

REPORT ON THE FIRST THREE QUARTERS OF 2012

- Group operating result up 8 %
- Divestment programme progressed successfully
- Slightly improved outlook for full year 2012
- Group operating result expected to be at least at last year's level



AT A GLANCE

RWE Group – key figures		Jan – Sep 2012	Jan – Sep 2011	+ / – %	Jan – Dec 2011
Electricity production	billion kWh	167.3	151.1	10.7	205.7
External electricity sales volume	billion kWh	208.3	224.0	–7.0	294.6
External gas sales volume	billion kWh	203.6	227.9	–10.7	322.2
External revenue	€ million	38,358	38,167	0.5	51,686
EBITDA	€ million	6,718	6,244	7.6	8,460
Operating result	€ million	4,606	4,270	7.9	5,814
Income before tax	€ million	2,916	2,504	16.5	3,024
Net income	€ million	1,880	1,416	32.8	1,806
Recurrent net income	€ million	1,892	1,782	6.2	2,479
Earnings per share	€	3.06	2.65	15.5	3.35
Cash flows from operating activities	€ million	3,240	4,540	–28.6	5,510
Capital expenditure	€ million	3,804	4,920	–22.7	7,072
Property, plant and equipment and intangible assets	€ million	3,391	4,406	–23.0	6,353
Financial assets	€ million	413	514	–19.6	719
Free cash flow	€ million	–151	134	–212.7	–843
		30 Sep 2012	31 Dec 2011		
Net debt of the RWE Group	€ million	34,217	29,948	14.3	
Workforce ¹		71,493	72,068	–0.8	

1 Converted to full-time positions.

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»Despite difficult framework conditions, 2012 has been a good fiscal year so far. We continued to implement our divestment programme successfully.«

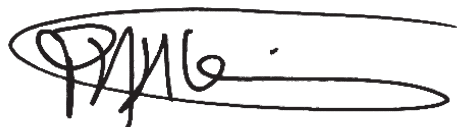
Dear Shareholders, Customers and
Friends of the Company,

Our performance over the first three quarters of the current financial year has been quite good. This holds true especially for the operational development: the Group's operating result improved by 8% compared to 2011. Recurrent net income, the yardstick for the dividend proposal, was up 6%. Admittedly, we felt significant one-off effects from the U-turn in German energy policy last year. However, we are also benefiting from operational improvements, for example in the trading business. We are raising our earnings forecast for the full year slightly: we now expect that EBITDA and the operating result will at least be on a par with the level achieved in 2011, while we still anticipate that recurrent net income will be in the order of last year's level.

The interim result achieved by our divestment programme, with which we intend to strengthen our financial power, is also positive: we made major progress by closing the Berlinwasser transaction in October. In the same month, we sold two development projects to strategic investors: the UK nuclear energy joint venture, Horizon, and an upstream participation in Norway. These two disposals are attractive to us not only because of the proceeds but also because they enable us to achieve substantial savings in terms of capital expenditure. Furthermore, these projects would not have contributed to EBITDA for many years. Consequently, their sale will not dilute our earnings for the time being. The contribution these disposals make to reducing our leverage factor, which is the ratio of our net debt to EBITDA, is commensurately large. Our divestment programme has a target volume of up to €7 billion, of which we have achieved over €1.6 billion so far.

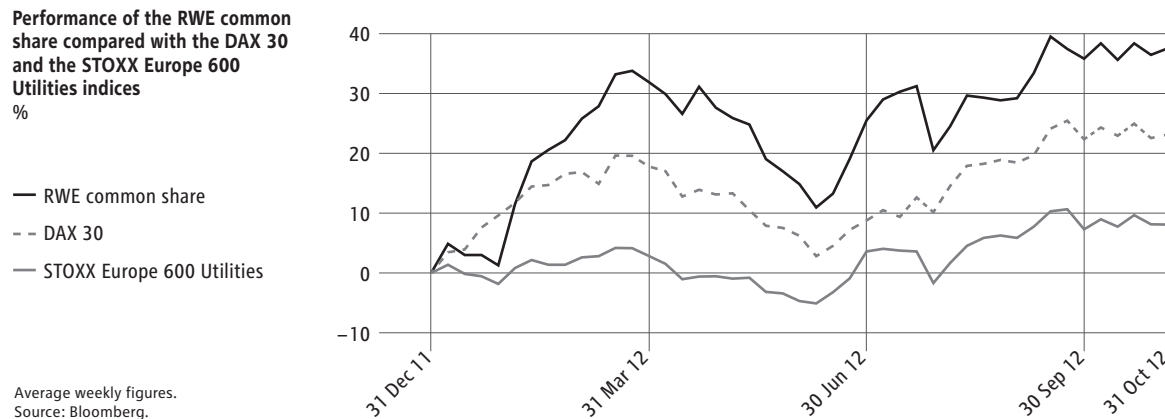
However, the environment for disposals has become much more difficult, not least due to financing restrictions of potential buyers. We will certainly not sell any assets under value. It is not yet possible to predict whether our divestments will be sufficient to return the leverage factor below the targeted upper limit of 3.0. Therefore, our capital expenditure is also being put to the test. We will implement further cuts, albeit without losing sight of our growth prospects. Moreover, we will do all we can to tap identified efficiency enhancement potential. However, reducing the payout ratio is out of the question: we will keep it within the target range of between 50% and 60% of recurrent net income. Therefore, although the framework conditions in the energy sector are difficult at present, RWE will continue to bear one of the strongest dividends in the DAX.

Sincerely yours,

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

Peter Terium
CEO of RWE AG
Essen, November 2012

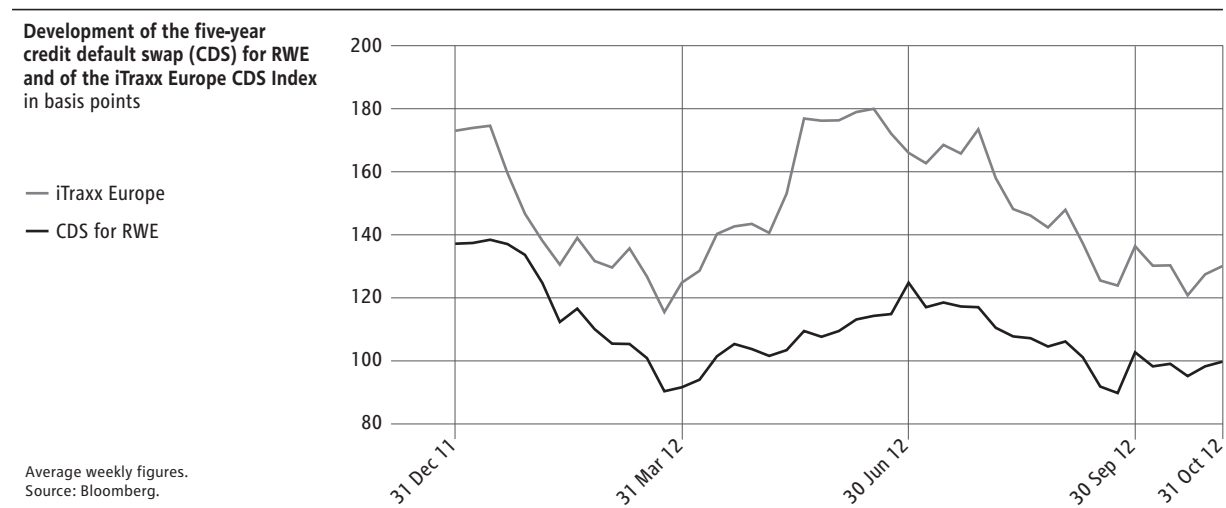
WITH A RETURN OF 36%, THE RWE COMMON SHARE IS ONE OF THE STRONGEST IN THE DAX



The stock market has displayed significant seasonal fluctuations so far this year: following a rise in the first quarter, by June, Germany's lead index, the DAX 30, had almost dropped back down to the level it had at the beginning of the year, before recording another marked gain. It ended the month of September at 7,216 points. Based on the closing quotation in 2011 (5,898 points), this corresponds to an increase of 22%. The ups and downs on the stock markets were primarily caused by the sovereign debt crisis in the Eurozone. After the Greek state was saved from bankruptcy by having some of its debt cancelled and the banking system was stabilised with low-interest loans from the European Central Bank (ECB) in the first quarter, the sense of crisis became stronger again. The Spanish budget and many of the country's large banks, which have come under pressure as a result of real-estate transactions, are a major cause for concern. In the middle of the year, there was another upswing on the stock market as the Eurozone's heads of state reached an agreement to provide short-term aid to Italy and Spain and to allow banks to receive direct assistance from the ESM bail-out fund. Further stimulus was provided by the announcement by ECB President Draghi in September that they would buy a theoretically unlimited number of government bonds from Eurozone countries in crisis. Another positive effect came from the approval given by the German Constitutional Court to Germany's accession to the ESM.

RWE shareholders could be pleased about strong returns in the first three quarters: our common and preferred shares ended the month of September trading at €34.82 and €31.02, respectively. This corresponds to total returns (returns on the share price plus the dividend) of 36% and 30%. RWE's common shares took sixth place in the DAX and clearly surpassed the STOXX Europe 600 Utilities index (+7%). The strong performance is partly due to the fact that the capital increase we implemented in December 2011 eliminated a negative factor: many capital market participants had waited for this action before investing in RWE. The earnings forecast for 2013 we published at the beginning of March clearly exceeded expectations, buoying our share price even further. Moreover, by the middle of the year, the market had become more confident of our ability to reach a successful conclusion to the negotiations with our major gas suppliers to adjust the purchase conditions that are disadvantageous to us. This optimism was confirmed by our agreement with Statoil, which we announced in the middle of August.

The corporate bond market was also marked by the aforementioned developments surrounding the Eurozone's sovereign debt crisis. The temporary escalation of the situation in the second quarter caused willingness to invest in crisis-ridden countries to drop. In contrast, German bonds became increasingly popular, which caused their returns to decline, along with the financing costs of German companies. However, this development was reversed when the crisis was defused in the middle of the year. The calming of the markets in the third quarter was also reflected in the prices of credit default swaps (CDSs). These are finance instruments used by investors to hedge credit risk. The iTraxx Europe Index, which consists of the prices of the five-year CDSs of 125 major European companies, traded at 136 basis points at the end of September compared to 173 points at the beginning of the year and 166 points on 30 June. Prices of the five-year CDS for RWE were far below the index. At the end of September, they hovered around the 100-point mark, having started the year at 137 basis points.



ECONOMIC ENVIRONMENT

Economy continues to lose momentum

The weakening of global economic growth observed as early as the end of 2011 continued in 2012. Based on current information, the global gross domestic product (GDP) in the first nine months of 2012 was still about 2.5% higher than in the same period last year. The Eurozone's GDP probably shrank, owing to the sovereign debt crisis. The German economy, however, was fairly robust, posting an estimated 1% growth. In particular, consumer spending had a stabilising effect. In contrast, the Netherlands was unable to decouple itself from the European trend. According to the most recent data available, Dutch GDP decreased. Economic output in the UK was also down year on year, albeit only just. Positive stimulus came from the London Olympics, among other things. The countries of Central Eastern Europe displayed varying developments in the first three quarters of the year: GDP is likely to have grown considerably in Poland, but it may have decreased slightly in the Czech Republic and Hungary.

Weather cooler than in 2011

Whereas the economic trend primarily impacts on demand for energy among industrial enterprises, residential energy consumption is influenced more by weather conditions. The temperature dependency of demand for heating comes to bear in this context. This is reflected in seasonal fluctuations in revenue and earnings among other things. We generate around two-thirds of our gas sales in the winter and autumn months (Q1 and Q4). However, weather conditions also play a role when comparing various fiscal years. In the first nine months of 2012, temperatures in Germany were about as high as the ten-year average. The same applies for our markets in Central Eastern Europe. Conversely, temperatures in the Netherlands were slightly below normal levels and were significantly lower in the United Kingdom. Compared to 2011, temperatures in all the aforementioned regions were lower. In addition to energy consumption, the generation of electricity is also subject to weather-related influences, with wind levels playing a major role. We made more use of our wind turbines in Germany and Spain than in the same period last year, whereas usage in the UK was roughly on a par. Solar intensity is also increasingly influencing developments on the electricity market. This is a consequence of the significant rise in solar power capacity in Germany, where 1,455 hours of sunlight were measured from January to September. This is slightly more than the 1,401 hours recorded a year earlier.

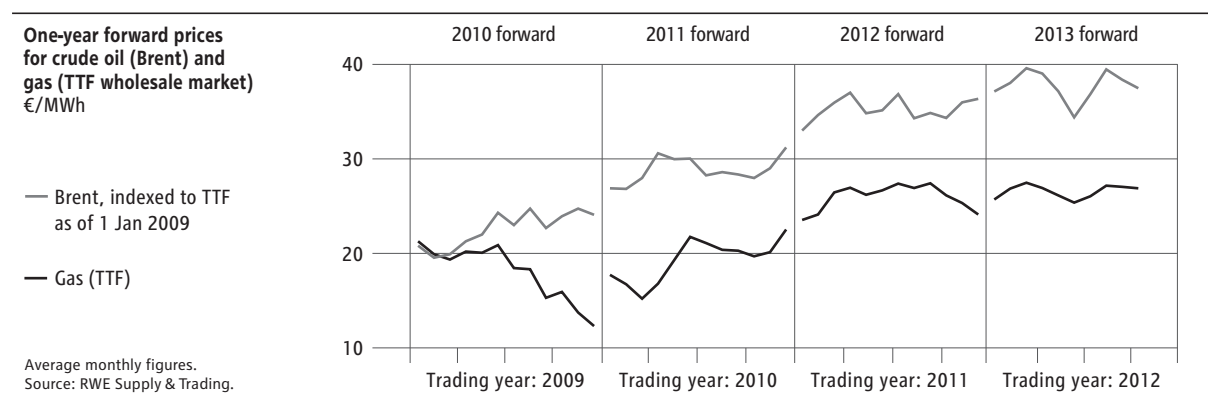
Economic downturn curtails energy consumption

The slowing economy had a dampening effect on demand for electricity and gas. This was contrasted by a weather-induced rise in the need for heating. According to surveys conducted by the German Association of Energy and Water Industries (BDEW), German electricity usage in the first nine months of 2012 was about 2% lower than in the same period last year. Based on estimates, demand for electricity in the Netherlands and Hungary was also down compared to 2011, whereas it was roughly unchanged in the United Kingdom. An increase of 0.5% was calculated for Poland.

Based on the latest available data, gas consumption in Germany was 2% down year on year despite the cooler weather. The main reason was that the market conditions for gas-fired power stations worsened, resulting in a reduction in their utilisation. This was also the case in the Netherlands where demand for gas declined by 5%. It decreased by as much as 10% in the UK, where a third less gas was required for power plants. Based on estimates, consumption in Hungary and the Czech Republic declined moderately, dropping by 1% and 2%, respectively.

Geopolitical risks prevent downturn in oil prices

The economic slowdown was also reflected in the development of prices on international commodity markets. However, the influence of the economy on crude oil was outweighed by geopolitical factors, above all the conflict surrounding Iran's nuclear programme. Fears of an escalation of the tensions and a curtailment of oil supplies caused prices to increase, especially in the first and third quarters. The civil war in Syria was another reason for uncertainty. Prices temporarily spiralled downward in the second quarter as the situation concerning Iran calmed somewhat and OPEC expanded its supply. In the period from January to September 2012, Brent crude traded at an average of US\$112 (€87) per barrel, which was on a par year on year. In euro terms, however, this equates to an increase of 10% because the US dollar appreciated compared to Europe's key currency.



Gas prices rise considerably

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

In the period being reviewed, gas imports to Germany cost an average of 18% more than a year before. In contrast, at the European TTF trading point, gas only became slightly more expensive: the average spot quotation was €24 per megawatt hour (MWh), compared to €23 in the same period last year. In forward trading, contracts for delivery in the coming calendar year (2013 forward) were settled for €27 per MWh. The figure for the same period last year was €26.

Prices for end customers rose considerably. In Germany, the average rate of increase was 6% for households and 14% for industrial enterprises. These customer groups had to pay 12% and 9% more in the United Kingdom, 23% and 17% more in the Czech Republic and 4% and 39% more in Hungary. Dutch residential gas bills were up 11%, whereas surveys of industrial customers indicate only a small increase in price.

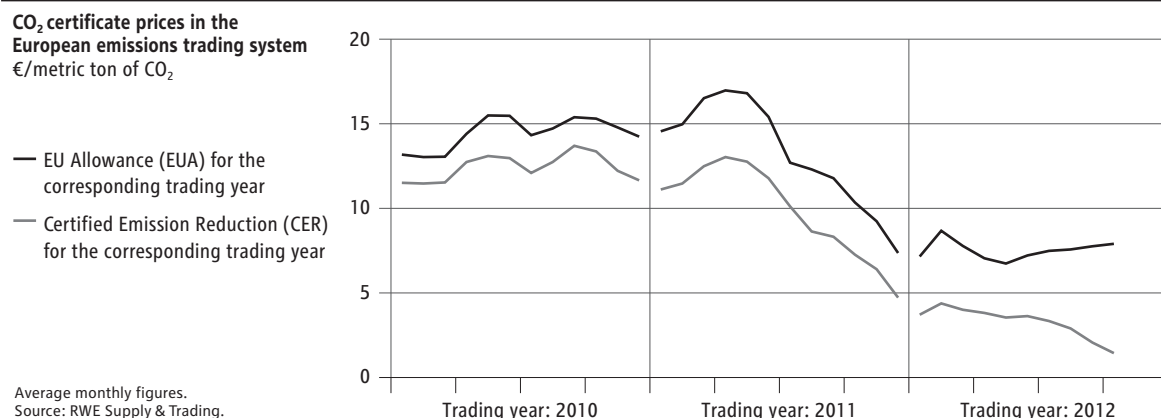
Excess supply on hard coal market

A shrinkage of the world hard coal market is becoming apparent for the first time since the end of the 1990s. Trading volumes have declined recently due to weak demand in Europe and India as well as restrained growth in China. At the same time a surplus of supplies developed, in part based on the fact that US coal producers are increasingly turning to the export market in reaction to the heightened competitive pressure exerted by cheap shale gas. Accordingly, hard coal dropped in price substantially. A metric ton including freight and insurance was quoted at an average of US\$94 (€73) on the Rotterdam spot market. It therefore cost 24% less than in 2011. In euro terms, the drop in price was slightly more moderate (–17%). Sea freight rates are a major component of hard coal quotations. In the period under review, the standard route from South Africa to Rotterdam cost an average of just under US\$8 per metric ton. This was US\$2 less than in the same period last year.

The German Federal Office of Economics and Export Control (BAFA) determines the price of hard coal produced in Germany based on quotations for imported hard coal. Therefore, the BAFA price follows developments on international markets, albeit with a time lag. No average figure was available for the first three quarters of 2012 when this report went to print, but experts estimate it to be €96 per metric ton of hard coal unit. In the same period last year, it amounted to €106.

CO₂ emissions trading: certificates much cheaper than in 2011

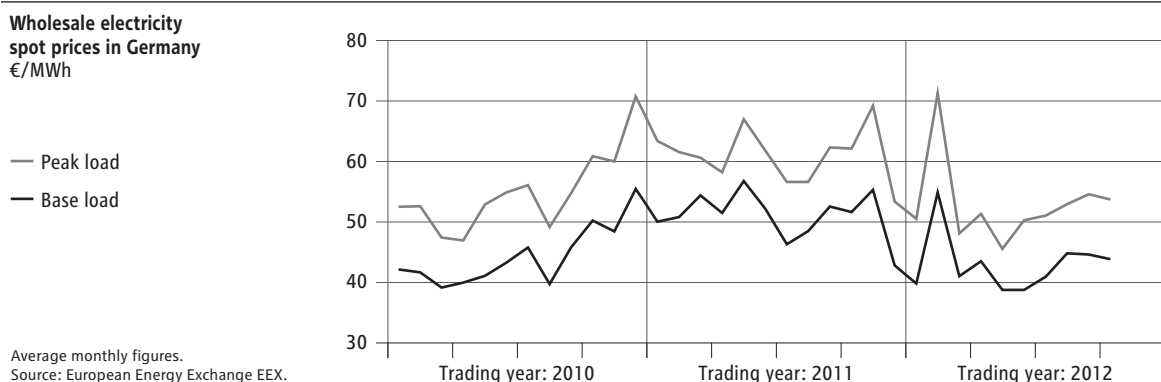
Prices in European trading of emission allowances were far below the levels witnessed a year earlier. The standard certificate (referred to as an EU Allowance – EUA) for 2012 traded at an average of €7.50 per metric ton of carbon dioxide (CO₂) in the first nine months of 2012. This is roughly half as much as what had to be paid for the 2011 certificate in the year-earlier period. Certificate prices collapsed last year, in part due to the sovereign debt crisis in the Eurozone and the resultant decline in industrial activity. The development of prices in emissions trading also reflects the rapid expansion of renewable energy. The latter is increasingly reducing the amount of electricity generated by fossil-fuelled power plants, causing demand for emission allowances to decline. EU initiatives to limit allocations of certificates at least temporarily and thus drive up prices are still going through the legislative procedure. Their implementation may fail due to the resistance put up by Poland and other Eastern European countries.



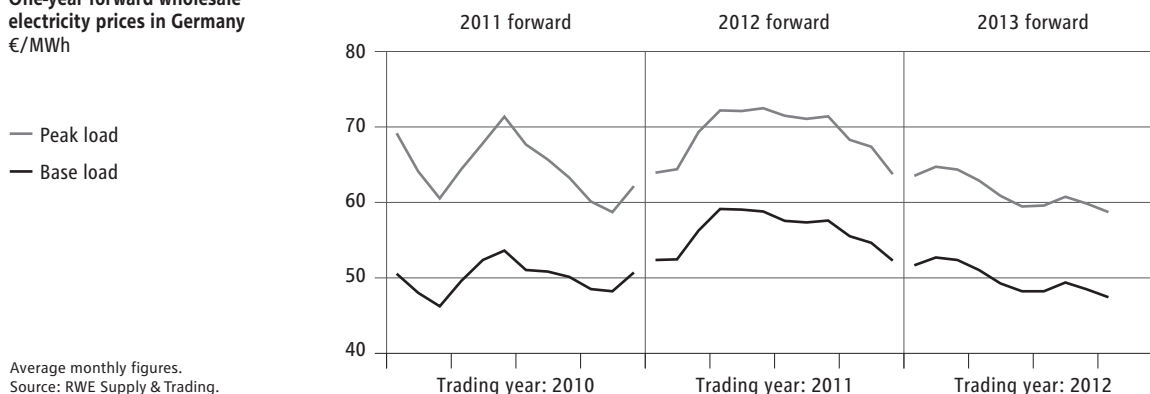
Certified Emission Reductions (CERs), which are credits earned from emission-reducing measures in developing and emerging countries, dropped in price even more than EUAs. At the end of October, a CER for 2012 only cost slightly more than €1. The reason is that countries participating in European emissions trading have put caps on the usage of CERs. Due to the large number of emission-reducing projects, far more CERs may be generated than can in fact be used.

Decline in wholesale electricity prices

Drops in the prices of hard coal and emission certificates as well as increasing amounts of electricity fed into the system by wind turbines and solar panels weighed on German wholesale electricity prices. On the spot market in the first nine months of 2012, base-load power sold for an average of €43 per MWh, while peak-load electricity settled at €53 per MWh. The corresponding prices a year earlier were €52 and €61, respectively. Electricity also became cheaper on the forward market. The 2013 forward was priced at an average of €50 per MWh of base-load power and €62 per MWh of peak-load power. This was €7 and €8 less than what had to be paid for 2012 forwards in the same period last year.



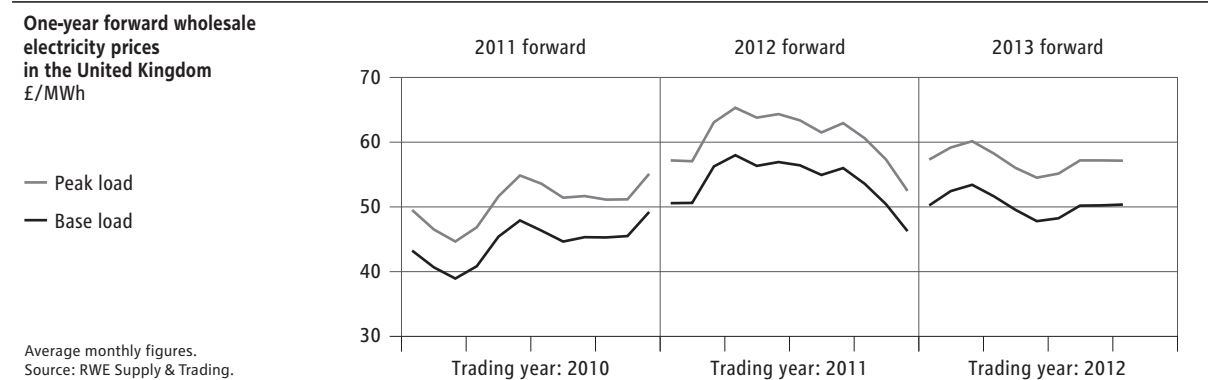
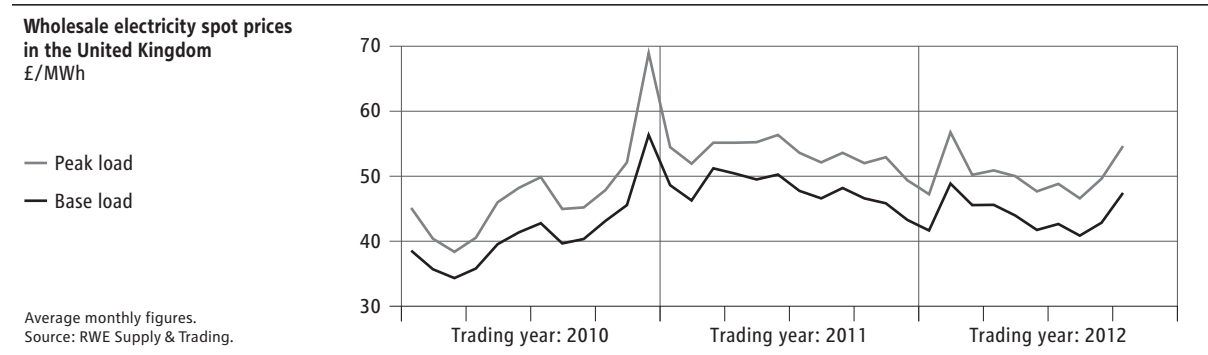
**One-year forward wholesale electricity prices in Germany
€/MWh**



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

Prices in the German end-customer business developed as follows. In the period under review, tariffs for households were an average of 3.5% higher than a year earlier, whereas for industrial enterprises they were 1.5% lower. If certain prerequisites are met, the latter are exempt from network fees pursuant to a law that was enacted in July 2011. As a result, payments made by other electricity customers are commensurately higher. The burdens associated with the German Renewable Energy Act (REA) also grew. This is due to the increasing expansion of wind power, biomass and photovoltaic capacity. The REA levy rose from 2.05 euro cents per kilowatt hour (kWh) in 2010 to 3.53 euro cents in 2011 and to 3.59 euro cents in 2012. The main increase therefore already took place in 2011, but was often passed through to end customers with a time lag. The levy for 2013 has been set at 5.28 euro cents. This represents an average rise of 37% p.a. since 2010. As with network fees, industrial enterprises also receive relief from the REA. One of the prerequisites is that their annual electricity consumption exceeds a certain threshold. This limit was reduced from 10 gigawatt hours (GWh) to 1 GWh as of 1 January 2012.

Wholesale electricity prices also dropped in the United Kingdom. On the spot market, they averaged £44 (€54) per MWh of base-load power and £50 (€62) per MWh of peak-load power. In the first nine months of 2011, they amounted to £49 and £54, respectively. On the electricity forward market, base-load contracts for the 2013 calendar year settled at an average of £50 (€62) per MWh in the period under review. Compared to the price paid for the 2012 forward in 2011, this results in a decline of £5. Peak-load power dropped in price by the same amount, to £57 (€71).



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

The majority of UK energy suppliers raised their electricity tariffs over the course of 2011. Although this was followed by some tariff cuts in 2012, average residential tariffs were 7 % higher year on year. For industrial enterprises, electricity prices rose to the same extent.

In the Netherlands, wholesale electricity prices and power plant margins displayed developments similar to those in Germany. In the end-customer business, households had to pay an average of nearly 5% more than in 2011, while tariffs for industrial enterprises only increased marginally.

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

MAJOR EVENTS

In the period under review

State-of-the-art gas-fired power plant officially commissioned in Wales

In the presence of UK Energy Minister John Hayes, we officially opened our new gas-fired power station at Pembroke (Wales) on 19 September. The plant has a total net installed capacity of 2,188 megawatts (MW). Its efficiency of 59% ranks it among the most efficient and environmentally friendly of its kind. It generates enough electricity for approximately 3.5 million homes. We invested €1.2 billion in the power station.

All Tilbury power station units back online

Since the end of August, our biomass-fired power plant at Tilbury has been fully available again, following the fire which interrupted operations at the end of February. The fire had broken out in one of the two wood pellet bunkers, requiring extensive repairs. On 21 June, the first of three units started generating electricity again, with the two remaining units following on 20 and 28 August. The Tilbury plant has an aggregate installed capacity of 750 MW. Last year, we converted it to run solely on biomass, before which it was fired with hard coal.

RWE increases stake in Austrian energy utility

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

Further major events occurred in the period under review. We presented them on pages 11 and 12 of the report on the first quarter of 2012 and on pages 11 to 13 of the report on the first half of the year.

After the period under review

RWE Dea sells share of concession in Norway

We made further progress in implementing our divestment programme. In the middle of October, we reached an agreement with OMV (Norge) AS, a subsidiary of Austria-based OMV, pursuant to which the company will acquire our 20% share in the concession for the Norwegian 'Edvard Grieg' field development project. The price amounts to €248 million. As the transaction takes retrospective effect from 1 January 2012, it accrues interest. On condition that certain project goals are achieved, another payment of up to €35 million will come due. 'Edvard Grieg' is scheduled to start producing oil in 2015. The reserves corresponding to our 20% stake total an estimated 38 million barrels of oil equivalent. The sale will cause our capital expenditure to decrease by a total of about €650 million in the years ahead. The transaction is pending approval from the Norwegian government and is scheduled to be completed this year.

RWE and E.ON sell UK nuclear energy joint venture

Hitachi, the Japanese electrical and mechanical engineering group, will buy Horizon Nuclear Power, our UK nuclear energy joint venture with E.ON. This was agreed contractually at the end of October. The price amounts to £696 million, which will be split evenly between RWE and E.ON. Established in 2009, Horizon is a joint venture for the development, construction and operation of new nuclear power stations in the United Kingdom. It owns properties at two locations, which are very suitable for nuclear energy projects. At the end of March 2012, E.ON and RWE had announced that they would stop working on the joint venture for strategic reasons. In general, we no longer plan to build nuclear power plants.

Green light for sale of minority interest in Berlin waterworks

The divestment of our minority interest in the Berlin waterworks to the state of Berlin has been completed. The Berlin City Parliament gave its approval at the end of October. The transaction includes RWE's indirect stake of 24.95% and two shareholder loans granted by RWE. It will take retrospective effect from 1 January 2012. The price amounts to €618 million. Added to this is a payment of approximately €40 million, which will cover the interest accrued since the beginning of the year, among other things.

Arbitration court approves reduction in our gas purchases from Gazprom

At the beginning of October, an arbitration court ruled in our favour in a suit between our Czech subsidiary Transgas and its gas supplier Gazprom. The issue under litigation was whether Transgas was justified in reducing the minimum offtake established in the contract with Gazprom under certain conditions. The positive outcome of the lawsuit enabled us to release a provision with retrospective effect from 30 September. The court had not been called upon to rule on the oil-price indexation of our gas purchases from Gazprom. A separate arbitration proceeding is addressing this issue and is scheduled to conclude in 2013.

NOTES ON THE REPORTING STRUCTURE

Group structure with seven divisions

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

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

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

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

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

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

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

BUSINESS PERFORMANCE

Electricity production by division January – September	Germany ¹		Netherlands/ Belgium		United Kingdom		Central Eastern and South Eastern Europe		Renewables		RWE Group	
Billion kWh	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Lignite	56.8	49.6	-	-	-	-	3.9	4.4	-	-	60.7	54.0
Hard coal	26.7	24.6	5.3	3.7	11.8	4.8	0.1	-	-	0.1	43.9	33.2
Nuclear	22.3	27.2	-	-	-	-	-	-	-	-	22.3	27.2
Gas	6.2	8.9	4.5	3.7	19.0	16.4	0.1	0.1	0.1	0.1	29.9	29.2
Renewables	1.4	1.0	1.1	1.0	1.0	-	-	-	5.0 ²	4.2 ²	8.5	6.2
Pumped storage, oil, other	2.0	1.3	-	-	-	-	-	-	-	-	2.0	1.3
Total	115.4	112.6	10.9	8.4	31.8	21.2	4.1	4.5	5.1	4.4	167.3	151.1

1 Including electricity from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the first three quarters of 2012, it amounted to 18.4 billion kWh, of which 16.4 billion kWh were generated from hard coal.

2 Including electricity procured from power plants co-financed by RWE, which are owned by companies that are not fully consolidated. In the first three quarters of 2012, these purchases totalled 0.9 billion kWh.

Electricity generation up 11 %

In the first three quarters of 2012, the RWE Group produced 167.3 billion kilowatt hours (kWh) of electricity. This was 11 % more than a year earlier. We made much more use of our hard coal-fired power plants. This was due to margin improvements on the spot market, especially in the United Kingdom. The rise in our electricity generation was also driven by the commissioning of new power stations, including the twin-unit lignite-fired power plant at the Neurath site near Cologne. The facility has a net installed capacity of 2,100 MW, making a material contribution to the 12 % rise in electricity generation from lignite. In addition, three new gas-fired power stations began operation: Claus C (1,304 MW) and Moerdijk 2 (426 MW) in the Netherlands and Pembroke (2,188 MW) in the United Kingdom. However, due to the expansion of German solar power capacity, the market conditions for gas-fired power plants have worsened, particularly for our plants in Germany and the Netherlands. Therefore, we have only generated 2 % more electricity from gas in 2012. From renewables, we posted a bigger gain. One contributing factor was the conversion of the Tilbury hard coal power station (UK) to a biomass facility. The increase in wind power capacity also played a major role. The Greater Gabbard UK offshore wind farm, in which we hold a 50 % stake, has now put all of its 504 MW capacity online. Our onshore wind power portfolio has also grown: in the reporting period alone, 107 MW were added, of which 51 MW are in the United Kingdom and 44 MW are in Poland. Furthermore, at the end of 2011 we doubled our stake in the Spanish wind farm operator Explotaciones Eólicas de Aldehuelas to 95 %. As a result, our wind power capacity in Spain rose by 47 MW to 447 MW. Besides the additional generation capacity, weather conditions also had a positive influence on our electricity production: on the whole, the capacity utilisation of our wind turbines and hydroelectric power plants was better than in 2011.

In addition to our in-house generation, we procure electricity from external suppliers. These purchases amounted to 53.0 billion kWh compared to 86.8 billion kWh in the first three quarters of 2011. The significant decline is due to the deconsolidation of Amprion in September 2011.

Gas and oil production both down 5%

In the period under review, RWE Dea produced 1,914 million cubic metres of gas and 1,792 thousand cubic metres of oil. Converting the gas to oil equivalent and adding it to crude oil production results in a total output of 3,645 thousand cubic metres, or 22.9 million barrels. This is less than in 2011, when production amounted to 3,825 thousand cubic metres and 24.1 million barrels, respectively.

Gas production decreased by 5%, mainly caused by the progressive depletion of reserves, especially in our German and UK concession areas. In the Völkersen field in Lower Saxony, we managed to weaken the aforementioned effect with a new production well. Based on the current state of planning, our gas production for the full year will match the 2011 level. The expansion of our upstream position in the UK North Sea is helpful in this respect. We recently started production in two out of a total of three new fields in the region: in Clipper South in the middle of August and in Devenick at the end of September. We intend to begin producing gas from the third and largest field, Breagh, in the spring of 2013.

We also experienced a 5% decrease in crude oil volume. The progressive depletion of reserves also played a role here. This particularly affected our German Mittelplate field. In addition, unfavourable weather conditions curtailed production at our Danish sites. This was contrasted by volume growth in the Norwegian Gjøa field. Our current forecast for the year as a whole envisages a marginal decline in oil production. We previously expected being able to match the level achieved in 2011.

External electricity sales volume January – September	Residential and commercial customers		Industrial and corporate customers		Distributors		Electricity trading		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Billion kWh										
Germany	18.0	18.5	22.5	23.7	61.1	42.1	-	-	101.6	84.3
Netherlands/Belgium	8.1	7.8	7.1	7.8	-	-	-	-	15.2	15.6
United Kingdom	12.9	12.6	23.6	24.4	-	-	-	-	36.5	37.0
Central Eastern and South Eastern Europe	5.9	6.3	6.7	6.9	4.5	4.3	-	-	17.1	17.5
Trading/Gas Midstream	-	-	23.1	22.4	-	-	13.4	15.3	36.5	37.7
RWE Group¹	45.0	45.5	83.0	85.5	66.9	77.7	13.4	15.3	208.3	224.0

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

Deconsolidation of Amprion reduces electricity sales volume

In the first three quarters of 2012, we sold 208.3 billion kWh of electricity to external customers. This was 7% less than in the same period last year. The main reason is that we have only held a minority interest in the electricity transmission system operator Amprion since September 2011 and have therefore deconsolidated the company. However, transactions between RWE companies and Amprion are now included in our external sales. This mainly relates to our German distribution system operators. Therefore, external electricity deliveries

in the Germany Division advanced significantly, rising by 21 %. In business with distributors, new customers won and increased electricity supplies to existing customers also contributed to this growth. This was contrasted by competition-induced volume shortfalls in the other customer segments. Electricity sales volume in the Netherlands/Belgium Division decreased by 3 %. In the UK, we fell just short of the level achieved a year earlier despite the weak industrial output, as we enlarged our customer base. We sold 2 % less electricity in the Central Eastern and South Eastern Europe Division, with mounting competitive pressure in Hungary playing a role. RWE Supply & Trading won new industrial and corporate customers, but experienced a 3 % decline in external sales overall. The main reason was that the company sold more in-house electricity production internally to our sales companies. Volumes sold on the wholesale market dropped accordingly.

External gas sales volume January - September	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Billion kWh								
Germany	18.6	18.0	13.0	17.8	14.0	24.4	45.6	60.2
Netherlands/Belgium	24.5	25.8	30.3	35.4	-	-	54.8	61.2
United Kingdom	29.2	25.8	1.7	1.8	-	-	30.9	27.6
Central Eastern and South Eastern Europe	13.3	17.9	19.0	19.3	11.2	2.2	43.5	39.4
Upstream Gas & Oil	-	-	1.1	1.8	10.3	11.4	11.4	13.2
Trading/Gas Midstream	-	-	10.1	16.5	7.3	9.8 ¹	17.4	26.3
RWE Group	85.6	87.5	75.2	92.6	42.8	47.8	203.6	227.9

1 Including gas trading.

Gas sales volume down despite cooler weather

The RWE Group sold 203.6 billion kWh of gas, 11 % less than in 2011. The Germany Division recorded a steep decline. Its supply volume was 24 % smaller than a year earlier. This is primarily due to business with distributors, some of which switched suppliers or increased their share of purchases from third parties. The lower capacity utilisation of the gas-fired power stations we supply also left its mark. In addition, competition-induced shortfalls were recorded in sales to German industrial and corporate customers. In contrast, we increased sales to households and small commercial enterprises, as demand for heating was higher owing to temperatures. Gas sales in the Netherlands/Belgium Division decreased by 10 % in part because a key account switched its supplier. The deterioration of the general economic situation also had an effect. In the United Kingdom, the cooler weather and customer acquisitions were the main reasons why we sold 12 % more gas. The Central Eastern and South Eastern Europe Division posted a gain of 10 %. In the Czech Republic, distributors required more gas from us in reaction to the weather-induced rise in demand from their customers, whereas our share of the residential and small commercial enterprise market deteriorated further. Sales volume at RWE Supply & Trading decreased by 34 %, largely because supply agreements expired and key accounts bought less gas.

External revenue € million	Jan – Sep 2012	Jan – Sep 2011	+/- %	Jan – Dec 2011
Germany	18,351	15,323	19.8	21,520
Power Generation	899	853	5.4	1,166
Sales/Distribution Networks	17,452	14,470	20.6	20,354
Netherlands/Belgium	4,097	4,200	-2.5	5,818
United Kingdom	6,418	5,368	19.6	7,696
Central Eastern and South Eastern Europe	3,729	3,558	4.8	4,990
Renewables	286	316	-9.5	443
Upstream Gas & Oil	1,405	1,311	7.2	1,766
Trading/Gas Midstream	3,991	4,423	-9.8	5,750
Other, consolidation	81	3,668	-97.8	3,703
RWE Group	38,358	38,167	0.5	51,686
of which:				
Electricity revenue	25,405	25,591	-0.7	33,765
Gas revenue	9,326	9,188	1.5	13,229
Oil revenue	1,269	1,139	11.4	1,641
Natural gas tax/electricity tax	1,715	1,856	-7.6	2,533
RWE Group (excluding natural gas tax/electricity tax)	36,643	36,311	0.9	49,153

External revenue slightly above last year's level

The RWE Group generated €38,358 million in external revenue. This represents a slight increase over 2011. Price adjustments were the main driver, with sales shortfalls in the gas business and the deconsolidation of our transmission system operator Amprion having a counteracting effect. Changes in foreign exchange rates also influenced the revenue trend. In the first three quarters of 2012, the British pound cost an average of €1.23, as opposed to €1.14 the year before. The US dollar was also up on the euro, increasing in value from €0.71 to €0.78. Conversely, the Czech crown, the Hungarian forint and the Polish zloty depreciated slightly.

- Germany: External revenue achieved by this division totalled €18,351 million, up 20% year on year. In the electricity business, it climbed by 28% to €14,687 million. The main reason is that revenue achieved by our German distribution system operators through Amprion is now recognised as external instead of internal revenue. We also posted a considerable gain in operating terms on the basis of the aforementioned rise in sales to distributors. Furthermore, some of our regional companies have raised tariffs for residential and commercial customers. This was in response to the increase in expenses caused in part by network fees and levies for electricity generated in accordance with the German Renewable Energy Act. External revenue in the gas business declined by 9% to €2,251 million. The volume shortfalls mentioned earlier were the main reason. A counteracting effect was felt from the fact that some sales companies lifted their tariffs in view of higher gas procurement costs.

- Netherlands/Belgium: The division earned €4,097 million in revenue, 2% less than a year earlier. Electricity revenue declined by 4% to €1,560 million, reflecting the drop in sales volume. At €2,375 million, gas revenue was 2% down on the same period last year. Volume effects also came to bear here.
- United Kingdom: RWE npower's external revenue improved by 20% to €6,418 million. Excluding the foreign exchange impact, it rose by 11%. Revenue from the electricity business amounted to €4,556 million, equating to an increase of 15% compared to 2011 and of 7% in Sterling terms. Apart from the acquisition of new customers, cost-driven price adjustments were the main reason. An important role was played by the fact that RWE npower had lifted its residential customer tariffs by 7.2% with effect from 1 October 2011. The upward trend was even more dynamic in the gas business where we increased revenue by 36% to €1,401 million. Net of currency effects, the increase amounted to 26%. In addition to the weather-induced rise in sales volume, the development of prices also played a role. RWE npower had raised residential gas tariffs by 15.7% as of 1 October 2011. However, this was followed by a price cut of 5% with effect from 1 February 2012.
- Central Eastern and South Eastern Europe: At €3,729 million, external revenue was 5% higher than in the same period last year. Net of foreign exchange effects, it grew by 9%. Electricity revenue amounted to €1,764 million, down by 4%, but up 1% excluding the currency impact. Price increases offset negative volume effects. External revenue in the gas business climbed by 15% to €1,878 million. Deducting foreign exchange rate changes results in a gain of 18%, which is in part due to the volume improvements in sales to Czech distributors.
- Renewables: External revenue achieved by this division declined by 9% to €286 million, in part because electricity produced by RWE Innogy was increasingly sold via RWE Supply & Trading. In addition, we transferred the Czech company KA Contracting to RWE Transgas in the Central Eastern and South Eastern Europe Division as of 1 January 2012. The company operates several small power plants that generate electricity and heat for municipal customers. Additional revenue resulted from the first-time full consolidation of the Spanish wind power generator Explotaciones Eólicas de Aldehuelas and the commissioning of new wind farms.
- Upstream Gas & Oil: In this division, revenue totalled €1,405 million, a rise of 7%. RWE Dea realised higher prices for its crude oil and gas production than in the first three quarters of 2011. The appreciation of the US dollar also had a positive effect, whereas the decline in production volumes curtailed the rise in revenue.
- Trading/Gas Midstream: At RWE Supply & Trading, external revenue decreased by 10% to €3,991 million. This was a consequence of the drop in electricity and gas sales volumes.

Internal revenue € million	Jan – Sep 2012	Jan – Sep 2011	+/- %	Jan – Dec 2011
Germany	8,024	10,047	-20.1	12,910
Power Generation	6,501	6,721	-3.3	9,064
Sales/Distribution Networks	1,523	3,326	-54.2	3,846
Netherlands/Belgium	59	39	51.3	53
United Kingdom	31	8	287.5	17
Central Eastern and South Eastern Europe	387	399	-3.0	500
Renewables	309	166	86.1	282
Upstream Gas & Oil	93	139	-33.1	176
Trading/Gas Midstream	15,346	15,087	1.7	21,742

Reconciliation of income from operating activities to EBITDA € million	Jan – Sep 2012	Jan – Sep 2011	+/- %	Jan – Dec 2011
Income from operating activities ¹	3,978	3,204	24.2	4,129
+ Operating income from investments	435	484	-10.1	600
+ Non-operating income from investments	-58	-14	-314.3	-72
- Non-operating result	251	596	-57.9	1,157
Operating result	4,606	4,270	7.9	5,814
+ Operating depreciation and amortisation	2,112	1,974	7.0	2,646
EBITDA	6,718	6,244	7.6	8,460

1 See the income statement on page 37.

EBITDA € million	Jan – Sep 2012	Jan – Sep 2011	+/- %	Jan – Dec 2011
Germany	4,394	4,067	8.0	5,419
Power Generation	2,741	2,380	15.2	3,252
Sales/Distribution Networks	1,653	1,687	-2.0	2,167
Netherlands/Belgium	341	336	1.5	462
United Kingdom	537	449	19.6	606
Central Eastern and South Eastern Europe	931	1,124	-17.2	1,364
Renewables	219	214	2.3	338
Upstream Gas & Oil	820	736	11.4	923
Trading/Gas Midstream	-398	-831	52.1	-784
Other, consolidation	-126	149	-184.6	132
RWE Group	6,718	6,244	7.6	8,460

Operating result € million	Jan – Sep 2012	Jan – Sep 2011	+/- %	Jan – Dec 2011
Germany	3,403	3,176	7.1	4,205
Power Generation	2,254	1,974	14.2	2,700
Sales/Distribution Networks	1,149	1,202	-4.4	1,505
Netherlands/Belgium	134	181	-26.0	245
United Kingdom	293	276	6.2	357
Central Eastern and South Eastern Europe	741	935	-20.7	1,109
Renewables	87	99	-12.1	181
Upstream Gas & Oil	561	450	24.7	558
Trading/Gas Midstream	-403	-842	52.1	-800
Other, consolidation	-210	-5	-	-41
RWE Group	4,606	4,270	7.9	5,814

Operating result improved by 8%

In the first three quarters of 2012, the RWE Group achieved EBITDA of €6,718 million and an operating result of €4,606 million. In both cases, this was 8% more than in the same period last year. Here, the absence of the significant one-off effects felt a year earlier relating to the reduction in the lifetimes of our German nuclear power plants came to bear. Furthermore, in 2012 we benefited from a substantial improvement in the performance of our energy trading activities. Disregarding major consolidation and currency effects, EBITDA and the operating result rose by 11% and 12%, respectively. We now expect to close 2012 with these two key earnings figures at least at last year's level.

- Germany: The operating result recorded by this division increased by 7% to €3,403 million. Developments in the Power Generation and Sales/Distribution Networks Business Areas were as follows.

Power Generation: At €2,254 million, the result posted by this business area was 14% higher than in the same period last year. The main reason was the aforementioned exceptional burden felt in 2011. Due to the accelerated nuclear phase-out, we had to increase the provisions we built to decommission and dismantle our nuclear power plants significantly, among other things. Furthermore, we were forced to recognise an impairment loss on the fuel rods we could no longer use at Biblis. However, the current year was also marked by negative effects. The average price achieved when selling forward our 2012 electricity generation was below last year's comparable figure, whereas the fuel prices we paid and the expense associated with the German nuclear fuel tax were higher. We experienced relief in procuring CO₂ emission allowances. Another positive effect was felt from the fact that our new twin-unit lignite-fired power plant at Neurath went online at the beginning of 2012.

Sales/Distribution Networks: The operating result posted by this business area declined by 4% to €1,149 million, mainly due to a deterioration in electricity sales margins and a decrease in income from investments, which had benefited from special items a year earlier. In contrast, we took advantage of efficiency-enhancing measures. Furthermore, the sale of networks forced by the loss of concessions led to capital gains. This mainly related to the Eastern German regional company enviaM.

- **Netherlands/Belgium:** The division posted an operating result of €134 million, down 26% year on year. Earnings in the electricity generation business worsened despite the commissioning of the new gas-fired power stations Claus C and Moerdijk 2, because little use is being made of the new plants due to market conditions. The progressive expansion of German solar power capacity is also leaving its mark in the Netherlands, due to cross-border electricity flows and the resulting alignment of wholesale prices in the two countries. Conversely, Essent posted a moderate gain in the customer business on the back of cost reduction measures and income from the optimisation of the gas procurement portfolio.
- **United Kingdom:** The operating result achieved by RWE npower increased by 6% to €293 million. Net of currency effects, however, it declined by 2%. The power plant margins realised for electricity forward sales for 2012 were slightly lower than for 2011. In addition, a year earlier the accounts included non-recurrent income stemming from compensation for damages from a supplier. This was contrasted by the positive impact of the commissioning of our new gas-fired power plant at Pembroke. Earnings generated by supply activities improved considerably, benefiting from efficiency enhancements and higher gas volumes. However, our electricity margins shrank in the corporate customer segment and the fees for using electricity networks increased.
- **Central Eastern and South Eastern Europe:** The operating result recorded by this division declined by 21% to €741 million. Net of foreign exchange effects, it was down 18%. The drop is in part attributable to the Czech gas supply business, but its earnings for the full year should return close to the level achieved in 2011. The Hungarian electricity business also closed the period down year on year, both in generation and in supply.
- **Renewables:** RWE Innogy's operating result declined by 12% to €87 million although generation volume rose. An important contributing factor was the absence of the one-off income received from claims for damages in 2011, which were due to delays in the construction of the Greater Gabbard offshore wind farm. Furthermore, there was a drop in earnings contributed from the sale of projects.
- **Upstream Gas & Oil:** RWE Dea's operating result improved by 25% to €561 million, due to higher realised oil and gas prices as well as the appreciation of the US dollar over the euro. However, earnings were also affected negatively, in particular by the decline in production volume.
- **Trading/Gas Midstream:** The division closed the first nine months with an operating loss of €403 million, which was only half as much as in the same period a year ago. A marked improvement of the performance of our energy trading activities was contrasted by ongoing heavy burdens in the gas midstream business. Parts of our gas purchases are based on long-term, oil price-indexed contracts, and we have to pay prices for this gas that are much higher than those realisable when it is sold on the market. However, the proportion of purchases depending on oil prices has already dropped considerably, as we have agreed on contract adjustments and compensatory payments with most of our gas suppliers. The positive outcome of an arbitration proceeding with Gazprom relating to our minimum offtake volumes also provided relief (see page 12). However, this does not affect the ongoing price renegotiation proceedings with Gazprom.

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

The reconciliation from the operating result to net income is characterised by special items. Smaller capital gains and interest rate-driven additions to provisions were contrasted by positive changes in the fair values of commodity derivatives and a reduced effective tax rate.

Non-operating result € million	Jan – Sep 2012	Jan – Sep 2011	+/- € million	Jan – Dec 2011
Capital gains	64	378	-314	393
Impact of commodity derivatives on earnings	346	50	296	-176
Restructuring, other	-661	-1,024	363	-1,374
Non-operating result	-251	-596	345	-1,157

At -€251 million, the non-operating result was negative, but was €345 million better than in the first three quarters of 2011. Its components developed as follows.

- In the period under review, we realised €64 million in capital gains, mainly stemming from the sale of our 25.3% stake in Netherlands-based KEMA, a leading company in the fields of consulting, verification and certification in the energy sector. A year earlier, capital gains were much higher (€378 million), because they included profits from the sale of Thyssengas, a 74.9% stake in Amprion, and a minority stake in a hard coal-fired power station near Rostock.
- The accounting treatment of certain derivatives with which we hedge the prices of commodity forward transactions resulted in a gain of €346 million compared to €50 million in the same period last year. Pursuant to International Financial Reporting Standards (IFRS), these derivatives are accounted for at fair value at the corresponding balance sheet date, whereas the underlying transactions (which display the opposite development) are only recognised as a profit or loss when they are realised. These timing differences result in short-term effects on earnings, which are neutralised over time.
- The 'restructuring, other' item includes substantial burdens, which were, however, much lower overall than in 2011. Therefore, the result improved by €363 million to -€661 million. In 2012, negative one-off effects have arisen from risk provisions for investments, among other things. Furthermore, we recognised a €134 million write-down on our long-term electricity procurement agreement with the Dutch nuclear power plant operator EPZ. We had acquired the contract together with a 30% stake in EPZ in 2011. We receive the electricity at cost. Due to the drop in wholesale electricity prices, the margins realisable when re-selling it are lower than we had assumed when the EPZ transaction was completed. Impairments also had to be recognised at RWE Innogy, which related to biomass projects. In addition, we accrued provisions for old-age part-time arrangements and severance packages, which primarily related to the German sales and distribution network businesses. Amortisation on RWE npower's customer base amounted to €113 million compared to €192 million in the same period a year before. It ended in May 2012.

Financial result € million	Jan – Sep 2012	Jan – Sep 2011	+/- € million	Jan – Dec 2011
Interest income	318	320	-2	430
Interest expenses	-942	-767	-175	-1,063
Net interest	-624	-447	-177	-633
Interest accretion to non-current provisions	-825	-617	-208	-869
Other financial result	10	-106	116	-131
Financial result	-1,439	-1,170	-269	-1,633

The financial result deteriorated by €269 million to –€1,439 million. Its components changed as follows.

- Net interest decreased by €177 million to –€624 million. Our borrowing cost was higher than in 2011. This is in part due to a rise in average financial liabilities. Furthermore, the year-earlier figure included the positive special item resulting from the release of provisions. The obligation of German nuclear power plant operators to make non interest-bearing advance payments into the Climate and Energy Fund ceased to exist due to the U-turn in German energy policy (see page 43 of the 2011 Annual Report).
- The interest accretion to non-current provisions grew by €208 million to €825 million, mainly due to the adjustments to ‘other non-current provisions’ caused by a reduction in discount rates. The new rates reflect the decline in market interest rates.
- The ‘other financial result’ improved by €116 million to €10 million, above all due to a rise in income from the sale of securities. In addition, a positive impact was felt from the fair valuation of financial transactions.

Income before tax rose by 16% to €2,916 million. Income after tax amounted to €2,141 million, representing a gain of 26%. This was because our effective tax rate dropped by five percentage points to 27%. Special items relating to deferred taxes played a role, whereas the decline in our tax-free capital gains had a counteracting impact. We also expect the effective tax rate for the full year to be of the current order.

In the period under review, the minority interest totalled €192 million. This was €50 million less than in 2011. Some companies, in which third parties hold a minority interest, recorded drops in income. This related to subsidiaries in Italy and Hungary, among others.

Earnings attributable to hybrid investors amounted to €69 million. This sum corresponds to the finance costs after tax allocable to the period being reviewed. However, only the hybrid bonds classified as equity pursuant to IFRS are considered here. These are the issuances of €1,750 million in September 2010 and of £750 million in March 2012. The latter was the main reason why the share in earnings attributable to hybrid investors rose by €25 million compared to 2011.

Net income achieved by the RWE Group totalled €1,880 million, up 33% year on year. Per share, it amounted to €3.06, posting a rise of 15%. This was more moderate because the number of RWE shares outstanding increased, averaging 614.4 million in the period being reviewed, compared to 533.6 million in the same period in 2011. The reason for this is that we conducted a capital increase in December 2011 (see page 46 of the 2011 Annual Report).

Reconciliation to net income		Jan – Sep 2012	Jan – Sep 2011	+/- %	Jan – Dec 2011
Operating result	€ million	4,606	4,270	7.9	5,814
Non-operating result	€ million	-251	-596	57.9	-1,157
Financial result	€ million	-1,439	-1,170	-23.0	-1,633
Income before tax	€ million	2,916	2,504	16.5	3,024
Taxes on income	€ million	-775	-802	3.4	-854
Income	€ million	2,141	1,702	25.8	2,170
Minority interest	€ million	192	242	-20.7	305
RWE AG hybrid investors' interest	€ million	69	44	56.8	59
Net income/RWE AG shareholders' share in net income	€ million	1,880	1,416	32.8	1,806
Recurrent net income	€ million	1,892	1,782	6.2	2,479
Earnings per share	€	3.06	2.65	15.5	3.35
Number of shares outstanding (average)	thousands	614,447	533,559	15.2	538,971
Effective tax rate	%	27	32	-	28

Recurrent net income up 6%

The yardstick for determining the dividend is recurrent net income, which is adjusted for exceptional items. It does not include the non-operating result or the tax on it. If major non-recurrent effects in the financial result and income taxes occur, these are also excluded. In the first nine months of this year, we generated €1,892 million in recurrent net income. This represents an increase of 6% over 2011. Recurrent net income per share totalled €3.08. It also rose by 6% if compared to the year-earlier figure recalculated according to the number of dividend-bearing shares for fiscal 2011 (614.4 million).

Capital expenditure on property, plant and equipment and on intangible assets € million	Jan – Sep 2012	Jan – Sep 2011	+/- € million	Jan – Dec 2011
Germany	1,139	1,315	-176	2,374
Power Generation	726	772	-46	1,168
Sales/Distribution Networks	413	543	-130	1,206
Netherlands/Belgium	440	784	-344	971
United Kingdom	127	301	-174	416
Central Eastern and South Eastern Europe	410	646	-236	852
Renewables	734	632	102	825
Upstream Gas & Oil	498	532	-34	701
Trading/Gas Midstream	1	13	-12	20
Other, consolidation	42	183	-141	194
RWE Group	3,391	4,406	-1,015	6,353

Capital expenditure on financial assets € million	Jan – Sep 2012	Jan – Sep 2011	+/- € million	Jan – Dec 2011
Germany	247	17	230	19
Power Generation	-	-	-	-
Sales/Distribution Networks	247	17	230	19
Netherlands/Belgium	2	430	-428	431
United Kingdom	72	23	49	184
Central Eastern and South Eastern Europe	1	1	-	6
Renewables	83	36	47	66
Upstream Gas & Oil	-	-	-	-
Trading/Gas Midstream	8	7	1	6
Other, consolidation	-	-	-	7
RWE Group	413	514	-101	719

Capital expenditure 23% down on high year-earlier level

The RWE Group spent €3,804 million in capital, 23 % less than in the equivalent period last year. This is essentially due to capital expenditure on property, plant and equipment and intangible assets, which dropped by €1,015 million to €3,391 million. However, we continued to spend heavily on the expansion and modernisation of electricity generation capacity. The Germany Division's major project is a 1,528 MW twin-unit hard coal facility in Hamm, which is planned to start producing electricity by the end of 2013. The division also invests in improving network infrastructure. The Netherlands/Belgium Division is concentrating on the construction of a 1,560 MW dual-block hard coal power plant at Eemshaven, which is due to go online in 2014. Our focus in the United Kingdom has been on the new gas-fired power plant at Pembroke, all five units of which are now in commercial operation (see page 11). Our capital expenditure in the Central Eastern and

South Eastern Europe Division is focused on the improvement of electricity and gas network infrastructure. In addition, we are building a 775 MW gas-fired power station near the Turkish town of Denizli, which is scheduled to start producing electricity in the first half of 2013. RWE Innogy aims to expand its renewable generation base significantly. The focus is currently on wind power projects, with the construction of wind farms off the coasts of the United Kingdom and Germany leading the way. Capital expenditure at RWE Dea is mainly earmarked for the development of oil and gas fields in preparation for production. Our current focal point is new gas fields in the UK North Sea.

We spent €413 million on financial assets, €101 million less than in the same period last year. The largest item was the increase in our stake in the Austrian regional utility KELAG in September. The transaction resulted in a significant rise in capital expenditure in the Germany Division, to which our interest in KELAG is assigned.

Cash flow statement¹ € million	Jan – Sep 2012	Jan – Sep 2011	+/- € million	Jan – Dec 2011
Cash flows from operating activities	3,240	4,540	-1,300	5,510
of which changes in working capital	-58	372	-430	-436
Cash flows from investing activities	-2,110	-3,837	1,727	-7,766
Cash flows from financing activities	-1,518	-1,600	82	1,742
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	23	-4	27	-12
Total net changes in cash and cash equivalents	-365	-901	536	-526
Cash flows from operating activities	3,240	4,540	-1,300	5,510
Minus capital expenditure on property, plant and equipment and on intangible assets	-3,391	-4,406	1,015	-6,353
Free cash flow	-151	134	-285	-843

1 The full cash flow statement can be found on page 40.

Cash flows from operating activities influenced by negative special items

At €3,240 million, our cash flows from operating activities were €1,300 million, or 29%, down on the figure recorded in the same period last year. This already represents a significant improvement on the first quarter (-87% compared to 2011) and to the first half of the year (-56%). Nevertheless, cash flows still did not reflect the positive earnings trend. One of the reasons is that changes in the fair values of certain commodity derivatives produced income without resulting in cash inflows yet, because the contracts are not realised until later. Additional negative effects were reflected in the change in working capital. They were partially caused by the fact that payments in connection with purchases and sales by RWE Supply & Trading generally fluctuate substantially over the course of the year. Furthermore, a positive exceptional effect relating to Amprion a year earlier did not recur: the liquidity of the electricity transmission system operator, which has subsequently been deconsolidated, experienced a strong temporary improvement in 2011 as a result of the significant increase in the levy under the German Renewable Energy Act.

Cash outflows for investing activities amounted to €2,110 million, which was much less than what we spent on property, plant and equipment as well as on intangible and financial assets. This is partially due to high proceeds from the sale of securities, which must be offset. We are using these funds to redeem commercial paper. This is one of the reasons why financing activities led to a cash outflow of €1,518 million. Another contributing factor was the €1,229 million dividend payment we made in April, whereas bond issuances and redemptions resulted in a net cash inflow of €1.7 billion. Our cash and cash equivalents have decreased by €365 million since the beginning of the year.

Cash flows from operating activities, minus capital expenditure on property, plant and equipment and intangible assets, results in free cash flow. The latter amounted to –€151 million, which was €285 million less than in the same period last year.

Net debt € million	30 Sep 2012	31 Dec 2011	+/- %
Cash and cash equivalents	1,644	2,009	-18.2
Marketable securities	4,073	5,353	-23.9
Other financial assets	1,583	2,322	-31.8
Financial assets	7,300	9,684	-24.6
Bonds, other notes payable, bank debt, commercial paper	18,851	19,959	-5.6
Other financial liabilities	2,027	1,964	3.2
Financial liabilities	20,878	21,923	-4.8
Net financial debt	13,578	12,239	10.9
Provisions for pensions and similar obligations	6,797	3,846	76.7
Surplus of plan assets over benefit obligations	31	60	-48.3
Provisions for nuclear waste management	10,238	10,366	-1.2
Mining provisions	2,864	2,780	3.0
Adjustment for hybrid capital (portion of relevance to the rating)	771	777	-0.8
of which recognised in equity in accordance with IFRS	1,333	880	51.5
of which recognised in debt in accordance with IFRS	-562	-103	-445.6
Net debt of the RWE Group	34,217	29,948	14.3

Net debt €4.3 billion up year on year

As of 30 September 2012, our net debt totalled €34.2 billion. Since the end of 2011, it had risen by €4.3 billion, primarily because provisions for pensions had to be increased due to a market-induced reduction in discount rates. Our capital expenditure and the dividend payment also contributed to the rise in liabilities. The raising of hybrid capital, only half of which we classify as net debt in accordance with the procedure adopted by rating agencies, had a counteracting effect. We expect that our debt will have declined again by the end of the year, albeit remaining above the level recorded at the end of 2011.

Balance sheet structure: slight rise in the equity ratio

The balance sheet total reported in this interim statement amounts to €91.0 billion. This was €1.7 billion less than at the end of 2011. On the assets side, derivative positions declined by €2.0 billion and current securities by €1.4 billion. This was contrasted by a rise in property, plant and equipment of €1.9 billion. On the equity and liabilities side, derivative positions and liabilities were down €2.2 billion and €2.3 billion, respectively, whereas provisions were up €2.9 billion. The RWE Group's equity was nearly unchanged. As of the balance sheet date, it accounted for 18.8% of the balance sheet total. The equity ratio therefore rose by 0.4 percentage points.

RWE Group's balance sheet structure	30 Sep 2012		31 Dec 2011	
	€ million	%	€ million	%
Assets				
Non-current assets	65,946	72.5	63,539	68.6
Intangible assets	16,643	18.3	16,946	18.3
Property, plant and equipment	36,783	40.4	34,847	37.6
Current assets	25,062	27.5	29,117	31.4
Receivables and other assets ¹	15,238	16.7	18,771	20.3
Total	91,008	100.0	92,656	100.0
Equity and liabilities				
Equity	17,064	18.8	17,082	18.4
Non-current liabilities	48,844	53.6	44,391	47.9
Provisions	27,482	30.2	23,829	25.7
Financial liabilities	16,203	17.8	15,428	16.7
Current liabilities	25,100	27.6	31,183	33.7
Other liabilities ²	15,898	17.5	19,361	20.9
Total	91,008	100.0	92,656	100.0

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

2 Including financial accounts payable and income tax liabilities.

Headcount marginally down year on year

As of 30 September 2012, the RWE Group had 71,493 employees. Part-time positions were included in this figure on a pro-rata basis. Since the end of 2011, a net 575 employees have left the Group, 237 of which worked at our German sites. Consolidations did not have a noteworthy effect on headcount, whereas intragroup reclassifications did: we transferred two internal service providers headquartered in the Czech Republic from the Central Eastern and South Eastern Europe Division to the 'other' item.

Workforce¹	30 Sep 2012	31 Dec 2011	+/- %
Germany	35,468	35,769	-0.8
Power Generation	15,020	15,371	-2.3
Sales/Distribution Networks	20,448	20,398	0.2
Netherlands/Belgium	3,666	3,794	-3.4
United Kingdom	11,906	12,053	-1.2
Central Eastern and South Eastern Europe	11,016	11,328	-2.8
Renewables	1,509	1,493	1.1
Upstream Gas & Oil	1,354	1,362	-0.6
Trading/Gas Midstream	1,477	1,562	-5.4
Other	5,097 ²	4,707	8.3
RWE Group	71,493	72,068	-0.8

¹ Converted to full-time positions.

² Of which 2,634 at RWE IT (end of 2011: 2,417) and 1,696 at RWE Service (end of 2011: 1,557).

Research and development: RWE tests low-voltage smart grid

We spent €104 million on research and development (R&D) in the first three quarters of 2012 (Q1–3 2011: €93 million). Furthermore, we capitalised €62 million in development costs (Q1–3 2011: €67 million). As we work with external partners on most of our activities, the financial volume of our R&D projects exceeds our own R&D costs significantly.

The main challenge in our home market, Germany, is the implementation of the new energy policy, particularly the successful integration of renewable energy into the supply infrastructure. A large number of RWE's R&D measures are designed to achieve this goal. RWE Deutschland launched another undertaking of this kind in August 2012: the 'Smart Operator' project aims to explore ways of optimising the operation of low-voltage grids. Our partners are RWTH Aachen, PSI AG and several mechanical engineering companies. The project involves connecting 250 households in communities in Rhineland-Palatinate and Bavaria to an intelligent low-voltage grid for two years. A control unit dubbed 'Smart Operator' capable of real-time grid status monitoring and automatic electricity flow optimisation is being tested. For example, the box enables running smart household devices while maximising the usage of excess electricity from renewables. Projects such as 'Smart Operator' open the door to lower-cost network expansion without compromising security of supply.

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

OUTLOOK

Economic prospects have deteriorated

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

Waning economy curtails energy consumption

The weakening of economic growth is reflected in the use of energy. As regards electricity, we anticipate that consumption in Germany will decline by about 2%. Demand for electricity in the UK and the Netherlands may almost reach last year's level. Poland's growth forecast of about 0.5% is the highest of all RWE markets. Concerning gas, we expect to see consumption drop in all core markets, despite stimulating weather-related effects in the first three quarters. In addition to the economic trend, the low use of gas-fired power plants in particular will play a role. Besides Germany and the Netherlands, the United Kingdom is another country especially affected by this. Households in the UK are also reducing consumption substantially.

No turnaround in commodity prices in sight

The weakening economy is clearly leaving its mark on international commodity markets. A turnaround is not foreseeable at present. However, the further development of electricity and fuel prices will not have a significant effect on our earnings in the current financial year as we have sold forward nearly all our electricity generation for 2012 and secured the prices of the required fuel and emission allowances. Part of our generation for the two coming years has already been placed in the market. The portions already sold forward in Germany amount to more than 90% (2013) and more than 50% (2014). These figures represent the situation as of 30 September 2012. We have also limited the price risk associated with our oil and gas production through forward sales.

Outlook for 2012: revenue in the order of last year

We expect external revenue to be roughly on a par with 2011. Cost-driven price adjustments in the sales businesses will result in higher revenue, whereas the deconsolidation of Amprion and shortfalls in gas sales volumes will have a counteracting effect.

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

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

Earnings outlook slightly improved

Operating earnings for 2012 as a whole will probably be somewhat better than previously assumed. Prospects have brightened above all in the gas midstream business. Therefore, we expect that the RWE Group's EBITDA and operating result will close 2012 at least at last year's level. We still anticipate that recurrent net income will be in the order of last year's level as the operational improvements will be contrasted by additional burdens on the financial result. Our outlook considers the effects of the ongoing divestment programme.

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

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

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

- Netherlands/Belgium: From our current perspective, the operating result posted by Essent will decline. The main reason is the current low utilisation of our gas-fired power stations, especially the new Claus C and Moerdijk 2 plants. This will be contrasted by improved earnings in the customer business resulting from efficiency-enhancing measures, among other things.
- United Kingdom: We expect RWE npower to close 2012 up year on year, not least due to currency effects. Continued efficiency enhancements will be the major operational success factor. We will benefit from them above all in the residential supply business, where the margins that have come under pressure in past years should continue to recover. Conversely, earnings in the generation business will deteriorate marginally, as the spreads realised for 2012 will most probably be lower than for 2011. Furthermore, a year earlier, the financial statements included one-off income from compensation for damages from a supplier. This will be contrasted by the positive effects of the commissioning of our new gas-fired power station at Pembroke. In addition, we anticipate that Tilbury power station, which was converted to a biomass facility, will make a stronger contribution to earnings than in 2011, when it ran on coal.
- Central Eastern and South Eastern Europe: The division will probably not be able to match the good operating result achieved last year. We expect distribution margins in the Czech gas business to decline, but sales and transmission earnings to be stable. In the Polish electricity business, we will probably close 2012 above last year's level, whereas we anticipate competition-induced earnings shortfalls in the Hungarian electricity sales business.
- Renewables: At RWE Innogy, the development of growth projects continues to produce substantial costs. This is contrasted by the positive impact of the commissioning of new electricity generation capacity: a major contribution will be made by the Greater Gabbard offshore wind farm, which has now been commissioned. However, 2011 income from compensation for damages for delays in the construction of the wind farm will not recur this year. We previously expected RWE Innogy to increase earnings, but we now anticipate that the company will close 2012 in the order of last year's level. The main reason is lower proceeds on project sales.
- Upstream Gas & Oil: RWE Dea's operating result should improve significantly. This is primarily due to higher realised gas and oil prices. The strength of the US dollar should also be beneficial.
- Trading/Gas Midstream: We anticipate that RWE Supply & Trading will record another operating loss. However, from our current perspective, it may well be much smaller than in 2011. In August 2012, we expected a loss in the order achieved last year. The rise in the forecast is largely attributable to the gas midstream business. Gas purchasing agreements indexed to the price of oil continue to weigh heavily on the operating result. However, these effects will probably be smaller than in 2011, thanks to successful contract renegotiations with suppliers such as Statoil. Furthermore, we will benefit from the positive outcome of the arbitration proceeding with Gazprom as explained on page 12. However, the ongoing price renegotiations with Gazprom will probably not be concluded until 2013. In the trading business, we are likely to post a significant gain, following a weak performance last year.

Dividend for fiscal 2012

Our dividend proposal for the current fiscal year will be in line with our usual payout ratio of 50% to 60%. The basis for calculating the dividend is recurrent net income, which we expect – as already mentioned – to be in the order of last year's level.

Capex of about €5.5 billion planned

Our capital expenditure on property, plant and equipment and intangible assets in 2012 will fall significantly short of the record levels achieved in the two preceding years (€6.4 billion). The reason is the gradual completion of facilities as we progress with our new-build power plant programme. However, spending on the expansion of electricity generation from renewables and of the upstream business will be higher than in 2011. In sum, capital expenditure on property, plant and equipment and intangible assets in 2012 is likely to be in the order of €5.5 billion. This is less than originally anticipated (€6 billion).

Net debt probably up year on year

By the end of 2012, our net debt may well be higher than last year's level (€29.9 billion), primarily due to increases in provisions in reaction to the decline in market interest rates. Proceeds from our divestment programme will not be enough to offset this. In contrast, we believe that we may be able to keep our leverage factor, the ratio of net debt to EBITDA, at last year's level of 3.5. This will largely depend on the business trend and the development of market interest rates for the remainder of the year.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

Professional risk management at RWE

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

Overall assessment of the risk and opportunity situation by executive management

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

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

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

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

Current key Value at Risk figures

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

The central risk controlling parameter for commodity positions is the Global VaR, which is related to the trading business of RWE Supply & Trading and may not exceed €40 million. It averaged €7 million in the first three quarters of 2012; its maximum daily value was €13 million.

As regards interest risks, we differentiate between two categories. On the one hand, interest rate increases can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for our securities price risk associated with our capital investments in the first three quarters of 2012 averaged €5 million. We measure the sensitivity of the interest expense with respect to rises in market interest rates using the Cash Flow at Risk. We apply a confidence level of 95 % and a holding period of one year. The Cash Flow at Risk in the period under review averaged €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 €10 million. The VaR for our foreign currency position was less than €1 million.

Forward-looking statements

This report contains forward-looking statements regarding the future development of the RWE Group and its companies as well as economic and political developments. These statements are assessments that we have made based on information available to us at the time this document was prepared.

In the event that the underlying assumptions do not materialise or additional risks arise, actual performance can deviate from the performance expected. Therefore, we cannot assume responsibility for the correctness of these statements.

CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement¹

€ million	Jul – Sep 2012	Jul – Sep 2011	Jan – Sep 2012	Jan – Sep 2011
Revenue (including natural gas tax/electricity tax)	11,268	10,710	38,358	38,167
Natural gas tax/electricity tax	–386	–456	–1,715	–1,856
Revenue	10,882	10,254	36,643	36,311
Cost of materials	–7,649	–7,094	–24,999	–25,096
Staff costs	–1,304	–1,294	–3,934	–3,808
Depreciation, amortisation, and impairment losses	–815	–916	–2,484	–2,622
Other operating income	–415	–540	–1,248	–1,581
Income from operating activities	699	410	3,978	3,204
Income from investments accounted for using the equity method	139	112	270	340
Other income from investments	17	21	107	130
Financial income	41	315	356	676
Finance costs	–623	–779	–1,795	–1,846
Income before tax	273	79	2,916	2,504
Taxes on income	104	–159	–775	–802
Income	377	–80	2,141	1,702
of which: minority interest	55	80	192	242
of which: RWE AG hybrid capital investors' interest	26	14	69	44
of which: net income/income attributable to RWE AG shareholders	296	–174	1,880	1,416
Basic and diluted earnings per common and preferred share in €	0.48	–0.33	3.06	2.65

¹ Prior-year figures adjusted.

Statement of recognised income and expenses¹

€ million	Jul – Sep 2012	Jul – Sep 2011	Jan – Sep 2012	Jan – Sep 2011
Income	377	-80	2,141	1,702
Currency translation adjustment	159	-219	381	-88
Fair valuation of financial instruments available for sale	61	-69	86	-138
Fair valuation of financial instruments used for hedging purposes	-210	-321	-84	-809
Other comprehensive income of investments accounted for using the equity method (pro rata)	5	-51	-11	-57
Actuarial gains and losses of defined benefit pension plans and similar obligations	-622	-444	-2,150	-598
Other comprehensive income	-607	-1,104	-1,778	-1,690
Total comprehensive income	-230	-1,184	363	12
of which: attributable to RWE AG shareholders	(-319)	(-1,202)	(105)	(-225)
of which: attributable to RWE AG hybrid capital investors	(26)	(14)	(69)	(44)
of which: attributable to minority interests	(63)	(4)	(189)	(193)

¹ Figures stated after taxes.

Balance sheet

Assets € million	30 Sep 2012	31 Dec 2011
Non-current assets		
Intangible assets	16,643	16,946
Property, plant and equipment	36,783	34,847
Investment property	116	136
Investments accounted for using the equity method	4,301	4,113
Other non-current financial assets	948	836
Receivables and other assets	3,562	4,040
Deferred taxes	3,593	2,621
	65,946	63,539
Current assets		
Inventories	3,892	3,342
Trade accounts receivable	7,209	7,468
Receivables and other assets	8,029	11,303
Marketable securities	3,631	4,995
Cash and cash equivalents	1,644	2,009
Assets held for sale	657	
	25,062	29,117
	91,008	92,656

Equity and liabilities € million	30 Sep 2012	31 Dec 2011
Equity		
RWE AG shareholders' interest	12,855	13,979
RWE AG hybrid capital investors' interest	2,665	1,759
Minority interest	1,544	1,344
	17,064	17,082
Non-current liabilities		
Provisions	27,482	23,829
Financial liabilities	16,203	15,428
Other liabilities	3,544	3,438
Deferred taxes	1,615	1,696
	48,844	44,391
Current liabilities		
Provisions	4,527	5,327
Financial liabilities	4,675	6,495
Trade accounts payable	5,936	7,886
Other liabilities	9,962	11,475
	25,100	31,183
	91,008	92,656

Cash flow statement

€ million	Jan – Sep 2012	Jan – Sep 2011
Income	2,141	1,702
Depreciation, amortisation, impairment losses/write-backs	2,582	2,625
Changes in provisions	–495	–596
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	–930	437
Changes in working capital	–58	372
Cash flows from operating activities	3,240	4,540
Capital expenditure on non-current assets/acquisitions	–3,755	–4,832
Proceeds from disposal of assets/divestitures	496	928
Changes in marketable securities and cash investments	1,149	67
Cash flows from investing activities¹	–2,110	–3,837
Cash flows from financing activities	–1,518²	–1,600
Net cash change in cash and cash equivalents	–388	–897
Effects of changes in foreign exchange rates and other changes on cash and cash equivalents	23	–4
Net change in cash and cash equivalents	–365	–901³
Cash and cash equivalents at beginning of the reporting period	2,009	2,535
of which: reported as “Assets held for sale”		–59
Cash and cash equivalents at beginning of the reporting period as per the consolidated balance sheet	2,009	2,476
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet	1,644	1,634

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

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

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

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Treasury shares	Accumulated other comprehensive income	RWE AG share-holders' interest	RWE AG hybrid capital investors' interest	Minority interest	Total
Balance at 1 Jan 2011	2,598	12,970	-2,272	1,278	14,574	1,759	1,084	17,417
Dividends paid		-1,867			-1,867	-81	-274	-2,222
Income		1,416			1,416	44	242	1,702
Other comprehensive income		-595		-1,046	-1,641		-49	-1,690
Total comprehensive income		821		-1,046	-225	44	193	12
Other changes		-2			-2	16	237	251
Balance at 30 Sep 2011	2,598	11,922	-2,272	232	12,480	1,738	1,240	15,458
Balance at 1 Jan 2012	3,959	10,755	-24	-711	13,979	1,759	1,344	17,082
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	9,339	-24	-419	12,855	2,665	1,544	17,064

NOTES

Accounting policies

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

The consolidated interim financial statements as of 30 September 2012 were approved for publication on 12 November 2012. They have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

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

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

The discount rate applied to provisions for nuclear waste management and provisions for mining damage is 5.00% (31 December 2011: 5.00%). Provisions for pensions and similar obligations are discounted at an interest rate of 3.50% in Germany and 4.20% abroad (31 December 2011: 5.25% and 4.80%, respectively).

Changes in accounting policies

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

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

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

Scope of consolidation

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

Changes in the scope of consolidation in the first three quarters of 2012 relate to eight companies that were consolidated for the first time, mainly in the Central Eastern and South Eastern Europe and Renewables Segments. Fourteen former fully consolidated companies, most of which belonged to the Renewables and Trading/Gas Midstream Segments, were removed from the scope of consolidation and 29 were merged, of which 23 belonged to the Renewables Segment and three belonged to the Sales/Distribution Networks Segment.

The scope of consolidation is as follows:

	30 Sep 2012	31 Dec 2011
Fully consolidated companies	378	413
Investments accounted for using the equity method	117	121

Acquisitions

On 30 September 2011, RWE acquired 100% of the voting stock of Energy Resources Holding B.V. (ERH), 's-Hertogenbosch/ Netherlands. The accounting treatment of the business acquisition was finalised with effect from 30 September 2012, reflecting the preliminary accounting treatment applied as of 31 December 2011 unamended.

Assets and liabilities held for sale

Due to the intended sale of the stake in RWE-Veolia Berlinwasser Beteiligungs GmbH, which is accounted for using the equity method, as well as the non-current financial receivables associated with the stake, they were recognised as of 30 September 2012 as assets held for sale. The disposal group was assigned to the Sales/Distribution Networks Segment. The divestment was concluded in October 2012.

The total sales price for business transactions amounted to €0 million (first three quarters of 2011: €1,266 million which was fully paid in cash).

Revenue

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

Equity

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

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

Share-based payment

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

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

Dividend distribution

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

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

Financial liabilities

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

101.63%, respectively. RWE AG has the right to call the bond for the first time in 2017. It has a coupon of 7.0% p.a.

In March 2012, RWE AG issued a US\$500 million hybrid bond with a tenor ending in October 2072 and topped it up by the same amount at the end of June. The issue rates were 100% and

Furthermore, RWE AG placed a CHF150 million hybrid bond with a coupon of 5.0% p.a. and an issue rate of 100% at the end of June 2012. This bond also has a tenor ending in October 2072 and can be called by RWE AG for the first time in 2017.

Other liabilities

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

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

Earnings per share

		Jan – Sep 2012	Jan – Sep 2011
Net income/income attributable to RWE AG shareholders	€ million	1,880	1,416
Number of shares outstanding (weighted average)	thousands	614,447	533,559
Basic and diluted earnings per common and preferred share	€	3.06	2.65

Related party disclosures

The RWE Group classifies associated companies as related parties. In the first three quarters of 2012, transactions concluded with material related parties generated €2,909 million in income (first three quarters of 2011: €679 million) and €1,838 million in expenses (first three quarters of 2011: €204 million). As of 30 September 2012, accounts receivable amounted to €2,336 million (31 December 2011: €2,048 million), and accounts payable totalled €183 million (31 December 2011: €176 million). All business transactions are concluded at arm's length conditions and on principle do not differ from those concluded with other companies. Other obligations from executory contracts amounted to €6,384 million (31 December 2011: €6,206 million).

Furthermore, 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 until 30 June 2012. These were the corporate groups of Georgsmarienhütte Holding GmbH and RGM Holding GmbH. In the first half of 2012, RWE Group companies provided services and deliveries to these companies amounting to €4.2 million (first three quarters of 2011: €10.2 million) and received services and deliveries from these companies amounting to €1.7 million (first three quarters of 2011: €2.0 million). All transactions are completed at arm's length conditions; the business relations do not differ from those maintained with other enterprises.

Events after the balance-sheet date

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

REVIEW REPORT

To RWE Aktiengesellschaft, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and statement of recognised income and expense, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of RWE Aktiengesellschaft, Essen, for the period from 1 January to 30 September 2012 which are part of the interim financial report pursuant to § 37x, Para. 3 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

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

Essen, 13 November 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Manfred Wiegand
Wirtschaftsprüfer
(German Public Auditor)

Markus Dittmann
Wirtschaftsprüfer
(German Public Auditor)

FINANCIAL CALENDAR 2013

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

The interim report for the first three quarters of 2012 was published on 14 November 2012.

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

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



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