REPORT ON THE FIRST QUARTER OF 2013

- RWE confirms Group earnings forecast for 2013
- Q1 operating result of €2.3 billion as expected
- Substantial earnings shortfalls in conventional electricity generation
- Contract for the sale of NET4GAS signed

RWE

The energy to lead

AT A GLANCE

RWE Group – key figures		Jan – Mar 2013	Jan – Mar 2012	+/– %	Jan – Dec 2012
Electricity production	billion kWh	62.1	60.4	2.8	227.1
External electricity sales volume	billion kWh	70.9	73.8	–3.9	277.8
External gas sales volume	billion kWh	126.9	113.6	11.7	306.8
External revenue	€ million	16,050	15,593	2.9	53,227
EBITDA	€ million	3,042	3,125	–2.7	9,314
Operating result	€ million	2,334	2,436	–4.2	6,416
Income before tax	€ million	2,079	1,979	5.1	2,230
Net income	€ million	1,416	1,311	8.0	1,306
Recurrent net income	€ million	1,297	1,288	0.7	2,457
Earnings per share	€	2.30	2.13	8.0	2.13
Recurrent net income per share	€	2.11	2.10	0.5	4.00
Cash flows from operating activities	€ million	58	298	–80.5	4,395
Capital expenditure	€ million	764	1,073	–28.8	5,544
Property, plant and equipment and intangible assets	€ million	757	987	–23.3	5,081
Financial assets	€ million	7	86	–91.9	463
Free cash flow	€ million	–699	–689	–1.5	–686
		31 Mar 2013	31 Dec 2012		
Net debt	€ million	33,163	33,015	0.4	
Workforce[1]		69,427	70,208	–1.1	

1 Converted to full-time positions.

Contents

»The performance of our business has met our expectations so far.
We confirm the Group's earnings forecast for 2013.«

Dear Shareholders, Customers and Friends of the Company,

Our start to the 2013 financial year was satisfactory, in particular with regard to our planned disposals, with which we want to strengthen our capital base and increase our financial headroom. At the end of March, we signed the contracts for the sale of the Czech long-distance gas network operator NET4GAS, our most important project this year. Furthermore, we are satisfied with the sale price. The buyer is a consortium made up of the financial investors Allianz and Borealis Infrastructure Management. The transaction is scheduled for completion in the second half of 2013. In March, we were able to finalise the sale of minority interests in the Welsh offshore wind farm Rhyl Flats (90 MW) and in the Little Cheyne Court onshore wind farm in the south of England (60 MW). RWE Innogy is still the majority owner of these wind farms. By selling these stakes, we gained reliable partners. We plan to take more steps of this kind in the future, because the burden of the transformation of the European energy market must be placed on many shoulders.

Also in March, my fellow Executive Board members and I took the decision to examine the options for selling all of the shares in RWE Dea. Let me explain the background to the decision: since liquid European gas markets have been established, access to in-house gas sources is no longer important to us. There are hardly any synergies between oil and gas production and our traditional utility business. In addition, the divestment of RWE Dea will enable us to save the funds which we have earmarked for capital expenditures necessary to tap the company's full potential for growth. The time frame and details of the sale are yet to be clarified. What I can say for now is that we do not expect a transaction to take place this year.

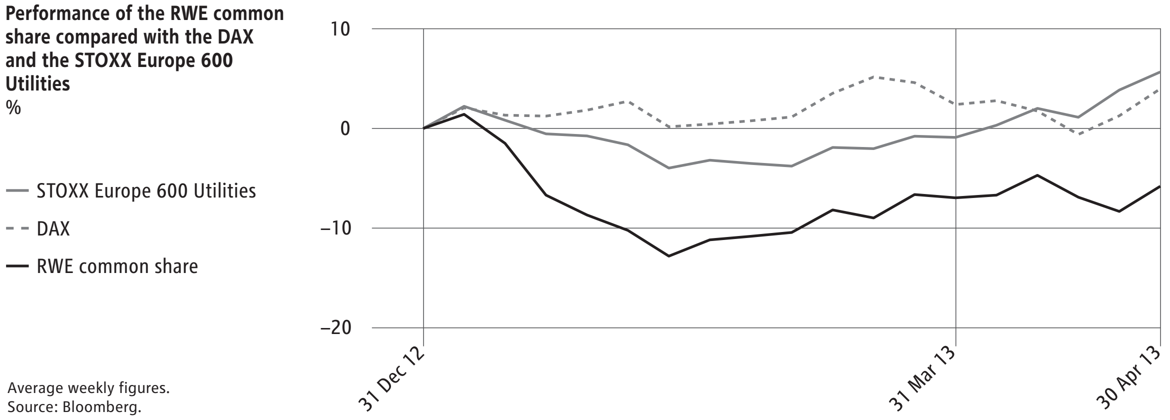
In closing, I would like to say a few words about the development of our business in the first quarter: it was as expected. Our consolidated earnings totalled €2,334 million, slightly lagging behind last year's comparable figure. Recurrent net income amounted to €1,297 million, which was roughly on a par with 2012. Positive effects of cost reductions and improvements in our gas procurement conditions were contrasted by substantial earnings shortfalls in the conventional electricity generation business. These factors will continue to have a significant impact on our business performance. In March 2013, we informed you of our expectations for the RWE Group's earnings for the full year. We confirm this forecast: this means that we expect the operating result to total about €5.9 billion and recurrent net income, the yardstick for our dividend policy, to amount to approximately €2.4 billion. Therefore, our shareholders can also count on an attractive dividend for 2013.

Sincerely yours,

Peter Terium
CEO of RWE AG
Essen, May 2013

WEAKER EARNINGS PROSPECTS IN THE ELECTRICITY GENERATION BUSINESS WEIGH ON RWE'S SHARE PRICE

Performance of the RWE common share compared with the DAX and the STOXX Europe 600 Utilities
%

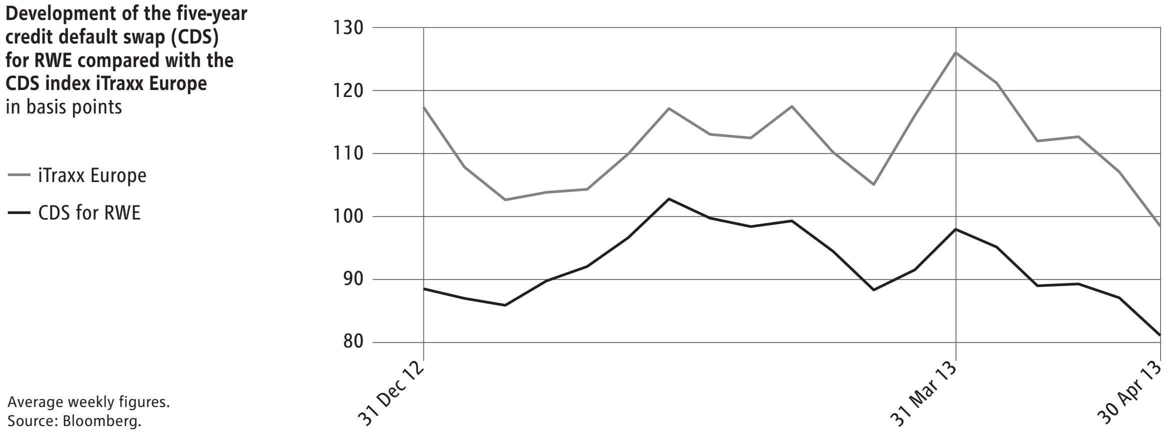


Average weekly figures.
Source: Bloomberg.

The upward trend on the German stock market witnessed last year lost momentum in the first quarter of 2013. The DAX ended the month of March at 7,795 points. It was therefore 2% higher than its closing quotation in 2012. Positive economic indicators and a temporary calming of the situation in euro crisis countries contributed to the German lead index briefly surpassing the 8,000 point mark in March. Afterwards, the impending insolvency of Cyprus and the unclear political situation in Italy characterised developments on the stock market. In April, the DAX fell below the level it had at the beginning of the year, after which it posted a significant gain.

The first quarter was disappointing for RWE shareholders. Our common shares lost 7% of their value. They closed March at €29.08. Preferred stock was down 2% to €27.98. The main reason for the weak developments in share prices was that electricity forward prices on the German wholesale market decreased considerably in January. Many analysts and investors saw this as a sign of a further deterioration of the earnings prospects in the conventional electricity generation business.

Development of the five-year credit default swap (CDS) for RWE compared with the CDS index iTraxx Europe
in basis points



Average weekly figures.
Source: Bloomberg.

The corporate bond market has recently been characterised by historically low interest rates. In the first quarter, the average yield on a ten-year German government bond was 1.5%. In view of the attractive financing conditions, in January, RWE issued a €750 million bond with a tenor of seven years and a coupon of 1.875% (see page 11). The cost of hedging credit risk via credit default swaps (CDSs) was also relatively low. The average quotation for five-year CDSs on the iTraxx Europe Index, which consists of the prices of the CDSs of 125 major European companies, averaged 111 basis points from January to March. This was the lowest average for a quarter since the spring of 2011. As the crisis in Cyprus came to a head at the end of March, the iTraxx Europe reached its current high for the year of 126 basis points before falling again in April. Prices of the five-year CDS for RWE were much lower than the index level: in the period under review, they averaged 94 basis points.

ECONOMIC ENVIRONMENT

Europe's economy remains weak

Based on initial estimates, in the first quarter of 2013, global economic output was about 2% higher than a year earlier. However, gross domestic product (GDP) in the Eurozone probably declined. The general economic situation continues to be characterised by the sovereign debt crisis. Using this as a benchmark, the German economy developed above average: it may well have grown slightly, partly due to robust consumer spending. In contrast, the Netherlands is unlikely to have decoupled itself from the European trend. Based on available information, the country's GDP declined. According to initial estimates, the United Kingdom posted a gain of 0.6%, with positive stimulus coming in particular from the service and production sectors. The countries of Central Eastern Europe got off to varying starts to the year: whereas industrial production was down in Poland and the Czech Republic, it was up in Slovakia. The growth of the economy as a whole in these countries is also likely to have developed accordingly.

Weather in Northwestern Europe much colder than in 2012

Whereas the economic trend is primarily reflected in demand for energy among industrial enterprises, residential consumption of electricity and gas is strongly influenced by weather conditions. In the northwest of Europe, temperatures in the first quarter of 2013 were unusually low, whereas in the southeast of Europe, they were higher than average. Compared to 2012, the weather was much colder, especially in the United Kingdom and the Netherlands. It was also colder in Germany and the Czech Republic, whereas temperatures in Hungary and the Balkans rose slightly. In addition to energy consumption, the generation of electricity is also affected by the weather, with wind levels playing a major role. In Germany and the Netherlands, utilisation of our wind farms was much lower than in the same period last year. In the United Kingdom, it was down only marginally, whereas it was up in Spain. Solar intensity is also increasingly influencing developments on the electricity market. This is a consequence of the significant rise in solar power capacity in Germany, where an average of 179 hours of sunshine was recorded from January to March. This was considerably less than in the previous year's corresponding period (326).

Marked growth in gas consumption, demand for electricity relatively stable

Energy usage in our core markets was partly subject to negative economic effects, whereas the cold weather increased the need for heating. According to estimates made by the German Association of Energy and Water Industries (BDEW), German electricity usage in the first quarter of 2013 was 1% lower than in the same period last year. Based on available data, demand for electricity in the Netherlands and Poland was also down on 2012. Conversely, it was slightly up in the United Kingdom and Hungary. In relation to gas, based on information from the BDEW, consumption in Germany was 8.5% higher year on year due to the weather. Network operators in the Netherlands and the United Kingdom calculated gains of 8% and 15% in their respective countries. Unusually low temperatures were the main reason here as well. In addition, in the UK, there was a rise in gas used by power stations. Estimates for the Czech Republic have consumption increasing by 4%, whereas a decline of 3% has been predicted for Hungary.

Uncertainty in euro crisis countries weighs on oil prices

Prices on international crude oil markets lagged behind the very high level achieved a year earlier. In the first quarter of 2013, a barrel of North Sea Brent traded at an average of US$113 (€85) on the London spot market. This is US$6 less than in the same period in 2012. The decline in price reflected the uncertainty concerning the development of demand in euro crisis countries. Furthermore, last year, the oil market was characterised by tension surrounding Iran's nuclear programme, with fears of an escalation of the conflict and a curtailment of oil supplies leading to temporary price increases.

Cold weather drives up gas spot prices
As some gas imports to Continental Europe are still based on long-term contracts linked to the price of oil, the development on the oil market also affected gas prices. In Germany, gas imports in the first quarter of 2013 cost an average of 4% less than a year earlier. Conversely, oil quotations do not have a direct impact on the development of quotations in European gas trading. Spot prices at the Title Transfer Facility (TTF), the Dutch trading hub, rose for weather-related reasons. Averaged for the quarter, they were slightly higher than €28 per megawatt hour (MWh). This represents an increase of over €4, or 18%, compared to 2012. In TTF forward trading, contracts for delivery in the coming calendar year (2014 forward) were settled for €27 per MWh. The figure for the preceding year was just as high.

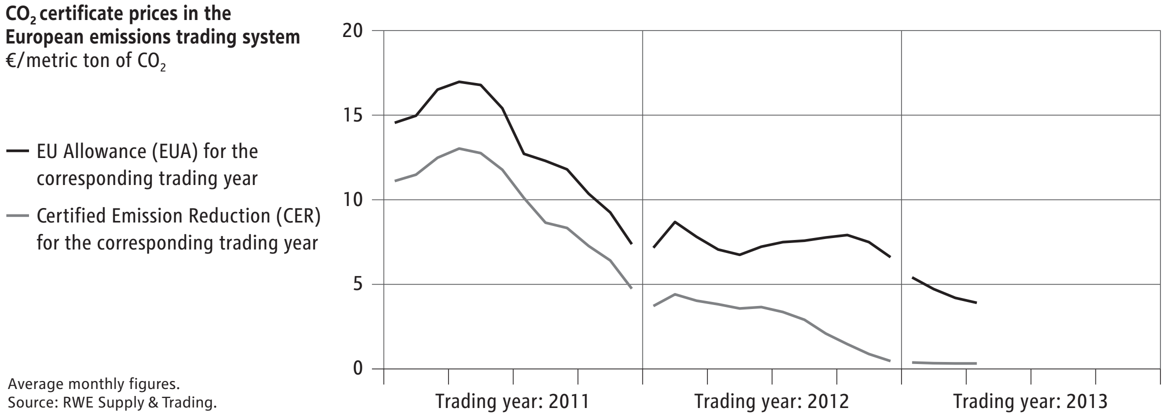
Gas prices in the German end-customer business advanced slightly compared to the same period last year, rising by 2% for households and 4% for industrial enterprises. In the Netherlands, gas was 5% more expensive for residential customers, whereas it was slightly cheaper for industrial consumers. The aforementioned customer groups had to pay 7% and 13% more than a year earlier in the United Kingdom, but slightly less in the Czech Republic. In the Hungarian gas supply business, residential tariffs were down by 9% due to regulatory restrictions, whereas they did not change significantly for the industrial sector.

Persistent slump on the hard coal market
The downward trend in hard coal prices witnessed last year continued. In the first quarter of 2013, a metric ton of steam coal including freight and insurance was quoted at an average of US$86 (€65) on the Rotterdam spot market. This was US$14 less than a year earlier. 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 low-cost shale gas. The slight cool-down of the Chinese economy is having an impact on the demand side. Moreover, overseas transportation costs have dropped. In the period being reviewed, the standard route from South Africa to Rotterdam cost an average of US$6.70 per metric ton. A year before, this figure was US$9.40. 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. When this report went to print, no average figure was available for the first quarter of 2013, but experts estimate it to be €85 per metric ton of hard coal unit. The comparable figure for 2012 was €100.

Prices in CO_2 emissions trading collapsed
The price curve in European emission allowance trading also continues to trend downwards. In the first three months of 2013, the standard certificate (referred to as an EU Allowance - EUA) for 2013 traded at an average of €4.80 per metric ton of carbon dioxide (CO_2). This was €3 less than what had to be paid for the 2012 certificate in the same period last year. The decline in price is partly due to the economy-driven weakening in electricity generation and industrial output. The rapid expansion of renewable energy also plays a role, especially in Germany: feed-ins from solar panels and wind turbines are increasingly reducing the amount of electricity generated by fossil-fuelled power stations, also causing demand for emission allowances to decline. EU plans to temporarily limit the number of available certificates briefly stabilised prices. The European Parliament rejected the plans in the middle of April, but will re-address the issue over the course of the year. Following the negative vote, EUAs declined even more in value. At the end of April, they were quoted at €3.20.

Certified Emission Reductions (CERs), which are credits earned from emission-reducing measures in developing and emerging countries, dropped in price even more than EUAs. In the period under review, a CER for 2013 cost an average of €0.35. By comparison, CERs for 2012 traded at about €4 a year earlier. The decline in price is due to the fact that the EU established absolute 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 around the world, far more CERs are expected to be generated than can in fact be used.

CO_2 certificate prices in the European emissions trading system
€/metric ton of CO_2

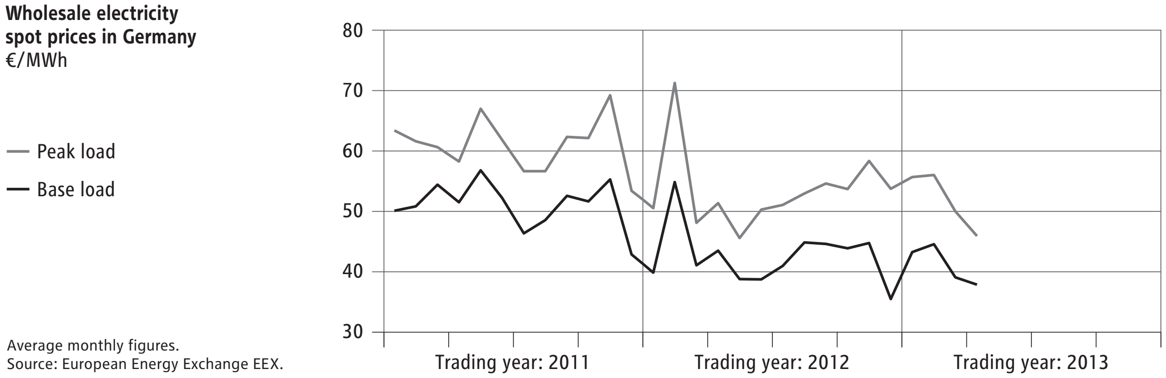


Average monthly figures.
Source: RWE Supply & Trading.

Wholesale electricity market: decline in prices in Germany, increase in prices in the UK
The drop in emissions trading quotations and the expansion of renewables weighed on German wholesale electricity prices. On the spot market in the first three months of the year, base-load power sold for an average of €42 per MWh, while peak-load electricity settled at €54 per MWh. Compared to 2012, this represents decreases of €3 and €2, respectively. Quotations on the forward market were similar to those in spot trading: the 2014 forward was priced at an average of €42 per MWh of base-load power and €53 per MWh of peak-load power. This was €10 and €11 less than what had to be paid for 2013 forwards in the same period last year.

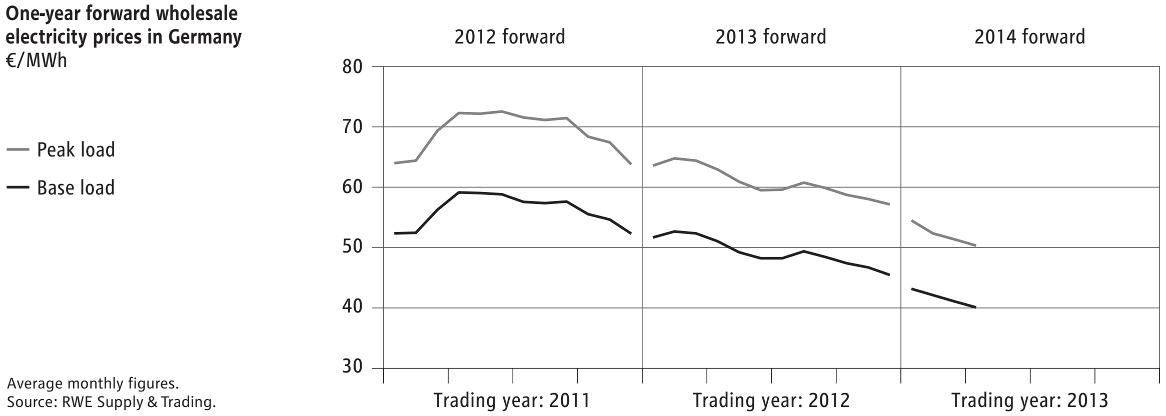
We sell forward most of the output of our power plants and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, the most recent developments on the market only had a minor impact on the income we generated in the reporting period. What was decisive instead was the conditions at which electricity contracts for delivery in 2013 sold in preceding years. The average price we realised for such transactions for the electricity we have generated this year was lower than the comparable figure for 2012. This reduced our power plant margins. The fact that power producers in Western Europe will hardly be allocated any free certificates by government for the third CO_2 emissions trading period, which runs from 2013 to 2020, is another huge burden. However, this effect is being cushioned as emission allowances have become much cheaper since 2011. The aforementioned drop in the cost of purchasing hard coal also had a positive impact on margins.

Wholesale electricity spot prices in Germany
€/MWh



Average monthly figures.
Source: European Energy Exchange EEX.

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

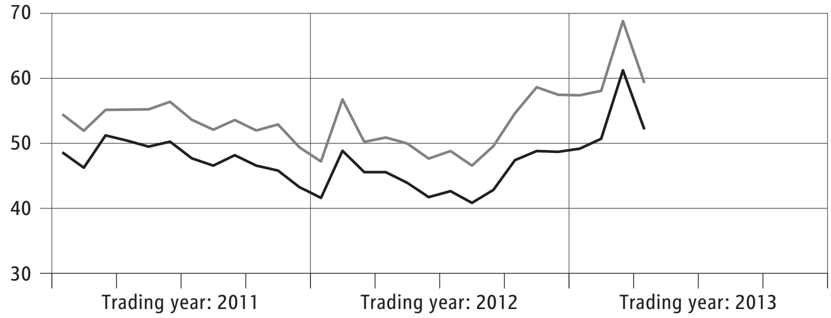


Average monthly figures.
Source: RWE Supply & Trading.

In the German end-customer business, average residential and industrial electricity tariffs were 12 % and 4 % higher year on year. This is mainly due to the state surcharges on the price of electricity, which are imposing an increasing burden on households in particular. For example, the apportionment pursuant to the German Renewable Energy Act (REA) was increased from 3.59 euro cents (2012) to 5.28 euro cents (2013). This is primarily due to the rapid and continuous expansion of wind and photovoltaic capacity. Burdens in connection with the increasing support of combined heat and power generation plants have also become greater. In addition, the offshore liability apportionment in accordance with Section 17f of the German Energy Act was introduced with effect from 1 January 2013. The funds are set aside for financing compensatory payments for delays in connecting offshore wind farms to the grid.

Wholesale electricity spot prices in the United Kingdom
£/MWh

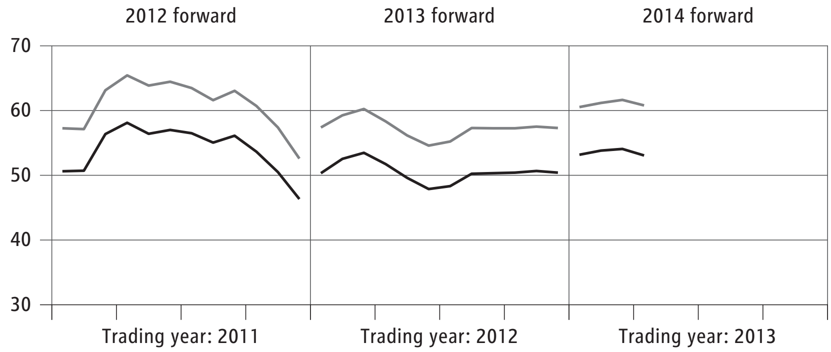
— Peak load
— Base load



Average monthly figures.
Source: RWE Supply & Trading.

One-year forward wholesale electricity prices in the United Kingdom
£/MWh

— Peak load
— Base load



Average monthly figures.
Source: RWE Supply & Trading.

Unlike in Germany, electricity in the United Kingdom became more expensive on the wholesale market. On the UK spot market, prices averaged £54 (€63) per MWh of base-load power and £61 (€71) per MWh of peak-load power in the first quarter of 2013, compared to £45 and £51 in the same period last year. The weather-driven increase in gas quotations played an important role. Gas-fired power plants account for a much bigger share of electricity generated in the United Kingdom than in Germany and therefore have a stronger influence on electricity prices. Quotations on the UK electricity forward market were also up, albeit marginally. Base-load and peak-load power for the 2014 calendar year was settled at prices identical to those on the spot market. Compared to the prices paid for 2013 forwards in 2012, this corresponds to a rise of £2 in both cases. Here, the introduction by the UK government of a tax on carbon dioxide emissions with effect from 1 April 2013 came to bear. The levy made electricity generation from fossil fuels more expensive (see page 47 of RWE's 2012 Annual Report).

Income recorded by our UK gas and hard coal-fired power stations in the period being reviewed was down year on year. This is a result of the fact that CO_2 emission allowances stopped being allocated for free. Excluding this effect, margins would have improved on the whole.

In the UK supply sector, residential tariffs rose by an average of 7 %. One of the main reasons is the increasing costs of energy savings measures in households, which the major utilities are obliged to bear within the scope of government programmes. Electricity also became more expensive for industrial enterprises, albeit only marginally.

Wholesale electricity prices decreased in the Netherlands, but they were much higher than in Germany. The fact that hard coal-fired power stations have had to bear additional fiscal burdens since 1 January 2013 played a role (see page 46 of RWE's 2012 Annual Report). As in the United Kingdom, the high level of gas quotations also came to bear. Averaged for the quarter, the spot price was €55 for base-load power and €64 for peak-load power. In forward trading, the 2014 forward settled at €48 (base load) and €57 (peak load). The margins that we realised for our Dutch hard coal and gas-fired power plants in the quarter being reviewed were smaller than a year before. Besides the added cost incurred for CO_2 certificates, the tax on hard coal was a contributing factor.

In the Dutch end-customer business, prices charged to households were up by an average of approximately 5 %. Industrial enterprises had to pay about 3 % more.

Based on initial estimates, end-customer prices in our Central Eastern European electricity markets changed as follows: residential tariffs were up roughly 4 % in Poland, essentially unchanged in Slovakia, and down approximately 8 % for regulatory reasons in Hungary. Electricity supplied to industrial customers in Poland and Hungary was approximately 5 % and 3 % cheaper, respectively, whereas in Slovakia it was about 3 % more expensive.

MAJOR EVENTS

In the period under review

RWE puts upstream business up for sale

On 5 March 2013, the Executive Board of RWE AG decided to withdraw from the oil and gas exploration and production business. It will consider options for selling all of the shares in RWE Dea. The details and the time frame of a possible transaction have not yet been established. RWE Dea was an integral part of the Group's portfolio in the past, as having access to proprietary gas sources was strategically important. This has ceased to be necessary since liquid gas markets have been formed in Europe. Furthermore, there are hardly any synergies between RWE Dea and the rest of our core business. We expect the sale of the company to contribute to strengthening our financial power, especially because we will be able to save substantial funds, which have been earmarked for capital expenditures necessary to tap RWE Dea's full potential for growth.

Financial consortium acquires Czech gas transmission business

We have taken a major step forward in implementing our package of measures to strengthen our financial power: at the end of March, we agreed with Allianz and Borealis Infrastructure Management that a consortium of the two companies would buy our Czech long-distance gas network operator NET4GAS. The contractually agreed price corresponds to an enterprise value of about €1.6 billion. NET4GAS owns the exclusive license for the operation of the long-distance gas network in the Czech Republic, which has a length of more than 3,600 kilometres, and is responsible for national gas transmission and international gas transit. In our reporting, the company is assigned to the Central Eastern and South Eastern Europe Segment. The transaction is scheduled for completion in the second half of 2013. It is pending approval from the relevant antitrust authority, among others.

Exit from the Nabucco pipeline project

RWE will not participate in the construction of the European Nabucco gas pipeline. At the beginning of March, we sold our stake in the Nabucco consortium to the Austrian consortium manager OMV. It was agreed that the details of the transaction would be kept confidential. The Nabucco pipeline should give European customers access to new gas sources in the Caspian region and in the Middle East via a new route and promote competition on the international gas market. Besides OMV, the consortium includes MOL (Hungary), Transgaz (Romania), Bulgarian Energy Holding (Bulgaria) and BOTAS (Turkey). We still believe the Nabucco project will represent a major step towards improving European gas infrastructure. However, the project has become less important to us due to the sale of NET4GAS, our Czech long-distance gas network operator.

RWE Innogy divests minority interests in two UK wind farms

Also in March, we sold a 49.9% stake in the Welsh Rhyl Flats offshore wind farm (90 MW). The listed renewable energy fund company Greencoat UK Wind and state-owned UK Green Investment Bank each acquired half the stake. In addition, we sold 41% of the shares in the Little Cheyne Court onshore wind farm (60 MW) in the southeast of England. Greencoat UK Wind was the sole buyer. RWE Innogy still owns the majority of both wind farms and remains the plants' operating manager. Proceeds from the disposal of the wind farm shares total an equivalent of €195 million. RWE Innogy also plans to seek the involvement of public and private investors in projects in the future. In so doing, we aim to raise further capital for the expansion of renewables.

RWE streamlines company structure in the Czech Republic
We took great strides in reorganising our Czech energy business in January. First, we pooled the gas distribution network activities of our four Czech regional utilities in a new company, RWE Grid Holding a.s. (RGH). Then we transferred nearly 35% of RGH to a group of funds managed by Macquarie. In addition to a cash payment, we received minority interests in three of our four regional utilities, which Macquarie had purchased from their former owners, namely SPP, E.ON and GDF SUEZ. As a result of the transaction, we now hold stakes of between 98.67% and 100% in our regional utilities. Over the course of the year, we will acquire the remaining minority shareholdings, after which we will pool all the regional supply activities in a single company. In the future, our Czech energy business will be managed by RWE Česká republika a.s., which was founded on 1 October 2012.

RWE AG Executive Board reduced to four mandates; contract extension for Dr. Rolf Martin Schmitz
At its meeting on 27 February, the Supervisory Board of RWE AG extended the contract of the Executive Board member Dr. Rolf Martin Schmitz by five years until 31 January 2019. Dr. Schmitz joined the Executive Board in May 2009 and has been its Deputy Chairman since 1 July 2012. Dr. Leonhard Birnbaum, the Executive Board member in charge of commercial management, declined the extension of his contract in order to dedicate himself to new tasks. Dr. Birnbaum resigned his office at the end of March. The Supervisory Board decided to distribute the tasks of RWE's Executive Board among the four remaining mandates. This decision is also a demonstration of the efforts being made to further simplify structures and processes.

Bonds of more than €1 billion issued
In view of the unusually favourable refinancing conditions on the capital market in the recent past, in the middle of January, we issued a €750 million bond with a tenor of seven years and a coupon of 1.875%. The issuance met with keen interest and was considerably oversubscribed. Furthermore, we conducted a private placement of €150 million and topped up a private placement made in October 2012 by €105 million at the beginning of February. The tenors are 30 and 25 years, respectively. Another private placement followed in April, with an issue volume of US$50 million and a 20-year tenor.

After the period under review

RWE pays a dividend of €2 per share; personnel changes on the Supervisory Board
On 18 April 2013, the Annual General Meeting of RWE AG approved paying a dividend of €2 per common and preferred share for fiscal 2012, as proposed by the Executive and Supervisory Boards. The dividend payment thus amounted to 50% of recurrent net income. In addition, the Annual General Meeting elected Dr. Werner Brandt and Prof. Dr. Dr. E.h. Hans-Peter Keitel to the Supervisory Board of RWE AG. They succeed Dr. Paul Achleitner and Carl-Ludwig von Boehm-Bezing, who retired their offices with effect from the end of the Annual General Meeting on 18 April 2013. Mr. von Boehm-Bezing had been on the Supervisory Board since 1997, and Dr. Achleitner had been a member since 2000.

COMMENTARY ON THE SEGMENTS

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

New Group structure with eight divisions

The presentation of the business performance in 2013 is based on a new reporting structure. As explained on page 48 of RWE's 2012 Annual Report, we pooled nearly all of our fossil-fuelled and nuclear electricity generation in the newly established RWE Generation SE with effect from 1 January 2013. This gives us a more efficient setup and allows us to react more swiftly to the significant changes in the energy sector. The establishment of RWE Generation created the new segment called 'Conventional Power Generation.' RWE is now divided into eight segments (divisions) based on geographic and functional criteria. We have adjusted prior-year figures to the new structure, in order to make like-for-like comparisons.

- Conventional Power Generation: The electricity generation operations of RWE Power, Essent and RWE npower as well as the German opencast lignite mining business have been assigned to RWE Generation. The new company will also operate the gas-fired power plant near the Turkish town of Denizli, which is under construction. Moreover, it oversees our project management and engineering company RWE Technology.

- Supply/Distribution Networks Germany: The division, which is overseen by RWE Deutschland, includes the distribution network company Westnetz GmbH, RWE Vertrieb (including eprimo and RWE Energiedienstleistungen), RWE Effizienz, RWE Gasspeicher and our German regional companies. Our minority interests in Austria-based KELAG and Luxembourg-based Enovos are also assigned to this segment.

- Supply Netherlands/Belgium: This division encompasses the activities of Essent, a leading energy utility in the Benelux region. Since the Dutch electricity generation operations were transferred to RWE Generation, the company has focused on the supply of electricity and gas.

- Supply United Kingdom: This is where we report the figures of RWE npower, which ranks among the six major energy companies in the United Kingdom. As our UK power stations have been operated by RWE Generation since the beginning of the year, like Essent, RWE npower's focus is now solely on the electricity and gas supply business.

- Central Eastern and South Eastern Europe: This division contains activities in the Czech Republic, Hungary, Poland, Slovakia, Turkey and Croatia. Our Czech business focuses on the supply, distribution, supraregional transmission, transit and storage of gas. We are the nation's market leader in this field. However, once the impending sale of NET4GAS has been completed, we will withdraw from the transmission and transit sector. In 2010, we also started selling electricity in the Czech Republic. In Hungary, we cover the entire value chain in the electricity business, from production through to the operation of the distribution system and sales to end-customers, and are also active in the gas supply sector via a minority stake. The Polish activities, which we report under 'Central Eastern and South Eastern Europe', include 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. Last year, we began establishing electricity supply operations in Turkey. Our wastewater business in Zagreb (Croatia) has belonged to the Central Eastern and South Eastern Europe Division since 1 January 2013. It used to be assigned to RWE Deutschland.

- Renewables: This is where we present RWE Innogy, which specialises in electricity and heat production from renewable sources.

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

- Trading/Gas Midstream: Assigned to this division is RWE Supply & Trading, which is responsible for trading electricity and energy commodities and for the gas midstream business of the RWE Group. Furthermore, it supplies major industrial and corporate customers with electricity and gas.

The 'other, consolidation' item

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

BUSINESS PERFORMANCE

Electricity production by division January – March	Lignite		Hard coal		Gas		Nuclear		Renewables		Pumped storage, oil, other		RWE Group	
Billion kWh	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Conventional Power Generation	19.8	21.0	16.1	15.8	10.1	9.1	8.5	8.4	1.7	1.2	0.7	0.6	56.9	56.1
of which:														
Germany[1]	19.8	21.0	9.4	8.7	2.0	2.2	8.5	8.4	0.1	0.1	0.7	0.6	40.5	41.0
Netherlands/Belgium	-	-	1.8	1.9	1.5	1.8	-	-	0.4	0.5	-	-	3.7	4.2
United Kingdom	-	-	4.9	5.2	6.6	5.1	-	-	1.2	0.6	-	-	12.7	10.9
Central Eastern and South Eastern Europe	1.4	1.3	-	-	-	-	-	-	-	-	-	-	1.4	1.3
Renewables[2]	-	-	-	-	0.1	0.1	-	-	2.2	2.0	-	-	2.3	2.1
RWE Group[3]	**21.2**	**22.3**	**17.0**	**16.1**	**10.5**	**9.5**	**8.5**	**8.4**	**4.2**	**3.5**	**0.7**	**0.6**	**62.1**	**60.4**

1 Including electricity from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the first quarter of 2013, it amounted to 6.6 billion kWh, of which 5.8 billion kWh were generated from hard coal.
2 Including electricity procured from power plants co-financed by RWE, which are owned by companies that are not fully consolidated. In the first quarter of 2013, these purchases totalled 0.5 billion kWh.
3 Including small generation volumes of other divisions.

Electricity generation up 3%

In the first quarter of 2013, the RWE Group produced 62.1 billion kWh of electricity. This is 1.7 billion kWh, or 3%, more than in the same period last year. The biggest increase in absolute terms was recorded by electricity generation from gas, mainly due to the commissioning of our power station at Pembroke (United Kingdom). Since September 2012, the plant has had its full capacity of 2,188 megawatts (MW) online. Hard coal also made a larger contribution to power generation, primarily driven by improved margins on the German spot market. A counteracting effect was felt from the fact that some of our contracts governing the usage of German hard coal-fired power stations not owned by RWE expired at the end of 2012. This caused the generation capacity at our disposal from these kinds of plants to decrease by 1.9 gigawatts (GW) to 4.5 GW. Renewables also contributed to the rise in our electricity production. A significant portion of the additional volume stems from the biomass-fired power plant at Tilbury, which had been offline for several months in 2012 following a fire. In contrast, electricity generation from lignite was down because we had decommissioned all of our old 150 MW units by the end of 2012. Ten blocks were still in service as of 31 March 2012.

In addition to our in-house generation, we procure electricity from external suppliers. These purchases amounted to 13.9 billion kWh compared to 18.2 billion kWh in the same quarter last year. In-house generation and power purchases combined for 76.0 billion kWh. The comparable figure for 2012 was 78.6 billion kWh.

Gas and oil production down 7% and 3% respectively

In the period under review, RWE Dea produced 668 million cubic metres of gas and 595 thousand cubic metres of oil. Converting the gas to oil equivalent and adding it to crude oil production results in a total output of 1,242 thousand cubic metres, or 7.8 million barrels. This compares to 1,310 thousand cubic metres, or 8.2 million barrels, in the first quarter of 2012. Gas production decreased by 7%, in part because of the progressive depletion of reserves, affecting the Völkersen field in Lower Saxony, among others. Furthermore, production from the Norwegian Snøhvit field had to be interrupted for maintenance work. Additional gas volumes came from the Clipper South and Devenick fields in the UK North Sea, where we began production in the third quarter of 2012. We experienced a 3% decrease in crude oil volume. An important factor in this context is that the share of total production accounted for by oil in the Norwegian Gjøa field dropped, whereas the proportion allocable to gas rose. Conversely, we produced more oil in the German Mittelplate field than in the comparable period in 2012, as we benefited from a new production well.

External electricity sales volume January – March	Residential and commercial customers		Industrial and corporate customers		Distributors		Electricity trading		Total	
Billion kWh	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Conventional Power Generation	0.1	0.1	0.2	0.2	2.4	2.2	-	-	2.7	2.5
Supply/Distribution Networks Germany	7.2	7.7	6.9	7.4	18.8	17.6	-	-	32.9	32.7
Supply Netherlands/Belgium	3.1	3.1	3.4	2.4	0.4	-	-	-	6.9	5.5
Supply United Kingdom	5.3	5.2	7.8	8.2	-	-	-	-	13.1	13.4
Central Eastern and South Eastern Europe	2.3	2.2	2.2	2.4	1.4	1.5	-	-	5.9	6.1
Renewables	-	-	-	-	0.6	0.6	-	-	0.6	0.6
Trading/Gas Midstream	-	-	3.8	7.9	-	-	5.0	5.1	8.8	13.0
RWE Group	**18.0**	**18.3**	**24.3**	**28.5**	**23.6**	**21.9**	**5.0**	**5.1**	**70.9**	**73.8**

Electricity sales volume 4% down on 2012

In the first quarter of 2013, we sold 70.9 billion kWh of electricity to external customers. This was 4% less than in 2012. We experienced a significant decline in the industrial and corporate customer segment, as RWE Supply & Trading stopped auctioning off electricity on 1 January 2013. In 2007, we agreed with the Federal Cartel Office that we would conduct such auctions for the supply period from 2009 to 2012. RWE Supply & Trading's sales in the first quarter were also affected by the fact that the company transferred its Dutch industrial and corporate customers to Essent. In the Supply/Distribution Networks Germany Division, the sale of Koblenzer Elektrizitätswerk und Verkehrs-Aktiengesellschaft (KEVAG) in December of last year removed supply volumes. Despite this, the division sold more electricity than in 2012 due to the successful acquisition of customers in business with distributors. However, this was contrasted by competition-induced losses in sales volume in the other two customer segments.

External gas sales volume January – March	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2013	2012	2013	2012	2013	2012	2013	2012
Supply/Distribution Networks Germany	12.3	12.9	6.6	5.6	16.2	8.1	35.1	26.6
Supply Netherlands/Belgium	19.9	16.8	14.5	14.8	-	-	34.4	31.6
Supply United Kingdom	19.8	16.3	0.7	0.7	-	-	20.5	17.0
Central Eastern and South Eastern Europe	9.3	10.2	9.9	9.8	0.3	6.2	19.5	26.2
Upstream Gas & Oil	-	-	1.6	0.2	3.8	4.8	5.4	5.0
Trading/Gas Midstream	-	-	4.8	4.3	7.2	2.9	12.0	7.2
RWE Group	**61.3**	**56.2**	**38.1**	**35.4**	**27.5**	**22.0**	**126.9**	**113.6**

Cold weather drives up gas sales volume by 12%

The RWE Group sold 126.9 billion kWh of gas, 12% more than in 2012. A major contributing factor was the cold weather in Northwestern Europe. The rise in demand for heating was the main reason why we sold much more gas to residential and commercial customers. This primarily related to RWE npower and Essent. We also benefited from the colder weather in Germany and the Czech Republic. Despite this, gas sales to households and commercial operations were down. In Germany, this was due to the reclassification of customers to the industrial and corporate customer segment, and in the Czech Republic, it was because of a competition-driven deterioration of our position on the market. The RWE Group also sold much more gas in the distributor business. This applies in particular to the Supply/Distribution Networks Germany Division, where we won new customers and benefited from the weather-driven increase in purchases by existing customers. The Trading/Gas Midstream Division also posted significant growth in the sales volume achieved from distributors, whereas the Central Eastern and South Eastern Europe Division recorded a decline of a similar order. This is a result of the internal reassignment of the Czech wholesale business to RWE Supply & Trading.

External revenue € million	Jan – Mar 2013	Jan – Mar 2012	+/– %	Jan – Dec 2012
Conventional Power Generation	418	382	9.4	1,626
Supply/Distribution Networks Germany	6,951	6,499	7.0	23,710
Supply Netherlands/Belgium	2,441	2,021	20.8	5,863
Supply United Kingdom	2,846	2,461	15.6	8,708
Central Eastern and South Eastern Europe	1,583	1,789	–11.5	5,274
Renewables	116	129	–10.1	387
Upstream Gas & Oil	466	569	–18.1	1,848
Trading/Gas Midstream	1,204	1,714	–29.8	5,698
Other, consolidation	25	29	–13.8	113
RWE Group	**16,050**	**15,593**	**2.9**	**53,227**
Natural gas tax/electricity tax	897	830	8.1	2,456
RWE Group (excluding natural gas tax/electricity tax)	**15,153**	**14,763**	**2.6**	**50,771**

External revenue 3% up year on year

The RWE Group generated €16,050 million in external revenue. This is 3% more than in the first quarter of 2012. Gas revenue rose in particular, amounting to €5,705 million and surpassing the year-earlier figure by 11%. This is largely due to sales volumes being substantially affected by the cold weather. In contrast, electricity revenue was essentially unchanged, totalling €8,962 million. The slight decline in delivery volumes was offset by price increases. In Germany, some of our regional companies have raised tariffs for residential and commercial customers. This was in response to the rise in expenses caused predominantly by the increased apportionment for electricity generated in accordance with the German Renewable Energy Act (REA). We also had to adjust residential tariffs in the United Kingdom. One major price driver is the higher costs incurred for energy savings in UK households, which large utilities are obliged to bear within the scope of government programmes. Changes in foreign exchange rates only had a minor impact on the development of consolidated revenue. In the first quarter of 2013, the British pound cost an average of €1.17, as opposed to €1.19 in the same period last year. The Czech crown, the Hungarian forint and the Polish zloty also depreciated against the euro. In contrast, the US dollar appreciated from €0.75 to €0.76.

External revenue by product € million	Jan – Mar 2013	Jan – Mar 2012	+/– %	Jan – Dec 2012
Electricity revenue	8,962	8,975	–0.1	34,256
of which:				
Supply/Distribution Networks Germany	5,093	4,922	3.5	19,173
Supply Netherlands/Belgium	742	594	24.9	2,144
Supply United Kingdom	1,611	1,611	-	6,107
Central Eastern and South Eastern Europe	601	622	–3.4	2,391
Trading/Gas Midstream	657	1,060	–38.0	3,707
Gas revenue	5,705	5,123	11.4	14,222
of which:				
Supply/Distribution Networks Germany	1,561	1,315	18.7	3,553
Supply Netherlands/Belgium	1,629	1,366	19.3	3,551
Supply United Kingdom	983	817	20.3	2,188
Central Eastern and South Eastern Europe	950	1,131	–16.0	2,761
Upstream Gas & Oil	141	159	–11.3	469
Trading/Gas Midstream	440	334	31.7	1,697
Oil revenue	341	685	–50.2	1,540
of which:				
Upstream Gas & Oil	304	384	–20.8	1,289
Trading/Gas Midstream	37	301	–87.7	251
Other revenue	1,042	810	28.6	3,209
RWE Group	**16,050**	**15,593**	**2.9**	**53,227**

Internal revenue € million	Jan – Mar 2013	Jan – Mar 2012	+/– %	Jan – Dec 2012
Conventional Power Generation	2,367	2,709	–12.6	9,605
Supply/Distribution Networks Germany	304	541	–43.8	2,020
Supply Netherlands/Belgium	176	1	-	13
Supply United Kingdom	73	54	35.2	227
Central Eastern and South Eastern Europe	100	133	–24.8	502
Renewables	176	124	41.9	491
Upstream Gas & Oil	66	50	32.0	143
Trading/Gas Midstream	7,213	6,680	8.0	25,738

Reconciliation of income from operating activities to EBITDA € million	Jan – Mar 2013	Jan – Mar 2012	+/– %	Jan – Dec 2012
Income from operating activities[1]	2,387	2,296	4.0	3,845
+ Operating income from investments	121	139	–12.9	587
+ Non-operating income from investments	–2	14	-	–110
- Non-operating result	–172	–13	-	2,094
Operating result	2,334	2,436	–4.2	6,416
+ Operating depreciation and amortisation	708	689	2.8	2,898
EBITDA	**3,042**	**3,125**	**–2.7**	**9,314**

1 See the income statement on page 32.

EBITDA € million	Jan – Mar 2013	Jan – Mar 2012	+/– %	Jan – Dec 2012
Conventional Power Generation	1,014	1,404	–27.8	4,378
of which:				
Continental Western Europe	906	1,280	–29.2	3,928
United Kingdom	112	124	–9.7	456
Supply/Distribution Networks Germany	762	772	–1.3	2,266
Supply Netherlands/Belgium	186	153	21.6	293
Supply United Kingdom	297	240	23.8	371
Central Eastern and South Eastern Europe	449	387	16.0	1,312
Renewables	129	129	-	364
Upstream Gas & Oil	283	328	–13.7	1,041
Trading/Gas Midstream	–45	–218	79.4	–591
Other, consolidation	–33	–70	52.9	–120
RWE Group	**3,042**	**3,125**	**–2.7**	**9,314**

Operating result € million	Jan – Mar 2013	Jan – Mar 2012	+/– %	Jan – Dec 2012
Conventional Power Generation	745	1,150	–35.2	3,275
of which:				
Continental Western Europe	712	1,079	–34.0	3,085
United Kingdom	37	70	–47.1	194
Supply/Distribution Networks Germany	595	607	–2.0	1,578
Supply Netherlands/Belgium	165	129	27.9	190
Supply United Kingdom	278	220	26.4	286
Central Eastern and South Eastern Europe	383	322	18.9	1,052
Renewables	82	84	–2.4	183
Upstream Gas & Oil	191	241	–20.7	685
Trading/Gas Midstream	–47	–220	78.6	–598
Other, consolidation	–58	–97	40.2	–235
RWE Group	**2,334**	**2,436**	**–4.2**	**6,416**

Operating result 4% down year on year

In the first quarter of 2013, the RWE Group's EBITDA was €3,042 million and the operating result was €2,334 million. This is 3% and 4% less than in the same period last year, primarily because, as expected, earnings in the conventional power generation business deteriorated significantly. Positive developments in other divisions, especially in the Trading/Gas Midstream Segment, were unable to make up for this. Disregarding major consolidation and currency effects, EBITDA and the operating result declined by 1% and 3%, respectively. Developments in our divisions were as follows.

- Conventional Power Generation: The operating result amounted to €745 million, down 35% year on year. In Continental Western Europe (Germany and Netherlands/Belgium) and the United Kingdom, it declined by 34% and 47%, respectively. The main reason is that governments of Western Europe are hardly granting any free allocations of CO_2 emission allowances in the third emissions trading period, which runs from 2013 to 2020. In the first quarter of 2012, we had received free allocations of emission allowances equivalent to 31.7 million metric tons of carbon dioxide in the Conventional Power Generation Segment. The certificates had covered about 70% of our carbon emissions, providing around €330 million in relief. Further earnings shortfalls stemmed from the fact that we decommissioned all of our 150 MW lignite-fired units in 2012 and that average prices realised in Continental European electricity forward trading decreased. Moreover, we have been obliged to pay a coal tax in the Netherlands since 1 January 2013. Conversely, declining hard coal and CO_2 emission allowance procurement prices provided marginal relief. Measures taken as part of our efficiency-enhancement programme also had a positive effect. In addition, costs associated with the inspections of our power plants were lower.

- Supply/Distribution Networks Germany: The operating result recorded by this division declined by 2% to €595 million. One of the reasons is that, last year, we divested our stakes in the Koblenz-based regional utility KEVAG and in the Berlin waterworks. Therefore, the aforementioned activities are no longer included in the segment result. The same applies to our wastewater business in Zagreb, which we reassigned to the Central Eastern and South Eastern Europe Segment with effect from 1 January 2013. In contrast, efficiency enhancements and the cold weather had a positive effect on earnings.

- Supply Netherlands/Belgium: Essent posted an operating result of €165 million. This represents an increase of 28% compared to 2012, which is predominantly due to the weather-induced rise in gas sales volumes, measures to improve efficiency, and the absence of one-off burdens suffered last year. However, gas supply margins worsened somewhat. The trend towards energy efficiency in the residential sector also curtailed earnings.

- Supply United Kingdom: The operating result achieved by RWE npower increased by 26% to €278 million. Net of currency effects, the rise amounted to 29%. Efficiency improvements and the colder weather also played a central role here. Furthermore, in the first quarter, we benefited from the relatively low costs associated with the promotion of energy savings measures in households, which we are obliged to bear by the government. At the beginning of the year, a new programme was launched, which will not lead to significant burdens until later in the year. The operating result for the quarter was curtailed by the fact that UK households are becoming more energy efficient. Moreover, we had to pay higher network usage fees. However, the additional costs were cushioned by price adjustments. RWE npower lifted residential tariffs most recently in November 2012, raising them by 8.8% for electricity and 8.6% for gas.

- Central Eastern and South Eastern Europe: The operating result recorded by this division grew by 19% to €383 million. Excluding currency effects, it was up 22%. This was primarily due to a considerable improvement in earnings from transactions to limit currency risks. Risks of this kind arise in part because gas and electricity purchases for our markets in Central Eastern Europe are usually settled in euros and US dollars, whereas they are settled in local currency when they are re-sold. Polish electricity supply activities also contributed to the rise in earnings in the first quarter. In the Czech gas business, network margins grew, as did procurement costs in the supply business. In Hungary, a state-ordered reduction in network fees and residential electricity and gas tariffs led to earnings shortfalls.

- Renewables: The operating result recorded by RWE Innogy was down 2% to €82 million. The main reason was that the regulatory framework for renewables in Spain deteriorated. In addition to our local wind turbines, this also applies to Andasol 3, our solar thermal power plant in Andalusia. We therefore recognised an impairment loss on our minority interest in the station. Furthermore, in Poland, green energy certificates became much cheaper due to an oversupply on the market. These certificates are generated by power producers such as RWE Innogy and sold to supply companies which have to cover some of their electricity sales with them. Low capacity utilisation at our wind turbines in Northwestern Europe also eliminated earnings. In contrast, the continued expansion of our generation capacity had a positive impact. For example, the Greater Gabbard offshore wind farm, which was completed in September 2012 and in which we hold a 50% stake, contributed its full capacity of 504 MW to electricity generated in the quarter under review. Furthermore, we benefited from compensation for damages received from a supplier for defective Spanish wind turbines.

- Upstream Gas & Oil: Earnings posted by RWE Dea fell by 21% to €191 million, in part due to delays in sales of Norwegian oil. In addition, we produced less gas and oil than in 2012 and realised lower average prices for both products. This was contrasted by relief in terms of production costs. Moreover, we paid lower royalties in Germany, which are linked to the development of oil and gas prices.

- Trading/Gas Midstream: The division recorded an operating loss in the financial statements for the quarter, but at €47 million, it was smaller than in 2012 (€220 million). Earnings in the gas midstream business improved considerably. The basis for this was the significant reduction in the portion of gas purchases linked to the price of oil, which we achieved as a result of renegotiations over the course of the past year. Oil price indexation had led to a substantial deterioration in procurement conditions. In the meantime, we have agreed on contractual adjustments with nearly all of our gas suppliers. Only the contract with Gazprom – the largest in our portfolio – is still pending a solution. However, we expect to end our negotiations with the Russian gas group or the concurrent arbitration proceedings this year. RWE Supply & Trading was unable to match the good performance it achieved in its trading business in the first quarter of 2012.

Non-operating result € million	Jan – Mar 2013	Jan – Mar 2012	+/– € million	Jan – Dec 2012
Capital gains	4	45	–41	487
Impact of commodity derivatives on earnings	136	221	–85	470
Restructuring, other	32	–253	285	–3,051
Non-operating result	**172**	**13**	**159**	**–2,094**

Reconciliation to net income

The reconciliation from the operating result to net income is characterised by the absence of one-off burdens incurred last year and a decline in the effective tax rate.

The non-operating result rose by €159 million to €172 million, largely due to the absence of one-off burdens, which affected the 'restructuring, other' item in 2012. Last year, we had accrued risk provisions for investments. In addition, we depreciated RWE npower's customer base for the last time in 2012. Capital gains in the period under review amounted to €4 million, remaining below the low level achieved a year earlier (€45 million). The accounting treatment of certain derivatives, with which we hedge the prices of commodity forward transactions, resulted in a gain of €136 million compared to €221 million in the first quarter of 2012. Pursuant to 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.

Financial result € million	Jan – Mar 2013	Jan – Mar 2012	+/– € million	Jan – Dec 2012
Interest income	93	101	–8	413
Interest expenses	–296	–314	18	–1,249
Net interest	**–203**	**–213**	**10**	**–836**
Interest accretion to non-current provisions	–237	–276	39	–1,208
Other financial result	13	19	–6	–48
Financial result	**–427**	**–470**	**43**	**–2,092**

The financial result improved by €43 million to –€427 million, mainly due to relief in the interest accretion to non-current provisions. Last year, we had recognised an increase in other non-current provisions in this item, which resulted from a reduction in discount rates. Conversely, discount rates did not change in the first quarter of 2013. Net interest also displayed a positive development. The decline in market interest rates caused the cost of repaying our financial debt to drop. The volume of interim financing via commercial paper also declined.

Income before tax rose by 5% to €2,079 million. Our effective tax rate decreased by three percentage points to 25%. One of the reasons was that we increased the share of our earnings achieved in countries with relatively low effective tax rates. Special items relating to deferred taxes also played a role, whereas the decline in our tax-free capital gains had a counteracting influence. After taxes, income grew by 9% to €1,553 million.

At €111 million, the minority interest in income was 16% higher than in the same period last year, largely due to the improved earnings of some fully consolidated German regional utilities, in which non-Group companies hold shares. The portion of our earnings attributable to hybrid investors amounts to €26 million. This sum corresponds to the finance costs after tax. However, only the hybrid bonds classified as equity pursuant to IFRS are considered. These are the issuances of €1,750 million in September 2010 and of £750 million in March 2012. The latter was the main reason why the share in earnings attributable to hybrid investors rose by €9 million compared to the first quarter of 2012.

Net income earned by the RWE Group rose by 8% to €1,416 million. Per share, it amounted to €2.30. In the period being reviewed, an average of 614.7 million RWE shares were outstanding, roughly as many as a year before (614.4 million).

Reconciliation to net income		Jan – Mar 2013	Jan – Mar 2012	+/– %	Jan – Dec 2012
Operating result	€ million	2,334	2,436	–4.2	6,416
Non-operating result	€ million	172	13	-	–2,094
Financial result	€ million	–427	–470	9.1	–2,092
Income before tax	€ million	**2,079**	**1,979**	**5.1**	**2,230**
Taxes on income	€ million	–526	–555	5.2	–526
Income	€ million	**1,553**	**1,424**	**9.1**	**1,704**
Minority interest	€ million	111	96	15.6	302
RWE AG hybrid investors' interest	€ million	26	17	52.9	96
Net income/RWE AG shareholders' share in net income	€ million	**1,416**	**1,311**	**8.0**	**1,306**
Recurrent net income	€ million	**1,297**	**1,288**	**0.7**	**2,457**
Earnings per share	€	2.30	2.13	8.0	2.13
Recurrent net income per share	€	2.11	2.10	0.5	4.00
Number of shares outstanding (average)	millions	614.7	614.4	-	614.5
Effective tax rate	%	25	28	-	24

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 first quarter of 2013, recurrent net income totalled €1,297 million, slightly more than the corresponding figure achieved in the same period last year (€1,288 million).

Capital expenditure € million	Jan – Mar 2013	Jan – Mar 2012	+/– € million	Jan – Dec 2012
Capital expenditure on property, plant and equipment and on intangible assets				
Conventional Power Generation	272	470	–198	1,784
of which:				
Continental Western Europe	256	384	–128	1,534
United Kingdom	6	15	–9	101
Supply/Distribution Networks Germany	66	76	–10	904
Supply Netherlands/Belgium	7	8	–1	43
Supply United Kingdom	11	17	–6	89
Central Eastern and South Eastern Europe	38	61	–23	518
Renewables	213	198	15	999
Upstream Gas & Oil	129	145	–16	684
Trading/Gas Midstream	2	1	1	4
Other, consolidation	19	11	8	56
Total	**757**	**987**	**–230**	**5,081**
Capital expenditure on financial assets	**7**	**86**	**–79**	**463**
Total capital expenditure	**764**	**1,073**	**–309**	**5,544**

Capital expenditure declined by 29%

The RWE Group spent €764 million in capital, €309 million, or 29%, less than in the equivalent period last year. We spent €757 million on property, plant and equipment and intangible assets. Compared to 2012, this represents a decrease of €230 million. Capital expenditure on financial assets amounted to €7 million and was thus of minor significance. The expansion and modernisation of our electricity generation capacity continues to be a focal point of our investing activity. This holds true especially for the Conventional Power Generation Division. However, much less capital was spent in this area compared to the first quarter of 2012, as four large stations from our ongoing new-build power plant programme began commercial operation in 2012 (see page 49 of RWE's 2012 Annual Report). Three projects are still in the construction phase: we are building a gas-fired power plant with a net installed capacity of 775 MW near the Turkish town of Denizli, which should be commissioned this year. Added to this is a 1,528 MW dual-block hard coal power plant at Hamm and another one with a capacity of 1,560 MW at Eemshaven (Netherlands). These stations are planned for completion in 2014. Capital expenditure in the Renewables Division was also high: the single-largest project is the Gwynt y Môr offshore wind farm off the north coast of Wales, which is scheduled to put its full capacity of 576 MW online in September 2014. The Upstream Gas & Oil Division also spent a considerable amount of capital. In this context, RWE Dea concentrated on the development of oil and gas fields in preparation for production. Funds in the Supply/Distribution Networks Germany and Central Eastern and South Eastern Europe Divisions were primarily used to improve electricity and gas network infrastructure.

Cash flow statement[1] € million	Jan – Mar 2013	Jan – Mar 2012	+/– € million	Jan – Dec 2012
Funds from operations	2,174	2,277	–103	5,446
Change in working capital	–2,116	–1,979	–137	–1,051
of which: influence of the variation margins	–191	42	–233	831
Cash flows from operating activities	58	298	–240	4,395
Cash flows from investing activities	–430	213	–643	–1,285
Cash flows from financing activities	1,095	–867	1,962	–2,463
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–9	17	–26	16
Total net changes in cash and cash equivalents	**714**	**–339**	**1,053**	**663**
Cash flows from operating activities	58	298	–240	4,395
Minus capital expenditure on property, plant and equipment and on intangible assets	–757	–987	230	–5,081
Free cash flow	**–699**	**–689**	**–10**	**–686**

1 The full cash flow statement can be found on page 35.

Cash flows from operating activities characterised by seasonal effects

At €58 million, our cash flows from operating activities were unusually low, as in the first quarter of last year. This is largely due to seasonal influences, which are reflected in changes in working capital. Among other things, the weather-induced rise in gas sales volumes was partially responsible for the combined €2.5 billion increase in trade accounts receivable in the Supply/Distribution Networks Germany, Supply Netherlands/Belgium and Supply United Kingdom Divisions over the course of the first quarter. However, this effect will become less significant later on, as payments are received. Cash outflows for investing activities in the period being reviewed amounted to €430 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 proceeds from the sale of investments and property, plant and equipment, which are offset. Cash flows from financing activities amounted to €1,095 million, primarily owing to bond issuances (see page 11). On balance, the aforementioned cash flows increased our cash and cash equivalents by €714 million.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, result in free cash flow, The latter amounted to –€699 million, which was roughly as much as in the same period last year (–€689 million).

Net debt rises marginally

As of 31 March 2013, our net debt totalled €33.2 billion. This is slightly more than its level at the end of 2012 (€33.0 billion) and primarily due to the negative free cash flow. Dividends paid to minority shareholders (€0.1 billion) and an increase in nuclear and mining provisions (€0.1 billion) also contributed to the rise in debt. A counteracting impact was felt from proceeds on asset disposals (–€0.4 billion) and foreign exchange effects (–€0.2 billion).

Net debt € million	31 Mar 2013	31 Dec 2012	+/– %
Cash and cash equivalents	3,386	2,672	26.7
Marketable securities	3,198	3,047	5.0
Other financial assets	2,068	1,892	9.3
Financial assets	**8,652**	**7,611**	**13.7**
Bonds, other notes payable, bank debt, commercial paper	18,619	17,748	4.9
Other financial liabilities	2,529	2,198	15.1
Financial liabilities	**21,148**	**19,946**	**6.0**
Net financial debt	**12,496**	**12,335**	**1.3**
Provisions for pensions and similar obligations	6,749	6,856	–1.6
Surplus of plan assets over benefit obligations	-	36	-
Provisions for nuclear waste management	10,247	10,201	0.5
Mining provisions	2,903	2,874	1.0
Adjustment for hybrid capital (portion of relevance to the rating)	768	785	–2.2
Plus 50% of the hybrid capital stated as equity	1,337	1,351	–1.0
Minus 50% of the hybrid capital stated as debt	–569	–566	–0.5
Net debt of the RWE Group	**33,163**	**33,015**	**0.4**

Balance sheet structure	31 Mar 2013		31 Dec 2012	
	€ million	%	€ million	%
Assets				
Non-current assets	62,969	67.8	63,362	71.8
Intangible assets	15,823	17.0	16,017	18.2
Property, plant and equipment	35,712	38.5	36,006	40.8
Current assets	29,858	32.2	24,840	28.2
Receivables and other assets[1]	21,532	23.2	16,436	18.6
Total	**92,827**	**100.0**	**88,202**	**100.0**
Equity and liabilities				
Equity	17,694	19.1	16,437	18.6
Non-current liabilities	48,287	52.0	47,521	53.9
Provisions	28,174	30.4	28,067	31.8
Financial liabilities	16,381	17.6	15,417	17.5
Current liabilities	26,846	28.9	24,244	27.5
Other liabilities[2]	16,639	17.9	14,904	16.9
Total	**92,827**	**100.0**	**88,202**	**100.0**

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

Balance sheet structure: equity ratio rises to 19.1 %

As of 31 March 2013, the RWE Group had a balance sheet total of €92.8 billion. This is €4.6 billion more than at the end of 2012. On the assets side, accounts receivable and derivative positions increased by €3.4 billion and €1.5 billion, respectively. On the equity and liabilities side, provisions were up, advancing by €0.7 billion. In addition, financial liabilities and derivative positions both rose by €1.2 billion. The RWE Group's shareholders' equity was €1.3 billion higher than at the end of 2012. Its share of the balance sheet total amounted to 19.1 %. The equity ratio therefore rose by 0.5 percentage points.

Workforce[1]	31 Mar 2013	31 Dec 2012	+/– %
Conventional Power Generation	17,505	17,583	–0.4
Supply/Distribution Networks Germany	19,520	19,510	0.1
Supply Netherlands/Belgium	3,293	3,376	–2.5
Supply United Kingdom	9,277	9,528	–2.6
Central Eastern and South Eastern Europe	10,592	10,900	–2.8
Renewables	1,503	1,573	–4.5
Upstream Gas & Oil	1,424	1,375	3.6
Trading/Gas Midstream	1,488	1,457	2.1
Other[2]	4,825	4,906	–1.7
RWE Group	**69,427**	**70,208**	**–1.1**
In Germany	40,163	40,272	–0.3
Outside of Germany	29,264	29,936	–2.2

1 Converted to full-time positions.
2 Of which 2,564 were accounted for by RWE IT (end of 2012: 2,624) and 1,674 were accounted for by RWE Service (end of 2012: 1,692).

Headcount down 1 % since the end of 2012

RWE had 69,427 employees as of 31 March 2013. Part-time positions were included in these figures on a pro-rata basis. Since the end of 2012, on balance, 781 staff members have left the Group, the biggest share (672) of which worked at our foreign sites. Efficiency measures in the UK supply business and in the Central Eastern and South Eastern Europe Division were largely responsible for the reduction in the workforce. Acquisitions and disposals only had a minor impact: on balance, they added 77 employees.

OUTLOOK

Economic outlook for 2013: moderate growth in Germany and the United Kingdom

Based on initial forecasts, world economic output will increase by about 2.5% in 2013, growing slightly more than in 2012. The prerequisite for this is that the Eurozone's sovereign debt crisis does not escalate. Measures taken to consolidate state budgets in euro countries will curtail growth. Therefore, gross domestic product (GDP) in the Eurozone is likely to shrink. Germany's prospects are a little brighter: following an expansion of 0.7% last year, the German Council of Economic Experts is of the opinion that a gain of the same order is also possible for 2013. It expects the relatively high level of employment within a European context and rising disposable income to provide growth stimulus. Economic output could decline in the Netherlands, whereas it is expected to rise slightly in Belgium. The United Kingdom may well post growth of about 1%. Initial estimates for our Central Eastern European markets indicate that Polish GDP may again rise by some 2%. In contrast, economic output in the Czech Republic and Hungary will probably only increase marginally.

Slight growth in gas consumption 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 over the remainder of the year. Following the unusually cold first quarter in large parts of Europe, temperatures would therefore be marginally lower than in 2012 for the full year. We do not expect German, Dutch or UK electricity consumption to change significantly compared to last year. However, progress made in the field of energy efficiency will have a dampening effect. We forecast a moderate gain in Poland and a slight drop in Hungary. Based on the aforementioned assumptions, demand for gas in most RWE markets may well exceed last year's levels due to weather conditions. Gas-fired power plants are not expected to stimulate growth in demand, as the capacity utilisation of these facilities is unlikely to improve much compared to 2012.

German wholesale prices still under pressure

Developments on commodity markets witnessed until the end of April suggest that the prices of most of the energy commodities of relevance to us will be lower than in 2012. This holds true especially for hard coal. Following the negative vote of the European Parliament on the reduction in the supply of CO_2 certificates, quotations in emissions trading will probably be much lower year on year. This and the continued expansion of renewables will maintain the pressure on wholesale prices. However, this will not have a significant effect on our earnings in the current fiscal year as we have already sold nearly all of our electricity generation for 2013 and hedged the prices of the required fuel and emission allowances. 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.

Outlook for fiscal 2013	2012 actual[1] € million	March 2013 forecast[2]	Update
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	3,275	Significantly below last year's level	-
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	286	Above last year's level	-
Central Eastern and South Eastern Europe	1,052	Significantly below last year's level	-
Renewables	183	Above last year's level	In the order of last year's level
Upstream Gas & Oil	685	In the order of last year's level	Below last year's level
Trading/Gas Midstream	−598	Significantly above last year's level	-
Recurrent net income	2,457	In the order of €2.4 billion	-
Capital expenditure on property, plant and equipment and on intangible assets	5,081	In the order of €5 billion	-
Net debt	33,015	In the order of last year's level	-

1 Some figures are pro-forma due to the change in the reporting structure.
2 See page 99 et seqq. of RWE's 2012 Annual Report.

Consolidated earnings forecast for 2013 unchanged

Our current prediction for the development of business this year is roughly in line with our expectations at the beginning of the year. We confirm the forecast we published in March 2013 (see page 99 et seqq. of RWE's 2012 Annual Report) with respect to the Group figures. Accordingly, external revenue should be in the order of €54 billion. We anticipate EBITDA to total approximately €9 billion and the operating result to amount to approximately €5.9 billion, with recurrent net income to total approximately €2.4 billion. These figures already take account of the sale of NET4GAS. With the exception of Renewables and Upstream Gas & Oil, the divisions should also post figures in line with the March forecast.

- Conventional Power Generation: The operating result of our new division will probably be far below the comparable figure for 2012. As mentioned earlier, we will have to cover nearly our entire need for CO_2 emission certificates through purchases on the market for the first time in 2013. We will also face burdens from the new carbon price floor in the United Kingdom, the coal tax in the Netherlands, and the downward trend experienced by electricity forward prices in Continental Western Europe. In addition, we will lack the earnings previously contributed by the 150 MW lignite-fired units we decommissioned. 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 achieve earnings in the order of last year. We are countering the competition-induced pressure on gas margins with continued efficiency enhancements. In addition, we will benefit from the cold weather in the first quarter and we expect that we will be able to enlarge our customer base in Belgium. This will be contrasted by earnings shortfalls caused by the more sparing use of energy made by households.

- Supply United Kingdom: We will benefit from efficiency-enhancement measures and the cold first quarter in the UK supply business. Furthermore, we expect the acquisition of industrial and commercial customers to have positive effects. Therefore, the operating result recorded by RWE npower should improve despite fierce competition. However, we anticipate additional burdens to result from new government programmes for promoting energy savings in households.

- Central Eastern and South Eastern Europe: The operating result recorded by this division will probably be much lower than last year, largely due to the impending sale of NET4GAS. In addition, we expect earnings shortfalls in the Hungarian electricity and gas business, largely resulting from the regulator's reduction in network fees and residential tariffs. In Poland, we had benefited from the release of provisions in 2012. An effect of this nature will not recur this year. In the Czech Republic, we anticipate that gas network margins will improve and, unlike in the first quarter, relief will be felt in terms of gas procurement costs in the supply business. The inclusion of the wastewater activities in Zagreb in the Central Eastern and South Eastern Europe Division for the first time will also have a positive impact.

- Renewables: We expect RWE Innogy to close fiscal 2013 with an operating result in the order of last year's level. Originally, we had anticipated an increase in earnings. The unusually low wind levels observed in Northwestern Europe so far this year and the deterioration in the regulatory framework for renewables in Spain have caused us to make a downward adjustment to our forecast. We expect the commissioning of new generation capacity to have a positive effect.

- Upstream Gas & Oil: From our current perspective, the operating result recorded by RWE Dea will decline, predominantly due to lower realised oil prices. In March, we had forecast earnings in the order of last year's level. This was based on the assumption that we could begin production in the Breagh field in the UK North Sea in the spring. In fact, this will not happen until the summer. Nevertheless, we expect positive earnings effects from higher gas volumes. For instance, we also plan to commence production in the Disouq field in Egypt in 2013. 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 recent years, we expect to receive a positive contribution to earnings from this division in 2013. The basis for this are successful renegotiations of our loss-making oil price-indexed gas purchasing agreements. By the end of 2012, we had agreed with nearly all of our suppliers to adjust the conditions. The only supplier with whom an agreement is yet to be reached is Gazprom, but we anticipate that the negotiations or the concurrent arbitration proceedings will have a satisfactory outcome this year. 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.

Capex of €5 billion planned

As before, 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 the final phase of the new-build power plant programme, building new wind farms, expanding and modernising our distribution networks, and further developing RWE Dea's upstream position.

Net debt in the order of last year

By the end of 2013, the RWE Group's net debt should be in the order of last year's level (€33.0 billion), as long as the interest level remains stable, and therefore also the discount rates for non-current provisions. Furthermore, we expect to complete the sale of NET4GAS in the second half of the year. 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 UK and Dutch supply businesses as well as to the Central Eastern and South Eastern Europe Division, where we want to reduce the headcount through efficiency improvements. The disposal of NET4GAS will probably result in approximately 560 employees leaving the RWE Group.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

No material change to the risk and opportunity situation since the beginning of the year
Uncertain political framework conditions, changing market structures and volatile electricity and fuel prices bring huge entrepreneurial challenges, making professional risk management more important than ever. To us, the systematic recording, assessment and control of risks is a key element of good corporate governance. It is equally important to identify and take advantage of opportunities. We have reported on the organisation and processes of our risk management, the organisational units entrusted with it, the major risks and opportunities, and measures taken to control and monitor risks in detail on pages 88 to 96 of RWE's 2012 Annual Report. There were no substantial changes to this presentation. The overall assessment of the risk and opportunity situation by executive management on page 90 of the same publication also reflects the Group's current situation.

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

The central risk controlling parameter for commodity positions is the Global VaR, which is related to the trading business of RWE Supply & Trading and may not exceed €40 million. It averaged €11 million in the first quarter of 2013 compared to €9 million in the same period last year. Its maximum daily value was €14 million (first quarter of 2012: €13 million).

As regards interest risks, we differentiate between two categories. On the one hand, rises in interest rates can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for our securities price risk associated with our capital investments in the first quarter of 2013 averaged €5 million (first quarter of 2012: €6 million). We measure the sensitivity of the interest expense with respect to rises in market interest rates using the Cash Flow at Risk. We apply a confidence level of 95% and a holding period of one year. The Cash Flow at Risk in the period under review averaged €9 million (first quarter of 2012: €14 million).

The securities we hold in our portfolio include shares. In the period under review, the VaR for the risk associated with changes in share prices averaged €6 million (first quarter of 2012: €10 million). As in 2012, the VaR for our foreign currency position was less than €1 million.

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

CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income Statement

€ million	Jan – Mar 2013	Jan – Mar 2012
Revenue (including natural gas tax/electricity tax)	**16,050**	**15,593**
Natural gas tax/electricity tax	–897	–830
Revenue	**15,153**	**14,763**
Cost of materials	–10,486	–9,752
Staff costs	–1,301	–1,309
Depreciation, amortisation, and impairment losses	–708	–762
Other operating result	–271	–644
Income from operating activities	**2,387**	**2,296**
Income from investments accounted for using the equity method	113	103
Other income from investments	6	50
Financial income	183	122
Finance costs	–610	–592
Income before tax	**2,079**	**1,979**
Taxes on income	–526	–555
Income	**1,553**	**1,424**
of which: minority interest	111	96
of which: RWE AG hybrid capital investors' interest	26	17
of which: net income/income attributable to RWE AG shareholders	**1,416**	**1,311**
Basic and diluted earnings per common and preferred share in €	**2.30**	**2.13**

Statement of recognised income and expenses[1]

€ million	Jan – Mar 2013	Jan – Mar 2012
Income	**1,553**	**1,424**
Actuarial gains and losses of defined benefit pension plans and similar obligations	–9	–499
Income and expenses of investments accounted for using the equity method (pro rata)	–3	
Income and expenses recognised, not to be reclassified through profit or loss	**–12**	**–499**
Currency translation adjustment	–241	311
Fair valuation of financial instruments available for sale	41	86
Fair valuation of financial instruments used for hedging purposes	–127	227
Income and expenses of investments accounted for using the equity method (pro rata)	10	12
Income and expenses recognised, to be reclassified through profit or loss in the future	**–317**	**636**
Other comprehensive income	**–329**	**137**
Total comprehensive income	**1,224**	**1,561**
of which: attributable to RWE AG shareholders	(1,124)	(1,412)
of which: attributable to RWE AG hybrid capital investors	(26)	(17)
of which: attributable to minority interests	(74)	(132)

1 Figures stated after taxes.

Balance sheet

Assets € million	31 Mar 2013	31 Dec 2012
Non-current assets		
Intangible assets	15,823	16,017
Property, plant and equipment	35,712	36,006
Investment property	106	111
Investments accounted for using the equity method	3,741	3,625
Other non-current financial assets	881	959
Receivables and other assets	3,089	3,040
Deferred taxes	3,617	3,604
	62,969	**63,362**
Current assets		
Inventories	2,191	3,128
Trade accounts receivable	11,251	8,033
Receivables and other assets	10,281	8,403
Marketable securities	2,749	2,604
Cash and cash equivalents	3,386	2,672
	29,858	**24,840**
	92,827	**88,202**

Equity and liabilities € million	31 Mar 2013	31 Dec 2012
Equity		
RWE AG shareholders' interest	13,231	12,122
RWE AG hybrid capital investors' interest	2,673	2,702
Minority interest	1,790	1,613
	17,694	**16,437**
Non-current liabilities		
Provisions	28,174	28,067
Financial liabilities	16,381	15,417
Other liabilities	2,382	2,714
Deferred taxes	1,350	1,323
	48,287	**47,521**
Current liabilities		
Provisions	5,440	4,811
Financial liabilities	4,767	4,529
Trade accounts payable	7,255	7,315
Other liabilities	9,384	7,589
	26,846	**24,244**
	92,827	**88,202**

Cash flow statement

€ million	Jan – Mar 2013	Jan – Mar 2012
Income	1,553	1,424
Depreciation, amortisation, impairment losses/write-backs	709	788
Changes in provisions	417	220
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	–505	–155
Changes in working capital	–2,116	–1,979
Cash flows from operating activities	**58**	**298**
Capital expenditure on non-current assets/acquisitions	–761	–1,072
Proceeds from disposal of assets/divestitures	440	183
Changes in marketable securities and cash investments	–109	1,102
Cash flows from investing activities	**–430**	**213**
Cash flows from financing activities	**1,095**	**–867**[1]
Net cash change in cash and cash equivalents	723	–356
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–9	17
Net change in cash and cash equivalents	**714**	**–339**
Cash and cash equivalents at the beginning of the reporting period	2,672	2,009
Cash and cash equivalents at the end of the reporting period	**3,386**	**1,670**

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

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Treasury shares	Accumulated other comprehen-sive income	**RWE AG share-holders' interest**	RWE AG hybrid capital investors' interest	Minority interest	**Total**
Balance at 1 Jan 2012	**3,959**	**10,755**	**–24**	**–711**	**13,979**	**1,759**	**1,344**	**17,082**
Capital paid in/repayments						892	–9	883
Dividends paid							–68	–68
Income		1,311			1,311	17	96	1,424
Other comprehensive income		–479		580	101		36	137
Total comprehensive income		832		580	1,412	17	132	1,561
Other changes		–1			–1	6	–1	4
Balance at 31 Mar 2012	**3,959**	**11,586**	**–24**	**–131**	**15,390**	**2,674**	**1,398**	**19,462**
Balance at 1 Jan 2013	**3,959**	**8,664**		**–501**	**12,122**	**2,702**	**1,613**	**16,437**
Capital repayments							–1	–1
Dividends paid						–64	–51	–115
Income		1,416			1,416	26	111	1,553
Other comprehensive income		2		–294	–292		–37	–329
Total comprehensive income		1,418		–294	1,124	26	74	1,224
Other changes		–15			–15	9	155	149
Balance at 31 Mar 2013	**3,959**	**10,067**		**–795**	**13,231**	**2,673**	**1,790**	**17,694**

NOTES

Accounting policies

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

The interim consolidated financial statements as of 31 March 2013 were approved for publication on 13 May 2013. They have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of the interim consolidated financial statements for the period ended 31 March 2013 was condensed compared with the scope applied to the consolidated financial statements for the full year. With the exception of the changes and new rules described below, this consolidated interim report was prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2012. For further information, please see the Group's 2012 Annual Report, which provides the basis for this interim report. The interim consolidated financial statements and the interim Group review of operations have not been subjected to an audit or to a review.

The discount rate applied to provisions for nuclear waste management and provisions for mining damage is 5.0% (31 December 2012: 5.0%). Provisions for pensions and similar obligations are discounted at an interest rate of 3.5% in Germany and 4.1% abroad (31 December 2012: 3.5% and 4.2%, respectively).

Changes in accounting policies

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

IFRS 13 Fair Value Measurement (2011) defines general standards for measuring fair value. Furthermore, the standard expands disclosure requirements on fair valuations in the notes. This also applies to interim reporting according to IAS 34 to a certain extent.

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. Now, these must be divided into two categories, depending on whether they are to be recognised in the income statement in the future ("recycling").

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. Abolishing the options does not have an 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 the expected return on plan assets to result in a reduction of €93 million for fiscal 2013. Furthermore, the financial statements as of 31 December 2013 will contain additional information in the notes.

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

The following amendments to standards and interpretations, which become effective from fiscal 2013 onwards, will not have any material effects on the RWE Group's consolidated financial statements:

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

Scope of consolidation

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

Changes in the scope of consolidation in the first quarter of 2013 relate to four companies that were consolidated for the first time in the Supply/Distribution Networks Germany, Central Eastern and South Eastern Europe, Renewables and Trading/Gas Midstream Segments as well as one company stated under "Other, consolidation." Three former fully consolidated companies, which belonged to the Conventional Power Generation and Renewables Segments, were removed from the scope of consolidation and four were merged, of which three belonged to the Supply/Distribution Networks Segment.

The scope of consolidation is as follows:

	31 Mar 2013	31 Dec 2012
Fully consolidated companies	364	366
Investments accounted for using the equity method	119	113

Disposals
On 22 February 2013, RWE sold its 80% stake in Gocher Bioenergie GmbH for €32 million. The gain on deconsolidation amounted to €5 million and is reported in the "Other operating income" item in the income statement. This company was a part of the Renewables Segment.

On the same date, RWE sold its 51% stake in BEB Bio Energie Baden GmbH for €21 million. The loss on deconsolidation amounted to €2 million and is reported in the "Other operating expenses" item in the income statement. This company was a part of the Renewables Segment.

On 22 March 2013, RWE sold a 49.9% stake in Rhyl Flats Wind Farm Limited, Swindon, United Kingdom, for £115 million. RWE still has the majority of the voting rights in the company, which operates an offshore wind farm off the coast of Wales. The sale led to a rise of €15 million in RWE AG shareholders' interest and of €119 million in the minority interest.

On the same date, RWE sold a 41% stake in Little Cheyne Court Wind Farm Limited, Swindon, United Kingdom, for £51 million. RWE still has the majority of the voting rights in the company, which operates an onshore wind farm in the County of Kent in the southeast of England. The sale led to a rise of €31 million in RWE AG shareholders' interest and of €28 million in the minority interest.

Within the framework of business transactions, sales prices amounted to €48 million (first quarter of 2012: €0 million); all payments were made in cash.

Revenue

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

Share-based payment

Information was provided on share-based payment plans for executive staff at RWE AG and at subsidiaries in the consolidated financial statements for the period ended 31 December 2012.

In the first quarter of 2013, another tranche was issued within the framework of the Long-Term Incentive Plan for executive staff ("Beat 2010").

Dividend distribution

RWE AG's 18 April 2013 Annual General Meeting decided to pay a dividend of €2.00 per individual, dividend-bearing share for fiscal 2012 (fiscal 2011: €2.00). The dividend payment totalled €1,229 million.

Financial liabilities

In January 2013, RWE Finance B.V. issued a €750 million bond with a coupon of 1.875% p.a. The bond has a tenor that expires in January 2020.

In February 2013, RWE AG issued a €150 million bond with a 30-year tenor and a coupon of 3.55% p.a.

Also in February 2013, a €270 million bond with a coupon of 3.5% p.a. and a tenor expiring in October 2037 issued by RWE AG in October 2012 was topped up by €105 million.

Earnings per share

		Jan – Mar 2013	Jan – Mar 2012
Net income/income attributable to RWE AG shareholders	€ million	1,416	1,311
Number of shares outstanding (weighted average)	thousands	614,745	614,447
Basic and diluted earnings per common and preferred share	€	2.30	2.13

Related party disclosures

The RWE Group classifies associated companies and joint ventures as related parties. In the first quarter of 2013, transactions concluded with material related parties generated €711 million in income (first quarter of 2012: €830 million) and €748 million in expenses (first quarter of 2012: €687 million). As of 31 March 2013, accounts receivable amounted to €1,643 million (31 December 2012: €1,639 million), and accounts payable totalled €186 million (31 December 2012: €234 million). All business transactions are concluded at arm’s length conditions and on principle do not differ from those concluded with other companies. Other obligations from executory contracts amounted to €6,157 million (31 December 2012: €6,480 million).

Furthermore, in the year-earlier period, companies in which Dr. Jürgen Großmann, the CEO of RWE AG at the time, was a partner, were classified as related parties of the RWE Group. These were the corporate groups of Georgsmarienhütte Holding GmbH and RGM Holding GmbH. In the first quarter of 2012, RWE Group companies provided services and deliveries to these companies amounting to €1.7 million and received services and deliveries from these companies amounting to €1.3 million. All transactions were completed at arm’s length conditions; the business relations did not differ from those maintained with other enterprises.

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 “available for sale” category 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. Fair values are derived from the relevant stock market quotations or are measured using generally accepted valuation methods.

As regards derivative financial instruments, 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. Assumptions pertaining to the energy sector and economy are made within the scope of a comprehensive process conducted by an independent team in RWE AG’s Group Strategy Department, with the involvement of both in-house and external experts. The assumptions are coordinated and agreed upon with the operating subsidiaries in a steering committee within the Group and approved as binding budgeting data by the Executive Board.

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, of 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 counterparty default risk is also taken into account when determining fair values. The counterparty default risk associated with derivative financial instruments is determined on the basis of the RWE Group's net risk position with respect to each counterparty. Some derivative financial instruments with negative fair values are backed by inseparable credit collateral which is considered when determining their fair value.

As a rule, the carrying amounts of financial assets and liabilities subject to IFRS 7 are identical with their fair values. There are deviations only in relation to bonds, commercial paper, bank debt, and other financial liabilities. Their carrying amounts totalled €21,148 million (31 December 2012: €19,946 million) and their fair values totalled €23,985 million (31 December 2012: €22,293 million).

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 13, the individual levels of the fair value hierarchy are defined as follows:

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

Fair value hierarchy € million	Total 31 Mar 2013	Level 1	Level 2	Level 3	Total 31 Dec 2012	Level 1	Level 2	Level 3
Other financial assets	881	127	388	366	959	119	398	442
Derivatives (assets)	6,104		5,944	160	4,568		4,331	237
Securities	2,749	1,661	1,088		2,604	1,609	995	
Derivatives (liabilities)	4,952		4,903	49	3,761		3,586	175

Due to increasing price quotations on active markets, financial assets with a fair value of €2 million were reclassified from Level 2 to Level 1 in the first quarter of 2013 with effect from the end of the reporting period.

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

Level 3 financial instruments: Development in 2013	Balance at 1 Jan 2013	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 31 Mar 2013
€ million			Recognised in profit or loss	With a cash effect	
Other financial assets	442	−45		−30	367
Derivatives (assets)	237		11	−88	160
Derivatives (liabilities)	175		−67	−59	49

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total 31 Mar 2013	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	79	79
Cost of materials	–1	–1
	78	**78**

Level 3 derivative financial instruments substantially consist of commodity and electricity purchase agreements, which also relate to trading periods for which there are no active markets yet. This primarily relates to long-term gas procurement contracts linked to the price of oil, the valuation of which depends on the development of wholesale gas and oil prices. All other things being equal, rising gas and sinking oil prices cause the fair values of the corresponding contracts to increase.

The following is an overview of the financial assets and financial liabilities which are netted out in accordance with IAS 32 or are subject to enforceable global offsetting agreements or similar arrangements.

Netting of financial assets and financial liabilities as of 31 Mar 2013 € million	Gross amounts recognised	Amount netted out	Net amounts recognised	Associated non-netted amounts		Net total
				Financial instruments	Cash collateral received/pledged	
Derivatives (assets)	2,374	–1,543	831		–620	211
Derivatives (liabilities)	2,529	–2,138	391	–46	–317	28

Netting of financial assets and financial liabilities as of 31 Mar 2012 € million	Gross amounts recognised	Amount netted out	Net amounts recognised	Associated non-netted amounts		Net total
				Financial instruments	Cash collateral received/pledged	
Derivatives (assets)	4,704	–3,863	841		–574	267
Derivatives (liabilities)	4,731	–4,289	442	–40	–336	66

The associated non-netted amounts include cash collateral received and pledged for over-the-counter transactions as well as collateral pledged in advance for exchange transactions, which may consist of securities transferred as collateral.

Events after the balance-sheet date

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

FINANCIAL CALENDAR 2013/2014

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

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

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

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