power plant is state-of-the-art and one of the most environmentally friendly of its kind. We spent €1.1 billion on it.

02 2012

FEBRUARY

Second Dutch gas-fired power plant Moerdijk 2 commissioned

The station starts commercial operation one month after Claus C. With just one unit and a net installed capacity of 426 megawatts, it is much smaller than Claus C, but equals it in terms of efficiency. Associated capital expenditure amounts to €0.4 billion.

03 2012

MARCH

RWE announces exit from nuclear energy in the United Kingdom

Together with E.ON, we put the Horizon Nuclear Power joint venture up for sale. The company's business consists of building and operating nuclear power stations. It is acquired by the Japanese industrial group Hitachi for £696 million in November 2012.

07 2012

JULY

First unit of Neurath lignite-fired power plant goes online

The second unit follows in August. The state-of-the-art 2,100 megawatt power station has been on a trial run since the beginning of the year. It replaces older 150 megawatt plants, which have been fully decommissioned since the end of 2012. This enables us to reduce our CO_2 emissions by up to 6 million metric tons a year.

08 2012

AUGUST

Executive Board adopts 'RWE 2015' programme

The company aims to implement a number of measures to improve financial headroom and become more competitive. The programme targets significant efficiency improvements, which are to achieve recurrent earnings of €1 billion by 2014. The Board further resolves to pool nearly all conventional electricity generation in RWE Generation SE, which is established as of 1 January 2013.

09 2012

SEPTEMBER

Stake in Austrian utility KELAG increased

We acquire a 12.85 % interest in KELAG from Kärntner Energieholding KEH. KELAG is one of Austria's largest hydroelectric power generators. Our direct and indirect shareholding in the company now totals nearly 38 %.

05 2012

MAY

UK gas-fired power station at Pembroke starts generating electricity

Two of the five units take up commercial operation. The remaining units go online over the following months. Since September, the power plant has had all of its 2,188 megawatts in capacity online. At over 58 %, its efficiency is world class. We invested €1.2 billion.

06 2012

JUNE

RWE reduces stake in Saarland-based energy utility VSE

We sell an interest of 19.33 % to local municipal and communal utilities (15.33 %) and to the State of Saarland (4 %). RWE still owns the majority of VSE, accounting for a stake of 50 % plus one share.

JUNE

RWE concludes programme to raise hybrid capital

We achieve our goal of issuing an equivalent of €2 billion in hybrid bonds. The programme includes issuances of CHF 250 million (October 2011), £750 million and US$500 million (both in March 2012) as well as of US$500 million and CHF 150 million (both in June 2012). Hybrid bonds are a mix of equity and debt financing. Therefore, rating agencies only classify 50 % as debt.

10 2012

OCTOBER

RWE divests Berlin water business

The buyer is a subsidiary wholly owned by the State of Berlin. The transaction includes our 24.95 % stake in the Berlin waterworks and two shareholder loans granted by RWE. The sale takes retrospective effect from 1 January 2012. The price amounts to €658 million including accrued interest.

12 2012

DECEMBER

RWE Dea sells share of concession in Norway

Our 20 % stake in the 'Edvard Grieg' field development project is acquired by OMV (Norge). The price amounts to €255 million including interest. If certain project milestones are achieved, up to €35 million will be added. The divestment will reduce our future capital expenditure by about €650 million.

DECEMBER

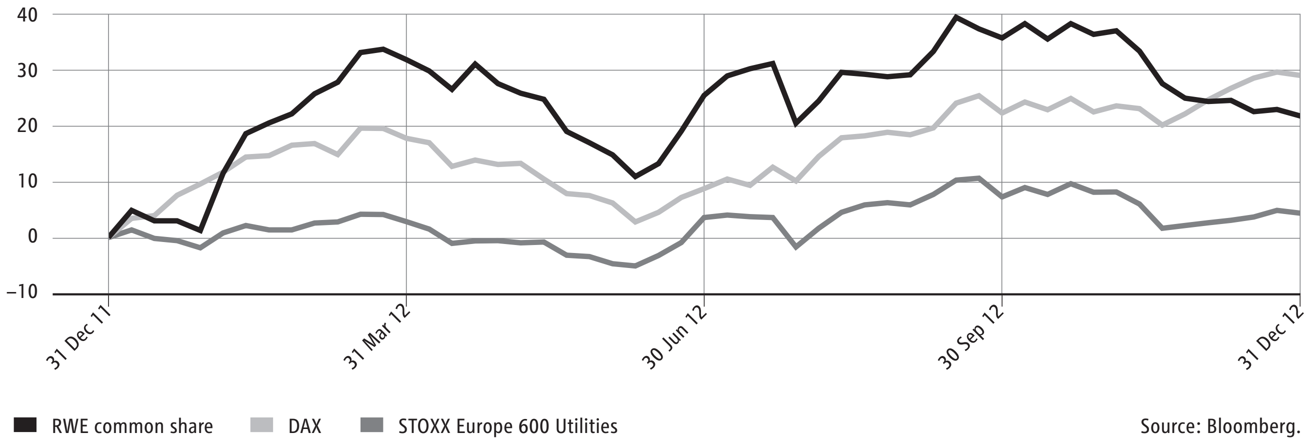
RWE disposes of majority stake in German utility KEVAG

The buyer EKO2 pays €222 million for our 57.5 % interest. The shareholders of this company are the City of Koblenz, Stadtwerke Koblenz, Thüga and Energiebeteiligungsgesellschaft Mittelrhein. Our divestments in 2012 amount to about €2.1 billion.

RWE ON THE CAPITAL MARKET

The sovereign debt crisis affected the situation on the financial markets in the Eurozone in 2012, causing ups and downs on the stock markets. However, shareholders could look back on a positive performance at the end of the year. The DAX was 29% up on the previous year, leaving most of the European share indices behind. RWE shareholders could also be pleased: our common shares delivered a total return of 22%, despite the challenges in the utility sector. They occupied a leading position compared to other European utility stocks.

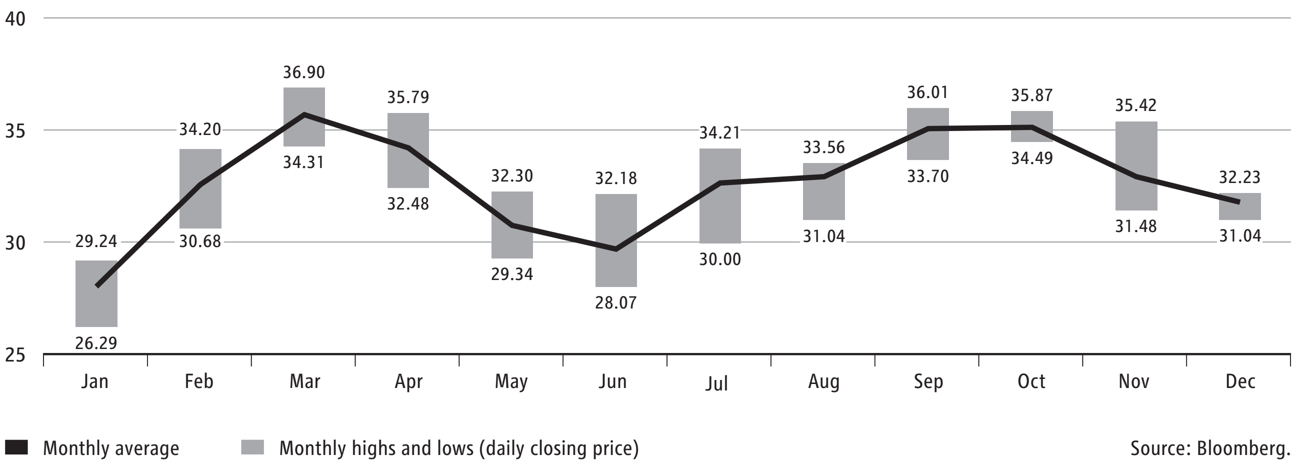
Performance of the RWE common share compared with the DAX and the STOXX Europe 600 Utilities
% (average weekly figures)



Source: Bloomberg.

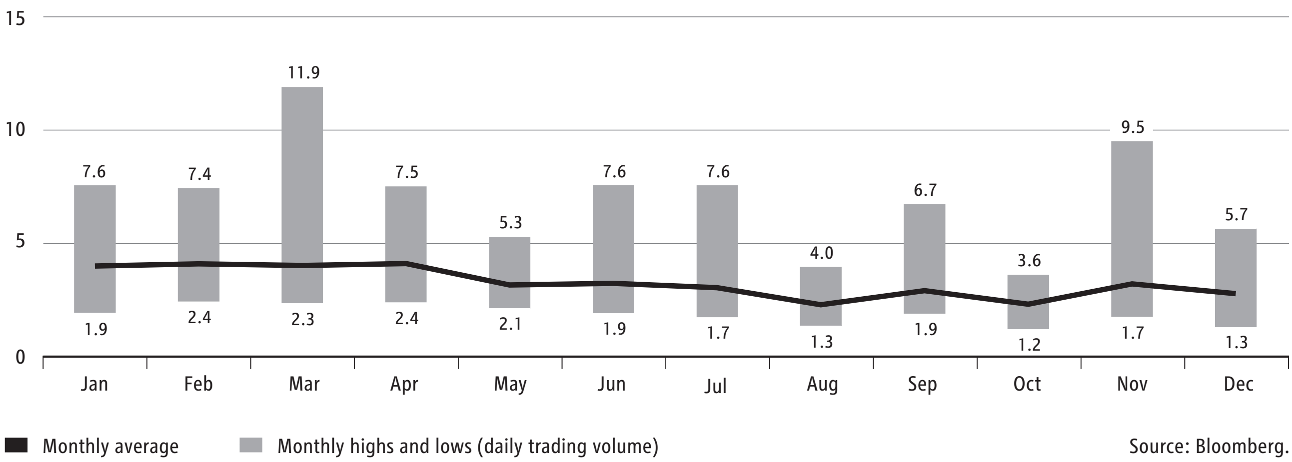
The stock markets defied the crisis. Contrary to most analyst forecasts, 2012 was a very good stock trading year. The DAX share index closed at 7,612 points, representing a gain of 29%. This is the largest increase since 2003. The German stock market barometer also clearly outperformed most of the other share indices in Europe. However, there was no sign of an upturn until the middle of 2012: by June, the DAX had lost nearly all of the substantial gains made in the beginning of the year, before surging back upwards. 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 (ECB) in the first quarter, the crisis dominated developments on the market again in the spring. 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 for concern. The renewed upswing on the stock market was triggered by 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. Further stimulus was provided by the announcement by ECB President Draghi in September that they would buy a theoretically unlimited number of government bonds from Eurozone countries in crisis. Soon thereafter, the German Constitutional Court approved Germany's accession to the ESM, a signal for many international investors to direct funds back to Europe. The German stock market particularly benefited from this.

Monthly highs and lows of the RWE common share in 2012
€



Source: Bloomberg.

Number of RWE common shares traded on Xetra in 2012
Millions



Source: Bloomberg.

Total return on RWE shares clearly exceeds sector average. The 2012 stock trading year was also encouraging for RWE shareholders: our common and preferred shares ended December trading at €31.24 and €28.53, respectively. This corresponds to total returns (returns on the share price plus the dividend) of 22% and 19%, respectively. RWE stocks therefore clearly outperformed the STOXX Europe 600 Utilities sector index (+5%). The strong performance is partly due to the fact that the capital increase, which we implemented in December 2011, eliminated a negative factor: many capital market participants had waited for this action before investing in RWE. Our earnings forecast for 2013, published at the beginning of March, exceeded expectations, buoying our share price even further. Moreover, the encouraging progress of our negotiations with gas suppliers to adjust the purchase conditions that are disadvantageous to us also had a positive impact on the price of our shares. In the fourth quarter, RWE stocks lost some of their gains due to the weak development of German wholesale electricity prices. The decline in share price continued at the beginning of 2013.

Performance of RWE shares and major indices through to the end of 2012 % p.a.	1 year	5 years	10 years
RWE common share	21.8	–14.9	7.5
RWE preferred share	19.3	–13.5	9.0
DAX	29.1	–1.2	10.2
EURO STOXX 50	18.1	–6.5	4.0
STOXX Europe 50	13.0	–3.5	4.0
STOXX Europe 600	18.2	–2.1	6.3
STOXX Europe 600 Utilities	4.7	–9.8	6.9
REXP[1]	4.6	6.4	4.9

1 Index for government securities on the German bond market.

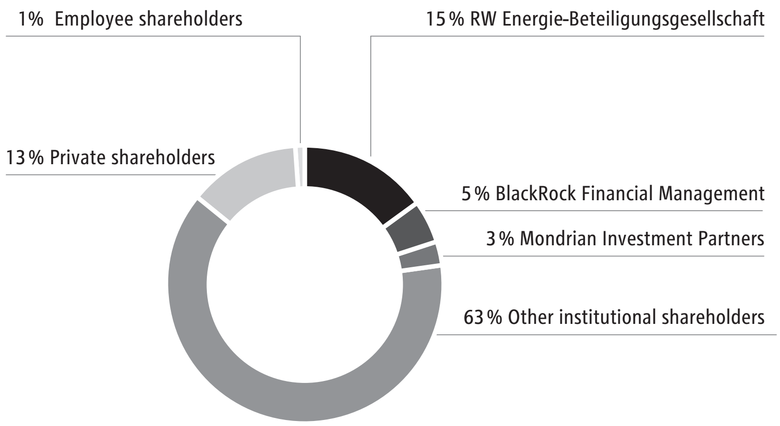
Ten-year return on RWE common shares of 7.5% p.a. Long-term investors also received attractive returns on RWE shares. Anyone who purchased RWE common shares worth €10,000 at the end of 2002 and reinvested the dividends had €20,575 ten years later. Our preferred shares would have appreciated to €23,617. This corresponds to annual average returns of 7.5% and 9.0%, respectively. Anyone who invested the same initial amount in the STOXX Europe 600 Utilities index over the same period would have seen the balance of their securities account increase to €19,473, corresponding to an annual return of 6.9%. The ten-year performance of the DAX was 10.2%, meaning that €10,000 would have increased to €26,317.

Dividend of €2 proposed for fiscal 2012. The Supervisory Board and the Executive Board of RWE AG will propose a dividend of €2 per share for fiscal 2012 to the Annual General Meeting on 18 April 2013. Based on the 614.7 million dividend-bearing RWE shares outstanding, the resulting dividend payment is €1,229 million. This corresponds to 50% of recurrent net income. Based on the year-end closing prices of our common and preferred shares, the dividend yields stood at 6.4% and 7.0%, respectively. We therefore have a leading position in the DAX once again.

RWE share indicators		2012	2011	2010	2009	2008
Earnings per share[1]	€	2.13	3.35	6.20	6.70	4.75
Recurrent net income per share[1]	€	4.00	4.60	7.03	6.63	6.25
Cash flows from operating activities per share[1]	€	7.15	10.22	10.31	9.94	16.44
Dividend per share	€	2.00[2]	2.00	3.50	3.50	4.50
Dividend payment	€ million	1,229[2]	1,229	1,867	1,867	2,401
Payout ratio[3]	%	50	50	50	53	71
Dividend yield on common shares[4]	%	6.4	7.4	7.0	5.2	7.1
Dividend yield on preferred shares[4]	%	7.0	7.9	7.3	5.6	8.4
Common share price						
End of fiscal year	€	31.24	27.15	49.89	67.96	63.70
High	€	36.90	55.26	68.96	68.58	100.64
Low	€	26.29	21.77	47.96	46.52	52.53
Preferred share price						
End of fiscal year	€	28.53	25.44	47.99	62.29	53.61
High	€	34.25	52.19	62.52	62.65	84.39
Low	€	24.80	20.40	44.51	41.75	37.46
Number of shares outstanding (average)	thousands	614,480	538,971	533,559	533,132	538,364
Market capitalisation at the end of the year	€ billion	19.1	16.6	28.0	38.0	35.4

1 Based on the annual average number of shares outstanding.
2 Dividend proposal for RWE AG's 2012 fiscal year, subject to approval by the 18 April 2013 Annual General Meeting.
3 Ratio of the dividend payment to recurrent net income.
4 Ratio of the dividend per share to the share price at the end of the fiscal year.

Shareholder structure of RWE AG[1]



86 % Institutional shareholders:
34 % Germany
15 % USA/Canada
15 % UK/Ireland
19 % Continental Europe excluding Germany
3 % Rest of the world

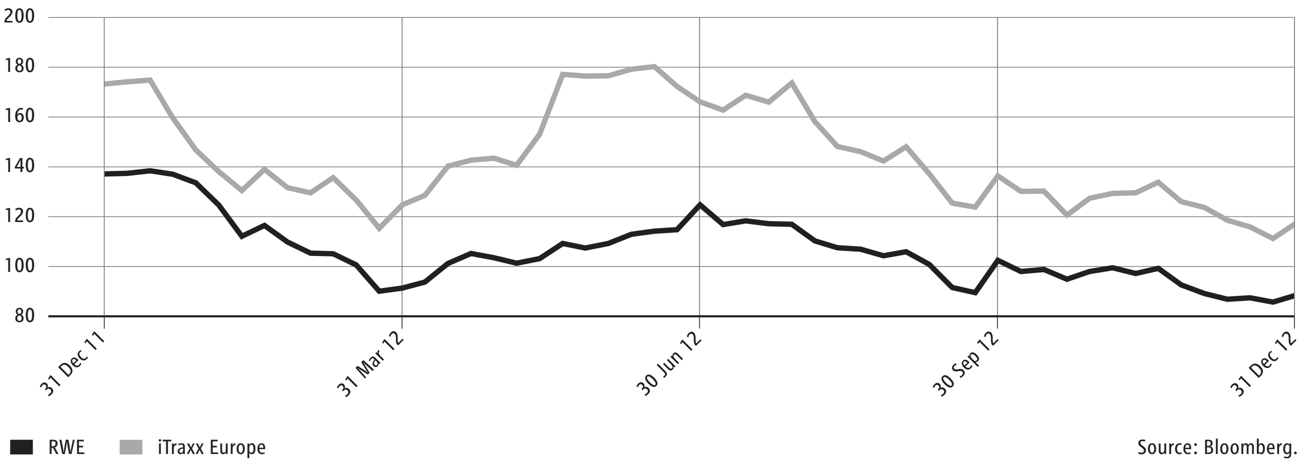
1 Percentages reflect shares in the subscribed capital.
Sources: In-house surveys and notifications of shareholdings in accordance with the German Securities Trading Act, as of December 2012.

Broad international shareholder base. RWE AG's capital stock is divided into 614,745,499 shares, of which 39,000,000 are non-voting preferred shares. By the end of 2012, about 86% of shares were owned by institutional investors, while 14% were held by private investors (including employee shareholders). Institutional investors in Germany hold 34% of the capital stock, with those in North America, the United Kingdom and Ireland accounting for a combined 30% and those in Continental Europe, excluding Germany, owning 19%. There were no substantial changes compared to 2011. RW Energie-Beteiligungsgesellschaft, in which municipal shares are pooled, is still RWE's single largest shareholder, owning 15%. Outside Germany, the asset management companies BlackRock Financial Management (USA) and Mondrian Investment Partners (UK) hold the largest RWE positions of an estimated 5% and 3%, respectively. Some 1% of the shares are under RWE employee ownership. Last year, nearly 29,000 staff members, or 62% of those entitled to subscribe, participated in our employee stock ownership plan, subscribing a total of approximately 811,000 shares. By offering this programme, we enable personnel in our German companies to buy RWE shares at favourable conditions. We spent €13.7 million on this in the year being reviewed. The free float of RWE common shares considered by Deutsche Börse in terms of index weighting was 85% at the end of the year.

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

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

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



Source: Bloomberg.

Decline in interest rates and the cost of hedging credit. The corporate bond market was also marked by the developments surrounding the Eurozone's sovereign debt crisis. The expansionary monetary policy adopted by the ECB to combat the crisis played a key role. It was a main reason why the base lending rates declined across all terms in the Eurozone. The market prices of credit default swaps (CDSs) experienced ups and downs similar to those on the stock markets, albeit in the opposite direction. The CDSs are finance instruments 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, dropped from 173 basis points at the beginning of the year to 117 basis points at the end of the year. The resurgence of the sovereign debt crisis in the second quarter had temporarily pushed it up close to the 180-point mark. The prices of the five-year CDS for RWE were lower across the board, dropping from 137 to 89 basis points over the course of the year.

€6.4 BILLION

OPERATING RESULT

1 REVIEW OF OPERATIONS

227.1 BILLION KWH
ELECTRICITY PRODUCTION

277.8 BILLION KWH
ELECTRICITY SALES

306.8 BILLION KWH
GAS SALES

€2.5 BILLION
RECURRENT NET INCOME

€5.5 BILLION
CAPITAL EXPENDITURE

1.1 STRATEGY

Our market is undergoing fundamental changes. The expansion of renewable energy in Germany is resulting in substantial earnings shortfalls in conventional electricity generation. Political framework conditions are also becoming increasingly difficult. Despite these burdens, we want to make our contribution to reshaping the European energy system. We will accomplish this not only by investing in renewable energy and network infrastructure, but also by increasingly providing innovative products and services. By taking groupwide measures to improve efficiency, we want to limit the expected earnings shortfalls – and make RWE fit for the future.

The transformation of the electricity generation market presents us with huge challenges. Europe's energy markets are undergoing profound change, especially in our established generation business. The rapid, heavily subsidised expansion of renewable energy is playing an important role in this. According to the German Federal Network Agency, German photovoltaic capacity rose by 7.6 gigawatts (GW) to 32.4 GW last year alone. Together with wind energy, which, based on industry estimates, accounted for over 31 GW in net installed capacity at the end of 2012, it represents more than one third of total German generation capacity. On sunny days, German photovoltaics push down electricity prices on the exchange considerably, crowding out gas-fired power stations in particular. The solar boom is also depressing electricity forward prices, curtailing the profitability of our entire conventional generation portfolio. In the long run, margins achievable here will probably be much lower than the levels seen in recent years.

The energy policy framework conditions have also changed detrimentally. One example is Germany's accelerated nuclear phase-out. Furthermore, tax burdens have risen, for example as a result of the nuclear fuel tax levied in Germany since 2011. In 2013, this will be compounded by levies due on thermal coal (Netherlands), carbon dioxide emissions (United Kingdom) and network infrastructure (Hungary). We have reported on this in detail on page 46 et seq.

Social changes also present challenges: measures to build necessary energy infrastructure are increasingly meeting with resistance from the public. In the electricity and gas sales business, we are seeing that consumers are now more inclined to switch from an established utility to another supplier. Succeeding in the face of competition is becoming an increasingly ambitious task.

RWE makes a contribution to transforming the European energy system. We are facing the developments described earlier at the end of an investment programme, which reduced our financial headroom substantially. By the end of 2012, the RWE Group had €33 billion in net debt. We intend to reduce it in the medium term, in order to return to staying within an upper limit of 3.0 in terms of our leverage factor, which is the ratio of net debt to EBITDA. We want to accomplish this by divesting assets, among other things. In addition, we will reduce our capital expenditure on property, plant and equipment considerably. On conclusion of our new-build power plant programme, it will range between €3 billion and €4 billion per year from 2015. By then at the latest, capital expenditure and the dividend should be within the limits established by our cash flows from operating activities. This means that we will not spend more than we can finance with the cash flows we generate.

Our strategy can still be characterised as 'more sustainable,' 'more international' and 'more robust' (see page 30 et seqq. of the 2011 Annual Report). However, due to the aforementioned reductions in capital expenditure, we will not be able to implement it as quickly and resolutely as originally planned. Nevertheless, we want to make our contribution to the continuing development of the European energy system and to be a premier player in terms of performance and trustworthiness. This is our mission statement. We will not only focus on investments in renewable energy and modern network infrastructure, but also on innovative products and services related to the field of energy. We will react to the negative earnings trend in electricity generation with efficiency-enhancing measures and a more effective organisational structure. This will enable us to limit the expected earnings shortfalls. However, we will not be able to prevent them entirely.

Climate protection remains at the centre of our sustainability strategy. Energy supply requires a long-term business model. It is therefore all the more important that our actions be in line with the expectations and goals of society in the long run. Our decisions must be economically, environmentally and socially sustainable. Climate protection is particularly important in this context. As Europe's largest emitter of carbon dioxide (CO_2), we shoulder a special responsibility, given that high emissions go hand in hand with economic risks. We have set ourselves the goal of lowering the CO_2 emissions of our power plant fleet to 0.62 metric tons per megawatt hour (MWh) of electricity by 2020. This corresponds to a 20% drop compared to 2012.

CO_2 reductions through state-of-the-art power stations. Our current new-build power plant programme will make a major contribution to reducing our carbon dioxide emissions. The new coal and gas-fired power stations allow older plants, which are more emissions-intensive, to be taken offline without jeopardising security of supply. How much we can achieve by this is demonstrated by the 2,100 megawatt (MW) twin-unit lignite-fired power plant at Neurath near Cologne: the station began operation in 2012 and we decommissioned all of our old 150 MW facilities in exchange. Thereby, on the back of an essentially unchanged capacity, we are reducing our CO_2 emissions by about 6 million metric tons - per year! This is a result of the new power station's high efficiency of over 43%, which surpasses that of the old plants by up to 13 percentage points.

In addition to Neurath, since 2010, we have commissioned five state-of-the-art gas-fired power stations with a combined net installed capacity of more than 6.4 GW. Three conventional large-scale facilities are still under construction: a 775 MW gas-fired power station near the west Turkish town of Denizli (commissioning scheduled for 2013), a 1,528 MW dual-block hard coal power plant at Hamm (2013/2014) and a 1,560 MW twin-unit hard coal power station at Eemshaven in the Netherlands (2014). On conclusion of the new-build power plant programme in 2014, state-of-the-art gas and coal-fired power stations will account for some 25% of our generation capacity.

The expansion of renewable energy will continue, albeit at a slower pace. A key element of our climate protection strategy is the expansion of renewable energy. However, we will have to reduce the speed of this growth for financial reasons. RWE Innogy, our company which specialises in producing electricity and heat from renewable sources, will invest about €1 billion in 2013 and approximately €500 million in each of the two following years in the expansion of renewable energy. This is much less than we had originally planned. Therefore, RWE Innogy will not achieve its capacity target for the end of 2014 until later: based on previous plans, the company would have been building or operating generating facilities with a total of 4.5 GW of capacity by then. Our new forecast solely relates to the plants that will already be online. Their total installed capacity should amount to approximately 3.5 GW by the end of next year. We cannot maintain our goal for 2020, either: we had planned to increase the share of our electricity generation capacity accounted for by renewable energy, which is currently 8%, to more than 20% by then.

In expanding renewable energy, we are focusing on new onshore and offshore wind farms in Germany, the United Kingdom, the Netherlands, Belgium and Poland. RWE is one of the largest investors in European offshore wind power. We are building three large-scale projects either alone or with partners, with a combined installed capacity of nearly 1.2 GW: Gwynt y Môr off the coast of North Wales (576 MW), Thornton Bank off the Belgian coast (expansion from 30 MW to 325 MW) and Nordsee Ost near the German Isle of Heligoland (295 MW). In 2012, we completed the Greater Gabbard offshore wind farm in the UK North Sea, which has a net installed capacity of 504 MW and of which we own 50%.

To a limited extent, RWE Innogy is also investing in biomass facilities. In so doing, the company is concentrating on projects which are already in the construction phase. The largest undertaking is a combined heat and power plant at Markinch, Scotland. It will have a net installed electric capacity of 46 MW and is scheduled to begin production this year. The second biomass project is a facility with a net installed capacity of 19 MW, which is being built at Enna, Sicily. It is also scheduled to be completed in 2013.

Substantial investments in the German electricity distribution network. Networks are also of great importance for an energy supply which improves resource conservation and climate protection. As a distribution system operator, we face huge challenges from the rising amounts of electricity fed into the grid from weather-dependent sources such as wind and solar, as well as the mounting number of small, distributed generation units. To ensure a reliable supply of electricity under these conditions, we must invest in the maintenance and expansion of German network infrastructure. We estimate that this will require more than €600 million in funds per year until 2015. We are developing new control technologies and testing them in field trials so that networks can be used more effectively and flexibly. This is demonstrated by the 'Smart Country' and 'Smart Operator' projects, on which we have reported on page 86.

The cost of energy is increasingly becoming the subject of public debate. Our customers expect fair prices and offerings that satisfy their needs. Despite ever fiercer competition, we want to defend our market shares with innovative products tailored to customers' needs. Increasing numbers of customers want to offset the rising cost of electricity and gas by making more efficient use of energy. We have the right solutions for this, e.g. smart meters, automated domestic consumption (smart homes) and offerings for electric cars. We also market our energy efficiency expertise to commercial and industrial enterprises. Using state-of-the-art measuring techniques and RWE's energy controlling system, our experts analyse energy consumption and develop tailored optimisation measures.

One of the most important success factors when attracting customers is quality of service, an area in which we have already achieved remarkable success. In February 2013, the customer service representatives of RWE Vertrieb AG received the German Service Award from the German Institute of Service Quality, which is domiciled in Hamburg. RWE came first out of 65 companies in Germany. The major advantages which were highlighted were friendliness, personalisation of advice and competence.

Sustainable business management: more than just climate protection and resource conservation. Our sustainability strategy has many facets and goes far above and beyond the activities already described. For example, society expects us to meet high occupational safety standards, offer our products and services at fair prices, and ensure that our suppliers comply with environmental and social standards. We have defined ten fields of action which we believe address the major challenges in the field of corporate responsibility. We have set ourselves goals for each of these action fields and established key performance indicators with which we measure the degree to which we hit these targets. We subsequently communicate this to the public.

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

Where RWE is active

Established market position in electricity and/or gas

In Germany, the United Kingdom and Poland also in upstream gas and oil

In Germany, the United Kingdom, the Netherlands, Belgium, Poland and Austria also in renewables

Market presence in upstream gas and oil (also in Trinidad and Tobago)

Market presence in renewables

Market presence in electricity generation

Benefits of international orientation. It is very advantageous for companies to have a large geographic footprint. The benefits are not limited to the diversification of country-specific risks, as an international presence also gives companies more options for refining their business models. Last year, the RWE Group generated nearly half of its external revenue outside Germany, its home market. From 2013 to 2015, almost 60 % of our capital expenditure will be made abroad. Europe is and remains the focus of our electricity and gas business. Our most important markets are Germany, the Netherlands, the United Kingdom as well as Central Eastern Europe. In the field of electricity generation from renewables, we are also active outside our core markets, for instance in Spain and in Italy. In the US state of Georgia, we operate one of the biggest and most modern wood pellet factories in the world. In the upstream business, our activities also extend beyond the aforementioned core markets: besides Germany and the UK North Sea, they encompass Norway, Denmark, North Africa, the Caspian region and Trinidad and Tobago.

In our mature markets, namely Germany, the Netherlands and the United Kingdom, the major challenges lie in the continued development of energy infrastructure to enable these countries to achieve their ambitious goals in relation to energy efficiency and climate protection. Only companies that play an active role in this respect will succeed over the long term. We intend to consolidate our market positions in these countries with our new fossil fuel-fired power stations, the expansion of renewables as well as with our products and services relating to energy efficiency. In addition, we want to strengthen our position in the Belgian electricity and gas supply market from the Netherlands.

The markets of Central Eastern and South Eastern Europe are characterised by above-average economic growth and mounting demand for energy. With the exception of Hungary, the political environment of this region is fairly stable. We are already active at all stages of the energy sector's value chain in Central Eastern Europe. In electricity generation, the focus of our growth activities has been on Turkey (we mentioned the power plant project at Denizli earlier) and on Poland, where we have already built several onshore wind farms. However, we will not initiate any more large-scale projects in Central Eastern and South Eastern Europe in the medium term. Instead, we will seize opportunities to expand our supply activities. For example, we have identified an opportunity of this kind in the Czech Republic: we are the No. 1 player in the local gas business and intend to use the existing sales infrastructure as a platform to become a leading supplier of electricity as well.

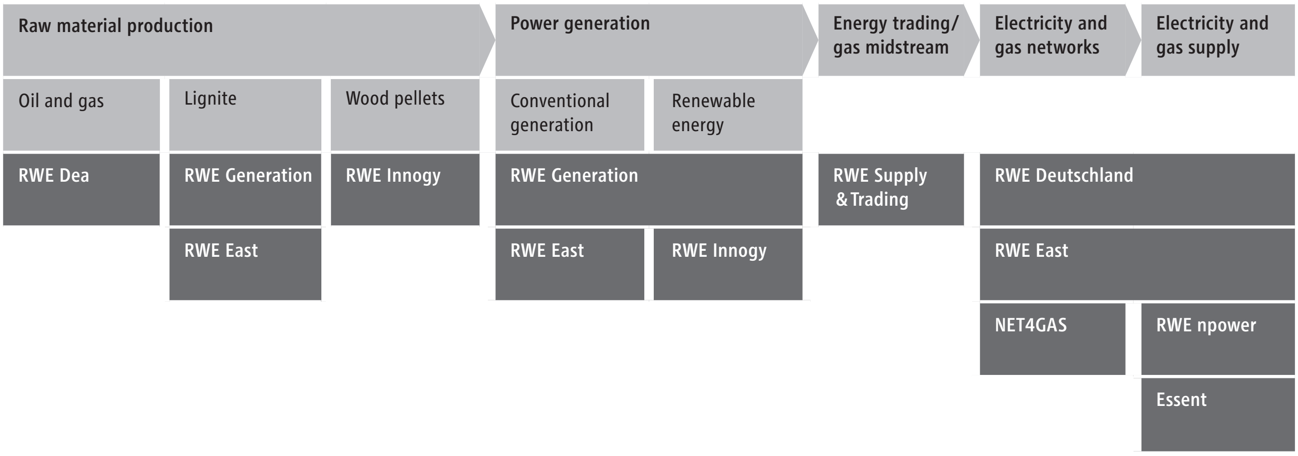
Robust business model through presence at all stages of the energy value chain. As set out earlier, our market environment is increasingly characterised by imponderables. However, thanks to our presence at all stages of the value chain in the energy sector and on various markets, we are able to limit risks. At the same time, our integrated business model includes various starting points for developing innovative products and services. In the field of electricity generation, we believe it is extremely important to have a broad energy mix. The network business will remain a fixture in our portfolio. As regards the operation of our German electricity and gas distribution networks, we have a fairly low exposure to earnings risks because the regulations governing the return on equity and revenue caps are valid for several years. State subsidy systems provide for a robust earnings base in the field of renewables. Therefore, we will manage our capital expenditure and disposals in order to ensure that we maintain a balanced portfolio of regulated and unregulated activities over the long term.

RWE Dea strengthens upstream position. We still have bright prospects in our upstream business. Due to the dynamic growth displayed by emerging countries such as China and India, global demand for gas and oil will probably continue to increase. RWE Dea wants to participate in this development. The company plans to expand its gas and oil production from 30.8 million barrels of oil equivalent (OE) last year to over 40 million barrels of OE in 2014. By then, its operating result should be in the order of €800 million.

Securing the future through 'RWE 2015.' In light of the difficult framework conditions in the energy sector, we launched the 'RWE 2015' programme. It is designed to strengthen the company's finances and safeguard its competitiveness. To this end, we will rely on measures to reduce costs and increase revenue, among other things. They fit seamlessly with the efficiency-enhancement programme concluded successfully at the end of 2012, which made a recurrent contribution to earnings of €1.5 billion compared to 2006. Another €1 billion should be added by the end of 2014. We will take further measures in the years thereafter.

By initiating 'RWE 2015,' the stage was also set for making substantial changes to the organisational structure. As of 1 January 2013, we pooled nearly all of the RWE Group's conventional electricity generation in a new company, RWE Generation SE. We expect the centralisation of the management of our power stations to result in various synergies. By reducing costs and commercially optimising the power plants, we intend to limit expected earnings shortfalls. We will decommission facilities that are permanently unprofitable. In addition, RWE Group Business Services GmbH took up commercial operation at the start of 2013. Groupwide back-office functions such as accounting, purchasing and HR management will gradually be bundled in this company. We plan to pool additional Group activities in order to leverage even more synergies in the future.

Structure of the RWE Group along the value chain since 1 January 2013



Value added: the key control parameter of the RWE Group. We measure the economic success of our strategy based on the extent to which it contributes to increasing the company's value. The value management concept presented on page 63 et seq. serves as a basis for this. The central control instrument for all of the Group's activities is value added, which we derive from the operating result, capital employed and the costs of capital. In addition to other individually agreed targets, value added is also a parameter for the variable compensation of our executives. Until 2012, this also applied to the Executive Board of RWE AG. In the future, its bonuses will be influenced by the level of the operating result. Besides the degree to which personal targets are achieved, the other criteria applied to determine the Executive Board's bonuses include the success of the company in the ten action fields in the area of corporate responsibility. This underlines the importance we attach to sustainability issues.

1.2 ECONOMIC ENVIRONMENT

The economic climate remains tense. Gross domestic product dropped in several markets in which RWE is active. Germany was an exception, displaying marginal economic growth. Framework conditions for utilities have become more difficult. The heavily subsidised expansion of German solar and wind power capacity is putting wholesale electricity prices under pressure and crowding out conventional power stations. It was also a major reason for the reduction in prices in carbon emissions trading.

Economy continues to lose momentum. The weakening of global economic growth continued in 2012. Based on current information, the global gross domestic product (GDP) in the financial year that just ended was still about 2.3% higher than in 2011. The Eurozone's GDP probably shrank, owing to the sovereign debt crisis. The German economy, however, was fairly robust, posting an estimated 0.7% growth. In particular, consumer spending had a stabilising effect. Conversely, the Netherlands was unable to decouple itself from the European trend. Dutch GDP is likely to have declined by an estimated 0.9%. Economic output in the UK was also down year on year, albeit only just. Positive stimulus came from the London Olympics, among other things. The countries of Central Eastern Europe displayed varying developments in 2012: GDP is likely to have grown by more than 2% in Poland, but it may have decreased 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 colder it is, the greater the demand for heating. In 2012, temperatures in Germany were roughly in line with the average of the ten preceding years. The same applies for our markets in Central Eastern Europe. Weather conditions in the Netherlands were slightly cooler than the ten-year average and significantly so in the United Kingdom. Compared to 2011, temperatures in all the aforementioned RWE 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. Overall, we made slightly less use of our wind turbines in Germany than in 2011. In contrast, capacity utilisation in the UK was roughly on a par year on year, while in Spain, it was much higher. Solar intensity is also increasingly affecting the electricity market. This is a consequence of the significant rise in solar power capacity in Germany, where an average of 1,622 hours of sunlight were measured across the country in 2012 compared to 1,790 a year earlier.

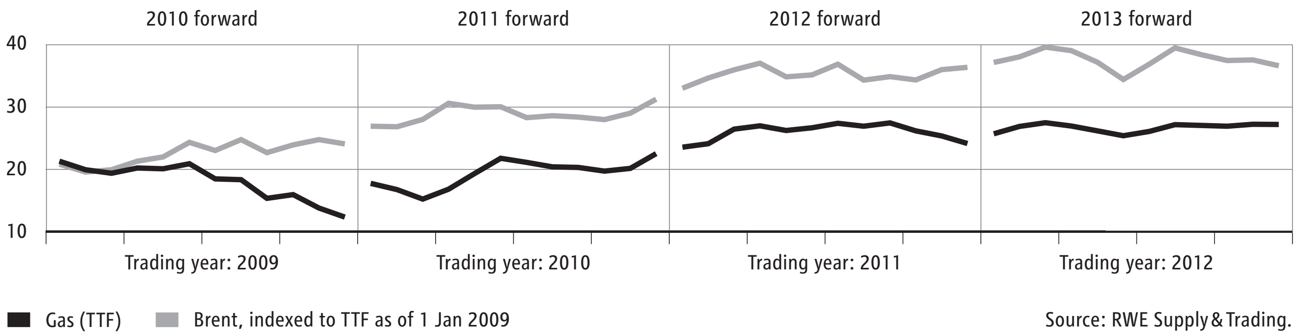
Economic downturn curtails energy consumption. The slowing economy and cooler weather had opposing effects on demand for energy. According to surveys conducted by the German Association of Energy and Water Industries (BDEW), German electricity usage in 2012 was about 1% lower than in the previous year. Based on initial estimates, demand for electricity in the Netherlands and Hungary was also down compared to 2011, whereas it was roughly unchanged in Poland. A marginal increase was calculated for the United Kingdom.

The BDEW estimates that gas consumption in Germany was 1% up year on year, primarily due to the cooler weather. Conversely, less gas was used to generate electricity, because gas-fired power stations experienced a market-driven drop in utilisation. The latter effect was probably the main reason for the weak consumption in the Netherlands and the United Kingdom. Declines in demand for gas of 5% and 6% have been estimated for these markets. Current data indicate that gas consumption in the Czech Republic was essentially unchanged compared to 2011.

Oil prices at record levels due to the crisis in Iran. The economic slowdown was also reflected in the development of prices on international commodity markets. However, the influence of the economy on crude oil was outweighed by geopolitical factors, above all the conflict surrounding Iran's nuclear programme. Fears of an escalation of the tensions and a curtailment of oil supplies led to temporary price increases. The civil war in Syria was another cause for uncertainty. Brent crude traded at an average of US$112 per barrel, which was slightly higher than the record level seen a year earlier (US$111). It rose more in euro terms, from €80 to €87, because the US dollar appreciated compared to Europe's key currency.

Gas sales prices rise. As a portion of gas imports to Continental Europe is based on long-term contracts linked to the price of oil, developments on the oil market also influence the price of gas. However, trades with shorter terms have gained importance. Oil does not have a direct impact on prices for such types of transactions. Major gas trading hubs are the National Balancing Point (NBP) in the United Kingdom, the Title Transfer Facility (TTF) in the Netherlands and NetConnect Germany (NCG). Since 2009, prices on these markets have been far below those of contracts indexed to oil prices. This caused numerous purchasers – including RWE – to renegotiate with their suppliers. So far, the results of these renegotiations indicate that oil price indexation is becoming less common in long-term procurement contracts and that gas imports will increasingly be settled at prices prevailing on gas wholesale markets.

One-year forward prices for gas (TTF wholesale market) and crude oil (Brent)
€/MWh (Average monthly figures)



Source: RWE Supply & Trading.

In the year being reviewed, gas imports to Germany cost an estimated 12 % more than in 2011. In TTF spot trading, gas also became more expensive: the quotation was €25 per megawatt hour (MWh), compared to €23 in the previous year. In TTF forward trading, the contract for delivery in 2013 (2013 forward) was settled for €26 per MWh. The figure for the preceding year was at a similar level.

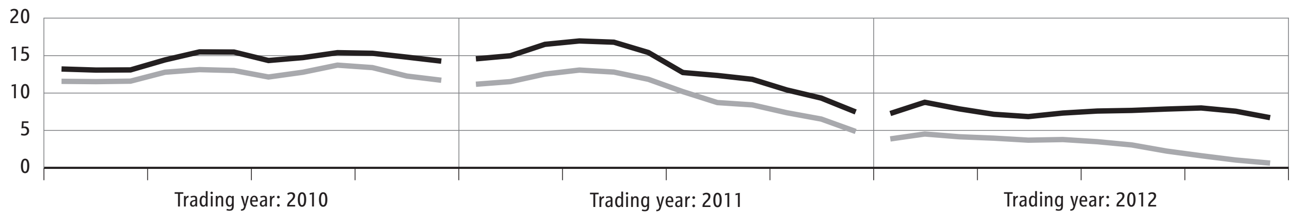
Gas prices for end customers rose considerably. In Germany, the average rate of increase was 5 % for households and 12 % for industrial enterprises. These customer groups each had to pay 9 % more in the United Kingdom and 17 % and 20 % more in the Czech Republic. In the Netherlands, prices for residential customers were up 7 %, whereas those paid by industrial operations were nearly unchanged.

US shale gas puts hard coal prices under pressure. Thermal coal prices declined considerably. A metric ton including freight and insurance was quoted at an average of US$93 (€72) in Rotterdam spot trading. Hard coal was therefore 24 % and 18 % cheaper in dollar and euro terms than in 2011. 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 affordable shale gas. This is putting prices under 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, a major component of hard coal quotations, declined substantially due to an increase in shipping capacity. In 2012, the standard route from South Africa to Rotterdam cost an average of just over US$8 per metric ton, markedly less than in the previous year (US$10.70).

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 2012 when this report went to print, but experts estimate it to be €93 per metric ton of hard coal unit. In 2011, the BAFA price was €107.

Emissions trading: certificates much cheaper than in 2011. Prices in European trading of emission allowances were far below the levels witnessed in 2011. In the year under review, the standard certificate (referred to as an EU Allowance - EUA) for 2012 traded at an average of €7.50 per metric ton of carbon dioxide (CO_2). The comparable figure for the prior year was much higher, namely €13.20. The decline in price is partly due to the economy-driven weakening in electricity generation and industrial output, which was reflected in a decrease in demand for CO_2 certificates. The rapid expansion of renewable energy also plays a major role: it is increasingly reducing the amount of electricity generated by fossil-fuelled power plants, also causing demand for emission allowances to decline. Controversy surrounding EU initiatives to temporarily limit the number of available certificates led to price fluctuations over the course of the year. It is uncertain whether this plan will be implemented.

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



EU Allowance (EUA) for the corresponding trading year

Certified Emission Reduction (CER) for the corresponding trading year

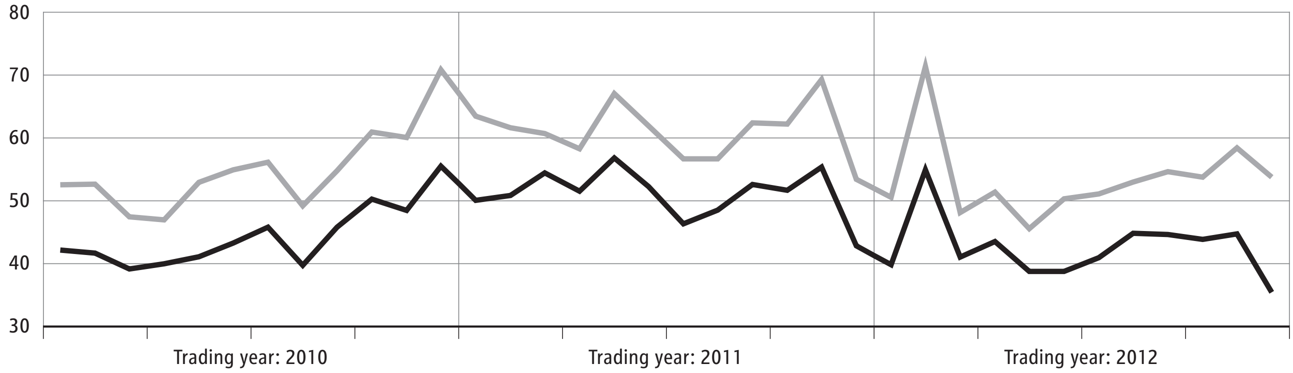
Source: RWE Supply & Trading.

Certified Emission Reductions (CERs), which are credits earned from emission-reducing measures in developing and emerging countries, dropped in price even more than EUAs. At the end of December, a CER only cost slightly more than €0.30. By comparison, CERs traded at an average of €9.80 in 2011. The decline in price is due to the fact that the EU introduced caps for recognising CERs in the European emissions trading system. In addition, there are currently no major sales markets for these certificates outside Europe. Due to the large number of emission-reducing projects, far more CERs may be generated than can in fact be used.

Decline in wholesale electricity prices. The significant decrease 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 caused German wholesale electricity prices to decline. Last year, base-load power sold for an average of €43 per MWh on the spot market. It therefore cost €8 less than in 2011. The price for peak-load power dropped by the same amount to €53 per MWh. Quotations on the forward market also decreased: the average 2013 forward price in 2012 was €49 per MWh of base-load power and €61 per MWh of peak-load power. This was €7 and €8 less than what had to be paid for the corresponding 2012 forwards in 2011.

Wholesale electricity spot prices in Germany

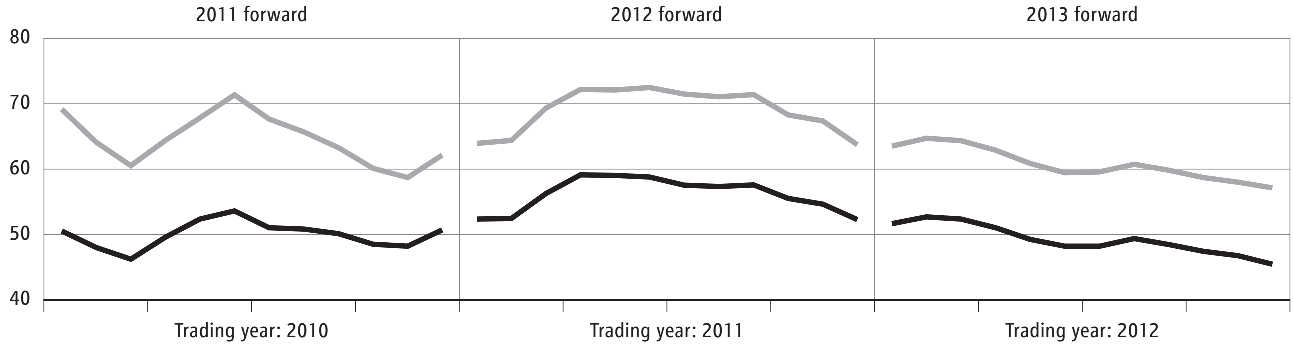
€/MWh (average monthly figures)



Base load   Peak load   Source: EEX Energy Exchange.

One-year forward wholesale electricity prices in Germany

€/MWh (average monthly figures)



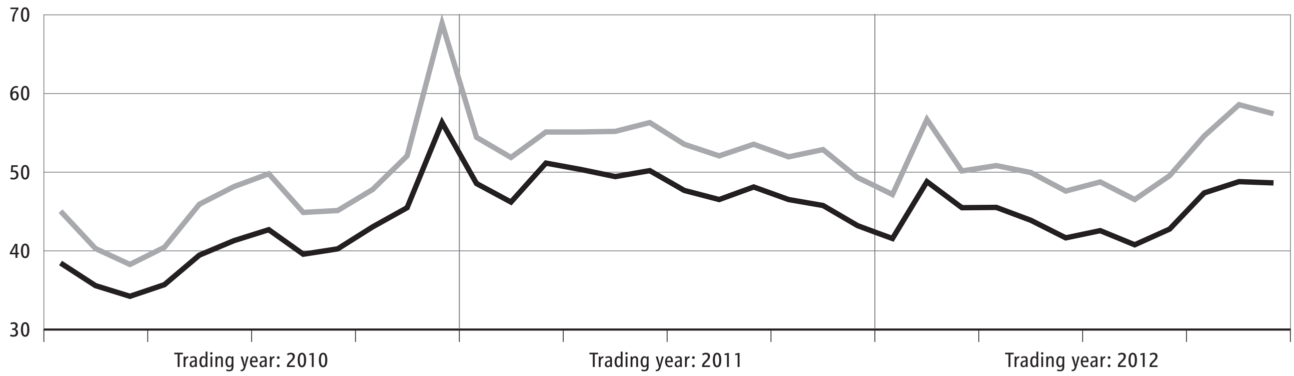
Base load   Peak load   Source: RWE Supply & Trading.

We sell forward nearly all of the output of our German power stations and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, the development of prices in 2012 only had a minor impact on the income we generated in that year. What was decisive instead was the price at which electricity contracts for delivery in 2012 sold in preceding years. The average price we realised for our 2012 generation in Germany was €60 per MWh, €3 less than for 2011.

The price trend described above had a negative effect on our generation spreads, which are calculated by deducting the cost of the respective fuel and emission allowances used from the price of electricity. The situation in our German generation business last year was as follows: the margins realised by our gas, hard coal and nuclear power stations were lower than in 2011 due to the decline in electricity prices. With regard to hard coal, this was also because we had to pay more for the fuel. In contrast, the margins of electricity produced from lignite were stable: earnings shortfalls caused by electricity prices were offset by cheaper CO_2 certificates.

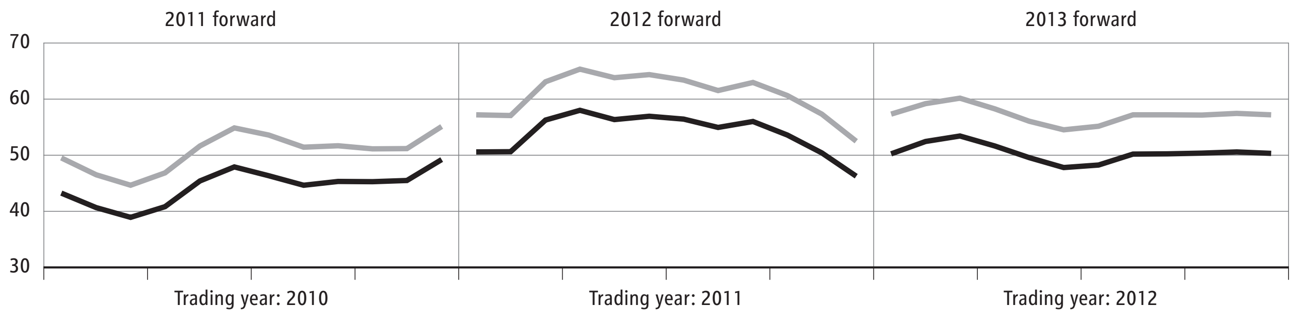
Prices in the German end-customer business developed as follows. Tariffs for households were an average of 3.7 % higher than in 2011, whereas for industrial enterprises they were 1.4 % lower. If certain prerequisites are met, the latter are exempt from network fees pursuant to a law that was enacted in July 2011. As a result, payments made by other electricity customers are commensurately higher. The subsidisation of renewables also affected the development of electricity prices. The levy under the German Renewable Energy Act (REA) 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. This is mainly due to the rapid expansion of photovoltaic capacity. The main increase in the cost apportionment took place in 2011, but was not factored into end-customer prices by many sales companies until later. The levy for 2013 has been set at 5.28 euro cents. This represents an average rise of 37 % p.a. since 2010. As with network fees, industrial enterprises also receive relief from the REA apportionment. One of the prerequisites is that 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.

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



Base load Peak load Source: RWE Supply & Trading.

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



Base load Peak load Source: RWE Supply & Trading.

Wholesale electricity prices also dropped in the United Kingdom. On the spot market, they averaged £45 (€55) per MWh of base-load power and £51 (€63) per MWh of peak-load power, down £3 and £2 on 2011, respectively. On the forward market, the 2013 base-load forward settled at an average of £50 (€62) per MWh. Compared to the price paid for the 2012 forward in 2011, this resulted in a decline of £4. Peak-load power also dropped in price by £4, to £57 (€70). The price decline on the forward market would have been even more significant if the UK government had not decided to introduce a tax on carbon emissions with effect from 1 April 2013. This levy will cause electricity generation from fossil fuel to become more expensive (see page 47).

RWE also sells forward most of the electricity it produces outside Germany. The margins we realised for our UK gas and hard coal-fired power stations were lower than in 2011. However, the margins achievable through transactions on the spot market have become more attractive. In 2012, this resulted in a significant improvement in the utilisation of our hard coal-fired power plants. In the United Kingdom, average residential tariffs rose by 6%. For industrial enterprises, electricity prices rose to a similar extent.

In the Netherlands, wholesale electricity prices are significantly influenced by developments in Germany: prices are therefore affected by the increase in electricity fed into the grid from German renewables, due to cross-border electricity flows. However, available network capacities are limited. This explains why forward prices in the two countries drifted apart from each other in 2012. In the Netherlands, the average price of the 2013 base-load forward in 2012 was €52 per MWh. This is about €3 more than in Germany. Over the course of the year, the price difference rose from €1 to €7. One contributing factor was that Dutch hard coal-fired power plants have had an additional tax burden since 1 January 2013, which is reflected in higher electricity prices. The margins of our Dutch hard coal and gas-fired power stations deteriorated in 2012, similar to Germany. In the end-customer business, households had to pay an average of 5% more than in 2011, while tariffs for industrial enterprises did not experience a notable change.

Developments in our Central Eastern European electricity markets were as follows: residential tariffs were up 9% in Poland and just over 2% in Slovakia, whereas they were roughly on a par year on year in Hungary. Electricity supplies to industrial enterprises became cheaper in some cases, namely by some 1% in Poland and about 2% in Slovakia. Conversely, in Hungary, these customers had to pay 3% more.

1.3 POLITICAL ENVIRONMENT

In the last few years, state intervention in the energy sector has increased – unfortunately usually to the detriment of utilities. This trend was also observed in 2012. In Germany, the legislator introduced the possibility of prohibiting power plant operators from decommissioning unprofitable stations, in the Netherlands the government imposed a coal tax on electricity generators, and in Hungary, an entire package of measures verging on the arbitrary was put together, which was to the disadvantage of energy companies. However, there was also some positive news: the Hamburg Fiscal Court declared the German nuclear fuel tax unconstitutional. It is now up to the Federal Constitutional Court to decide on its legality.

New liability regulations to remove hurdles for offshore wind farms. An amendment to the German Energy Act governing liability in the event of delays in connecting offshore wind farms to the system entered into force on 28 December 2012. It stipulates that transmission system operators provide compensation for revenue shortfalls experienced by wind farm operators. However, the compensatory payments are capped at €17.5 million and €110 million in cases of ordinary and gross negligence, respectively. Any damage exceeding these amounts is passed through to the consumer as a surcharge, which is capped at 0.25 euro cents per kilowatt hour (kWh). The compensation paid to wind farm operators amounts to 90% of the fees that would have been received for putting the electricity on the system under the German Renewable Energy Act. It falls due from the eleventh consecutive day of feed-in interruption caused by a network fault or in the event of a delayed connection to the grid. The prerequisite for the recognition of such a delay is the completion of the foundations of the wind turbines and of the wind farm's transformer station. The extent to which we can claim compensation for damages for expected delays in the construction of our Nordsee Ost offshore wind farm is yet to be clarified (see page 71).

Ban on taking capacity offline seeks to secure electricity supply. In amending the German Energy Act, the legislator also introduced regulations to ensure that there is enough generation capacity in periods when supply is tight. The right of operators to reduce capacity has been limited. The decomissioning of a power plant with an installed capacity of 10 megawatts (MW) or greater must be notified to the Federal Network Agency twelve months in advance. For a station with an installed capacity of 50 MW or more, closure may be refused. The prerequisite for this is that the power station is classified by the respective transmission system operator as 'system-relevant,' i.e. necessary to ensure grid stability. In such cases, the plants may have to remain operational as an emergency back-up in exchange for adequate compensation.

The transmission system operators will compile a list of the power plants classified as system-relevant by the end of March 2013. We do not expect any RWE facilities to be included as most of them are located outside of the regions which are at risk of experiencing a capacity shortage. The amendment to the German Energy Act also allows for the enactment of secondary legislation in order to enable the transmission system operators to determine the back-up power plants by inviting tenders. This procedure was proposed by the German Association of Energy and Water Industries (BDEW). RWE is in favour of this concept, as it is more market-orientated than a decommissioning ban. It remains to be seen whether the German government will approve this alternative.

Hamburg Fiscal Court finds nuclear fuel tax unconstitutional. In January 2013, the Hamburg Fiscal Court issued the first nationwide judgement on a lawsuit against the German nuclear fuel tax introduced in 2011. The Hamburg judges found that the German Nuclear Fuel Tax Act is unconstitutional because the nuclear fuel tax does not have the features of an excise duty over which the German government has legislative powers. One such feature is to place the tax burden on the consumer. In contrast, the Court found that the nuclear fuel tax aims to skim the profits of nuclear power plant operators. Based on the rationale in the German Nuclear Fuel Tax Act, the tax may be passed through to consumers to a limited extent at best. The Hamburg Fiscal Court submitted the German Nuclear Fuel Tax Act to the Federal Constitutional Court for review.

Legislative procedure for the search for and selection of a site for final storage of highly radioactive waste. Germany's early nuclear phase-out caused the final storage of highly radioactive waste to return to the fore of political debate. Since the autumn of 2011, a federal-state working group has been preparing a law on the search for and selection of a suitable location, which should be passed by widespread party consensus before the end of the year. The drafts tabled so far envisage carrying out a nationwide search for the location without preselection. The applicable criteria and responsible authorities are yet to be determined. The costs of the selection process, which are to be borne by the nuclear power plant operators, have been estimated to exceed €2 billion. The selection process is scheduled for completion by 2029. However, this deadline does not take into account the approval procedure or the construction of the final storage facility.

German government increases combined heat and power subsidy. In the middle of 2012, the German government amended the Combined Heat and Power (CHP) Act in order to make investments in CHP plants more attractive. The new CHP Act became effective on 19 July and is the government's attempt to increase the total share of CHP electricity generation in Germany to 25% by 2020. This compares to 16% in 2011. Combined heat and power technology makes use of the heat produced when generating electricity. CHP facilities can therefore achieve efficiencies of between 80% and 90%. The amendment to the CHP Act increases the surcharges for CHP electricity by 0.3 euro cents per kWh. They depend on net installed capacity and currently amount to between 5.41 euro cents per kWh (up to 50 kilowatts) and 1.8 euro cents per kWh (over 2 MW). Heat and cold storage facilities fed by CHP plants are now also subsidised. According to the CHP Act, the annual subsidisation may not exceed €750 million, which is financed by electricity consumers through the CHP cost apportionment.

Stricter threshold values for industrial emissions. In 2012, the political agenda also dealt with the national implementation of an EU directive on industrial emissions. The Industrial Emissions Directive (IED) had entered into force as early as 6 January 2011. EU member states then had two years to translate it into national law. The IED is the central instrument of European regulations pertaining to the approval and operation of industrial plants, including power stations. It establishes EU-wide threshold values for nitrous oxides (NO_x) and particulate emissions as well as for other air pollutants, which will become effective for existing plant from 2016. The objective is to reduce distortions of competition. However, EU member states are free to issue stricter regulations.

The IED has caused several German laws and directives to be amended. However, its translation into national law was not finalised by the official deadline: a draft directive relating to emission thresholds had been published by the time this report went to print, but it was pending approval from the German Lower House. Initially, the legislative procedure for the implementation of the IED appeared to result in the German requirements being much stricter than those of both the IED and the country's existing national regulations. This would have placed a huge additional burden on fossil fuel-fired power stations. Now, however, with certain exceptions, German regulations are expected to be largely in line with EU requirements. Restrictions will become tighter, especially for particulate emissions. The same applies to mercury, although the substance is not covered by the IED. Our power plants are already largely in compliance with the new standards.

The IED translation process has also been drawn out in the United Kingdom. In England and Wales, where RWE npower's power stations are located, requirements are likely to be more restrictive than those of the IED. However, they are already being adhered to by our power plants to a considerable extent. Facilities which do not comply with the new requirements in 2016 may be gradually brought in line with these threshold values during a transitional phase. Their operators will have until 2019 to fully implement the necessary retrofitting measures.

The Netherlands translated the IED into national law within the time limit. The country's emissions thresholds are stricter than those of the Directive, but the rules for existing plants are generous: they may remain online if they comply with the threshold values established in their operating permits. This spares them from investing in retrofits. As regards nitrous oxides, government and industry are to reach an agreement establishing caps only for companies and sectors: plants may exceed the threshold as long as they satisfy the requirements established for their sector and company. A similar approach has already been taken in relation to sulphur dioxide (SO_2).

Coal tax for power producers in the Netherlands. With effect from 1 January 2013, the Dutch government abolished the exemption of electricity generators from coal tax. Coal procurement used to be tax-free for power stations with an efficiency of at least 30%. In 2013, these purchases started bearing a levy of €14.03 per metric ton. This will impose a substantial burden on us and affects units 8 and 9 of the Amer power station, which have a combined net installed capacity of 1,245 MW. It will also impact on the 1,560 MW dual-block hard coal power plant at Eemshaven, which is scheduled to go online in 2014.

United Kingdom: government presents bill to reform the electricity market. In November 2012, the UK parliament passed an Energy Bill establishing the cornerstones of a fundamental reform of the UK electricity market. The main goal is to strengthen climate protection. The Bill leans strongly on a White Paper which was published by the governing coalition of conservatives and liberals in 2011. The Bill does not specify the main details of the reform, which will be set out in a second legislative procedure: this is expected to be passed in the autumn of 2013.

By reforming the electricity market, the government aims to reduce the CO_2 intensity of UK electricity production from 0.5 metric tons of carbon dioxide per megawatt hour (MWh) at present to 0.1 by 2030. There is no binding reduction target for the time being. Another goal is to increase the share of primary energy consumption covered by renewables to at least 15% and to have them account for at least 30% of electricity generation in 2020.

Among the items envisaged by the Bill is a new compensation system for climate-friendly electricity generation from renewable sources and nuclear power, as well as from fossil fuels in combination with carbon capture and storage. After a transitional phase, this is intended to replace the existing system for the promotion of renewable energy in 2017. Generators of electricity from renewables currently receive renewable obligation certificates (ROCs). For the future, a mechanism termed Contract for Difference (CFD) has been planned. According to the principle on which it is based, there is a contractually guaranteed fee that power producers receive for the electricity fed into the system. If the price realised on the wholesale market is below the fee, they are paid the difference. However, if it exceeds the fee, the generator is retrospectively obliged to reimburse the difference. The subsidy will be financed by the supply companies in line with the amount of electricity they purchase from power producers. The first CFDs are set to be concluded in 2014.

The electricity market reform also includes the introduction of an emissions performance standard. The allowable carbon emissions of new power stations are to be limited to 450 grams of CO_2 per kilowatt hour of electricity generated. This would mean that new coal-fired power stations can only be built if they capture and store at least a part of the carbon dioxide produced.

In the long run, the UK government intends to introduce a capacity market. Energy companies will then be compensated for keeping reliable power station capacity on standby, even if they do not generate. The government believes that reserve capacity of this kind is becoming increasingly important. The expansion of the renewable footprint is likely to also reduce the margins of conventional power plants in the United Kingdom. This can cause system-relevant facilities to become unprofitable. However, to ensure sufficient generation capacity, auctions are to be held at which power plant operators sell capacity which they must keep on standby during shortages. The first auctions are expected to take place as soon as 2014, for delivery of capacity in 2018 or 2019.

In April 2011, the Financial Act introduced a tax on carbon dioxide emissions, which will be levied from April 2013. Besides the costs incurred for emission allowances, operators of coal and gas-fired power plants will then have to shoulder additional burdens. The starting tax rate is £4.94 per metric ton of CO_2 and will be increased annually. The result envisaged by the government is for the total cost of carbon emissions to amount to at least £30 per metric ton of CO_2 in 2020.

Hungarian government imposes heavy additional burdens on energy companies. The difficult energy policy framework conditions in Hungary have deteriorated dramatically. In particular, the fiscal burdens on utilities have risen substantially. The Hungarian government has decided to continue imposing a special tax on companies from the energy, telecommunication and retail sectors, which was set to expire at the end of 2012. The taxpayer group was expanded. In addition, the tax rates are higher: the tariff for energy companies has risen from 8% to 31%. Whereas the levy used to apply only to utilities active in the non-regulated sector, from now on it will also be imposed on income from regulated businesses. Including the corporate tax (19%), the income tax rate applicable to energy utilities now totals 50%. Furthermore, the government introduced a network tax, which will be levied from 2013 onwards. It affects electricity, gas, district heating and water utilities as well as telecommunications companies. They now have to pay an annual 125 forints (€0.43) per metre of cable or pipe. Utilities have also been subjected to additional burdens by the Hungarian regulatory authorities: the Energy Authority and the National Development Ministry have determined that network fees and the end-customer price of electricity and gas in the regulated sales segment will be reduced. The aim is to decrease end-customer electricity and gas tariffs by 10%.

The new regulations mentioned above will curtail the operating result of the current fiscal year by a total of approximately €60 million.

1.4 MAJOR EVENTS

In the past fiscal year, we did a lot to prepare RWE for difficult times. One milestone is the 'RWE 2015' programme, which we launched in the summer. It aims to achieve €1 billion in efficiency improvements by 2014 and will make our organisation more effective. An important step is the pooling of our conventional electricity generation in a new company. A total of €2.1 billion in divestments has strengthened our financial power. We were also successful in modernising our generation portfolio: four large-scale power stations with a combined installed capacity of six gigawatts began commercial operation in 2012.

'RWE 2015' programme launched - establishment of a European generation company. Against the backdrop of the difficult framework conditions in the energy sector, the Executive Board of RWE AG adopted the 'RWE 2015' programme at the beginning of August 2012. In the programme, the board specifies how the company is to increase its financial headroom and safeguard its competitiveness. Measures to reduce costs and increase revenue will play a key role. The efficiency-enhancement programme, which was completed at the end of 2012, will be followed by 'RWE 2015' through which we intend to tap into further earnings potential. Our target is €1 billion, which we intend to achieve by the end of 2014. The new efficiency-enhancement programme covers all Group companies. The measures are designed to improve operating processes and realise savings in administration and IT.

By initiating 'RWE 2015,' the stage was also set for making substantial changes to the organisational structure. An important step has since been taken: we established RWE Generation with effect from 1 January 2013. Nearly all of our conventional electricity generation is now managed by this new company, which is domiciled in Essen. The German hard coal and gas-fired power stations, which belonged to RWE Power, were transferred to RWE Generation. The new Group company also oversees the UK and Dutch coal, gas and biomass power plants and will manage the gas-fired power station near the Turkish town of Denizli, which is still under construction. Our German nuclear power plants, lignite-fired power stations, opencast mines and the operation of hydroelectric power plants remain assigned to RWE Power AG, which is steered by RWE Generation. RWE Technology GmbH, our project management and engineering company, will also be overseen by the new company. RWE Generation operates as a European stock corporation (societas europaea, abbreviated to SE). The Chairman of the Executive Board is Matthias Hartung, who used to be the Chairman of the Board of Directors of RWE Technology.

€2.1 billion in divestments made. Selling assets is an important element in the package of measures for strengthening our financial power. Having sold our German long-distance gas network, a stake in a power plant and a majority interest in the electricity transmission system operator Amprion in 2011, we concluded a series of additional transactions with a total volume of €2.1 billion in the financial year that just ended, including:

- A 24.95 % stake in the Berlin waterworks, which was acquired by a wholly owned subsidiary of the State of Berlin. The transaction also includes two shareholder loans granted by RWE. It was concluded in October and took retrospective commercial effect from 1 January 2012. The price totalled €658 million including interest accrued since the beginning of the year.
- A 57.5 % stake in Koblenzer Elektrizitätswerk und Verkehrs-Aktiengesellschaft (KEVAG), which was sold to EKO2 GmbH for €222 million in December. The shareholders of EKO2 are the City of Koblenz, Stadtwerke Koblenz, Thüga and Energiebeteiligungsgesellschaft Mittelrhein.
- A 19.33 % stake in Saarland-based regional utility VSE, which was purchased from us by local municipal and communal utilities (15.33 %) and the State of Saarland (4 %) in June. RWE still owns the majority of VSE, accounting for a stake of 50 % plus one share.
- An equity interest in Emscher Lippe Energie (ELE) of 28.9 %. It was acquired by our co-shareholders: the municipalities of Gladbeck, Bottrop and Gelsenkirchen. Again, RWE has retained the majority of the company (50.1 %). The transaction was concluded in December.

- A 20 % stake in the Norwegian 'Edvard Grieg' oil production license, which was bought in December by OMV (Norge) AS, a subsidiary of Austria-based OMV, for €255 million including interest. On condition that certain project milestones are achieved, another payment of up to €35 million will come due. Production from 'Edvard Grieg' is scheduled to begin in 2015. The resources corresponding to our 20 % stake total an estimated 38 million barrels of oil equivalent. Due to the sale, our future capital expenditure will be about €650 million lower.

- Horizon Nuclear Power, a joint venture with E.ON in the United Kingdom, which was acquired by the Japanese industrial group Hitachi in November. The purchase price amounted to £696 million, which was split evenly between RWE and E.ON. Horizon was established in 2009 to develop, build and operate new nuclear power stations in the UK. At the end of March 2012, E.ON and RWE had announced that they would stop working on the joint venture for strategic reasons. We generally no longer have plans to build nuclear power plants.

RWE increases stake in Austrian energy utility. At the end of September, we acquired a 12.85 % interest in the regional utility KELAG. The seller is Kärntner Energieholding (KEH), whose stake in KELAG dropped to 51 % as a result. Previously, we had only held an indirect interest in KELAG via KEH, which is co-owned by the state of Kärnten and RWE at a ratio of 51 % to 49 %. Our direct and indirect shareholding in the utility now totals nearly 38 %. Before the transaction, our stake amounted to slightly more than 31 %. €96 million of the purchase price of €225 million flowed back to us through KEH. Headquartered in Klagenfurt, KELAG is one of the largest hydroelectric power producers in Austria.

Four new power stations go online. We passed further milestones in the modernisation and expansion of our conventional electricity generation capacity in the last fiscal year: a total of four state-of-the-art power plants started commercial operation, with a combined net installed capacity of about 6,000 megawatts (MW). The following is an overview of the facilities:

- In January 2012, the Claus C gas-fired power station went online - several months ahead of schedule. Located at Maasbracht in the Netherlands, the facility has a total net installed capacity of 1,304 MW. Its efficiency of over 58 % ranks it among the most efficient and environmentally friendly of its type. Associated capital expenditure amounted to €1.1 billion.

- In February, a second gas-fired power plant, Moerdijk 2, followed in the Netherlands. The station has a net installed capacity of 426 MW. Its efficiency also exceeds 58 %. We spent €0.4 billion on it.

- At the beginning of July and August, the two units of our new lignite-fired power plant at Neurath near Cologne began commercial operation. The facility has a net installed capacity of 2,100 MW and started generating electricity as early as the beginning of 2012. Thanks to its efficiency of over 43 %, it meets the highest standards for lignite-based electricity generation. The capex totalled €2.6 billion.

- In September, RWE npower officially commissioned a new gas-fired power station at Pembroke, Wales. All five units had already successively started producing electricity commercially beginning in May. The station has a net installed capacity of 2,188 MW and an efficiency which matches that of our new Dutch plants. We invested €1.2 billion in Pembroke.

Tilbury power station offline for several months. Due to a fire in February 2012, our biomass-fired power plant at Tilbury (UK) was unable to produce electricity for several months. The fire broke out in one of the two wood pellet bunkers, requiring extensive repairs. There were no injuries. One of the three units went back online in June, with the other two following in August. Tilbury power station has an aggregate installed capacity of 750 MW and used to be fired with hard coal. In 2011, we converted it to run solely on biomass.

Arbitration court approves reduction in our gas purchase volumes from Gazprom. In October, an arbitration court ruled in our favour in a suit between our Czech subsidiary Transgas and its gas supplier Gazprom. The issue under litigation was whether Transgas was justified, under certain conditions, in reducing the minimum offtake established in the contract with Gazprom. The positive outcome of the lawsuit enabled us to release a risk provision. The court had not been called upon to rule on the oil-price indexation of our gas purchases from Gazprom. Separate arbitration proceedings are addressing this issue and are scheduled to conclude in 2013.

Bernhard Günther is RWE AG's CFO as of 2013. In February 2012, the Supervisory Board of RWE AG appointed Dr. Bernhard Günther to the company's Executive Board with effect from 1 July 2012. As of 1 January 2013, the 46-year-old economist assumed responsibility for the finance mandate previously held by Dr. Rolf Pohlig, who retired at the end of 2012 on completion of his 60th year of age. Bernhard Günther studied at St. Gallen and Oxford, after which he was active in the field of business consulting. He joined RWE in 1999 and has held positions including Head of Controlling at RWE AG and member of the Board of Directors of RWE Supply & Trading.

Uwe Tigges is RWE AG's new Chief HR Officer. In April 2012, the Supervisory Board of RWE AG took another personnel-related decision: Uwe Tigges (53) was appointed Chief HR Officer with effect from 1 January 2013. As of 1 April 2013, he will also become the company's Labour Director. His predecessor, Alwin Fitting, will retire on completion of his 60th year of age at the end of March. Uwe Tigges was the Chairman of the Group Works Council of RWE until 2012. The electrical engineering and business administration graduate began his professional career at Standard Elektrik Lorenz AG before joining RWE in 1984, where he has worked for several Group companies. From 1994 to 2012, he worked as an independent works council representative.

Major events after the end of the period under review. In the period from 1 January 2013 until the editorial deadline for this report on 15 February 2013, there were no events which have a material effect on the financial, asset, or earnings positions of the RWE Group.

1.5 COMMENTARY ON THE REPORTING STRUCTURE

RWE Group: Reporting structure until 31 December 2012

Germany		Netherlands/Belgium	United Kingdom	Central Eastern and South Eastern Europe	Renewables	Upstream Gas & Oil	Trading/Gas Midstream	Other, consolidation
Power Generation	Sales/Distribution Networks							
RWE Power	RWE Deutschland	Essent	RWE npower	RWE East NET4GAS	RWE Innogy	RWE Dea	RWE Supply & Trading	RWE Consulting RWE IT RWE Service RWE Technology

Group structure with seven divisions. The presentation of the business performance for 2012 is based on the reporting structure applied for 2011. Therefore, the pooling of large parts of our electricity generation in the newly established RWE Generation SE mentioned on page 48 has not yet been considered. This will happen for the first time in the financial reporting for 2013. In 2012, the Group remained divided into seven divisions based on geographic and functional criteria. The following is an overview of them.

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

  Power Generation: This business area encompasses the activities of RWE Power, Germany's largest electricity generator until the establishment of RWE Generation. The main energy fuels are coal, gas and nuclear. 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. This company mainly encompasses the network operators Rhein-Ruhr and Westfalen-Weser-Ems, which will be in future combined under Westnetz GmbH, as well as RWE Vertrieb (including eprimo, RWE Energiedienstleistungen and RWE Aqua), RWE Effizienz, RWE Gasspeicher and our German regional utilities. The Sales/Distribution Networks Business Area also includes our minority interests in Austria-based KELAG and Luxembourg-based Enovos. Our water operations in Zagreb, Croatia, also belonged to the business area until the end of 2012. It has since been assigned to the Central Eastern and South Eastern Europe Division.

- Netherlands/Belgium: This is where we present the figures achieved by Essent, one of the leading energy utilities in the Benelux region. It generated electricity from gas, hard coal and biomass until these activities were transferred to RWE Generation in 2013. In addition, it held a minority stake in the country's only nuclear power station. Essent's second mainstay is the sale of electricity and gas, which became the company's core activity as of 2013.

- United Kingdom: This is the item under which we report on RWE npower, one of the country's six major energy companies. Until the reorganisation, the company generated electricity from gas, hard coal, oil and biomass. Furthermore, RWE npower sells electricity and gas to end-customers. Similar to Essent, this will be the future focus of its business activities.

- 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, supraregional transmission, transit and storage of gas. We are the nation's market leader in this field. In 2010, we started selling electricity there as well. In Hungary, we cover the entire value chain in the electricity business, from production through to the operation of the distribution system and the end-customer business, and are also active in the gas supply sector via minority stakes. Our Polish operations consist of the distribution and supply of electricity. In Slovakia, we are active in the electricity network and electricity end-customer businesses via a minority interest and in the gas supply sector via RWE Gas Slovensko. In Turkey, we are building a gas-fired power station with a partner. RWE East, headquartered in Prague, oversees the companies belonging to the Central Eastern and South Eastern Europe Division. One exception is NET4GAS, the operator of our Czech long-distance gas network. To comply with regulatory requirements, this company is assigned directly to RWE AG. However, it is still part of the Central Eastern and South Eastern Europe Division for accounting purposes.

- Renewables: This is where we report on the activities of RWE Innogy, which specialises in electricity and heat production from renewable sources.
- Upstream Gas & Oil: This segment encompasses RWE Dea's business. The company produces gas and oil, focusing on Germany, the United Kingdom, Norway and Egypt.
- Trading/Gas Midstream: Assigned to this division is RWE Supply & Trading, which is responsible for trading in electricity and energy commodities as well as for the gas midstream business of the RWE Group. Furthermore, it supplies major German industrial and corporate customers with electricity and gas.

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

1.6 BUSINESS PERFORMANCE

The 2012 financial year was a little better than we had expected: our operating result was up 10% year on year. Successful negotiations to adjust loss-making gas procurement contracts were a contributing factor. Efficiency-enhancing measures and the lack of the exceptional burdens felt in 2011 also had a positive effect. However, the significant deterioration in the prospects for electricity generation is already casting its shadow: we have recognised substantial impairments for our Dutch power stations. Recurrent net income, to which our dividend policy is orientated, reached the 2011 level. RWE therefore remains one of the DAX stocks with the highest dividend yields.

Electricity production by division	Germany[1]		Netherlands/ Belgium		United Kingdom		Central Eastern and South Eastern Europe		Renewables		RWE Group	
Billion kWh	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Primary energy source												
Lignite	75.6	68.3	-	-	-	-	5.4	5.8	-	-	81.0	74.1
Hard coal	36.4	34.0	7.3	5.1	16.8	8.6	0.1	-	-	0.1	60.6	47.8
Gas	8.2	11.8	6.1	5.1	25.0	21.3	0.1	0.1	0.2	0.2	39.6	38.5
Nuclear	30.7	34.3	-	-	-	-	-	-	-	-	30.7	34.3
Renewables	1.8	1.4	1.4	1.3	2.1	-	-	-	7.1[2]	6.1[2]	12.4	8.8
Pumped storage, oil, other	2.8	2.2	-	-	-	-	-	-	-	-	2.8	2.2
Total	**155.5**	**152.0**	**14.8**	**11.5**	**43.9**	**29.9**	**5.6**	**5.9**	**7.3**	**6.4**	**227.1**	**205.7**

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 fiscal 2012, it amounted to 25.2 billion kWh, of which 22.4 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 fiscal 2012, these purchases totalled 1.4 billion kWh.

Electricity generation up 10%. In the financial year that just came to a close, the RWE Group produced 227.1 billion kilowatt hours (kWh) of electricity, 10% more than in 2011. During 2012, 36% of electricity generation was from lignite, 27% from hard coal, 17% from gas, and 14% from nuclear. The share of renewable energy amounted to 5%. Developments in our divisions were as follows.

- Germany: The Germany Division produced 155.5 billion kWh of electricity. This includes electricity generated from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. These are primarily hard coal stations. Compared to 2011, generation by the Germany Division was up 2%. One major driver was the commissioning of the new 2,100 megawatt (MW) twin-unit lignite-fired power plant at the Neurath site near Cologne. The facility has been online since the beginning of 2012 and replaced older 150 MW lignite-fired power stations. All 16 units of this type have been decommissioned, the last of which were taken offline at the end of 2012. Electricity production from hard coal also rose, as improved margins on the spot market resulted in an increased use of these power plants. In contrast, the rapid expansion of German solar power capacity had a negative effect on the utilitisation of our gas-fired power stations. Their average capacity utilisation was slightly below 10%, excluding combined heat and power generation units. Our nuclear power plants' contribution to the Group's electricity generation also declined: as a result of the German government's U-turn in energy policy following the reactor accident at Fukushima, neither of the Biblis units have been allowed to produce electricity since March 2011. We reported on this in detail on page 43 of our 2011 Annual Report.

- Netherlands/Belgium: Essent's electricity production was up 29% year on year to 14.8 billion kWh. Capacity utilisation at our Dutch hard coal-fired power plants improved considerably, due to more favourable market conditions. In addition, we benefited from the increased availability of the Amer power station. We had taken one of the Amer units offline for several months for planned maintenance in 2011. Generation from gas also rose as, at the beginning of 2012, we commissioned the Claus C and Moerdijk 2 plants, which have net installed capacities of 1,304 MW and 426 MW, respectively. However, the progressive expansion of German solar power capacity is also leaving its mark in the Netherlands, where much less use was made of gas-fired power stations owing to cross-border electricity flows. Similar to Germany, the capacity utilisation of facilities without combined heat and power technology dropped to just under 10%.

- United Kingdom: RWE npower increased its electricity generation by 47% to 43.9 billion kWh. Improved conditions on the spot market for hard coal-fired power plants also played a major role here. Furthermore, electricity production from gas rose because we commissioned our new power plant at Pembroke, which has a net installed capacity of 2,188 MW. Capacity utilisation of our UK gas-fired power stations was about 50% – much better than in Continental Europe.
  RWE npower also posted a gain in electricity generation from renewables as we converted the three units of the Tilbury hard coal power station to run solely on biomass in 2011. However, we had to stop generating electricity at Tilbury for several months last year due to damage caused by a fire (see page 50).

- Central Eastern and South Eastern Europe: Nearly all of the generation of this division comes from the Hungarian lignite-based power producer Mátra. It amounted to 5.6 billion kWh, which was slightly less than the prior-year level, partly due to maintenance work which reduced the availability of the power plants.

- Renewables: RWE Innogy increased its electricity generation by 14% to 7.3 billion kWh. The expansion of wind power capacity played a major role. The Greater Gabbard UK offshore wind farm, in which we hold a 50% stake, has now put all of its 504 MW capacity online. Our onshore wind power portfolio has also grown: in the year under review alone, in-house generation capacity totalling 127 MW was added, of which 51 MW are in the United Kingdom and 44 MW are in Poland. Furthermore, at the end of 2011, we doubled our stake in the Spanish wind farm operator Explotaciones Eólicas de Aldehuelas to 95%. As a result, our wind power capacity in Spain rose by 47 MW to 447 MW. Besides the expansion of the generation portfolio, weather conditions also influenced our electricity production: the capacity utilisation of our run-of-river power plants was much better than in 2011, whereas that of our wind turbines was roughly unchanged.

In addition to our in-house generation, we procure electricity from external suppliers. In 2012, these purchases amounted to 67.2 billion kWh compared to 107.1 billion kWh in the previous year. The decline is mostly due to the deconsolidation of Amprion in September 2011.

Among Europe's leading electricity generators, with 52 gigawatts in power plant capacity. At the end of the 2012 financial year, the RWE Group had an installed capacity of 52.0 gigawatts (GW). We rank fifth among Europe's energy utilities. Compared to 2011, the RWE Group's power plant capacity was up by 2.7 GW, largely due to the commissioning of new gas-fired power stations in the Netherlands and the United Kingdom. Conversely, our contractually secured capacity, which is not owned by RWE but is included in our figures, decreased by 1.9 GW. This solely relates to hard coal-fired power plants and is due to the fact that expiring contracts were not extended. In 2012, gas accounted for the biggest share of the RWE Group's installed electricity generation capacity at 30.0% (preceding year: 24.1%), followed by hard coal at 23.3% (28.4%) and lignite at 21.4% (21.5%). Renewables had a share of 8.0% (7.6%), surpassing nuclear, the proportion of which declined from 7.9% to 7.5%. The Germany Division accounted for 57.5% of our generation capacity, with the United Kingdom and Netherlands/Belgium Divisions making up 26.2% and 9.1%, respectively.

Power plant capacity by division as of 31 Dec 2012, in MW	Germany[1]	Netherlands/ Belgium	United Kingdom	Central Eastern and South Eastern Europe	Renewables	RWE Group
Primary energy source						
Gas	5,209	3,479	6,712	152	44[2]	15,596
Hard coal	7,632	936	3,512	-	10[2]	12,090
Lignite	10,331	-	-	780	-	11,111
Renewables	308	331	742	3	2,749	4,133
Nuclear	3,901	-	-	-	-	3,901
Pumped storage, oil, other	2,489	-	2,657	-	-	5,146
Total	**29,870**	**4,746**	**13,623**	**935**	**2,803**	**51,977**

1 Including capacities of power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. As of 31 December 2012, these generation capacities amounted to 6,623 MW, of which 4,458 MW were based on hard coal.
2 Mostly combined heat and power plants.

Specific CO_2 emissions essentially unchanged. In fiscal 2012, our power stations emitted 179.8 million metric tons of carbon dioxide. Our own plants accounted for 158.7 million metric tons, and the remaining 21.1 million metric tons came from contractually secured capacity. Our emissions were 17.9 million metric tons, or 11%, higher year on year. This is mainly due to the increase in electricity generation by our hard coal and lignite-fired power plants. Nevertheless, our specific emission factor, reflecting the carbon dioxide emissions per megawatt hour (MWh) of electricity produced, amounted to 0.792 metric tons, which was close to the figure for the prior year (0.787 metric tons). The expansion of our electricity generation from renewables had a positive effect. The new highly efficient gas-fired power stations in the Netherlands and the United Kingdom also reduced the specific emission factor, but were not yet able to make the desired contribution to improving our CO_2 balance as the market conditions for these plants are currently unfavourable.

In the year under review, we were allocated free emission allowances (known as EU Allowances, or EUAs) corresponding to 121.4 million metric tons in CO_2 emissions. We received emission allowances for 87.1 million metric tons in Germany, 20.2 million metric tons in the UK, and 8.6 million metric tons in the Netherlands. In total, the allocation was far from being enough to cover our emissions. Therefore, we had to purchase certificates. At the Group level, the shortage amounted to 58.4 million metric tons.

Emissions balance by division	Germany[1]		Netherlands/Belgium		United Kingdom		Central Eastern and South Eastern Europe		RWE Group[2]	
million metric tons of CO_2	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
CO_2 emissions	137.7	132.4	8.4	6.2	26.9	16.2	6.6	6.8	179.8	161.9
Free allocation of CO_2 certificates	87.1	85.4	8.6	8.6	20.2	17.2	5.2	5.0	121.4	116.6
Shortage of CO_2 certificates	50.6	47.0	−0.2	−2.4	6.7	−1.0	1.4	1.8	58.4	45.3

1 Includes power stations not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the year under review, they produced 21.1 million metric tons of CO_2 and were allocated certificates for 18.9 million metric tons.
2 Includes small amounts in the Renewables Division largely attributable to combined heat and power plants.

64 million certificates earned through Kyoto measures. Until 2020, we are allowed to cover approximately 100 million metric tons of our CO_2 emissions by submitting certificates obtained through emission reductions within the scope of Kyoto Clean Development Mechanism (CDM) and Joint Implementation (JI) projects. In the past decade, RWE launched a number of projects to acquire certificates of this kind. By the balance sheet date, these measures had contractually secured emission allowances for 64 million metric tons of carbon dioxide. However, the actual number of certificates will probably be smaller as some projects may not be implemented or their carbon savings may lag behind expectations. Taking such risks into account, we expect to have emission allowances covering 49 million metric tons of CO_2. By the end of 2012, we had already received certificates for 38.8 million metric tons, of which we have already submitted an equivalent of 24.5 million metric tons to the emissions trading point.

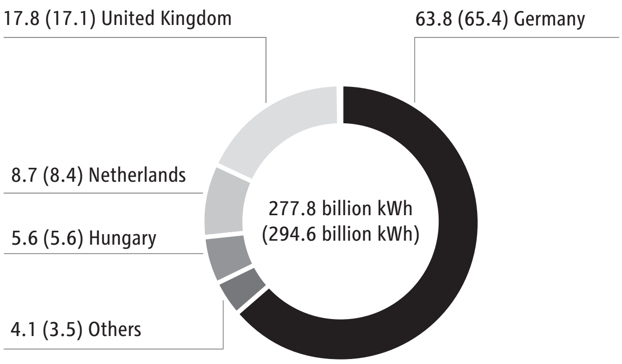
Upstream position remains strong. Via our Group company RWE Dea, we are active in the upstream gas and oil business. Our main production sites are in Germany, the UK North Sea, off the coast of Norway and in Egypt. As of 31 December 2012, our upstream company RWE Dea had 25 million cubic metres in crude oil reserves and 100 billion cubic metres in natural gas reserves. Converting the gas to oil equivalent (OE) and adding it to the crude oil results in a total of 122 million cubic metres of OE, compared to 133 million cubic metres of OE in the previous year. Reserves is the term used for raw materials stored under the ground, the existence of which has been proven, and the production of which is economically feasible and legally secured. These are different to proven resources, which are recoverable raw material deposits, for which it has not yet been established whether production is economically feasible and for which no development plan exists. At the end of 2012, RWE Dea had proven resources of 49 million cubic metres of oil and 70 billion cubic metres of gas. This totals 117 million cubic metres of OE, as compared to 104 million cubic metres in the prior year.

Slight drop in gas and oil production. In the fiscal year that just ended, RWE Dea produced 2,579 million cubic metres of gas and 2,395,000 cubic metres of oil. In oil equivalent, this results in a total output of 4,892,000 cubic metres, or 30.8 million barrels. This is slightly less than in 2011, when production amounted to 5,056,000 cubic metres and 31.8 million barrels, respectively. Gas production was 3% down on 2011, mainly because the progressive depletion of reserves typically results in a drop in production volume. This primarily affected our German and UK concession areas. In the Völkersen field in Lower Saxony, we managed to mitigate the aforementioned effect with new production wells. Furthermore, we recently started production in two out of a total of three new fields in the UK North Sea: in Clipper South in the middle of August and in Devenick at the end of September. We intend to begin producing gas from the third and largest field, Breagh, in the spring of 2013. We also experienced a 3% decrease in crude oil production. The progressive depletion of reserves also played a role here. In addition, unfavourable weather conditions curtailed production in Denmark.

External electricity sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Electricity trading		Total	
Billion kWh	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Germany	24.2	25.5	30.9	31.4	78.4	60.4	-	-	133.5	117.3
Netherlands/Belgium	11.2	10.7	9.7	10.3	-	-	-	-	20.9	21.0
United Kingdom	18.0	17.4	31.5	32.9	-	-	-	-	49.5	50.3
Central Eastern and South Eastern Europe	8.1	8.7	8.9	9.2	6.1	5.8	-	-	23.1	23.7
Trading/Gas Midstream	-	-	31.7	28.8	-	-	17.0	20.8	48.7	49.6
RWE Group[1]	**61.7**	**62.6**	**112.7**	**113.1**	**86.4**	**98.1**	**17.0**	**20.8**	**277.8**	**294.6**

1 Including sales of the Renewables Division and of companies stated under 'other, consolidation' (in 2011 mainly Amprion).

Electricity sales volume of the RWE Group by region in 2012 (2011)
%



Electricity sales volume 6% down on previous year. In the year under review, RWE Group companies supplied 277.8 billion kWh of electricity to external customers, 6% less than in 2011. The main reason is that we have only held a minority interest in the electricity transmission system operator Amprion since September 2011 and have therefore deconsolidated the company. However, electricity supplied by RWE companies to Amprion is now included in our external sales. This mainly relates to our German distribution system operators.

- Germany: Due to the aforementioned effect of the deconsolidation of Amprion, the electricity sales volume of the Germany Division rose substantially, by 14% to 133.5 billion kWh. In business with distributors, we won new customers and increased electricity supplies to existing customers, which contributed to this growth. This was contrasted by competition-induced drops in sales to industrial and corporate customers as well as to households and small commercial enterprises. In the latter sales segment, we had 6,678,000 electricity customers as of the balance sheet date, 281,000 fewer than a year before. The sale of Koblenzer Elektrizitätswerk und Verkehrs-Aktiengesellschaft (KEVAG) alone removed 186,000 customers from our customer base.

- Netherlands/Belgium: Essent sold 20.9 billion kWh of electricity, roughly as much as in 2011. The weak economy left its mark on sales volumes, but we benefited from the successful expansion of our share of the Belgian market where, by the end of 2012, we were serving 283,000 residential and commercial electricity customers, 106,000 more than a year earlier. In the Netherlands, we had 2,177,000 customers in this sales segment, roughly as many as in 2011.

- United Kingdom: RWE npower recorded a 2% decline in electricity supplied to 49.5 billion kWh, as the weak industrial output also came to bear in the UK. However, RWE npower's sales to households and small commercial customers increased marginally. This customer base shrank by 70,000 to 3,865,000, but, due to the cooler weather, electricity consumption per customer was slightly up.

- Central Eastern and South Eastern Europe: We sold 23.1 billion kWh of electricity in this division, 3% less than in the preceding year. We lost some large industrial and corporate customers in Hungary and Poland. However, our competitive position in the residential and small commercial enterprise business was essentially unchanged. At the end of 2012, we were serving 2,150,000 customers in this sales segment in Hungary and 897,000 in Poland. Since 2010, we have also been supplying electricity in the Czech Republic. Last year, we increased our share of the Czech residential market significantly. This was contrasted by losses of commercial customers. By the end of 2012, our residential and commercial customer base totalled 166,000, more than twice as many as in the previous year.

- Trading/Gas Midstream: This division's electricity sales amounted to 48.7 billion kWh, slightly less than in 2011. This was mainly because RWE Supply & Trading sold more electricity from RWE power stations to Group sales companies. Volumes placed externally on the wholesale market dropped accordingly.

External gas sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2012	2011	2012	2011	2012	2011	2012	2011
Germany	29.0	27.5	19.3	24.0	25.7	31.8	74.0	83.3
Netherlands/Belgium	37.7	36.9	43.3	50.8	-	-	81.0	87.7
United Kingdom	44.2	38.0	2.2	2.2	-	-	46.4	40.2
Central Eastern and South Eastern Europe	20.3	27.0	26.9	27.4	16.1	4.5	63.3	58.9
Upstream Gas & Oil	-	-	1.7	1.7	14.2	16.0	15.9	17.7
Trading/Gas Midstream	-	-	13.5	23.1	12.7	11.3[1]	26.2	34.4
RWE Group	**131.2**	**129.4**	**106.9**	**129.2**	**68.7**	**63.6**	**306.8**	**322.2**

1 Including gas trading.

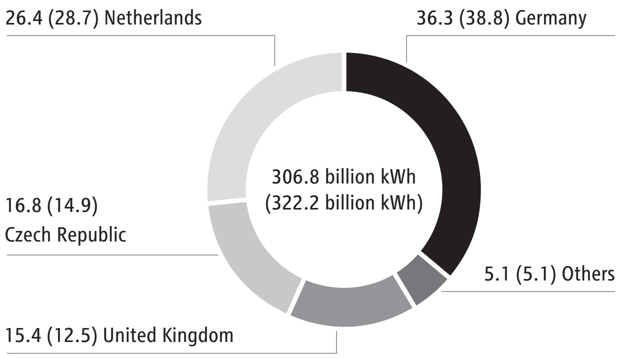
Gas sales volume down 5 % despite cooler weather. Last year, our external gas deliveries amounted to 306.8 billion kWh, down 5 % on 2011. Competition-induced customer losses and negative economic effects were the main reason. In contrast, the drop in temperature compared to the previous year stimulated demand for gas for heating.

- Germany: The division sold 74.0 billion kWh of gas. Compared to 2011, the supply volume was down by 11 %. This is primarily due to business with distributors, some of which switched suppliers or increased their share of purchases from third parties. Furthermore, the capacity utilisation of the gas-fired power stations we supply dropped. 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 demand for heating was higher due to lower temperatures. In this segment, we had 1,292,000 customers, nearly as many as in the year before.

- Netherlands/Belgium: Essent's gas sales declined by 8 % to 81.0 billion kWh. The deterioration of the general economic situation had an effect on demand from industrial and corporate customers. Furthermore, one key account switched supplier. In business with households and small commercial enterprises, the cooler weather spurred demand. In addition, our customer base in Belgium more than doubled, growing from 82,000 to 172,000. Conversely, it was essentially unchanged in the Netherlands, amounting to 1,953,000.

- United Kingdom: Gas sales by RWE npower experienced a weather-driven 15 % rise to 46.4 billion kWh. The difference in temperature to the preceding year was especially significant in the United Kingdom. The number of households and small commercial enterprises we supply with gas totalled 2,648,000, roughly as many as in 2011. Of these customers, more than 90 % also purchased electricity from us.

Gas sales volume of the RWE Group by region in 2012 (2011)
%



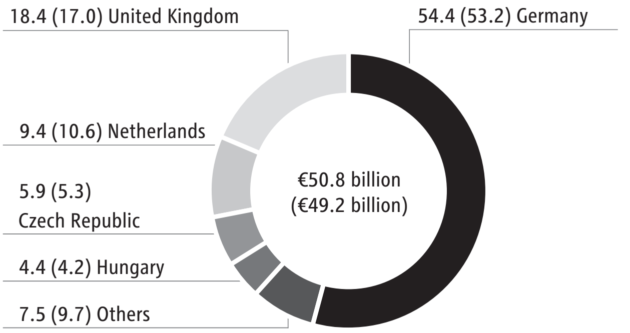
- Central Eastern and South Eastern Europe: Gas sales achieved by this division were up 7 % year on year to 63.3 billion kWh. In the Czech Republic, distributors required more gas from us in reaction to the weather-induced rise in demand from their customers, whereas our share of the market deteriorated further due to unfavourable gas procurement conditions. In 2012, the number of residential and commercial customers we serve decreased by 242,000 to 1,594,000. However, we are confident that we will secure much better gas procurement conditions this year. We saw a positive trend in gas sales in Slovakia, where RWE Gas Slovensko increased its market share. By the balance sheet date, the company was serving 59,000 residential and commercial customers. A year before, this figure stood at only 10,000.

- Upstream Gas & Oil: External gas sales by RWE Dea decreased by 10% to 15.9 billion kWh. The decline in production volume was a factor.
- Trading/Gas Midstream: RWE Supply & Trading sold 26.2 billion kWh of gas outside the Group. The company focuses on procuring gas for RWE companies and therefore predominantly generates internal sales. The company's external sales consist of deliveries to key accounts as well as surplus purchased gas, which we sell on directly to distributors or on the wholesale market. Compared to 2011, gas sales volume was down 24%, largely because supply agreements expired and some key accounts bought less gas.

External revenue € million	2012	2011	+/– %
Germany	24,943	21,520	15.9
Power Generation	1,233	1,166	5.7
Sales/Distribution Networks	23,710	20,354	16.5
Netherlands/Belgium	5,942	5,818	2.1
United Kingdom	9,022	7,696	17.2
Central Eastern and South Eastern Europe	5,274	4,990	5.7
Renewables	387	443	–12.6
Upstream Gas & Oil	1,848	1,766	4.6
Trading/Gas Midstream	5,698	5,750	–0.9
Other, consolidation	113	3,703	–96.9
RWE Group	**53,227**	**51,686**	**3.0**
of which:			
Electricity revenue	34,256	33,765	1.5
Gas revenue	14,222	13,229	7.5
Oil revenue	1,540	1,641	–6.2
Natural gas tax/electricity tax	2,456	2,533	–3.0
RWE Group (excluding natural gas tax/electricity tax)	**50,771**	**49,153**	**3.3**

External revenue 3% up on 2011. The RWE Group generated €53,227 million in external revenue. This was 3% more than in 2011. We had forecast revenue in the order of the preceding year. Increased electricity sales to German distributors were the main reason why we slightly exceeded expectations. Cost-driven price increases in the supply business had a strong impact on the revenue trend, whereas gas volume shortfalls and the deconsolidation of the transmission system operator Amprion had a counteracting effect. Changes in foreign exchange rates also played a role. In 2012, the British pound cost an average of €1.23, as opposed to €1.15 the year before. The US dollar increased in value from €0.71 to €0.77. Conversely, the Czech crown, the Hungarian forint and the Polish zloty were slightly down on the euro. Net of major consolidation and currency effects, Group revenue rose by 5%.

Revenue[1] of the RWE Group by region in 2012 (2011)
%



1 Excluding electricity tax and natural gas tax.

- Germany: External revenue achieved by this division totalled €24,943 million, up 16% year on year. In the electricity business, it climbed by 20% to €19,386 million. The main reason is that revenue achieved by our German distribution system operators through Amprion is now recognised as external instead of internal revenue. 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. Despite a drop in sales volume, external revenue in the gas business rose slightly to €3,553 million. Gas sales prices also had to be increased due to higher procurement costs.

- Netherlands/Belgium: The division earned €5,942 million in revenue, 2% more than a year earlier. Electricity revenue climbed marginally to €2,163 million. Cost-induced price adjustments were the main reason. The latter also had an effect on the gas business where revenue rose by 3% to €3,554 million despite the unfavourable volume trend.

- United Kingdom: RWE npower's external revenue amounted to €9,022 million, 17% up on the previous year's level. Excluding the foreign exchange impact, it rose by 9%. Revenue in the electricity business amounted to €6,316 million, equating to an increase of 16% compared to 2011 and of 8% in Sterling terms. Cost-driven price adjustments were the main reason. The last adjustment we had to make to residential electricity and gas tariffs was in November 2012. One major price driver is the higher cost incurred for energy savings in UK households, to which large utilities are obliged within the scope of government programmes. Network fees have also risen. In the gas business, RWE npower generated €2,188 million in revenue, corresponding to an increase of 29%. Net of currency effects, the rise amounted to 20%. It was due to the cooler weather and price adjustments.

- Central Eastern and South Eastern Europe: At €5,274 million, external revenue was 6% higher year on year. Net of the foreign exchange impact, it grew by 8%. Electricity revenue amounted to €2,391 million, down by 1%, but up 1% excluding the currency effect. Price increases offset negative volume effects. External revenue in the gas business climbed by 11% to €2,761 million. Deducting foreign exchange rate changes results in a gain of 13%, which is in part due to the aforementioned volume improvements in sales to Czech distributors.

- Renewables: External revenue achieved by this division declined by 13% to €387 million. A major reason for this was that 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. Additional revenue resulted from the fact that the Spanish wind power generator Explotaciones Eólicas de Aldehuelas was fully consolidated on a twelve-month basis for the first time and that new wind farms were commissioned.

- Upstream Gas & Oil: In this division, revenue totalled €1,848 million, a rise of 5% compared to the previous year's level. RWE Dea realised slightly higher prices for its crude oil and gas production than in 2011. The appreciation of the US dollar also had a positive effect, whereas the marginal decline in production volumes curtailed the rise in revenue.

- Trading/Gas Midstream: External revenue achieved by RWE Supply & Trading amounted to €5,698 million, nearly on a par with 2011. The rise in revenue from gas sales was contrasted by the decline in oil trading revenue.

Reconciliation of income from operating activities to EBITDA € million	2012	2011	+/– %
Income from operating activities[1]	3,845	4,129	–6.9
+ Operating income from investments	587	600	–2.2
+ Non-operating income from investments	–110	–72	–52.8
– Non-operating result	2,094	1,157	81.0
Operating result	6,416	5,814	10.4
+ Operating depreciation and amortisation	2,898	2,646	9.5
EBITDA	**9,314**	**8,460**	**10.1**

1 See the income statement on page 130.

EBITDA € million	2012	2011	+/– %
Germany	5,977	5,419	10.3
Power Generation	3,711	3,252	14.1
Sales/Distribution Networks	2,266	2,167	4.6
Netherlands/Belgium	507	462	9.7
United Kingdom	827	606	36.5
Central Eastern and South Eastern Europe	1,305	1,364	–4.3
Renewables	364	338	7.7
Upstream Gas & Oil	1,041	923	12.8
Trading/Gas Midstream	–591	–784	24.6
Other, consolidation	–116	132	–187.9
RWE Group	**9,314**	**8,460**	**10.1**

Operating result € million	2012	2011	+/– %
Germany	4,622	4,205	9.9
Power Generation	3,044	2,700	12.7
Sales/Distribution Networks	1,578	1,505	4.9
Netherlands/Belgium	228	245	–6.9
United Kingdom	480	357	34.5
Central Eastern and South Eastern Europe	1,045	1,109	–5.8
Renewables	183	181	1.1
Upstream Gas & Oil	685	558	22.8
Trading/Gas Midstream	–598	–800	25.3
Other, consolidation	–229	–41	–458.5
RWE Group	**6,416**	**5,814**	**10.4**

Operating result improved by 10%. In the 2012 financial year, the RWE Group achieved EBITDA of €9,314 million and an operating result of €6,416 million. In both cases, this was 10% more than in the preceding year. Therefore, we were slightly above the forecast we published in March 2012, which envisaged these two key earnings figures closing the year on a par with the previous one (see page 98 et seq. of the 2011 Annual Report). Our losses in the gas midstream business were much smaller than initially assumed. In addition, we made better progress with our ongoing efficiency-enhancing measures than planned. As expected, we posted a significant gain in German electricity generation, where earnings had been affected in 2011 by substantial one-off burdens imposed by the reduction in the lifetimes of our German nuclear power stations. Furthermore, in 2012 we benefited from a significant improvement in the performance of our energy trading activities. Disregarding major consolidation and currency effects, EBITDA and the operating result rose by 12% and 13%, respectively.

- Germany: The operating result recorded by this division improved by 10% to €4,622 million. The following developments were observed in the Power Generation and Sales/Distribution Networks Business Areas:

  Power Generation: At €3,044 million, the result posted by this business area was in line with expectations. We exceeded the previous year's figure by 13%. The main reason was the lack of the aforementioned exceptional burdens felt 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 significantly, among other things. Furthermore, we were forced to recognise an impairment loss on the fuel rods we could no longer use at Biblis. However, there were also negative effects in the year under review. The average price achieved when selling forward our 2012 electricity generation was below the comparable figure for 2011, whereas the fuel prices we paid and the expense associated with the German nuclear fuel tax were higher. In contrast, we experienced relief in procuring CO_2 emission allowances. Another positive effect was felt from the fact that our new twin-unit lignite-fired power plant at Neurath went online at the beginning of 2012.

  Sales/Distribution Networks: The operating result posted by this business area improved by 5% to €1,578 million. We had forecast this figure to be on a par year on year, but exceeded expectations, particularly in the gas supply business. In addition to the slightly cooler weather, success in acquiring and retaining residential customers played a role. The main success factor in the year under review were 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. We recorded a drop in income from investments, which had benefited from special items in the preceding year.

- Netherlands/Belgium: Essent posted an operating result of €228 million, down 7% on 2011. Earnings did not decline as much as expected, because we realised substantial income from the optimisation of our gas procurement. The fact that earnings were down year on year is due to the difficult situation on the electricity generation market. Cost-cutting measures in the sales business contributed to stabilising earnings.

- United Kingdom: The operating result achieved by RWE npower increased by 34% to €480 million. This confirmed the forecast we published in March 2012. Net of currency effects, the gain amounted to 25% due to the supply business, where we benefited from efficiency enhancements and higher gas sales volumes. However, our electricity margins shrank in the corporate customer segment and the fees for using electricity networks increased. Earnings in the generation business were curtailed as the power plant margins we realised from electricity forward sales for 2012 were smaller than those for 2011. In addition, a year earlier the accounts included non-recurrent income stemming from compensation for damages from a supplier. A positive impact was felt from the commissioning of our new gas-fired power plant at Pembroke in 2012. Tilbury power station, which was converted to run solely on biomass, contributed higher earnings than in 2011, despite the outage caused by a fire.

- Central Eastern and South Eastern Europe: As expected, the operating result recorded by this division declined. It amounted to €1,045 million, down 6% on the previous year's figure. Net of foreign exchange effects, it declined by 4%. In the Czech gas business, the margins achieved by operating distribution networks deteriorated, whereas those associated with sales improved. Our Czech long-distance gas network operator NET4GAS benefited from higher transit revenue, which was contrasted by earnings shortfalls in the domestic transmission business. In Hungary, the operating result recorded by our electricity supply activities was down year on year due to negative volume and price effects, whereas network and generation margins were slightly up. In the Polish electricity business, we posted a gain despite fierce competition in the end-customer market. Here, we benefited from special items resulting from reversals of provisions.

- Renewables: The division's operating result improved slightly to €183 million, in line with the March 2012 forecast. The development of growth projects is still very cost-intensive. This is contrasted by the positive impact of the commissioning of new generation capacity. In the year under review, this was mainly wind turbines. A large contribution was made by the new Greater Gabbard offshore wind farm, in which we hold a 50% stake. Since September 2012, its entire net installed capacity of 504 MW has gone online. However, a negative effect was felt from the absence of the one-off income received from claims for damages in 2011, which were due to delays in the construction of the wind farm. Furthermore, there was a drop in proceeds from the sale of projects.

- Upstream Gas & Oil: As expected, RWE Dea's operating result improved substantially. It totalled €685 million, 23% up on 2011. In addition to the marginal increase in realised oil and gas prices, this was due to the appreciation of the US dollar over the euro. Furthermore, our exploration costs decreased. However, earnings were also affected negatively, in particular by the slight decline in production volume.

- Trading/Gas Midstream: The division closed the year with an operating loss of €598 million, which was much smaller than in the previous year. The result exceeded our expectations. In March 2012, we had anticipated a significant deterioration compared to 2011. However, RWE Supply & Trading made up some ground in the loss-making gas midstream business. Parts of our gas purchases are based on long-term, oil price-indexed contracts, and we have to pay prices for this gas that are sometimes much higher than those realisable when it is sold on the market. However, the proportion of purchases dependant on oil prices has already dropped considerably, as we have agreed on contract adjustments and compensatory payments with nearly all of our gas suppliers, most recently with Statoil in June 2012 and with GasTerra in December 2012. Gazprom is the only supplier with which we have not yet agreed on a solution. However, we expect to do so this year. Irrespective of this, we benefited from the positive outcome of an arbitration proceeding with the Russian gas group relating to our minimum offtake volumes (see page 50). Furthermore, the performance of our energy trading activities improved significantly.

RWE achieved a return on capital employed of 12.0%. In the financial year that just ended, we earned a return on capital employed (ROCE) of 12.0%, which was above the year-earlier figure (10.9%). It clearly surpassed the Group's cost of capital, which was 9.0% before tax. ROCE minus the cost of capital, multiplied by capital employed, equals absolute value added. It is an important criterion for assessing investments and determining our executives' performance-linked payments. In the year being reviewed, value added amounted to €1,589 million, up 24% compared to 2011 (€1,286 million). This is due to the improved operating result. A counteracting effect came from the fact that we raised the Group's cost of capital by 0.5 percentage points compared to 2011 (8.5%). This was in reaction to the reduced share of stable regulated business in our portfolio as a consequence of the deconsolidation of the electricity transmission system operator Amprion. Furthermore, we believe that the risks for certain divisions have risen, not least due to the sovereign debt crisis in the Eurozone. We therefore also re-adjusted the costs of capital for individual segments.

- Germany: The biggest contribution by far, i.e. €2,038 million, to increasing value within the RWE Group came from this division. The main driver was the Power Generation Business Area, the value contribution of which rose by €386 million to €1,823 million due to improved earnings. In the Sales/Distribution Networks Business Area, value added declined by €14 million to €201 million despite the positive earnings trend. This was primarily because capital employed rose and we increased the cost of capital ratio by 0.25 percentage points to 8.25%.

- Netherlands/Belgium: Value added by this division dropped by €55 million to –€252 million. The decline in earnings played a role. However, the main reason was that capital employed rose, partly owing to the progress made in the construction of the Eemshaven hard coal-fired power station. New plants are already classified as capital employed while they are being built but do not yet contribute to earnings.

- United Kingdom: RWE npower almost covered its cost of capital. Thanks to the positive earnings trend, value added improved by €104 million to –€2 million.

- Central Eastern and South Eastern Europe: At €495 million, the division made the second-largest contribution to value added within the RWE Group. However, it was €161 million short of the previous year's level. In addition to the decline in earnings, the build-up of capital employed came to bear. We also increased the capital cost rate for the division by 0.25 percentage points to 8.0%.

- Renewables: Our extensive investment in the expansion of the generation portfolio was the main reason why the division could not yet earn back its cost of capital. Value added amounted to –€254 million. It deteriorated by €39 million compared to 2011 as the accrual of capital employed was not yet reflected in the development of earnings. A positive effect was felt from the fact that we applied a capital cost rate to this division of 8.75%, which is 0.25 percentage points lower than in 2011.

- Upstream Gas & Oil: At RWE Dea, the successful business performance caused value added to increase by €89 million to €294 million. A dampening effect was felt from the significant amount of capital we spent to expand our upstream position, which led to a rise in capital employed.

- Trading/Gas Midstream: The operating loss was reflected in negative value added by RWE Supply & Trading. However, it improved by €251 million to –€879 million compared to the previous year, in which earnings were much lower. Value added was curtailed because we increased the division's capital cost rate by 0.25 percentage points to 10.0%.

Key figures for value management	Operating result 2012	Capital employed 2012[1]	ROCE 2012	Capital costs before taxes 2012	Absolute value added 2012	Capital costs before taxes 2011	Absolute value added 2011
	€ million	€ million	%	%	€ million	%	€ million
Germany	4,622	29,531[2]	15.7	8.75	2,038[2]	8.75	1,631[2]
Power Generation	3,044	12,852	23.7	9.5	1,823	9.5	1,437
Sales/Distribution Networks	1,578	16,696	9.5	8.25	201	8.0	215
Netherlands/Belgium	228	5,332	4.3	9.0	–252	9.0	–197
United Kingdom	480	5,355	9.0	9.0	–2	9.0	–106
Central Eastern and South Eastern Europe	1,045	6,874	15.2	8.0	495	7.75	656
Renewables	183	4,994	3.7	8.75	–254	9.0	–215
Upstream Gas & Oil	685	3,065	22.3	12.75	294	12.75	205
Trading/Gas Midstream	–598	2,812	–21.3	10.0	–879	9.75	–1,130
Other, consolidation	–229	–4,326	-	-	149	-	442
RWE Group	**6,416**	**53,637**	**12.0**	**9.0**	**1,589**	**8.5**	**1,286**

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

The RWE Group's value management

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

The table on page 66 shows the parameters used to calculate the cost of capital. We calculate it as a weighted average cost of equity and debt. The cost of equity corresponds to the expectation of company-specific returns on the capital market when investing in an RWE share. The cost of debt is linked to long-term financing conditions for the RWE Group and allows interest on debt to be classified as tax deductible (tax shield).

Some of the figures we used as a basis for determining the cost of capital for 2012 differ from those of the previous year. The main adjustment is the increase in the beta factor in reaction to higher risks.

We calculate the cost of equity as follows: we use an interest rate for a risk-free investment of 3.8% (previous year: 3.7%) as a basis, plus risk charges specific to the Group and the Group's divisions. The applied beta factor for the year under review is 1.03 (previous year: 0.90). This results in a cost of capital of 8.9% after tax (previous year: 8.2%).

The cost of debt was 5.0% before tax (previous year: 4.9%).

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

In sum, the RWE Group's total cost of capital for 2012 was 9.0% before tax (previous year: 8.5%).

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

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

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

RWE Group – determining capital employed		31 Dec 2012	31 Dec 2011
Intangible assets/property, plant and equipment[1]	€ million	59,314	57,596
+ Investments including loans[2]	€ million	5,433	6,286
+ Inventories	€ million	3,128	3,342
+ Trade accounts receivable	€ million	8,024	7,459
+ Other accounts receivable and other assets[3]	€ million	7,174	9,978
– Non-interest-bearing provisions[4]	€ million	12,021	11,566
– Non-interest-bearing liabilities[5]	€ million	15,474	20,225
– Adjustments[6]	€ million	797	890
Capital employed	€ million	**54,781**	**51,981**

RWE Group – determining value added		2012
Capital employed before adjustments (averaged for the year)	€ million	53,381
+ Adjustments[7]	€ million	256
Capital employed after adjustments (averaged for the year)	€ million	**53,637**
Operating result	€ million	**6,416**
ROCE	%	**12.0**
Relative value added	%	**3.0**
Absolute value added	€ million	**1,589**

1 Intangible assets; property, plant and equipment; and investment property were stated at half of their cost (see the statement of changes in assets); goodwill and the customer base were recognised at carrying amounts. For 2011 and 2012, €808 million in non-productive assets in the German network business were deducted.
2 Investments accounted for using the equity method and other financial assets (excluding non-current securities).
3 Including tax refund claims; excluding the net present value of defined contribution pension benefit obligations as well as derivative financial instruments in the amount of €1,033 million (previous year: €1,204 million).
4 Tax provisions and other provisions; excluding non-current provisions in the amount of €927 million (previous year: €598 million).
5 Trade liabilities, income tax liabilities and other liabilities; excluding derivative financial instruments in the amount of €818 million (previous year: €981 million) and purchase price liabilities of €1,320 million (previous year: €1,593 million) from put options.
6 Essentially, assets capitalised in accordance with IAS 16.15 in the amount of €471 million (previous year: €447 million) are not taken into account since they do not employ capital. Deferred tax liabilities relating to RWE npower's capitalised customer base are also deducted.
7 Corrections to reflect timing differences, primarily due to first-time consolidations or deconsolidations during the year.

Non-operating result € million	2012	2011	+/– € million
Capital gains	487	393	94
Impact of commodity derivatives on earnings	470	–176	646
Restructuring, other	–3,051	–1,374	–1,677
Non-operating result	**–2,094**	**–1,157**	**–937**

Reconciliation to net income: significant one-off burdens due to impairments. The reconciliation from the operating result to net income is characterised by negative special items, in particular the high impairment recognised for our Dutch electricity generation business. Higher interest expenses and interest-driven additions to provisions imposed further burdens. These were contrasted by the positive effects on earnings of commodity derivatives.

The non-operating result deteriorated further, by €937 million to –€2,094 million. Its components developed as follows.

- Capital gains amounted to €487 million, exceeding the high year-earlier level (€393 million). They partly stemmed from the sale of the UK nuclear energy joint venture Horizon and our stakes in the Koblenz-based regional distributor KEVAG and in the concession for the Norwegian 'Edvard Grieg' upstream project. We have provided information on these transactions on page 48 et seq. We realised further income 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.

- The accounting treatment of certain derivatives with which we hedge the prices of commodity forward transactions resulted in a gain of €470 million after having led to a loss of €176 million in the previous 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 burdens stated under 'restructuring, other' were unusually high. Therefore, the corresponding result of –€3,051 million was much weaker than in the prior year (–€1,374 million). The 2012 financial statements include impairment losses totalling €2.3 billion. Of this, €1.7 billion is attributable to our Dutch power plants, the earnings prospects of which deteriorated considerably due to market conditions. Among other things, the significant expansion of German solar power capacity came to bear, which is also forcing conventional power stations out of the market in the Netherlands. Furthermore, we recognised a €139 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. Impairments also had to be recognised at RWE Innogy, which amounted to €215 million and related, to a considerable extent, to biomass projects. Further one-off burdens of about €430 million resulted from the accrual of provisions for old-age part-time arrangements and severance packages, which primarily related to RWE Deutschland, RWE Power and RWE Service. Amortisation on RWE npower's customer base amounted to €113 million compared to €256 million in the previous year. It ended in May 2012.

Financial result € million	2012	2011	+/- € million
Interest income	413	430	–17
Interest expenses	–1,249	–1,063	–186
Net interest	**–836**	**–633**	**–203**
Interest accretion to non-current provisions	–1,208	–869	–339
Other financial result	–48	–131	83
Financial result	**–2,092**	**–1,633**	**–459**

At –€2,092 million, the financial result was also weaker than in the prior year. Its components changed as follows.

- Net interest decreased by €203 million to –€836 million. Our borrowing cost was higher than in 2011. This is in part due to a rise in average financial liabilities. Furthermore, the year-earlier figure included a positive special item resulting from the release of provisions. This was due to the fact that the requirement for German nuclear power plant operators to make non interest-bearing advance payments into the Climate and Energy Fund ceased to exist due to the accelerated nuclear phase-out (see page 43 of the 2011 Annual Report).
- The interest accretion to non-current provisions grew by €339 million to €1,208 million, mainly due to adjustments to 'other non-current provisions' caused by a reduction in discount rates. The new rates reflect the decline in market interest rates.
- The 'other financial result' improved by €83 million to –€48 million, above all due to a rise in income from the sale of securities and the positive impact of the fair valuation of financial transactions.

Reconciliation to net income		2012	2011	+/– %
Operating result	€ million	6,416	5,814	10.4
Non-operating result	€ million	–2,094	–1,157	–81.0
Financial result	€ million	–2,092	–1,633	–28.1
Income before tax	€ million	**2,230**	**3,024**	**–26.3**
Taxes on income	€ million	–526	–854	38.4
Income	€ million	**1,704**	**2,170**	**–21.5**
Minority interest	€ million	302	305	–1.0
RWE AG hybrid investors' interest	€ million	96	59	62.7
Net income/RWE AG shareholders' share in net income	€ million	**1,306**	**1,806**	**–27.7**
Recurrent net income	€ million	**2,457**	**2,479**	**–0.9**
Earnings per share	€	2.13	3.35	–36.4
Recurrent net income per share	€	4.00	4.60	–13.0
Number of shares outstanding (average)	millions	614.5	539.0	14.0
Effective tax rate	%	24	28	-

Income before tax dropped by 26% to €2,230 million. The effective tax rate was 24%, down 4 percentage points on the prior year's figure, mainly due to tax-free capital gains and special items relating to deferred taxes. Income after tax declined by 21% to €1,704 million.

The minority interest amounted to €302 million, which was roughly on a par with 2011. Earnings attributable to hybrid investors amounted to €96 million. This sum corresponds to the finance costs after tax. However, only the hybrid bonds classified as equity pursuant to IFRS are considered here. These are the issuances of €1,750 million from September 2010 and of £750 million from March 2012. The latter was the main reason why the share in earnings attributable to hybrid investors rose by €37 million compared to 2011.

Net income achieved by the RWE Group totalled €1,306 million, down 28% year on year. Per share, it amounted to €2.13, recording a decline of 36%. This was more significant because the number of RWE shares outstanding increased, averaging 614.5 million for the year, compared to 539.0 million in 2011. The reason for this is that we conducted a capital increase in December 2011 (see page 46 of the 2011 Annual Report).

Recurrent net income essentially unchanged. The yardstick for determining the dividend is recurrent net income, which is adjusted for exceptional items. It 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 year under review, we generated €2,457 million in recurrent net income. As expected, this was in the order of the previous year's level. Given the dividend of €2 per share proposed by the Executive Board and the Supervisory Board of RWE AG, the payout ratio for the 2012 financial year will be 50%.

€1.5 billion efficiency-enhancement programme: finish line crossed. By the end of fiscal 2012, we had successfully completed the programme for improving efficiency we began in 2007. By taking measures to reduce costs and increase revenue, we wanted to make a recurrent annual contribution of €1.5 billion to the operating result compared to 2006, the baseline year. The programme was expected to achieve its full effect on earnings starting in 2012. This goal was achieved. One of the aims of the programme was to enhance the performance of our German electricity and gas network business, which limited the impact on our earnings from tariff cuts mandated by the network regulator. Further savings were achieved through improvements in IT services and purchasing as well as the pooling of back-office functions. In the meantime, we have launched a new programme which ties in with the former one. It is designed to achieve an additional recurrent effect on earnings of €1 billion by 2014. In 2012, we already improved earnings by €200 million through the new programme.

Capital expenditure on property, plant and equipment and on intangible assets € million	2012	2011	+/– € million
Germany	1,868	2,374	–506
Power Generation	964	1,168	–204
Sales/Distribution Networks	904	1,206	–302
Netherlands/Belgium	613	971	–358
United Kingdom	190	416	–226
Central Eastern and South Eastern Europe	667	852	–185
Renewables	999	825	174
Upstream Gas & Oil	684	701	–17
Trading/Gas Midstream	4	20	–16
Other, consolidation	56	194	–138
RWE Group	**5,081**	**6,353**	**–1,272**

Capital expenditure on financial assets € million	2012	2011	+/– € million
Germany	255	19	236
Power Generation	-	-	-
Sales/Distribution Networks	255	19	236
Netherlands/Belgium	3	431	–428
United Kingdom	72	184	–112
Central Eastern and South Eastern Europe	1	6	–5
Renewables	94	66	28
Upstream Gas & Oil	-	-	-
Trading/Gas Midstream	38	6	32
Other, consolidation	-	7	–7
RWE Group	**463**	**719**	**–256**

Capital expenditure down 22%. In the year being reviewed, capital spending amounted to €5,544 million. This was 22% less than the level recorded in 2011 (€7,072 million). Our capital expenditure on property, plant and equipment and intangible assets fell significantly short of the record levels achieved in the two preceding years (€6.4 billion each), totalling €5,081 million. A substantial portion of these funds was spent on building new generation capacity. Another focus for investment was the expansion and modernisation of our network infrastructure. We spent €463 million on financial assets, which was also less than in 2011 (€719 million).

- Germany: Capital expenditure by this division amounted to €2,123 million, 11% less than in the preceding year. Its business areas displayed the following development:

  Power Generation: The German generation business spent €964 million in capital, 17% less than the year-earlier level. All of it was dedicated to property, plant and equipment and intangible assets. The largest project was the construction of a 1,528 MW twin-unit hard coal facility in Hamm. The facility is expected to begin producing electricity commercially from both units in the spring of 2014. We have set aside €2.4 billion for this project. In addition, in 2012, we completed the construction of the new lignite-fired power plant at Neurath near Cologne. Both of its units, which have a combined net installed capacity of 2,100 MW, began a trial run at the beginning of 2012 and entered commercial operation in July and August, respectively. We spent a total of €2.6 billion on the power station.

  Sales/Distribution Networks: We invested €1,159 million in this business area, 5% less than in 2011. Capital expenditure on financial assets rose considerably: it amounted to €255 million, primarily due to the increase in our stake in the Austrian energy utility KELAG. In the preceding year (€19 million) we did not conclude any transactions of this size. In contrast, capital spending on property, plant and equipment and intangible assets decreased by 25% to €904 million. It was mainly allocated to the expansion and modernisation of networks, in order to improve the integration of renewables into the supply infrastructure among other things. We also invested in new gas storage capacity.

- Netherlands/Belgium: Capital expenditure in this division more than halved to €616 million. Spending on financial assets, which was unusually high in 2011 due to the acquisition of Energy Resources Holding B.V. (€431 million), was essentially immaterial in 2012, amounting to €3 million. Capital expenditure on property, plant and equipment also dropped, falling by 37% to €613 million. This was largely because we completed our two gas-fired power stations, Claus C and Moerdijk 2, at the beginning of 2012. We spent €1.1 billion and €0.4 billion on these plants. Essent’s largest ongoing project is the 1,560 MW dual-block hard coal power plant at Eemshaven, which is scheduled to go online in 2014. Capital spending on the station is expected to amount to €2.9 billion.

- United Kingdom: RWE npower invested €262 million, 56% less than in 2011. Capital expenditure on property, plant and equipment and intangible assets decreased by 54% to €190 million, mainly because RWE npower completed its largest project, the Pembroke gas-fired power station. We spent €1.2 billion on the facility, which has a net installed capacity of 2,188 MW. In addition, we invested in a new customer billing system. Capital spending on financial assets amounted to €72 million, much less than in the preceding year (€184 million). Nearly all of these funds were used to acquire land through the Horizon nuclear power joint venture, which has since been sold.

- Central Eastern and South Eastern Europe: At €668 million, capital spent by this division was down 22% on the previous year. It was almost exclusively used on property, plant and equipment and intangible assets. The focus continues to be on measures to improve electricity and gas network infrastructure. For instance, we built a new gas transit pipeline in the west of the Czech Republic, which has been in operation since the beginning of 2013. Furthermore, we continued work on the 775 MW gas-fired power station near the Turkish town of Denizli, which is scheduled to go online in the middle of 2013. According to our estimates, this investment will total €0.5 billion.

- Renewables: RWE Innogy increased capital expenditure by 23% to €1,093 million, with €999 million going to property, plant and equipment and intangible assets, up 21% on 2011. The main focus was building new wind power capacity. Our largest project is the Gwynt y Môr wind farm off the coast of North Wales. It will have a total installed capacity of 576 MW, of which we own 60%. In the year under review, we began laying the foundations. The first of a total of 160 turbines are scheduled to be built by the middle of 2013. We plan to put all of the capacity of Gwynt y Môr on the system in September 2014. The capital spending budget for this project is €2.5 billion, of which about €1.5 billion is being contributed by RWE. The capex budget for the Nordsee Ost wind farm near the German Isle of Heligoland, which has a total net installed capacity of 295 MW, amounts to approximately €1.1 billion. RWE is the sole investor. Work on the foundations began in the autumn of 2012. Due to delays in grid connection, we will probably not start erecting the turbines until next year. This work should be completed by the end of 2014. A third large-scale project, the 504 MW Greater Gabbard wind farm off the UK North Sea coast, has been completed. All 140 turbines have been running commercially since September 2012. We hold a 50% stake in the wind farm. We financed it through loans granted to the Greater Gabbard Offshore Winds Limited joint venture, which are not classified as capital expenditure. In the year being reviewed, we increased the loans by €67 million (previous year: €120 million). We also continued to expand our onshore wind power portfolio, especially in the United Kingdom and Poland. Our largest biomass project is a combined heat and power plant in the Scottish town of Markinch, which has a net electric capacity of 46 MW and should take up production this year. Furthermore, we are building a 19 MW biomass facility at Enna, Sicily. This project is also scheduled to be completed this year. Capital expenditure on financial assets at RWE Innogy amounted to €94 million (prior year: €66 million). These funds were used to acquire the 30 MW Taciewo and 14 MW Krzecin onshore wind farms in Poland, among other things.

- Upstream Gas & Oil: Capital expenditure at RWE Dea amounted to €684 million, just under the preceding year's level. All of it was allocated to property, plant and equipment and intangible assets. A large portion of the capital spent in the year being reviewed went to the development of the new Breagh, Devenick and Clipper South gas fields in the UK North Sea, where we set up a number of production wells. In addition to this, the Breagh project included the expansion of the gas processing plant at Teesside: we experienced some delays to this project, as a consequence of which gas production will not begin until 2013. We also made progress in the development of fields in our Egyptian concession Disouq. Furthermore, successful exploration wells contributed to the high level of investment in 2012. This primarily related to our Norwegian fields. Moreover, we also spent capital on measures to maintain production.

- Trading / Gas Midstream: RWE Supply & Trading spent €42 million in capital, which was 62 % more than in the preceding year. Whereas capital expenditure on property, plant and equipment and intangible assets was nearly immaterial, on financial assets, it rose by €32 million to €38 million. Among other things, it related to the Nabucco gas pipeline project and our liquefied natural gas (LNG) business.

We have stated €56 million in capital spending under 'other, consolidation' for 2012, all of which related to property, plant and equipment and intangible assets. The previous year's figure was much higher (€201 million), as it still contained capital expenditure by the electricity transmission system operator Amprion, which was deconsolidated in September 2011. In the year under review, funds were largely used to improve our IT infrastructure.

Workforce[1]	31 Dec 2012	31 Dec 2011	+/– %
Germany	34,304	35,769	–4.1
Power Generation	14,794	15,371	–3.8
Sales/Distribution Networks	19,510	20,398	–4.4
Netherlands/Belgium	3,600	3,794	–5.1
United Kingdom	11,861	12,053	–1.6
Central Eastern and South Eastern Europe	10,945	11,328	–3.4
Renewables	1,573	1,493	5.4
Upstream Gas & Oil	1,375	1,362	1.0
Trading/Gas Midstream	1,457	1,562	–6.7
Other[2]	5,093	4,707	8.2
RWE Group	**70,208**	**72,068**	**–2.6**

1 Converted to full-time positions.
2 Of which 2,624 at RWE IT (end of 2011: 2,417) and 1,692 at RWE Service (end of 2011: 1,557).

Headcount 3 % down year on year. As of 31 December 2012, the RWE Group had 70,208 employees. Part-time positions were included in these figures on a pro-rata basis. The workforce decreased by 1,860 employees, or 3 %, compared to 2011. Two-thirds of the decline resulted from operational staff cuts, while one-third was due to the sale of our majority stake in the Koblenz-based regional utility KEVAG. The number of people working at our German sites dropped by 1,360 to 40,272. As in previous years, we trained far more people than required to cover our own needs. By the end of 2012, more than 2,800 young adults were in a professional training programme at RWE. Staff figures do not include trainees.

Cost reductions and efficiency improvements in Group purchasing. RWE Service, our internal service provider, is responsible for purchasing goods and services for Group companies. This does not include the procurement of electricity, commodities, or power plant components needed for new-build projects. RWE Service complies with the principles of best practice and uses purchasing systems that have been standardised throughout the Group. In recent years, we cut costs substantially by pooling and optimising procurement. Fiscal 2012 was also a successful year in this respect. By pursuing internationally coordinated purchasing strategies, we leveraged synergies, particularly with regard to power plant-specific materials and services. We saved further costs by making use of global framework agreements, for example for IT and general consumables.

The groupwide introduction of a standard for mail-order purchases helped us to reduce administrative and process costs. Furthermore, we started monitoring our suppliers more closely to ensure that their business practices comply with international environmental and social standards, mainly focusing on occupational safety.

Raw materials are sourced by our generation companies either directly on the market, or via RWE Supply & Trading. In 2012, the amount of hard coal procured to generate electricity totalled 18.1 million metric tons of hard coal unit (HCU), compared to 15.0 million metric tons in the previous year. The increase is a result of the improved utilisation of our hard coal-fired power stations. The figures include coal for plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the financial year that just came to a close, RWE Power sourced 11.6 million metric tons of HCU (previous year: 11.0 million metric tons). RWE npower purchased 4.1 million metric tons of HCU (2.4 million metric tons), and Essent procured 2.4 million metric tons of HCU (1.6 million metric tons). We cover a large portion of our needs with imports from Colombia, the USA and Russia. RWE Power and RWE npower also buy limited amounts of domestically produced hard coal. Most of the biomass used at Amer (Netherlands) and Tilbury (United Kingdom) is imported from North America, where we produce some of it ourselves in our wood pellet factory in Georgia.

RWE sources lignite from proprietary opencast mines. In the Rhineland, our main mining region, we produced more than 101.7 million metric tons of lignite in the year under review (prior year: 95.6 million metric tons). Our power plants used 89.7 million metric tons to generate electricity, and we used 12.0 million metric tons to manufacture refined products.

The Group's gas purchasing is pooled in the Trading/Gas Midstream Division. In 2012, our procurement volume amounted to 38 billion cubic metres. Roughly half of this was sourced on the basis of long-term take-or-pay contracts, largely with companies in Norway, Russia, the Netherlands and Germany. We bought the other half of the gas on European wholesale markets, via short-term contracts with external suppliers and - to a small extent - from RWE Dea.

1.7 FINANCIAL POSITION AND NET WORTH

In fiscal 2012, we took comprehensive measures to strengthen our financial power. In addition to divestments and efficiency enhancements, our programme to raise hybrid capital was a priority. By the middle of the year, we had already achieved the target volume of €2 billion. However, our net debt increased further, as the development of interest rates on the capital market required us to increase our provisions for pensions. Furthermore, we did not have enough cash flows from operating activities to finance our capital expenditure and our dividend payment. However, the ratio of net debt to EBITDA remained at 3.5. We continue to aim for an upper limit of 3.0 in order to safeguard our strong creditworthiness.

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

Flexible tools available for raising debt capital. We primarily meet our financing needs with the high and stable cash flows from our operating activities. In addition, we have access to a number of flexible financing instruments. One of our major tools is the Debt Issuance Programme (DIP) for long-term refinancing on the capital market. We can issue a total of €30 billion in bonds through the DIP. Furthermore, a commercial paper programme gives us a maximum of US$5 billion in headroom for short-term financing on the money market. A €4.0 billion syndicated credit line with a tenor expiring in November 2017 serves as an additional liquidity reserve. We have not used it so far.

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

RWE successfully concludes hybrid capital programme. By the middle of 2012, we had fully implemented our programme for raising hybrid capital. It had a target volume of €2 billion and was launched the year before. Our first issuance under the programme took place at the end of October 2011. It had a nominal value of CHF 250 million. The following issuances were conducted in 2012:

- In the middle of March, we issued a £750 million hybrid bond with a coupon of 7.0%. The issue rate was 99.3%. The bond has a theoretically perpetual tenor. However, RWE has the right to call the bond for the first time after seven years. The issuance was primarily intended for institutional investors in the United Kingdom.

- This was followed at the end of March by a US$500 million hybrid bond, also with a coupon of 7.0%. The issue rate was 100%. The bond is redeemable in October 2072. It can be called by RWE for the first time in 2017. The issuance targeted investors in Asia.

- At the end of June, we topped up the aforementioned bond by US$500 million. Again, the issuance was primarily intended for Asian investors. The new papers' issue rate was 101.6%.

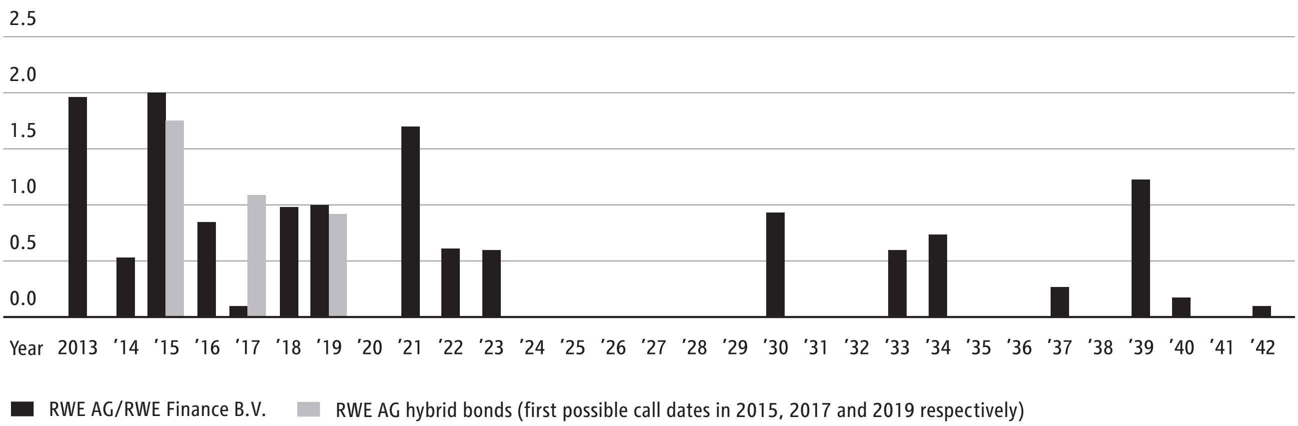
- Also at the end of June, we placed a CHF 150 million hybrid bond with a coupon of 5.0% and an issue rate of 100%. It has a tenor of 60 years, and RWE can call it for the first time in 2017. The issuance targeted private investors domiciled in Switzerland as well as institutional investors.

RWE issued a total of an equivalent of €3.75 billion in hybrid bonds. Our €1,750 million issuance in September 2010 was the first time we made use of this financing instrument.

Hybrid bonds are a mix of equity and debt financing. We only recognise them in our net debt on a 50% basis. This is in line with the procedure followed by the rating agencies. In contrast, International Financial Reporting Standards (IFRS) apply different rules, according to which hybrid bonds are fully classified as equity or debt. The determining factors are the conditions established at the time of the issuance. Due to their theoretically perpetual tenors, our €1,750 million and £750 million bonds are fully classified as equity in the IFRS balance sheet, whereas our other hybrid bonds are fully recognised as debt.

Maturity profile of the RWE Group's capital market debt (as of 31 Dec 2012)

Maturity in € billion (total: €18.1 billion)



RWE issues sterling bond and conducts two private placements. Besides refinancing through hybrid capital, RWE also issued senior debt. In January 2012, we conducted an issuance with a volume of £600 million. The paper has a tenor of 22 years and a coupon of 4.75%. The issue rate was 99.82%. The issuance met with keen interest among investors and was considerably oversubscribed. Furthermore, there were two private placements last year, one in October with a volume of €270 million, and the other in November in the amount of €100 million. The tenors are 25 and 30 years, respectively.

The RWE Group's capital market debt as of 31 Dec 2012 by maturity[1]		2013–2017	2018–2021	2022–2026	from 2027
Nominal volume	€ billion	6.5	3.7	1.2	4.0
Relative share of total volume of capital market debt	%	42	24	8	26

1 Excluding the €1,750 million and £750 million hybrid bonds, which have a theoretically perpetual tenor.

€18.1 billion in bonds outstanding at the end of 2012. Last year, in total we issued an equivalent of €2.9 billion in bonds. €1.8 billion in bonds were due for repayment. The total volume of our bonds outstanding thus increased to €18.1 billion (including hybrid bonds). Changes in foreign exchange rates also played a role. Our bonds are denominated in euros, sterling, Swiss francs, US dollars and yen. We concluded hedges to manage our currency exposure. Taking such transactions into account, at the balance sheet date, our debt broke down into 64% in euros and 36% in sterling. This means that we did not have any currency exposure from capital market debt in US dollars, Swiss francs or yen. Our bonds' initial tenors range from three to 30 years. Their weighted average remaining term to maturity at the end of 2012 was 9.2 years. The hybrid bonds are not included in this figure. An equivalent of €1,961 million and €530 million in bonds are due for repayment in 2013 and 2014, respectively.

Further issuances after the close of the fiscal year. At the beginning of 2013, we took advantage of the unusually favourable refinancing conditions on the capital market to issue additional senior debt. In January, we conducted an issuance with a volume of €750 million. The paper has a tenor of seven years and a coupon of 1.875%. The issue rate was 99.38%. This was followed at the beginning of February by a private placement of €150 million with a tenor of 30 years. Furthermore, the private placement with a tenor of 25 years issued in October 2012 was topped up by €105 million.

High redemption of commercial paper. In the past financial year, we issued a total of €3.4 billion within the scope of our Commercial Paper Programme. During the same period of time, we redeemed a total of €5.8 billion. This caused the volume of commercial paper outstanding to drop by €2.4 billion to €1.0 billion.

Net debt € million	31 Dec 2012	31 Dec 2011	+/– %
Cash and cash equivalents	2,672	2,009	33.0
Marketable securities	3,047	5,353	−43.1
Other financial assets	1,892	2,322	−18.5
Financial assets	**7,611**	**9,684**	**−21.4**
Bonds, other notes payable, bank debt, commercial paper	17,748	19,959	−11.1
Other financial liabilities	2,198	1,964	11.9
Financial liabilities	**19,946**	**21,923**	**−9.0**
Net financial debt	**12,335**	**12,239**	**0.8**
Provisions for pensions and similar obligations	6,856	3,846	78.3
Surplus of plan assets over benefit obligations	36	60	−40.0
Provisions for nuclear waste management	10,201	10,366	−1.6
Mining provisions	2,874	2,780	3.4
Adjustment for hybrid capital (portion of relevance to the rating)	785	777	1.0
of which recognised in equity in accordance with IRFS	1,351	880	53.5
of which recognised in debt in accordance with IFRS	−566	−103	−449.5
Net debt of the RWE Group	**33,015**	**29,948**	**10.2**

Net debt rises by €3.1 billion. By the end of the year under review, our net debt totalled €33.0 billion, up €3.1 billion compared to 2011. Provisions for pensions rose by about the same amount. This was mainly due to a market-driven reduction in discount rates. Our capital expenditure (€5.5 billion) and RWE AG's dividend payment (€1.2 billion) also contributed to the increase in liabilities. Cash flows from operating activities of €4.4 billion had a counteracting effect. The sale of investments and non-current assets also reduced our debt. The same applies to the hybrid capital raised, only half of which we consider in determining net debt.

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

Moody's confirms RWE rating, Standard & Poor's downgrades rating. Assessments of creditworthiness made by independent rating agencies have a substantial influence on a company's options to raise debt capital. Generally, the better the rating, the easier it is to gain access to international capital markets and the better the conditions for debt financing. Therefore, we benefit from the fact that the two leading rating agencies, Standard & Poor's and Moody's, have given RWE high credit ratings. However, in light of the difficult framework conditions in the European energy sector, Standard & Poor's lowered our long-term rating from A– to BBB+ in July 2012. The outlook was raised from 'negative' to 'stable.' In contrast, Moody's maintained its A3 rating for RWE, still with a negative outlook. Standard & Poor's downgrade did not have a material impact on our financing costs. Irrespective of the rating decisions, we are working on strengthening our financial power over the long term. The tools we have to achieve this goal are disposals, reductions in capital expenditure and efficiency enhancements.

Leverage factor remains at 3.5. We manage our debt based on performance indicators, among other things. One of the key figures is the ratio of net debt to EBITDA, which is referred to as the 'leverage factor.' This key performance indicator is of more informational value than total liabilities as it reflects the company's earnings power and, in turn, its ability to service the debt. To safeguard our financial flexibility, we set ourselves the goal to orientate our leverage factor towards an upper limit of 3.0. However, the leverage factor for 2011 and 2012 was 3.5, exceeding this mark. Over the medium term, we intend to return it to a maximum of 3.0.

Cost of debt rises marginally. Our cost of debt was 5.1%, slightly higher than a year before (4.9%). It was calculated for the RWE Group's average debt outstanding such as bonds, commercial paper and bank loans. The cost of debt considers interest-rate swaps concluded with banks, through which we convert fixed interest obligations into flexible ones. In contrast, the €1,750 million and £750 million hybrid bonds classified as equity pursuant to IFRS were not considered.

Cash flow statement € million	2012	2011	+/– € million
Cash flows from operating activities	4,395	5,510	–1,115
of which: changes in working capital	–1,051	–436	–615
Cash flows from investing activities	–1,285	–7,766	6,481
Cash flows from financing activities	–2,463	1,742	–4,205
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	16	–12	28
Total net changes in cash and cash equivalents	**663**	**–526**	**1,189**
Cash flows from operating activities	4,395	5,510	–1,115
Minus capital expenditure on property, plant and equipment and on intangible assets	–5,081	–6,353	1,272
Free cash flow	**–686**	**–843**	**157**

Cash flows from operating activities influenced by negative exceptional items. At €4,395 million, our cash flows from operating activities were €1,115 million, or 20 %, down on the figure recorded in the preceding year. They did not, therefore, reflect the positive earnings trend. One of the reasons is that changes in the fair values of certain commodity derivatives produced income without resulting in cash inflows yet, because the contracts are not realised until later. Additional negative effects were reflected in the change in working capital. They were partially caused by the fact that payments in connection with purchases and sales by RWE Supply & Trading generally fluctuate substantially over the course of the year. Furthermore, a positive exceptional effect relating to Amprion a year earlier did not recur: the liquidity of the electricity transmission system operator, which has subsequently been deconsolidated, experienced a strong temporary improvement in 2011 because the levy under the German Renewable Energy Act had been increased significantly.

Cash outflows from investing activities amounted to €1,285 million, which was much less than what we spent on property, plant and equipment as well as on intangible and financial assets. This is due to high proceeds from the sale of investments, assets and securities, which must be offset against capital expenditure. We used these funds to redeem commercial paper. This is one of the reasons why financing activities led to a cash outflow of €2,463 million. Another contributing factor was the €1,229 million dividend payment.

On balance, the aforementioned cash flows increased our cash and cash equivalents by €663 million.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, result in free cash flow, which at –€686 million was negative, but improved on the previous year's level (–€843 million).

Balance sheet structure: slight rise in the equity ratio. The balance sheet total reported in the 2012 financial statements amounts to €88.2 billion. This was €4.5 billion less than at the end of 2011. On the assets side, derivative positions declined by €2.8 billion and current securities by €2.4 billion. This was contrasted by a rise in property, plant and equipment of €1.2 billion. On the equity and liabilities side, derivative positions and liabilities were down €4.0 billion and €3.1 billion, respectively, whereas provisions were up €3.7 billion. The RWE Group's equity declined by €0.6 billion. It accounted for 18.6% of the balance sheet total (equity ratio), rising by 0.2 percentage points compared to 2011.

Balance sheet structure	31 Dec 2012		31 Dec 2011	
	€ million	%	€ million	%
Assets				
Non-current assets	63,362	71.8	63,539	68.6
Intangible assets	16,017	18.2	16,946	18.3
Property, plant and equipment	36,006	40.8	34,847	37.6
Current assets	24,840	28.2	29,117	31.4
Receivables and other assets[1]	16,436	18.6	18,771	20.3
Total	**88,202**	**100.0**	**92,656**	**100.0**
Equity and liabilities				
Equity	16,437	18.6	17,082	18.4
Non-current liabilities	47,521	53.9	44,391	47.9
Provisions	28,067	31.8	23,829	25.7
Financial liabilities	15,417	17.5	15,428	16.7
Current liabilities	24,244	27.5	31,183	33.7
Other liabilities[2]	14,904	16.9	19,361	20.9
Total	**88,202**	**100.0**	**92,656**	**100.0**

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

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

As the management holding company of the RWE Group, RWE AG handles central management tasks and procures the funds for the subsidiaries' business operations. Its assets and income largely depend on the economic success of the Group companies. In 2012, we benefited from the absence of the exceptional burdens felt in the preceding year. This related to RWE Power and RWE Supply & Trading. However, the exceptional income resulting from the capitalisation of deferred taxes in 2011 did not recur. Both effects had a significant impact on net profit, which decreased by 12%.

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

Balance sheet of RWE AG (abridged) € million	31 Dec 2012	31 Dec 2011
Non-current assets		
Financial assets	42,440	39,246
Current assets		
Accounts receivable from affiliated companies	9,039	7,719
Other accounts receivable and other assets	587	214
Marketable securities and cash and cash equivalents	1,755	3,054
Deferred tax assets	2,221	2,761
Total assets	**56,042**	**52,994**
Equity	10,058	9,925
Provisions	5,037	4,509
Accounts payable to affiliated companies	33,439	30,902
Other liabilities	7,508	7,658
Total equity and liabilities	**56,042**	**52,994**

Income statement of RWE AG (abridged) € million	2012	2011
Net income from financial assets	3,259	–353
Net interest	–1,219	–1,419
Other income and expenses	–52	510
Profit from ordinary activities	**1,988**	**–1,262**
Extraordinary income and expenses	-	29
Taxes on income	–635	2,771
Net profit	**1,353**	**1,538**
Retained earnings	1	-
Allocation to retained earnings	–125	–308
Distributable profit	**1,229**	**1,230**

Assets. RWE AG had €56.0 billion in total assets as of 31 December 2012, up €3.0 billion compared to 2011. Loans to subsidiaries rose considerably, partly due to the assumption of loans granted within the Group by another RWE company. Cash investments made by subsidiaries through the holding company also rose, causing the accounts payable by RWE AG to increase. Marketable securities and cash and cash equivalents declined over the course of the past financial year. As of 31 December 2012, the equity ratio was 17.9%, compared to 18.7% in the preceding year.

Financial position. The Group's financing is a corporate task handled by RWE AG, which obtains funds from banks or on the money or capital markets. When issuing bonds, it usually uses the services of its subsidiary RWE Finance B.V., which conducts issuances backed by RWE AG. A detailed presentation of the financial position and financing activity in the year under review has been made on page 74 et seqq.

Earnings position. RWE AG achieved a profit from ordinary activities of €1,988 million compared to –€1,262 million in the prior year. The significant increase is mainly due to the recovery of net income from financial assets after it had been unusually low in 2011, owing to substantial burdens felt by RWE Power and RWE Supply & Trading. Higher dividends from foreign subsidiaries also had a positive impact, whereas the assumption of losses due to the impairment of investments had a counteracting effect. RWE AG's net interest also improved, albeit only marginally. This was contrasted by a decline in 'other income and expenses,' which in 2011 was affected by the positive impact of the sale of a majority stake in the electricity transmission system operator Amprion.

Despite the significant improvement in the profit from ordinary activities, the net profit of RWE AG dropped by 12% to €1,353 million. This was mainly due to the significant one-off income which we generated in 2011 through the first-time capitalisation of deferred taxes. In contrast, in the year being reviewed, the release of deferred taxes resulted in an expense. This is partly because deferred taxes, which are capitalised when accruing provisions that are not tax-deductible, must be released when the provisions are used.

Appropriation of distributable profit. The Supervisory Board and the Executive Board of RWE AG will propose to the Annual General Meeting on 18 April 2013 that a dividend of €2 per share be paid for fiscal 2012. Relative to the Group's recurrent net income, this equates to a payout ratio of 50%.

Corporate Governance Declaration in accordance with Sec. 289a of the German Commercial Code. On 15 February 2013, the Executive Board of RWE AG issued a corporate governance statement in accordance with Sec. 289a of the German Commercial Code and published it on the internet at **www.rwe.com/corporate-governance-declaration-sec-289a-HGB**.

1.9 DISCLOSURE RELATING TO GERMAN TAKEOVER LAW

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

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

Shares in capital accounting for more than 10% of the voting rights. As of 31 December 2012, one holding in RWE AG exceeded 10% of the voting rights. It is held by RW Energie-Beteiligungsgesellschaft mbH & Co. KG, which is headquartered in Dortmund. In compliance with Sec. 21, Para. 1 of the German Securities Trading Act, on 21 December 2007, the company informed us that it held 16.089% of RWE AG's voting stock at the time.

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

Executive Board authorisation for the issuance of option and convertible bonds. Pursuant to the resolution passed by the Annual General Meeting on 22 April 2009, the Executive Board is authorised to issue option or convertible bonds until 21 April 2014. The bonds' combined nominal value is limited to €6 billion. The shareholders' subscription rights can be excluded if the bonds are issued at a price in line with the market. In addition, new shares for which subscription rights have been waived may not account for more than 10% of the share capital when the authorisation enters into force or - if the share capital is lower - when the authorisation is exercised. The 10% limit is calculated taking into account other cash capital measures under exclusion of subscription rights, such as the cash capital increase from authorised capital conducted in December 2011 (see page 83). The Executive Board may also exclude the shareholders' subscription rights in order to prevent the number of shares allocated from the subscription resulting in fractional amounts (fractions of shares). Furthermore, the subscription rights of holders of convertible or option bonds already issued may be excluded. They may be granted subscription rights commensurate to the rights to which they would be entitled as shareholders on conversion of the bond or on exercise of the option. Pursuant to Art. 4, Paras. 3a and 3b of the Articles of Incorporation, €143,975,680 in conditional capital, divided among 56,240,500 common shares in the name of the bearer, may be used to exercise conversion or option rights.

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

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

Effects of a change of control on debt financing. Our debt financing instruments often contain clauses that take effect in the event of a change of control. This also applies to our bonds. The following rule applies to non-subordinated paper: in the event of a change of control in conjunction with a drop in RWE AG's credit rating below investment-grade status, creditors may demand immediate redemption. RWE has the right to cancel its subordinated hybrid bonds within the defined change of control period. If the hybrid bonds are not redeemed and RWE's credit rating falls below investment-grade status within the change of control period, the annual compensation payable on the hybrid bonds increases by 500 basis points.

RWE AG's €4 billion syndicated credit line also has a change of control clause including the following main provisions: in the event of a change of control or majority at RWE, further drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. Should we fail to reach an agreement with the majority of them within 30 days from such a change of control, the lenders may cancel the line of credit. A €645 million loan we were granted by the European Investment Bank (EIB) in October 2011 has a similar provision. It is also subject to a 30-day time limit during which the continuation of the loan is negotiated. If the talks fail, the EIB has the right to cancel the loan.

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

Furthermore, in the event of a change of control, retained Executive Board bonuses are prematurely valued and possibly paid. This is done on the basis of the average bonus malus factor of the three preceding years. This is what determines whether retained bonuses are paid out and the amount of the payout. Detailed information on this topic can be found on page 111.

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

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

1.10 INNOVATION

Efficient, climate friendly and reliable: these are the desired attributes of the energy supply of the future. We are currently conducting about 200 research and development projects, which will take us a step closer to this future. In addition to developing new technologies, the task at hand is also to improve existing processes. Many of our measures aim to contribute to the success of the transformation of the energy sector in Germany, our home market. Furthermore, we continue to work on efficient solutions for reducing the carbon emissions of fossil fuelled-fired power stations.

Research and development contribute to the success of Germany's energy market transformation. Modern society needs an environmentally friendly, reliable and affordable energy supply in order for it to work and ensure the prosperity of its population. With their decision to transform the energy market, German policymakers have embarked on an ambitious path. The main challenge is the successful integration of renewable energy into the supply infrastructure. Due to the rapid rise in the number of wind turbines and photovoltaic units, electricity on the system is increasingly distributed and influenced by weather conditions. This causes the demands placed on the operation of electricity generation facilities and networks to rise, requiring multi-billion euro investments as well as technological innovations. Our research and development (R&D) activities are designed to make a contribution to the success of the German energy market transformation. We are also concerning ourselves intensively with technologies for reducing the CO_2 emissions of our power stations.

Our R&D work covers all stages of the value chain in the energy sector, from the extraction of raw materials, electricity generation, network operation and storage through to energy use. In a number of projects we co-operate with external partners from the plant engineering and chemical sectors as well as research institutions, meaning the financial expenditure for our projects clearly exceed RWE's R&D costs. In 2012, these costs amounted to €150 million, compared to €146 million a year earlier. A total of 450 of our employees were solely or partially dedicated to R&D activities.

In the financial year that just came to a close, we worked on about 200 R&D projects, with an estimated average duration of four years. We have already commented on some of our most important projects in our previous annual reports. The following is a selection of major current undertakings.

Research and development		2012	2011	2010	2009	2008
R&D costs	€ million	150	146	149	110	105
R&D employees		450	410	360	350	330

Climate protection still a focus, progress in CO_2 scrubbing. Over the past decades, we have continuously improved the efficiency of our power plants by making use of new technologies and methods, while, at the same time, reducing carbon dioxide emissions. The generation of electricity from coal in particular is a source of substantial emissions. Therefore, for several years, we have been working on ways to prevent carbon dioxide from being released into the atmosphere. This involves isolating and then capturing the gas. In a subsequent step, it can be stored or used as a commodity.

One promising approach to capturing carbon dioxide is known as CO_2 scrubbing. This technique binds most of the carbon dioxide within a chemical solution and then removes it from the flue gas. Since 2009, we have been testing this method in a pilot plant at our Niederaussem lignite-fired power station near Cologne. Our partners are BASF and Linde. In one of the first phases of the project, we made substantial progress in improving the efficiency of the technique by using newly developed solvents. We are currently subjecting the technology to a long-term trial and are evaluating further steps to optimise it.

The capture of carbon dioxide from flue gas is also the subject of a project in the United Kingdom: in a pilot plant at the Aberthaw hard coal-fired power station, we are combining CO_2 scrubbing with flue gas desulphurisation. The solvents are different to the ones used at Niederaussem. In January 2013, we captured the first metric ton of carbon dioxide from the flue gas at the Aberthaw site.

CO_2 – from greenhouse gas to valuable commodity. Capturing the carbon dioxide is only the first step. In addition, the gas must be kept from the atmosphere permanently. In Germany, there is a lack of acceptance for storing the gas, for example in rock formations deep under the surface of the earth. Therefore, we are taking another step forward: in times of increasingly scarce resources, we are investigating how to turn a greenhouse gas into a valuable commodity, although the emission reduction potential of this method is much lower than through storage. Our ideas focus on how to use carbon dioxide as an alternative to oil as a source of carbon for producing chemical intermediates. Several projects are dedicated to this.

- Within the scope of the 'ZeroCarbFP' innovation alliance, we are exploring new ways of using microorganisms to manufacture high-quality products from high-carbon waste, including flue gas from coal-fired power stations. Experts from RWE Power and Brain AG working in our Niederaussem Coal Innovation Centre have already identified a number of microorganisms that are especially good at absorbing carbon dioxide and have outstanding growth characteristics. RWE Power coordinates the ZeroCarbFP innovation alliance, which now encompasses 21 companies. In June 2012, ZeroCarbFP won a subsidy contest organised by the Federal Ministry of Education and Research.

- The second project, entitled 'Dream Production', is dedicated to looking into ways to manufacture high-quality plastics from carbon dioxide. Our partners are Bayer and the Technical University of Aachen. Initial tests have shown that CO_2 can be separated from the flue gas of lignite-fired power stations in a form pure enough to be used to produce plastics.

- In our third project, 'CO_2RRECT,' which we are implementing with Siemens and Bayer as well as several universities and research institutes, hydrogen is produced from water through electrolysis and is then brought into contact with carbon dioxide. The result is a synthesis gas, which can be used by the chemical industry as a starting material in various ways. One of CO_2RRECT's special features is that it aims to flexibly adapt hydrogen production to the availability of electricity from renewables. Last year, together with Siemens, we built a highly flexible electrolysis unit at Niederaussem.

- Reacting hydrogen and carbon dioxide requires special catalysts. Through a fourth project, we are using a purpose-built testing facility to find out how long the catalysts can be used and whether the CO_2 captured from the flue gas of lignite-fired power plants is suitable for producing methane gas. The advantage of methane gas is that it can be stored in and used via the existing gas infrastructure.

Prototype lignite drying plant refined. Capturing carbon dioxide reduces the efficiency of electricity generation. This is one of the reasons why we constantly work on increasing the efficiency of our power stations. For this reason, we run a prototype plant at Niederaussem, with which the lignite is dried before the combustion process. The method used (fluidised bed drying with integrated waste heat usage) can improve the efficiency of lignite-based generation by four percentage points. In the year under review, we converted the facility to use coal of various quality.

Innovative wind measuring buoys for offshore wind farms. Offshore wind farm construction projects are especially demanding. It is therefore all the more important to determine how to reduce costs and accelerate processes. This is why we are participating in the Offshore Wind Accelerator (OWA) initiative, where the UK Carbon Trust has pooled the expertise of nine leading energy companies. Within the scope of OWA, we are testing innovative measuring buoys at the Gwynt y Môr wind farm off the coast of North Wales, with which wind data required for offshore wind farms is recorded. The buoys have a cost and speed advantage over conventional measuring masts, which are built on heavy foundations on the sea floor and must be dismantled later on. In addition, buoys are the more environmentally friendly alternative.

Model smart network experiment receives Hessian state award. Historically, electricity was produced almost exclusively by large-scale power plants, whereas the role assumed by homes was limited to that of consumer. The situation has since changed. More and more households are equipped with solar panels and feed electricity into the grid. This translates into additional co-ordination work, particularly for operators of medium and low-voltage networks. Smart balancing mechanisms have to be developed using new technologies in order to keep the network frequency stable. In 2012, we tested these kinds of mechanisms within the scope of the Smart Country Project in Bitburg-Prüm County, where we operate a state-of-the-art distribution network. It makes use of flexible control devices which automatically set the right voltage depending on the state of the network. The test results are encouraging: thanks to the devices, much more electricity from wind turbines and solar panels can be fed into an existing power line. The Smart Country Project also includes a biogas plant combined with a gas storage facility which ensures that electricity supply can be flexibly adapted to meet demand. We achieved a 98% storage efficiency. Our partners are ABB, Consentec and Dortmund Technical University. The project is subsidised by the German Ministry of Economics and Technology as part of the Networks for the Electricity Supply of the Future initiative. In May 2012, it received the Intelligent Energy Award in the Energy Network category from the State of Hesse.

Small, but effective: the 'Smart Operator' network control box. In August 2012, RWE Deutschland launched another undertaking relating to the operation of intelligent networks. Its partners are the Technical University of Aachen, PSI AG and several mechanical engineering companies. The project involves connecting 250 households in communities in Rhineland-Palatinate and Bavaria to a state-of-the-art low-voltage grid for two years. The 'intelligence' is provided by a control box, which is smaller than a shoe box: the 'Smart Operator.' It is packed with powerful electronics, enabling it to monitor the network's condition and automatically optimise electricity flows, for example by automatically controlling the operation of household appliances and heat pumps. With projects such as Smart Operator, we improve security of supply without having to intervene heavily in network infrastructure.

RWE constructs the world's longest subterranean cable based on modern superconductor technology. At the beginning of 2012, we initiated the 'AmpaCity' project, which is dedicated to the space-saving operation of electricity networks in inner cities. In Essen, where RWE AG has its headquarters, we intend to lay the world's longest underground cable based on modern superconductor technology. We use materials that are capable of transmitting electricity at very low temperatures of about –200 degrees Celsius nearly loss-free. This enables the transmission of large amounts of electricity at low voltage - and saves space. The advantage for the municipalities is that valuable plots of inner city land that would otherwise be needed to operate networks can be used for other purposes. Our partners in AmpaCity are the cable manufacturer Nexans Deutschland and the Karlsruhe Institute of Technology (KIT). The project is subsidised by the German Ministry of Economics and Technology.

Storing electricity with compressed air. The increasing amount of electricity being fed into the grid from renewables causes the demands placed on network operation to rise and the need for storage capacity to increase. Within the scope of the 'ADELE' programme, we, the German Aerospace Centre as well as General Electric and Züblin are jointly developing an adiabatic pressurised-air storage facility. When electricity supply is high, air is compressed and forced into subterranean cavities, after which it is used to generate electricity, for example when demand for electricity rises. The pressurised-air storage facility should have an efficiency of 70%. We intend to accomplish this by capturing the heat generated during the compression process and returning it to the facility's energy cycle. Within the 'ADELE-ING' project, which began in early 2013, we are currently exploring how to make the plant more flexible and efficient. ADELE-ING is subsidised by the German Ministry of Economics and Technology. We have secured additional project partners for this: TÜV SÜD Industrie Service GmbH and Otto-von-Guericke-Universität Magdeburg.

Volcanic rock as heat reservoir. In night-storage heaters, stones act as heat reservoirs to ensure that homes stay warm for a long period of time. We adopted this principle in order to make the use of combined heat and power (CHP) technology more efficient. CHP plants have high efficiencies as the heat produced by the electricity generation process is used, for example to heat residential buildings. The disadvantage is that electricity must be produced whenever heat is needed - even if there is an oversupply of electricity. One of our R&D projects is exploring how to generate electricity and use heat at different times. In a testing facility at our Niederaussem site, we are examining natural stones (e.g. volcanic rock) for their suitability as heat reservoirs. Findings will be used in 'FleGs,' a programme researching high-temperature heat storage facilities for making CHP plants flexible, which is subsidised by the German Ministry of Economics and Technology.

Optimising energy use in households. Electricity is a given. Generally, people hardly ever think about how it is used. This mentality will probably change significantly in the future when passive consumers become active players on the energy market. For 700 households in Mülheim an der Ruhr, the future already started in 2012: they are participating in a field trial conducted by RWE Deutschland AG in the use of innovative energy services. The households can track prices on the electricity market and their consumption on their PCs, which allows them to identify ways of optimising energy usage. Approximately 100 participants will receive smart household appliances such as washing machines, tumble driers and dishwashers, which automatically start a preset programme when electricity is particularly cheap. With the field trial, we intend to obtain findings on technical aspects and on the acceptance of this kind of consumption management. We receive subsidies for it from the 'E-Energy' programme, which was launched by the German government.

Integrating electric cars. In addition to intelligent networks, electric cars are also a fixture of tomorrow's energy landscape. Last year, we joined forces with the City of Dortmund and partners in the fields of economics and science to launch the 'metropol-E' project, which will explore the potential of electric cars in conurbations. Part of metropol-E involves the expansion of the Dortmund municipality's vehicle fleet through the addition of electric vehicles. Innovative rapid charging technologies and user-friendly billing systems are also being used. The intelligent integration of renewable energy is another object of the project, which is subsidised by the German Ministry of Transport, Building and Urban Development. Through metropol-E, we intend to gain knowledge of how electricity produced by distributed photovoltaic plants and micro-wind turbines can best be used to charge the vehicles.

1.11 DEVELOPMENT OF RISKS AND OPPORTUNITIES

The utility sector used to be considered a crisis-proof industry. This no longer applies. Economic and political framework conditions have become less predictable. To us, systematically recording, assessing and controlling risks is more important than ever before. Our presence in numerous European markets and along the entire energy value chain helps us to limit our risk exposure. As a result, we have better prospects of remaining successful, even in difficult times.

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

Our Risk Management Committee is in charge of monitoring and refining the risk management system. It is composed of the heads of the following RWE AG departments, which are accountable for the entire Group: Commodity Management, Controlling, Finance, Human and Executive Resource Management, Accounting, Legal & Compliance, Audit, Tax and Corporate Development & Strategy. The Committee is chaired by the Head of Controlling, which is assigned to the finance mandate.

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

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

The control of commodity positions is part of the Executive Board mandate relating to commercial management. It has been assigned to the Commodity Management Department. The Executive Board member in charge of commercial management and the CFO jointly grant approvals for hedging strategies and large commodity transactions which are not covered by limits. The scope of this activity is predetermined by the Executive Board as a whole. Decisions concerning hedging strategies are prepared by the Commodity Management Committee, which – in addition to the two aforementioned Executive Board members – is comprised of the Heads of the Commodity Management and Group Controlling Departments as well as representatives of the Board of Directors of RWE Supply & Trading.

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

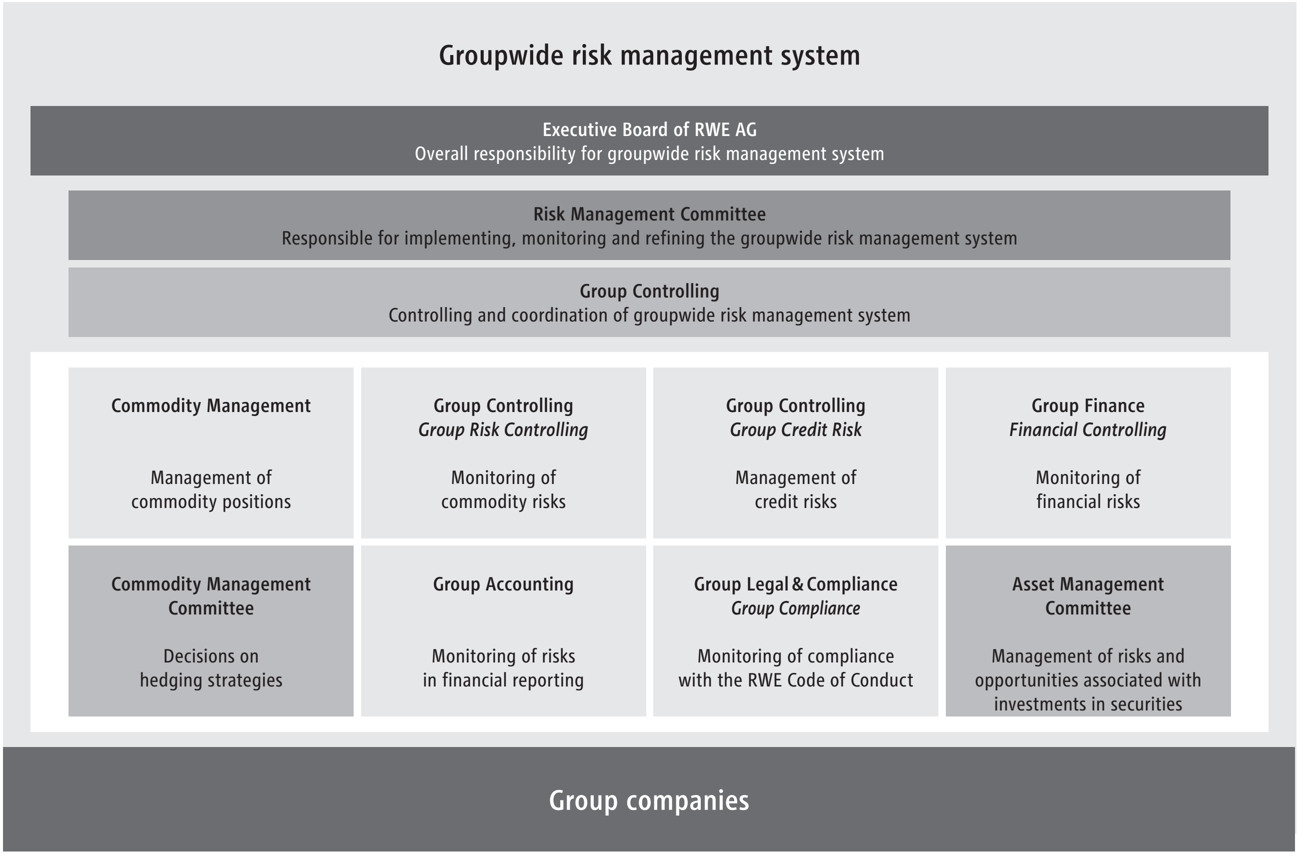
The CFO of RWE AG monitors commodity risks. In fulfilling this task, he is assisted by the CFOs and managing directors in charge of finance of our major Group companies. The Group Risk Controlling Unit, which belongs to the Group Controlling Department, establishes groupwide performance targets for risk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

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

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

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

Organisation of risk management in the RWE Group



The monitoring of risks associated with financial reporting is handled by RWE AG's Group Accounting Department, which reports directly to the CFO and uses an internal control system, which is described on page 95 et seq.

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

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

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

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

Overall assessment of the risk and opportunity situation by executive management. RWE's business trend is largely determined by the level of consumption and prices of electricity and energy commodities. We are therefore exposed to economic risks: for example, an escalation of the sovereign debt crisis in the Eurozone could cause prices and volumes to decline. Energy policy also greatly influences our earnings. As a company with a long-term investment strategy, we are dependent on reliable political framework conditions. However, regulatory intervention in the energy sector has recently become more frequent. Furthermore, we are witnessing changes in market structures, which are partly due to political decisions taken in the past. For example, the subsidisation of renewable energy in Germany has resulted in the rapid rise in the number of wind turbines and solar panels, which are crowding out conventional power stations, the margins of which have recently deteriorated. This applies especially to gas-fired power plants. This curtails the profitability of our large-scale new-build projects. The margins in the conventional electricity generation business are at risk of shrinking further.

The gas market is also undergoing change. The increasing significance of liquid gas trading points and the expansion of shale gas production in the USA have made a major contribution to prices in gas trading decoupling themselves from those set in long-term agreements indexed to the price of oil, with the former being much lower than the latter since 2009. In the past, we procured about half of our gas via contracts of this type linked to the price of oil.

In renegotiations with our suppliers, we succeeded in adjusting the conditions of these contracts to the market's developments or terminating them. Our contract with Gazprom is the only one where we have not yet reached an agreement. Arbitration proceedings pertaining to this contract are being conducted. The outcome will have a significant impact on our earnings.

In view of all the issues mentioned above, we are exposed to substantial risks, but are also presented with opportunities. In conclusion, the imponderables in our business have grown. Nevertheless, there are no identifiable risks that jeopardise the continued operation of RWE AG or the RWE Group.

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

- **Risks and opportunities arising from the volatility of commodity prices:** The development of prices on commodity markets greatly influences our earnings, especially in the field of electricity generation. For example, further decreases in electricity prices may lead to a decline in margins and reduce the value of our power plants. We are also exposed to price risks in the upstream business. As shown by our oil price-linked gas procurement contracts, there is also a risk of declining margins as purchasing and sales prices display divergent developments. However, the aforementioned risks are contrasted by the possibility that prices may develop in RWE's favour. We assess the price risks to which we are exposed on the procurement and supply markets taking account of current forward prices and expected price volatility. Commodity and credit risks faced by generation and sales companies are managed by following hedging rules established by RWE AG. As already mentioned, in the generation business, we limit risks by selling most of our electricity early on, via forward contracts, and hedging the price of the required fuel and CO_2 emission allowances. We also make use of forward markets to limit risks in RWE Dea's upstream business and in RWE Supply & Trading's gas midstream business.

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

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

The upper risk limits in the energy trading business are set by the Executive Board of RWE AG. The Value at Risk (VaR) is of central significance. It quantifies the potential loss resulting from a risk position that will not be exceeded with a predetermined probability and within a predetermined time period. In principle, the VaR figures within the RWE Group are based on a confidence interval of 95 % and a holding period of one day. This means that, with a probability of 95 %, the maximum daily loss will not exceed the VaR. The central risk controlling parameter for commodity positions is the Global VaR that relates to the trading business of RWE Supply & Trading and may not exceed €40 million. In fiscal 2012, it averaged €6 million (previous year: €14 million), and the daily maximum was €13 million (previous year: €27 million). In addition, we have set limits for each trading desk. Furthermore, we factor extreme scenarios into stress tests, determine the influence they can have on liquidity and earnings, and take countermeasures whenever the risks are too high.

We also apply the VaR concept to measure commodity price risks to which we are exposed outside the trading business. To this end, we identify the absolute change in the Group's operating result caused by changes in commodity prices which will not be exceeded with a predetermined probability. First, our Group companies determine their commodity risk positions and report them to RWE AG, where the Group Risk Controlling Unit calculates the overall risk for the Group on the basis of the individual risks. The overall risk mainly stems from German electricity generation, the upstream business and the oil-indexed portion of our gas purchases. With a confidence level of 95 %, changes in commodity prices will have a maximum positive or negative effect on our earnings in 2013 of about €300 million. The cut-off date for determining this figure was 30 November 2012.

- **Risks and opportunities resulting from a gas procurement contract price review:** We source gas on liquid wholesale gas markets such as the NCG (Germany), TTF (Netherlands) and the NBP (United Kingdom) as well as based on long-term purchase agreements, particularly in Germany and the Czech Republic. These contracts used to be linked to the price of oil. However, gas prices on the trading markets have been decoupled from those of contracts linked to the price of oil since 2009, temporarily falling significantly below them. As a result, some of the gas we bought was much more expensive than on the market. To obtain purchase conditions reflecting the development of the market, we entered into contractually agreed renegotiations with our gas suppliers, all of which, with one exception, have been concluded successfully. The contracts were largely either converted to wholesale gas price indexation or terminated prematurely by mutual consent. Our risk exposure in gas procurement has therefore already declined significantly. Only the contract with Gazprom - the largest in our portfolio - has not been adjusted yet. We believe that there are good prospects for our current arbitration proceedings with the Russian gas group to come to an end in 2013. Its outcome will have a significant impact on our future earnings. We are exposed to the risk of the result of these proceedings possibly falling short of our expectations, which are based on detailed legal assessments. However, they also provide us with the opportunity to enforce conditions that are more favourable than assumed initially.

- **Risks resulting from CO_2 emissions:** Lignite and hard coal power plants account for a significant proportion of our electricity generation portfolio. Our specific carbon dioxide emissions are therefore far above the sector average. The Western European electricity sector will hardly be allocated any free certificates in the third emissions trading period, which runs from 2013 to 2020. Therefore, the number of emission allowances we buy on the market will be much higher than before. By 2020, we aim to reduce our specific CO_2 emissions to 0.62 metric tons per megawatt hour (MWh) of electricity generated compared to 0.79 metric tons in 2012, partly through the expansion of renewable energy and the continued modernisation of our conventional generation portfolio. In addition, we expect that the share of gas-fired power stations (which have lower emissions by comparison) in our total electricity generation will rise over the long term.

- **Regulatory and political risks:** As a utility, we plan our capital expenditure for periods extending over decades, making us especially dependent on reliable political framework conditions. However, there has recently been an increase in regulatory intervention in the energy market. Due to the budgetary difficulties of many European countries, there is now an increased risk of governments imposing new burdens on the economy. As demonstrated in Hungary, this particularly affects companies that are bound to their locations, such as utilities. In Germany, our earnings are curtailed particularly by the nuclear fuel tax introduced in 2011. As its legality is questionable, we filed lawsuits with the appropriate fiscal courts to have the enforcement of the tax repealed. Ultimately, the German Constitutional Court - or if necessary the European Court of Justice - will rule on the legality of the tax. However, this is unlikely to happen for some time.

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

The rise in political risks for nuclear energy is also reflected in the debate on a final storage site for highly radioactive nuclear waste in Germany. In the autumn of 2011, a federal-state working group started preparing a law on the search for and selection of a suitable location, which is scheduled to be passed this year (see page 45). We see the risk of the new statutory regulations imposing additional financial burdens on utilities.

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

Risks also arise from the monitoring of anti-competitive pricing practices. At the end of 2007, the German legislator granted the anti-trust authorities increased regulatory powers over electricity and gas prices. This authority was initially set to expire at the end of 2012 but has since been extended through to the end of 2017.

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

The incentive-based regulation of electricity and gas networks in Germany introduced in 2009 also harbours earnings risks. The second five-year regulation period for electricity network operators begins on 1 January 2014, while for gas network operators, it began on 1 January 2013. The regulatory authorities have yet to determine the revenue caps allowable for each company. There is a risk of the upper limits being too low, failing to reflect the actual development of costs. However, this also opens up the opportunity for our future network earnings to exceed expectations if the revenue caps are moderate and our efficiency measures are successful. In sum, we are confident that the framework conditions for investing in the distribution network will improve.

We are following the political upheaval in North Africa very closely, as RWE Dea is conducting upstream projects in this region. It already produces oil and gas in Egypt. As in all non-OECD countries, we have backed capital expenditure there largely through federal guarantees and will also do this for future projects.

- **Other legal and arbitration procedures:** Individual RWE Group companies are involved in litigation and arbitration proceedings due to their operations or the acquisition of companies. Out-of-court claims have been filed against some of them. Furthermore, Group companies are directly involved in various procedures with public authorities or are at least affected by their results. Potential losses resulting from pending proceedings before ordinary courts and arbitration courts have been hedged by accruing suitable provisions. However, the claims asserted against us exceed the provisions considerably in some cases. Taking account of the legal assessments we have obtained, we believe that such claims are unfounded. Nevertheless, we are exposed to the risk that we may not be able to prevail with our opinion.

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

- **Financial risks and opportunities:** The volatility of market interest and foreign exchange rates as well as share prices can also have a significant effect on our earnings. Due to our international presence, we attach significant importance to currency risk management. Furthermore, energy commodities such as coal and oil are traded in US dollars. Group companies are generally obliged to limit their currency risks via RWE AG. The parent company determines the net financial position for each currency and hedges it if necessary. The VaR concept is one of the tools used to measure and limit risk. In 2012, the average VaR for RWE AG's foreign currency position was less than €1 million, as in the preceding year.

  We differentiate between several categories of interest rate risks. On the one hand, rises in interest rates can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for the securities price risk of our capital investments in 2012 averaged €5 million (previous year: €7 million). We measure the sensitivity of the interest expense with respect to rises in market interest rates using the Cash Flow at Risk. We apply a confidence level of 95% and a holding period of one year. In the year under review, the average Cash Flow at Risk was €14 million (previous year: €19 million).

  Changes in the market interest rate level can also affect the net present value of non-current provisions in RWE's consolidated financial statements. If discount rates must be lowered, provisions are increased, and vice-versa. Cash flows are not influenced by the adjustments in accounting treatment.

  The securities we hold in our portfolio include shares. The VaR for the risk associated with changes in share prices averaged €9 million for the year (previous year: €12 million).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.12 OUTLOOK

Our earnings prospects in the conventional electricity generation business have deteriorated considerably. However, this may be cushioned by a successful conclusion to the price renegotiations with our gas supplier Gazprom. If we accomplish this, the operating result for the current fiscal year should be in the order of €5.9 billion. We expect recurrent net income, the yardstick for the dividend proposal, to total about €2.4 billion. Despite some €5 billion in capital expenditure on property, plant and equipment, our net debt may well remain stable. One assumption for this is that we sell the Czech long-distance gas network operator NET4GAS in 2013.

Economic outlook for 2013: marginal growth in RWE markets. Based on initial forecasts, world economic output will increase by about 2.5 % in 2013. The prerequisite for this is that the Eurozone's sovereign debt crisis does not escalate. However, measures taken to consolidate state budgets in the countries belonging to the currency union will curtail growth. Therefore, gross domestic product in the Eurozone is likely to stagnate. The prospects for Germany's economy are a little brighter: following an expansion of 0.7 % last year, the German Council of Economic Experts is of the opinion that a similar gain is also possible for 2013. It expects the relatively high level of employment and rising disposable income to provide growth stimulus. GDP could climb by up to 0.5 % in the Netherlands and Belgium and by about 1 % in the United Kingdom. Estimates for Hungary (0.5 %) and the Czech Republic (1 %) are of the same order. Poland has the best prospects: its economy is expected to grow by more than 2 % in 2013.

Weather-adjusted energy consumption: stagnation largely expected. Our forecast for this year's energy consumption is based on the aforementioned economic developments. As it is virtually impossible to predict the weather, we assume that temperatures will remain at a normal level. Under these circumstances, we anticipate that electricity usage in Germany will be more or less stable. The influence of the moderate economic expansion will probably be contrasted by reductions in consumption owing to progress made in the field of energy efficiency. Our forecast for the United Kingdom and the Netherlands is similar. The situation in Central Eastern Europe is slightly more disparate. Estimates have demand for electricity rising by about 1 % in Poland, stagnating in the Czech Republic and slightly declining in Hungary.

Gas usage is expected to be characterised by continued weaker demand from the electricity generation sector in 2013. Lower prices of CO_2 emission allowances and a decline in hard coal quotations relative to gas indicate that the capacity utilisation of gas-fired power stations will remain weak. If economic growth is moderate and weather conditions are normal, the consumption of gas in most of our core markets may well stagnate or drop slightly.

Moderate price changes on commodity markets. At present, developments on forward markets do not suggest huge changes in the price of energy commodities of relevance to us. At the end of 2012, the 2013 forward for Brent crude traded at US$106 per barrel, slightly below the level of spot prices in 2012. On the Rotterdam market, the same contract for hard coal (including freight and insurance) cost US$93 per metric ton, which was in line with the average spot price of the preceding year. On the TTF gas market, the 2013 forward traded at €26 per megawatt hour (MWh), also roughly matching the 2012 price level. Should oil quotations decline, gas imports to Continental Europe should also become cheaper, as a portion of the import contracts is still linked to the price of oil. In European CO_2 emissions trading, quotations dropped further at the beginning of this year. The future price trend will largely depend on whether EU member states agree to reduce the supply of certificates.

We have provided information on the development of wholesale electricity forwards on page 40 et seqq. By the end of 2012, we had already sold nearly all our electricity generation for 2013. We had also procured or at least secured the prices of the required fuel and CO_2 certificates by this point in time. The average electricity price we have realised in our forward sales for 2013 in Germany is below the comparable figure for 2012 (€60 per MWh). We also mitigated the price risk exposure of our oil and gas production through forward sales, albeit to a much lesser extent than for electricity.

Major challenges for conventional electricity generation. Our market environment is presenting us with huge challenges. This holds true especially for conventional power production. In Germany, the nuclear fuel tax and the accelerated nuclear phase-out have been curtailing our earnings power since 2011. Furthermore, the highly subsidised expansion of photovoltaic capacity is limiting the utilisation and margins of our conventional generation plants. Moreover, as we will be allocated hardly any free emission allowances for the third carbon emissions trading period, which runs from 2013 to 2020, we will have to satisfy nearly our entire need through purchases. Based on our estimates, the resulting burden on earnings for the current year will amount to some €1.2 billion. The changes to the application of the Dutch coal tax to include all hard coal-fired power stations as of 1 January 2013 and the introduction of a levy on CO_2 emissions in the United Kingdom with effect from 1 April 2013 will also reduce earnings and our financial strength. Our headroom for investing in capital on property, plant and equipment and intangible assets is correspondingly smaller: our current planning for the period from 2013 to 2015 envisages a total of about €13 billion in capital expenditure. This is less than we had originally assumed. We want to fully finance our capital spending and dividend payments with cash flows from operating activities no later than from 2015 onwards.

The expansion of electricity generation from renewables remains a focus of investing activity. Here, we are concentrating on onshore and offshore wind farms. From 2013 to 2015, RWE Innogy intends to spend a total of approximately €2 billion in capital. This is much less than we had originally planned. Therefore, the company will not achieve the capacity target set for the end of 2014 until later: based on previous plans, the company would have been building or operating power generating facilities with a total of 4.5 gigawatts (GW) of capacity by then. Our new forecast for RWE Innogy solely relates to the capacity that is already online, which should amount to some 3.5 GW by the end of next year. RWE Innogy will also lag behind expectations in terms of the operating result: we had originally forecast a figure in the order of €500 million for 2014. Now, we expect the operating result to exceed €300 million. The main reason is delays in the construction of the Nordsee Ost wind farm, which is expected to go online at the end of 2014, more than a year later than planned. Potential compensatory payments for the delays have not yet been considered in the outlook for 2014. The significant drop in wholesale electricity prices also caused us to lower our earnings forecast, as many of RWE Innogy's plants - also in Germany - do not receive a fixed state subsidy and are therefore exposed to a market risk.

We are also investing in conventional power stations. As set out on page 49, four new RWE plants with a total of about 6,000 megawatts (MW) in net installed capacity began commercial operation last year alone. Our 775 MW gas-fired power station near Denizli, Turkey, is scheduled to follow in the middle of 2013. In 2014, we intend to complete the dual-block hard coal power plants at Hamm and Eemshaven with net installed capacities of 1,528 MW and 1,560 MW respectively. This will conclude our current new-build power plant programme.

In addition to generation, the distribution of electricity draws substantial capital expenditure. This is partly a consequence of the transformation of the German energy market: the rapid increase in the amount of weather-dependent, distributed electricity from renewables is making it increasingly difficult to maintain network stability. RWE plans to invest a total of approximately €1.9 billion in the German distribution network in the period from 2013 to 2015.

We intend to continue expanding our gas and oil production. The regional focus for investing activity is the UK North Sea, Norway and North Africa. As before, RWE Dea is aiming for a production volume of more than 40 million barrels of oil equivalent (OE) in 2014, compared to 30.8 million barrels of OE last year. By then, the operating result of our upstream subsidiary should be in the order of €800 million.

New efficiency-enhancement programme launched. After the successful conclusion of our €1.5 billion efficiency improvement programme last year, we immediately started a new programme, which will run until the end of 2014. By taking measures to cut costs and increase revenue, we intend to permanently improve the Group's earnings level by €1 billion a year. We already took a step towards achieving this goal last year. The first measures under the new programme led to a recurrent earnings contribution of some €200 million in 2012. This year, we plan to add another €550 million, followed by €250 million in 2014. The efficiency-enhancement programme covers all Group companies. The measures are designed to improve operative processes and realise savings in administration and IT.

Divestments to strengthen our balance sheet. We also want to strengthen our financial power by selling activities in the current year. Our main priority is the disposal of the Czech long-distance gas network operator NET4GAS. However, we are not ruling out further minor transactions in 2013. Initially, we had expected to make a total of approximately €7 billion in divestments in 2012 and 2013. However, in view of the difficult market environment, we may well not reach this goal. So far, we have sold assets worth a total of about €2.1 billion.

New reporting structure as of 1 January 2013. As set out on page 48, we have pooled responsibility for the operation of nearly all our conventional power stations in the newly established RWE Generation SE, which took up operations with effect from 1 January 2013. Our generation business is thus set up more efficiently and can adjust to the huge changes in the energy sector more swiftly. The foundation of RWE Generation has created a new division. It encompasses conventional electricity generation in North Western Europe and Turkey as well as RWE Technology. Therefore, the Netherlands/Belgium and United Kingdom Divisions now only include the supply of electricity, gas and energy services. In addition to these activities, the Germany Division contains the distribution network business and several peripheral operations, for example in the field of water supply. We have adapted the names of these divisions to their new alignment. Our earnings outlook for 2013 is based on the new Group structure, which now encompasses eight divisions. To ensure comparability with prior-year figures, we restated the latter to reflect the new structure on a pro-forma basis.

Outlook for fiscal 2013 € million	2012 actual[1]	2013 forecast vs. 2012 actual
External revenue	53,227	In the order of €54 billion
EBITDA	9,314	In the order of €9 billion
Operating result	6,416	In the order of €5.9 billion
Conventional Power Generation	3,268	Significantly below last year
Supply/Distribution Networks Germany	1,578	In the order of last year's level
Supply Netherlands/Belgium	190	In the order of last year's level
Supply United Kingdom	288	Above last year
Central Eastern and South Eastern Europe	1,052	Significantly below last year
Renewables	183	Above last year
Upstream Gas & Oil	685	In the order of last year's level
Trading/Gas Midstream	−598	Significantly above last year
Recurrent net income	2,457	In the order of €2.4 billion

1 Some figures are pro-forma due to the change in the reporting structure.

Forecast for 2013: revenue slightly higher year on year. We anticipate that external revenue in the current fiscal year will be in the order of €54 billion. Revenue in the German and UK supply businesses is likely to increase. The main reason is price adjustments triggered by a rise in costs. In contrast, revenue generated by the Trading/Gas Midstream Division through the sale of in-house generation will probably drop. We expect that we will produce slightly less electricity than in 2012 and anticipate a lower average realised price. The planned divestment of NET4GAS will not have a notable impact on the development of external revenue.

Operating result of about €5.9 billion expected. We anticipate that EBITDA in the 2013 fiscal year will be in the order of €9 billion. We expect the operating result to be close to €5.9 billion, and recurrent net income to amount to approximately €2.4 billion. These figures already take account of the sale of NET4GAS. We anticipate positive developments in the gas midstream business and a substantial earnings contribution from efficiency-enhancement measures. This will help us to mitigate earnings shortfalls in conventional electricity generation.

- Conventional Power Generation: The operating result of our new division will probably be far below the pro-forma figure for 2012. As mentioned earlier, in 2013, we will have to cover nearly our entire need for CO_2 emission certificates through purchases on the market for the first time. We will face further burdens from the new price floor for CO_2 emissions in the United Kingdom and the coal tax in the Netherlands. Most of our electricity generation for this year has already been placed on the market, and realised margins were lower than in 2012. The price we achieved in selling forward the electricity of our German power stations was below the previous year's comparable figure (€60 per MWh). In addition, we anticipate that generation volumes will decline as we have successively decommissioned all of our 150 MW lignite units. However, we are counting on positive effects from the ongoing efficiency-enhancement programme. Furthermore, we expect costs associated with the inspections of our power plants to be lower.

- Supply/Distribution Networks Germany: Earnings posted by this division are expected to be in the order of last year. On the one hand, we anticipate that efficiency-improving measures will have a positive impact. On the other hand, the earnings contributed by activities which we sold last year have been eliminated. This primarily relates to our stakes in the Koblenz-based regional utility KEVAG and the Berlin waterworks.

- Supply Netherlands/Belgium: We expect this division to produce earnings in the order of last year. We are countering the competition-induced pressure on gas margins with continued efficiency enhancements. In addition, we expect that we will be able to enlarge our customer base in Belgium.

- Supply United Kingdom: The operating result in the UK supply business may well exceed the level achieved in 2012, despite fierce competition. The basis for this are continued measures to improve efficiency. We anticipate that earnings will grow, particularly in business with commercial customers. However, we also expect to see a rise in costs due to government programmes for promoting energy savings in households.

- Central Eastern and South Eastern Europe: This division will clearly fail to match the operating result achieved last year, largely due to the planned sale of NET4GAS. However, the result will probably drop even without this transaction. A major reason is that in the Hungarian electricity business the approved network fees and regulated residential tariffs were reduced and the country's government introduced a tax on network infrastructure.

- Renewables: Thanks to new generation capacity, RWE Innogy's operating result will improve. The Greater Gabbard offshore wind farm, in which we hold a 50% stake, took its entire net installed capacity of 504 MW online in September 2012. However, RWE Innogy's growth strategy continues to have a negative impact on the bottom line, as on-going capital expenditure projects go hand in hand with high run-up costs.

- Upstream Gas & Oil: The operating result of RWE Dea should be in the order of last year, although we will probably realise lower oil prices than in 2012. The planned increase in gas production volume will have a positive effect. Over the course of the year, we intend to start production in the Breagh North Sea field in the UK and in the Disouq field in Egypt. Furthermore, we will benefit from a full year of production from the Clipper South and Devenick North Sea fields, which were commissioned in the third quarter of 2012.

- Trading / Gas Midstream: After substantial losses in the gas midstream business in the last two years, we expect to receive a positive contribution to earnings from this division in 2013. As explained on page 63, we have reached satisfactory solutions with nearly all of our suppliers in re-negotiating our loss-making oil price-indexed gas purchasing agreements. The only supplier with whom an agreement is yet to be reached is Gazprom. We anticipate that the negotiations or the concurrent arbitration proceedings will have a satisfying outcome in 2013. This would mean that RWE Supply & Trading would receive significant compensatory payments for previous years. In addition, we expect to see positive effects from our efficiency-enhancement programme.

Dividend for fiscal 2013. 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 €2.4 billion.

Capex of €5 billion planned. Capital expenditure on property, plant and equipment and intangible assets is estimated to total about €5 billion in 2013. This would be roughly in line with the level recorded in 2012 (€5.1 billion). Our capital spending will focus on electricity generation from renewables, the continuation of the new-build power plant programme, our electricity and gas networks and RWE Dea's upstream business.

Net debt in the order of last year. By the end of 2013, our net debt should be in the order of last year's level (€33.0 billion), as long as we divest NET4GAS this year. Furthermore, we expect the interest level to remain stable, and therefore also the discount rates for non-current provisions. If so, the leverage factor – the ratio of net debt to EBITDA – may also be in the order of the level recorded in 2012 (3.5). We are aiming for an upper limit of 3.0 over the medium term, in order to ensure that we continue to have unrestricted access to the capital market even in difficult times.

Workforce decreases year on year. The number of our employees should drop over the course of the year. This applies especially to our supply businesses in the Netherlands and the United Kingdom, where we want to reduce headcount through efficiency improvements. In Germany, the decommissioning of power plants will cause the workforce to shrink. If NET4GAS is sold, about 560 additional employees would be removed from the scope of consolidation.

Prospects after 2013. For a number of reasons, our earnings prospects for the coming years are gloomy. Therefore, we do not expect to be able to match the level of earnings achieved in 2013. The decline in wholesale electricity prices and generation margins is likely to continue. The current forward prices for 2014 and 2015 are far below the level that we realised for 2012. We have already sold over 60 % of our 2014 electricity generation from nuclear power and lignite and over 40 % from hard coal and gas. The corresponding forward sales for 2015 account for more than 30 % and 10 %, respectively (as of the end of 2012). The substantial capital expenditure of recent years will lead to additional contributions to earnings, but will also cause capital employed and depreciation to rise. We forecast a positive earnings trend for RWE Dea and RWE Innogy. As the fiscal burdens on our upstream business are relatively high and the share of the Group's operating result accounted for by RWE Dea will increase, we expect the effective tax rate to rise. Earnings in the supply businesses may improve marginally at best. We expect that our comprehensive measures to reduce costs and increase revenue on which we reported on page 99 to make a substantial, permanent contribution to earnings.

€1.4 BILLION

COST OF ENVIRONMENTAL PROTECTION

2 OUR RESPONSIBILITY

70,208
EMPLOYEES

€150 MILLION
RESEARCH AND DEVELOPMENT COSTS

0.792 METRIC TONS
CO_2 EMISSIONS PER MEGAWATT HOUR

8 %
SHARE OF RENEWABLES IN GENERATION CAPACITY

2.8
ACCIDENTS PER MILLION HOURS WORKED

2.1 SUPERVISORY BOARD REPORT

Dear Shareholders,

In fiscal 2012, the Supervisory Board fulfilled all of the duties imposed on it by German law and the company's Articles of Incorporation. We regularly advised the Executive Board on running the company and monitored its activities. We were consulted on all fundamental decisions. The Executive Board informed us of material aspects of business developments both verbally and in writing. This was done regularly, extensively and in a timely fashion. We were kept abreast of the earnings situation, risks and risk management in an equally thorough manner.

The Supervisory Board convened four times in the year under review. Of the 20 members of this corporate body, 18 attended all of the sessions, and two attended three sessions. Therefore, the average participation rate was 97.5%. We took our decisions on the basis of detailed reports and draft resolutions submitted by the Executive Board. We were also informed of projects and transactions of special importance or urgency between meetings. The Supervisory Board passed the resolutions required of it by law or the Articles of Incorporation. Where necessary, it also did so by circular resolution. As Chairman of the Supervisory Board, I was constantly in touch with the Chairman of the Executive Board in order to discuss events of material importance to the Group's situation and development.

Main points of debate. The Supervisory Board addressed a number of issues in 2012. A considerable amount of time was spent on discussing the 'RWE 2015' programme, which is designed to improve the financial headroom of the company and make it more competitive. We also consulted on the implementation of the ongoing divestment programme, including the sale of our minority interest in the Berlin waterworks and the UK joint venture Horizon Nuclear Power. In addition, we concerned ourselves with the increase in our stake in the Austrian energy company KELAG, the continuation of our new-build power plant programme and with projects to expand renewables.

The Executive Board regularly informed us of the revenue and earnings situation, measures to reduce costs, ongoing legal proceedings, the status of price renegotiations with gas suppliers and price developments on energy markets. At our session on 13 December 2012, following in-depth consultations, we adopted the Executive Board's planning for 2013 and took cognisance of the forecasts for fiscal 2014 and 2015. We received detailed commentary on deviations from plans and goals established previously.

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

Committees. The Supervisory Board has five committees. Their members are listed on page 222. These committees are charged with preparing for the Supervisory Board meetings, including drafting resolutions. In certain cases, they exercise decision-making powers conferred on them by the Supervisory Board. The committee chairmen regularly informed the Supervisory Board of their work.

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

The **Executive Committee** convened one meeting in the 2012 financial year. Among other things, it did preparatory work for the Supervisory Board debates regarding the planning for fiscal 2013 and forecasts for 2014 and 2015.

The **Audit Committee** convened five times. It discussed at length the quarterly financial reports, the half-year financial statements and the annual financial statements. It discussed the financial statements with the Executive Board before they were published. The independent auditor participated in the debates at all of the committee meetings and reported on his audit and/or his audit-like review. In addition, the Audit Committee prepared the award of the audit contract to the independent auditor, including setting the priorities of the audit and the fee agreement. Special attention was paid to the Group's risk management and accounting-related internal control systems. Furthermore, the committee dealt with compliance issues, the audit of the compliance system for the prevention of corruption in accordance with PS 980 of the German Institute of Independent Auditors (IDW) as well as with the schedule and results of the internal audit. A number of additional topics were on the committee's agenda in the year under review: the status of the new-build power plant projects, the impairment tests for power stations, the funding of pension obligations by RWE Pensionstreuhand e.V. and RWE Pensionsfonds AG, the IT strategy and network security, payroll accounting processes, the management of gas procurement by RWE Supply & Trading and the status of RWE Innogy's business.

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

The **Nomination Committee** had no need to hold a session.

In the 2012 financial year, there was again no reason to convene the **Mediation Committee** which complies with Sec. 27, Para. 3 of the German Co-Determination Act.

Financial statements for fiscal 2012. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft scrutinised and issued an unqualified auditor's opinion on the 2012 financial statements of RWE AG, which were prepared by the Executive Board in compliance with the German Commercial Code, the financial statements of the Group, which were prepared in compliance with International Financial Reporting Standards (IFRS) pursuant to Sec. 315a of the German Commercial Code, the combined review of operations for RWE AG and the Group, and the accounts. In addition, PricewaterhouseCoopers found that the Executive Board had established an appropriate early risk detection system. The company was elected independent auditor by the Annual General Meeting on 19 April 2012 and commissioned by the Supervisory Board to audit the financial statements of RWE AG and the Group.

Documents supporting the annual financial statements, the annual report and the audit reports were submitted to the members of the Supervisory Board in good time. Furthermore, the Executive Board commented on the documents in the Supervisory Board's balance sheet meeting of 27 February 2013. The independent auditors reported at this meeting on the material results of the audit and were available to provide supplementary information. The Audit Committee had previously concerned itself in depth with the financial statements of RWE AG and the Group, as well as audit reports, during its meeting on 26 February 2013, with the auditors present. It had recommended that the Supervisory Board approve the financial statements as well as the appropriation of profits proposed by the Executive Board.

At its meeting on 27 February 2013, the Supervisory Board reviewed the financial statements of RWE AG and the Group, the combined review of operations for RWE AG and the Group, and the proposed appropriation of distributable profit. No objections were raised as a result of this review. As recommended by the Audit Committee, the Board approved the results of the audits of both financial statements and adopted the annual financial statements of RWE AG and the Group. The 2012 annual financial statements are thus adopted. The Supervisory Board concurs with the proposed appropriation of profits, which envisages a dividend payment of €2 per share.

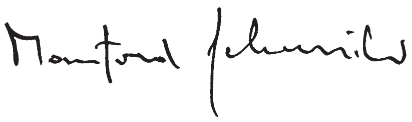
Changes in personnel on the Supervisory Board and the Executive Board. There were two changes in personnel relating to the employee representatives on the Supervisory Board of RWE AG: Arno Hahn and Reiner Böhle were appointed members of the Board by court decree with effect from 1 July 2012 and 1 January 2013, respectively. They succeed Uwe Tigges and Heinz Büchel.

The staffing and distribution of duties also changed on the Executive Board of RWE AG. Peter Terium assumed chairmanship as of 1 July 2012. Dr. Rolf Martin Schmitz is his deputy. At its meeting on 28 February 2012, the Supervisory Board appointed Dr. Bernhard Günther a member of the Executive Board. Dr. Bernhard Günther has been on this board since 1 July 2012. With effect from 1 January 2013, he took charge of finance, the mandate previously held by Dr. Rolf Pohlig, who retired at the end of 2012. In its session on 19 April 2012, the Supervisory Board appointed Uwe Tigges to the Executive Board as of 1 January 2013. Uwe Tigges will succeed Alwin Fitting as Labour Director on 1 April 2013. Alwin Fitting will retire at the end of March 2013.

The Supervisory Board thanks the exiting members of the Supervisory Board and the Executive Board for their dedication and commitment to the company.

Although the framework conditions in the energy sector are currently challenging, RWE can look back on a good fiscal 2012. The success of RWE was driven by its more than 70,000 employees. We would like to take this opportunity to thank them all for their contribution.

On behalf of the Supervisory Board



Dr. Manfred Schneider
Chairman

Essen, 27 February 2013

2.2 CORPORATE GOVERNANCE

RWE attaches significant importance to responsible corporate governance in line with the recommendations of the German Corporate Governance Code. We have usually fully accomplished this in the past. Deviations generally occur only in cases where the Code has been refined and implementing the new recommendations takes some time. This also applies to the compliance period that just ended. We cannot yet adhere to two points in the version of the Code published on 15 June 2012. However, in future we intend to once again comply fully by introducing new rules on the compensation of the Supervisory Board and the independence of its members.

The German Corporate Governance Code. Corporate governance is the term used to designate the framework of rules applied to manage and monitor companies. It is generally understood that the Code sets out a framework within which executive and supervisory boards can ensure a company's subsistence and long-term value creation in line with the principles of the social market economy. The principles of good corporate governance and supervision are set out in the German Corporate Governance Code (GCGC), to which we orientate ourselves. The object of the Code is to strengthen the trust of investors, customers, employees and the public in German listed companies. The Government Commission of the German Corporate Governance Code submitted the first version of the Code in February 2002 and has since reviewed it every year against the backdrop of national and international developments, adapting it where necessary.

Once again, the Commission refined the Code in 2012. The current version of the Code was published in the German Federal Gazette on 15 June 2012. One of the new features is the statement in the preamble that, in justified individual cases, it may be in the interest of good corporate governance for a company to deviate from a recommendation of the Code. We are of the opinion that this brings the Code more in line with company practice. In addition, the Commission has included further details with regard to certain issues and upgraded several suggestions to recommendations. The main amendments made to the Code are the rules on the independence and compensation of supervisory boards.

Independence of supervisory board members. One of the major changes relates to the recommendation in Item 5.4.1, Para. 2 of the GCGC, according to which supervisory boards must define specific goals regarding their composition. From now on, the objectives must also include the number of independent members. Pursuant to Item 5.4.2 of the GCGC, a supervisory board member is not to be considered independent in particular "if he/she has personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interest."

So far, the Supervisory Board of RWE AG has not established a goal regarding the number of its independent members, as it is of the opinion that the issue must be debated in depth. This holds all the more true as the definition of exclusion of independence in the GCGC leaves room for interpretation, which can lead to situations in which it is unclear whether a supervisory board member is to be classified as independent. The Supervisory Board will review the introduction of a goal of this kind with due care.

Supervisory Board compensation. The Government Commission of the German Corporate Governance Code has abandoned the principle of performance-linked supervisory board remuneration. The previous recommendation pursuant to Item 5.4.6, Para. 2, Sentence 1 of the GCGC stipulating that supervisory board members receive performance-linked pay in addition to fixed compensation has been removed. Therefore in future, purely fixed remuneration will also be in compliance with the Code. This is based on the belief that supervisory boards should not let themselves be influenced by the company's short-term performance when fulfilling their monitoring duties. The new recommendation in Item 5.4.6, Para. 2, Sentence 2 of the GCGC adheres to this principle: "If members of the Supervisory Board are promised performance-related compensation, it shall be oriented towards sustainable growth of the enterprise."

In accordance with Art. 12 of the Articles of Incorporation of RWE AG, the members of the company's Supervisory Board receive both fixed and variable compensation. The latter is linked to the dividend. The dividend proposed to the Annual General Meeting by the Executive Board and the Supervisory Board is orientated to a target range of 50% to 60% of recurrent net income, which is adjusted for short-term exceptional items. It is impossible to determine with sufficient legal certainty that this practice ensures compliance with the orientation of the performance-linked compensation to the company's sustainable development as recommended in the Code. Therefore, by way of precaution, we have stated in our declaration of compliance that we are not following the recommendation of Item 5.4.6, Para. 2, Sentence 2 of the GCGC.

The remuneration of the members of the Supervisory Board of RWE AG may only be adjusted if a corresponding resolution is passed by the Annual General Meeting. The Supervisory Board is working on a new compensation provision, which should comply with the recommendations of the Code with sufficient legal certainty, and which will be submitted to the Annual General Meeting for approval.

Achieving the diversity goals. According to Item 5.4.1 of the GCGC, supervisory boards must not only define specific objectives regarding their composition but also provide in the corporate governance report information on the goals and the degree to which they have been achieved. In December 2011, RWE AG approved a list of requirements that have to be met by the members of the Supervisory Board and in particular established diversity goals (see page 106 et seq. of the 2011 Annual Report). For example, it was determined that the female quota should rise from 15% to 20% over the medium term. Since then, only minor changes have been made to the staffing of the Supervisory Board concerning the employee representatives, which did not affect the achievement of our diversity goals.

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

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

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

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

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

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

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

Between 28 February 2012 (the date of the last statement of compliance) and 15 June 2012, RWE Aktiengesellschaft complied with all of the recommendations of the Government Commission of the German Corporate Governance Code issued in the 2 July 2010 version of the Code.

RWE Aktiengesellschaft is in compliance with the recommendations of the version published on 15 June 2012 with the following exceptions:

The recommendation in Item 5.4.1., Para. 2 of the GCGC has not yet been followed entirely. So far, the Supervisory Board has not defined the number of independent members it intends to have within the meaning of Item 5.4.2 of the GCGC. This requires additional preparatory work and consultations.

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

RWE Aktiengesellschaft

On behalf of the Supervisory Board

Dr. Manfred Schneider

On behalf of the Executive Board

Peter Terium

Dr. Rolf Martin Schmitz

Essen, 27 February 2013

2.3 COMPENSATION REPORT

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

Executive Board compensation

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

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

Short-term compensation components. Executive Board members receive cash compensation made up of a base salary, which is independent of performance, as well as a performance-based bonus. The latter consists of a company bonus and an individual component. The company and individual bonuses account for 70% and 30% of the total bonus budget. The amount of the company bonus actually granted is based on the degree to which the value added agreed at the beginning of the fiscal year has been achieved. If the actual and target figures are identical, the degree to which the target has been achieved is 100%, and the company bonus is identical to the contractually agreed baseline amount. Depending on the value added, the company bonus can range between 0% and 150% of the baseline bonus amount. The personal bonus depends on the degree to which an Executive Board member achieves the performance goals agreed with the Chairman of the Supervisory Board at the beginning of the financial year. The maximum degree to which this target can be achieved is 130%.

Since fiscal 2010, RWE has been paying only 75% of the bonus directly to the members of the Executive Board, with the exception of the former President and CEO Dr. Jürgen Großmann. The remaining 25% is withheld for a period of three years. A review based on what is termed a 'bonus malus factor' is conducted by the Supervisory Board at the end of the three-year period, in order to determine whether the Executive Board has managed the company sustainably. Only if this applies is the retained bonus paid. The first such review will take place in 2014.

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

Another short-term compensation component to which the Executive Board members Peter Terium and Dr. Bernhard Günther are entitled in addition to their base salary and bonus is an annual pension instalment instead of a pension commitment. This is because the former customary pension scheme described on page 114 et seq. was replaced by a defined-contribution pension concept with effect from 1 January 2011. New Executive Board members now receive a pension instalment amounting to 15% of their target cash compensation (i.e. the sum of their base salary and baseline bonus amount) in each year of active service. Every year, they can choose whether the sum is paid in cash or retained in exchange for a pension benefit later on. In the latter case, the funds are turned into a pension commitment of equal value through a gross compensation conversion. A reinsurance policy is concluded to finance the pension commitment. The amassed capital may be drawn upon in the form of a one-off payment or in a maximum of nine instalments on retirement, but not before the Executive Board member turns 60. Executive Board members and their surviving dependants do not receive any further benefits. Vested retirement benefits from earlier activities remain unaffected by this.

In the year under review, the pension instalments paid to Peter Terium and Dr. Bernhard Günther amounted to €368,000 and €98,000, respectively, of which €3,000 and €98,000 were turned into a pension commitment of equal value through a gross compensation conversion.

For the last time, the former President and CEO, Dr. Jürgen Großmann, was entitled to an annual pension capital contribution instead of a pension commitment for 2012.

Short-term compensation components also include non-cash and other remuneration, which all Executive Board members receive, consisting primarily of the use of company cars and accident insurance premiums. Added to this are payments for exercising supervisory board mandates at affiliates. All this income is deducted from the bonus and therefore does not increase the total remuneration.

The Executive Board received the following amounts of short-term compensation for the 2012 financial year:

Short-term Executive Board compensation in 2012	Non-performance-based compensation		Performance-based compensation		Non-cash and other remuneration		Payment for exercise of mandates[1]		Other payments		Total	
€ '000	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Dr. Jürgen Großmann[2]	1,425	2,700	2,008	3,708	14	35	0	0	1,502	2,000	4,949	8,443
Peter Terium[3]	1,075	250	1,105	245	5	1	0	0	368	85	2,553	581
Dr. Rolf Martin Schmitz	880	750	699	574	11	17	185	160	0	0	1,775	1,501
Dr. Leonhard Birnbaum	800	750	764	694	24	24	40	40	0	0	1,628	1,508
Alwin Fitting	796	796	786	756	10	10	20	20	0	0	1,612	1,582
Dr. Bernhard Günther[3]	290	-	290	-	11	-	0	-	98	-	689	-
Dr. Rolf Pohlig	890	840	833	759	25	29	60	60	0	0	1,808	1,688
Total	**6,156**	**6,086**	**6,485**	**6,736**	**100**	**116**	**305**	**280**	**1,968**	**2,085**	**15,014**	**15,303**

1 Income from the exercise of mandates is part of variable compensation.
2 Dr. Jürgen Großmann receives an annual pension capital contribution instead of a pension commitment. In the year under review, it amounted to a prorated €1,500,000.
3 Peter Terium and Dr. Bernhard Günther receive an annual pension instalment amounting to 15% of their target cash compensation instead of a pension commitment.

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

Bonus retention € '000	2012	2011	2010
Dr. Jürgen Großmann	0	0	0
Peter Terium	368	82	-
Dr. Rolf Martin Schmitz	295	245	260
Dr. Leonhard Birnbaum	268	245	260
Alwin Fitting	269	259	266
Dr. Bernhard Günther	97	-	-
Dr. Rolf Pohlig	298	273	290
Total	**1,595**	**1,104**	**1,076**

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

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

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

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

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

Long-term incentive share-based payment	Beat 2010: 2012 tranche	
	No.	Allocation value at grant € '000
Peter Terium	187,631	1,250
Dr. Rolf Martin Schmitz	112,579	750
Dr. Leonhard Birnbaum	112,579	750
Alwin Fitting	112,579	750
Dr. Rolf Pohlig	112,579	750
Total	**637,947**	**4,250**

No payments were made based on the Beat 2005 programme in the year being reviewed: the 2009 tranche was not payable as of the cut-off date and therefore lapsed.

Long-term incentive share-based payment	Beat 2005: 2009 tranche
	payout €'000
Dr. Rolf Martin Schmitz	0
Dr. Leonhard Birnbaum	0
Alwin Fitting	0
Dr. Rolf Pohlig	0
Total	**0**

Due to the development of RWE's common share price, the following expenses were incurred for share-based payments in 2012:

Addition to provisions for long-term incentive share-based payments 2011/2012 tranches	2012 €'000	2011 €'000
Peter Terium	541	-
Dr. Rolf Martin Schmitz	509	−241
Dr. Leonhard Birnbaum	509	−241
Alwin Fitting	509	−241
Dr. Bernhard Günther[1]	26	-
Dr. Rolf Pohlig	509	−241
Total	**2,603**	**−964**

1 The sum applies to the period from 2010 to 2012. The provision was transferred from RWE Supply & Trading to RWE AG with effect from 1 July 2012.

Total compensation. The Executive Board of RWE AG received a total of €15,014,000 in short-term compensation components (including pension instalments) in fiscal 2012. In addition to this, it was allocated long-term compensation components from the 2012 tranche of the Beat programme amounting to €4,250,000. Total compensation of the Executive Board for fiscal 2012 therefore amounted to €19,264,000.

Employment termination benefits. Executive Board members receive the following benefits from RWE when they retire from the Board:

Pensions (old scheme). The pension commitments to the Executive Board members Dr. Leonhard Birnbaum, Alwin Fitting, Dr. Rolf Pohlig and Dr. Rolf Martin Schmitz were made before the introduction of the new model described on page 112 and will remain unchanged. The aforementioned Executive Board members are entitled to life-long retirement or surviving dependants' benefits in the event of retirement upon reaching the age of 60 (company age limit), permanent disability, death and early termination or non-extension of the employment contract by the company. The amount of qualifying income and the level of benefits determined by the duration of service are taken as a basis for each member's individual pension and surviving dependants' benefits. The ceiling for pension benefits for members of the

Executive Board is 60% of the last qualifying income before they reach retirement age. The widow's pension amounts to 60% of her husband's pension, the orphan's pension amounts to 20% of the widow's pension. Vested pension benefits do not expire. The amount of the pension and the surviving dependants' benefits are reviewed every three years, taking account of all major circumstances, with due regard to changes in the cost of living. Due to earlier provisions, there are some differences in the pension commitments in terms of the calculation of the level of benefits, the crediting of other pensions and benefits, and the adjustment mode selected for pensions and surviving dependants' benefits.

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

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

The service cost of pension commitments in 2012 totalled €767,000. At the end of the year, the present value of the defined benefit obligation was €22,159,000. The following is a breakdown of service costs and the present value of pension benefits, taking into account both age and years of service.

Pensions		Predicted annual pension on reaching the company age limit (60 years)[1] €'000		Service cost €'000		Defined benefit obligation (present value) €'000	
	Age	2012	2011	2012	2011	2012	2011
Dr. Rolf Martin Schmitz[2]	55	484	408	294	278	8,664	5,030
Dr. Leonhard Birnbaum	46	288	270	143	134	2,197	1,090
Alwin Fitting	59	312	312	221	210	6,889	5,046
Dr. Rolf Pohlig	60	321	302	109	103	4,409	2,995
				767	**725**	**22,159**	**14,161**

1 Based on compensation qualifying for pensions as of 31 December 2012.
2 Dr. Rolf Martin Schmitz's projected pension includes pensions due from former employers.

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

On termination of their employment contracts, Executive Board members receive a one-off payment equal to the compensation due until the end of the duration of their contract: this amount shall not be higher than three times their total contractual annual compensation and shall not be less than twice their total contractual annual compensation.

As regards benefits, effective from the end of the employment contract's agreed duration, Executive Board members are treated as if the company had not extended their employment contracts at that time, without there being a material reason in the sense of Section 626 of the German Civil Code.

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

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

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

Other commitments. In agreement with the company, Dr. Jürgen Großmann's positions as member of the Executive Board and its Chairman, which were scheduled to expire as of 30 September 2012, ended early with effect from 30 June 2012. At the termination date, he received his base salary, bonus and pension capital for the period from 1 July 2012 to 30 September 2012 totalling €2,182,000. Dr. Jürgen Großmann will not receive a pension.

Restructuring of the compensation system starting in fiscal 2013. At its meeting on 13 December 2012, the Supervisory Board reviewed the remuneration system for the Executive Board and made adjustments to the variable components, which become effective from fiscal 2013 onwards.

In the future, the operating result will replace value added as the basis for determining the company bonus. This change takes into account the fact that the capital market primarily looks to the operating result when assessing company performance.

The previous practice of determining a budgeted figure for the company and individual bonuses has been abandoned. In the future, there will be just one budgeted figure equalling the sum of these figures, which will relate to the company bonus. The performance of individual Executive Board members will be considered by multiplying the company bonus actually earned, which may be between 0% and 150% of the budgeted figure, with a performance factor.

The performance factor reflects the extent to which the Executive Board member has achieved the targets established at the beginning of each fiscal year. The performance factor may be between 0.8 and 1.2 and is determined by the Supervisory Board. The new policy provides more leeway for determining compensation. The Executive Board now participates in the company's positive and negative performance more than before.

The new rules as of 2013 also relate to the bonus-malus factor, which introduces the element of sustainable business management into the Executive Board's compensation. Here again, the key performance indicator of the company's commercial success has been switched from value added to the operating result. Furthermore, the previously achievable maximum value was 130%. This cap has been raised to 150%.

Supervisory Board compensation

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

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

In total, the emoluments of the Supervisory Board amounted to €2,481,000 in fiscal 2012. Additionally, Supervisory Board members were paid a total of €120,000 in compensation for exercising mandates at subsidiaries.

Supervisory Board compensation	2012 base compensation		2012 committee compensation		Total	
€'000	Fixed	Variable	Fixed	Variable	2012	2011
Dr. Manfred Schneider, Chairman	40	43	80	86	249	249
Frank Bsirske, Deputy Chairman	40	43	40	43	166	166
Dr. Paul Achleitner	40	43	20	21	124	124
Werner Bischoff	40	43	20	21	124	124
Carl-Ludwig von Boehm-Bezing	40	43	40	43	166	166
Heinz Büchel (until 31 Dec 2012)	40	43	20	21	124	124
Dieter Faust	40	43	20	21	124	124
Roger Graef	40	43	0	0	83	58
Arno Hahn (since 1 Jul 2012)	20	21	9	9	59	0
Manfred Holz	40	43	20	21	124	87
Frithjof Kühn	40	43	20	21	124	124
Hans Peter Lafos	40	43	0	0	83	83
Christine Merkamp	40	43	0	0	83	58
Dagmar Mühlenfeld	40	43	20	21	124	124
Dagmar Schmeer	40	43	20	21	124	124
Dr.-Ing. Ekkehard D. Schulz	40	43	20	21	124	124
Dr. Wolfgang Schüssel	40	43	0	0	83	83
Ullrich Sierau	40	43	20	21	124	87
Uwe Tigges (until 30 Jun 2012)	20	21	10	11	62	124
Manfred Weber	40	43	20	21	124	112
Dr. Dieter Zetsche	40	43	0	0	83	83
Total	**800**	**859**	**399**	**423**	**2,481**	**2,348**

2.4 WORKFORCE

Our employees are our most valuable asset. Therefore, promoting and retaining them over the long term is a priority for our personnel work. RWE supports its staff in various ways: in their basic and advanced training, mobility within the Group, career development and work-life balance. We want our employees not only to do good work, but also to enjoy doing it.

Attractive training offerings. To meet our long-term requirements for qualified employees, we train young adults in more than 30 professions at nearly 60 locations. RWE's offering goes far beyond imparting expert skills: apprentices are faced with a variety of challenges. They can participate in ambitious projects and become familiar with various Group companies, both in Germany and abroad. In addition, we enable them to combine their apprenticeship with studies. By the end of 2012, some 2,800 young adults were learning a profession at RWE. We continue to offer more apprenticeships than we need to cover our own requirements.

Furthermore, in Germany we work with universities to offer courses of study that combine practical and academic elements. Our objective is to establish ties with young engineers early on. One example is our cooperation with Hochschule Ruhr West in Mülheim an der Ruhr: energy computer science students at this university of applied sciences are provided with the opportunity to spend a practical period of several years with us. RWE assignments take place during term breaks and once a week during the lecture period. Students can take on responsible tasks and will receive appropriate compensation from us.

We help young adults who have difficulty finding an apprenticeship with our 'I'll Make It!' initiative launched in 2004. Every year, about 100 participants undertake technical and manual project work as well as interview training at twelve RWE locations to prepare for the employment market. The assistance lasts up to a year, and is usually crowned with success. Four out of five participants find a permanent apprenticeship on completing the programme.

New career paths within the Group. Once a marketing professional, always a marketing professional – once an accountant, always an accountant. This is the classical career path for many. However, companies need employees who have an open mindset and think outside the box, especially in a dynamic market environment. This is something we would like to promote. We offer our managers the opportunity to exchange their workplace for a certain period of time by participating in a job rotation programme. Members of the executive boards of Group companies have also seized this opportunity by assuming the role of a colleague from another Group company for two weeks. Rotating jobs over extended periods of time is also an integral component of our talent promotion system. This enables young professionals to not only gain valuable experience, but also to prepare for a career in other Group companies.

Graduate programme celebrates tenth anniversary. Getting to know the RWE Group from various perspectives: this is the opportunity we offer the participants of our International Graduate Programme (IGP). The IGP had its tenth anniversary in May 2012 and allows for significant autonomy and personal responsibility as trainees can organise their own project rotations. The graduates switch departments, companies, locations and countries of assignment five to six times, supported by a senior executive as mentor. The diversity of tasks and the extensive support strengthen not only the trainees' skills, but also – fortunately for us – their ties to RWE: nearly all of the young professionals remain within the Group after completing the IGP, allowing the company to continue to benefit from their experience.

Ideas management. Employees who come up with ideas and develop initiatives on top of performing their daily tasks at work are a benefit to any company. We encourage this with our groupwide ideas management system. We provide our employees with a financial incentive to capitalise on their experience and creativity in order to improve work processes. The result is commendable: in the last fiscal year alone, more than 4,500 employees submitted a total of 5,700 ideas. We estimate the commercial benefit to exceed €20 million per year. Two of these ideas won renowned awards. The first involved the development of a novel navigation system which facilitates the maintenance of pylons, enabling six-digit annual savings. Two employees of RWE Deutschland AG received the 'Best Trend Idea 2012' award for it from the German Institute of Business Management. The second prize-winning idea leads to a reduction in mine filling material in coal storage facilities. It has an estimated savings potential of over €1 million per annum. The concept was developed by eight RWE Power AG staff members. The German Institute for Idea and Innovation Management gave them the silver medal for one of the best and most innovative ideas of 2012.

Work-life balance. The attractiveness of a job is determined not only by the task involved, the salary or the career-advancement opportunities that come with it. Many employees also measure it based on how well they can reconcile their professional and family lives. We also want to score high in this regard when competing for skilled workers: by offering flexitime models, setting up home offices, offering care-related advice, and providing childcare services subsidised by the company. The 'Lumiland' RWE daycare centre opened its doors in Essen in July 2011, only five months after the groundbreaking ceremony. It provides care to more than 100 children of Group employees and from the local area. One of the priorities of the educational concept is the acquisition of intercultural skills, as well as imparting basic knowledge of nature and technology. In view of the significant demand, another centre following the 'Lumiland' quality standards was opened in Essen in 2012. RWE now offers about 140 places in daycare centres for children aged four months to six years in Essen, the location of its headquarters. We intend to establish company-subsidised daycare centres at other major RWE sites in Germany. The third 'Lumiland' is already scheduled to be opened in Cologne in the summer of 2013.

Focus on promoting women. Taking advantage of the diversity of modern society for the benefit of RWE is the goal of our diversity management system. As co-signee of the 'Diversity Charter,' an initiative by German companies, we have committed ourselves to maintain an organisational culture characterised by respect and appreciation. We believe that the cultural diversity resulting from the international reach of our business harbours substantial potential. In addition, we intend to increase the female quota in managerial positions. As of 31 December 2012, 12.3 % of our executives were women. We aim to increase this share to 22 % by the end of 2018. For the advancement of women, we run a mentoring programme dedicated specifically to female executives. In addition, we have created an international network for women, in which more than 450 people from all levels and departments throughout the Group are participating.

RWE wins German Civic Commitment Award. Employees who volunteer to coach a football team or paint the playground of a local primary school are the best ambassadors our company can have. We provide them with financial assistance for their hands-on work and give them up to three days of paid leave per year where necessary. The subsidies are organised by the 'RWE Companius' umbrella organisation. Since it was initiated in 2008, more than 13,000 staff members have worked on about 8,500 projects in their spare time. Last year, we were recognised for this with two major awards: the Charity Alliance honoured us with the German Civic Commitment Award and the trade magazine 'Human Resources Manager' recognised our efforts with the HR Excellence Award.

Further Information on the HR work done at RWE can be found in our 2012 Personnel Report, which can be viewed on the internet at **www.rwe.com**.

2.5 SUSTAINABILITY

Society has great expectations of us – not just in terms of climate and environmental protection. It demands that electricity supply be both reliable and affordable. The highest occupational safety standards are considered a matter of course, as is the monitoring of suppliers. Furthermore, the public want to be increasingly involved in large-scale projects. We take on all these challenges as we can only be successful as a company over the long term if we ensure society's acceptance by acting responsibly.

Acceptance as a yardstick of sustainable action. Expectations of companies are rising. In addition to information and transparency, society also increasingly demands direct involvement, especially in large-scale projects. This applies in particular to utilities such as RWE, as the transformation of the German energy market will force us to invest heavily in infrastructure. But how exactly should the public be involved in such projects? RWE published a study on this topic in October 2012, based on a survey of approximately 40 experts from companies, regulatory authorities, political parties, research institutes, the media, environmental protection organisations and churches. The study demonstrates that there is a need for a new culture of dialogue and involvement in Germany. According to the survey, the feasibility of large-scale projects depends not only on their compliance with legal requirements, but also on the feedback of the affected members of the public, whose participation must become an integral component of project planning. The measures necessary for this are not merely a PR exercise, but an indispensable integral element in the realisation of a large-scale project.

The study also showed that the transformation of the German energy market meets with broad approval, but that there is often a lack of knowledge of its consequences. This is an area in which RWE starts with the smallest: the RWE School Forum offers educational material and teacher training. In addition, RWE is already in close contact with local politicians and the public with regard to large-scale projects. We want to intensify this dialogue in the future.

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

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

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

(1) Climate protection. Society expects us to provide solutions for protecting the climate. In past years, we have invested billions of euros to build state-of-the-art gas and coal-fired power plants. This allows older, more emission-intensive facilities to be taken offline, without jeopardising security of supply. For example, the commissioning of the new lignite-fired power station at Neurath near Cologne was the basis for shutting down all of our 150 megawatt units, some of which had been online for more than 60 years. Another key element of our climate protection strategy is the expansion of renewable energy. We have less funds available for this than originally planned. However, we are maintaining our long-term emission-reduction target: by 2020, we want to reduce the specific carbon emissions of our power plants to 0.62 metric tons of CO_2 per megawatt hour (MWh) of electricity. This would correspond to a 20% decline compared to 2012 (0.79 metric tons).

(2) Energy efficiency. By modernising our power plants, we are not only protecting the climate, but also conserving limited resources such as coal and gas, as our new stations have a higher degree of energy utilisation (the amount of electricity and available heat generated per unit of primary energy used). On conclusion of our ongoing power plant new-build programme in 2014, the average efficiency of our fossil fuel-fired power plants should amount to 41%. Last year, it was 39%. We are also looking for ways to improve the energy efficiency of our electricity network operations. One example is our model experiment ‘AmpaCity’ in Essen, on which we have reported on page 86 et seq. In addition, we have been successfully working to reduce the energy consumption of our vehicle fleet and buildings. Moreover, we help our residential customers to make more efficient use of electricity and gas. We also put our expertise in the field of energy efficiency at the disposal of commercial and industrial enterprises. Using cutting-edge measuring technology and RWE’s energy controlling system, our experts detect the weak points in a company and develop business-specific optimisation measures. In 2012, more than 200 companies in a number of sectors benefited from this.

(3) Innovation. Secure, affordable and environmentally friendly energy supplies are unattainable without technological progress. Therefore, we accord major importance to research and development (R&D). We are conducting around 200 projects along the entire value chain – from raw material extraction and the conversion, distribution and storage of energy to its use by the customer (see page 84 et seqq.). Our R&D activities are managed groupwide. We identify the most strategically important areas for R&D work at the beginning of every year. We measure our success by the degree to which we have taken specific measures in these areas and informed the public about our activities. Last year, we addressed all of the major R&D areas.

(4) Security of supply. Energy – be it electricity, gas or heat – must be available whenever it is needed. Our customers rely on us to ensure this. The current debate on security of supply is focusing on the stability of electricity networks. Supply and demand must constantly be balanced in order to keep network frequency stable. We will aim to keep the average annual system availability interruption duration indicator (SAIDI) of our distribution networks in Germany below 30 minutes per customer from 2013 onwards. Based on the latest available statistics, it was clearly below this mark in 2011, at about 18 minutes. Nevertheless, we believe our goal is ambitious, because the requirements placed on the capabilities and operation of networks are rising due to the expansion of weather-dependent renewable energy and the increasing use of decentralised power generation units. By the end of 2012, some 250,000 solar panels and wind turbines with a total net installed capacity of 14 gigawatts (GW) were feeding electricity into our German distribution network. In the last three years alone, 5.6 GW in capacity has been added, resulting in a substantial need for investment to maintain security of supply. We plan to spend a total of about €1.9 billion in capital on our German distribution network from 2013 to 2015. The risk of interruptions in the supply of gas is much smaller, because the gas network acts as a buffer. In 2011, interruptions averaged approximately one minute per customer.

(5) Supply chain. In 2012, we paid close attention to monitoring our suppliers. The RWE Group’s Code of Conduct forbids us to work with companies which are known to infringe fundamental environmental and social standards. In particular, these include the principles of the UN Global Compact Initiative. A cause for recent controversy were the labour conditions in hard coal mines in South Africa and Latin America. To gain better insight into the situation, at the beginning of 2012 we created the ‘bettercoal’ initiative with seven other European energy utilities. The initiative will commission audits of coal mines in the most important supplier countries, which are scheduled to start this year.

To ensure the sustainable cultivation of biomass used to fire our power plants, we established groupwide rules for producing, transporting, trading and using this fuel, to which our suppliers must adhere. Our goal is to prevent the use of biomass to generate electricity from having negative effects on people and the environment. For example, land used to cultivate food should not be repurposed to produce biomass. This is why it is important to us that we be able to trace the biomass used to fire our power stations back to the source. The 'Green Gold Label' co-developed by Essent is helpful in this respect: it covers all of the steps involved, from cultivation via subsequent processing and transportation through to utilisation. Furthermore, we are participating in the European Initiative of Wood Pellet Buyers (IWPB) in order to ensure that sustainability criteria are considered in supply agreements.

When procuring staple goods and services, it is important to us that our suppliers comply with minimum international requirements in relation to work conditions and environmental protection. When purchasing energy commodities, we also undertake our own risk assessments of our business partners. Our goal for 2013 is for at least 98% of our purchasing volume to be covered by such minimum standards or risk assessments. We already achieved this target in 2012.

We have set up a quality management system for purchases of plant and complex components. In 2011, RWE Technology, which is in charge of our power plant new builds, obtained ISO 9001 certification, the standard for quality management. As a result, the company is obliged to verify compliance with occupational and environmental standards by partner companies and their vendors, for example by visiting their premises.

(6) Pricing and marketplace. The cost of energy is increasingly becoming the subject of public debate. In Germany, residential electricity tariffs have recently experienced a substantial rise, although wholesale prices declined. This is mainly because the cost apportionments for the promotion of renewable energy posted significant growth. This is a consequence of fundamental political decisions and increases the pressure on supply companies. Increasing numbers of customers are willing to switch suppliers, in order to offset at least a part of the additional burdens. Therefore, one of our main tasks is to retain customers by convincing them of the quality and value for money of our product range. In Germany, we measure our success in this area based not only on churn, but also on a loyalty index. It is based on representative surveys of residential and commercial customers by the independent market research institute IPSOS. The index moves on a scale of 0 to 100 points. A score below 70 designates low satisfaction, with values from 70 to 79 indicating average satisfaction and 80 points or more representing high satisfaction. In the year under review, we achieved a score of 72 points. We aim to score at least 73 points in 2013.

(7) Demographic change. In view of the low birth rates, especially in Germany, we must see to it early on that RWE retains access to adequately qualified staff over the long term. We already take advantage of many ways to attract young talent to our company and create a working environment that meets their expectations. In addition, we project our staff requirements over the long term, taking account of the effects of demographic change on various professions. One of the tools we use in this analysis is a demographic index, which measures the RWE Group's age structure. The higher the index score, the more evenly the age groups are represented in our Group companies. The best possible ranking is 100. In the financial year under review, we achieved a score of just under 84 points. This is also the score targeted for 2013.

(8) Occupational health and safety management. We want our employees to return home as healthy as when they arrive at work. Doing the best possible justice to this ambition is the goal of our occupational health management system. In the financial year that just ended, we developed a basic programme which will be implemented throughout the Group, and will include measures to reduce stress and prevent cardiovascular diseases. In addition to informational campaigns on the importance of healthy nutrition and regular exercise, we offer courses on back health and permanent weight reduction.

The safety of work processes is also very important to RWE. We continuously refine our culture of occupational safety with special programmes, resulting in a steady drop in accidents. Last year, we focused especially on partner companies whose employees were assigned to RWE sites. In 2012, we held workshops to familiarise about 600 executives of such companies with our culture of occupational health and safety. At our construction sites and all power plant locations, we give external personnel safety instructions in their mother tongue at electronic terminals using 'easyINSTRUCT' software. The following proves the success of these and other measures: In 2012, the accident rate was 2.6 for every million hours worked (previous year: 2.8). Therefore, it declined for the eleventh straight year. Since 2012, we have started including the employees of our partner companies in our accident statistics. On this basis, the accident rate in 2012 amounted to 2.8. By 2015, we intend to achieve a figure of less than two.

(9) Environmental protection. Our opencast mines, production facilities, power stations and networks all affect nature and landscapes. When protecting and recultivating ecosystems, we draw on many years of experience, e.g. in the network business and in the production of lignite, gas and oil. Many of the environmental protection measures we undertake are required by law or by operating permits. Our environmental management system, which now covers 99.6% of the RWE Group's activities, helps us to comply with environmental requirements. Numerous companies have had it certified to the ISO 14001 standard, which is renowned the world over. Relative to headcount, the proportion of Group activities with this certification amounted to 43% at the end of 2012.

At the beginning of 2013, we forged a partnership with the International Union for Conservation of Nature (IUCN). It should help us to improve our assessment of the influence of our action on the ecosystem, especially with respect to new projects, for example in the field of offshore wind power. In so doing, we want to ensure that all our activities do justice to our high ambitions in terms of environmental protection.

In 2012, however, there was an environmental incident at one of our sites, which drew widespread attention. It occurred in the Lower Saxon town of Völkersen, where RWE Dea produces gas. The groundwater was contaminated with benzene near its surface, despite the regular maintenance of a pipeline system that had been approved by experts. The appraisers and regulatory authorities are of the opinion that people, flora and fauna were never at risk. RWE Dea took extensive measures to fully remedy the damage and avoid such incidents in the future.

In the year under review, costs attributable to protecting the environment amounted to €1,365 million. This was 20% more than in 2011. Added to this was €1,418 million in capital expenditure, which declined by 18%. Two-thirds of our environmental spending was dedicated to climate protection. In particular, this includes investments in the modernisation of our power plant portfolio and the

Environmental cost and capital expenditure	Cost		Capital expenditure		Total	
€ million	2012	2011	2012	2011	2012	2011
Clean air	233	366	47	41	280	407
Nature and landscape protection	60	71	22	22	82	93
Water protection	165	246	37	52	202	298
Waste disposal	363	207	3	1	366	208
Noise abatement	8	13	5	7	13	20
Brownfield sites, soil contamination	16	3	1	1	17	4
Climate protection	520	232	1,303	1,613	1,823	1,845
Total	**1,365**	**1,138**	**1,418**	**1,737**	**2,783**	**2,875**

expansion of renewable energy. A large proportion of environmental cost was dedicated to waste disposal, for example in relation to the dismantling of the Biblis A and B nuclear reactors. Costs to keep air clean are mainly incurred due to the operation of flue gas desulphurisation units. Most of the spending on water protection was dedicated to the purification of wastewater.

(10) Community engagement. As we are an energy utility, we have firm roots in the regions in which we operate. We are a reliable employer and principal in these communities, and work there on social issues. Our charitable activities are pooled in the RWE Foundation. It is endowed with a capital stock of €56 million and promotes the education, culture and social integration of children and teenagers. In the financial year that just ended, it spent €1.1 million on this. Furthermore, we support the strong effort put in by RWE employees for social causes through the 'RWE Companius' initiative (see page 119). Engagement of this kind also benefits RWE, as it improves our acceptance. Once a year, we commission a market research company to conduct an opinion survey to identify how RWE is perceived by the public in Germany when compared to major competitors. The most recent poll conducted last year confirmed that, as in 2011, we had the best reputation in our peer group, a position we intend to maintain.

RWE qualifies for renowned sustainability index yet again. In September 2012, our sustainable management measures were honoured when we were included in the Dow Jones Sustainability World Index (DJSI World) for another twelve months. DJSI is a family of share indices, which takes account of economic as well as ecological and social criteria. RWE is one of the few German companies to have been represented in the DJSI Group without interruption since its inception in 1999.

Important sustainability indicators		2012	2011	2010	2009	2008
Environment						
RWE power plant portfolio						
NO_x emissions[1]	g/kWh	0.69	0.60	0.58	0.67	0.67
SO_2 emissions[1]	g/kWh	0.40	0.31	0.29	0.34	0.39
Particulate emissions[1]	g/kWh	0.025	0.021	0.019	0.024	0.028
Ash[1]	thousand mt	8,710	7,843	7,740	7,429	6,406
Gypsum[1]	thousand mt	2,200	2,148	2,053	1,956	1,533
Primary energy consumption[2]	billion kWh	435.7	390.6	403.0	368.2	396.0
Water consumption[1,3]	m^3/MWh	1.56	1.62	1.41	1.70	1.49
Scope 1 CO_2 emissions[4]	million mt	160.6	143.4	144.9	135.9	147.4
Specific CO_2 emissions	mt/MWh	0.792	0.778	0.715	0.792	0.749
Total power plant portfolio						
Scope 1 CO_2 emissions[5]	million mt	181.7	163.8	167.1	151.3	174.5
Scope 2 CO_2 emissions[6]	million mt	1.9	2.4	3.1	3.5	3.8
Scope 3 CO_2 emissions[7]	million mt	105.2	121.0	135.7	128.1	127.0
Specific CO_2 emissions	mt/MWh	0.792	0.787	0.732	0.796	0.768
Capital expenditure of the Renewables Division	€ million	1,093	891	709	733	1,102
Share of the Group's electricity generation accounted for by renewables	%	5.5[8]	4.3	4.0	3.5	2.4
R&D costs	€ million	150	146	149	110	105
Society						
Employees[9]		70,208	72,068	70,856	70,726	65,908
Fluctuation rate	%	10.8	10.1	8.3	8.7	8.8
Training days per employee (Germany)		4.5	4.6	4.7	4.8	4.6
Health ratio	%	95.5	95.8	95.6	95.4	95.4
Lost-time incident frequency	LTIF[10]	2.8	2.8	3.5	4.3	5.3
Fatal work-related accidents[11]		4	3	3	5	12
Corporate governance						
Share of women in the company	%	27.5	27.1	26.2	26.1	25.6
Share of women in executive positions[12]	%	12.3	11.3	10.8	9.0	8.9
Share of the RWE Group's revenue earned in countries with a high risk of corruption[13]	%	13.7	12.4	12.0	12.7	12.9

1 Figures for 2009 adjusted due to the inclusion of Netherlands/Belgium and Hungary.
2 Figures for 2009 adjusted due to the inclusion of Netherlands/Belgium.
3 Difference between power plant water withdrawals and returns to rivers and other surface water; excluding power plants with sea water cooling.
4 Scope 1: direct CO_2 emissions from in-house sources (oil and gas production, gas transmission & electricity generation).
5 Including power stations not under RWE ownership, but that we can deploy at our discretion on the basis of long-term agreements.
6 Scope 2: indirect CO_2 emissions from the transmission and distribution of electricity purchased from third parties.
7 Scope 3: indirect CO_2 emissions that do not fall under scope 1 or 2, produced through the generation of electricity procured from third parties, the transmission and distribution of electricity in third-party networks, the production and transmission of used fuel, as well as the consumption of gas sold to customers.
8 Electricity generation based on wind (4.8 billion kWh), hydro (3.6 billion kWh) and biomass (4.0 billion kWh).
9 Converted to full-time positions.
10 Sum of all accidents resulting in at least one day of absence for every million hours worked. Figures for 2012 include employees of third-party companies; figures for 2008 to 2011 exclude employees of third-party companies.
11 Including employees of third-party companies.
12 Encompasses the top four management levels; figures include Essent from 2010 onwards.
13 Countries rated lower than 60 on a scale of zero to 100 in the Corruption Perceptions Index by the anti-corruption organisation Transparency International (TI), with 100 corresponding to the lowest risk of corruption.

3 RESPONSIBILITY STATEMENT

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

Essen, 15 February 2013

The Executive Board

Terium Schmitz Birnbaum

Fitting Günther Tigges

€4.4 BILLION

CASH FLOWS FROM OPERATING ACTIVITIES

4 CONSOLIDATED FINANCIAL STATEMENTS

€53.2 BILLION
REVENUE

€88.2 BILLION
BALANCE SHEET TOTAL

€63.4 BILLION
NON-CURRENT ASSETS

€16.4 BILLION
EQUITY

366
FULLY CONSOLIDATED COMPANIES

4.1 INCOME STATEMENT

€ million	Note	2012	2011
Revenue (including natural gas tax/electricity tax)	(1)	**53,227**	**51,686**
Natural gas tax/electricity tax	(1)	2,456	2,533
Revenue	(1)	**50,771**	**49,153**
Other operating income	(2)	1,867	2,151
Cost of materials	(3)	34,496	33,928
Staff costs	(4)	5,318	5,170
Depreciation, amortisation, and impairment losses	(5)	5,071	3,404
Other operating expenses	(6)	3,908	4,673
Income from operating activities		**3,845**	**4,129**
Income from investments accounted for using the equity method	(7)	261	400
Other income from investments	(7)	216	128
Financial income	(8)	770	695
Finance costs	(8)	2,862	2,328
Income before tax		**2,230**	**3,024**
Taxes on income	(9)	526	854
Income		**1,704**	**2,170**
of which: minority interest		302	305
of which: RWE AG hybrid capital investors' interest		96	59
of which: net income/income attributable to RWE AG shareholders		**1,306**	**1,806**
Basic and diluted earnings per common and preferred share in €	(28)	**2.13**	**3.35**

4.2 STATEMENT OF RECOGNISED INCOME AND EXPENSES[1]

€ million	Note	2012	2011
Income		**1,704**	**2,170**
Currency translation adjustment		318	−344
Fair valuation of financial instruments available for sale	(29)	106	−97
Fair valuation of financial instruments used for hedging purposes	(29)	−131	−1,585
Other comprehensive income of investments accounted for using the equity method (pro rata)		−46	−50
Actuarial gains and losses of defined benefit pension plans and similar obligations		−2,276	−641
Other comprehensive income		**−2,029**	**−2,717**
Total comprehensive income		**−325**	**−547**
of which: attributable to RWE AG shareholders		(−697)	(−823)
of which: attributable to RWE AG hybrid capital investors		(96)	(59)
of which: attributable to minority interests		(276)	(217)

1 Figures stated after taxes.

4.3 BALANCE SHEET

Assets € million	Note	31 Dec 2012	31 Dec 2011
Non-current assets			
Intangible assets	(10)	16,017	16,946
Property, plant and equipment	(11)	36,006	34,847
Investment property	(12)	111	136
Investments accounted for using the equity method	(13)	3,625	4,113
Other non-current financial assets	(14)	959	836
Financial receivables	(15)	1,461	1,928
Other receivables and other assets	(16)	1,519	2,041
Income tax assets		60	71
Deferred taxes	(17)	3,604	2,621
		63,362	**63,539**
Current assets			
Inventories	(18)	3,128	3,342
Financial receivables	(15)	1,737	2,171
Trade accounts receivable	(19)	8,033	7,468
Other receivables and other assets	(16)	6,501	8,934
Income tax assets		165	198
Marketable securities	(20)	2,604	4,995
Cash and cash equivalents	(21)	2,672	2,009
		24,840	**29,117**
		88,202	**92,656**

Equity and liabilities € million	Note	31 Dec 2012	31 Dec 2011
Equity	(22)		
RWE AG shareholders' interest		12,122	13,979
RWE AG hybrid capital investors' interest		2,702	1,759
Minority interest		1,613	1,344
		16,437	**17,082**
Non-current liabilities			
Provisions	(24)	28,067	23,829
Financial liabilities	(25)	15,417	15,428
Other liabilities	(27)	2,714	3,438
Deferred taxes	(17)	1,323	1,696
		47,521	**44,391**
Current liabilities			
Provisions	(24)	4,811	5,327
Financial liabilities	(25)	4,529	6,495
Trade accounts payable	(26)	7,315	7,886
Income tax liabilities		136	144
Other liabilities	(27)	7,453	11,331
		24,244	**31,183**
		88,202	**92,656**

4.4 CASH FLOW STATEMENT

€ million	Note (32)	2012	2011
Income		1,704	2,170
Depreciation, amortisation, impairment losses/write-backs		5,356	3,443
Changes in provisions		371	87
Changes in deferred taxes		−341	224
Income from disposal of non-current assets and marketable securities		−530	−364
Other non-cash income/expenses		−1,114	386
Changes in working capital		−1,051	−436
Cash flows from operating activities		**4,395**	**5,510**
Intangible assets/property, plant and equipment/investment property			
Capital expenditure		−5,081	−6,353
Proceeds from disposal of assets		397	313
Acquisitions, investments			
Capital expenditure		−412	−625
Proceeds from disposal of assets/divestitures		1,881	779
Changes in marketable securities and cash investments		2,212	−1,880
Cash flows from investing activities (before transfer to contractual trust arrangements)		**−1,003**	**−7,766**
Transfer to contractual trust arrangements		−282	
Cash flows from investing activities (after transfer to contractual trust arrangements)		**−1,285**	**−7,766**
Net change in equity (incl. minority interest)		56	2,141
Issuance of hybrid capital[1]		892	
Dividends paid to RWE AG shareholders and minority interests		−1,556	−2,301
Issuance of financial debt[2]		7,298	8,955
Repayment of financial debt		−9,153	−7,053
Cash flows from financing activities		**−2,463**	**1,742**
Net cash change in cash and cash equivalents		647	−514
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents		16	−12
Net change in cash and cash equivalents		**663**	**−526**[3]
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		**2,672**	**2,009**

1 Includes the issuance of hybrid capital to be classified as equity as per IFRS.
2 Including hybrid bonds to be classified as debt as per IFRS.
3 Of which: a change of -€59 million is due to cash and cash equivalents reported as 'Assets held for sale' as of 31 December 2010.

4.5 STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity € million	Sub-scribed capital of RWE AG	Additional paid-in capital of RWE AG	Retained earnings and distributable profit	Treasury shares	Accumulated other comprehensive income			**RWE AG shareholders' interest**	RWE AG hybrid capital investors' interest	Minority interest	**Total**
Note (22)					Currency translation adjustments	Fair value measurement of financial instruments: Available for sale	Fair value measurement of financial instruments: Used for hedging purposes				
Balance at 1 Jan 2011	**1,440**	**1,158**	**12,970**	**−2,272**	**445**	**99**	**734**	**14,574**	**1,759**	**1,084**	**17,417**
Capital paid in	134	1,227						1,361		22	1,383
Sales of treasury shares			−1,512	2,248				736			736
Dividends paid[1]			−1,867					−1,867	−81	−285	−2,233
Income			1,806					1,806	59	305	2,170
Other comprehensive income			−640		−268	−136	−1,585	−2,629		−88	−2,717
Total comprehensive income			1,166		−268	−136	−1,585	−823	59	217	−547
Other changes			−2					−2	22	306	326
Balance at 31 Dec 2011	**1,574**	**2,385**	**10,755**	**−24**	**177**	**−37**	**−851**	**13,979**	**1,759**	**1,344**	**17,082**
Capital paid in									892	11	903
Issue of treasury shares			−16	24				8			8
Dividends paid[1]			−1,229					−1,229	−81	−180	−1,490
Income			1,306					1,306	96	302	1,704
Other comprehensive income			−2,213		271	70	−131	−2,003		−26	−2,029
Total comprehensive income			−907		271	70	−131	−697	96	276	−325
Other changes			61					61	36	162	259
Balance at 31 Dec 2012	**1,574**	**2,385**	**8,664**		**448**	**33**	**−982**	**12,122**	**2,702**	**1,613**	**16,437**

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

4.6 NOTES

Basis of presentation

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

The consolidated financial statements for the period ended 31 December 2012 were approved for publication on 15 February 2013 by the Executive Board of RWE AG. The statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU, as well as in accordance with the supplementary accounting regulations applicable pursuant to Sec. 315a, Para. 1 of the German Commercial Code (HGB). The previous year's figures were calculated according to the same principles.

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

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

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

These consolidated financial statements were prepared for the fiscal year from 1 January to 31 December 2012.

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

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

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

The consolidated financial statements, the combined review of operations and the independent auditors' report are discussed in detail by the Audit Committee and at the Supervisory Board's meeting on financial statements with the independent auditors present. The results of the Supervisory Board's examination are presented in the report of the Supervisory Board (see page 104 et seqq.).

Scope of consolidation

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

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

The list of Group shareholdings pursuant to Sec. 313, Para. 2 of the German Commercial Code (HGB) is presented on pages 195 et seqq.

In the year under review, one company domiciled in Germany and eleven outside of Germany were consolidated for the first time. 24 companies, eight of which were headquartered in Germany, are no longer included in the scope of consolidation; 35 companies were merged, of which 27 were domiciled in Germany. Furthermore, two associates in foreign countries were accounted for using the equity method for the first time. In respect of companies accounted for using the equity method in the previous year, ten were sold, including four in Germany. First-time consolidation and deconsolidation generally take place when control is transferred.

Scope of consolidation	Germany 31 Dec 2012	Foreign countries 31 Dec 2012	Total 31 Dec 2012	Total 31 Dec 2011
Fully consolidated companies	164	202	366	413
Investments accounted for using the equity method	67	46	113	121

Corporate acquisitions

On 30 September 2011, RWE acquired 100% of the voting stock in Energy Resources Holding B.V. (ERH), 's-Hertogenbosch (Netherlands). The first-time accounting treatment of the business acquisition was finalised with effect from 30 September 2012, reflecting the preliminary accounting treatment without any amendments.

Disposals

On 21 December 2012, RWE sold its 57.5% stake in Koblenzer Elektrizitätswerk und Verkehrs-Aktiengesellschaft. The gain on deconsolidation amounted to €95 million and is reported in the item "Other operating income" in the income statement. The sales price was €222 million. This company was a part of the segment Sales/Distribution Networks.

On 29 June 2012, RWE sold a 19.33% stake in the Saarland regional utility VSE AG, Saarbrücken. RWE, however, still holds the majority of voting rights in the company. With this sale, the share of equity attributable to RWE AG's shareholders increased by €25 million and the share of minority interests increased by €61 million.

On 31 December 2012, RWE sold a 28.9% stake in the regional utility Emscher Lippe Energie GmbH. RWE, however, still holds the majority of voting rights in this company. With this sale, the share of equity attributable to RWE AG's shareholders increased by €58 million and the share of minority interests increased by €17 million.

On 30 October 2012, RWE completed the sale of its investment accounted for using the equity method in RWE-Veolia Berlinwasser Beteiligungs GmbH, Berlin, along with the related long-term financial receivables. The sales price including accrued interest since the beginning of the year amounted to €658 million. The disposal group was a part of the segment Sales/Distribution Networks.

On 30 October 2012, RWE sold its investment accounted for using the equity method in Horizon Nuclear Power Limited, London (UK), which was a part of the segment United Kingdom. The sales price amounted to £348 million.

Within the framework of business transactions, purchase prices amounted to €51 million (previous year: €468 million) and the sales prices amounted to €378 million (previous year: €1,216 million); all payments were made in cash.

Changes in the scope of consolidation resulted in a decrease of €12 million in non-current assets (including deferred taxes), €362 million in current assets (excluding cash and cash equivalents), and €1 million in cash and cash equivalents; non-current and current liabilities declined by €159 million.

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

Consolidation principles

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

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

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

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

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

Foreign currency translation

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

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

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

Exchange rates	Average		Year-end	
in €	2012	2011	31 Dec 2012	31 Dec 2011
1 US dollar	0.77	0.71	0.76	0.77
1 pound sterling	1.23	1.15	1.23	1.20
100 Czech korunas	3.98	4.07	3.98	3.88
100 Hungarian forints	0.35	0.36	0.34	0.32
1 Polish zloty	0.24	0.24	0.25	0.22

Accounting policies

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

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

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

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

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

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

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

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

Useful life in years	
Buildings	12 – 75
Technical plants	
Thermal power plants	10 – 45
Wind turbines	up to 20
Electricity grids	20 – 45
Water main networks	20 – 80
Gas and water storage facilities	15 – 60
Gas distribution facilities	15 – 70
Mining facilities	3 – 25
Mining developments	33 – 35
Wells in Upstream Gas & Oil	up to 28

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

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

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

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

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

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

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

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

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

Deferred taxes result from temporary differences in the carrying amount in the separate IFRS financial statements and tax bases, and from consolidation procedures. Deferred tax assets also include tax reduction claims resulting from the expected utilisation of existing loss carryforwards in subsequent years. Deferred taxes are capitalised if it is sufficiently certain that the related economic advantages can be used. Their amount is assessed with regard to the tax rates applicable or expected to be applicable in the specific country at the time of realisation. The tax regulations valid or adopted as of the balance-sheet date are key considerations in this regard. The tax rate used to calculate deferred taxes in Germany is 31.4% (previous year: 31.2%). This is derived from the prevailing 15% corporate tax rate, the solidarity surcharge of 5.5%, and the Group's average local trade tax rate. Deferred tax assets and deferred tax liabilities are netted out for each company and/or tax group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In Germany, an increase or decrease of one percentage point in the discount factor would result in a reduction of €2,073 million (previous year: €1,378 million) or an increase of €2,707 million (previous year: €1,754 million), respectively, in the present value of the obligations of the pension plans. For the Group companies in the UK, identical changes in the discount factor would reduce or increase pension obligations by €800 million (previous year: €679 million) or €1,031 million (previous year: €867 million), respectively.

The dependence of pension provisions on market interest rates, however, is limited by an opposite effect. The background of this is that the commitments stemming from company pension plans are primarily covered by funds, and mostly plan assets exhibit negative correlation with the market yields of fixed-interest securities. Consequently, declines in market interest rates are typically reflected in an increase in plan assets, and vice-versa.

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

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

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

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

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

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

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

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

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

The non-subordinated bonds issued by RWE are currently rated A3 by Moody's and BBB+ by Standard & Poor's, with outlooks of negative and stable, respectively. Our rating thus remains in the investment-grade range. The credit ratings are P–2 and A–2, respectively, for short-term RWE bonds.

Changes in accounting policies

The International Accounting Standards Board (IASB) approved amendments of existing International Financial Reporting Standards (IFRSs), which became effective for the RWE Group as of fiscal 2012. These Standards are:

- Amendments to IFRS 7 Financial Instruments: Disclosures (2010): Transfers of Financial Assets
- Amendments to IFRS 1 First-time Adoption (2010): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IAS 12 Income Taxes (2010): Deferred Taxes: Recovery of Underlying Assets

These amendments have no material effects on the RWE Group's consolidated financial statements.

New accounting policies

The IASB has adopted further standards and amendments to standards, which were not yet mandatory in the European Union (EU) in fiscal 2012. The most important changes are presented below. EU endorsement is still pending in some cases.

IFRS 9 Financial Instruments (2011) replaces the previous regulations of IAS 39 for the classification and measurement of financial assets and contains minor changes in relation to the measurement of financial liabilities. With the new Standard, there is a decline in the number of measurement categories for financial assets. IFRS 9 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2015.

IFRS 10 Consolidated Financial Statements (2011) replaces the previous regulations of IAS 27 and of SIC–12 for consolidation. According to IFRS 10 (2011), the following three requirements must be cumulatively fulfilled in order for control to exist: power over the relevant activities, a right to variable returns from the investee, and the ability to use power over the investee to affect the amount of the variable returns. IFRS 10 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2014.

IFRS 11 Joint Arrangements (2011) replaces the previous regulations of IAS 31 and of SIC–13 for the accounting treatment of joint ventures. IFRS 11 (2011) regulates the accounting treatment of cases in which a company is managed jointly or an activity is carried out jointly. A further amendment is that in the future proportionate consolidation will no longer be allowed. RWE had not exercised this option in the past anyway. IFRS 11 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2014.

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

IFRS 13 Fair Value Measurement (2011) defines general standards for measuring fair value. Furthermore, the standard expands disclosure requirements on fair valuations in the notes. IFRS 13 (2011) becomes effective for the first time for fiscal years starting on or after 1 January 2013. For RWE, first-time application means that additional information on fair values must be reported in the notes.

IAS 28 Investments in Associates and Joint Ventures (2011) was supplemented with regulations for the accounting treatment of investments in joint ventures when it was revised. The new standard becomes effective for the first time for fiscal years starting on or after 1 January 2014.

Presentation of Items of Other Comprehensive Income (Amendment of IAS 1, 2011) relates to the presentation of items included in the statement of recognised income and expenses. In the future, these must be divided into two categories, depending on how they are to be recognised in the income statement in the future (“recycling”). The new regulations become effective for the first time for fiscal years starting on or after 1 July 2012. Accordingly, this breakdown will be presented in the RWE Group’s consolidated financial statements starting from fiscal 2013.

Amendments to IAS 19 Employee Benefits (2011) abolish options to recognise actuarial gains and losses. New regulations on considering the expected return on plan assets are also introduced. In addition, the disclosure obligations in the notes are expanded. These amendments become effective for the first time for fiscal years starting on or after 1 January 2013. Abolishing the options will have no impact on the RWE Group's consolidated financial statements, as we already recognise actuarial gains and losses directly in equity. We expect the new regulations on the treatment of expected return on plan assets to result in a reduction of €99 million for fiscal 2013. Furthermore, the financial statements will contain additional information in the notes.

Amendments to IAS 32: Financial Instruments: Presentation (2011) and **Amendments to IFRS 7 Financial Instruments: Disclosures (2011)** regulate the offsetting of financial assets and financial liabilities and the related reporting requirements. While the requirements for offsetting are only detailed by application guidances, the scope of reporting requirements is expanded considerably. These amendments related to IFRS 7 become effective for the first time for fiscal years starting on or after 1 January 2013, the amendments related to IAS 32 for fiscal years starting on or after 1 January 2014. In respect of the RWE Group's consolidated financial statements, the amendments to IFRS 7 will result in additional reporting in the Notes on the set-off of financial assets and financial liabilities, starting from fiscal 2013.

We are currently reviewing what effects the amendments to the standards becoming effective for the first time for fiscal years starting from 1 January 2014 will have on the RWE Group's consolidated financial statements.

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

- Amendments to IFRS 1 – Government Loans (2012)
- Improvements to IFRSs 2009–2011 (2012)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance (2012)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (2012)
- IFRIC Interpretation 20 – Stripping Costs in the Production Phase of a Surface Mine (2012)
- IAS 27 Separate Financial Statements (2011)

Notes to the Income Statement

(1) Revenue

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

To improve the presentation of business development, we report revenue generated by energy trading operations as net figures, reflecting realised gross margins. By contrast, we report electricity, gas, coal and oil transactions that are subject to physical settlement on a gross basis. Energy trading revenue is generated by the segment Trading/Gas Midstream. In fiscal 2012, gross revenue (including energy trading) totalled €125,137 million (previous year: €118,579 million).

A breakdown of revenue by division and geographical region is contained in the segment reporting on pages 187 et seqq. Revenue decreased by a net total of €3,610 million as a result of first-time consolidations and deconsolidations.

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

(2) Other operating income

Other operating income € million	2012	2011
Income from own work capitalised	212	315
Income from changes in finished goods and work in progress	46	
Release of provisions	373	348
Cost allocations/refunds	6	74
Disposal and write-back of current assets excluding marketable securities	67	41
Disposal and write-back of non-current assets including income from deconsolidation	452	536
Income from derivative financial instruments	44	124
Compensation for damage/insurance benefits	22	93
Rent and lease	29	31
Exchange rate gains		60
Miscellaneous	616	529
	1,867	**2,151**

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

Changes in the scope of consolidation reduced other operating income by €27 million.

(3) Cost of materials

Cost of materials € million	2012	2011
Cost of raw materials and of goods for resale	24,709	29,447
Cost of purchased services	9,787	4,481
	34,496	**33,928**

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

Cost of materials in exploration activities amounted to €66 million in the reporting period (previous year: €65 million).

A total of €71,910 million in energy trading revenue (previous year: €66,893 million) was netted out against cost of materials. Changes in the scope of consolidation resulted in a decline of €3,311 million in the cost of materials.

(4) Staff costs

Staff costs € million	2012	2011
Wages and salaries	4,315	4,204
Cost of social security, pensions and other benefits	1,003	966
	5,318	**5,170**

The RWE Group’s average personnel headcount amounted to 71,419 (previous year: 72,163). This figure is arrived at by conversion to full-time positions, meaning that part-time and fixed-term employment relationships are included in accordance with the ratio of the part-time work or the duration of the employment to the annual employment time. Of the total average personnel headcount, 54,945 were staff covered by collective or other agreements (previous year: 55,851) and 16,474 were staff who were not covered by collective agreements (previous year: 16,312). In addition, 2,619 trainees were employed on average (previous year: 2,756). Trainees are not included in the personnel headcount.

A decrease of €84 million in staff costs is attributable to changes in the scope of consolidation.

(5) Depreciation, amortisation and impairment losses

Depreciation and impairment losses on property, plant and equipment amounted to €3,915 million (previous year: €2,572 million) and to €7 million (previous year: €9 million) on investment property. Intangible assets were written down by €1,149 million (previous year: €823 million), of which €153 million (previous year: €301 million) pertained to customer bases of acquired enterprises. Exploration activities resulted in depreciation, amortisation and impairment losses of €14 million (previous year: €21 million) on property, plant and equipment and intangible assets.

Impairment losses were recognised in the reporting period. These impairment losses amounted to €1,423 million (previous year: €372 million) on property, plant and equipment, €1 million (previous year: €3 million) on investment property and €673 million (previous year: €259 million) on intangible assets (without goodwill). Of the impairment losses on property, plant and equipment, €1,264 million related to the power plant fleet in the segment Netherlands/Belgium and €59 million to biomass facilities in the segment Renewables, mainly due to changes in price expectations. These also led to impairments on intangible assets in the segment Netherlands/Belgium, in respect of operating rights (€474 million) and a long-term electricity purchase contract (€139 million). Determination of the value in use was based on discount rates appropriate for the term, in a range of 5.4% to 7.5%.

(6) Other operating expenses

Other operating expenses € million	2012	2011
Expenses from changes in finished goods and work in progress		24
Maintenance and renewal obligations	829	954
Additions to provisions	203	210
Concessions, licenses and other contractual obligations	515	536
Structural and adaptation measures	375	423
Legal and other consulting and data processing services	265	296
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	280	357
Disposal of non-current assets including expenses from deconsolidation	93	124
Insurance, commissions, freight and similar distribution costs	262	247
General administration	219	219
Advertising	229	249
Expenses from derivative financial instruments	4	138
Lease payments for plant and grids as well as rents	182	135
Postage and monetary transactions	88	83
Fees and membership dues	109	99
Exchange rate losses	25	
Other taxes (primarily on property)	79	80
Miscellaneous	151	499
	3,908	**4,673**

Exploration activities resulted in other operating expenses of €46 million (previous year: €57 million). A decrease of €26 million in other operating expenses is attributable to changes in the scope of consolidation.

(7) Income from investments

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

Income from investments € million	2012	2011
Income from investments accounted for using the equity method	**261**	**400**
of which: amortisation/impairment losses/write-backs on investments accounted for using the equity method	(–272)	(–41)
Income from non-consolidated subsidiaries	5	–1
of which: amortisation/impairment losses on non-consolidated subsidiaries	(–2)	(–10)
Income from other investments	23	105
of which: impairment of shares in other investments	(–17)	(–3)
Income from the disposal of investments	154	8
Expenses from the disposal of investments	5	1
Income from loans to investments	69	34
Expenses from loans to investments	30	17
Other income from investments	**216**	**128**
	477	**528**

Expenses from loans to investments relate exclusively to impairment losses.

Of the impairments on investments accounted for using the equity method, €65 million related to the stake in RWE-Veolia Berlinwasser Beteiligungs GmbH which was sold during the year under review and €41 million to a foreign investment in the segment Sales/Distribution Networks. Furthermore, due to delays in project development, an impairment of €107 million (previous year: €26 million) was recognised on a foreign investment accounted for using the equity method in the segment Renewables, and an impairment of €46 million (previous year: €15 million) was recognised on power plant investments in the Netherlands which are accounted for using the equity method. €97 million of the income from the disposal of investments related to the sale of Horizon Nuclear Power Limited, an investment accounted for using the equity method.

(8) Financial result

Financial result € million	2012	2011
Interest and similar income	413	430
Other financial income	357	265
Financial income	**770**	**695**
Interest and similar expenses	1,249	1,063
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	196	113
Provisions for nuclear waste management as well as to mining provisions	612	609
Other provisions	400	147
Other finance costs	405	396
Finance costs	**2,862**	**2,328**
	–2,092	**–1,633**

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

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

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

In the year under review, €86 million in borrowing costs were capitalised as costs in connection with the acquisition, construction or production of qualifying assets (previous year: €50 million). The underlying capitalisation rate ranged from 5.10% to 5.25% (previous year: from 5.20% to 5.30%).

Net interest € million	2012	2011
Interest and similar income	413	430
Interest and similar expenses	1,249	1,063
	–836	**–633**

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

Interest result by category € million	2012	2011
Loans and receivables	335	341
Financial assets available for sale	78	89
Financial liabilities carried at (amortised) cost	–1,249	–1,063
	–836	**–633**

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

Other financial income includes €81 million in gains realised from the disposal of marketable securities (previous year: €82 million). Of the other finance costs, €14 million (previous year: €5 million) stem from write-downs of marketable securities due to decreases in their fair value, and €10 million (previous year: €78 million) from realised losses on the disposal of marketable securities.

(9) Taxes on income

Taxes on income € million	2012	2011
Current taxes on income	867	630
Deferred taxes	–341	224
	526	**854**

Of the deferred taxes, –€59 million is related to temporary differences (previous year: €392 million).

Current taxes on income contain €39 million in net tax income (previous year: expenses of €63 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were reduced by €9 million (previous year: €50 million). Expenses from deferred taxes declined by €0 million (previous year: €18 million), due to reassessments of and previously unrecognised tax carryforwards.

Changes in the scope of consolidation decreased income taxes by €55 million.

Income taxes recognised in other comprehensive income € million	2012	2011
Fair valuation of financial instruments available for sale	–21	–2
Fair valuation of financial instruments used for hedging purposes	93	676
Actuarial gains and losses of defined benefit pension plans and similar obligations	956	252
Income	**1,028**	**926**

Taxes in the amount of €38 million (previous year: €28 million) were offset directly against equity in relation to hybrid capital reported as equity and the equity capital measures taken during the previous year.

Tax reconciliation € million	2012	2011
Income before tax	**2,230**	**3,024**
Theoretical tax expense	**700**	**944**
Differences to foreign tax rates	215	112
Tax effects on		
Tax-free domestic dividends	−85	−83
Tax-free foreign dividends	−40	−29
Other tax-free income	−198	−15
Expenses not deductible for tax purposes	95	117
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	55	−19
Unutilisable loss carryforwards, utilisation of unrecognised loss carryforwards, write-downs on loss carryforwards, recognition of loss carryforwards	79	−64
Income on the disposal of investments	−73	−3
Changes in domestic tax rates	−4	
Changes in foreign tax rates	−32	41
Other	−186	−147
Effective tax expense	**526**	**854**
Effective tax rate in %	23.6	28.2

Notes to the Balance Sheet

(10) Intangible assets

Intangible assets € million	Development costs	Concessions, patent rights, licences and similar rights	Customer relationships and similar assets	Goodwill	Prepayments	Total
Cost						
Balance at 1 Jan 2012	513	4,082	2,939	13,599	25	21,158
Additions/disposals due to changes in the scope of consolidation	−19	−21	−3	−169	−22	−234
Additions	96	124			1	221
Transfers	154	−103			−3	48
Currency translation adjustments	7	26	57	121		211
Disposals	19	176	3			198
Balance at 31 Dec 2012	732	3,932	2,990	13,551	1	21,206
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2012	287	1,439	2,480	6		4,212
Additions/disposals due to changes in the scope of consolidation	−19	−42	−1			−62
Amortisation/impairment losses in the reporting period	100	896	153			1,149
Transfers						
Currency translation adjustments	4	9	55			68
Disposals	4	171	3			178
Balance at 31 Dec 2012	368	2,131	2,684	6		5,189
Carrying amounts						
Balance at 31 Dec 2012	364	1,801	306	13,545	1	16,017

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

In the reporting period, the RWE Group's total expenditures on research and development amounted to €150 million (previous year: €146 million). Development costs of €250 million were capitalised (previous year: €89 million).

As of the balance-sheet date, the carrying amount of intangible assets related to exploration activities amounted to €268 million (previous year: €288 million).

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2012	31 Dec 2011
Germany	3,890	4,100
Power Generation	(404)	(404)
Sales/Distribution Networks	(3,486)	(3,696)
Netherlands/Belgium	2,682	2,654
United Kingdom	3,130	3,058
Central Eastern and South Eastern Europe	2,042	2,000
Renewables	770	761
Upstream Gas & Oil	25	25
Trading/Gas Midstream	1,006	995
	13,545	**13,593**

In the segment Sales/Distribution Networks, changes in current redemption liabilities from put options resulted in a decline in goodwill without an effect on income; these changes amounted to –€159 million (previous year: –€121 million) and were included in the disposals.

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

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

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

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

The discount rates used for business valuations are determined on the basis of market data. With regard to cash-generating units, during the period under review they ranged from 7.7% to 18.8% before tax (previous year: 7.8% to 17.4%) and from 5.75% to 8.75% after tax (previous year: 5.5% to 8.75%).

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

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

Of all the segments, Renewables and Netherlands/Belgium exhibited the smallest surpluses of recoverable amount over carrying amount.

The recoverable amount of the segment Renewables exceeded the carrying amount by €0.8 billion. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 0.49 percentage points to above 6.49 %, a growth rate decreased by more than 0.80 percentage points to below 0.20 % or an after-tax operating result reduced by more than €69 million in terminal value.

The recoverable amount of the segment Netherlands/Belgium exceeded the carrying amount by €0.3 billion. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 0.23 percentage points to above 6.48 %, a growth rate decreased by more than 0.51 percentage points to below 0.49 % or an after-tax operating result reduced by more than €21 million in terminal value.

(11) Property, plant and equipment

Property, plant and equipment € million	Land, land rights and buildings incl. buildings on third-party land	Technical plant and machinery	Other equipment, factory and office equipment	Prepayments	Plants under construction	Total
Cost						
Balance at 1 Jan 2012	7,127	63,434	2,079	2,048	9,301	83,989
Additions/disposals due to changes in the scope of consolidation	–64	–253	–57		36	–338
Additions	166	1,594	142	522	2,616	5,040
Transfers	171	5,572	23	–41	–5,792	–67
Currency translation adjustments	74	462	16	2	48	602
Disposals	113	1,037	233		126	1,509
Balance at 31 Dec 2012	7,361	69,772	1,970	2,531	6,083	87,717
Accumulated depreciation/impairment losses						
Balance at 1 Jan 2012	3,579	44,042	1,444		77	49,142
Additions/disposals due to changes in the scope of consolidation	–42	–271	–29		3	–339
Depreciation/impairment losses in the reporting period	180	2,835	181		719	3,915
Transfers	–3	12			–13	–4
Currency translation adjustments	32	231	9			272
Disposals	43	1,022	169		24	1,258
Write-backs	4	8			5	17
Balance at 31 Dec 2012	3,699	45,819	1,436		757	51,711
Carrying amounts						
Balance at 31 Dec 2012	3,662	23,953	534	2,531	5,326	36,006

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

The carrying amount of property, plant, and equipment for exploration activities was €309 million (previous year: €307 million).

Property, plant and equipment in the amount of €121 million (previous year: €175 million) were subject to restrictions from land charges or chattel mortgages. Of the total carrying amount of property, plant and equipment, €222 million (previous year: €187 million) was attributable to assets leased under finance leases. These assets consist of technical plant and equipment. Disposals of property, plant and equipment resulted from sale or decommissioning.

(12) Investment property

Investment property € million	
Cost	
Balance at 1 Jan 2012	341
Transfers	5
Disposals	40
Balance at 31 Dec 2012	306
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2012	205
Depreciation/impairment losses in the reporting period	7
Transfers	4
Disposals	21
Write-backs	
Balance at 31 Dec 2012	195
Carrying amounts	
Balance at 31 Dec 2012	111

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

As of 31 December 2012, the fair value of investment property amounted to €204 million (previous year: €226 million). Of this, €60 million (previous year: €70 million) is based on valuations by independent appraisers. Of the carrying amount of investment property, €7 million (previous year: €8 million) is attributable to assets leased under finance leases. Rental income in the reporting period amounted to €19 million (previous year: €22 million). Direct operating expenses totalled €10 million (previous year: €12 million).

(13) Investments accounted for using the equity method

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

Investments accounted for using the equity method	31 Dec 2012		31 Dec 2011	
€ million	Total	Of which: joint ventures	Total	Of which: joint ventures
Equity				
Assets	26,499	7,993	31,786	8,493
Liabilities	18,896	6,395	21,563	6,421
	7,603	**1,598**	**10,223**	**2,072**
Adjustment to RWE interest and equity method	−3,978	−863	−6,110	−1,187
	3,625	**735**	**4,113**	**885**

Income from investments accounted for using the equity method	2012		2011	
€ million	Total	Of which: joint ventures	Total	Of which: joint ventures
Revenue	22,994	3,329	23,707	677
Income	1,114	338	743	−53
Adjustment to RWE interest and equity method	−853	−307	−343	32
	261	**31**	**400**	**−21**

As of 31 December 2012, the fair value of investments accounted for using the equity method for which quoted market prices exist amounted to €3 million (previous year: €3 million).

In respect of joint ventures, €7,211 million of assets (previous year: €7,594 million) and €5,511 million of liabilities (previous year: €5,810 million) were non-current.

(14) Other non-current financial assets

Other non-current financial assets € million	31 Dec 2012	31 Dec 2011
Non-consolidated subsidiaries	121	158
Other investments	395	320
Non-current securities	443	358
	959	**836**

Non-current securities primarily consist of fixed-interest marketable securities and shares of listed companies. Long-term securities amounting to €298 million and €20 million (previous year: €250 million and €20 million) were deposited in a trust account for RWE AG and its subsidiaries, in order to cover credit balances stemming from the block model for pre-retirement part-time work, pursuant to Sec. 8a of the Pre-Retirement Part-Time Work Act (AltTZG) and from the management of long-term working hours accounts pursuant to Sec. 7e of the German Code of Social Law (SGB IV), respectively. This coverage applies to the employees of RWE AG as well as to the employees of Group companies.

(15) Financial receivables

Financial receivables € million	31 Dec 2012		31 Dec 2011	
	Non-current	Current	Non-current	Current
Loans to non-consolidated subsidiaries and investments	1,210	96	1,673	104
Collateral for trading activities		841		1,201
Other financial receivables				
Accrued interest		97		115
Miscellaneous other financial receivables	251	703	255	751
	1,461	**1,737**	**1,928**	**2,171**

As of the balance-sheet date, financial receivables from associates and joint ventures amounted to €1,860 million (previous year: €2,338 million).

Companies of the RWE Group deposited collateral for the trading activities stated above for exchange-based and over-the-counter transactions. These are to guarantee that the obligations from the transactions are discharged even if the development of prices is not favourable for RWE. Regular replacement of the deposited collateral depends on the contractually agreed thresholds, above which collateral must be provided for the market value of the trading activities.

(16) Other receivables and other assets

Other receivables and other assets € million	31 Dec 2012		31 Dec 2011	
	Non-current	Current	Non-current	Current
Derivatives	1,215	3,353	1,556	5,799
Surplus of plan assets over benefit obligations	36		60	
Prepayments for items other than inventories		830		957
CO_2 emission allowances		547		749
Miscellaneous other assets	268	1,771	425	1,429
	1,519	**6,501**	**2,041**	**8,934**
of which: financial assets	(1,298)	(3,852)	(1,832)	(6,293)
of which: non-financial assets	(221)	(2,649)	(209)	(2,641)

The financial instruments reported under miscellaneous other assets are measured at amortised cost. Derivative financial instruments are stated at fair value.

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

Changes in the scope of consolidation decreased other receivables and other assets by €8 million.

(17) Deferred taxes

Deferred tax assets and liabilities principally stem from the fact that measurements in the IFRS statements differ from those in the tax bases. €2,339 million and €1,930 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €3,317 million and €2,366 million).

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

Deferred taxes	31 Dec 2012		31 Dec 2011	
€ million	Assets	Liabilities	Assets	Liabilities
Non-current assets	814	2,718	556	3,045
Current assets	414	1,613	248	2,034
Exceptional tax items		187		207
Non-current liabilities				
Provisions for pensions	1,696	7	688	18
Other non-current provisions	1,784	113	1,798	116
Current liabilities	1,925	317	3,069	332
	6,633	**4,955**	**6,359**	**5,752**
Tax loss carryforwards				
Corporate income tax (or comparable foreign income tax)	591		312	
Trade tax	12		6	
Gross total	**7,236**	**4,955**	**6,677**	**5,752**
Netting	−3,632	−3,632	−4,056	−4,056
Net total	**3,604**	**1,323**	**2,621**	**1,696**

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

It is sufficiently certain that these tax carryforwards will be realised. At the end of the reporting period, corporate income tax loss carryforwards and trade tax loss carryforwards for which no deferred tax claims have been recognised amounted to €1,274 million and €353 million, respectively (previous year: €1,081 million and €226 million). Of these income tax loss carryforwards, €878 million apply to the following nine years.

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

In the year under review, deferred tax expenses of €29 million arising from the currency translation of foreign financial statements were offset against equity (previous year: €11 million).

(18) Inventories

Inventories € million	31 Dec 2012	31 Dec 2011
Raw materials, incl. nuclear fuel assemblies and earth excavated for lignite mining	1,588	1,840
Work in progress – goods/services	164	131
Finished goods and goods for resale	1,259	1,356
Prepayments	117	15
	3,128	**3,342**

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

The carrying amount of inventories acquired for resale purposes was €201 million (previous year: €481 million).

Liabilities of €20 million (previous year: €20 million) were related to exploration activities.

(19) Trade accounts receivable
As of the balance-sheet date, trade accounts receivable from associates and joint ventures amounted to €466 million (previous year: €350 million).

Trade accounts receivable decreased by €63 million due to changes in the scope of consolidation.

(20) Marketable securities
The total value of current marketable securities was €2,604 million (previous year: €4,995 million), consisting of fixed-interest marketable securities of €2,075 million (previous year: €4,416 million) with a maturity of more than three months from the date of acquisition, and stocks and profit-participation certificates of €529 million (previous year: €579 million). Marketable securities are stated at fair value. As of 31 December 2012, the average return on fixed-interest securities was 1.2% (previous year: 1.3%). Securities in the amount of €541 million (previous year: €708 million) were deposited with clearing banks as collateral. Regular replacement of the deposited collateral depends on the contractually agreed thresholds, above which collateral must be provided for the market value of the trading activities.

Changes in the scope of consolidation resulted in a decrease of €289 million in marketable securities.

(21) Cash and cash equivalents

Cash and cash equivalents € million	31 Dec 2012	31 Dec 2011
Cash and demand deposits	2,433	1,661
Marketable securities and other cash investments (maturity less than three months from the date of acquisition)	239	348
	2,672	**2,009**

RWE keeps demand deposits exclusively for short-term cash positions. For cash investments, banks are selected on the basis of various creditworthiness criteria. Examples of such criteria include their rating from one of the three renowned rating agencies – Moody's, Standard & Poor's and Fitch – their equity capital and the prices for credit default swaps. As in the previous year, interest rates on cash and cash equivalents were at market levels in 2012.

(22) Equity
A breakdown of equity is shown on page 134.
The subscribed capital of RWE AG is structured as follows:

Subscribed capital	31 Dec 2012 Number of shares		31 Dec 2011 Number of shares		31 Dec 2012 Carrying amount	31 Dec 2011 Carrying amount
	in '000	in %	in '000	in %	€ million	€ million
Common shares	575,745	93.7	575,745	93.7	1,474	1,474
Preferred shares	39,000	6.3	39,000	6.3	100	100
	614,745	**100.0**	**614,745**	**100.0**	**1,574**	**1,574**

Common and preferred shares are no-par-value bearer share certificates. Preferred shares have no voting rights. Under certain conditions, preferred shares are entitled to payment of a preference dividend of €0.13 per share, upon allocation of the company's profits.

Pursuant to a resolution passed by the Annual General Meeting on 17 April 2008, the Executive Board was authorised to increase the company's capital stock, subject to the Supervisory Board's approval, by up to €287,951,360.00 until 16 April 2013, through the issuance of new, bearer common shares in return for contributions in cash or in kind (authorised capital). In certain cases, the subscription rights of shareholders can be excluded, with the approval of the Supervisory Board. During the previous year, this authorisation was used to the extent of the capital increase in the amount of €133,991,677.44, leaving €153,959,682.56 in authorised capital.

Pursuant to a resolution passed by the Annual General Meeting on 22 April 2009, the Executive Board was authorised to issue option or convertible bonds until 21 April 2014. The total nominal value of the bonds is limited to €6,000 million. Shareholders' subscription rights may be excluded under certain conditions. The Annual General Meeting decided to establish €143,975,680 in conditional capital divided into 56,240,500 bearer common shares, in order to redeem the bonds. Shares from the authorised capital are to be deducted from the shares from the conditional capital, insofar as they are both issued with an exclusion of shareholders' subscription rights.

Pursuant to a resolution passed by the Annual General Meeting on 20 April 2011, the Executive Board was authorised, amongst other things, to use treasury shares to discharge the company's obligations from future employee share schemes, excluding shareholders' subscription rights. During the year under review, the Executive Board exercised this authorisation by selling 298,454 no-par-value common shares in RWE AG held as of 1 January 2012, equivalent to €764,042.24 (0.05% of the subscribed capital), to employees of RWE AG and its subsidiaries within the framework of the employee share scheme, for the purposes of capital formation. Proceeds from the sale of the treasury shares amounted to €10,031,038.94 in the year under review. This amount increased the issued capital by €764,042.24 (0.05% of the subscribed capital) and retained earnings by €9,266,996.70.

No treasury shares were held as of 31 December 2012.

In fiscal 2012, RWE AG purchased 522,967 RWE common shares at an average purchase price of €35.06 per share on the capital market. This is equivalent to €1,338,795.52 of the capital stock (0.09% of subscribed capital). Within the framework of the employee share scheme for capital formation, employees of RWE AG and its subsidiaries received a total of 512,460 shares and 10,335 shares for service anniversaries (at an average price of €33.24 per share). In total, 172 unneeded shares were sold on the capital market (at a share price of €31.35). This generated total proceeds of €17,383,601.73. The difference compared to the purchase price was offset against available retained earnings.

In March 2012, RWE AG issued a £750 million hybrid bond. This subordinated bond is a perpetual and may only be called by RWE AG on specific contractually agreed call dates or occasions. It bears an interest rate of 7.0% p.a. until the first call date, which is in 2019. From 2019, RWE AG has the right to call every five years. The interest rate until the subsequent call date is calculated using the prevailing five-year sterling swap rate plus a premium of 510 basis points. From 2024, the interest rate increases by 25 basis points and from 2039 by another 75 basis points. Interest payments may be deferred. They must, however, be made up again, for example if the Executive and Supervisory Boards propose to the Annual General Meeting that a dividend be paid.

In September 2010, RWE AG issued a hybrid bond with a nominal volume of €1.75 billion. The bond, which is subordinated to all other creditor securities, is a perpetual and may only be called by RWE AG on specific, contractually agreed call dates or occasions. It bears an interest rate of 4.625% p.a. until the first call date, which is in 2015. If the bond is not called as of this date, its interest rate until the next call date, which is in 2020, will be the sum of the then applicable five-year interbank rate and a credit spread of 265 basis points. If it is not called as of that date either, the bond will be converted into a variable-interest bond with an annual call right and an interest rate equalling the 12-month EURIBOR plus 365 basis points. Interest payments may be deferred under certain conditions, especially if the Executive and Supervisory Boards propose to the Annual General Meeting that a dividend not be paid. Deferred interest payments must be made up for when payment of a dividend is proposed again.

Pursuant to IAS 32, the issued hybrid bonds 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 paid to bondholders will be booked directly against equity, after deduction of taxes.

During the year under review, transaction costs of €9 million (previous year: €16 million) were recognised as a deduction from equity.

Accumulated other comprehensive income reflects changes in the fair values of financial instruments available for sale, cash flow hedges and hedges of the net investment in foreign entities, as well as changes stemming from foreign currency translation adjustments from foreign financial statements.

Dividend proposal
We propose to the Annual General Meeting that RWE AG's distributable profit for fiscal 2012 be appropriated as follows:

Distribution of a dividend of €2.00 per individual dividend-bearing share:

Dividend	€1,229,490,998.00
Profit carryforward	€91,810.28
Distributable profit	€1,229,582,808.28

Based on a resolution of RWE AG's Annual General Meeting on 19 April 2012, the dividend for fiscal 2011 amounted to €2.00 per dividend-bearing common and preferred share. The dividend payment to shareholders of RWE AG amounted to €1,229 million.

Minority interest
The share ownership of third parties in Group entities is presented in this item.

The income and expenses recognised directly in equity (other comprehensive income - OCI) include the following minority interests:

Minority interests in OCI € million	31 Dec 2012	31 Dec 2011
Currency translation adjustment	47	−76
Fair valuation of financial instruments available for sale	16	−11
Actuarial gains and losses of defined benefit pension plans and similar obligations	−89	−1
	−26	**−88**

(23) Share-based payment

In the year under review, there were two groupwide share-based payment systems for executives of RWE AG and subordinate affiliates: Beat 2005 and Beat 2010. The expenses associated with these are borne by the respective Group companies which employ the persons holding notional stocks.

	Beat 2005
	2009 tranche
Grant date	1 Jan 2009
Number of conditionally granted performance shares	3,251,625
Term	3 years
Pay-out conditions	Automatic pay-out, if – following a waiting period of three years – an outperformance compared to 25% of the peer group of the STOXX Europe 600 Utilities Index has been achieved, measured in terms of their index weighting as of the inception of the programme. Measurement of outperformance is carried out using Total Shareholder Return (TSR), which takes into account both the development of the share price together with reinvested dividends.
Determination of payment	1. Determination of the index weighting of the peer group companies which exhibit a lower TSR than RWE at the end of the term. 2. Performance factor is calculated by squaring this percentage rate and multiplying it by 1.25. 3. Total number of performance shares which can be paid out is calculated by multiplying the performance shares conditionally granted by the performance factor. 4. Payment corresponds to the final number of performance shares valued at the average RWE share price during the last 20 exchange trading days prior to expiration of the programme. The payment is limited to twice the value of the performance shares as of the grant date.
Change in corporate control/merger	▪ If during the waiting period there is a change in corporate control, a compensatory payment is made. This is calculated by multiplying the price paid in the acquisition of the RWE shares by the final number of performance shares. The latter shall be determined as per the plan conditions with regard to the time when the bid for corporate control is submitted. ▪ In the event of merger with another company, the compensatory payment shall be calculated on the basis of the fair value of the performance shares at the time of the merger multiplied by the prorated number of performance shares corresponding to the ratio between the total waiting period and the waiting period until the merger takes place.
Form of settlement	Cash settlement

	Beat 2010			
	2010 tranche Waiting period: 3 years	2010 tranche Waiting period: 4 years	2011 tranche Waiting period: 4 years	2012 tranche Waiting period: 4 years
Grant date	1 Jan 2010	1 Jan 2010	1 Jan 2011	1 Jan 2012
Number of conditionally granted performance shares	826,954	1,059,467	2,621,542	6,942,033
Term	Three years	Five years	Five years	Five years
Pay-out conditions	Automatic pay-out, if – following a waiting period of three years (valuation date: Dec 31 of the third year) – an outperformance compared to at least 25% of the peer group of the STOXX Europe 600 Utilities Index has been achieved, measured in terms of their index weighting as of the issue of the tranche. Measurement of outperformance is carried out using Total Shareholder Return, which takes into account both the development of the share price together with reinvested dividends.	Possible pay-out on three exercise dates (valuation dates: Dec 31 of the fourth year, June 30 and Dec 31 of the fifth year) if – as of the valuation date – an outperformance compared to at least 25% of the peer group of the STOXX Europe 600 Utilities Index has been achieved, measured in terms of their index weighting as of the issue of the tranche. Measurement of outperformance is carried out using Total Shareholder Return, which takes into account both the development of the share price together with reinvested dividends. Automatic pay-out occurs on the third valuation date; the number of performance shares available for pay-out can be freely chosen on the first and second valuation date.		
Determination of payment	1. Determination of the index weighting of the peer group companies which exhibit a lower Total Shareholder Return than RWE at the valuation date. 2. The total number of performance shares which can be paid out is determined on the basis of a linear payment curve. If the index weighting of 25% is outperformed, 7.5% of the conditionally-granted performance shares can be paid out. Another 1.5% of the performance shares granted can be paid out for each further percentage point above and beyond the index weighting of 25%. 3. Payment corresponds to the number of payable performance shares valued at the average RWE share price during the last 60 exchange trading days prior to the valuation date. The payment for each performance share is limited to twice the value of each performance share as of the grant date.			
Change in corporate control/merger	▪ If during the waiting period there is a change in corporate control, a compensatory payment is made. This is calculated by multiplying the price paid in the acquisition of the RWE shares by the final number of performance shares which have not been used. The latter shall be determined as per the plan conditions with regard to the time when the bid for corporate control is submitted. ▪ In the event of merger of RWE AG with another company, the performance shares shall expire and a compensatory payment shall be made. First, the fair value of the performance shares as of the time of merger shall be calculated. This fair value is then multiplied by the number of performance shares granted, reduced pro-rata. The reduction factor is calculated as the ratio of the time from the beginning of the total waiting period until the merger takes place to the entire waiting period of the programme, multiplied by the ratio of the performance shares not yet used as of the time of the merger to the total number of performance shares granted at the beginning of the programme.			
Personal investment	As a prerequisite for participation, plan participants must demonstrably invest one sixth of the gross grant value of the performance shares before taxes in RWE common shares and hold such investment until expiration of the waiting period of the tranche in question.			
Form of settlement	Cash settlement			

The fair value of the performance shares conditionally granted in the Beat programme amounted to €6.66 per share as of the grant date for the 2012 tranche, €17.01 per share for the 2011 tranche, €25.96 per share for the 2010 tranche (four-year waiting period) and €28.80 per share for the 2010 tranche (three-year waiting period). These values were calculated externally using a stochastic, multivariate Black-Scholes standard model via Monte Carlo simulations on the basis of one million scenarios each. In the calculations, due consideration was taken of the maximum payment stipulated in the programme's conditions for each conditionally granted performance share, the discount rates for the remaining term, the volatilities and the expected dividends of RWE AG and of peer companies.

In the year under review, the number of performance shares developed as follows:

Performance Shares from Beat 2005	2009 tranche
Outstanding at the start of the fiscal year	3,156,854
Granted	
Change (granted/expired)	–3,156,854
Paid out	
Outstanding at the end of the fiscal year	
Payable at the end of the fiscal year	

Performance Shares from Beat 2010	2010 tranche Waiting period: 3 years	2010 tranche Waiting period: 4 years	2011 tranche Waiting period: 4 years	2012 tranche Waiting period: 4 years
Outstanding at the start of the fiscal year	803,497	1,032,834	2,560,618	
Granted				6,942,033
Change (granted/expired)	–13,250	–16,022	–32,295	–273,837
Paid out				
Outstanding at the end of the fiscal year	790,247	1,016,812	2,528,323	6,668,196
Payable at the end of the fiscal year				

The remaining contractual term amounts to four years for the 2012 tranche, three years for the 2011 tranche and two years for the 2010 tranche with four-year waiting period. The contractual term for the 2010 tranche with three-year waiting period ended upon completion of the year under review. As the pay-out conditions were not fulfilled, no pay-out occurred.

In addition to the above, there were the following share-based payment systems with equity settlement for executives and employees at RWE Npower plc., RWE Supply & Trading GmbH, RWE IT UK Ltd. and RWE Npower Renewables Ltd. (Sharesave Scheme):

RWE Npower plc./RWE Supply & Trading GmbH/ RWE IT UK Ltd./RWE Npower Renewables Ltd.	Sharesave Scheme
Tranches	2009 – 2012
Number of options granted per tranche	7,963 – 540,199
Term	Three years
Waiting period	Three years
Exercise price	£19.07 – 50.07
Form of settlement	Existing shares

In the year under review, the number of outstanding options from the Sharesave Scheme developed as follows:

Options from the Sharesave Scheme	Tranches 2008 to 2012
Outstanding at the start of the fiscal year	1,213,166
Granted	726,714
Exercised	−431
Expired	−425,663
Outstanding at the end of the fiscal year	1,513,786
Exercisable at the end of the fiscal year	148,281

During the period under review, expenses for the groupwide share-based payment system totalled €27 million (previous year: income of €9 million). The claims were settled in cash only. As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €30 million (previous year: €4 million). The intrinsic value of the cash-settled share-based payment transactions payable as of the balance-sheet date amounted to €0 million (previous year: €0 million).

(24) Provisions

Provisions	31 Dec 2012			31 Dec 2011		
€ million	Non-current	Current	Total	Non-current	Current	Total
Provisions for pensions and similar obligations	6,856		6,856	3,846		3,846
Provisions for taxes	2,814	292	3,106	2,645	260	2,905
Provisions for nuclear waste management	9,841	360	10,201	9,896	470	10,366
Provisions for mining damage	2,774	100	2,874	2,683	97	2,780
	22,285	**752**	**23,037**	**19,070**	**827**	**19,897**
Other provisions						
Staff-related obligations (excluding restructuring)	1,093	805	1,898	1,000	773	1,773
Restructuring obligations	868	213	1,081	645	141	786
Purchase and sales obligations	1,438	470	1,908	1,028	910	1,938
Uncertain obligations in the electricity business	578	86	664	465	90	555
Environmental protection obligations	135	41	176	136	48	184
Interest payment obligations	882	42	924	725	35	760
Obligations to deliver CO_2 emission allowances/ certificates for renewable energies		824	824		902	902
Miscellaneous other provisions	788	1,578	2,366	760	1,601	2,361
	5,782	**4,059**	**9,841**	**4,759**	**4,500**	**9,259**
	28,067	**4,811**	**32,878**	**23,829**	**5,327**	**29,156**

Provisions for pensions and similar obligations. The company pension plan consists of defined contribution and defined benefit plans.

In the reporting period, €69 million (previous year: €65 million) was paid into defined contribution plans. This includes payments made by RWE for a benefit plan in the Netherlands which covers the commitments of various employers. This fund does not provide the participating companies with information allowing for the pro-rata allocation of commitments, plan assets and service cost. In RWE's consolidated financial statements, the contributions are recognised analogously to a defined contribution plan.

During 2012, €282 million was transferred to RWE Pensionstreuhand e.V. for the external financing of the company's pension plans, within the framework of contractual trust arrangements (CTA). As the transferred assets are qualified as plan assets in the sense of IAS 19, pensions for provisions and similar obligations were netted against the transferred funds as of 31 December 2012. Provisions declined by a corresponding amount.

Provisions for defined benefit plans are determined using actuarial methods. We apply the following assumptions:

Calculation assumptions	31 Dec 2012		31 Dec 2011	
in %	Germany	Foreign[1]	Germany	Foreign[1]
Discount factor	3.50	4.20	5.25	4.80
Compensation increase	2.75	4.40	2.75	4.50
Pension increase	1.00 and 1.75	2.80	1.00 and 1.75	2.90
Expected return on plan assets	4.50	4.10	5.50	4.24

1 Pertains to benefit commitments to employees of the RWE Group in the UK.

Development of plan assets	Fair value	
€ million	2012	2011
Balance at 1 Jan	14,355	13,833
Expected return on plan assets	713	767
Employer contributions to funded plans	457	716
Employee contributions to funded plans	18	15
Benefits paid by funded plans	−942	−877
Actuarial gains (losses) of funded plans	792	−250
Currency translation adjustments	118	153
Changes in the scope of consolidation		−2
Balance at 31 Dec	**15,511**	**14,355**

The expected returns on plan assets are determined depending on the specific asset categories. For equity investments, they are based on the long-term average performance observed for the industries and geographical markets involved, taking into account the current composition of the equity portfolio. For fixed-interest securities, they are derived from appropriately selected trading prices and indices, in accordance with accepted methods. The expected returns on real estate are calculated with regard to marketing possibilities, which depend on contractual obligations and local market conditions.

Provisions for pensions are broken down as follows:

Provisions for pensions (funded and unfunded plans) € million	31 Dec 2012	31 Dec 2011
Present value of funded benefit obligations	19,842	16,114
Fair value of plan assets	15,511	14,355
Net balance for funded plans	**4,331**	**1,759**
Capitalised surplus of plan assets over benefit obligations	36	60
Provision recognised for funded plans	**4,367**	**1,819**
Provision recognised for unfunded plans	**2,489**	**2,027**
	6,856	**3,846**

As of 31 December 2012, cumulative actuarial gains/losses (excluding taxes) in the amount of –€10,388 million (31 December 2011: –€7,136 million) were offset against retained earnings.

In 2012, the actual returns on plan assets amounted to €1,505 million (previous year: €517 million).

Composition of plan assets (fair value)	31 Dec 2012			31 Dec 2011		
€ million	Germany[1]	Foreign[2]	Total	Germany[1]	Foreign[2]	Total
Equity instruments	2,705	564	3,269	2,385	544	2,929
Interest-bearing instruments	4,908	3,674	8,582	4,248	3,538	7,786
Real estate	127	183	310	164	193	357
Mixed funds[3]	1,051		1,051	927		927
Alternative investments	894	686	1,580	877	663	1,540
Other[4]	679	40	719	777	39	816
	10,364	**5,147**	**15,511**	**9,378**	**4,977**	**14,355**

1 Plan assets in Germany primarily pertain to assets of RWE AG and other Group companies which are managed by RWE Pensionstreuhand e.V. as a trust, as well as to assets of RWE Pensionsfonds AG.
2 Foreign plan assets pertain to the assets of a UK pension fund for covering benefit commitments to employees of the RWE Group in the UK.
3 Includes dividend securities and interest-bearing instruments.
4 Includes claims from corporate tax credits transferred to RWE Pensionstreuhand e.V., reinsurance claims against insurance companies and other fund assets of provident funds.

Composition of plan assets (targeted investment structure)	31 Dec 2012		31 Dec 2011	
in %	Germany[1]	Foreign[2]	Germany[1]	Foreign[2]
Equity instruments	23.4	11.0	23.4	10.9
Interest-bearing instruments	54.5	71.4	54.2	71.1
Real estate	2.3	3.5	2.4	3.9
Mixed funds[3]	10.0		10.0	
Alternative investments	9.8	14.1	10.0	14.1
	100.0	**100.0**	**100.0**	**100.0**

1 Plan assets in Germany primarily pertain to assets of RWE AG and other Group companies which are managed by RWE Pensionstreuhand e.V. as a trust, as well as to assets of RWE Pensionsfonds AG.
2 Foreign plan assets pertain to the assets of a UK pension fund for covering benefit commitments to employees of the RWE Group in the UK.
3 Includes dividend securities and interest-bearing instruments.

Development of pension claims	Present value	
€ million	2012	2011
Balance at 1 Jan	18,141	17,095
Current service cost	220	204
Interest cost	909	880
Contributions by employees	18	15
Actuarial gains (losses)	4,044	632
Benefits paid	−1,061	−993
Past service cost	7	14
Currency translation adjustments	130	172
Changes in the scope of consolidation	−77	122
Balance at 31 Dec	**22,331**	**18,141**

Expenses for pensions € million	2012	2011
Service cost	220	204
Interest cost	909	880
Expected return on plan assets	−713	−767
Amortisation of past service cost	7	14
	423	**331**

In fiscal 2012, past service costs contained an increase in benefit commitments in the United Kingdom, as in the previous year.

The present value of pension claims, less the fair value of the plan assets, equals the net amount of funded and unfunded pension plans. The following developments have been seen over the last five years:

Net amount of funded and unfunded pension plans € million	2012	2011	2010	2009	2008
Present value of pension claims	22,331	18,141	17,095	16,341	13,768
Fair value of plan assets	15,511	14,355	13,833	13,139	11,030
Balance	**6,820**	**3,786**	**3,262**	**3,202**	**2,738**

For the same period, the following experience adjustments were made to the present values of the pension claims and the fair values of the plan assets:

Experience adjustments € million	2012	2011	2010	2009	2008
Present value of pension claims	−255	−149	−199	−451	−40
Fair value of plan assets	792	−250	541	1,162	−2,107

The experience adjustments can pertain to the present values of pension claims or the fair values of plan assets. Accordingly, they are part of actuarial gains or losses on the plan assets or the pension claims for the year in question.

Payments for defined benefit plans are expected to amount to €406 million in fiscal 2013.

Roll-forward of provisions € million	Balance at 1 Jan 2012	Additions	Unused amounts released	Interest accretion/ change in discount rate	Changes in the scope of conso-lidation, currency adjust-ments, transfers	Amounts used	Balance at 31 Dec 2012
Provisions for pensions	3,846	219	−1	199	2,877[1]	−284	6,856
Provisions for taxes	2,905	643	−241		−4	−197	3,106
Provisions for nuclear waste management	10,366	46	−262	484		−433	10,201
Provisions for mining damage	2,780	99	−73	128	13	−73	2,874
	19,897	**1,007**	**−577**	**811**	**2,886**	**−987**	**23,037**
Other provisions							
Staff-related obligations (excluding restructuring)	1,773	767	−40	83	−3	−682	1,898
Restructuring obligations	786	380	−62	104	−7	−120	1,081
Purchase and sales obligations	1,938	538	−265	104	7	−414	1,908
Uncertain obligations in the electricity business	555	75	−23	41	35	−19	664
Environmental protection obligations	184	13	−13	5	9	−22	176
Interest payment obligations	760	183	−5			−14	924
Obligations to deliver CO_2 emission allowances/certificates for renewable energies	902	886	−60		78	−982	824
Miscellaneous other provisions	2,361	683	−319	76	14	−449	2,366
	9,259	**3,525**	**−787**	**413**	**133**	**−2,702**	**9,841**
Provisions	**29,156**	**4,532**	**−1,364**	**1,224**	**3,019**	**−3,689**	**32,878**
of which: changes in the scope of consolidation							(−96)

1 Including treatment of actuarial gains and losses as per IAS 19.93A.

Provisions for nuclear waste management are almost exclusively recognised as non-current provisions, and their settlement amount is discounted to the balance-sheet date. From the current perspective, the majority of utilisation is anticipated to occur in the years 2020 to 2050. As in the previous year, the discount factor was 5.0 %. Volume-based increases in the provisions are measured at their present value. In the reporting period, they amounted to €46 million (previous year: €35 million). Releases of provisions amounted to €262 million (previous year: additions of €69 million) and stemmed from the fact that on balance current estimates resulted in a decline (previous year: increase) in the anticipated nuclear waste management costs. Additions to provisions for nuclear waste management primarily consist of an interest accretion of €484 million (previous year: €492 million). €896 million in prepayments, primarily to foreign reprocessing companies and to the German Federal Office for Radiation Protection (BfS) for the construction of final storage facilities, were deducted from these provisions (previous year: €944 million).

In terms of their contractual definition, provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2012	31 Dec 2011
Provisions for nuclear obligations, not yet contractually defined	7,713	7,724
Provisions for nuclear obligations, contractually defined	2,488	2,642
	10,201	**10,366**

In respect of the disposal of spent nuclear fuel assemblies, the provisions for obligations which are not yet contractually defined cover the estimated long-term costs of direct final storage of fuel assemblies, which is currently the only possible disposal method in Germany, as well as the costs for the disposal of radioactive waste from reprocessing, which essentially consist of costs for transport from centralised storage facilities and the plants' intermediate storage facilities to reprocessing plants and final storage as well as conditioning for final storage and containers. These estimates are mainly based on studies by internal and external experts, in particular by GNS Gesellschaft für Nuklear-Service mbH in Essen, Germany. With regard to the decommissioning of nuclear power plants, the costs for the remaining operational phase of the operating plants and dismantling are taken into consideration, on the basis of data from external expert opinions prepared by NIS Ingenieurgesellschaft mbH, Alzenau, Germany, which are generally accepted throughout the industry and are updated continuously. Finally, this item also covers all of the costs of final storage for all radioactive waste, based on data provided by BfS.

Provisions for contractually defined nuclear obligations are related to all nuclear obligations for the disposal of fuel assemblies and radioactive waste as well as for the decommissioning of nuclear power plants, insofar as the value of said obligations is specified in contracts under civil law. They include the anticipated residual costs of reprocessing, return (transport, containers) and intermediate storage of the resulting radioactive waste, as well as the additional costs of the utilisation of uranium and plutonium from reprocessing activities. These costs are based on existing contracts with foreign reprocessing companies and with GNS. Moreover, these provisions also take into account the costs for transport and intermediate storage of spent fuel assemblies within the framework of final direct storage. The power plants' intermediate storage facilities are licensed for an operational period of 40 years. These facilities commenced operations between 2002 and 2006. Furthermore, the amounts are also stated for the conditioning and intermediate storage of radioactive operational waste, which is primarily performed by GNS. In respect of decommissioning, this includes the residual operating costs of the plants which are permanently decommissioned.

With due consideration of the German Atomic Energy Act (AtG), in particular to Sec. 9a of AtG, the provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2012	31 Dec 2011
Decommissioning of nuclear facilities	4,945	4,964
Disposal of nuclear fuel assemblies	4,494	4,658
Disposal of radioactive operational waste	762	744
	10,201	**10,366**

Provisions for mining damage also consist almost entirely of non-current provisions. They are reported at the settlement amount discounted to the balance-sheet date. As in the previous year, we use a discount factor of 5.0%. In the reporting period, additions to provisions for mining damage amounted to €99 million (previous year: €146 million). Of this, an increase of €55 million (previous year: €99 million) was capitalised under property, plant and equipment. The interest accretion of the additions to provisions for mining damage amounted to €128 million (previous year: €117 million).

Provisions for restructuring pertain mainly to measures for socially acceptable payroll downsizing.

(25) Financial liabilities

Financial liabilities	31 Dec 2012		31 Dec 2011	
€ million	Non-current	Current	Non-current	Current
Bonds payable[1]	13,482	1,966	13,395	1,815
Commercial paper		997		3,403
Bank debt	890	413	1,178	168
Other financial liabilities				
Collateral for trading activities		348		283
Miscellaneous other financial liabilities	1,045	805	855	826
	15,417	**4,529**	**15,428**	**6,495**

1 Including other notes payable and hybrid bonds classified as debt as per IFRS.

Financial liabilities to associates and joint ventures totalled €206 million (previous year: €197 million).

€15,130 million of the non-current financial liabilities were interest-bearing liabilities (previous year: €14,698 million).

Changes in the scope of consolidation caused financial liabilities to increase by €31 million.

The outstanding bonds payable were primarily issued by RWE AG or RWE Finance B.V.

In January 2012, RWE Finance B.V. issued a £600 million bond with a tenor of 22 years and a coupon of 4.75% p.a.

In March 2012, RWE AG issued a US$500 million hybrid bond with a tenor ending in October 2072. The issue was topped up by another US$500 million in June. The bond can be called by RWE AG for the first time in 2017. It has a coupon of 7.0% p.a.

In June 2012, RWE AG placed a CHF150 million hybrid bond with a coupon of 5.0% p.a. This bond has a tenor ending in July 2072 and can be called by RWE AG for the first time in 2017.

In October 2012, RWE AG placed a €270 million bond with a coupon of 3.5% p.a. and a tenor ending in October 2037.

In December 2012, RWE AG placed a €100 million bond with a coupon of 3.5% p.a. and a tenor ending in December 2042.

The following overview shows the key data on the major bonds as of 31 December 2012:

Bonds payable Issuer	Outstanding amount	Carrying amount € million	Coupon in %	Maturity
RWE Finance B.V.	US$250 million	189	2.0	February 2013
RWE Finance B.V.	£630 million	772	6.375	June 2013
RWE Finance B.V.	€1,000 million	999	5.75	November 2013
RWE Finance B.V.	€530 million	529	4.625	July 2014
RWE Finance B.V.	€2,000 million	1,993	5.0	February 2015
RWE Finance B.V.	€850 million	852	6.25	April 2016
RWE AG	€100 million	100	Variable[1]	November 2017
RWE Finance B.V.	€980 million	979	5.125	July 2018
RWE Finance B.V.	€1,000 million	993	6.625	January 2019
RWE Finance B.V.	£570 million	701	6.5	April 2021
RWE Finance B.V.	€1,000 million	997	6.5	August 2021
RWE Finance B.V.	£500 million	607	5.5	July 2022
RWE Finance B.V.	£488 million	595	5.625	December 2023
RWE Finance B.V.	£760 million	933	6.25	June 2030
RWE AG	€600 million	595	5.75	February 2033
RWE Finance B.V.	£600 million	731	4.75	January 2034
RWE AG	€270 million	268	3.5	October 2037
RWE Finance B.V.	£1,000 million	1,206	6.125	July 2039
RWE AG	€160 million[2]	160	4.76[2]	February 2040
RWE AG	€100 million	97	3.5	December 2042
RWE AG	CHF250 million[3]	206	5.25	April 2072
RWE AG	CHF150 million[3]	123	5.0	July 2072
RWE AG	US$1,000 million[3]	756	7.0	October 2072
Other[4]	Various	67	Various	Various
Bonds payable[5]		**15,448**		

1 Interest payment dates: 15 May / 15 Nov.
2 After swap into euro.
3 Hybrid bonds classified as debt as per IFRS.
4 Including other notes payable.
5 Including other notes payable and hybrid bonds classified as debt as per IFRS.

Above and beyond this, RWE placed issues on the European capital market within the framework of a commercial paper programme. €1.0 billion was raised within the framework of this programme up to 31 December 2012 (31 December 2011: €3.4 billion). The interest rates on the instruments ranged between 0.05% and 1.00% (previous year: 1.3% and 2.0%).

Other financial liabilities contain finance lease liabilities. Lease agreements principally relate to capital goods in the electricity business.

Liabilities arising from finance lease agreements have the following maturities:

Liabilities from finance lease agreements	Maturities of minimum lease payments					
	31 Dec 2012			31 Dec 2011		
€ million	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in the following year	8		8	8		8
Due after 1 to 5 years	89	2	87	53	1	52
Due after 5 years	139	1	138	128	1	127
	236	**3**	**233**	**189**	**2**	**187**

Above and beyond this, other financial liabilities include collateral for trading activities.

€45 million (previous year: €47 million) of the financial liabilities are secured by mortgages, and €71 million (previous year: €86 million) by similar rights.

(26) Trade accounts payable

Accounts payable to associates and joint ventures amounted to €265 million (previous year: €220 million).

Exploration activities accounted for liabilities of €17 million (previous year: €19 million).

Changes in the scope of consolidation resulted in a decline of €39 million in trade accounts payable.

(27) Other liabilities

Other liabilities	31 Dec 2012		31 Dec 2011	
€ million	Non-current	Current	Non-current	Current
Tax liabilities		1,094		1,065
Social security liabilities	18	61	30	62
Restructuring liabilities	49	31	75	32
Derivatives	768	2,993	1,323	6,459
Advances and contributions in aid of construction and building connection	1,416	188	1,492	186
Miscellaneous other liabilities	463	3,086	518	3,527
	2,714	**7,453**	**3,438**	**11,331**
of which: financial debt	(921)	(4,965)	(1,597)	(9,404)
of which: non-financial debt	(1,793)	(2,488)	(1,841)	(1,927)

The principal component of social security liabilities are the amounts payable to social security institutions.

Changes in the scope of consolidation resulted in a decline of €45 million in other liabilities. Of the miscellaneous other liabilities, €1,318 million (previous year: €1,593 million) related to financial debt in the form of current purchase price obligations from rights granted to tender minority interests (put options).

Other information

(28) Earnings per share

Basic and diluted earnings per share are calculated by dividing the portion of net income attributable to RWE shareholders by the average number of shares outstanding; treasury shares are not taken into account in this calculation. The earnings per share are the same for both common and preferred shares.

Earnings per share		2012	2011
Net income for RWE AG shareholders	€ million	1,306	1,806
Number of shares outstanding (weighted average)	thousands	614,480	538,971
Basic and diluted earnings per common and preferred share	€	2.13	3.35
Dividend per share	€	2.00[1]	2.00

1 Proposal for fiscal 2012.

(29) Reporting on financial instruments

Financial instruments are divided into non-derivative and derivative.

Non-derivative financial assets essentially include other non-current financial assets, accounts receivable, marketable securities and cash and cash equivalents. Financial instruments in the category "Available for sale" are recognised at fair value, and other non-derivative financial assets at amortised cost. On the liabilities side, non-derivative financial instruments principally include liabilities recorded at amortised cost.

The largest possible default risk corresponds to the carrying amount of the financial assets. If default risks materialise, they are recognised through impairment.

Fair values are derived from the relevant stock market quotations or are measured using generally accepted valuation methods.

Prices on active markets (e.g. exchange prices) are drawn upon for the measurement of commodity derivatives. If no prices are available, for example because the market is not sufficiently liquid, the fair values are determined on the basis of generally accepted valuation methods. In doing so, we draw on prices on active markets as much as possible. If such are not available, company-specific planning estimates are used in the measurement process. These estimates encompass all of the market factors which other market participants would take into account in the course of price determination.

Forwards, futures, options and swaps involving commodities are recognised at their fair values as of the balance-sheet date, insofar as they fall under the scope of IAS 39. Exchange-traded products are measured using the published closing prices of the relevant exchange. Non-exchange traded products are measured on the basis of publicly available broker quotations or, if such quotations are not available, on generally accepted valuation methods. The fair value of certain long-term procurement or sales contracts is determined using recognised valuation models, on the basis of internal data if no market data are available.

Forward purchases and sales of shares of listed companies are measured on the basis of the spot prices of the underlying shares, adjusted for the relevant time component.

For derivative financial instruments which we use to hedge interest risks, the future payment flows are discounted using the current market interest rates corresponding to the remaining maturity, in order to determine the fair value of the hedging instruments as of the balance-sheet date.

The fair value of financial instruments which are reported under other financial assets and securities is the published exchange price, insofar as the financial instruments are traded on an active market. The fair value of non-quoted debt and equity instruments is determined on the basis of discounted expected payment flows. Current market interest rates corresponding to the remaining maturity are used for discounting.

The following overview presents the main classifications of financial instruments measured at fair value in the fair value hierarchy prescribed by IFRS 7. In accordance with IFRS 7, the individual levels of the fair value hierarchy are defined as follows:
Level 1: Measurement using (unadjusted) prices of identical financial instruments formed on active markets;
Level 2: Measurement on the basis of input parameters which are not the prices from Level 1, but which can be observed for the financial instrument either directly (i.e. as price) or indirectly (i.e. derived from prices);
Level 3: Measurement using factors which cannot be observed on the basis of market data.

Fair value hierarchy € million	Total 2012	Level 1	Level 2	Level 3	Total 2011	Level 1	Level 2	Level 3
Other financial assets	959	119	398	442	836	83	370	383
Derivatives (assets)	4,568		4,331	237	7,355		6,933	422
Securities	2,604	1,609	995		4,995	2,117	2,878	
Derivatives (liabilities)	3,761		3,586	175	7,782		6,935	847

Due to increasing price quotations on active markets, financial assets with a fair value of €430 million were reclassified from Level 2 to Level 1 in fiscal 2012 (previous year: €150 million).

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

Level 3 financial instruments: Development in 2012	Balance at 1 Jan 2012	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 31 Dec 2012
€ million			Recognised in profit or loss	Not recognised in profit or loss (OCI)	With a cash effect	
Other financial assets	383	17	−15		57	442
Derivatives (assets)	422	−2	−13	−19	−151	237
Derivatives (liabilities)	847	−6	−246		−420	175

Level 3 financial instruments: Development in 2011	Balance at 1 Jan 2011	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 31 Dec 2011
€ million			Recognised in profit or loss	Not recognised in profit or loss (OCI)	With a cash effect	
Other financial assets	446	−57	−13		7	383
Derivatives (assets)	614	83	68	−199	−144	422
Derivatives (liabilities)	198	78	860	14	−303	847

With the disappearance of directly or indirectly observable input factors in the assessment of Level 2 financial instruments, €83 million in derivatives (assets) and €78 million in derivatives (liabilities) were reclassified from Level 2 to Level 3 in 2011.

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total 2012	Of which: attributable to financial instruments held at the balance-sheet date	Total 2011	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	291	270	68	59
Cost of materials	–58	–69	–727	–727
Other operating income/expenses	5		–133	
Income from investments	–20	–6	–13	–3
	218	**195**	**–805**	**–671**

The following impairments were recognised on financial assets which fall under the scope of IFRS 7 and are reported under the balance-sheet items stated below:

Impairments on financial assets in 2012 € million	Other non-current financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2012	164	293	401	7	865
Additions	29	21	152	7	209
Transfers	8		32	–2	38
Currency translation adjustments	1		7		8
Disposals	37	39	44		120
Balance at 31 Dec 2012	**165**	**275**	**548**	**12**	**1,000**

Impairments on financial assets in 2011 € million	Other non-current financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2011	146	278	343	6	773
Additions	17	39	229	1	286
Transfers	8	–1	48		55
Currency translation adjustments	–1		–10		–11
Disposals	6	23	209		238
Balance at 31 Dec 2011	**164**	**293**	**401**	**7**	**865**

As of the cut-off date, there were unimpaired, past due receivables falling under the scope of IFRS 7 in the following amounts:

Receivables, past due and not impaired € million	Gross amount as of 31 Dec 2012	Receivables, past due, impaired	Receivables not impaired, past due by:				
			less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	3,473	46					
Trade accounts receivable	8,580	727	487	118	47	54	88
Other receivables and other assets	5,125	13	1				2
	17,178	**786**	**488**	**118**	**47**	**54**	**90**

Receivables, past due and not impaired € million	Gross amount as of 31 Dec 2011	Receivables, past due, impaired	Receivables not impaired, past due by:				
			less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	4,392	49					
Trade accounts receivable	7,869	1,075	373	79	55	52	192
Other receivables and other assets	8,071	5	2				2
	20,332	**1,129**	**375**	**79**	**55**	**52**	**194**

Financial assets and liabilities can be broken down into categories with the following carrying amounts:

Carrying amounts by category € million	31 Dec 2012	31 Dec 2011
Financial assets recognised at fair value through profit or loss	2,837	4,613
of which: held for trading	(2,837)	(4,613)
Financial assets available for sale	3,563	5,832
Loans and receivables	14,446	14,285
Financial liabilities recognised at fair value through profit or loss	2,088	5,141
of which: held for trading	(2,088)	(5,141)
Financial liabilities carried at (amortised) cost	25,364	28,807

The carrying amounts of financial assets and liabilities within the scope of IFRS 7 basically correspond to their fair values. The only deviations are for bonds, commercial paper, bank debt and other financial liabilities: the carrying amount of these was €19,946 million (previous year: €21,923 million), while the fair value amounted to €22,293 million (previous year: €23,890 million).

The following net results from financial instruments as per IFRS 7 were recognised in the income statement:

Net gain/loss on financial instruments as per IFRS 7 € million	2012	2011
Financial assets and liabilities recognised at fair value through profit or loss	682	−190
of which: held for trading	(682)	(−190)
Financial assets available for sale	313	199
Loans and receivables	471	289
Financial liabilities carried at (amortised) cost	−1,262	−1,551

The net result as per IFRS 7 essentially includes interest, dividends and results from the measurement of financial instruments at fair value.

In fiscal 2012, changes of €143 million after taxes in the value of financial assets available for sale were recognised in accumulated other comprehensive income without an effect on income (previous year: −€93 million). Above and beyond this, €37 million in changes in the value of financial instruments available for sale which had originally been recognised without an effect on income were realised as income (previous year: €4 million).

As a utility enterprise with international operations, the RWE Group is exposed to credit, liquidity and market risks in its ordinary business activity. In particular, market risks stem from changes in commodity prices, exchange rates, interest rates and share prices.

We limit these risks via systematic, groupwide risk management. One of our most important instruments is the conclusion of hedging transactions. The range of action, responsibilities and controls are defined in binding internal directives.

Derivative financial instruments are used to mitigate currency, commodity and interest rate risks from operations as well as from financing transactions. The instruments most commonly used are forwards and options with foreign currency, interest rate swaps, interest rate currency swaps, and forwards, options, futures and swaps with commodities. Additionally, derivatives may be used for proprietary trading purposes within defined limits.

Detailed information on the risks of the RWE Group and on the objectives and procedures of the risk management is presented in the chapter “Development of risks and opportunities” in the review of operations.

Hedge accounting pursuant to IAS 39 is used primarily for mitigating currency risks from net investments in foreign entities with foreign functional currencies, risks related to foreign currency items and interest rate risks from non-current liabilities, as well as for price risks from sales and purchase transactions.

Fair value hedges are used to limit market price risks related to fixed-interest loans and liabilities. Fixed-interest instruments are transformed into variable-rate instruments, thereby hedging their fair value. Instruments used are interest rate swaps and interest rate currency swaps. In the case of fair value hedges, both the derivative as well as the underlying hedged transaction are recorded at fair value with an effect on income. As of the reporting date, the fair value of instruments used as fair value hedges amounted to €44 million (previous year: €90 million).

In the year under review, a gain of €31 million (previous year: loss of €17 million) was recognised from adjustment of the carrying amounts of the underlying transactions, while a loss of €30 million (previous year: gain of €18 million) stemming from changes in the fair value of the hedges was recognised. Both of these are reported in the financial result.

Cash flow hedges are primarily used to hedge against foreign currency and price risks from future sales and purchase transactions. Hedging instruments consist of forwards and options with foreign currency and interest rates, and forwards, options, futures and swaps with commodities. Changes in the fair value of the hedging instruments – insofar as they affect the effective portion – are recorded under other comprehensive income until the underlying transaction is realised. The ineffective portion of changes in value is recognised in profit or loss. Upon realisation of the underlying transaction, the hedge's contribution to income from accumulated other comprehensive income is recognised in the income statement. As of the reporting date, the recognised fair value of instruments used as cash flow hedges amounted to –€274 million (previous year: –€173 million).

The future sales and purchase transactions hedged with cash flow hedges are expected to be realised in the following eight years and recognised in profit or loss.

In the year under review, changes of €42 million after taxes in the fair values of instruments used for cash flow hedges (previous year: –€1,135 million) were disclosed under accumulated other comprehensive income without an effect on income. These changes in value reflect the effective portion of the hedges.

An expense of €5 million was recognised with an effect on income in relation to the ineffective portions of cash flow hedges (previous year: €27 million).

Above and beyond this, during the reporting period changes of €121 million after taxes in the value of cash flow hedges which had originally been recognised without an effect on income were realised as income (previous year: €478 million).

In the period under review, the cost of non-financial assets was increased by €7 million (previous year: decline of €2 million) by changes in the value of cash flow hedges reported in other comprehensive income and not recognised in profit or loss.

Hedges of net investment in a foreign entity are used to hedge the foreign currency risks of net investment in foreign entities whose functional currency is not the euro. We use bonds with various terms in the appropriate currencies and interest rate currency swaps as hedging instruments. If there are changes in the exchange rates of currencies in which the bonds used for hedging are denominated or changes in the fair value of interest rate currency swaps, this is recorded under foreign currency translation adjustments in other comprehensive income. As of the reporting date, the fair value of the bonds amounted to €2,218 million (previous year: €2,167 million) and the fair value of the swaps amounted to €288 million (previous year: €159 million).

During the year under review, income of €64 million (previous year: expense of €3 million) was recognised with an effect on income in relation to the ineffective portions of hedges of net investment in foreign entities.

Market risks stem from fluctuations in prices on financial markets and commodity markets. Changes in exchange rates, interest rates and share prices can have an influence on the Group's results. Due to the RWE Group's international profile, exchange rate management is a key issue. Sterling and US dollar are two important currencies for the RWE Group. Fuels are traded in these two currencies, and RWE also does business in the UK currency area. Group companies are required to hedge all currency risks via RWE AG. The net financial position for each currency is determined by RWE AG and hedged with external market partners if necessary.

Interest rate risks stem primarily from financial debt and the Group's interest-bearing investments. We hedge against negative changes in value caused by unexpected interest-rate movements using non-derivative and derivative financial instruments.

Opportunities and risks from changes in the values of securities are controlled by a professional fund management system. The Group's financial transactions are recorded using centralised risk management software and monitored by RWE AG. This enables the balancing of risks across the individual companies.

For commodity operations, risk management directives have been established by the commodity management area and the department Group Risk Controlling, which is part of the controlling area. These regulations stipulate that derivatives may be used to hedge price risks, optimise power plant schedules and increase margins. Furthermore, commodity derivatives may be traded, subject to limits defined by independent organisational units. Compliance with limits is monitored daily.

All derivative financial instruments are recognised as assets or liabilities and are measured at fair value. When interpreting their positive and negative fair values, it should be taken into account that, with the exception of proprietary trading in commodities, these financial instruments are generally matched with underlying transactions that carry offsetting risks.

Maturities of derivatives related to interest rates, currencies, equities, indices and commodities for the purpose of hedging are based on the maturities of the underlying transactions and are thus primarily short term and medium term in nature. Hedges of the foreign currency risks of foreign investments have maturities of up to 30 years.

Risks stemming from fluctuations in commodity prices and financial market risks (foreign currency risks, interest rate risks, securities risks) are monitored and managed by RWE using indicators such as Value at Risk (VaR), amongst other things. In addition, for the management of interest rate risk, a Cash Flow at Risk (CFaR) is determined.

Using the VaR method, we determine and monitor the maximum expected loss arising from changes in market prices with a specific level of probability during specific periods. Historical price volatility is taken as a basis in the calculations. With the exception of the CFaR data, all VaR figures are based on a confidence interval of 95% and a holding period of one day. For CFaR, a confidence interval of 95% and a holding period of one year is taken as a basis.

In respect of interest rate risks, RWE distinguishes between two risk categories: on the one hand, increases in interest rates can result in declines in the prices of securities from RWE's holdings. This pertains primarily to fixed-rate instruments. On the other hand, financing costs also increase along with the level of interest rates. A VaR is determined to quantify securities price risk. As of 31 December 2012, the VaR for securities price risk amounted to €2.7 million (previous year: €7.2 million). The sensitivity of interest expenses to increases in market interest rates is measured with CFaR. As of 31 December 2012 this amounted to €9.0 million (previous year: €13.3 million).

The companies of the RWE Group are required to hedge their foreign currency risks via RWE AG. Only RWE AG itself may maintain open foreign currency positions, subject to predefined limits. As of 31 December 2012, the VaR for these foreign currency positions was less than €1 million (previous year: less than €1 million). This corresponds to the figure used internally, which also includes the underlying transactions for cash flow hedges.

As of 31 December 2012, the VaR for risks related to the RWE share portfolio amounted to €4.8 million (previous year: €13.1 million).

As of 31 December 2012, VaR for the commodity positions of the trading business of RWE Supply & Trading amounted to €5.5 million (previous year: €6.1 million). This corresponds to the figure used for management purposes.

Additionally, stress tests are continuously carried out in relation to the trading operations of RWE Supply & Trading to model the impact of commodity price changes on the liquidity and earnings conditions and take risk-mitigating measures if necessary. In these stress tests, market price curves are modified, and the commodity position is revalued on this basis. Historical scenarios of extreme prices and realistic, fictitious price scenarios are modelled. Above and beyond this, possible extreme scenarios for the major trading desks are assessed on a monthly basis. In the event that the stress tests exceed internal thresholds, these scenarios are then analysed in detail in relation to their impact and probability, and – if necessary – risk-mitigating measures are considered.

If market liquidity is available, commodity risks of the Group's power generation companies are transferred – in accordance with Group guidelines – at market prices to the segment Trading/Gas Midstream, where they are hedged. In accordance with the approach for long-term investments for example, it is not possible to manage commodity risks from long-term positions or positions which cannot be hedged due to their size and the prevailing market liquidity using the VaR concept. As a result, these positions are not included in the VaR figures. Above and beyond open production positions which have not yet been transferred, Group companies are not allowed to maintain significant risk positions, according to Group guidelines.

Credit risks. In financial and trading operations, we primarily have credit relationships with banks and other trading partners with good creditworthiness. The resulting counterparty risks are reviewed upon conclusion of the contract and constantly monitored. We also limit such risks by defining limits for trading with contractual partners and, if necessary, by requiring additional collateral, such as cash collateral. Credit risks in trading and financial operations are monitored on a daily basis.

We are exposed to credit risks in our retail business, because it is possible that customers will fail to meet their financial obligations. We identify such risks in regular analyses of the creditworthiness of our major customers and take appropriate countermeasures, if necessary.

We also employ credit insurance, financial guarantees, bank guarantees and other forms of security to protect against credit risks in our financial and trading activities, and our retail business.

The maximum balance-sheet default risk is expressed by the carrying value of the receivables stated in the balance sheet. The default risks for derivatives correspond to their positive fair values. Risks can also stem from financial guarantees and loan commitments for external creditors. As of 31 December 2012, these obligations amounted to €691 million (previous year: €768 million). As of 31 December 2012, default risks were balanced against credit collateral, financial guarantees, bank guarantees and other collaterals amounting to €1.5 billion (previous year: €1.8 billion). There were no material defaults in 2012 or the previous year.

Liquidity risks. As a rule, RWE Group companies centrally refinance with RWE AG. In this regard, there is a risk that liquidity reserves will prove to be insufficient to meet financial obligations in a timely manner. In 2013, capital market debt with a nominal volume of approximately €2.0 billion (previous year: €1.8 billion) and bank debt of €0.4 billion (previous year: €0.2 billion) are due. Additionally, short-term debt must also be repaid.

As of 31 December 2012, holdings of cash and cash equivalents and current marketable securities amounted to €5,276 million (previous year: €7,004 million). Additionally, as of the balance-sheet date, RWE AG had a fully committed, unused syndicated credit line of €4 billion (previous year: €4 billion) at its disposal. As of the balance-sheet date, only €1.0 billion (previous year: €3.4 billion) of the US$5 billion commercial paper programme (previous year: US$5 billion) had been used. Above and beyond this, we can finance ourselves using our €30 billion debt issuance programme; as of the balance-sheet date, outstanding bonds from this programme amounted to €14.4 billion (previous year: €15.0 billion). Accordingly, the medium-term liquidity risk can be classified as low.

Financial liabilities falling under the scope of IFRS 7 are expected to result in the following (undiscounted) payments in the coming years:

Redemption and interest payments on financial liabilities € million	Carrying amount 31 Dec 2012	Redemption payments			Interest payments		
		2013	2014 to 2017	From 2018	2013	2014 to 2017	From 2018
Bonds payable[1]	15,448	1,967	4,597	8,938	1,015	3,129	4,954
Commercial paper	997	997					
Bank debt	1,303	408	171	724	27	99	69
Liabilities arising from finance lease agreements	233	8	89	139			
Other financial liabilities	1,617	823	269	551	52	159	114
Derivative financial liabilities	3,761	3,013	276	-15	59	201	328
Collateral for trading activities	348	348					
Redemption liabilities from put options	1,320	1,318	2				
Miscellaneous other financial liabilities	7,868	7,748	48	83			

1 Including other notes payable and hybrid bonds classified as debt as per IFRS.

Redemption and interest payments on financial liabilities € million	Carrying amount 31 Dec 2011	Redemption payments			Interest payments		
		2012	2013 to 2016	From 2017	2012	2013 to 2016	From 2017
Bonds payable[1]	15,210	1,808	5,362	8,095	943	2,792	4,358
Commercial paper	3,403	3,413					
Bank debt	1,346	172	197	976	30	109	115
Liabilities arising from finance lease agreements	187	8	53	128			
Other financial liabilities	1,494	817	220	486	31	124	80
Derivative financial liabilities	7,782	6,328	906	558	–40	–309	–503
Collateral for trading activities	283	283					
Redemption liabilities from put options	1,593	1,593					
Miscellaneous other financial liabilities	9,238	9,112	65	68			

1 Including other notes payable and hybrid bonds classified as debt as per IFRS.

Above and beyond this, as of 31 December 2012, there were financial guarantees for external creditors in the amount of €327 million (previous year: €359 million), which are to be allocated to the first year of repayment. Additionally, Group companies have provided loan commitments to third-party companies amounting to €364 million (previous year: €409 million). Of this amount, €363 million is callable in 2013 and €1 million in the years 2014 to 2017.

(30) Contingent liabilities and financial commitments
As of 31 December 2012, the Group had €2,324 million in capital commitments (previous year: €3,310 million).

Commitments from operating leases refer largely to long-term rental arrangements for power generation and supply plants as well as rent and lease contracts for storage and administration buildings. Minimum lease payments have the following maturity structure:

Operating leases	Nominal value	
€ million	31 Dec 2012	31 Dec 2011
Due within 1 year	224	141
Due after 1 to 5 years	504	376
Due after 5 years	467	406
	1,195	**923**

Capital contributions to joint ventures amounted to €0.4 billion (previous year: €1.2 billion).

We have made long-term contractual purchase commitments for supplies of fuels, including natural gas and hard coal in particular. Payment obligations stemming from the major long-term purchase contracts amounted to €75.8 billion as of 31 December 2012 (previous year: €89.5 billion), of which €6.1 billion is due within one year (previous year: €8.0 billion).

Gas purchases by the RWE Group are mostly based on long-term take-or-pay contracts. The conditions in these contracts, which have terms up to 2035 in some cases, are renegotiated by the contractual partners at certain intervals, which may result in changes in the reported payment obligations. Calculation of the payment obligations resulting from the purchase contracts is based on parameters from the internal planning.

Furthermore, RWE has long-term financial commitments for purchases of electricity. As of 31 December 2012, the minimum payment obligations stemming from the major purchase contracts totalled €17.4 billion (previous year: €18.3 billion), of which €0.8 billion is due within one year (previous year: €1.1 billion). Above and beyond this, there are also long-term purchase and service contracts for uranium, conversion, enrichment and fabrication.

We bear legal and contractual liability from our membership in various associations which exist in connection with power plant projects, profit- and loss-pooling agreements and for the provision of liability cover for nuclear risks, amongst others.

On the basis of a mutual benefit agreement, RWE AG and other parent companies of German nuclear power plant operators undertook to provide approximately €2,244 million in funding to liable nuclear power plant operators to ensure that they are able to meet their payment obligations in the event of nuclear damages. RWE AG has a 25.851 % contractual share in the liability, plus 5 % for damage settlement costs.

RWE AG and its subsidiaries are involved in regulatory and anti-trust proceedings, litigation and arbitration proceedings related to their operations. However, we do not expect any material negative repercussions from these proceedings on the RWE Group's economic or financial position. Additionally, companies belonging to the RWE Group are directly involved in various administrative and regulatory proceedings (including approval procedures) or are directly affected by their results.

Outside shareholders initiated several legal proceedings to examine the appropriateness of the conversion ratios and the amount of cash paid in compensation in connection with company restructurings pursuant to German company law. We are convinced that the conversion ratios and cash compensation calculated on the basis of expert opinions and verified by auditors are adequate. If a different legally enforceable conclusion is reached, all affected shareholders will be compensated, even if they are not involved in the conciliation proceedings.

At end-September 2011, the EU Commission conducted reviews of gas wholesale trading throughout Europe, including at RWE. In September 2012, the EU Commission opened formal anti-trust proceedings against the Russian gas producer Gazprom. The main focus of these investigations is the suspicion that Gazprom abused its market power. The investigations are now focused solely on Gazprom and may last for several years.

(31) Segment reporting

Within the RWE Group segments are defined both in accordance with functional and geographical criteria.

The segment "Power Generation" essentially consists of the power generation business and lignite production in Germany.

For the most part, the segment "Sales/Distribution Networks" encompasses sales and distribution networks in Germany.

The segment "Netherlands/Belgium" comprises almost all of the Group's electricity and gas business in this region.

Central Eastern and South Eastern European power generation and the supply and the distribution activities in this region are included in the segment "Central Eastern and South Eastern Europe".

Activities for the generation of electricity and heat from renewable energy sources are bundled in RWE Innogy and presented in the segment "Renewables".

The segment "Upstream Gas & Oil" covers all of the Group's gas and oil production activities.

The segment "Trading/Gas Midstream" covers energy trading and the gas midstream business of the Group. This segment is in the responsibility of RWE Supply & Trading, which also supplies some major German industrial and commercial customers with electricity and natural gas.

"Other, consolidation" covers consolidation effects, RWE AG and the activities of other business areas which are not presented separately. These activities include the internal group services provided by RWE Service GmbH, RWE IT GmbH, and RWE Consulting GmbH.

Segment reporting Divisions 2012 € million	Germany		Netherlands/ Belgium	United Kingdom	Central Eastern and South Eastern Europe	Renewables	Upstream Gas & Oil	Trading/ Gas Midstream	Other, consolidation[1]	RWE Group
	Power Generation	Sales/ Distribution Networks								
External revenue (incl. natural gas tax/electricity tax)	**1,233**	**23,710**	**5,942**	**9,022**	**5,274**	**387**	**1,848**	**5,698**	**113**	**53,227**
Intra-group revenue	8,712	2,020	74	51	502	491	143	25,738	−37,731[2]	
Total revenue	9,945	25,730	6,016	9,073	5,776	878	1,991	31,436	−37,618	53,227
Operating result	**3,044**	**1,578**	**228**	**480**	**1,045**	**183**	**685**	**−598**	**−229**	**6,416**
Operating income from investments	69	383	24	−6	63	22		−8	40	587
Operating income from investments accounted for using the equity method	62	227	26	47	60	3		−8	72	489
Operating depreciation and amortisation	667	688	279	347	260	181	356	7	113	2,898
Total impairment losses	20	111	1,967	28		215	26		22	2,389
EBITDA	**3,711**	**2,266**	**507**	**827**	**1,305**	**364**	**1,041**	**−591**	**−116**	**9,314**
Cash flows from operating activities	**1,410**	**783**	**51**	**376**	**1,041**	**−16**	**768**	**46**	**−64**	**4,395**
Carrying amount of investments accounted for using the equity method	176	2,278	226		326	375		11	233	3,625
Capital expenditure on intangible assets, property, plant and equipment and investment property	964	904	613	190	667	999	684	4	56	5,081

1 As a result of disposals, there are no longer any operating companies to report under Other, consolidation.
2 Of which: consolidation of intra-group revenue -€41,106 million and intra-group revenue of other companies €3,375 million.

Regions 2012 € million	EU			Rest of Europe	Other	RWE Group
	Germany	UK	Other EU			
External revenue[1, 2]	27,602	9,350	12,482	1,015	322	50,771
Intangible assets, property, plant and equipment and investment property	25,496	9,904	14,610	988	1,136	52,134

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

Segment reporting Divisions 2011 € million	Germany		Netherlands/ Belgium	United Kingdom	Central Eastern and South Eastern Europe	Renewables	Upstream Gas & Oil	Trading/ Gas Midstream	Other, consolidation		RWE Group
	Power Generation	Sales/ Distribution Networks							Operating companies	Other	
External revenue (incl. natural gas tax/electricity tax)	**1,166**	**20,354**	**5,818**	**7,696**	**4,990**	**443**	**1,766**	**5,750**	**3,564**	**139**	**51,686**
Intra-group revenue	9,064	3,846	53	17	500	282	176	21,742	1,633	–37,313[1]	
Total revenue	10,230	24,200	5,871	7,713	5,490	725	1,942	27,492	5,197	–37,174	51,686
Operating result	**2,700**	**1,505**	**245**	**357**	**1,109**	**181**	**558**	**–800**	**189**	**–230**	**5,814**
Operating income from investments	124	450	25	–18	61	47		–49		–40	600
Operating income from investments accounted for using the equity method	50	361	22	–18	63	41		–49		–9	461
Operating depreciation and amortisation	552	662	217	249	255	157	365	16	66	107	2,646
Total impairment losses	56	44	276		3	71	70	158		12	690
EBITDA	**3,252**	**2,167**	**462**	**606**	**1,364**	**338**	**923**	**–784**	**255**	**–123**	**8,460**
Cash flows from operating activities	**2,793**	**989**	**312**	**344**	**1,213**	**141**	**720**	**–1,473**	**452**	**19**	**5,510**
Carrying amount of investments accounted for using the equity method	171	2,404	312	195	357	496				178	4,113
Capital expenditure on intangible assets, property, plant and equipment and investment property	1,168	1,206	971	416	852	825	701	20	117	77	6,353

1 Of which: consolidation of intra-group revenue -€40,843 million and intra-group revenue of other companies €3,530 million.

Regions 2011 € million	EU			Rest of Europe	Other	RWE Group
	Germany	UK	Other EU			
External revenue[1, 2]	26,168	8,358	13,250	1,038	339	49,153
Intangible assets, property, plant and equipment and investment property	25,164	9,241	15,624	967	933	51,929

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

Products	RWE Group	
€ million	2012	2011
External revenue[1]	50,771	49,153
of which: electricity	(32,867)	(32,310)
of which: gas	(13,156)	(12,151)
of which: crude oil	(1,540)	(1,641)

1 Excluding natural gas tax/electricity tax.

Notes on segment data. We report revenue between the segments as RWE intra-group revenue. Internal supply of goods and services is settled at arm's length conditions. The operating result is used for internal management. The following table presents the reconciliation of EBITDA to the operating result and to income from continuing operations before tax:

Reconciliation of income items € million	2012	2011
EBITDA	**9,314**	**8,460**
- Operating depreciation and amortisation	−2,898	−2,646
Operating result	**6,416**	**5,814**
+ Non-operating result	−2,094	−1,157
+ Financial result	−2,092	−1,633
Income before tax	**2,230**	**3,024**

Income and expenses that are unusual from an economic perspective, or stem from exceptional events, prejudice the assessment of operating activities. They are reclassified to the non-operating result. Amongst other things, these can include sales proceeds from the disposal of investments or non-current assets not required for operations, impairment of the goodwill of fully consolidated companies, effects of the fair valuation of certain commodity derivatives and restructuring expenses.

More detailed information is presented on page 67 in the review of operations.

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

(32) Notes to the cash flow statement

The cash flow statement classifies cash flows according to operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to the amount stated in the balance sheet. Cash and cash equivalents consist of cash on hand, demand deposits and fixed-interest marketable securities with a maturity of three months or less from the date of acquisition.

Among other things, cash flows from operating activities include:

- cash flows from interest income of €428 million (previous year: €429 million) and cash flows used for interest expenses of €1,227 million (previous year: €1,061 million)
- €628 million (previous year: €920 million) in taxes on income paid (less refunds)
- income from investments, corrected for items without an effect on cash flows, in particular from accounting using the equity method, amounted to €490 million (previous year: €461 million)

Flows of funds from the acquisition and sale of consolidated companies are included in cash flows from investing activities. Effects of foreign exchange rate changes are stated separately.

Cash flows from financing activities include €1,229 million (previous year: €1,867 million) which was distributed to RWE shareholders, €246 million (previous year: €353 million) which was distributed to minority shareholders, and €81 million (previous year: €81 million) which was distributed to hybrid capital investors.

Changes in the scope of consolidation (without consideration of "Assets held for sale") decreased cash and cash equivalents by a net amount of €1 million (previous year: decrease of €258 million). Offsetting additions of €42 million (previous year: €172 million) against capital expenditures on financial assets and disposals of €36 million (previous year: €437 million) against proceeds from divestitures results in a balance of –€7 million (previous year: €7 million), which is attributed to companies consolidated for the first time.

Exploration activities reduced cash flows from operating activities by €90 million (previous year: €84 million) and cash flows from investing activities by €82 million (previous year: €106 million).

There are no restrictions on the disposal of cash and cash equivalents.

(33) Information on concessions

In the fields of electricity, gas and water supply, there are a number of easement agreements and concession contracts between RWE Group companies and the governmental authorities in the areas we supply.

Easement agreements are used in the electricity and gas business to regulate the use of public rights of way for laying and operating lines for public energy supply. These agreements are generally limited to a term of 20 years. After expiry, there is a legal obligation to transfer ownership of the local distribution facilities to the new operator, for appropriate compensation.

Water concession agreements contain provisions for the right and obligation to provide water and wastewater services, operate the associated infrastructure, such as water utility plants, as well as to implement capital expenditure. Concessions in the water business generally have terms of up to 25 years.

(34) Related party disclosures

Within the framework of their ordinary business activities, RWE AG and its subsidiaries have business relationships with numerous companies. These include associated companies and joint ventures, which are classified as related parties. In particular, this category includes material investments of the RWE Group which are accounted for using the equity method.

Business transactions were concluded with major associates and joint ventures, resulting in the following items in RWE's consolidated financial statements:

Key items from transactions with associates and joint ventures € million	Associated companies		Joint ventures	
	2012	2011	2012	2011
Income	3,614	1,388	65	82
Expenses	2,340	731	205	28
Receivables	269	158	1,370	1,890
Liabilities	190	156	44	20

The key items from transactions with associates and joint ventures mainly stem from supply and service transactions. In addition to supply and service transactions, there are also financial links with joint ventures. During the reporting period, income of €52 million (previous year: €54 million) was recorded from interest-bearing loans to joint ventures. As of the balance-sheet date, financial receivables accounted for €1,369 million of the receivables from joint ventures (31 December 2011: €1,880 million). All transactions were completed at arm's length conditions; i.e. on principle the conditions of these transactions did not differ from those with other enterprises. €693 million of the receivables (previous year: €593 million) and €226 million of the liabilities (previous year: €171 million) fall due within one year. In respect of the receivables, there was collateral amounting to €1 million (previous year: €1 million). Other obligations from executory contracts amounted to €6,480 million (previous year: €6,206 million).

Until 30 June 2012, the corporate groups of Georgsmarienhütte Holding GmbH and RGM Holding GmbH were classified as related companies of the RWE Group as Dr. Jürgen Großmann, CEO of RWE AG at that time, is a partner in these companies. Up to 30 June 2012, RWE Group companies provided services and deliveries amounting to €4.2 million to these companies (previous year: €12.1 million), and received from them services and deliveries amounting to €1.7 million (previous year: €2.4 million). As of 31 December 2011, there were receivables of €0.4 million and liabilities of €0.9 million. Furthermore, there were obligations from executory contracts totalling €0.5 million.

All transactions were completed at arm's length conditions; the business relations did not differ from those maintained with other companies.

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

The compensation model and compensation of the Executive and Supervisory Boards is presented in the compensation report, which is included in the review of operations.

In total, the compensation of the Executive Board amounted to €19,264,000 (previous year: €18,303,000), plus pension service costs of €767,000 (previous year: €725,000). The Executive Board received short-term compensation components amounting to €15,014,000 for fiscal 2012 (previous year: €15,303,000). In addition to this, long-term compensation components of the Beat programme (2012 tranche) in the amount of €4,250,000 were allocated (€3,000,000 from the 2011 Beat tranche in the previous year).

The Supervisory Board received total compensation of €2,481,000 (previous year: €2,472,000) in fiscal 2012. Supervisory Board members also received a total of €120,000 in compensation from subsidiaries for the exercise of mandates (previous year: €192,000). The employee representatives on the Supervisory Board have labour contracts with the respective Group companies. Remuneration occurs in accordance with the relevant contractual conditions.

During the period under review, no loans or advances were granted to members of the Executive or Supervisory Boards. An advance for travel expenses was granted to one employee representative on the Supervisory Board, and a further employee representative has outstanding loans from the period before his membership of the Board.

Former members of the Executive Board and their surviving dependents received €13,126,000 (previous year: €11,832,000), of which €1,928,000 came from subsidiaries (previous year: €1,940,000). Of this, €0 was related to long-term incentive remuneration components (previous year: €375,000). As of the balance-sheet date, €144,738,000 (previous year: €128,688,000) had been accrued for defined benefit obligations to former members of the Executive Board and their surviving dependents. Of this, €20,387,000 was set aside at subsidiaries (previous year: €19,473,000).

Information on the members of the Executive and Supervisory Boards is presented on pages 220 et seqq. of the Notes.

(35) Auditor's fees

RWE recognised the following fees as expenses for the services rendered by the auditors of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC) and companies belonging to PwC's international network:

Auditor's fees	2012		2011	
€ million	Total	Of which: Germany	Total	Of which: Germany
Audit services	15.3	(8.2)	18.3	(9.7)
Other assurance services	8.4	(7.3)	7.9	(7.5)
Tax services	0.4	(0.3)	0.5	(0.2)
Other services	1.2	(0.7)	0.8	(0.4)
	25.3	**(16.5)**	**27.5**	**(17.8)**

The fees for audit services primarily contain the fees for the audit of the consolidated financial statements and for the audit of the financial statements of RWE AG and its subsidiaries. Other assurance services include fees for the review of interim reports, review of the internal controlling system, in particular the IT systems, due diligence audits, as well as expenses related to statutory or court ordered requirements. In particular, the fees for tax services include compensation for consultation in the preparation of tax returns and other national and international tax-related matters as well as review of resolutions of the tax authorities.

During the year under review, subsidiaries of RWE AG recognised fees amounting to €0.1 million (previous year: €0.1 million) in relation to audit services rendered by the companies of the BDO network.

(36) Application of Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code

In fiscal 2012, the following German subsidiaries made partial use of the exemption clause included in Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code (HGB):

- BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen
- GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen
- GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen
- Rheinische Baustoffwerke GmbH, Bergheim
- rhenag Beteiligungs GmbH, Cologne
- RWE Aqua GmbH, Berlin
- RWE Aqua Holdings GmbH, Essen
- RWE Beteiligungsgesellschaft mbH, Essen
- RWE Beteiligungsverwaltung Ausland GmbH, Essen
- RWE Consulting GmbH, Essen
- RWE Dea Cyrenaica GmbH, Hamburg
- RWE Dea E & P GmbH, Hamburg
- RWE Dea Idku GmbH, Hamburg
- RWE Dea International GmbH, Hamburg
- RWE Dea Nile GmbH, Hamburg
- RWE Dea North Africa/Middle East GmbH, Hamburg
- RWE Dea Suez GmbH, Hamburg
- RWE Dea Trinidad & Tobago GmbH, Hamburg
- RWE FiberNet GmbH, Essen
- RWE Gastronomie GmbH, Essen
- RWE IT GmbH, Essen
- RWE Offshore Logistics Company GmbH, Hamburg
- RWE Rheinhessen Beteiligungs GmbH, Essen
- RWE RWN Beteiligungsgesellschaft Mitte mbH, Essen
- RWE Technology GmbH, Essen
- RWE Trading Services GmbH, Essen

(37) Events after the balance-sheet date

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

(38) Declaration according to Sec. 161 of the German Stock Corporation Act

The declarations on the German Corporate Governance Code prescribed by Sec. 161 of the German Stock Corporation Act (AktG) have been submitted for RWE AG and its publicly traded German subsidiaries and have been made accessible to the shareholders on the Internet pages of RWE AG and its publicly traded German subsidiaries.

Essen, 15 February 2013

The Executive Board

Terium

Schmitz

Birnbaum

Fitting

Günther

Tigges

4.7 LIST OF SHAREHOLDINGS (PART OF THE NOTES)

List of shareholdings as per Sec. 285 No. 11 and Sec. 313 Para. 2 (in relation to Sec. 315 a I) of HGB as of 31 Dec 2012

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Aktivabedrijf Wind Nederland B.V., Zwolle/Netherlands		100	59,182	15,976
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	20,673	730
Andromeda Wind S.r.l., Bolzano/Italy		51	7,334	1,452
Artelis S.A., Luxembourg/Luxembourg		53	37,778	3,470
A/V/E GmbH, Halle (Saale)		76	1,861	314
B E B Bio Energie Baden GmbH, Kehl		51	37,633	2,321
Bayerische Bergbahnen Beteiligungs-Gesellschaft mbH, Gundremmingen		100	21,047	756
Bayerische Elektrizitätswerke GmbH, Augsburg		100	34,008	-[1]
Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH, Gundremmingen		62	84,943	21,430
BC-Therm Energiatermelõ és Szolgáltató Kft., Budapest/Hungary		100	3,917	564
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen	100	100	4,518,743	-[1]
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	1,650	623
Biomasse Sicilia S.p.A., Enna/Italy		100	835	–805
BPR Energie Geschäftsbesorgung GmbH, Essen		100	17,301	27
Bristol Channel Zone Limited, Swindon/United Kingdom		100	–457	–279
BTB Netz GmbH, Berlin		100	25	-[1]
BTB-Blockheizkraftwerks, Träger- und Betreibergesellschaft mbH Berlin, Berlin		100	18,094	-[1]
Budapesti Elektromos Muvek Nyrt., Budapest/Hungary		55	880,284	29,036
Carl Scholl GmbH, Cologne		100	358	–170
Cegecom S.A., Luxembourg/Luxembourg		100	12,738	2,835
Channel Energy Limited, Swindon/United Kingdom		100	–348	–131
Delta Gasservice B.V., Middelburg/Netherlands		100	–863	38
Dorcogen B.V., 's-Hertogenbosch/Netherlands		100	198	–194
E&Z Industrie-Lösungen GmbH, Gundremmingen		100	8,591	–3,260
ELE Verteilnetz GmbH, Gelsenkirchen		100	25	–6,981
Electra Insurance Limited, Hamilton/Bermuda		100	76,117	2,034
Electricity Plus Supply Limited, London/United Kingdom		100	48,398	18,470
Elektrizitätswerk Landsberg GmbH, Landsberg am Lech		100	3,137	200
Elektrocieplownia Bedzin S.A., Bedzin/Poland		70	21,775	2,461
ELES B.V., Arnhem/Netherlands		100	57,441	–30,538
ELMU Halozati Eloszto Kft., Budapest/Hungary		100	935,093	42,157
ELMU-EMASZ Halozati Szolgáltató Kft., Budapest/Hungary		100	6,381	1,838
ELMU-EMASZ Ugyfelszolgalati Kft., Budapest/Hungary		100	3,827	2,129
EMASZ Halozati Kft., Miskolc/Hungary		100	305,544	16,786
Emscher Lippe Energie GmbH, Gelsenkirchen		50	41,071	29,071
Energie Direct B.V., Waalre/Netherlands		100	–37,914	–4,047
Energies France S.A.S. - Group - (pre-consolidated)			34,057	1,346[2]
Centrale Hydroelectrique d'Oussiat S.A.S., Paris/France		100		
Energies Charentus S.A.S., Paris/France		100		
Energies France S.A.S., Paris/France		100		

1 Profit- and loss-pooling agreement
2 Figures from the Group's consolidated financial statements
3 Newly founded, financial statements not yet available
4 Control by contractual agreement

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Energies Maintenance S.A.S., Paris/France		100		
Energies Saint Remy S.A.S., Paris/France		100		
Energies VAR 1 S.A.S., Paris/France		100		
Energies VAR 2 S.A.S., Paris/France		100		
Energies VAR 3 S.A.S., Paris/France		100		
RWE Innogy Dévéloppement France S.A.S., Paris/France		100		
SAS Île de France S.A.S., Paris/France		100		
Energis GmbH, Saarbrücken		64	141,859	27,677
energis-Netzgesellschaft mbH, Saarbrücken		100	25	-[1]
Energy Direct Limited, Swindon/United Kingdom		100	302,701	3,132
Energy Direct Supply Limited, Swindon/United Kingdom		100	264,090	7
Energy Resources BV, 's-Hertogenbosch/Netherlands		100	314,430	5,813
Energy Resources Holding BV, 's-Hertogenbosch/Netherlands		100	286,996	128,234
Energy Resources Ventures BV, 's-Hertogenbosch/Netherlands		100	25,389	–31
Enerservice Maastricht B.V., Maastricht/Netherlands		100	92,479	3,500
envia AQUA GmbH, Chemnitz		100	510	-[1]
envia Mitteldeutsche Energie AG, Chemnitz	1	59	1,411,837	281,311
envia Netzservice GmbH, Kabelsketal		100	4,046	-[1]
envia SERVICE GmbH, Cottbus		100	2,927	1,927
envia TEL GmbH, Markkleeberg		100	11,075	2,297
envia THERM GmbH, Bitterfeld-Wolfen		100	63,155	-[1]
enviaM Beteiligungsgesellschaft Chemnitz GmbH, Chemnitz		100	56,366	-[1]
enviaM Beteiligungsgesellschaft mbH, Essen		100	175,781	31,765
eprimo GmbH, Neu-Isenburg		100	4,600	-[1]
Essent Belgium N.V., Antwerp/Belgium		100	4,591	–5,520
Essent Corner Participations B.V., 's-Hertogenbosch/Netherlands		100	8,921	4,996
Essent Energie Belgie N.V., Antwerp/Belgium		100	137,389	23,692
Essent Energie Productie B.V., 's-Hertogenbosch/Netherlands		100	849,122	99
Essent Energie Verkoop Nederland B.V., 's-Hertogenbosch/Netherlands		100	163,974	40,687
Essent Energy Gas Storage B.V., 's-Hertogenbosch/Netherlands		100	329	505
Essent Energy Group B.V., Arnhem/Netherlands		100	–73	–222
Essent Energy Systems Noord B.V., Zwolle/Netherlands		100	5,299	1,011
Essent IT B.V., Arnhem/Netherlands		100	–198,856	–5,179
Essent Meetdatabedrijf B.V., 's-Hertogenbosch/Netherlands		100	–6,473	–2,225
Essent Nederland B.V., Arnhem/Netherlands		100	2,241,000	–23,000
Essent New Energy B.V., 's-Hertogenbosch/Netherlands		100	–16,436	–5,403
Essent N.V., 's-Hertogenbosch/Netherlands		100	10,333,100	55,300
Essent Participations Holding B.V., Arnhem/Netherlands		100	205,943	110,745
Essent Personeel Service B.V., Arnhem/Netherlands		100	2,600	2,172
Essent Power BV, Arnhem/Netherlands		100	–52,054	–26,278
Essent Productie Geleen B.V., 's-Hertogenbosch/Netherlands		100	–1,525	1,311

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Essent Projects B.V., 's-Hertogenbosch/Netherlands		100	–33,246	–5,110
Essent Retail Bedrijven B.V., Arnhem/Netherlands		100	295,238	–20,696
Essent Retail Energie B.V., 's-Hertogenbosch/Netherlands		100	119,509	43,973
Essent Retail Participations B.V., 's-Hertogenbosch/Netherlands		100	17,385	3,073
Essent Sales Portfolio Management B.V., 's-Hertogenbosch/Netherlands		100	314,393	108,904
Essent Service B.V., Arnhem/Netherlands		100	58,781	–20,358
Essent Wind Nordsee Ost Planungs- und Betriebsgesellschaft mbH, Helgoland		100	256	-[1]
Essent Zuid B.V., Waalre/Netherlands		100	106,601	1,857
Eszak-magyarorszagi Aramszolgáltató Nyrt., Miskolc/Hungary		54	319,029	14,963
EuroSkyPark GmbH, Saarbrücken		51	96	5
EVIP GmbH, Bitterfeld-Wolfen		100	11,347	-[1]
EWK Nederland B.V., Groningen/Netherlands		100	–8,691	334
EWV Energie- und Wasser-Versorgung GmbH, Stolberg		54	41,547	13,700
EZN Swentibold B.V., Geleen/Netherlands		100	1,950	1,282
FAMIS Gesellschaft für Facility Management und Industrieservice mbH, Saarbrücken		63	12,109	1,046
Fri-El Anzi Holding S.r.l., Bolzano/Italy		51	7,727	–319
Fri-El Anzi S.r.l., Bolzano/Italy		100	24,163	547
Fri-El Guardionara Holding S.r.l., Bolzano/Italy		51	13,294	413
Fri-El Guardionara S.r.l., Bolzano/Italy		100	37,856	5,107
Gas Plus Supply Limited, London/United Kingdom		100	–20,701	10,745
GBE - Gocher Bioenergie GmbH, Goch		80	1,508	–1,267
GBV Dreizehnte Gesellschaft für Beteiligungsverwaltung mbH & Co. KG, Gundremmingen	94	94	–18,486	0
GBV Fünfte Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	4,202,487	-[1]
GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	100	-[1]
Gemeinschaftskraftwerk Bergkamen A OHG der STEAG GmbH und der RWE Power AG, Bergkamen		51	14,316	1,359
Gemeinschaftskraftwerk Steinkohle Hamm GmbH & Co. KG, Essen		78	50,000	–110,203
Georgia Biomass Holding LLC, Savannah/USA		100	47,656	2,489
Georgia Biomass LLC, Savannah/USA		100	34,126	–4,118
GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund		100	75,271	–236
GISA GmbH, Halle (Saale)		75	9,445	3,845
Great Yarmouth Power Limited, Swindon/United Kingdom		100	3,676	0
Green Gecco GmbH & Co. KG, Essen		51	49,640	1,280
GWG Grevenbroich GmbH, Grevenbroich		60	20,032	4,809
ICS adminservice GmbH, Leuna		100	661	122
Industriepark LH Verteilnetz GmbH, Chemnitz		100	100	-[1]
Innogy Cogen Ireland Limited, Dublin/Ireland		100	1,568	787
Innogy Nordsee 1 GmbH, Hamburg		100	11,300	-[1]

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
INVESTERG – Investimentos em Energias, SGPS, Lda. – Group – (pre-consolidated)			10,090	–60[2]
INVESTERG – Investimentos em Energias, Sociedade Gestora de Participações Sociais, Lda., São João do Estoril/Portugal		100		
LUSITERG – Gestão e Produção Energética, Lda., São João do Estoril/Portugal		74		
Jihomoravská plynárenská, a.s., Brno/Czech Republic		50	314,153	61,778
JMP Net, s.r.o., Brno/Czech Republic		100	417,576	31,541
KA Contracting ČR s.r.o., Prague/Czech Republic		100	19,679	802
Kazinc-Therm Fûtõerõmû Kft., Kazincbarcika/Hungary		100	392	–945
Kernkraftwerk Gundremmingen GmbH, Gundremmingen		75	84,184	8,343
Kernkraftwerk Lingen GmbH, Lingen (Ems)		100	20,034	-[1]
Kernkraftwerke Lippe-Ems GmbH, Lingen (Ems)		99	432,269	-[1]
KMG Kernbrennstoff-Management Gesellschaft mbH, Essen		100	696,225	-[1]
Knabs Ridge Wind Farm Limited, Swindon/United Kingdom		100	4,277	1,275
Kraftwerksbeteiligungs-OHG der RWE Power AG und der E.ON Kernkraft GmbH, Lingen (Ems)		88	144,433	5,010
Krzecin Sp. z o.o., Warsaw/Poland		100	–16	–17
KW Eemsmond B.V., Zwolle/Netherlands		100	8,815	966
Lechwerke AG, Augsburg		90	385,426	70,735
LEW Anlagenverwaltung GmbH, Gundremmingen		100	224,414	16,260
LEW Beteiligungsgesellschaft mbH, Gundremmingen		100	213,728	14,371
LEW Netzservice GmbH, Augsburg		100	87	-[1]
LEW Service & Consulting GmbH, Augsburg		100	1,250	-[1]
LEW TelNet GmbH, Neusäß		100	6,002	4,803
LEW Verteilnetz GmbH, Augsburg		100	4,816	-[1]
Lindhurst Wind Farm Limited, Swindon/United Kingdom		100	1,060	704
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		100	19,322	8,646
Magyar Áramszolgáltató Kft., Budapest/Hungary		100	5,037	3,550
Mátrai Erömü Zártkörüen Müködö Részvénytársaság, Visonta/Hungary		51	352,100	62,413
MEWO Wohnungswirtschaft GmbH & Co. KG, Halle (Saale)		100	10,715	1,767
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)		75	146,488	52,702
Mitteldeutsche Netzgesellschaft Gas mbH, Kabelsketal		100	25	-[1]
Mitteldeutsche Netzgesellschaft Strom mbH, Halle (Saale)		100	24	-[1]
Mittlere Donau Kraftwerke AG, Munich		40[4]	5,113	0
NET4GAS, s.r.o., Prague/Czech Republic		100	1,605,212	269,528
NEW AG, Mönchengladbach		43[4]	144,702	40,873
NEW Netz GmbH, Geilenkirchen		100	47,415	12,035
NEW Niederrhein Energie und Wasser GmbH, Mönchengladbach		100	1,000	2,203
NEW Niederrhein Wasser GmbH, Viersen		100	11,350	1,350
NEW Service GmbH, Mönchengladbach		100	100	902
NEW Tönisvorst GmbH, Tönisvorst		95	5,961	2,257
NEW Viersen GmbH, Viersen		100	38,714	8,380
Npower Business and Social Housing Limited, Swindon/United Kingdom		100	–417	–3,100
Npower Cogen (Hythe) Limited, Swindon/United Kingdom		100	22,440	1,724

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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Npower Cogen Limited, Swindon/United Kingdom		100	225,180	17,884
Npower Cogen Trading Limited, Swindon/United Kingdom		100	–717	7,772
Npower Commercial Gas Limited, Swindon/United Kingdom		100	–13,433	8,837
Npower Direct Limited, Swindon/United Kingdom		100	180,507	49,323
Npower Financial Services Limited, Swindon/United Kingdom		100	–349	30
Npower Gas Limited, Swindon/United Kingdom		100	–308,838	–12,593
Npower Limited, Swindon/United Kingdom		100	–282,931	27,712
Npower Northern Limited, Swindon/United Kingdom		100	–490,119	–119,461
Npower Yorkshire Limited, Swindon/United Kingdom		100	–656,453	–34,486
Npower Yorkshire Supply Limited, Swindon/United Kingdom		100	0	0
NRW Pellets GmbH, Erndtebrück		90	3,199	–17,780
Octopus Electrical Limited, Swindon/United Kingdom		100	2,873	–335
OIE Aktiengesellschaft, Idar-Oberstein		100	8,364	-[1]
Oval (2205) Limited, Swindon/United Kingdom		100	–5,882	0
Ózdi Erõmû Távhõtermelõ és Szolgáltató Kft., Kazincbarcika/Hungary		100	1,216	24
Park Wiatrowy Nowy Staw Sp. z o.o., Warsaw/Poland		100	4	–5
Park Wiatrowy Suwalki Sp. z o.o., Warsaw/Poland		100	7,895	–1,132
Park Wiatrowy Tychowo Sp. z o.o., Warsaw/Poland		100	1,379	–1,424
Piecki Sp. z o.o., Warsaw/Poland		51	49,512	2,608
Plus Shipping Services Limited, London/United Kingdom		100	19,321	4,706
Powerhouse B.V., Almere/Netherlands		100	31,550	16,373
RE GmbH, Cologne		100	12,463	-[1]
Regenesys Holdings Limited, Swindon/United Kingdom		100	0	1,648
Regenesys Technologies Limited, Swindon/United Kingdom		100	734	6
regionetz GmbH, Düren		100	37	–20
Restabwicklung SNR 300 GmbH, Essen		100	4,164	–164
Rheinbraun Benelux N.V., Wondelgem/Belgium		100	9,605	28
Rheinbraun Brennstoff GmbH, Cologne		100	63,316	-[1]
Rheinische Baustoffwerke GmbH, Bergheim		100	9,236	-[1]
Rheinkraftwerk Albbruck-Dogern Aktiengesellschaft, Waldshut-Tiengen		77	30,728	1,757
rhenag Beteiligungs GmbH, Cologne		100	25	-[1]
rhenag Rheinische Energie Aktiengesellschaft, Cologne		67	151,699	37,500
Rhenas Insurance Limited, Sliema/Malta		100	48,300	93
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		100	5,918	7,335
RL Beteiligungsverwaltung beschr. haft. OHG, Gundremmingen	51	100	354,041	25,454
RSB LOGISTIC GMBH, Cologne		100	19,304	-[1]
RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne		100	76,681	39,987
RWE & Turcas Enerji Toptan Satis A.S., Istanbul/Turkey		100	595	–223
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey		69	174,446	–5,575
RWE Aktiengesellschaft, Essen			10,058,053	1,353,390
RWE Aqua GmbH, Berlin		100	233,106	-[1]
RWE Aqua Holdings GmbH, Essen	100	100	500,950	-[1]

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	Direct	Total	€ '000	€ '000
RWE Benelux Holding B.V., 's-Hertogenbosch/Netherlands		100	3,824,500	331,900
RWE Beteiligungsgesellschaft mbH, Essen	100	100	7,820,490	-[1]
RWE Beteiligungsverwaltung Ausland GmbH, Essen	100	100	435,420	-[1]
RWE Česká republika a.s., Prague/Czech Republic		100	874,076	−724
RWE Consulting GmbH, Essen		100	1,555	-[1]
RWE Dea AG, Hamburg		100	1,407,379	-[1]
RWE Dea Cyrenaica GmbH, Hamburg		100	26	-[1]
RWE Dea E & P GmbH, Hamburg		100	32,930	-[1]
RWE Dea Global Limited, London/United Kingdom		100	1	0
RWE Dea Idku GmbH, Hamburg		100	13,772	-[1]
RWE Dea International GmbH, Hamburg		100	290,741	-[1]
RWE Dea Nile GmbH, Hamburg		100	130,581	-[1]
RWE Dea Norge AS, Oslo/Norway		100	207,697	59,311
RWE Dea North Africa/Middle East GmbH, Hamburg		100	130,025	-[1]
RWE Dea Polska Sp. z o.o., Warsaw/Poland		100	46	−23
RWE Dea Speicher GmbH, Hamburg		100	25	-[1]
RWE Dea Suez GmbH, Hamburg		100	87,226	-[1]
RWE Dea Trinidad & Tobago GmbH, Hamburg		100	25	-[1]
RWE Dea UK Holdings Limited, Aberdeen/United Kingdom		100	293,002	312
RWE Dea UK SNS Limited, London/United Kingdom		100	142,285	−32,238
RWE Deutschland Aktiengesellschaft, Essen	12	100	508,662	-[1]
RWE Distribuční služby, s.r.o., Brno/Czech Republic		100	20,155	16,883
RWE East, s.r.o., Prague/Czech Republic	2	100	518	476
RWE Eemshaven Holding B.V., Arnhem/Netherlands		100	−59,563	−36,193
RWE Effizienz GmbH, Dortmund		100	25	-[1]
RWE Energetyka Trzemeszno Sp. z o.o., Wroclaw/Poland		100	1,725	0
RWE Energie, a.s., Ústí nad Labem/Czech Republic		100	163,279	56,006
RWE Energiedienstleistungen GmbH, Dortmund		100	17,911	-[1]
RWE Energy Beteiligungsverwaltung Luxembourg S.A.R.L., Luxembourg/Luxembourg		100	85,887	8,989
RWE FiberNet GmbH, Essen		100	25	-[1]
RWE Finance B.V., 's-Hertogenbosch/Netherlands	100	100	10,111	2,582
RWE Gas International N.V., 's-Hertogenbosch/Netherlands	100	100	5,422,554	252,257
RWE Gas Slovensko, s.r.o., Košice/Slovakia		100	2,843	426
RWE Gas Storage, s.r.o., Prague/Czech Republic		100	636,192	84,722
RWE GasNet, s.r.o., Ústí nad Labem/Czech Republic		100	320,618	35,884
RWE Gasspeicher GmbH, Dortmund	100	100	350,087	-[1]
RWE Gastronomie GmbH, Essen		100	133	-[1]
RWE Generation SE, Karlstein	100	100	186,856	-[1]
RWE Grid Holding, a.s., Prague/Czech Republic		100	42,943	2
RWE Hungaria Tanacsado Kft., Budapest/Hungary		100	9,687	2,683

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	Direct	Total	€ '000	€ '000
RWE Innogy AERSA S.A.U.– Group – (pre-consolidated)			358,930	14,813[2]
Danta de Energías, S.A., Soria/Spain		99		
Explotaciones Eólicas de Aldehuelas, S.L., Soria/Spain		95		
General de Mantenimiento 21, S.L.U., Barcelona/Spain		100		
Hidroeléctrica del Trasvase, S.A., Barcelona/Spain		60		
RWE Innogy AERSA, S.A.U., Barcelona/Spain		100		
RWE Innogy Benelux B.V., 's-Hertogenbosch/Netherlands		100	1,399	–2,223
RWE Innogy Brise Windparkbetriebsgesellschaft mbH, Hanover		100	201	-[1]
RWE Innogy Cogen Beteiligungs GmbH, Dortmund		100	7,350	-[1]
RWE Innogy GmbH, Essen	100	100	653,471	-[1]
RWE Innogy Italia S.p.A., Bolzano/Italy		100	52,432	–55,352
RWE Innogy Lüneburger Heide Windparkbetriebsgesellschaft mbH, Walsrode		100	25	-[1]
RWE Innogy Mistral Windparkbetriebsgesellschaft mbH, Hanover		100	25	-[1]
RWE Innogy Sandbostel Windparkbetriebsgesellschaft mbH, Sandbostel		100	25	-[1]
RWE Innogy (UK) Ltd., Swindon/United Kingdom		100	1,342,850	–7,400
RWE Innogy Windpark GmbH, Essen		100	31,825	-[1]
RWE Innogy Windpower Hanover GmbH, Hanover		100	77,373	-[1]
RWE Innogy Windpower Netherlands B.V., 's-Hertogenbosch/Netherlands		100	–20,498	–3,862
RWE Interní služby, s.r.o., Prague/Czech Republic		100	5,658	2,281
RWE IT Czech s.r.o., Brno/Czech Republic	1	100	7,714	460
RWE IT GmbH, Essen	100	100	22,724	-[1]
RWE IT MAGYARORSZÁG Kft., Budapest/Hungary		100	642	241
RWE IT Poland Sp. z o.o., Warsaw/Poland		100	1,799	142
RWE IT Slovakia s.r.o., Košice/Slovakia	15	100	2,287	2,246
RWE IT UK Ltd., Swindon/United Kingdom		100	–2,286	–8,682
RWE KAC Dezentrale Energien GmbH & Co. KG, Dortmund		100	9,401	–3
RWE Key Account CZ, s.r.o., Prague/Czech Republic		100	3,051	865
RWE Kundenservice GmbH, Bochum		100	25	-[1]
RWE Metering GmbH, Mülheim an der Ruhr		100	25	-[1]
RWE Netzservice GmbH, Siegen		100	25	-[1]
RWE Npower Group Limited, Swindon/United Kingdom		100	44,647	3,970
RWE Npower Holdings plc, Swindon/United Kingdom		100	1,721,603	3,695
RWE Npower plc., Swindon/United Kingdom		100	1,487,563	–43,107
RWE Npower Renewables (Galloper) No. 1 Limited, Swindon/United Kingdom		100	–7	–7
RWE Npower Renewables (Galloper) No. 2 Limited, Swindon/United Kingdom		100	–7	–7
RWE Npower Renewables Limited, Swindon/United Kingdom		100	896,252	–9,186
RWE Npower Renewables (Markinch) Limited, Swindon/United Kingdom		100	–5,196	–3,898
RWE Npower Renewables (NEWCO)1 Limited, Swindon/United Kingdom		100	23	34
RWE Npower Renewables (NEWCO)2 Limited, Swindon/United Kingdom		100	23	34
RWE Npower Renewables (NEWCO)3 Limited, Swindon/United Kingdom		100	23	34
RWE Npower Renewables (NEWCO)4 Limited, Swindon/United Kingdom		100	70	103
RWE Npower Renewables (Stallingborough) Limited, Swindon/United Kingdom		100	–5,380	–68

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	Direct	Total	€ '000	€ '000
RWE Offshore Logistics Company GmbH, Hamburg		100	30	-[1]
RWE Offshore Wind Nederland B.V., Utrecht/Netherlands		100	220	−660
RWE Plynoprojekt, s.r.o., Prague/Czech Republic		100	3,845	943
RWE Polska Contracting Sp. z o.o., Wroclaw/Poland		100	3,474	556
RWE Polska S.A., Warsaw/Poland		100	532,209	93,219
RWE Power Aktiengesellschaft, Cologne and Essen	100	100	3,476,964	-[1]
RWE Renewables Polska Sp. z o.o., Warsaw/Poland		100	58,866	−29
RWE Rheinhessen Beteiligungs GmbH, Essen		100	57,840	-[1]
RWE Rhein-Ruhr Netzservice GmbH, Siegen		100	25	-[1]
RWE RWN Beteiligungsgesellschaft Mitte mbH, Essen		100	286,356	-[1]
RWE Seabreeze I GmbH & Co. KG, Bremerhaven		100	25,328	−378
RWE Seabreeze II GmbH & Co. KG, Bremerhaven		100	23,159	−2,735
RWE Service CZ, s.r.o., Prague/Czech Republic		100	481	83
RWE Service GmbH, Dortmund	100	100	248,451	-[1]
RWE Solutions Ireland Limited, Dublin/Ireland		100	12,186	1,773
RWE Solutions UK Limited, Bristol/United Kingdom		100	20,302	−108
RWE Stoen Operator Sp. z o.o., Warsaw/Poland		100	670,720	24,849
RWE Supply & Trading Asia-Pacific PTE. LTD., Singapore/Singapore		100	6,214	6,214
RWE Supply & Trading GmbH, Essen	100	100	446,800	-[1]
RWE Supply & Trading Netherlands B.V., 's-Hertogenbosch/Netherlands		100	688,532	−37,800
RWE Supply & Trading Participations Limited, London/United Kingdom		100	423,967	32,896
RWE Supply & Trading Switzerland S.A., Geneva/Switzerland		100	41,559	−263,339
RWE Technology GmbH, Essen		100	25	-[1]
RWE Technology Tasarim ve Mühendislik Danismanlik Ticaret Limited Sirketi, Istanbul/Turkey		100	2,384	1,552
RWE Technology UK Limited, Swindon/United Kingdom		100	344	38
RWE Trading Americas Inc., New York/USA		100	33,656	13,633
RWE Trading Services GmbH, Essen		100	5,735	-[1]
RWE Transgas, a.s., Prague/Czech Republic		100	1,510,325	150,844
RWE Turkey Holding A.S., Istanbul/Turkey	100	100	70,423	3,820
RWE Vertrieb Aktiengesellschaft, Dortmund		100	16,143	-[1]
RWE Zákaznické služby, s.r.o., Ostrava/Czech Republic		100	2,385	1,949
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH, Mülheim an der Ruhr		80	75,978	10,134
Saarwasserkraftwerke GmbH, Essen		100	14,368	-[1]
Scarcroft Investments Limited, Swindon/United Kingdom		100	−13,740	0
Scaris Investment Limited, Sliema/Malta	100	100	3,864,239	211,495
Schwäbische Entsorgungsgesellschaft mbH, Gundremmingen		100	18,748	1,117
Severomoravská plynárenská, a.s., Ostrava/Czech Republic		68	197,583	34,501
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft., Budapest/Hungary		100	31,374	2,358
SMP Net, s.r.o., Ostrava/Czech Republic		100	270,792	27,422
Speicher Breitbrunn/Eggstätt RWE Dea & Storengy, Hamburg		80	0	19,038

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	Direct	Total	€ '000	€ '000
SPER S.p.A., Enna/Italy		70	13,246	–408
SRS EcoTherm GmbH, Salzbergen		90	11,070	3,797
Stadtwärme Kamp-Lintfort GmbH, Kamp-Lintfort		100	2,970	-[1]
STADTWERKE DÜREN GMBH, Düren		75	27,934	7,169
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort		51	13,902	3,912
Südwestsächsische Netz GmbH, Crimmitschau		100	757	306
Süwag Beteiligungs GmbH, Frankfurt am Main		100	4,425	-[1]
Süwag Energie AG, Frankfurt am Main		78	402,375	99,500
Süwag Vertrieb AG & Co. KG, Frankfurt am Main		100	680	-[1]
Süwag Wasser GmbH, Frankfurt am Main		100	318	-[1]
Syna GmbH, Frankfurt am Main		100	4,939	-[1]
Taciewo Sp. z o.o., Warsaw/Poland		100	–62	–30
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	444	155
Tisza-Therm Fûtõerõmû Kft., Tiszaújváros/Hungary		100	315	–417
Tisza-WTP Vízelõkészítõ és Szolgáltató Kft., Tiszaújváros/Hungary		100	1,859	308
Transpower Limited, Dublin/Ireland		100	3,233	884
Triton Knoll Offshore Wind Farm Ltd., Swindon/United Kingdom		100	–7,576	–98
Überlandwerk Krumbach GmbH, Krumbach		75	4,858	920
VCP Net, s.r.o., Hradec Králové/Czech Republic		100	207,289	18,064
Verteilnetz Plauen GmbH, Plauen		100	22	-[1]
Volta Limburg B.V., Schinnen/Netherlands		89	24,848	6,950
VSE Aktiengesellschaft, Saarbrücken		50	168,655	23,626
VSE Net GmbH, Saarbrücken		100	13,486	1,400
VSE Verteilnetz GmbH, Saarbrücken		100	25	-[1]
VWS Verbundwerke Südwestsachsen GmbH, Lichtenstein		98	25,666	1,024
Východočeská plynárenská, a.s., Hradec Králové/Czech Republic		67	135,744	25,195
Wendelsteinbahn GmbH, Brannenburg		100	2,670	153
Wendelsteinbahn Verteilnetz GmbH, Brannenburg		100	38	–202
Westnetz GmbH, Wesel		100	25	-[1]
Westnetz GmbH, Recklinghausen		100	283	-[1]
Windpark Bentrup Betriebsgesellschaft mbH, Barntrup		100	25	-[1]
Windpark Westereems B.V., Zwolle/Netherlands		100	7,840	75
Windpark Zuidwester B.V., 's-Hertogenbosch/Netherlands		100	18	0
WINKRA Hörup Windparkbetriebsgesellschaft mbH, Hörup		100	26	-[1]
WINKRA Lengerich Windparkbetriebsgesellschaft mbH, Gersten		100	25	-[1]
WINKRA Messingen Windparkbetriebsgesellschaft mbH, Messingen		100	25	-[1]
WINKRA Sommerland Windparkbetriebsgesellschaft mbH, Sommerland		100	26	-[1]
WINKRA Süderdeich Windparkbetriebsgesellschaft mbH, Süderdeich		100	372	591
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover		100	120	441
WVP – Wärmeversorgung Plauen GmbH, Plauen		100	260	-[1]
YE Gas Limited, Swindon/United Kingdom		100	–108,231	0
Yorkshire Energy Limited, Bristol/United Kingdom		100	13,740	0

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Agenzia Carboni S.R.L., Genoa/Italy		100	398	6
Agora GmbH, Mannheim		100	59	5
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen		100	5,113	0
Allt Dearg Wind Farm Limited, Swindon/United Kingdom		100	0	0
Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund		100	–70,980	–832
aqua.t Wassergesellschaft Thüringen mbH, Hermsdorf		100	100	-[1]
Ardoch Over Enoch Windfarm Limited, Glasgow/United Kingdom		100	0	0
Ballindalloch Muir Wind Farm Limited, Swindon/United Kingdom		100	0	0
b_gas Eicken GmbH, Schwalmtal		100	–983	–186
bildungszentrum energie GmbH, Halle (Saale)		100	612	137
Bioenergie Bad Wimpfen GmbH & Co. KG, Bad Wimpfen		51	1,901	–47
Bioenergie Bad Wimpfen Verwaltungs GmbH, Bad Wimpfen		100	25	0
Bioenergie Kirchspiel Anhausen GmbH & Co. KG, Anhausen		100	25	0
Bioenergie Kirchspiel Anhausen Verwaltungs-GmbH, Anhausen		51	1,409	–22
Biogasanlage Schwalmtal GmbH, Schwalmtal		99	31	2
BRAWA, a.s., Prague/Czech Republic		100	80	0
Brims Ness Tidal Power Limited, Swindon/United Kingdom		100	0	0
Burgar Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	0	0
Carr Mor Windfarm Limited, Glasgow/United Kingdom		100	0	0
Carsphairn Windfarm Limited, Glasgow/United Kingdom		100	1	0
Causeymire Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Central de Biomasa de la Vega, S.L.U., Alcobendas/Spain		100	114	–159
Comco MCS S.A., Luxembourg/Luxembourg		95	430	236
Craigenlee Wind Farm Limited, Swindon/United Kingdom		100	0	0
Culbin Farm Wind Farm Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 1A RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 1B RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 2A RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 2B RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 3A RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 3B RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 4A RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 4B RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 5A RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 5B RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 6A RWE Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 6B RWE Limited, Swindon/United Kingdom		100		[3]
ECS – Elektrárna Čechy-Střed, a.s., Prague/Czech Republic		51	2,168	–1,419

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	Direct	Total	€ ʼ000	€ ʼ000
EDON Group Costa Rica S.A., San Jose/Costa Rica		100	837	–133
EL-Pöför Epitési és Üzemeltetési Kft., Budapest/Hungary		100	613	60
ENCON ENergie CONtract GmbH, Hanover		100	960	–94
Energetyka Wschod Sp. z o.o., Wroclaw/Poland		100	36	0
Energetyka Zachod Sp. z o.o., Wroclaw/Poland		100	57	4
Energiegesellschaft Leimen GmbH & Co. KG, Leimen		75	–4	–5
Energiegesellschaft Leimen Verwaltungsgesellschaft mbH, Leimen		75	22	–3
energienatur Gesellschaft für Erneuerbare Energien mbH, Siegburg		100		[3]
enviaM Erneuerbare Energien Verwaltungsgesellschaft mbH, Markkleeberg		100	26	1
ESK GmbH, Dortmund		100	128	1,653
e2 Energie GmbH, Ahrensfelde		100	1,660	469
FAMIS Energieservice GmbH, Saarbrücken		100	687	-[1]
Fernwärme Saarlouis-Steinrausch Investitionsgesellschaft mbH, Saarlouis		95	7,567	-[1]
'Finelectra' Finanzgesellschaft für Elektrizitäts-Beteiligungen AG, Hausen/Switzerland		100	13,952	594
GBV Achtundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	-[1]
GBV Einundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	-[1]
GBV Neunundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	24	-[1]
GBV Siebenundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	-[1]
GBV Verwaltungsgesellschaft mbH, Gundremmingen	94	94	17	–1
GBV Zweiundzwanzigste Gesellschaft für Beteiligungsverwaltung, Essen	100	100	25	-[1]
GKB Gesellschaft für Kraftwerksbeteiligungen mbH, Cottbus		100	132	–59
GkD Gesellschaft für kommunale Dienstleistungen mbH, Siegburg		100	62	9
Green Gecco Verwaltungs GmbH, Essen		51	26	9
GWG Netzgesellschaft GmbH, Grevenbroich		100	100	0
HM&A Verwaltungs GmbH i.L., Essen		100	378	1
Hospitec Facility Management GmbH, Saarbrücken		100	–1,794	–6
Infraestructuras de Aldehuelas, S.A., Soria/Spain		100	428	0
Infrastrukturgesellschaft Netz Lübz mbH, Hanover		100	4	–13
KA Contracting SK s.r.o., Banská Bystrica/Slovakia		100	948	–146
KAWAG AG Co. KG, Frankfurt am Main		100		[3]
KAWAG Netz GmbH & Co. KG, Frankfurt am Main		100		[3]
KAWAG Netz Verwaltungsgesellschaft mbH, Frankfurt am Main		100		[3]
Kieswerk Kaarst GmbH & Co. KG, Bergheim		51	598	98
Kieswerk Kaarst Verwaltungs GmbH, Bergheim		51	27	0
Kiln Pit Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
KUP Berlin Brandenburg GmbH, Berlin		100	372	–1,952
KUP Nordrhein-Westfalen GmbH, Dortmund		100	199	–301
KWS Kommunal-Wasserversorgung Saar GmbH, Saarbrücken		100	30	-[1]

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	Direct	Total	€ '000	€ '000
Leitungspartner GmbH, Düren		100		3
Lochelbank Wind Farm Limited, Swindon/United Kingdom		100	0	0
Lößnitz Netz GmbH & Co. KG, Lößnitz		100		3
Lößnitz Netz Verwaltungs GmbH, Lößnitz		100		3
Lupus 11 GmbH, Grünwald		100	26	1
Lupus 11 GmbH & Co. Solarpark Haunsfeld II KG, Mörnsheim		100	1,122	26
LYNEMOUTH POWER LIMITED, Swindon/United Kingdom		100	0	0
Mátrai Erömü Központi Karbantartó KFT, Visonta/Hungary		100	2,789	385
Meterplus Limited, Swindon/United Kingdom		100	0	0
MEWO Wohnungswirtschaft Verwaltungs-GmbH, Halle (Saale)		100	44	2
Middlemoor Wind Farm Limited, Swindon/United Kingdom		100	0	0
MIROS Mineralische Rohstoffe, GmbH i.L., Bergheim		100	0	0
Mitteldeutsche Netzgesellschaft mbH, Chemnitz		100	24	–1
Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		100		3
Netzwerke Saarwellingen GmbH, Saarwellingen		100	50	-[1]
NEW Re GmbH, Mönchengladbach		75	100	0
NEW Schwalm-Nette GmbH, Viersen		100	6,889	1,016
NEW Schwalm-Nette Netz GmbH, Viersen		100	25	–273
Niederrheinwerke Impuls GmbH, Grefrath		67	699	306
North Kintyre Wind Farm Limited, Swindon/United Kingdom		100	0	0
Novar Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Npower Northern Supply Limited, Swindon/United Kingdom		100	0	0
NRF Neue Regionale Fortbildung GmbH, Halle (Saale)		100	133	1
Oschatz Netz GmbH & Co. KG, Oschatz		100		3
Oschatz Netz Verwaltungs GmbH, Oschatz		100		3
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	46	–69
Park Wiatrowy Elk Sp. z o.o., Warsaw/Poland		100	9	–1
Park Wiatrowy Gaworzyce Sp. z o.o., Warsaw/Poland		100	–261	–284
Park Wiatrowy Msciwojów Sp. z o.o., Warsaw/Poland		100	–62	–51
Park Wiatrowy Prudziszki Sp. z o.o., Warsaw/Poland		100	2	–7
Park Wiatrowy Smigiel I Sp. z o.o., Warsaw/Poland		100	–99	–75
Park Wiatrowy Znin Sp. z o.o., Warsaw/Poland		100	9	1
Projecta 15 GmbH, Saarbrücken		100	15	–3
Projecta 5 – Entwicklungsgesellschaft für kommunale Dienstleistungen mbH, Saarbrücken		100	19	–2
Rain Biomasse Wärmegesellschaft mbH, Rain		75	3,507	0
RD Hanau GmbH, Hanau		100	0	–423
Rebyl Limited, Swindon/United Kingdom		100	0	0
ReEnergie Niederrhein Biogas Schwalmtal GmbH & Co. KG, Schwalmtal		64	1,630	0

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	Direct	Total	€ '000	€ '000
Rheinland Westfalen Energiepartner GmbH, Essen		100	5,369	-[1]
rhenagbau GmbH, Cologne		100	1,258	-[1]
ROTARY-MATRA Kútfúró és Karbantartó KFT, Visonta/Hungary		100	793	16
RWE & Turcas Dogalgaz Ithalat ve Ihracat A.S., Istanbul/Turkey		100	60	–14
RWE & Turcas Kuzey Elektrik Üretim Anonim Sirketi, Ankara/Turkey		70	19	–14
RWE Aqua International GmbH, Essen		100	98	-[1]
RWE DEA Ukraine LLC, Kiev/Ukraine		100	73	–195
RWE East Bucharest S.R.L, Bucharest/Romania		100	907	–540
RWE EUROtest Gesellschaft für Prüfung-Engineering-Consulting mbH, Dortmund		100	51	-[1]
RWE Gas Transit, s.r.o., Prague/Czech Republic		100	4,949	–16
RWE Group Business Services GmbH, Essen		100	23	-[1]
RWE Hrvatska d.o.o., Zagreb/Croatia		100	56	51
RWE Innogy d.o.o. za koristenje obnovljivih izvora energije, Sarajevo/Bosnia and Herzegovina		100	105	–135
RWE Innogy Holding S.R.L., Bucharest/Romania		100	–44	–43
RWE Innogy Kaskasi GmbH, Hamburg		100	76	-[1]
RWE Innogy Serbia d.o.o., Belgrade/Serbia		100	1	0
RWE Innogy Windpark Bedburg GmbH & Co. KG, Essen		100		[3]
RWE Innogy Windpark Bedburg Verwaltungs GmbH, Essen		100		[3]
RWE Innogy Windpark Jüchen GmbH & Co. KG, Essen		100		[3]
RWE Innogy Windpark Jüchen Verwaltungs GmbH, Essen		100		[3]
RWE KAC Dezentrale Energien Verwaltungsgesellschaft mbH, Dortmund		100	19	–1
RWE Pensionsfonds AG, Essen	100	100	3,723	–190
RWE POLSKA Generation Sp. z o.o., Warsaw/Poland		100	508	–103
RWE Power Benelux B.V., Hoofddorp/Netherlands		100	646	14
RWE Power Beteiligungsverwaltung GmbH & Co. KG, Grevenbroich		100	0	0
RWE Power Climate Protection China GmbH, Essen		100	25	-[1]
RWE Power Climate Protection Clean Energy Technology (Beijing) Co., Ltd., Beijing/China		100	232	23
RWE Power Climate Protection GmbH, Essen		100	23	-[1]
RWE Power Climate Protection Southeast Asia Co., Ltd., Bangkok/Thailand		100	0	0
RWE Power Zweite Gesellschaft für Beteiligungsverwaltung mbH, Grevenbroich		100	24	–1
RWE Principal Investments (3) Limited, Nova Scotia/Canada		100		[3]
RWE Principal Investments (4) Limited Partner, Nova Scotia/Canada		100		[3]
RWE Rhein Oel Ltd., London/United Kingdom		100	–1	0
RWE Seabreeze I Verwaltungs GmbH, Bremerhaven		100	31	28
RWE Seabreeze II Verwaltungs GmbH, Bremerhaven		100	31	28
RWE Stiftung gemeinnützige GmbH, Essen	100	100	59,183	170
RWE Trading Services Ltd., Swindon/United Kingdom		100	936	71
RWE WP 4 Sp. z o.o., Warsaw/Poland		100	272	–19

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	Direct	Total	€ '000	€ '000
RWE-EnBW Magyarország Energiaszolgáltató Korlátolt Felelösségü Társaság, Budapest/Hungary		70	273	102
SASKIA Informations-Systeme GmbH, Chemnitz		90	596	181
SchlauTherm GmbH, Saarbrücken		75	138	59
Securum AG, Zug/Switzerland		100	3,015	33
Snowgoat Glen Wind Farm Limited, Swindon/United Kingdom		100	0	0
Stadtwerke Korschenbroich GmbH, Mönchengladbach		100		[3]
Steinkohlendoppelblock Verwaltungs GmbH, Essen		100	206	50
Stoen Nieruchomosci Sp. z o.o., Warsaw/Poland		100	–485	11
Stroupster Wind Farm Limited, Swindon/United Kingdom		100	0	0
Süwag Erneuerbare Energien GmbH, Frankfurt am Main		100	124	–1
Süwag Vertrieb Management GmbH, Frankfurt am Main		100	24	0
Taff-Ely Wind Farm Project Limited, Swindon/United Kingdom		100	107	0
Tarskavaig Wind Farm Limited, Swindon/United Kingdom		100	0	0
T.B.E. TECHNISCHE BERATUNG ENERGIE für wirtschaftliche Energieanwendung GmbH, Duisburg		100	337	-[1]
TEPLO Rumburk s.r.o., Rumburk/Czech Republic		98	351	–4
Thermolux S.a.r.l., Luxembourg/Luxembourg		100	582	–875
Thyssengas-Unterstützungskasse GmbH, Dortmund		100	75	–38
Tisza BioTerm Kft., Budapest/Hungary		60	2	0
TWS Technische Werke der Gemeinde Saarwellingen GmbH, Saarwellingen		51	3,015	543
Versuchsatomkraftwerk Kahl GmbH, Karlstein		80	5,711	31
VKN Saar Geschäftsführungsgesellschaft mbH, Ensdorf		51	44	2
VKN Saar Gesellschaft für Verwertung von Kraftwerksnebenprodukten und Ersatzbrennstoffen mbH & Co. KG, Ensdorf		51	50	192
VSE – Windpark Merchingen GmbH & Co. KG, Saarbrücken		100	2,267	–533
VSE – Windpark Merchingen Verwaltungs GmbH, Saarbrücken		100	55	2
VSE Stiftung gGmbH, Saarbrücken		100	2,558	23
Wabea Wasserbehandlungsanlagen Berlin GmbH i.L., Berlin		100	420	19
Wärmeversorgung Schwaben GmbH, Augsburg		100	64	0
WLN Wasserlabor Niederrhein GmbH, Mönchengladbach		60	326	0

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III. Companies accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Amprion GmbH, Dortmund	25	25	733,100	82,100
AS 3 Beteiligungs GmbH, Essen		51	23,167	204
ATBERG – Eólicas do Alto Tâmega e Barroso, Lda., Ribeira de Pena/Portugal		40	2,347	21
AVA Abfallverwertung Augsburg GmbH, Augsburg		25	21,610	5,025
AVU Aktiengesellschaft für Versorgungs-Unternehmen, Gevelsberg		50	101,813	14,400
BC-Eromu Kft., Miskolc/Hungary		74	17,848	2,346
BEW Netze GmbH, Wipperfürth		61	9,917	1,264
Blackhawk Mining LLC, Lexington/USA		25	102,134	–8,361[2]
Budapesti Disz- es Közvilagitsi Korlatolt Felelössegü Tarsasag, Budapest/Hungary		50	30,731	1,241
C-Power N.V., Zwijndrecht/Belgium		27	166,276	–3,050
Delesto B.V., Delfzijl/Netherlands		50	59,880	3,449
Desco B.V., Dordrecht/Netherlands		33	10,342	834
Desco C.V., Dordrecht/Netherlands		33	12,901	0
Dortmunder Energie- und Wasserversorgung GmbH (DEW 21), Dortmund		47	168,019	2,602
EAH Holding B.V., Heerenveen/Netherlands		33	4,193	0
EdeA VOF, Geleen/Netherlands		50	36,300	1,964
EGG Holding B.V., 's-Hertogenbosch/Netherlands		50	9,393	1,933
Electrorisk Verzekeringsmaatschappij N.V., Arnhem/Netherlands		25	11,340	346
Elsta B.V., Middelburg/Netherlands		25	194	176
Elsta B.V. & CO C.V., Middelburg/Netherlands		25	1,333	7,241
Energie Nordeifel GmbH & Co. KG, Kall		50	11,231	3,071[2]
Energie- und Wasserversorgung Altenburg GmbH, Altenburg		30	29,761	3,128
Energieversorgung Guben GmbH, Guben		45	5,613	469
Energieversorgung Hürth GmbH, Hürth		25	4,961	0
Energieversorgung Oberhausen AG, Oberhausen		10	30,305	0
Energiewacht N.V., Veendam/Netherlands		50	21,196	3,425
ENNI Energie & Umwelt Niederrhein GmbH, Moers		20	38,216	9,046
Enovos International S. A., Luxembourg/Luxembourg		18	717,031	40,078
Éoliennes de Mounés S.A.S., Paris/France		50	–3,587	935
EPZ – N.V. Elektriciteits Produktiemij Zuid-Nederland, Borssele/Netherlands		30	45,408	21,577
EWR Aktiengesellschaft, Worms		2	74,307	18,023
EWR Dienstleistungen GmbH & Co. KG, Worms		50	144,232	18,132
Excelerate Energy LLC, The Woodlands/USA		50	9,141	0
Excelerate Energy LP, The Woodlands/USA		50	–9,212	–88,947[2]
Exemplar NV, Brussels/Belgium		15	715	699
Expedient NV, Antwerp/Belgium		15	712	477
Exquisite NV, Antwerp/Belgium		15	1,310	433
Fovarosi Gazmuvek Zrt., Budapest/Hungary		50	147,453	28,558
Freiberger Stromversorgung GmbH (FSG), Freiberg		30	8,948	1,663
Fri-El S.p.A., Bolzano/Italy		50	15,432	–1,550[2]

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	Direct	Total	€ '000	€ '000
FSO GmbH & Co. KG, Oberhausen		50	21,562	10,498[2]
Geas Energiewacht B.V., Enschede/Netherlands		50	9,584	1,597
GNS Gesellschaft für Nuklear-Service mbH, Essen		28	905	2,020[2]
Greater Gabbard Offshore Winds Limited, Reading/United Kingdom		50	90,280	7,512
Grosskraftwerk Mannheim Aktiengesellschaft, Mannheim		40	114,142	6,647
Gwynt Y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		60	–3,458	–37
HIDROERG – Projectos Energéticos, Lda., Lisbon/Portugal		32	9,139	898
Hungáriavíz Vagyonkezelõ Zrt., Budapest/Hungary		49	46,125	2,798
Innogy Renewables Technology Fund I GmbH & Co. KG, Essen		78	47,433	–6,161
Innogy Venture Capital GmbH, Essen		75	118	93
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria		49	566,843	87,297
KELAG-Kärntner Elektrizitäts-AG, Klagenfurt/Austria		13	587,954	91,890[2]
Kemkens B.V., Oss/Netherlands		49	12,901	4,819
KEW Kommunale Energie- und Wasserversorgung AG, Neunkirchen		29	72,714	9,500
Konsortium Energieversorgung Opel oHG der RWE Innogy GmbH und der Kraftwerke Mainz-Wiesbaden AG, Karlstein		67	29,299	10,804
medl GmbH, Mülheim an der Ruhr		49	21,972	0
Mingas-Power GmbH, Essen		40	5,080	4,410
Nebelhornbahn-Aktiengesellschaft, Oberstdorf		27	4,865	309
Pfalzwerke Aktiengesellschaft, Ludwigshafen		27	191,648	17,257[2]
Pistazit Anlagen-Vermietungs GmbH & Co. Objekt Willich KG, Mainz		100	460	752
PRENU Projektgesellschaft für Rationelle Energienutzung in Neuss mbH, Neuss		50	254	–15
Projecta 14 GmbH, Saarbrücken		50	39,456	1,722
Propan Rheingas GmbH & Co KG, Brühl		30	14,537	52
Przedsiêbiorstwo Wodociagów i Kanalizacji Sp. z o.o., Dabrowa Górnica/Poland		34	31,394	1,658
Regionalgas Euskirchen GmbH & Co. KG, Euskirchen		43	56,763	11,052
RheinEnergie AG, Cologne		20	716,918	195,304
Rhein-Main-Donau AG, Munich		22	110,169	0
Sampi Anlagen-Vermietungs GmbH & Co. Objekt Meerbusch KG, Mainz		100	377	1,330
Schluchseewerk Aktiengesellschaft, Laufenburg (Baden)		50	59,339	2,809
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb/Croatia		50	1,672	347
Siegener Versorgungsbetriebe GmbH, Siegen		25	21,781	3,308
Société Electrique de l'Our S.A., Luxembourg/Luxembourg		40	12,953	–491[2]
SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus		33	35,663	7,103
SSW Stadtwerke St. Wendel GmbH & Co. KG, St. Wendel		50	20,215	2,096
Stadtwerke Bernburg GmbH, Bernburg		45	31,709	5,976
Stadtwerke Bitterfeld-Wolfen GmbH, Bitterfeld-Wolfen		40	20,175	1,648

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	Direct	Total	€ '000	€ '000
Stadtwerke Bühl GmbH, Bühl		30	21,757	0
Stadtwerke Duisburg Aktiengesellschaft, Duisburg		20	163,071	5,662
Stadtwerke Dülmen Dienstleistungs- und Beteiligungs-GmbH & Co. KG, Dülmen		50	26,306	3,546
Stadtwerke Emmerich GmbH, Emmerich am Rhein		25	12,115	3,282
Stadtwerke Essen Aktiengesellschaft, Essen		29	117,257	26,529
Stadtwerke Geldern GmbH, Geldern		49	11,201	3,221
Stadtwerke GmbH Bad Kreuznach, Bad Kreuznach		25	39,925	0
Stadtwerke Kirn GmbH, Kirn		49	1,951	355
Stadtwerke Meerane GmbH, Meerane		24	11,974	1,631
Stadtwerke Merseburg GmbH, Merseburg		40	20,392	3,347
Stadtwerke Merzig GmbH, Merzig		50	15,906	1,677
Stadtwerke Neuss Energie und Wasser GmbH, Neuss		25	88,344	11,426
Stadtwerke Radevormwald GmbH, Radevormwald		50	4,818	1,453
Stadtwerke Ratingen GmbH, Ratingen		25	48,221	4,775
Stadtwerke Reichenbach/Vogtland GmbH, Reichenbach		24	11,974	1,922
Stadtwerke Remscheid GmbH, Remscheid		25	148,146	7,356[2]
Stadtwerke Saarlouis GmbH, Saarlouis		49	33,522	4,495
Stadtwerke Velbert GmbH, Velbert		50	82,005	10,724
Stadtwerke Weißenfels GmbH, Weißenfels		24	23,044	4,274
Stadtwerke Willich GmbH, Willich		25	12,581	3,338
Stadtwerke Zeitz GmbH, Zeitz		24	20,434	3,050
Südwestfalen Energie und Wasser AG, Hagen		19	223,215	14,177[2]
TCP Petcoke Corporation, Dover/USA		50	18,745	19,054[2]
TE Plomin d.o.o., Plomin/Croatia		50	32,019	1,530
TVK Eromu Termelo es Szolgáltató Korlatolt Felelossegu Tarsasag, Tiszaujvaros/Hungary		74	17,578	5,176
URANIT GmbH, Jülich		50	91,780	29,747
Vliegasunie B.V., De Bilt/Netherlands		43	2,956	608
VOF Dobbestroom, Veendam/Netherlands		50	14,076	119
VOF Hunzestroom, Veendam/Netherlands		50	10,462	248
Východoslovenská energetika a.s., Košice/Slovakia	49	49	247,029	96,129[2]
Wasser- und Energieversorgung Kreis St. Wendel GmbH, St. Wendel		28	19,931	1,175
WBM Wirtschaftsbetriebe Meerbusch GmbH, Meerbusch		40	21,139	3,414
WestEnergie und Verkehr GmbH, Geilenkirchen		50	37,075	7,121
Zagrebacke otpadne vode d.o.o., Zagreb/Croatia		48	138,097	20,900
Zagrebacke otpadne vode-upravljanje i pogon d.o.o., Zagreb/Croatia		33	3,813	3,827
Zephyr Investments Limited, Swindon/United Kingdom		33	–30,173	1,480[2]
Zwickauer Energieversorgung GmbH, Zwickau		27	37,360	12,522

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	Direct	Total	€ '000	€ '000
Abwasser-Gesellschaft Knapsack, GmbH, Hürth		33	478	248
Astralis S.A., Betzdorf/Luxembourg		49	–62	–11
Awotec Gebäude Servicegesellschaft mbH, Saarbrücken		48	95	–1
Bäderbetriebsgesellschaft St. Ingbert GmbH, St. Ingbert		49	58	2
BIG Breitband-Infrastrukturges. Cochem Zell mbH, Cochem-Zell		21		3
Biogas Mönchengladbach-Süd GmbH & Co. KG, Mönchengladbach		50	25	0
Breer Gebäudedienste Heidelberg GmbH, Heidelberg		45	290	169
Brockloch Rig Windfarm Limited, Glasgow/United Kingdom		50	1	0
CARBON CDM Korea Ltd., Seoul/South Korea		49	8,998	8,692
CARBON Climate Protection GmbH, Langenlois/Austria		50	–577	536
CARBON Egypt Ltd., Cairo/Egypt		49	5,351	5,622
Caspian Energy Company Limited, London/United Kingdom		50	1	0
CUT! Energy GmbH, Essen		49		3
CZT Valašské Meziříčí s.r.o., Valašské Meziříčí/Czech Republic		20	147	61
DES Dezentrale Energien Schmalkalden GmbH, Schmalkalden		30	57	15
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, Gorleben		31	662	161
D&S Geo Innogy GmbH, Essen		50	661	–80
ELE-GEW Photovoltaikgesellschaft mbH, Gelsenkirchen		50	66	46
ELE-RAG Montan Immobilien Erneuerbare Energien GmbH, Bottrop		50		3
ELE-Scholven-Wind GmbH, Gelsenkirchen		30	657	146
Enercraft Energiemanagement OHG haftungsbeschränkt, Frankfurt am Main		50	1,633	75
Energie BOL GmbH, Ottersweier		50		3
Energie Nordeifel Beteiligungs-GmbH, Kall		50	27	2
Energie Service Saar GmbH, Völklingen		50	–1,663	–263
Energieversorgung Beckum GmbH & Co. KG, Beckum		49	4,733	2,472
Energieversorgung Beckum Verwaltungs-GmbH, Beckum		49	47	2
Energieversorgung Marienberg GmbH, Marienberg		49	1,770	856
Energieversorgung Oelde GmbH, Oelde		46	6,323	1,044
Enerventis GmbH & Co. KG, Saarbrücken		33	1,090	243
Ensys AG, Frankfurt am Main		25	1,476	–1,546
Eólica de la Mata, S.A., Soria/Spain		26	607	0
Eólica de Sarnago, S.A., Soria/Spain		50	78	4
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig		50	493	58
Erdgasversorgung Oranienburg GmbH, Oranienburg		24	6,017	758
ESG Energie Schmallenberg GmbH, Schmallenberg		44		3
EWC Windpark Cuxhaven GmbH, Munich		50	653	385
EWV Baesweiler GmbH & Co. KG, Baesweiler		45		3
EWV Baesweiler Verwaltungs GmbH, Baesweiler		45		3

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3 Newly founded, financial statements not yet available
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IV. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
FAMOS – Facility Management Osnabrück GmbH, Osnabrück		49	101	4
Fernwärmeversorgung Zwönitz GmbH, Zwönitz		50	2,687	347
Forewind Limited, Swindon/United Kingdom		25	0	0
FSO Verwaltungs-GmbH, Oberhausen		50	31	1
Galloper Wind Farm Limited, Reading/United Kingdom		50	3	3
Gas Service Freiberg GmbH, Freiberg		29	163	201
Gas- und Wasserwerke Bous-Schwalbach GmbH, Bous		49	13,638	3,771
Gasgesellschaft Kerken Wachtendonk mbH, Geldern		49	2,223	254
Gasversorgung Delitzsch GmbH, Delitzsch		49	5,332	587
Gemeindewerke Everswinkel GmbH, Everswinkel		45	3,940	795
Gemeindewerke Namborn GmbH, Namborn		49	676	166
Gemeindewerke Schwalbach GmbH, Schwalbach		49	550	220
Gemeinschaftswerk Hattingen GmbH, Essen		52	4,939	0
GfB, Gesellschaft für Baudenkmalpflege mbH, Idar-Oberstein		20	56	–3
GfS Gesellschaft für Simulatorschulung mbH, Essen		31	54	3
GKW Dillingen GmbH & Co. KG, Saarbrücken		25	15,338	3,255
GREEN GECCO Beteiligungsgesellschaft mbH & Co. KG, Troisdorf		21	25,457	483
GREEN GECCO Beteiligungsgesellschaft-Verwaltungs GmbH, Troisdorf		21	32	2
GREEN Gesellschaft für regionale und erneuerbare Energie mbH, Stolberg		49	2	–23
Green Solar Herzogenrath GmbH, Herzogenrath		45		3
Greenplug GbR, Hamburg		49		3
GWE-energis Netzgesellschaft mbH & Co. KG, Eppelborn		50	–173	–198
GWE-energis-Geschäftsführungs-GmbH, Eppelborn		50	30	1
HOCHTEMPERATUR-KERNKRAFTWERK GmbH (HKG). Gemeinsames Europäisches Unternehmen, Hamm		31	0	0
Homepower Retail Limited, Swindon/United Kingdom		50	–27,407	0
Industriekraftwerke Oberschwaben beschränkt haftende OHG, Biberach an der Riß		50	3,153	–573
IWW Rheinisch-Westfälisches Institut für Wasserforschung gemeinnützige GmbH, Mülheim an der Ruhr		30	1,223	–9
Kavernengesellschaft Staßfurt mbH, Staßfurt		50	501	62
KEVAG Telekom GmbH, Koblenz		30	2,332	910
Klärschlammentsorgung Hesselberg Service GmbH, Unterschwaningen		49	23	0
K-net GmbH, Kaiserslautern		25	909	14
Kommunale Dienste Marpingen GmbH, Marpingen		49	2,824	2
Kommunale Dienste Tholey GmbH, Tholey		49	759	95
Kommunale Entsorgung Neunkirchen Geschäftsführungsgesellschaft mbH, Neunkirchen		50	52	1
Kommunale Entsorgung Neunkirchen (KEN) GmbH & Co. KG, Neunkirchen		46	2,625	23
Kraftwerk Buer Betriebsgesellschaft mbH i.L., Gelsenkirchen		50	13	0

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	Direct	Total	€ '000	€ '000
Kraftwerk Buer GbR, Gelsenkirchen		50	5,113	0
Kraftwerk Voerde OHG der STEAG GmbH und RWE Power AG, Voerde		25	5,060	423
Kraftwerk Wehrden GmbH, Völklingen		33	10,627	29
KSG Kraftwerks-Simulator-Gesellschaft mbH, Essen		31	538	26
KSP Kommunaler Service Püttlingen GmbH, Püttlingen		40	97	66
KÜCKHOVENER Deponiebetrieb GmbH & Co. KG, Bergheim		50	47	–3
KÜCKHOVENER Deponiebetrieb Verwaltungs-GmbH, Bergheim		50	35	1
Maingau Energie GmbH, Obertshausen		47	17,723	3,724
MBS Ligna Therm GmbH, Hofheim am Taunus		33	–10	–37
Moravske Hidroelektrane d.o.o., Belgrade/Serbia		51	184	1
Naturstrom Betriebsgesellschaft Oberhonnefeld mbH, Koblenz		25	148	–1
Netzanbindung Tewel OHG, Cuxhaven		25	1,164	7
Netzgesellschaft Bühlertal GmbH & Co. KG, Bühlertal		50		3
Netzgesellschaft Korb GmbH & Co. KG, Korb		50	–2	–3
Netzgesellschaft Korb Verwaltungs-GmbH, Korb		50	22	–3
Netzgesellschaft Lauf GmbH & Co. KG, Lauf		50		3
Netzgesellschaft Ottersweier GmbH & Co. KG, Ottersweier		50		3
Objektverwaltungsgesellschaft Dampfkraftwerk Bernburg mbH, Hanover		58	568	56
Offshore Trassenplanungs-GmbH OTP, Hanover		50	93	3
Peißenberger Wärmegesellschaft mit beschränkter Haftung, Peißenberg		50	875	215
Prego – Gesellschaft für IT- und HR-Services mbH, Saarbrücken		37	7,939	156
Propan Rheingas GmbH, Brühl		28	42	2
rhenag – Thüga Rechenzentrum GbR, Cologne		50	179	176
RIWA GmbH Gesellschaft für Geoinformationen, Kempten		33	1,298	305
RKH Rheinkies Hitdorf GmbH & Co. KG i.L., Bergheim		33	306	4
RKH Rheinkies Hitdorf Verwaltungs GmbH i.L., Bergheim		33	43	2
RurEnergie GmbH, Düren		25	396	–104
Sandersdorf-Brehna Netz GmbH & Co. KG, Sandersdorf-Brehna		49	22	–3
SE SAUBER ENERGIE GmbH & Co. KG, Cologne		33	740	–493
SSW Stadtwerke St. Wendel Geschäftsführungsgesellschaft mbH, St. Wendel		50	103	4
Stadtentwässerung Schwerte GmbH, Schwerte		48	51	0
Städtische Werke Borna GmbH, Borna		37	2,866	–76
Städtisches Wasserwerk Eschweiler GmbH, Eschweiler		25	4,430	892
Stadtwerke – Strom Plauen GmbH & Co. KG, Plauen		49	4,351	244
Stadtwerke Aschersleben GmbH, Aschersleben		35	15,514	2,625
Stadtwerke Attendorn GmbH, Attendorn		20	10,168	795
Stadtwerke Aue GmbH, Aue		24	12,370	1,462
Stadtwerke Dillingen/Saar Gesellschaft mbH, Dillingen		49	5,075	841
Stadtwerke Dülmen Verwaltungs-GmbH, Dülmen		50	29	0

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	Direct	Total	€ '000	€ '000
Stadtwerke Gescher GmbH, Gescher		42	2,965	486
Stadtwerke Langenfeld GmbH, Langenfeld		20	4,766	2,492
Stadtwerke Lingen GmbH, Lingen (Ems)		40	13,471	6,086
Stadtwerke Lübbecke GmbH, Lübbecke		25	16,894	2,135
Stadtwerke Meinerzhagen GmbH, Meinerzhagen		27	20,796	802
Stadtwerke Oberkirch GmbH, Oberkirch		33	6,192	0
Stadtwerke Roßlau Fernwärme GmbH, Dessau-Roßlau		49	1,475	294
Stadtwerke Schwarzenberg GmbH, Schwarzenberg		28	13,766	1,459
Stadtwerke Steinfurt GmbH, Steinfurt		48	6,642	969
Stadtwerke Vlotho GmbH, Vlotho		25	4,609	–375
Stadtwerke Wadern GmbH, Wadern		49	3,488	1,063
Stadtwerke Weilburg GmbH, Weilburg		20	7,900	621
Stadtwerke Werl GmbH, Werl		25	6,435	2,944
STEAG – Kraftwerksbetriebsgesellschaft mbH, Essen		21	327	2
Stromnetz Diez GmbH & Co. KG, Diez		25		[3]
Stromnetz Diez Verwaltungsgesellschaft mbH, Diez		25		[3]
SVS-Versorgungsbetriebe GmbH, Stadtlohn		38	20,421	2,833
SWL-energis Netzgesellschaft mbH & Co. KG, Lebach		50	3,037	12
SWL-energis-Geschäftsführungs-GmbH, Lebach		50	30	1
Talsperre Nonnweiler Aufbereitungsgesellschaft mbH, Saarbrücken		23	489	89
Technische Werke Naumburg GmbH, Naumburg (Saale)		49	7,116	333
Teplarna Kyjov, a.s., Kyjov/Czech Republic		32	25,301	73
TEPLO Votice s.r.o., Votice/Czech Republic		20	69	2
The Bristol Bulk Company Limited, London/United Kingdom		25	1	0
Toledo PV A.E.I.E., Madrid/Spain		33	823	237
Topell Nederland B.V., The Hague/Netherlands		51	1,694	–3,809
trilan GmbH, Trier		26	718	268
TWE Technische Werke Ensdorf GmbH, Ensdorf		49	2,463	104
TWL Technische Werke der Gemeinde Losheim GmbH, Losheim		50	4,602	1,618
TWM Technische Werke der Gemeinde Merchweiler GmbH, Merchweiler		49	1,832	99
TWN Trinkwasserverbund Niederrhein GmbH, Grevenbroich		33	151	61
TWR Technische Werke der Gemeinde Rehlingen – Siersburg GmbH, Rehlingen		35	4,704	179
Umspannwerk Putlitz GmbH & Co. KG, Frankfurt am Main		25	40	–216
Untere Iller Aktiengesellschaft, Landshut		40	1,134	41
Verteilnetze Energie Weißenhorn GmbH & Co. KG, Weißenhorn		35	843	108
Verwaltungsgesellschaft Energie Weißenhorn GmbH, Weißenhorn		35	23	0
Verwaltungsgesellschaft GKW Dillingen mbH, Saarbrücken		25	149	8
VEW-VKR Fernwärmeleitung Shamrock-Bochum GbR, Gelsenkirchen		45	0	0
Voltaris GmbH, Maxdorf		50	1,613	126

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IV. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Wärmeversorgung Mücheln GmbH, Mücheln		49	815	51
Wärmeversorgung Wachau GmbH, Markkleeberg		49	131	34
Wärmeversorgung Würselen GmbH, Würselen		49	1,255	29
Wasserverbund Niederrhein GmbH, Mülheim an der Ruhr		42	9,296	758
Wasserversorgung Main-Taunus GmbH, Frankfurt am Main		49	101	–2
Wasserwerk Wadern GmbH, Wadern		49	3,349	229
WEV Warendorfer Energieversorgung GmbH, Warendorf		25	2,173	1,473
Windenergie Frehne GmbH & Co. KG, Marienfließ		41	7,979	154
WINDTEST Grevenbroich GmbH, Grevenbroich		38	140	314
Wohnungsbaugesellschaft für das Rheinische Braunkohlenrevier GmbH, Cologne		50	45,678	658
WPD Windpark Damme Beteiligungsgesellschaft mbH, Damme		30	50	3
WVG-Warsteiner Verbundgesellschaft mbH, Warstein		35	1,333	583
WVL Wasserversorgung Losheim GmbH, Losheim		50	4,901	257
WWS Wasserwerk Saarwellingen GmbH, Saarwellingen		49	3,130	142
Zugló-Therm Kft., Budapest/Hungary		49	4,324	–293
Zweckverband Wasser Nalbach, Nalbach		49	1,666	85

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V. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Aarewerke AG, Klingnau/Switzerland		30	20,325	1,312
Adria LNG Study Limited, Valleta/Malta		16	8	–1
APEP Dachfonds GmbH & Co. KG, Munich	48	48	533,913	17,270
AURICA AG, Aarau/Switzerland		8	93	1
BEW Bergische Energie- und Wasser GmbH, Wipperfürth		19	25,258	4,721
BFG-Bernburger Freizeit GmbH, Bernburg (Saale)		1	11,178	–671
CELP II Chrysalix Energy II US Limited Partnership, Vancouver/Canada		6	2,409	0
CELP III Chrysalix Energy III US Limited Partnership, Vancouver/Canada		11	1,326	0
DII GmbH, Munich	8	8	2,417	284
Doggerbank Project 1 Bizco Limited, Reading/United Kingdom		25		[3]
Doggerbank Project 2 Bizco Limited, Reading/United Kingdom		25		[3]
Doggerbank Project 3 Bizco Limited, Reading/United Kingdom		25		[3]
Doggerbank Project 4 Bizco Limited, Reading/United Kingdom		25		[3]
Doggerbank Project 5 Bizco Limited, Reading/United Kingdom		25		[3]
Doggerbank Project 6 Bizco Limited, Reading/United Kingdom		25		[3]
eins energie in sachsen GmbH & Co. KG, Chemnitz		9	457,601	78,966
Energías Renovables de Ávila, S.A., Madrid/Spain		17	516	–1
Energieagentur Region Trier GmbH, Trier		10	6	0
Energieallianz Bayern GmbH & Co. KG, Freising		3	384	26
Energiehandel Saar GmbH & Co. KG, Neunkirchen		1	419	–4
Energiehandel Saar Verwaltungs-GmbH, Neunkirchen		2	25	0
Energiepartner Dörth GmbH, Dörth		49	24	2
Energiepartner Elsdorf GmbH, Elsdorf		40	21	–4
Energiepartner Kerpen GmbH, Kerpen		49		[3]
Energiepartner Solar Kreuztal GmbH, Kreuztal		40	23	–2
Energiepartner Wesseling GmbH, Wesseling		30		[3]
Energieversorgung Limburg GmbH, Limburg an der Lahn		10	24,595	4,785
ENO Entwicklungsgesellschaft Neu Oberhausen mbH, Oberhausen		2	866	–1,076
Erdgas Münster GmbH, Münster		5	5,824	12,756[2]
Erdgas Westthüringen Beteiligungsgesellschaft mbH, Bad Salzungen		10	25,082	5,000
ESV-ED GmbH & Co. KG, Buchloe		4	204	51
European Energy Exchange AG, Leipzig		4	58,052	11,299
Fernkälte Geschäftsstadt Nord GbR, Hamburg		10	0	0
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen		10	56	3
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungs-unternehmen mbH & Co. KG, Straelen		10	41,000	42,149
Gemeinschafts-Lehrwerkstatt Neheim-Hüsten GmbH, Arnsberg		7	1,135	61
Gesellschaft für Stadtmarketing Bottrop GmbH, Bottrop		3	194	–393

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V. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Gesellschaft für Wirtschaftsförderung Duisburg mbH, Duisburg		1	835	–1,725
Goldboro LNG Limited Partnership, Nova Scotia/Canada		50		3
GSG Wohnungsbau Braunkohle GmbH, Cologne		15	42,158	783
High-Tech Gründerfonds II GmbH & Co. KG, Bonn		1	3,465	0
Hubject GmbH, Berlin		17		3
ISR Internationale Schule am Rhein in Neuss GmbH, Neuss		6	–86	–56
IZES gGmbH, Saarbrücken		9	704	4
KEV Energie GmbH, Kall		2	25	0
Kreis-Energie-Versorgung Schleiden GmbH, Kall		2	8,030	0
Nabucco Gas Pipeline International GmbH, Vienna/Austria		17	6,468	–41,372
Neckar-Aktiengesellschaft, Stuttgart		12	10,179	0
Ningxia Antai New Energy Resources Joint Stock Co., Ltd., Yinchuan/China		25	16,686	1,024
Ökostrom Saar Biogas Losheim KG, Merzig		10	–332	52
Oppenheim Private Equity Institutionelle Anleger GmbH & Co. KG, Cologne	26	26	11,039	4,294
Parkstad Energiediensten B.V., Voerendaal/Netherlands		0	18	0
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	55	0
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	542	–10
Parque Eólico Leo, S.L., Oviedo/Spain		10	143	–3
Parque Eólico Sagitario, S.L., Oviedo/Spain		10	127	–1
PEAG Holding GmbH, Dortmund	12	12	14,956	1,459
Pieridae Energy (Canada) Ltd., Nova Scotia/Canada		50		3
pro regionale energie eG, Diez		2	883	32
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	66	–1
PSI AG für Produkte und Systeme der Informationstechnologie, Berlin		18	72,910	7,444
Renergie Stadt Wittlich GmbH, Wittlich		30		3
ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf		100	488	433
SALUS Grundstücks-Vermietungsges. mbH & Co. Objekt Leipzig KG, Düsseldorf		100	–49	14
Sdružení k vytvoření a využívání digitální technické mapy města Pardubic, Pardubice/Czech Republic		12	4	0
SE SAUBER ENERGIE Verwaltungs-GmbH, Cologne		17	96	7
SET Fund II C.V., Amsterdam/Netherlands		30		3
SET Sustainable Energy Technology Fund C.V., Amsterdam/Netherlands		50	19,780	0
Shanxi Baolai Power Development Co., Ltd., Tàiyuán/China		25	1,766	–248
Solarpark St. Wendel GmbH, St. Wendel		15	830	–120
SolarProjekt Mainaschaff GmbH, Mainaschaff		50	39	7
SolarProjekt Rheingau-Taunus GmbH, Bad Schwalbach		50	149	100
SolarRegion RengsdorferLAND eG, Rengsdorf		16	257	2
Stadtmarketing-Gesellschaft Gelsenkirchen mbH, Gelsenkirchen		2	0	–235
Stadtwerke Ahaus GmbH, Ahaus		46	9,273	0

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	Direct	Total	€ '000	€ '000
Stadtwerke Detmold GmbH, Detmold		12	31,495	0
Stadtwerke ETO GmbH & Co. KG, Telgte		3	30,718	3,866
Stadtwerke Porta Westfalica GmbH, Porta Westfalica		12	6,669	958
Stadtwerke Sulzbach GmbH, Sulzbach		15	11,431	2,590
Stadtwerke Unna GmbH, Unna		24	12,523	3,454
Stadtwerke Völklingen Netz GmbH, Völklingen		18	16,387	1,682
Stadtwerke Völklingen Vertrieb GmbH, Völklingen		18	7,301	1,883
Store-X storage capacity exchange GmbH, Leipzig		12	721	221
SWT Stadtwerke Trier Versorgungs-GmbH, Trier		19	51,245	8,479
Technologiezentrum Jülich GmbH, Jülich		5	747	159
TGZ Halle TECHNOLOGIE- UND GRÜNDERZENTRUM HALLE GmbH, Halle (Saale)		15	14,156	37
Transport- und Frischbeton-GmbH & Co. KG Aachen, Aachen		17	390	131
Trianel GmbH, Aachen		3	81,544	7,152
Trinkaus Secondary GmbH & Co. KGaA, Düsseldorf	43	43	24,876	3,523
Umspannwerk Lübz GbR, Lübz		18	8	16
Union Group, a.s., Ostrava/Czech Republic		2	91,448	0
Untermain Erneuerbare Energien Verwaltungs-GmbH, Raunheim		25		[3]
URSUS, Warsaw/Poland		1	–114,463	–1,192
Versorgungsbetriebe Hoyerswerda GmbH, Hoyerswerda		10	17,159	6,650
vitronet Holding GmbH, Essen		15	7,983	–202
Wasserver- und Abwasserentsorgungsgesellschaft „Thüringer Holzland“ mbH, Hermsdorf		49	4,510	458
Wasserwerke Paderborn GmbH, Paderborn		10	24,991	1,182
WiN Emscher-Lippe GmbH, Herten		2	246	–373
Windpark Saar GmbH & Co. Repower KG, Freisen		10	7,877	120
WPD Windpark Damme GmbH & Co. KG, Damme		10	8,233	2,093
Zellstoff Stendal GmbH, Arneburg		25	44,516	4,902

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4.8 BOARDS (PART OF THE NOTES)

As of 15 February 2013

Supervisory Board

Dr. Manfred Schneider
Leverkusen
Chairman
Year of birth: 1938
Member since: 10 December 1992

Other appointments:
▪ Linde AG (Chairman)

Frank Bsirske[1]
Berlin
Deputy Chairman
Chairman of ver.di Vereinte Dienstleistungsgewerkschaft
Year of birth: 1952
Member since: 9 January 2001

Other appointments:
▪ Deutsche Lufthansa AG
▪ Deutsche Postbank AG
▪ IBM Central Holding GmbH
- KfW Bankengruppe

Dr. Paul Achleitner
Munich
Chairman of the Supervisory Board of Deutsche Bank AG
Year of birth: 1956
Member since: 16 March 2000

Other appointments:
▪ Bayer AG
▪ Daimler AG
▪ Deutsche Bank AG (Chairman)

Werner Bischoff[1]
Monheim am Rhein
Former member of the Main Executive Board of IG Bergbau, Chemie, Energie
Year of birth: 1947
Member since: 13 April 2006

Other appointments:
▪ Continental AG
▪ RWE Dea AG
▪ RWE Power AG

Carl-Ludwig von Boehm-Bezing
Bad Soden
Former member of the Management Board of Deutsche Bank AG
Year of birth: 1940
Member since: 11 December 1997

Reiner Böhle[1]
Witten
Chairman of the General Works Council of RWE Deutschland AG
Year of birth: 1960
Member since: 1 January 2013

Other appointments:
▪ RWE Deutschland AG

Heinz Büchel[1,2]
Trier
Former Chairman of the General Works Council of RWE Deutschland AG
Year of birth: 1956
- until 31 December 2012 -

Dieter Faust[1]
Eschweiler
Chairman of the Group Works Council of RWE
Year of birth: 1958
Member since: 1 August 2005

Other appointments:
▪ RWE Power AG

Roger Graef
Bollendorf
Managing Director of Verband der kommunalen RWE-Aktionäre GmbH
Year of birth: 1943
Member since: 20 April 2011

Arno Hahn[1]
Waldalgesheim
Chairman of the General Works Council of RWE Vertrieb AG
Year of birth: 1962
Member since: 1 July 2012

Other appointments:
▪ RWE Vertrieb AG

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.
2 Information valid as of the date of retirement.

Manfred Holz[1]
Grevenbroich
Deputy Chairman of the General Works Council of
RWE Power AG
Year of birth: 1954
Member since: 20 April 2011

Frithjof Kühn
Sankt Augustin
Chief Administrative Officer, Rhein-Sieg Rural District
Year of birth: 1943
Member since: 1 February 2010

Other appointments:
▪ RW Holding AG
- Elektrische Bahnen der Stadt Bonn und des Rhein-Sieg-Kreises oHG
- Energie- und Wasserversorgung Bonn/Rhein-Sieg GmbH
- Gemeinnützige Wohnungsbaugesellschaft für den Rhein-Sieg-Kreis GmbH
- Kreissparkasse Köln
- Rhein-Sieg-Abfallwirtschaftsgesellschaft mbH
- Rhein-Sieg-Verkehrsgesellschaft mbH

Hans Peter Lafos[1]
Bergheim
Regional District Sector Head, Utilities and Disposal (Sector 2),
ver.di Vereinte Dienstleistungsgewerkschaft, District of NRW
Year of birth: 1954
Member since: 28 October 2009

Other appointments:
▪ GEW Köln AG
▪ RWE Deutschland AG
▪ RWE Power AG
▪ RWE Vertrieb AG

Christine Merkamp[1]
Cologne
Head of Controlling, Upgrading, RWE Power AG
Year of birth: 1967
Member since: 20 April 2011

Dagmar Mühlenfeld
Mülheim an der Ruhr
Mayor of the City of Mülheim an der Ruhr
Year of birth: 1951
Member since: 4 January 2005

Other appointments:
▪ RW Holding AG (Chairwoman)
- Beteiligungsholding Mülheim an der Ruhr GmbH
- Flughafen Essen/Mülheim GmbH (Chairwoman)
- medl GmbH (Chairwoman)
- Mülheim & Business GmbH (Chairwoman)

Dagmar Schmeer[1]
Saarbrücken
Chairwoman of the Works Council of VSE AG
Year of birth: 1967
Member since: 9 August 2006

Other appointments:
▪ VSE AG

Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Krefeld
Former Chairman of the Executive Board of ThyssenKrupp AG
Year of birth: 1941
Member since: 13 April 2006

Other appointments:
▪ Bayer AG
▪ MAN SE

Dr. Wolfgang Schüssel
Vienna
Former Federal Chancellor of Austria
Year of birth: 1945
Member since: 1 March 2010

Other appointments:
- Bertelsmann Stiftung

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.

Ullrich Sierau
Dortmund
Mayor of the City of Dortmund
Year of birth: 1956
Member since: 20 April 2011

Other appointments:
▪ Dortmunder Stadtwerke AG (Chairman)
- Emschergenossenschaft
- KEB Holding AG (Chairman)
- Klinikum Dortmund gGmbH (Chairman)
- KSBG Kommunale Verwaltungsgesellschaft GmbH
- Medicos Holding GmbH & Co. KG
- Schüchtermann-Schiller'sche Kliniken Bad Rothenfelde GmbH & Co. KG
- Sparkasse Dortmund (Chairman)

Uwe Tigges[1,2]
Bochum
Chairman of the Group Works Council of RWE
Year of birth: 1960
- until 30 June 2012 -

Other appointments:
▪ RWE Vertrieb AG

Manfred Weber[1]
Wietze
Chairman of the General Works Council of RWE Dea AG
Year of birth: 1947
Member since: 1 December 2008

Other appointments:
▪ RWE Dea AG

Dr. Dieter Zetsche
Stuttgart
Chairman of the Executive Board of Daimler AG
Year of birth: 1953
Member since: 16 July 2009

Supervisory Board Committees

Executive Committee of the Supervisory Board
Dr. Manfred Schneider (Chairman)
Dr. Paul Achleitner
Frank Bsirske
Manfred Holz
Dagmar Mühlenfeld
Dagmar Schmeer
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Manfred Weber

Mediation Committee in accordance with Sec. 27 Para. 3 of the German Co-Determination Act (MitbestG)
Dr. Manfred Schneider (Chairman)
Werner Bischoff
Frank Bsirske
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz

Personnel Affairs Committee
Dr. Manfred Schneider (Chairman)
Dr. Paul Achleitner
Rainer Böhle - since 1 January 2013 -
Frank Bsirske
Heinz Büchel - until 31 December 2012 -
Dieter Faust - since 23 July 2012 -
Frithjof Kühn
Uwe Tigges - until 30 June 2012 -

Audit Committee
Carl-Ludwig von Boehm-Bezing (Chairman)
Werner Bischoff
Dieter Faust
Arno Hahn – since 23 July 2012 –
Prof. Dr.-Ing. Dr.-Ing. E. h. Dr. h. c. Ekkehard D. Schulz
Ullrich Sierau
Uwe Tigges - until 30 June 2012 -

Nomination Committee
Dr. Manfred Schneider (Chairman)
Dr. Paul Achleitner
Frithjof Kühn

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.
2 Information valid as of the date of retirement.

Executive Board

Peter Terium (Chief Executive Officer)
Chairman of the Executive Board of RWE AG since 1 July 2012, appointed until 31 August 2016
Deputy Chairman of RWE AG from 1 September 2011 to 30 June 2012

Other appointments:
▪ RWE IT GmbH (Chairman)
- NET4GAS, s.r.o.

Dr. Rolf Martin Schmitz (Deputy Chairman and Chief Operating Officer)
Deputy Chairman of the Executive Board of RWE AG since 1 July 2012
Member of the Executive Board of RWE AG since 1 May 2009, appointed until 30 April 2014

Other appointments:
▪ RWE Deutschland AG (Chairman)
▪ RWE Generation SE (Chairman)
▪ RWE Power AG (Chairman)
▪ Süwag Energie AG (Chairman)
- Essent N.V.
- KELAG-Kärntner Elektrizitäts-AG
- RWE Supply & Trading CZ, a.s. (Chairman)
- RWE Turkey Holding A.S. (Chairman)

Dr. Leonhard Birnbaum (Chief Commercial Officer)
Member of the Executive Board of RWE AG since 1 October 2008,
appointed until 30 September 2013

Other appointments:
▪ Georgsmarienhütte Holding GmbH
▪ RWE Dea AG (Chairman)
▪ RWE Innogy GmbH
▪ RWE Supply & Trading GmbH (Chairman)
- RWE Turkey Holding A.S.

Alwin Fitting (Labour Director)
Member of the Executive Board of RWE AG since 1 August 2005, appointed until 31 March 2013

Other appointments:
▪ Amprion GmbH

Dr. Bernhard Günther (Chief Financial Officer)
Member of the Executive Board of RWE AG since 1 July 2012, appointed until 30 June 2017

Other appointments:
▪ RWE Deutschland AG
▪ RWE Generation SE
▪ RWE Pensionsfonds AG (Chairman)
▪ RWE Power AG
- Essent N.V.

Uwe Tigges (Chief HR Officer)
Member of the Executive Board of RWE AG since 1 January 2013, appointed until 31 December 2015

Other appointments:
▪ RWE Generation SE
▪ RWE Pensionsfonds AG
▪ RWE Service GmbH

Exiting members of the Executive Board

Dr. Jürgen Großmann (former President and Chief Executive Officer)[1]
Member of the Executive Board of RWE AG until 30 June 2012

Other appointments:
▪ BATIG Gesellschaft für Beteiligungen mbH
▪ British American Tobacco (Germany) GmbH
▪ British American Tobacco (Industrie) GmbH
▪ Deutsche Bahn AG
▪ SURTECO SE (Chairman)
- Hanover Acceptances Limited

Dr. Rolf Pohlig (former Chief Financial Officer)[1]
Member of the Executive Board of RWE AG until 31 December 2012

Other appointments:
- Versatel GmbH (Chairman)

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Information valid as of the date of retirement.

4.9 INDEPENDENT AUDITORS' REPORT

To RWE Aktiengesellschaft, Essen

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RWE Aktiengesellschaft, Essen, and its subsidiaries, which comprise the income statement and statement of recognised income and expenses, balance sheet, cash flow statement, statement of changes in equity and the notes to the financial statements for the business year from 1 January to 31 December 2012.

Executive Board's Responsibility for the Consolidated Financial Statements

The Executive Board of RWE Aktiengesellschaft is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Executive Board is also responsible for the internal controls as the Executive Board determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2012 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report, which is combined with the management report of RWE Aktiengesellschaft, for the business year from 1 January to 31 December 2012. The Executive Board of RWE Aktiengesellschaft is responsible for the preparation of the combined management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, 19 February 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

ORGANISATION CHART OF THE RWE GROUP

As of 15 February 2013

Chief Executive Officer	Deputy Chairman of the Executive Board, Chief Operating Officer	Chief Financial Officer	Chief Commercial Officer	Chief HR Officer	Labour Director
Peter Terium	Dr. Rolf Martin Schmitz	Dr. Bernhard Günther	Dr. Leonhard Birnbaum	Uwe Tigges	Alwin Fitting

RWE AG

Group Public Affairs/Energy Politics	Management of Affiliated Companies	Group Controlling	Commodity Management	Group HR & Executive Management/Group Labour Law	Group Security
Group Legal & Compliance	Municipalities	Group Finance	Mergers & Acquisitions		
Group Communication	Group Coordination Generation/Networks/Sales	Investor Relations	Group Research & Development		
Group Corporate Responsibility		Group Accounting			
Group Corporate Development & Strategy		Group Tax			
Group Audit[1]					

Group companies/internal service providers

NET4GAS	RWE Generation		RWE Innogy	RWE Service	Amprion
RWE IT	RWE Deutschland		RWE Dea		
RWE Group Business Services	Essent		RWE Supply & Trading		
	RWE npower		RWE Consulting		
	RWE East				

1 Functional management by CFO

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GLOSSARY

Asset coverage. Ratio of long-term capital (shareholders' equity and non-current liabilities) to long-term assets.

BAFA prices. To enable German hard coal to be sold at competitive prices, mining companies receive financial support equalling the difference between their production costs and the price of coal imported from non-EU countries. In this context, the German Federal Office of Economics and Export Control (BAFA) determines free-at-frontier third-country coal prices as a subsidy parameter. The price of thermal hard coal is published by BAFA quarterly and annually in shipping tons and tons of hard coal units.

Barrel. International unit of measurement for trading oil. A US barrel corresponds to 158.987 litres.

Base load. Constant minimum demand for electricity irrespective of load fluctuation. This electricity is used by household appliances running 24 hours a day, industrial enterprises that operate around the clock, etc. Base-load power is primarily generated by lignite and nuclear power stations. These facilities are usually in operation more than 6,000 hours a year. Run-of-river power stations and biomass plants also supply base-load power.

Beta factor. Term for the risk exposure of a share relative to the market as a whole. If the factor is greater than one, the risk exposure of the share is greater, if it is smaller than one, the risk is lower.

Biomass. In energy terms, biomass encompasses animal and plant products that can be used to generate heat and electric energy or as fuel. Examples are wood pellets, straw, corn, waste wood, biodiesel and biogas.

Clean Development Mechanism. In accordance with the Kyoto Protocol, companies and countries can obtain emission certificates by participating in projects to reduce emissions in newly industrialising and developing countries which are not obliged to reduce emissions themselves. These credits can be used to cover self-produced greenhouse gas emissions.

CO_2. Chemical formula for carbon dioxide. CO_2 is a chemical compound made of carbon and oxygen.

Combined heat and power generation (CHP). In CHP plants, heat produced during chemical or physical conversion and the electric power generated by the energy conversion process are used. Unlike thermal power stations, which are solely designed to generate electricity, CHP plants use waste heat, thereby achieving higher efficiencies, which result in fuel savings.

Commercial paper. Tradeable, unsecured bearer bond issued only for short-term debt financing. Commercial paper is a revolving credit facility, with terms typically ranging from one day to 24 months.

Commodity. Term for standardised, tradeable goods such as electricity, oil or gas.

Confidence level. Probability of a value lying within a certain interval.

Credit default swap (CDS). Financial derivative for trading default risks associated with debt financing. The party seeking to hedge such risks generally pays an annual fee to the principal. In the event that the underlying credit is not repaid, the hedge-seeking party receives contractually agreed compensation from the principal.

Current asset intensity of investment. Ratio of current assets to total assets.

Debt Issuance Programme (DIP). Contractual master and model documents for the simplified and standardised issuance of bonds on the capital market.

Defined benefit obligation. Net present value of an employee's benefit entitlements from a company pension plan as of the balance-sheet date.

Degree of asset depreciation. Cumulative property, plant and equipment depreciation-to-cost ratio.

EBITDA. Earnings before interest, taxes, depreciation and amortisation.

Efficiency. In energy conversion, the ratio of useful work performed to total energy expended. In thermal power stations, the efficiency is the percentage of thermal energy contained in the fuel which can be converted to electricity. The higher the efficiency, the lower the loss of the fuel's energy content. Modern gas-fired power plants have an efficiency of over 58%. Efficiencies of 46% and 43% can be achieved with hard coal and lignite, respectively.

Equity accounting. Method for accounting for entities, the assets and liabilities of which cannot be entirely included in the consolidated financial statements by fully consolidating the entity. In such cases, the carrying amount of the investment is recorded on the basis of the development of the share held in the entity's equity. This change is recorded in the income statement of the company which owns the entity.

EU Allowance (EUA). Unit of trade in the EU emissions trading scheme. One EUA confers the right to emit one metric ton of carbon dioxide.

Exploration. Term used for the search for, and prospecting of, oil and gas resources.

Fixed asset intensity of investments. Ratio of non-current assets (property, plant and equipment; intangible assets; investment property) to total assets.

Forward market/forward trading. Contracts for transactions to be fulfilled at a fixed point in time in the future are traded on forward markets. Certain conditions, e.g. the price or settlement date, are established when the contract is agreed.

Full consolidation. Method for including subsidiaries in the financial statements of a group in cases where the subsidiaries are controlled by the parent company (e.g. through the majority of the voting rights).

Gas Midstream. Encompasses gas wholesale trading, storage and transportation. Gas production is covered by the term 'upstream', and supply to the end customer is covered by the term 'downstream'.

Hard coal unit (HCU). Unit of measurement for the energy content of primary energy carriers. One kilogram HCU corresponds to 29,308 kilojoules.

Hybrid bond. Mixture of debt and equity financing. Hybrid bonds usually have very long or unlimited tenors and can usually only be redeemed by the issuer on contractually agreed dates. Depending on the bond provisions, interest payments may be suspended if certain prerequisites are met.

Impairment test. Method of verifying the value of assets, involving a comparison of the carrying amount to the realisable amount. The objective is not to account for assets at an amount higher than their realisable amount. The difference is recognised as a reduction in value with an effect on the profit or loss.

International Financial Reporting Standards (IFRS). Accounting regulations which are published by the International Accounting Standards Board (IASB) and applied throughout the world. They are independent of national accounting principles and applied to prepare separate and consolidated financial statements which can be compared at an international level.

Investment grade. Rating category for companies of very good to average creditworthiness. This category includes the AAA to BBB rating classes awarded by Standard & Poor's and Fitch and the Aaa to Baa rating classes awarded by Moody's. Non-investment-grade companies are at a much higher risk of not being able to meet their financial obligations.

Joint implementation. In accordance with the Kyoto Protocol, countries or companies can obtain emission certificates by participating in projects to reduce emissions in certain other countries which are also obliged to reduce emissions. These credits can be used to cover self-produced greenhouse gas emissions.

Kilowatt (kW). Unit of measurement of electric output.
1 megawatt (MW) = 10^3 kilowatts;
1 gigawatt (GW) = 10^6 kilowatts;
1 terawatt (TW) = 10^9 kilowatts.

Leverage factor. Ratio of net debt to EBITDA.

LNG. Acronym for liquefied natural gas. LNG is obtained by cooling gas until it becomes liquid. It occupies only 1/600th of the space filled by natural gas in its gaseous state. In this form, it is very well suited for transportation and storage.

Nuclear fuel tax. Levy on nuclear fuel which is used for the commercial generation of electrical power amounting to €145 per gram. A nuclear fuel tax was introduced in Germany with effect from 1 January 2011.

Peak load. Designates phases in which electricity demand is especially high, for example, at noon, when warm meals are prepared. Peak-load power plants are often in service less than 3,000 hours per year. Gas-fired and hydro storage power stations belong to this category.

Performance shares. Virtual shares, which entitle participants in the Beat Long-Term Incentive Plan to receive a payment at the end of the plan period. The prerequisite is that the predefined performance targets have been met or exceeded.

Photovoltaics. Term for the direct conversion of light energy – usually from sunlight – to electric energy using solar cells.

Put or call options. Options granting the holder the right to purchase (call option) or sell (put option) a specific underlying, for example a share, at a pre-arranged price within a predetermined period of time.

Rating. In the financial sector, a rating or credit rating is an assessment of the creditworthiness of a debtor. Ratings are often represented by codes and issued by specialised rating agencies. For example, 'AAA' designates the highest possible credit standing, while C and D represent very low creditworthiness.

Service cost. Reflects the increase in the cost associated with the net present value of an employee's pension benefit entitlements in accordance with the employee's work performance in the period being reviewed.

Smart home. Intelligent technology used to network and remotely control devices in homes, offering additional features for increased convenience, safety and energy efficiency.

Smart meter. Technology which provides customers with real-time information on energy consumption and energy costs. It enables users to monitor their energy needs more closely.

Spot market/spot trading. General term for markets where payment and delivery are usually effected soon after conclusion of the transaction.

Syndicated credit line. Credit line offered to companies, backed by several banks, which can be drawn down in various amounts, terms and currencies. Generally used to secure liquidity.

Take-or-pay contract. Agreement between a supplier and its customer on a guaranteed payment. The customer must pay for a minimum offtake, even if it does not take full advantage of it.

Upstream. Term for the exploration and production of oil and gas. Also includes the processing of these resources into marketable raw materials meeting generally accepted quality standards.

Value at Risk (VaR). Measure of risk indicating the maximum loss that might occur from a risk position (e.g. a securities portfolio) assuming a certain probability under normal market conditions and that the position is held for a certain period of time. A VaR of €1 million with a holding period of one day and a confidence level of 95% means that there is a 95% probability that the potential loss resulting from the risk position will not exceed €1 million from one day to the next.

FIVE-YEAR OVERVIEW

Five-year overview RWE Group		2012	2011	2010	2009	2008
External revenue	€ million	53,227	51,686	53,320	47,741	48,950
Income						
EBITDA	€ million	9,314	8,460	10,256	9,165	8,773
Operating result	€ million	6,416	5,814	7,681	7,090	6,826
Income before tax	€ million	2,230	3,024	4,978	5,598	4,866
Net income/RWE AG shareholders' share in net income	€ million	1,306	1,806	3,308	3,571	2,558
Earnings per share	€	2.13	3.35	6.20	6.70	4.75
Recurrent net income per share	€	4.00	4.60	7.03	6.63	6.25
Return on equity	%	10.2	12.6	23.1	28.5	20.7
Return on revenue	%	6.9	8.3	12.3	14.8	12.3
Value management						
Return on capital employed (ROCE)	%	12.0	10.9	14.4	16.3	17.2
Value added	€ million	1,589	1,286	2,876	3,177	3,453
Capital employed	€ million	53,637	53,279	53,386	43,597	39,809
Cash flow/capital expenditure/depreciation and amortisation						
Cash flows from operating activities	€ million	4,395	5,510	5,500	5,299	8,853
Free cash flow	€ million	−686	−843	−879	−614	4,399
Capital expenditure including acquisitions	€ million	5,544	7,072	6,643	15,637	5,693
of which: Property, plant and equipment and intangible assets	€ million	5,081	6,353	6,379	5,913	4,454
Depreciation, amortisation, impairment losses and asset disposals	€ million	5,343	3,632	3,410	2,553	2,416
Degree of asset depreciation	%	59.0	58.5	61.8	64.0	69.4
Free cash flow per share	€	−1.12	−1.56	−1.65	−1.15	8.17
Asset/capital structure						
Non-current assets	€ million	63,362	63,539	60,465	56,563	41,763
Current assets	€ million	24,840	29,117	32,612	36,875	51,667
Balance sheet equity	€ million	16,437	17,082	17,417	13,717	13,140
Non-current liabilities	€ million	47,521	44,391	45,162	45,633	36,793
Current liabilities	€ million	24,244	31,183	30,498	34,088	43,497
Balance sheet total	€ million	88,202	92,656	93,077	93,438	93,430
Fixed asset intensity of investments	%	59.1	56.0	53.4	49.4	35.5
Current asset intensity of investments	%	28.2	31.4	35.0	39.5	55.3
Asset coverage	%	100.9	96.7	103.5	104.9	119.6
Equity ratio	%	18.6	18.4	18.7	14.7	14.1

Five-year overview **RWE Group**		2012	2011	2010	2009	2008
Net financial assets of continuing operations	€ million	12,335	12,239	11,904	10,382	–650
Net debt of the RWE Group	€ million	33,015	29,948	28,964	25,787	18,659
Leverage factor		3.5	3.5	2.8	2.8	2.1
Workforce						
Workforce at end of the year[1]		70,208	72,068	70,856	70,726	65,908
Research & development						
R&D costs	€ million	150	146	149	110	105
R&D employees		450	410	360	350	330
Emissions balance						
CO_2 emissions	million mt	179.8	161.9	164.9	149.1	172.1
Free allocation of CO_2 certificates	million mt	121.4	116.6	115.1	105.2	104.6
Shortage of CO_2 certificates	million mt	58.4	45.3	49.8	43.9	67.5
Specific CO_2 emissions	mt/MWh	0.792	0.787	0.732	0.796	0.768

Five-year overview **RWE Aktiengesellschaft**		2012	2011	2010	2009	2008
Dividend/dividend payment						
Dividend payment	€ million	1,229[2]	1,229	1,867	1,867	2,401
Dividend per share	€	2.00[2]	2.00	3.50	3.50	4.50
Market capitalisation						
Market capitalisation at the end of the year	€ billion	19.1	16.6	28.0	38.0	35.4
Long-term credit rating						
Moody's		A3	A3	A2	A2	A1
Outlook		negative	negative	negative	negative	negative
Standard & Poor's		BBB+	A–	A	A	A
Outlook		stable	negative	negative	negative	stable

1 Converted to full-time positions.
2 Proposed dividend for RWE AG's 2012 fiscal year, subject to approval by the 18 April 2013 Annual General Meeting.

IMPRINT

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For annual reports, interim reports and further information on RWE, please visit us on the internet at **www.rwe.com.**

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Save resources, protect the environment: The production of the 2012 Annual Report sets an example on how this can be done:

- The report is printed in two colours instead of four. This requires fewer printing plates, i.e., less material is consumed.
- We have used 100% recycled paper bearing the EU Ecolabel.
- Only top quality products bearing the Saphira Eco Label were used for printing and finish. That means better quality and, at the same time, lower consumption of electricity, lower ammoniac and particulate emissions, less wasted ink, less waste water.
- We used biodegradable film, consisting of cellulose and starch, for the finish of the cover.
- The report is 'carbon neutral'. This means that the greenhouse gases emitted during the print process are fully covered by emission certificates.

There is hardly anything else an annual report can do for the environment – unless, of course, it never goes to print.

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

FINANCIAL CALENDAR

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
4 March 2014	Annual report for fiscal 2013
16 April 2014	Annual General Meeting
17 April 2014	Dividend payment
14 May 2014	Interim report for the first quarter of 2014
14 August 2014	Interim report for the first half of 2014
13 November 2014	Interim report for the first three quarters of 2014

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

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