REPORT ON THE FIRST THREE QUARTERS OF 2013

- Operating result of €4.6 billion on a par year on year
- Full-year earnings forecast confirmed
- Executive Board decides to adjust dividend policy
- Efficiency measures worth €1 billion in savings identified

RWE
The energy to lead

AT A GLANCE

RWE Group – key figures		Jan – Sep 2013	Jan – Sep 2012	+/– %	Jan – Dec 2012
Electricity production	billion kWh	159.5	167.3	–4.7	227.1
External electricity sales volume	billion kWh	200.0	208.3	–4.0	277.8
External gas sales volume	billion kWh	236.7	203.6	16.3	306.8
External revenue	€ million	39,886	38,358	4.0	53,227
EBITDA	€ million	6,711	6,718	–0.1	9,314
Operating result	€ million	4,626	4,606	0.4	6,416
Income before tax	€ million	1,702	2,916	–41.6	2,230
Net income	€ million	609	1,880	–67.6	1,306
Recurrent net income	€ million	1,915	1,892	1.2	2,457
Earnings per share	€	0.99	3.06	–67.6	2.13
Recurrent net income per share	€	3.12	3.08	1.3	4.00
Cash flows from operating activities	€ million	5,006	3,240	54.5	4,395
Capital expenditure	€ million	3,005	3,804	–21.0	5,544
Property, plant and equipment and intangible assets	€ million	2,937	3,391	–13.4	5,081
Financial assets	€ million	68	413	–83.5	463
Free cash flow	€ million	2,069	–151	–	–686
		30 Sep 2013	31 Dec 2012		
Net debt	€ million	30,784	33,015	–6.8	
Workforce[1]		67,267	70,208	–4.2	

1 Converted to full-time positions.

Contents

»We will step up our efficiency measures significantly: By 2017, this will contribute an additional €1 billion of savings.«

Dear Shareholders, Customers and Friends of the Company,

In my previous letters to you, I explained that we are facing difficult times – and that RWE cannot simply continue to do “business as usual.” In such situations, decisions that have to be taken by management rarely make positive headlines. This was the case in September, as my fellow board members and I – supported by the Supervisory Board – decided to adjust the company’s dividend policy. For the current fiscal year, we intend to propose to the Annual General Meeting a dividend of €1 per share. We will therefore fall clearly below the level that would have resulted from applying our previous payout ratio of 50% to 60%. We plan to set this ratio at between 40% and 50% for subsequent financial years. The funds saved will be set aside to reduce debt, as having a robust balance sheet is vital, especially in times which are difficult in operational terms.

What is also certain is that everyone in our company will make a contribution to safeguarding RWE’s financial power over the long term – definitely not just you, our shareholders. This involves questioning processes and structures from the ground up, reducing our factor costs and shedding whatever we do not need in order to continue running our business successfully. I have already informed you about our ongoing efficiency-enhancement programme: it is scheduled to be completed by the end of 2014 and to have a lasting effect of about €1 billion on the operating result. But this is not enough: in recent months, we have identified further measures, which we want to take in the next four years, accounting for a total of €1 billion. However, this is a gross figure. General cost increases, which we cannot pass on to our customers, unlike other branches of industry, must be set off against it. Taking additional costs of this nature into account, we expect these new measures to have an earnings potential of at least €500 million, which should be realised in full from 2017 onwards. Our objective is to cushion the effects of the unfavourable market conditions for our power plants. However, we will not be able to offset them completely.

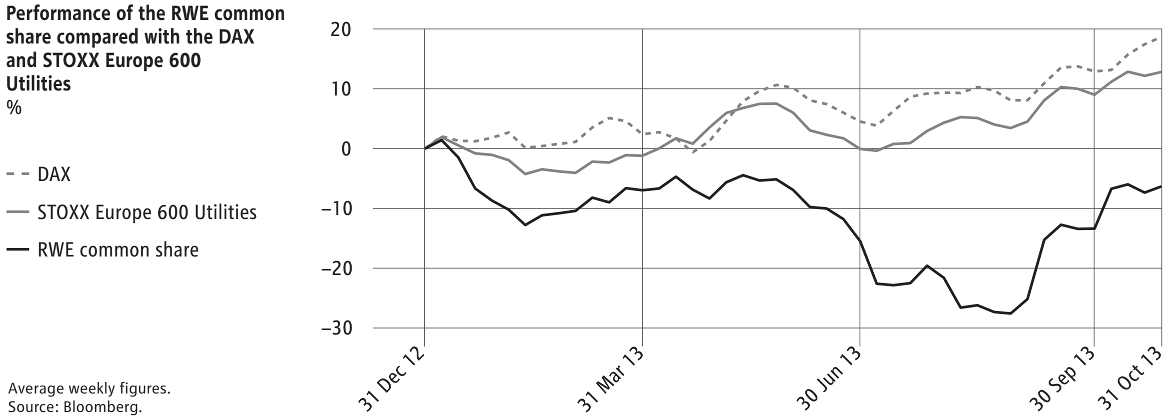
The current interim financial statements already show signs of the significant deterioration in earnings in the conventional electricity generation business, where the operating result was down by nearly two-thirds compared to a year before. However, this loss was cushioned by the positive one-off effect of the successful revision of the gas procurement agreement with Gazprom. Therefore, we achieved a consolidated operating result of approximately €4.6 billion, matching the level recorded in 2012. Another piece of good news is that our outlook for the year as a whole remains in place: as things stand, we will achieve all of the figures forecast in March for EBITDA, the operating result and recurrent net income.

Sincerely yours,

Peter Terium
CEO of RWE AG
Essen, November 2013

RWE'S SHARE PRICE REFLECTS COLLAPSE IN EARNINGS IN CONVENTIONAL ELECTRICITY GENERATION

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



Average weekly figures.
Source: Bloomberg.

Despite the Eurozone's persistent sovereign debt crisis and mediocre economic data, 2013 has been a good year on the stock market so far. The continued loose monetary policy pursued by leading central banks, in particular the US Federal Reserve and the ECB, proved to be the main stimulus for share prices. Germany's leading index, the DAX, broke one record after another, surpassing the 9,000-point mark for the first time at the end of October. It closed the month of September at 8,594 points. This represents a 13% gain in the first three quarters of 2013. RWE's share performance was much less favourable. Our common and preferred shares ended the month of September trading at €25.14 and €24.25, respectively. This corresponds to total returns (returns due to changes in price plus the dividend) of −13% and −8%, respectively. A negative impact was felt from the continued decline in forward prices on the German wholesale electricity market, which caused the earnings prospects in the conventional power generation business to deteriorate further. Over the course of the year, an increasing number of analysts were of the opinion that RWE could lower its gearing sustainably only by reducing its dividend and/or by implementing another capital increase. In August, our common shares were occasionally quoted at just over the €20 mark, after which they posted a significant gain. The upturn was triggered by a slight recovery in electricity forward prices which, however, only lasted for a short period of time. Another positive effect was that rumours about an impending capital increase did not materialise. However, on 19 September, the Executive Board of RWE AG announced that it would pursue a more restrictive dividend policy in the future (see page 10).

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

Average weekly figures.
Source: Bloomberg.

The expansionary monetary policy pursued by leading central banks is also clearly leaving its mark on the bond market. Interest rates in 2013 have been at a historic low. Ten-year German government bonds occasionally had a return of just slightly above 1 % (May). They recovered somewhat thereafter. The cost of hedging credit risk via credit default swaps (CDSs) is 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 106 basis points in the first nine months of 2013. At 91 basis points, the five-year CDS for RWE was much more affordable. However, it lost this cost advantage completely in the period from July to October, partly due to the aforementioned critical analyst opinions on the development of RWE's financial situation. Furthermore, Moody's lowered its long-term rating for RWE from A3 to Baa1 in June (see page 10 of the report on the first half of 2013). Despite these factors, we can still obtain attractive refinancing on the debt market. At the beginning of October, we issued a ten-year bond with an initial yield of 3.1 % (see page 10).

ECONOMIC ENVIRONMENT

Europe's economy remains weak

Based on expert estimates, global economic output in the first three quarters of 2013 was nearly 2% higher than a year earlier. The sovereign debt crisis continues to characterise the general economic situation in the Eurozone, where gross domestic product (GDP) may have declined overall. However, in Germany, the currency area's largest economy, GDP probably rose slightly, partly due to robust consumer spending. Conversely, the Netherlands followed the European trend: based on available information, the country's GDP declined. A gain of 1% was calculated for the United Kingdom, with positive stimulus coming in particular from the service sector. The above-average momentum of the economy in Central Eastern Europe waned substantially. When this report went to print, data available for this region was limited to the first half of the year. According to these figures, Poland posted an increase of approximately 1%, whereas economic output stagnated in Hungary and declined by 2% in the Czech Republic.

Weather colder than in 2012

Whereas the economic trend is primarily reflected in demand for energy from industrial enterprises, residential consumption of electricity and gas is strongly influenced by weather conditions. For example, the dependence of demand for heat on temperatures leads to seasonal fluctuations in revenue and earnings. It can also play a role when comparing several fiscal years to one another. In the west of Europe, overall temperatures from January to September 2013 were below the ten-year seasonal average, whereas in the south easternmost countries of Europe, they were slightly above it. Compared to 2012, the weather in all of our key European markets was colder, especially in Germany, the United Kingdom and the Benelux countries.

In addition to energy consumption, the generation of electricity is also affected by the weather, with wind levels playing a major role. In Germany, the Netherlands and Poland, average utilisation of our wind farms was down, whereas in the United Kingdom and Spain, it was essentially unchanged. Our German run-of-river power stations benefited from the fact that, in the spring, rivers had much higher water levels due to the significant amount of rainfall and melting water. As a consequence of the substantial rise in solar power capacity in Germany, solar intensity is also increasingly influencing developments on the electricity market. In Germany, an average of 1,370 hours of sunshine was recorded in the first three quarters, as opposed to 1,444 a year before.

Weather-driven growth in gas consumption, weak development of demand for electricity

Energy usage in our core markets was partly subject to negative economic effects, whereas the generally colder weather increased the need for heating. According to estimates made by the German Association of Energy and Water Industries (BDEW), German electricity usage from January to September 2013 was 1.7% lower than in the same period last year. Based on available data, demand for electricity in the Netherlands was also down on 2012. Consumption stagnated in the United Kingdom, whereas it rose marginally in Poland and Hungary. In relation to gas, based on a preliminary estimate by the BDEW, consumption in Germany was just over 11% higher year on year due to low temperatures. Network operators in the Netherlands and the United Kingdom calculated rises of 6% and 5%, respectively, also due to the cold weather. In addition, in the UK, there was an increase in gas used by power stations. Based on available data, demand for gas may have risen by 5% in the Czech Republic, whereas it is estimated to have declined by 8% in Hungary.

Uncertainty about demand weighs on oil prices
Despite the ongoing tension in the Middle East, particularly in Syria, prices on international crude oil markets slightly lagged behind the high level achieved a year earlier. In the first three quarters of 2013, a barrel of North Sea Brent traded at an average of US$108 (€82) on the London spot market. This is US$4 less than in the same period in 2012. The marginal decline in price reflects the uncertainty concerning the development of demand in China, the USA and euro crisis countries. Another factor was that US oil inventories occasionally hit all-time highs.

Forward prices in gas trading stable
Some gas imports to Continental Europe are still based on long-term agreements containing oil-price indexation. Gas imported to Germany in the first nine months of 2013 was settled at an average of €28 per megawatt hour (MWh), 5% less than a year earlier. In contrast, oil prices do not have a direct impact on the development of quotations in European gas trading. Spot prices at the Title Transfer Facility (TTF), the Dutch trading hub, averaged €27 per MWh. Owing to the weather-driven increase in demand for gas, they advanced by €3, or 12%. In TTF forward trading, contracts for delivery in the coming calendar year (2014 forward) were settled for €27 per MWh. Last year's average price for the 2013 forward was just as high.

Based on available data, gas prices in the German end-customer business were up marginally, rising by 2% for households and by 1% for industrial enterprises. In the Netherlands, gas was about 3% more expensive for residential customers, whereas it was slightly cheaper for industrial consumers. The aforementioned customer groups had to pay an estimated 8% and 13% more than a year earlier in the United Kingdom, but 2% less in the Czech Republic. Hungarian tariffs were down by approximately 8% for households due to regulatory restrictions, and they dropped by about 2% for buyers in the country's industrial sector.

Further drop in prices on the hard coal market
The downward trend in hard coal prices witnessed last year continued. In the period under review, a metric ton of steam coal including freight and insurance was quoted at an average of US$81 (€61) on the Rotterdam spot market. This is US$13 less than a year earlier, partly because the global coal market tends to be oversupplied. On the demand side, China's slowed growth is coming to bear. In addition, the devaluation of the rupee is curtailing India's coal imports, while low-cost shale gas is reducing the need for other energy sources in the USA. On the supply side, the fact that many countries expanded their mining capacities in the past is having an effect. Despite shrinking margins, production volumes are only hesitantly being adjusted to the new circumstances. However, in the third quarter, a strike in Colombia caused prices to rise temporarily. The development of coal quotations also reflects transportation costs, which recently stabilised after a long downward trend. Averaged for the first three quarters, the standard route from South Africa to Rotterdam cost just under US$8 per metric ton, matching the figure recorded in the same period last year.

The German Federal Office of Economics and Export Control (BAFA) determines the price of hard coal produced in Germany based on quotations for imported hard coal. Therefore, the BAFA price follows developments on international markets, albeit with a time lag. No figure was available for the first three quarters of 2013 when this report went to print, but experts estimate it to be €80 per metric ton of hard coal equivalent. A year earlier, this figure was €95.

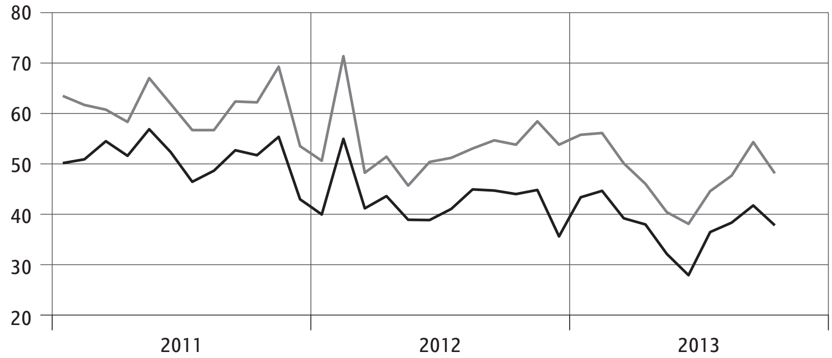
Weak activity in the industrial sector depresses prices in European emissions trading
European trading of carbon dioxide (CO_2) emission allowances is also characterised by a persistent slump. In the first three quarters of 2013, the standard certificate (referred to as an EU Allowance or EUA) traded at an average of €4.40 per metric ton of CO_2 (EUA for 2013) as opposed to €7.50 in the same period last year (EUA for 2012). The substantial decline in price is partly due to the economy-driven weakening in both industrial output and electricity generation. The rapid expansion of renewable energy also plays a role, especially in Germany: feed-ins from solar panels and wind turbines are increasingly replacing electricity generated by fossil-fuelled power stations, also causing demand for emission allowances to decline. In the meantime, it is becoming apparent that far more certificates will be available than are actually needed in the third emissions trading period, which runs from 2013 to 2020. However, based on current legislation, surplus EUAs may be transferred to later trading periods, which means that the development of prices will also be significantly influenced by the market's expectations of the future of emissions trading after 2020.

As a result of the Clean Development Mechanism created by the Kyoto Protocol, European companies may also cover their domestic emissions up to a specified cap by submitting Certified Emission Reductions (CERs). These are credits earned from emission-reducing measures in developing and emerging countries. CERs also became much cheaper, costing an average of only €0.40 in the period being reviewed.

Wholesale electricity market: decline in prices in Germany, increase in prices in the UK
The decrease in the price of hard coal and emission allowances as well as the expansion of renewables are significantly affecting developments on the German wholesale electricity market, where prices also dropped further. On the spot market in the first nine months of the year, base-load power sold for an average of €38 per MWh, while peak-load electricity settled at €48 per MWh. Compared to 2012, this represents a decline of €5 in both cases. On the forward market, the 2014 base-load forward was priced at €40 per MWh, €10 less than what had to be paid for the 2013 forward in the same period last year. Based on the same comparison, peak-load electricity experienced a drop of €12 to €50 per MWh.

Wholesale electricity spot prices in Germany
€/MWh

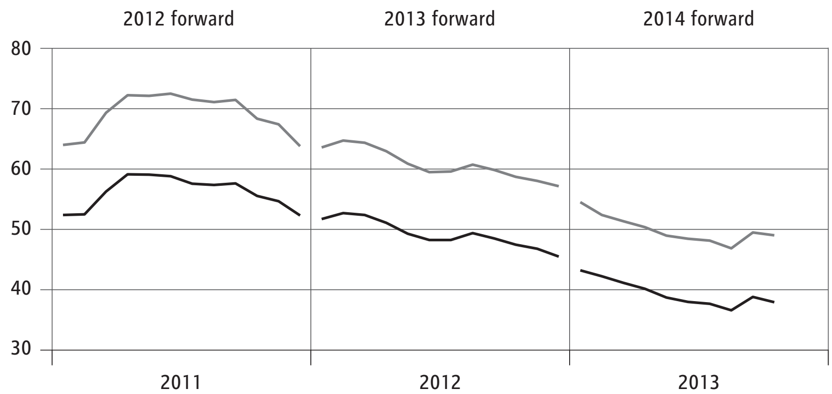
— Peak load
— Base load



Average monthly figures.
Source: European Energy Exchange EEX.

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

— Peak load
— Base load



Average monthly figures.
Source: RWE Supply & Trading.

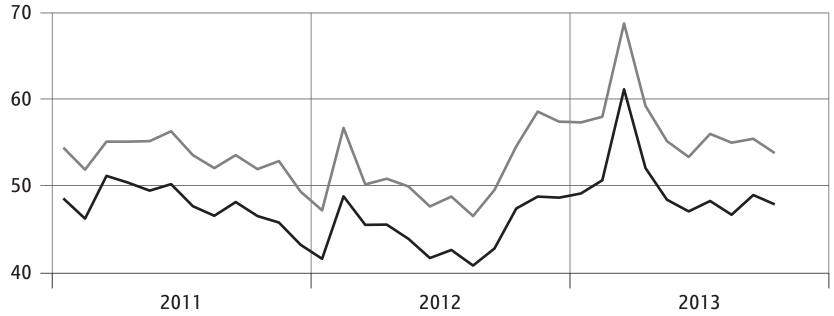
We sell forward most of the output of our power plants and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, the most recent developments on the market only had a minor impact on the income we generated in the reporting period. What was decisive instead was the conditions at which electricity contracts for delivery in 2013 sold in preceding years. The average price we realised with such transactions in Germany was lower than the comparable figure for 2012. This reduced power plant margins. The fact that power producers in Western Europe are hardly being allocated any free certificates by government for the third CO_2 emissions trading period, which runs from 2013 to 2020, also resulted in substantial earnings shortfalls. However, this effect is being cushioned because emission allowances have become much cheaper. In the hard coal-based generation business, lower fuel prices provided relief.

Unlike on the wholesale market, prices in the German end-customer business rose: they were 12% and 4% higher year on year in the residential and industrial sectors, respectively. This is mainly due to state surcharges included in electricity bills, which are imposing an increasing burden on households in particular. This applies especially to the apportionment pursuant to the German Renewable Energy Act, which was increased from 3.59 euro cents to 5.28 euro cents as of 1 January 2013 and will experience another significant rise in 2014, advancing to 6.24 euro cents. The levy in support of combined heat and power plants has also increased. In addition, the offshore liability surcharge in accordance with Section 17f of the German Energy Act was introduced with effect from 1 January 2013. The funds are set aside for financing compensatory payments for delays in connecting offshore wind farms to the grid.

Wholesale electricity spot prices in the United Kingdom
£/MWh

— Peak load
— Base load

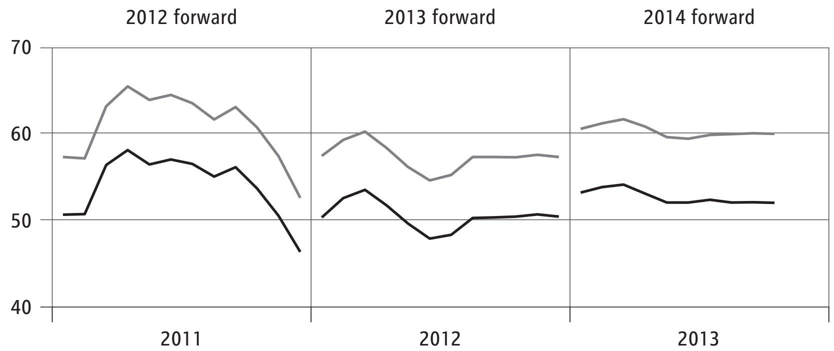
Average monthly figures.
Source: RWE Supply & Trading.



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

— Peak load
— Base load

Average monthly figures.
Source: RWE Supply & Trading.



On the UK spot market, base-load power traded at an average of £50 (€59) per MWh, up £6 on the level recorded a year earlier. Peak-load electricity rose in price by £8 to £58 (€68) per MWh. The unusually high gas prices in March 2013 caused by the weather played a 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. The tax on CO_2 emissions introduced with effect from 1 April 2013 also had a price-increasing impact (see page 47 of the 2012 Annual Report). Quotations in UK forward trading were also up. The 2014 forward was settled at £53 (€62) for base-load and £60 (€70) for peak-load power, exceeding both comparable year-earlier figures by £3.

Earnings in the UK electricity generation business were also characterised by the fact that CO_2 emission allowances stopped being allocated for free. RWE was among the energy companies significantly affected by this: earnings contributed by our UK gas and hard coal-fired power stations were much lower than in 2012.

UK residential tariffs rose by an average of 7 %. Electricity bills reflect the costs of energy savings measures in households, which the major utilities are obliged to undertake within the scope of government programmes. Electricity became about 3 % more expensive for industrial enterprises.

Wholesale electricity prices in the Netherlands are greatly influenced by developments in Germany and therefore also by the rise in feed-ins pursuant to the German Renewable Energy Act. This is due to cross-border electricity flows. However, as available network capacity is limited, prices in the two countries can differ from one another considerably. Recently, wholesale electricity prices in the Netherlands have been much higher than in Germany. In the period from January to September 2013, the spot price was €52 for base-load and €61 for peak-load power. The 2014 forward settled at €47 (base load) and €57 (peak load). A price-increasing effect was felt from the fact that hard coal-fired power stations in the Netherlands have had to bear additional fiscal burdens since 1 January 2013 and that the marginal costs of these facilities are commensurately higher (see page 46 of the 2012 Annual Report).

The margins that we realised with our Dutch hard coal and gas-fired power plants in the period being reviewed were smaller than a year before, primarily due to the abolition of free CO_2 certificate allocations. Hard coal power stations were faced with the additional tax burden, which was contrasted by the positive effects of declining coal costs.

In the Dutch end-customer business, residential tariffs were an average of about 4% higher than in the first three quarters of 2012. Conversely, prices charged to industrial enterprises were some 3% lower.

In our Central Eastern European markets, residential tariffs developed as follows: for households in Poland they were up about 1%, whereas in Slovakia, they declined somewhat and in Hungary they dropped by an estimated 11% due to regulatory intervention. In Hungary and Slovakia, prices paid by industrial enterprises were roughly flat. Electricity for this customer group in Poland was some 18% cheaper, partly due to a collapse in prices on the wholesale market.

MAJOR EVENTS

In the period under review

RWE Executive Board resolves to adjust dividend policy to stabilise financial power
In light of the deterioration in the earnings prospects of the conventional power generation business, on 19 September, the Executive Board of RWE AG decided to adjust the company's dividend policy. The Supervisory Board endorsed this decision. The two bodies intend to propose to the Annual General Meeting on 16 April 2014 a dividend of €1 per common and preferred share for the 2013 financial year. The dividend for 2012 was €2. The Board plans to orientate the dividend proposal for fiscal years from 2014 onwards to a payout ratio of 40% to 50% of recurrent net income. To date, the customary range has been from 50% to 60%. The funds which would be retained as a result of the change in dividend policy have been earmarked for reducing debt.

RWE Dea starts producing gas in Egyptian Nile Delta
At the beginning of September, RWE Dea began producing gas in the Disouq concession in the Egyptian Nile Delta. Based on current plans, seven fields in the concession area will be developed, from which a total of 11.4 billion cubic metres of gas will be produced. Daily output has already reached a level of approximately 1.5 million cubic metres and is expected to be increased to between 4 and 4.5 million cubic metres by the middle of 2014 by including a central gas treatment facility. Disouq is our first gas production project in Egypt and we are the sole proprietor of the concession.

Further major events occurred in the period under review. We presented them on pages 10 and 11 of the reports on the first quarter and the first half of 2013.

After the period under review

First gas from Breagh North Sea field
In the middle of October, RWE Dea began producing gas from the Breagh field. Breagh is one of the highest-yielding gas discoveries in the southern part of the UK North Sea. The field's total reserves are an estimated 19.8 billion cubic metres. We have a 70% share in the production license, with the remaining 30% being held by Sterling Resources UK. Initial daily production amounts to 2.8 million cubic metres and is set to increase to a maximum of 4 million cubic metres next year. Average annual gas production is forecast to be approximately 1.1 billion cubic metres in the first field development phase, which runs from 2014 to 2018.

RWE Innogy sells minority stakes in two UK wind farms
In November, RWE Innogy divested shares of 49% in both the Lindhurst and Middlemoor wind farms in the United Kingdom. They were purchased for £70.6 million by Greencoat UK Wind, a listed investment trust in the field of renewable energy. RWE Innogy has retained the majority of the two wind farms, which have a combined net installed capacity of 63 MW. The company also plans to attract public and private investors to projects in the future, in order to raise capital for the expansion of renewable energy.

RWE issues €500 million bond
At the beginning of October, we took advantage of the good refinancing conditions on the capital market by issuing a €500 million bond. The paper has a tenor of slightly more than ten years and a coupon of 3.0%. The issue rate was 99.2%, resulting in a yield of 3.1%. The issuance was met with keen interest and was oversubscribed several times.

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
Sold as of 2 August 2013	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 the 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.' The RWE Group is now divided into eight divisions based on geographic and functional criteria. We have adjusted prior-year figures to the new structure, in order to enable like-for-like comparisons.

- Conventional Power Generation: The electricity generation activities of RWE Power (including opencast lignite mining), Essent and RWE npower have been assigned to RWE Generation. The company also operates our new gas-fired power plant near the Turkish town of Denizli and oversees RWE Technology, which specialises in project management and engineering.

- Supply/Distribution Networks Germany: This division, which is overseen by RWE Deutschland, includes the distribution network company Westnetz, 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: The 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, gas and heat.

- 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 supply business.

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

- 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 – September	Lignite		Hard coal		Gas		Nuclear		Renewables		Pumped storage, oil, other		Total	
Billion kWh	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Conventional Power Generation	55.6	56.8	35.2	43.2	26.6	28.9	22.0	22.3	4.3	2.7	2.2	1.8	145.9	155.7
of which:														
Germany[1]	55.6	56.8	21.6	26.1	4.9	5.6	22.0	22.3	0.6	0.6	2.2	1.8	106.9	113.2
Netherlands/Belgium	–	–	4.5	5.3	4.2	4.3	–	–	0.8	1.1	–	–	9.5	10.7
United Kingdom	–	–	9.1	11.8	16.4	19.0	–	–	2.9	1.0	–	–	28.4	31.8
Turkey	–	–	–	–	1.1	–	–	–	–	–	–	–	1.1	–
Central Eastern and South Eastern Europe	4.0	3.9	0.1	0.1	–	0.1	–	–	–	–	–	–	4.1	4.1
Renewables	–	–	–	–	0.1	0.1	–	–	5.6[2]	5.0[2]	–	–	5.7	5.1
RWE Group[3]	**59.6**	**60.7**	**37.8**	**43.9**	**27.2**	**29.9**	**22.0**	**22.3**	**10.6**	**8.5**	**2.3**	**2.0**	**159.5**	**167.3**

1 Including electricity from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the first three quarters of 2013, it amounted to 16.3 billion kWh, of which 13.7 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 three quarters of 2013, these purchases totalled 1.2 billion kWh.
3 Including small generation volumes of other divisions.

Electricity generation 5% down year on year
In the first three quarters of 2013, the RWE Group produced 159.5 billion kilowatt hours (kWh) of electricity, 5% less than in last year's corresponding period. The decline is in part due to the decrease in our generation capacity, which primarily related to hard coal: at the end of March 2013, we shut down Didcot A power station in the UK, which has a net installed capacity of 1,958 MW. Furthermore, we stopped using some German hard coal stations owned by third parties because the corresponding contracts expired at the end of last year. In the lignite-based generation business, the decommissioning of all of our 150 MW lignite blocks by the end of 2012 came to bear. Last year, ten of them were still running. Although we increased our gas-fired generation capacity with the addition of the new stations at Pembroke, UK (2,188 MW) and Denizli, Turkey (787 MW), electricity production from gas was also down. A major reason for this was the further deterioration in market conditions for gas-fired power plants in 2013. In contrast, the contribution to RWE's electricity production from renewables rose. Additional volumes primarily came from the Tilbury biomass-fired power plant, which was offline for several months after a fire in 2012. In the meantime, however, the three units, which had a total net installed capacity of 742 MW, were decommissioned in the July/August period (see page 11 of the report on the first half of 2013). Besides Tilbury power station, the continued expansion of our wind turbine capacity also contributed to the increase in electricity generated from renewables. Another factor was the weather-driven rise in the use of our German run-of-river power plants.

In addition to our in-house generation, we procure electricity from external suppliers. Totalling 52.3 billion kWh, these volumes were roughly as high as in the same period last year (53.0 billion kWh).

Small drop in gas and oil production

In the period under review, RWE Dea produced 1,863 million cubic metres of gas and 1,764 thousand cubic metres of oil. Converting the gas to oil equivalent and adding it to crude oil production results in a total output of 3,567 thousand cubic metres, or 22.4 million barrels. This compares to 3,645 thousand cubic metres, or 22.9 million barrels, in the first three quarters of 2012. Gas production decreased by 3%, in part because of the natural decline in production, which goes hand in hand with the progressive depletion of reserves. This was contrasted by the positive effects of the start of production in the Clipper South (August 2012) and Devenick (September 2012) fields in the UK North Sea and in the Disouq field in Egypt (September 2013; see page 10). Furthermore, as production progressed in the Norwegian Gjøa field, the share of output accounted for by gas rose, whereas the proportion allocable to oil dropped. This was the main reason why our oil volumes were 2% down year on year. In addition, our oil production operations in Denmark were halted in the third quarter due to problems with processing and storage infrastructure. Conversely, we produced more oil from our German Mittelplate field than in 2012. Besides technical improvements, a new production well was a contributing factor.

External electricity sales volume January – September	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	0.2	0.5	0.8	7.7	6.8	–	–	8.3	7.8
Supply/Distribution Networks Germany	16.9	17.8	22.4	22.4	57.4	54.3	–	–	96.7	94.5
Supply Netherlands/Belgium	8.2	8.1	7.8	7.0	1.1	–	–	–	17.1	15.1
Supply United Kingdom	12.6	12.9	22.8	23.0	–	–	–	–	35.4	35.9
Central Eastern and South Eastern Europe	6.1	5.9	6.8	6.7	4.3	4.5	–	–	17.2	17.1
Renewables	0.1	0.1	–	–	1.4	1.3	–	–	1.5	1.4
Trading/Gas Midstream	–	–	15.6	23.1	–	–	8.1	13.4	23.7	36.5
RWE Group[1]	**44.1**	**45.0**	**75.9**	**83.0**	**71.9**	**66.9**	**8.1**	**13.4**	**200.0**	**208.3**

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

Electricity sales volume 4% down on 2012

In the first nine months of 2013, we sold 200.0 billion kWh of electricity to external customers, 4% less than in 2012. We experienced a significant decline in the Trading/Gas Midstream Division partly because 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. Customer losses and energy savings by households led to marginal volume shortfalls at our UK subsidiary RWE npower. Conversely, we posted gains in the German supply business, because we delivered much more electricity to distributors, thanks to successful customer acquisitions and stronger demand from existing customers. As less electricity was fed into our distribution network under the German Renewable Energy Act because of the weather, sales from passing through these volumes decreased. Furthermore, the divestment of Koblenzer Elektrizitätswerk und Verkehrs-Aktiengesellschaft (KEVAG) in December 2012 removed supply volumes. Sales volumes were also up in the Netherlands/Belgium region, but this was mainly due to a change in the assignment of customers between Essent and RWE Supply & Trading.

External gas sales volume January – September	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2013	2012	2013	2012	2013	2012	2013	2012
Supply/Distribution Networks Germany	19.5	18.6	15.4	13.0	26.3	14.0	61.2	45.6
Supply Netherlands/Belgium	29.6	24.5	30.3	30.3	–	–	59.9	54.8
Supply United Kingdom	30.9	29.2	1.5	1.7	–	–	32.4	30.9
Central Eastern and South Eastern Europe	12.6	13.3	22.1	19.0	1.4	11.2	36.1	43.5
Upstream Gas & Oil	–	–	3.8	1.1	10.2	10.3	14.0	11.4
Trading/Gas Midstream	–	–	14.2	10.1	18.8	7.3	33.0	17.4
RWE Group[1]	**92.6**	**85.6**	**87.4**	**75.2**	**56.7**	**42.8**	**236.7**	**203.6**

1 Including small volumes in the Conventional Power Generation Division.

Cold weather drives up gas sales volume by 16%

At 236.7 billion kWh, our gas sales volume was 16% higher year on year. We recorded substantial increases in all customer segments at the Group level. In business with households and small commercial enterprises, we benefited from the weather-induced rise in heating needs. Moreover, we won industrial and commercial customers in particular in the German and Czech markets. The strongest rise in sales volume was posted in the distributor segment. Customer acquisitions made a major contribution here, especially in Germany. In addition, numerous existing German customers increased their purchases partly due to the weather. The Trading/Gas Midstream Division also posted significant growth in sales to distributors, whereas the Central Eastern and South Eastern Europe Division recorded a decline of a similar order. This is a result of the internal reassignment of the Czech wholesale business to RWE Supply & Trading.

External revenue € million	Jan – Sep 2013	Jan – Sep 2012	+/– %	Jan – Dec 2012
Conventional Power Generation	1,276	1,215	5.0	1,626
Supply/Distribution Networks Germany	19,056	17,452	9.2	23,710
Supply Netherlands/Belgium	4,631	4,038	14.7	5,863
Supply United Kingdom	6,439	6,161	4.5	8,708
Central Eastern and South Eastern Europe	3,563	3,729	–4.5	5,274
Renewables	274	286	–4.2	387
Upstream Gas & Oil	1,364	1,405	–2.9	1,848
Trading/Gas Midstream	3,222	3,991	–19.3	5,698
Other, consolidation	61	81	–24.7	113
RWE Group	**39,886**	**38,358**	**4.0**	**53,227**
Natural gas tax/electricity tax	1,913	1,715	11.5	2,456
RWE Group (excluding natural gas tax/electricity tax)	**37,973**	**36,643**	**3.6**	**50,771**

External revenue 4% up year on year

The RWE Group generated €39,886 million in external revenue (including natural gas and electricity taxes), 4% more than in the same period in 2012. Gas revenue rose in particular, amounting to €10,397 million and surpassing the year-earlier figure by 11%. This is largely due to the development of sales volumes. Despite a decline in sales volume, external electricity revenue was up 2% to €25,966 million due to price increases. For example, most of our German regional companies have raised tariffs for residential and commercial customers. Among other things, this was in response to the considerable rise in apportionments under the German Renewable Energy Act. In the United Kingdom, a marked increase in up-front costs had already caused us to raise residential tariffs in November 2012. The development of consolidated revenue was also affected by changes in currency exchange rates. In the period being reviewed, the British pound cost an average of €1.17, less than in the same period last year (€1.23). The US dollar, Czech crown, Polish zloty and the Hungarian forint also depreciated against the euro, albeit marginally.

External revenue by product € million	Jan – Sep 2013	Jan – Sep 2012	+/– %	Jan – Dec 2012
Electricity revenue	25,966	25,405	2.2	34,256
of which:				
Supply/Distribution Networks Germany	15,428	14,516	6.3	19,173
Supply Netherlands/Belgium	1,729	1,545	11.9	2,144
Supply United Kingdom	4,455	4,443	0.3	6,107
Central Eastern and South Eastern Europe	1,703	1,764	–3.5	2,391
Trading/Gas Midstream	2,006	2,621	–23.5	3,707
Gas revenue	10,397	9,326	11.5	14,222
of which:				
Supply/Distribution Networks Germany	2,859	2,251	27.0	3,553
Supply Netherlands/Belgium	2,763	2,373	16.4	3,551
Supply United Kingdom	1,585	1,401	13.1	2,188
Central Eastern and South Eastern Europe	1,777	1,878	–5.4	2,761
Upstream Gas & Oil	335	341	–1.8	469
Trading/Gas Midstream	1,076	1,079	–0.3	1,697
Oil revenue	1,019	1,269	–19.7	1,540
of which:				
Upstream Gas & Oil	967	998	–3.1	1,289
Trading/Gas Midstream	52	271	–80.8	251
Other revenue	2,504	2,358	6.2	3,209
RWE Group	**39,886**	**38,358**	**4.0**	**53,227**

Internal revenue € million	Jan – Sep 2013	Jan – Sep 2012	+/– %	Jan – Dec 2012
Conventional Power Generation	6,444	7,061	–8.7	9,605
Supply/Distribution Networks Germany	866	1,523	–43.1	2,020
Supply Netherlands/Belgium	179	14	–	13
Supply United Kingdom	195	239	–18.4	227
Central Eastern and South Eastern Europe	220	387	–43.2	502
Renewables	380	309	23.0	491
Upstream Gas & Oil	176	93	89.2	143
Trading/Gas Midstream	15,768	15,346	2.7	25,738

Reconciliation of income from operating activities to EBITDA € million	Jan – Sep 2013	Jan – Sep 2012	+/– %	Jan – Dec 2012
Income from operating activities[1]	2,895	3,978	–27.2	3,845
+ Operating income from investments	381	435	–12.4	587
+ Non-operating income from investments	–177	–58	–	–110
- Non-operating result	1,527	251	–	2,094
Operating result	**4,626**	**4,606**	**0.4**	**6,416**
+ Operating depreciation and amortisation	2,085	2,112	–1.3	2,898
EBITDA	**6,711**	**6,718**	**–0.1**	**9,314**

1 See the income statement on page 30.

EBITDA € million	Jan – Sep 2013	Jan – Sep 2012	+/– %	Jan – Dec 2012
Conventional Power Generation	1,621	3,148	–48.5	4,378
of which:				
Continental Western Europe	1,477	2,877	–48.7	3,928
United Kingdom	117	274	–57.3	456
Supply/Distribution Networks Germany	1,775	1,653	7.4	2,266
Supply Netherlands/Belgium	309	204	51.5	293
Supply United Kingdom	261	264	–1.1	371
Central Eastern and South Eastern Europe	1,001	936	6.9	1,312
Renewables	259	219	18.3	364
Upstream Gas & Oil	712	820	–13.2	1,041
Trading/Gas Midstream	910	–398	–	–591
Other, consolidation	–137	–128	–7.0	–120
RWE Group	**6,711**	**6,718**	**–0.1**	**9,314**

Operating result € million	Jan – Sep 2013	Jan – Sep 2012	+/– %	Jan – Dec 2012
Conventional Power Generation	841	2,345	–64.1	3,275
of which:				
Continental Western Europe	888	2,255	–60.6	3,085
United Kingdom	–69	93	–	194
Supply/Distribution Networks Germany	1,270	1,149	10.5	1,578
Supply Netherlands/Belgium	244	133	83.5	190
Supply United Kingdom	205	200	2.5	286
Central Eastern and South Eastern Europe	826	746	10.7	1,052
Renewables	113	87	29.9	183
Upstream Gas & Oil	434	561	–22.6	685
Trading/Gas Midstream	903	–403	–	–598
Other, consolidation	–210	–212	0.9	–235
RWE Group	**4,626**	**4,606**	**0.4**	**6,416**

Operating result of the same order as a year earlier
Our EBITDA totalled €6,711 million and the operating result amounted to €4,626 million, almost identical to the figures recorded in the same period in 2012. The Trading/Gas Midstream Division achieved extraordinarily strong earnings, as we were awarded high compensation payments as a result of the successful revision of the gas procurement agreement with Gazprom (see page 10 of the report on the first half of 2013). However, this was contrasted by substantial earnings shortfalls in the conventional electricity generation business. Disregarding material consolidation and currency effects, EBITDA and the operating result improved by 3% and 4% year on year, respectively. However, the development of earnings in the first nine months cannot be extrapolated for the full year, as the aforementioned compensatory payments from Gazprom are a one-off effect, whereas the decline in earnings in the electricity production business will continue in the fourth quarter. We confirm our forecast for the Group's 2013 earnings, which we published in our 2012 Annual Report.

The following is a breakdown of the development of the operating result by division in the period under review:

- Conventional Power Generation: Here we achieved an operating result of €841 million, which was €1,504 million, or 64%, less year on year. We experienced a decline of €1,367 million to €888 million in Continental Western Europe (Germany and the Netherlands/Belgium) and of €162 million to –€69 million in the United Kingdom. Earnings in the first nine months of the year reflected a number of negative factors, the most significant of which is that governments of Western Europe have hardly granted any free allocations of CO_2 emission allowances since 2013. We had received free allocations of emission allowances equivalent to 83.9 million metric tons of carbon dioxide for stations for the first three quarters of 2012 in this division. The certificates had covered about 70% of our carbon emissions, providing around €840 million in relief. Earnings shortfalls also stemmed from the fact that quotations in Continental European electricity forward trading decreased and our 150 MW lignite units are no longer online. Furthermore, we had to significantly increase a provision for impending losses from an electricity purchase agreement. In addition, last year suppliers compensated us for delays in power plant projects, an exceptional effect which did not recur in 2013. This was contrasted by relief provided by declining prices when purchasing hard coal and CO_2 emission allowances as well as a drop in expenses incurred to maintain power plants. In addition, we benefited from revenue added by the Tilbury biomass-fired power station, which had been offline for several months in 2012 due to a fire.

- Supply/Distribution Networks Germany: The operating result recorded by this division improved by 11% to €1,270 million. Efficiency enhancements and the positive impact of the weather on gas sales volumes came to bear, among other things. A counteracting effect was felt from the fact that we divested our stakes in the Koblenz-based regional utility KEVAG and in the Berlin waterworks last year. Therefore, the aforementioned activities are no longer included in the segment's result. The same applies to our wastewater business in Zagreb, which we reassigned to the Central Eastern and South Eastern Europe Division as of 1 January 2013.

- Supply Netherlands/Belgium: Essent raised its operating result by 83% to €244 million. This was primarily because we were able to release provisions, whereas the financial statements for the same period in 2012 were burdened by the accrual of provisions. In addition, we benefited from the weather-driven increase in gas sales volumes and measures to improve efficiency. Gas supply margins declined. The trend towards energy efficiency in the residential sector is also curtailing earnings. Furthermore, the introduction of a new customer billing system led to a temporary rise in costs.

- Supply United Kingdom: RWE npower's operating result advanced by 3% to €205 million. In Sterling terms, it was up by 8%. Continued efficiency enhancements and the weather-driven growth in gas sales volumes strengthened earning power. However, network usage fees were higher year on year. We also spent more on measures to improve the energy efficiency of households, which major UK energy companies are obliged to do by the government. The trend towards energy efficiency supported by this resulted in an additional reduction in earnings. Price increases partly offset these burdens: at the end of November 2012, RWE npower raised its residential electricity and gas tariffs by 8.8% and 8.6%, respectively.

- Central Eastern and South Eastern Europe: The operating result recorded by this division grew by 11% to €826 million, despite the sale of NET4GAS as of 2 August 2013. Until it was deconsolidated, the Czech long-distance gas network operator contributed €171 million in earnings, as opposed to €233 million in the first nine months of 2012. Excluding the impact of NET4GAS and currency translation, the operating result of the Central Eastern and South Eastern Europe Division was up 23% year on year. 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 these volumes are settled in local currency when they are sold on. Our Polish electricity supply activities also contributed to the good earnings. In the Czech Republic, we benefited from improved distribution network and supply margins. Conversely, in Hungary, a state-ordered reduction in network fees and residential tariffs led to earnings shortfalls in the electricity and gas businesses.

- Renewables: The operating result recorded by RWE Innogy was up 30% to €113 million. A positive effect was felt from the continued expansion of our generation capacity. For example, the Greater Gabbard offshore wind farm, which was completed in September 2012 and in which we hold a 50% stake, contributed its full capacity of 504 MW in the period under review. Furthermore, we benefited from the increased use of our hydroelectric power stations. In addition, a supplier paid us compensation for damages caused by defective wind turbines in Spain. However, income from the sale of projects developed in-house, a business we mainly undertake in the United Kingdom, was down on 2012. Lower wholesale electricity prices in Continental Europe also had a negative effect. Moreover, conditions for generating electricity from renewables deteriorated in Spain. In addition to our local wind turbines, this also applies to Andasol 3, the solar thermal power plant in Andalusia. We therefore recognised an impairment loss on our minority interest in the station. Moreover, an energy tax was introduced in Spain at the beginning of 2013. 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.

- Upstream Gas & Oil: Earnings posted by RWE Dea fell by 23% to €434 million, partly because the oil and gas prices we realised were lower year on year, with the weak US dollar and British pound also playing a role. Furthermore, some of our exploration wells were not successful, forcing us to recognise associated costs directly as an expense instead of capitalising them. This was contrasted by the positive impact of a rise in our oil and gas sales volumes in Europe.

- Trading/Gas Midstream: This Division increased its operating result by €1,306 million to €903 million. A major contributing factor was the arbitral ruling on our long-term gas procurement agreement with Gazprom at the end of June. The court largely granted our motion for an adjustment of the price conditions and awarded us substantial claims for compensation, which were paid in July. Consequently, the ongoing burdens arising from the contract with Gazprom declined significantly. However, the purchase conditions continue to be partly determined by developments on the oil market. We initiated a new price revision in order to fully eliminate oil indexing, which is disadvantageous to us. We had already negotiated similar adjustments for our procurement agreements with other gas suppliers before 2013. Whereas earnings in the gas midstream business improved considerably for the aforementioned reasons, RWE Supply & Trading fell just short of the good performance it achieved in energy trading last year.

Non-operating result € million	Jan – Sep 2013	Jan – Sep 2012	+/– € million	Jan – Dec 2012
Capital gains	269	64	205	487
Impact of commodity derivatives on earnings	32	346	–314	470
Restructuring, other	–1,828	–661	–1,167	–3,051
Non-operating result	**–1,527**	**–251**	**–1,276**	**–2,094**

Reconciliation to net income: significant exceptional burdens
The reconciliation from the operating result to net income is characterised by substantial impairment losses in the non-operating result. Furthermore, one-off burdens were incurred in taxes.

The non-operating result dropped by €1,276 million to –€1,527 million. Its components developed as follows:

- On balance, the disposal of investments and assets led to a gain totalling €269 million. This is €205 million more than in 2012. The single-most important transaction was the sale of the Czech long-distance gas network operator NET4GAS, which was completed at the beginning of August and resulted in an accounting profit of €236 million.

- The accounting treatment of certain derivatives, with which we hedge the prices of commodity forward transactions, resulted in a gain of €32 million compared to €346 million in the same period last year. Pursuant to International Financial Reporting Standards (IFRS), the derivatives are accounted for at fair value at the corresponding balance-sheet date, whereas the underlying transactions (which display the opposite development) are only recognised as a profit or loss when they are realised. These timing differences result in short-term effects on earnings, which are neutralised over time and are therefore recognised in the non-operating result.

- We recognised a €1,828 million loss in the ‘restructuring, other’ item, which was much higher than in 2012 (€661 million). The main reason were impairment losses, which totalled some €1.4 billion in the period being reviewed. The lion’s share, or about €800 million, is attributable to our Dutch generation portfolio, the earnings prospects of which worsened further due to the market. In addition, we wrote down our German gas storage business by about €220 million as the situation on that market also worsened: imports of liquefied natural gas (LNG) and the expansion of pipeline infrastructure contributed to a rise in gas supply during peak usage periods (winter) causing demand to be covered by stored gas to a lesser extent. Another significant impairment loss, of about €260 million, related to the Nordsee Ost wind farm, which is under construction. It was recognised because project costs were higher than budgeted and substantial delays occurred. Relief was provided in the ‘restructuring, other’ item by the fact that we depreciated RWE npower’s customer base for the last time in May 2012. Last year, this reduced earnings by €113 million.

Financial result € million	Jan – Sep 2013	Jan – Sep 2012	+/– € million	Jan – Dec 2012
Interest income	342	318	24	413
Interest expenses	–888	–942	54	–1,249
Net interest	**–546**	**–624**	**78**	**–836**
Interest accretion to non-current provisions	–710	–825	115	–1,208
Other financial result	–141	10	–151	–48
Financial result	**–1,397**	**–1,439**	**42**	**–2,092**

The financial result improved by €42 million to –€1,397 million. We experienced relief in the interest accretion to non-current provisions. Last year, we had recognised a rise in other non-current provisions in this item, which resulted from a reduction in discount rates. In contrast, in the period under review, discount rates were increased somewhat. Net interest was also more favourable than in 2012. One of the reasons is that the compensatory payments we were awarded in the arbitration proceedings with Gazprom also bore interest. In addition, declining market interest rates reduced the cost of repaying financial liabilities. Our reduction of interim financing via commercial paper also had a positive effect; no such paper was outstanding at the cut-off date for this report. Conversely, the 'other financial result' deteriorated. Negative effects of the valuation of financial transactions came to bear here. Furthermore, we generated lower proceeds from the sale of securities.

Reconciliation to net income		Jan – Sep 2013	Jan – Sep 2012	+/– %	Jan – Dec 2012
Operating result	€ million	4,626	4,606	0.4	6,416
Non-operating result	€ million	–1,527	–251	–	–2,094
Financial result	€ million	–1,397	–1,439	2.9	–2,092
Income before tax	€ million	**1,702**	**2,916**	**–41.6**	**2,230**
Taxes on income	€ million	–812	–775	–4.8	–526
Income	€ million	**890**	**2,141**	**–58.4**	**1,704**
Minority interest	€ million	204	192	6.3	302
RWE AG hybrid investors' interest	€ million	77	69	11.6	96
Net income/RWE AG shareholders' share in net income	€ million	**609**	**1,880**	**–67.6**	**1,306**
Recurrent net income	€ million	**1,915**	**1,892**	**1.2**	**2,457**
Earnings per share	€	0.99	3.06	–67.6	2.13
Recurrent net income per share	€	3.12	3.08	1.3	4.00
Number of shares outstanding (average)	millions	614.7	614.4	–	614.5
Effective tax rate	%	48	27	–	24

Income before tax was down by 42% to €1,702 million. Our effective tax rate advanced by 21 percentage points to 48%. The reason is that we wrote off deferred tax assets in the Netherlands because we probably cannot use them any longer. Furthermore, in the same period last year, we benefited from positive special items which also related to deferred taxes. Relief was provided by the fact that in 2013, we have increased the share of our earnings achieved in countries with relatively low tax rates. After taxes, income fell by 58% to €890 million.

The minority interest in income rose by 6% to €204 million, partly due to the improved profitability of some fully consolidated German regional utilities, in which non-Group companies hold shares. Income shortfalls experienced by Hungarian subsidiaries had a counteracting impact.

The portion of our earnings attributable to hybrid investors amounts to €77 million. This sum corresponds to the finance costs after tax. Of our five hybrid bonds, only two are considered here, namely those which are classified as equity pursuant to IFRS. These are the issuances of €1,750 million in September 2010 and of £750 million in March 2012.

At €609 million, net income earned by the RWE Group was 68% down year on year. Per share, it amounted to €0.99. 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).

Conversely, our recurrent net income improved marginally, rising to €1,915 million. When calculating this figure, the non-operating result and the tax on it as well as major non-recurrent effects in the financial result and income taxes are deducted. The consequence for these interim financial statements is that substantial burdens are not considered.

Capital expenditure € million	Jan – Sep 2013	Jan – Sep 2012	+/– € million	Jan – Dec 2012
Capital expenditure on property, plant and equipment and on intangible assets				
Conventional Power Generation	994	1,307	–313	1,784
of which:				
Continental Western Europe	925	1,137	–212	1,534
United Kingdom	22	71	–49	101
Supply/Distribution Networks Germany	337	413	–76	904
Supply Netherlands/Belgium	21	29	–8	43
Supply United Kingdom	63	56	7	89
Central Eastern and South Eastern Europe	192	311	–119	518
Renewables	775	734	41	999
Upstream Gas & Oil	493	498	–5	684
Trading/Gas Midstream	12	1	11	4
Other, consolidation	50	42	8	56
Total	**2,937**	**3,391**	**–454**	**5,081**
Capital expenditure on financial assets	**68**	**413**	**–345**	**463**
Total capital expenditure	**3,005**	**3,804**	**–799**	**5,544**

Capital expenditure 21% down year on year

The RWE Group spent €3,005 million in capital, €799 million, or 21%, less than in the equivalent period last year. Our new-build power plant programme continues to be a focal point of our investing activity. However, capital expenditure in this area has already dropped significantly, as four large stations began commercial operation in 2012 (see page 49 of RWE's 2012 Annual Report). The programme will end in 2014. Two dual-block hard coal power plants are still under construction: one at Hamm (Germany) with a capacity of 1,528 MW and another one at Eemshaven (Netherlands) with a capacity of 1,560 MW. Our new 787 MW gas-fired power station near the Turkish town of Denizli was completed by the middle of the year.

We are also placing significant emphasis on the expansion of renewables. The largest projects in this area are two offshore wind farms: Gwynt y Môr (576 MW) off the north coast of Wales, which we intend to complete in September 2014, and Nordsee Ost (295 MW), which is scheduled to put all its turbines online at the beginning of 2015. The Upstream Gas & Oil Division also spent a considerable amount of capital. In this context, centre stage was taken by the development of oil and gas fields in preparation for production. Thanks to these types of measures, in 2013, we were able to start producing gas in the Egyptian concession area Disouq in September and in the UK North Sea field Breagh in October (see page 10). 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 – Sep 2013	Jan – Sep 2012	+/– € million	Jan – Dec 2012
Funds from operations	4,888	3,298	1,590	5,446
Change in working capital	118	–58	176	–1,051
Cash flows from operating activities	**5,006**	**3,240**	**1,766**	**4,395**
Cash flows from investing activities	–1,409	–2,110	701	–1,285
Cash flows from financing activities	–1,646	–1,518	–128	–2,463
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–11	23	–34	16
Total net changes in cash and cash equivalents	**1,940**	**–365**	**2,305**	**663**
Cash flows from operating activities	5,006	3,240	1,766	4,395
Minus capital expenditure on property, plant and equipment and on intangible assets	–2,937	–3,391	454	–5,081
Free cash flow	**2,069**	**–151**	**2,220**	**–686**

1 The full cash flow statement can be found on page 33.

Cash flows from operating activities 55% higher than in 2012

At €5,006 million, our cash flows from operating activities were 55% above the level achieved a year earlier. They improved far more than the operating result. One of the reasons is that payments for emission allowance purchases typically do not have to be made until the end of the year. Therefore, the curtailment of earnings due to the abolition of free allocations of CO_2 certificates has not yet gone hand in hand with corresponding cash outflows. On balance, effects reflected in changes in working capital only had a minor impact on the development of cash flows from operating activities.

Our investing activities led to a cash outflow of €1,409 million, which is much less than our capital expenditure. This is due to proceeds from the sale of investments and assets, which are offset. The single-largest transaction was the sale of NET4GAS, which had an enterprise value of approximately €1 billion. Financing activities led to a cash outflow of €1,646 million, largely as a result of the dividend payment of €1,229 million made in April. Issuances and redemptions of bonds and commercial paper resulted in a net cash outflow of €638 million. As a result of the cash flows presented, on balance, our cash and cash equivalents increased by €1,940 million.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, result in free cash flow. Amounting to €2,069 million, the latter was much higher than the comparable figure for 2012 (–€151 million).

Net debt drops to €30.8 billion

As of 30 September 2013, our net debt totalled €30.8 billion. It decreased by €2.2 billion from the end of 2012. In addition to the high level of free cash flow, the main contributors were our proceeds from the disposal of investments and assets amounting to €1.8 billion. The dividend payment had a counteracting effect. Furthermore, €0.3 billion in profits were distributed among minority shareholders of subsidiaries of RWE AG and hybrid investors. Moreover, pension, nuclear and mining provisions, which are considered in net debt, rose by €0.3 billion.

Net debt € million	30 Sep 2013	31 Dec 2012	+/– %
Cash and cash equivalents	4,612	2,672	72.6
Marketable securities	3,496	3,047	14.7
Other financial assets	1,510	1,892	–20.2
Financial assets	**9,618**	**7,611**	**26.4**
Bonds, other notes payable, bank debt, commercial paper	16,906	17,748	–4.7
Other financial liabilities	2,578	2,198	17.3
Financial liabilities	**19,484**	**19,946**	**–2.3**
Net financial debt	**9,866**	**12,335**	**–20.0**
Provisions for pensions and similar obligations	6,890	6,856	0.5
Surplus of plan assets over benefit obligations	–	36	–
Provisions for nuclear waste management	10,325	10,201	1.2
Mining provisions	2,916	2,874	1.5
Adjustment for hybrid capital (portion of relevance to the rating)	787	785	0.3
Plus 50% of the hybrid capital stated as equity	1,332	1,351	–1.4
Minus 50% of the hybrid capital stated as debt	–545	–566	3.7
Net debt of the RWE Group	**30,784**	**33,015**	**–6.8**

Balance sheet structure: equity ratio down marginally

As of 30 September 2013, the RWE Group had a balance-sheet total of €86.0 billion. This is €2.2 billion less than as of 31 December 2012. On the assets side, non-current assets dropped by €2.6 billion, in part due to the sale of NET4GAS. Accounts receivable and other assets were down €2.0 billion, whereas cash and cash equivalents rose by €1.9 billion and marketable securities were up €0.5 billion. On the equity and liabilities side, liabilities declined by €1.8 billion and provisions increased by €1.0 billion. Shareholders' equity was €1.3 billion lower than at the end of 2012, primarily due to the dividends paid to our shareholders and the profits distributed among minority shareholders. The equity ratio, which reflects the share of the balance-sheet total accounted for by shareholders' equity, stood at 17.6%. Therefore, it was 1.1 percentage points lower than at the end of last year.

Balance sheet structure[1]	30 Sep 2013		31 Dec 2012	
	€ million	%	€ million	%
Assets				
Non-current assets	60,690	70.6	63,338	71.8
Intangible assets	15,238	17.7	16,017	18.2
Property, plant and equipment	34,231	39.8	36,006	40.8
Current assets	25,333	29.4	24,840	28.2
Receivables and other assets[2]	14,973	17.4	16,436	18.6
Total	**86,023**	**100.0**	**88,178**	**100.0**
Equity and liabilities				
Equity	15,156	17.6	16,489	18.7
Non-current liabilities	48,159	56.0	47,445	53.8
Provisions	28,461	33.1	27,991	31.7
Financial liabilities	16,092	18.7	15,417	17.5
Current liabilities	22,708	26.4	24,244	27.5
Other liabilities[3]	13,965	16.2	14,904	16.9
Total	**86,023**	**100.0**	**88,178**	**100.0**

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

Personnel down 4% since the end of 2012

In terms of full-time equivalent, the RWE Group had 67,267 employees as of 30 September 2013. Accordingly, part-time positions were only included in this figure proportionate to their share of full-time positions. Headcount declined by 2,941, or 4%, compared to 31 December 2012. Seventy-five percent of the workforce reduction affected our operations outside Germany. It was in part due to streamlining measures taken in the UK supply business and in the Central Eastern and South Eastern Europe Division. The sale of NET4GAS also played a major role: about 560 staff members were on the company's payroll as of 31 December 2012.

Workforce[1]	30 Sep 2013	31 Dec 2012	+/– %
Conventional Power Generation	16,752	17,583	–4.7
Supply/Distribution Networks Germany	19,343	19,510	–0.9
Supply Netherlands/Belgium	3,129	3,376	–7.3
Supply United Kingdom	8,933	9,528	–6.2
Central Eastern and South Eastern Europe	10,075	10,900	–7.6
Renewables	1,496	1,573	–4.9
Upstream Gas & Oil	1,430	1,375	4.0
Trading/Gas Midstream	1,544	1,457	6.0
Other[2]	4,565	4,906	–7.0
RWE Group	**67,267**	**70,208**	**–4.2**
In Germany	39,552	40,272	–1.8
Outside of Germany	27,715	29,936	–7.4

1 Converted to full-time positions.
2 Of which 2,292 were accounted for by RWE IT (end of 2012: 2,624) and 1,670 were accounted for by RWE Service (end of 2012: 1,692).

OUTLOOK

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

Based on expert forecasts, world economic output will increase by a good 2% in 2013, growing almost as much as in 2012. However, gross domestic product (GDP) in the Eurozone is likely to shrink overall, because measures taken to consolidate state budgets are curtailing growth. 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 around 0.4% is possible for 2013. Economic output could decline in the Netherlands, whereas it is expected to rise by more than 1% in the United Kingdom and Poland. GDP will probably be slightly up on 2012 in Hungary, but down in the Czech Republic.

Gas demand expected to be higher than in 2012

Our forecast for this year's energy consumption is based on the aforementioned economic developments. Furthermore, we assume that temperatures in November and December will be normal. On a full-year basis, the weather in most of RWE's markets would then be colder than in 2012. We anticipate that electricity consumption will decline slightly in Germany and the Netherlands, remain stable in the United Kingdom and grow moderately in Poland and Hungary. Demand for gas in all RWE markets, with the exception of Hungary, may well exceed last year's levels due to the weather.

German wholesale prices still under pressure

Developments on commodity markets so far suggest that, averaged over the year, 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. Quotations for CO_2 certificates will also remain much lower year on year. There are currently no signs of an end to the slump. This and the continued expansion of renewables will maintain the pressure on wholesale electricity prices.

Outlook for fiscal 2013	2012 actual € million	August 2013 forecast[1]	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	Significantly above last year's level	–
Supply United Kingdom	286	Above last year's level	–
Central Eastern and South Eastern Europe	1,052	Below last year's level	–
Renewables	183	In the order of last year's level	–
Upstream Gas & Oil	685	Below last year's level	Significantly 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 €4.5 billion	–
Net debt	33,015	Below last year's level	–

1 See pages 28 to 30 of the report on the first half of 2013.

Consolidated earnings forecast for 2013 unchanged

Our earnings forecast for 2013 at the Group level remains unchanged: we anticipate EBITDA to total approximately €9 billion, the operating result to amount to approximately €5.9 billion and recurrent net income to total approximately €2.4 billion. We also confirm our forecast for external revenue, which is expected to be in the order of €54 billion. We anticipate earnings at the divisional level to develop as follows:

- Conventional Power Generation: The operating result of our new division will be far below the comparable figure for 2012. As mentioned earlier, we have to cover nearly our entire need for CO_2 emission certificates through purchases on the market for the first time in 2013. Earnings are also being curtailed due to the downward trend experienced by electricity forward prices in Continental Western Europe, the increase in a provision for impending losses from an electricity purchase agreement and the closure of our 150 MW lignite-fired units. In contrast, lower prices paid for hard coal and CO_2 emission allowances will provide marginal relief. Furthermore, costs associated with the inspections of our power plants are dropping.

- Supply/Distribution Networks Germany: Earnings posted by this division are expected to be in the order of last year. On the one hand, efficiency-improving measures are having a positive effect. On the other hand, we no longer benefit from the earnings contributed by activities which we sold last year. This primarily relates to our stakes in the Koblenz-based regional utility KEVAG and the Berlin waterworks.

- Supply Netherlands/Belgium: The operating result achieved by this division will probably be much higher than in 2012, largely due to efficiency enhancements, the release of provisions, weather-driven increases in gas supplied to households and the expansion of our customer base in Belgium. Counteracting effects will be felt from a competition-induced drop in gas margins, the more sparing use of energy made by households and temporary additional costs caused by the introduction of a new customer billing system.

- Supply United Kingdom: RWE npower will probably close fiscal 2013 with earnings exceeding last year's level, despite the fierce competition in the UK energy market. Cost-cutting measures will play a significant role. The colder weather and key account acquisitions are also having a positive impact. However, this is contrasted by some negative factors: network usage fees will be higher than in 2012. In addition, we expect costs to rise for measures to promote energy savings in households, which are mandated by the government. We only partially offset these additional costs with the price increase we implemented in November of last year (see page 19). Therefore, RWE npower will raise residential tariffs once again at the beginning of December 2013, by 9.3% for electricity and by 11.1% for gas.

- Central Eastern and South Eastern Europe: Despite positive effects from transactions to limit currency risks, from our current perspective, the operating result recorded by this division will decrease. This is essentially due to the sale of the Czech long-distance gas network operator NET4GAS, which was completed in early August 2013. We expect significant earnings shortfalls in the Hungarian electricity and gas businesses, where we have to cope with the regulator's reduction in network fees and residential tariffs. The Polish electricity supply business will probably close 2013 on a par with last year, although 2012 benefited from the release of provisions. The absence of this special item may be cushioned by improved market conditions, among other things. We expect to see higher network and supply margins in the Czech gas business.

- Renewables: We expect RWE Innogy to close fiscal 2013 with an operating result in the order of last year's level. The commissioning of new generation capacity will have a positive impact. We are also likely to benefit from the weather-driven increase in electricity generation from our hydroelectric power plants. The deterioration in the regulatory framework for renewables in Spain, the decline in wholesale electricity prices in Continental Europe and the collapse in the price of green electricity certificates in Poland will have a counteracting effect.

- Upstream Gas & Oil: RWE Dea may well realise lower oil and gas prices for the full year than in 2012, partly due to foreign exchange effects. Therefore, the company's earnings may deteriorate. We now anticipate a significant decline. One reason for this is that we cannot produce as much gas as planned in the Clipper South and Breagh fields in the UK North Sea. At Clipper South, this is partially due to bottlenecks in post-production pipeline infrastructure while at Breagh, it is due to delays in the start of production. Earnings contributed by the expansion of our gas production in 2013 will therefore fall short of expectations. Furthermore, exploration costs are higher than originally assumed.

- Trading/Gas Midstream: After substantial losses in recent years, we expect to receive a positive contribution to earnings from this division in 2013. The basis for this are successful gas price revisions, in particular the arbitral ruling in the proceedings with Gazprom. In addition, we anticipate positive effects from our efficiency-enhancement programme. However, we currently expect our performance in the energy trading business to be weaker than in 2012.

Capex of €4.5 billion planned

We estimate that capital expenditure on property, plant and equipment and intangible assets will total about €4.5 billion in 2013. The focal points are our new-build power plant programme, which is about to be completed, the construction of new wind farms, the expansion and modernisation of our distribution networks and the continued development of RWE Dea's upstream position.

Leverage factor of 3.5 expected

The RWE Group's net debt should rise somewhat in the fourth quarter of 2013. However, it will remain below the level recorded as of 31 December 2012 (€33.0 billion). The leverage factor – the ratio of net debt to EBITDA – may 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.

RWE reduces its workforce

By the end of the financial year, our headcount will probably be close to its level at the end of September (67,267), which would be lower than last year (70,208). We have provided the main reasons for the reduction of our personnel on page 25 of this report.

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. Statements of this nature are assessments that we have made based on information available to us at the time this document was prepared. In the event that the underlying assumptions do not materialise or unforeseen risks arise, actual performance can deviate from the performance expected. Therefore, we cannot assume responsibility for the correctness of these statements.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

Changes in the risk 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 the 2012 Annual Report. Since its publication in March, we have reassessed the risk situation in individual areas. This was partly occasioned by the arbitral ruling on the adjustment of the price conditions of our long-term gas procurement agreement with Gazprom in the middle of 2013, as a result of which the earnings risk exposure from this contract decreased significantly (see page 10 of the report on the first half of 2013). Conversely, the crisis in the conventional electricity generation business has become more severe. Many power plants are no longer able to cover their costs due to a decline in forward prices in Continental European electricity trading. If prices remain low and the regulatory framework continues to be unfavourable, there is a risk that we may have to perform further write-downs in addition to the impairment losses to date. As well as generation assets, this also relates to goodwill in the Conventional Power Generation Division.

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 €8 million in the first three quarters of 2013 compared to €7 million in the same period last year. Its maximum daily value was €14 million as opposed to €13 million a year earlier.

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 three quarters of 2013 averaged €5 million, matching last year's level. 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 €8 million (first three quarters of 2012: €16 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 €7 million (first three quarters of 2012: €10 million).
As in 2012, the VaR for our foreign currency position was less than €1 million.

CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement

€ million	Jul – Sep 2013	Jul – Sep 2012	Jan – Sep 2013	Jan – Sep 2012
Revenue (including natural gas tax/electricity tax)	**11,359**	**11,268**	**39,886**	**38,358**
Natural gas tax/electricity tax	–431	–386	–1,913	–1,715
Revenue	**10,928**	**10,882**	**37,973**	**36,643**
Cost of materials	–8,207	–7,649	–26,355	–24,999
Staff costs	–1,242	–1,304	–3,866	–3,934
Depreciation, amortisation, and impairment losses	–1,154	–815	–3,461	–2,484
Other operating result	–456	–415	–1,396	–1,248
Income from operating activities	**–131**	**699**	**2,895**	**3,978**
Income from investments accounted for using the equity method	110	139	326	270
Other income from investments	40	17	–122	107
Financial income	154	41	543	356
Finance costs	–620	–623	–1,940	–1,795
Income before tax	**–447**	**273**	**1,702**	**2,916**
Taxes on income	139	104	–812	–775
Income	**–308**	**377**	**890**	**2,141**
of which: minority interest	36	55	204	192
of which: RWE AG hybrid capital investors’ interest	26	26	77	69
of which: net income/income attributable to RWE AG shareholders	**–370**	**296**	**609**	**1,880**
Basic and diluted earnings per common and preferred share in €	**–0.60**	**0.48**	**0.99**	**3.06**

Statement of recognised income and expenses[1]

€ million	Jul – Sep 2013	Jul – Sep 2012	Jan – Sep 2013	Jan – Sep 2012
Income	**–308**	**377**	**890**	**2,141**
Actuarial gains and losses of defined benefit pension plans and similar obligations	82	–622	–16	–2,150
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	**82**	**–622**	**–19**	**–2,150**
Currency translation adjustment	–32	159	–348	381
Fair valuation of financial instruments available for sale	23	61	18	86
Fair valuation of financial instruments used for hedging purposes	–56	–210	–361	–84
Income and expenses of investments accounted for using the equity method (pro rata)	2	5	39	–11
Income and expenses recognised, to be reclassified through profit or loss in the future	**–63**	**15**	**–652**	**372**
Other comprehensive income	**19**	**–607**	**–671**	**–1,778**
Total comprehensive income	**–289**	**–230**	**219**	**363**
of which: attributable to RWE AG shareholders	(–349)	(–319)	(–17)	(105)
of which: attributable to RWE AG hybrid capital investors	(26)	(26)	(77)	(69)
of which: attributable to minority interests	(34)	(63)	(159)	(189)

1 Figures stated after taxes.

Balance sheet[1]

Assets € million	30 Sep 2013	31 Dec 2012
Non-current assets		
Intangible assets	15,238	16,017
Property, plant and equipment	34,231	36,006
Investment property	105	111
Investments accounted for using the equity method	3,664	3,625
Other non-current financial assets	863	959
Receivables and other assets	3,093	3,040
Deferred taxes	3,496	3,580
	60,690	**63,338**
Current assets		
Inventories	2,678	3,128
Trade accounts receivable	7,749	8,033
Receivables and other assets	7,224	8,403
Marketable securities	3,070	2,604
Cash and cash equivalents	4,612	2,672
	25,333	**24,840**
	86,023	**88,178**

Equity and liabilities € million	30 Sep 2013	31 Dec 2012
Equity		
RWE AG shareholders' interest	10,871	12,171
RWE AG hybrid capital investors' interest	2,664	2,702
Minority interest	1,621	1,616
	15,156	**16,489**
Non-current liabilities		
Provisions	28,461	27,991
Financial liabilities	16,092	15,417
Other liabilities	2,274	2,714
Deferred taxes	1,332	1,323
	48,159	**47,445**
Current liabilities		
Provisions	5,351	4,811
Financial liabilities	3,392	4,529
Trade accounts payable	6,069	7,315
Other liabilities	7,896	7,589
	22,708	**24,244**
	86,023	**88,178**

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

Cash flow statement

€ million	Jan – Sep 2013	Jan – Sep 2012
Income	890	2,141
Depreciation, amortisation, impairment losses/write-backs	3,464	2,582
Changes in provisions	859	–495
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	–325	–930
Changes in working capital	118	–58
Cash flows from operating activities	**5,006**	**3,240**
Capital expenditure on non-current assets/acquisitions	–2,993	–3,755
Proceeds from disposal of assets/divestitures	1,822	496
Changes in marketable securities and cash investments	–238	1,149
Cash flows from investing activities[1]	**–1,409**	**–2,110**
Cash flows from financing activities	**–1,646**	**–1,518**[2]
Net cash change in cash and cash equivalents	1,951	–388
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–11	23
Net change in cash and cash equivalents	**1,940**	**–365**
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	**4,612**	**1,644**

1 In the first three quarters of 2012 after transfer to contractual trust arrangements (€282 million).
2 Includes the issuance of hybrid capital to be classified as equity as per IFRS (€892 million).

Statement of changes in equity[1]

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Treasury shares	Accumulated other comprehensive income	**RWE AG shareholders' interest**	RWE AG hybrid capital investors' interest	Minority interest	**Total**
Balance at 1 Jan 2012	**3,959**	**10,804**	**–24**	**–711**	**14,028**	**1,759**	**1,347**	**17,134**
Capital paid in/repayments						892	–11	881
Dividends paid		–1,229			–1,229	–81	–182	–1,492
Income		1,880			1,880	69	192	2,141
Other comprehensive income		–2,067		292	–1,775		–3	–1,778
Total comprehensive income		–187		292	105	69	189	363
Other changes						26	204	230
Balance at 30 Sep 2012	**3,959**	**9,388**	**–24**	**–419**	**12,904**	**2,665**	**1,547**	**17,116**
Balance at 1 Jan 2013	**3,959**	**8,713**		**–501**	**12,171**	**2,702**	**1,616**	**16,489**
Capital repayments							–157	–157
Dividends paid		–1,229			–1,229	–145	–170	–1,544
Income		609			609	77	204	890
Other comprehensive income		–5		–621	–626		–45	–671
Total comprehensive income		604		–621	–17	77	159	219
Other changes		–54			–54	30	173	149
Balance at 30 Sep 2013	**3,959**	**8,034**		**–1,122**	**10,871**	**2,664**	**1,621**	**15,156**

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

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 30 September 2013 were approved for publication on 12 November 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 30 September 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 4.3% 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") or remain in equity without an effect on profit or loss.

Amendments to IAS 19 Employee Benefits (2011) abolish options to recognise actuarial gains and losses. New regulations on considering the expected return on plan assets are also introduced. In addition, the definition of benefits occasioned by the termination of employment is changed and 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 recognition of the return on plan assets to result in a reduction in the expected return on plan assets of €95 million for fiscal 2013. Due to the changed definition of benefits occasioned by termination of employment, supplementary payments committed within the scope of old-age part-time employment arrangements are now classified as other long-term employee benefits which are accrued in instalments. The retroactive application of the amendments has the following impacts on the items of the consolidated balance sheet for the periods ended on 31 December 2012 and 1 January 2012:

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

The additional disclosure resulting from the amendments to IAS 19 will be included in the financial statements for the period ending on 31 December 2013.

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 three quarters of 2013 relate to 11 companies that were consolidated for the first time, four of which are part of the Central Eastern and South Eastern Europe Segment and two of which are part of the Supply/Distribution Networks Germany Segment. Five former fully consolidated companies, two of which belonged to the Conventional Power Generation Segment and two of which belonged to the Renewables Segment, were removed from the scope of consolidation. Nine companies were merged, of which four belonged to the Supply/Distribution Networks Germany Segment.

The scope of consolidation is as follows:

	30 Sep 2013	31 Dec 2012
Fully consolidated companies	363	366
Investments accounted for using the equity method	108	113

Disposals

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

On 22 February 2013, RWE sold its 80% stake in Gocher Bioenergie GmbH for €30 million. The gain on the deconsolidation amounted to €2 million and is reported in the "Other operating income" line 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 €23 million. The loss on the deconsolidation amounted to €0.1 million and is reported in the "Other operating expenses" line 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 controls the company, which operates an offshore wind farm off the coast of Wales. The sale led to a rise of €17 million in RWE AG shareholders' interest and of €118 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 controls 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 €32 million in RWE AG shareholders' interest and of €27 million in the minority interest.

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

Within the framework of business transactions, purchase prices amounted to €0 million (first three quarters of 2012: €51 million) and sales prices amounted to €1,078 million (first three quarters of 2012: €157 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.

Impairment losses

In the first three quarters of 2013, impairment losses were recognised for the Dutch power plant portfolio of the Conventional Power Generation Segment (€808 million), for a German offshore wind farm of the Renewables Segment (€260 million) and for gas storage facilities of the Supply/Distribution Networks Germany Segment (€216 million) largely due to changed price expectations. The fair values less costs to sell were determined using business valuation models based on planned future cash flows and discount rates ranging from 4.5% to 6.75%.

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.

In February and September 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 and €64 million, respectively.

In April 2013, RWE AG issued a US$50 million bond with a tenor ending in April 2033 and a coupon of 3.8% p.a.

Earnings per share

		Jan – Sep 2013	Jan – Sep 2012
Net income/income attributable to RWE AG shareholders	€ million	609	1,880
Number of shares outstanding (weighted average)	thousands	614,745	614,447
Basic and diluted earnings per common and preferred share	€	0.99	3.06

Related party disclosures

The RWE Group classifies associated companies and joint ventures as related parties. In the first three quarters of 2013, transactions concluded with material related parties generated €3,043 million in income (first three quarters of 2012: €2,909 million) and €2,294 million in expenses (first three quarters of 2012: €1,838 million). As of 30 September 2013, accounts receivable amounted to €1,292 million (31 December 2012: €1,639 million), and accounts payable totalled €188 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 €5,915 million (31 December 2012: €6,480 million).

Furthermore, until 30 June 2012, 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 half of 2012, RWE Group companies provided services and deliveries to these companies amounting to €4.2 million and received services and deliveries from these companies amounting to €1.7 million. All transactions were completed at arm's length conditions; the business relations did not differ from those maintained with other 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 €19,485 million (31 December 2012: €19,946 million) and their fair values totalled €21,167 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 13. In accordance with IFRS 13, the individual levels of the fair value hierarchy are defined as follows:

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

Fair value hierarchy € million	Total 30 Sep 2013	Level 1	Level 2	Level 3	Total 31 Dec 2012	Level 1	Level 2	Level 3
Other financial assets	863	107	375	381	959	119	398	442
Derivatives (assets)	4,194		4,084	110	4,568		4,331	237
Securities	3,070	1,681	1,389		2,604	1,609	995	
Derivatives (liabilities)	3,418		3,407	11	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 three quarters of 2013 with effect from the end of the reporting period. Furthermore, due to the absence of input factors for the measurement of Level 3 financial instruments which are not based on observable market data, €50 million in derivatives (liabilities) were reclassified from Level 3 to Level 2 as of 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 € million	Balance at 1 Jan 2013	Changes in the scope of consolidation, currency adjustments and other	Changes: Recognised in profit or loss	Changes: With a cash effect	Balance at 30 Sep 2013
Other financial assets	442	−41	−2	−18	381
Derivatives (assets)	237		−35	−92	110
Derivatives (liabilities)	175	−50	−90	−24	11

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Jan – Sep 2013	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	79	79
Cost of materials	−23	−23
Other operating income/expenses	7	7
Income from investments	−10	−7
	53	**56**

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. A change in pricing by +/−10 % would cause the market value to rise by €18 million or decline by €16 million.

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

Netting of financial assets and financial liabilities as of 30 Sep 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)	3,567	−2,983	584		−474	110
Derivatives (liabilities)	4,029	−3,633	396	−52	−293	51

Netting of financial assets and financial liabilities as of 31 Dec 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)	3,064	−2,401	663		−453	210
Derivatives (liabilities)	3,305	−2,665	640	−53	−526	61

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 2014

4 March 2014	Annual report for fiscal 2013
16 April 2014	Annual General Meeting
17 April 2014	Dividend payment
14 May 2014	Interim report on the first quarter of 2014
14 August 2014	Interim report on the first half of 2014
13 November 2014	Interim report on the first three quarters of 2014

This document was published on 14 November 2013. It is a translation of the German interim report on the first three quarters of 2013. 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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