REPORT ON THE FIRST HALF OF 2015

- RWE confirms earnings forecast for 2015
- Operating result for the first six months down 11% year on year
- Net debt reduced to €25.6 billion
- RWE replaces cancelled €1,750 million hybrid bond with new hybrid capital
- Large offshore wind farms Nordsee Ost and Gwynt y Môr inaugurated

The energy to lead

AT A GLANCE

RWE Group – key figures		Jan – Jun 2015	Jan – Jun 2014	+/– %	Jan – Dec 2014
Electricity production	billion kWh	101.8	100.1	1.7	208.3
External electricity sales volume	billion kWh	128.6	128.4	0.2	258.3
External gas sales volume	billion kWh	167.4	148.2	13.0	281.3
External revenue	€ million	25,138	25,087	0.2	48,468
EBITDA	€ million	3,186	3,426	−7.0	7,131
Operating result	€ million	2,030	2,271	−10.6	4,017
Income from continuing operations before tax	€ million	948	1,502	−36.9	2,246
Net income	€ million	1,742	1,024	70.1	1,704
Adjusted net income[1]	€ million	543	749	−27.5	1,282
Earnings per share	€	2.83	1.67	69.5	2.77
Adjusted net income[1] per share	€	0.88	1.22	−27.9	2.09
Cash flows from operating activities of continuing operations	€ million	664	1,977	−66.4	5,556
Capital expenditure	€ million	1,172	1,489	−21.3	3,440
Property, plant and equipment and intangible assets	€ million	989	1,433	−31.0	3,245
Financial assets	€ million	183	56	226.8	195
Free cash flow	€ million	−325	544	–	2,311
		30 Jun 2015	31 Dec 2014		
Net debt	€ million	25,568	30,972[2]	−17.4	
Workforce[3]		58,717	59,784	−1.8	

1 New term: formerly ‘recurrent net income’; see commentary on page 20.
2 Figure adjusted; see footnote 1 to the ‘net debt’ table on page 22.
3 Converted to full-time positions.

Contents

Dear Shareholders, Customers and Friends of the Company,

In my letter to you in May, the plans of the Federal Ministry for Economic Affairs and Energy to impose a climate levy on power plants were the dominating topic. One can only welcome the fact that they have been abandoned. Such a levy would have rendered most of our lignite-fired power stations unprofitable overnight. This would have had severe ramifications for the lignite mining industry in the Rhineland and its workers. To be clear, we support the transformation of the energy sector. And we accept the structural change that this brings with it. But we oppose policies that cause structural disruption. It has always been obvious to us that lignite has a role to play in protecting the climate. We demonstrated this when we decommissioned all of our 150 megawatt units a few years ago, reducing annual carbon dioxide emissions by several million tons. The German government now wants further lignite-fired power plants to be shut down. The target for the country is 2.7 gigawatts of generation capacity. However, the government envisages first transferring the affected stations to a capacity reserve (see page 8). The advantage of this approach is that it enables a socially acceptable adjustment process. Now the task at hand is to get the details right. It is therefore too early to make a definitive assessment.

Debates such as the one over lignite make RWE look like a football team that has been forced onto the back foot and robbed of its ability to play a free-flowing game. But appearances can be deceptive. RWE continues to embark on growth projects, despite its limited resources. A good example of this is our supply business in Central Eastern and South Eastern Europe. We already have a presence in numerous countries in the region, in many cases as one of the leading retailers. We want to enlarge our footprint even further. It was only recently that we announced our entry into the Slovenian market, where we will focus on electricity supply for the time being. We are also heading for new horizons in Poland and Hungary, where we are leveraging our established positions in the electricity business to market gas as well. Another of RWE's growth areas is renewables. By completing our offshore wind farms Nordsee Ost and Gwynt y Môr, we passed some major milestones in the second quarter. These new assets increase the prospects of our renewables subsidiary RWE Innogy doubling its operating result this year.

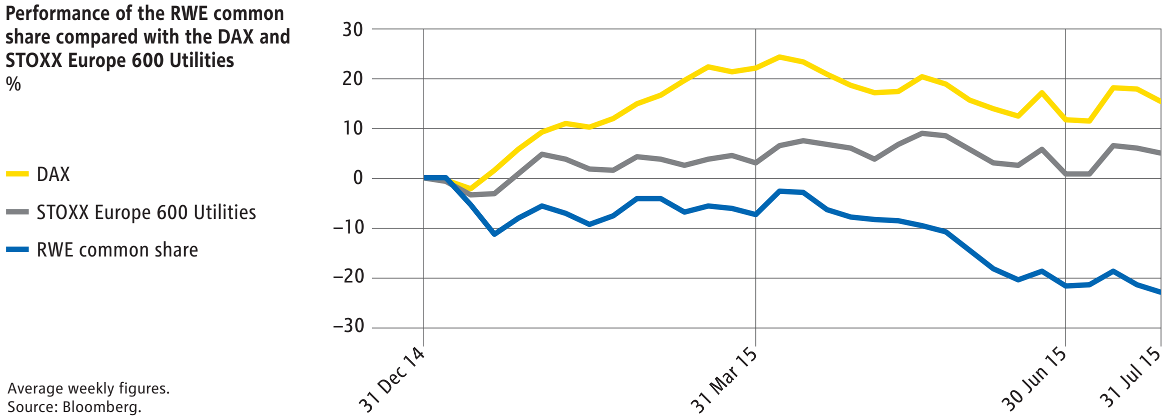
Moving on to the business trend, our operating result declined by 11 % to €2.0 billion in the first half of the year. As expected, the drop in conventional electricity generation margins came to bear in particular. The situation was exacerbated by operational and technical problems in the UK supply business, which we could not have foreseen. In light of these problems, we now expect earnings for the full year at RWE npower to decrease considerably. But I am pleased that we can maintain our outlook for the Group as a whole. As before, we anticipate that the operating result and adjusted net income will close the year in the range of €3.6 to €3.9 billion and €1.1 to €1.3 billion, respectively.

Sincerely yours,

Peter Terium
CEO of RWE AG
Essen, August 2015

ENERGY POLICY RISKS AND LOW WHOLESALE ELECTRICITY PRICES CLOUD RWE'S SHARE PERFORMANCE

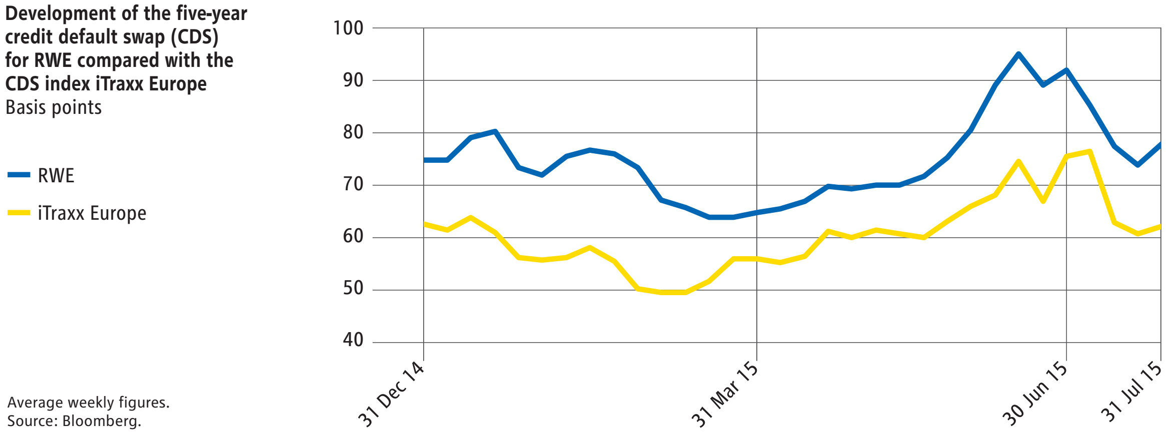
Performance of the RWE common share compared with the DAX and STOXX Europe 600 Utilities
%



Average weekly figures.
Source: Bloomberg.

Despite the Greek crisis, the German Share Index (DAX) was up 12% to 10,945 points in the first half of the year. This was primarily due to the expansionary monetary policy of the European Central Bank (ECB), which drove the DAX up to a new all-time high of 12,375 points (closing quotation as of 10 April). However, after an unusually good first quarter, the index was greatly influenced by the precarious situation surrounding the Greek state budget. Difficult negotiations concerning a new aid package rekindled fears of the country's bankruptcy and a destabilisation of the currency union. The first six months were disappointing for RWE shareholders. Common and preferred shares ended the month of June trading at €19.29 and €14.64, respectively. Their total returns, which reflect the dividend and changes in the share price, were down 22% and 18%, due in part to the persistent slump on the German wholesale electricity market. The proposal made by the Federal Ministry for Economic Affairs and Energy to impose a climate levy on power plants was another cause for major uncertainty. However, the German government has since abandoned this idea (see page 8).

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



Average weekly figures.
Source: Bloomberg.

The ECB's expansionary monetary policy and Greece's imminent insolvency also affected the development of interest rates. The average yield of ten-year German government bonds hit a record low of 0.08% in April, after which it rebounded to just under 1% as a result of the Greek crisis. It amounted to 0.76% at the end of June. The cost of hedging credit risks via credit default swaps (CDSs) dropped initially, before rising considerably in the second quarter. On 30 June 2015, the iTraxx Europe Index, which consists of the prices of the CDSs of 125 major European companies, was quoted at 76 basis points for five-year maturities. This represents an increase of 13 basis points compared to the end of 2014. The five-year CDS for RWE climbed by 17 to 92 basis points.

ECONOMIC ENVIRONMENT

Continued economic upturn

Based on initial estimates, the global gross domestic product (GDP) in the first six months was about 2% higher than a year earlier. The increase estimated for the Eurozone is approximately 1%. Once again, the German economy was among the front-runners in the currency area. It is estimated to have grown by more than 1.5%, with consumer spending in particular having a stimulating effect. GDP in the Netherlands and Belgium probably rose by more than 1%. Based on available information, the United Kingdom posted a gain of over 2%, due in great part to the expanding service sector. Developments in our major Central Eastern European markets appear to have been even more dynamic. When this report went to print, only first-quarter data was available for these countries. Based on these figures, GDP increased by 4% in the Czech Republic, 3.5% in both Poland and Turkey, and 3% in Slovakia.

Weather colder than in 2014

Whereas the economic trend primarily impacts on demand for energy among industrial enterprises, residential energy consumption is influenced more by weather conditions. The lower the outside temperatures, the more energy is needed for heating purposes. This leads to seasonal fluctuations in sales volume and earnings. Weather-related effects can also be of significance when comparing various fiscal years to one another. In the first six months of 2015, temperatures in Germany, the Benelux region and our Central Eastern European markets were slightly above the ten-year seasonal average, whereas in the United Kingdom, they were slightly below it. However, throughout nearly the whole of Europe, the weather was colder than in the same period last year, when it was unusually warm.

In addition to energy consumption, electricity generation is also subject to weather-related influences, with wind levels playing a major role. In the first half of 2015, the utilisation of our wind turbines in Germany, the United Kingdom, Spain, Italy and Poland was generally higher than in 2014, whereas it was lower in the Netherlands. Electricity production by our run-of-river power plants is affected by precipitation levels, which in Germany were marginally up on the first half of last year. Sunshine also has a significant impact on the supply of electricity, not least due to the considerable rise in German photovoltaic capacity in accordance with the Renewable Energy Act. Based on figures published by Germany's National Meteorological Service, the country had an average of 879 hours of sunshine in the first six months of 2015, compared to 897 a year earlier.

Higher energy consumption in core RWE markets

Economic growth and the generally colder weather stimulated electricity and gas consumption in our key markets, whereas the trend towards energy savings had a dampening effect. According to preliminary calculations made by the German Association of Energy and Water Industries (BDEW), demand for electricity in Germany from January to June 2015 was slightly up on the same period last year. Estimates for the Netherlands, the United Kingdom, Poland, Slovakia and Hungary are similar. Gas consumption, which is heavily dependent on the weather, displayed much more dynamic development. Based on BDEW data, it grew by 14% year on year in Germany. Network operators in the Netherlands and the United Kingdom calculated increases of 6% and 7%, respectively. A gain of 7% has also been estimated for the Czech Republic.

Lower wholesale and retail gas prices

Prices in European gas trading are trending downwards. Averaged for the first six months, spot prices at the Dutch Title Transfer Facility (TTF), the reference market for Continental Europe, amounted to €21 per MWh, €1 less than the comparable figure for 2014. In TTF forward trading, contracts for delivery in the coming calendar year (2016 forward) were also settled for €21 per MWh. This is €4 less than the price paid for the 2015 forward in the same period last year. As a result of the development of wholesale prices, retail customers also paid less. Based on available data, in Germany gas became 1% and 5% cheaper for households and industrial enterprises, respectively. In the United Kingdom, gas tariffs for the aforementioned customer groups were down about 4% and 8% year on year, while in the Netherlands, they declined by approximately 3% for both groups. Data collected for the Czech Republic indicates drops of 1% and 6%.

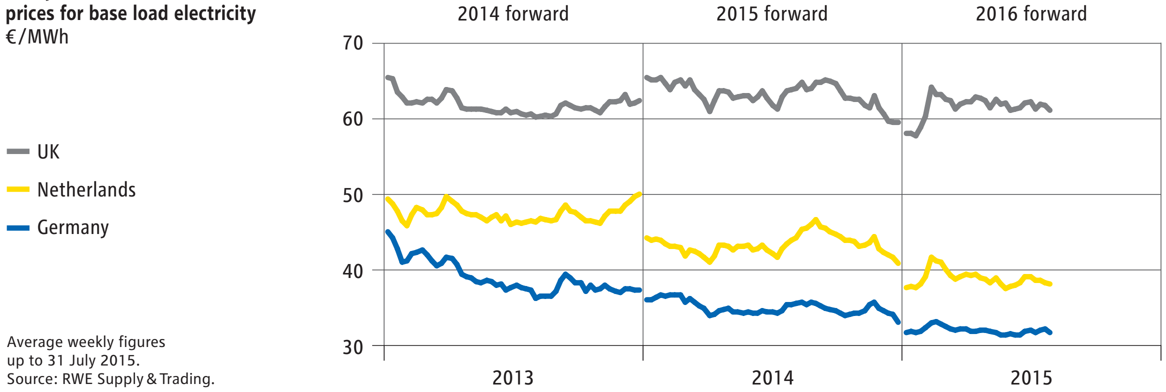
Slump on hard coal market persists

International hard coal trading prices continue to fall to new lows. In the first half of the year, coal deliveries including freight and insurance to Amsterdam/Rotterdam/Antwerp (known as the ARA ports) were quoted at an average of US$60 (€54) per metric ton in spot trading. This corresponds to a decline of US$17 compared to 2014. The 2016 forward (API 2 Index) traded at US$59 per metric ton, US$23 less than last year's comparable figure. China, the world's biggest coal importer, played a major part in the collapse of prices by limiting imports substantially. Furthermore, the overseas freight costs included in the price of coal decreased because significant excess capacity was built up and fuel prices dropped. From January to June 2015, the standard route from South Africa to Rotterdam cost just slightly more than US$4 per metric ton, half the cost compared to the same period last year.

Slight upward trend in the price of CO_2 emission allowances

The price at which CO_2 emission allowances trade is also low, because the number available for the third trading period, which ends in 2020, clearly exceeds the amount actually required. What came to bear here was the fact that industrial production and electricity generation from fossil fuels have lagged behind expectations significantly in recent years. Since 2014, however, prices have been trending upwards. The standard certificate (EU Allowance, or EUA) for 2015, which confers the right to emit a metric ton of carbon dioxide, traded for an average of slightly more than €7 in the first six months of this year. The comparable figure for 2014 was just under €6. Prices were buoyed by the EU's reduction of the surplus of certificates by temporarily withholding emission allowances (referred to as 'backloading'). It is envisaged that backloading will continue until the end of 2016 and that it will affect certificates covering a total of 900 million metric tons of carbon dioxide. Positive stimulus was also provided by the plan to introduce a 'market stability reserve', in which emission allowances are 'deposited' in the event of a substantial surplus. At the beginning of May, representatives of the EU member states, the European Parliament and the EU Commission agreed to introduce the market stability reserve in 2019. They also determined that backloaded certificates will be transferred directly to the reserve instead of being placed on the market in 2019 and 2020, which was the original plan. The EU Parliament approved this on 8 July.

One-year forward wholesale prices for base load electricity
€/MWh



Average weekly figures up to 31 July 2015.
Source: RWE Supply & Trading.

German 2016 base load forward only €32 per MWh

The development of wholesale electricity prices in Germany is significantly affected by rising feed-ins of electricity subsidised under the German Renewable Energy Act. This forces conventional generation plant off the market – primarily gas-fired power stations, which have fairly high fuel costs. Their influence on the formation of electricity prices has therefore decreased, whereas that of hard coal-fired power plants, which have relatively low production costs due to the decline in the price of hard coal, has risen. The crowding-out of gas-fired power stations and the drop in the price of hard coal are the major reasons why quotations on the German wholesale electricity market have been falling for years. This downward trend has weakened recently. In the first six months, the average spot price for base load power was €30 per MWh, down €2 on the level recorded in last year's corresponding period. The 2016 forward cost €32 per MWh. By comparison, the 2015 forward traded for €35 in the same period last year.

In the United Kingdom, our second-largest generation market, gas-fired power stations account for a much larger share of electricity production than in Germany and therefore have a stronger influence on prices. For this reason, and due to the introduction of a tax on carbon dioxide in April 2013, UK quotations are relatively high. Base load power cost an average of £41 (€57) per MWh on the UK spot market in the first half of the year, which was £1 cheaper than in 2014. The 2016 base load forward traded at £45 (€61) per MWh, £7 below the comparable figure for last year.

In the Netherlands, where we have our third-largest generation position, gas-fired power plants also play an important role in the formation of electricity prices. At the same time, imports from Germany of electricity generated under the Renewable Energy Act weigh on prices. Base load power on the Dutch spot market was quoted at €41 per MWh, on a par year on year. Forward contracts for 2016 were settled for an average of €39 per MWh, as opposed to €43 for the 2015 forward in the same period last year.

Power plant margins down year on year

We sell forward most of the output of our power stations and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, the most recent developments on the market hardly had an impact on the electricity revenue we generated in the reporting period. It depends more on the conditions at which forward contracts for delivery in 2015 were concluded in preceding years. As wholesale electricity prices in Continental Western Europe have long been trending downwards, the average price which we realised for this year's in-house generation was lower than the comparable figure for 2014. Therefore, we achieved lower margins with our German lignite and nuclear power stations, the fuel costs of which are typically stable. The margins of our gas and hard coal-fired power plants are also under pressure. However, besides the unfavourable development of electricity prices, relief was provided by declining fuel prices. In addition, costs incurred for CO_2 emission allowances dropped because we hedged their prices early on.

Lower retail electricity bills

Electricity prices also trended downwards in the retail sector, largely driven by declining quotations on the wholesale market. In Germany, households paid slightly less than in the first half of 2014, whereas industrial enterprises saw prices decrease by about 3 %. Based on estimates, electricity became 1 % cheaper for both of these customer groups in the United Kingdom, dropping in price by 1 % and 9 % in the Netherlands, 7 % and 5 % in Hungary, and 6 % and 4 % in Slovakia. Conversely, in Poland electricity became more expensive for households (+2 %), whereas the country's industrial enterprises benefited from a marginal decline in prices (–1 %).

MAJOR EVENTS

In the period under review

Nordsee Ost and Gwynt y Môr offshore wind farms officially opened

On 11 May, we inaugurated our new offshore wind farm, Nordsee Ost, in the presence of Germany's Minister of Economic Affairs and Energy, Sigmar Gabriel. Located about 35 kilometres north of Heligoland, the wind farm, of which we are the sole owner, consists of 48 turbines with a total net installed capacity of 295 megawatts (MW). Its investment budget totals approximately €1.4 billion. Our second new offshore wind farm, Gwynt y Môr, situated off the coast of North Wales, was inaugurated on 18 June. The ceremony was performed by the First Minister of Wales, Carwyn Jones. With 160 turbines, Gwynt y Môr has a net installed capacity of 576 MW, making it the world's second-largest offshore wind farm. RWE currently holds a 60% stake in the facility, and the remaining shares are held by Stadtwerke München (30%) and Siemens (10%). The total capital expenditure on Gwynt y Môr amounted to some €2.4 billion, excluding the wind farm's grid connection, which was sold in the middle of February.

New supply activities in Slovenia, Poland and Hungary

We are making good progress in the expansion of our supply business in Central Eastern Europe. In June, we announced our entry into the Slovenian market. For the time being, we are focusing on residential customers, to which we will offer products with terms of one, two or three years and a number of energy savings packages. We aim to attain a 10% share of the market in this customer segment by 2020. We have also launched new supply operations in Hungary and Poland, where we have already established ourselves in the electricity business. For instance, the Hungarian group ELMÜ-ÉMÁSZ, in which we hold a majority stake, recently began selling gas as well. Initially, the company is concentrating on the industrial market and aims to obtain a share of 10% to 15% by 2020. In Poland, where our subsidiary RWE Polska is already supplying several key accounts with gas, we intend to expand our gas supply activities to include small and medium-sized enterprises.

RWE turns Aldi supermarkets into 'electricity filling stations'

Within the scope of a technology partnership we forged with Aldi Süd, from May to July, we equipped about 50 of the leading German grocery discounter's outlets with charging stations for electric vehicles. Aldi customers can now recharge their cars for free with electricity generated by solar panels on the supermarkets' roofs. RWE's charging stations combine state-of-the-art alternate and direct current models, enabling vehicles with fast-charge technology to be charged rapidly. They can usually be fully charged in the time it takes their driver to do their shopping. RWE has already installed more than 4,400 charging points throughout Europe, over 2,800 of which are in Germany. Our goal is to promote the wider use of electric vehicles by selling and operating suitable infrastructure.

After the period under review

German government publishes details on the contribution to climate protection by the energy industry/ climate levy abandoned

At the beginning of July, the party chairmen of the CDU/CSU and SPD governing coalition agreed on the "principles for a successful implementation of the energy transition". Among the main resolutions is the renouncement of the climate levy for power plants tabled by the German Ministry for Economic Affairs and Energy, which would have been extremely detrimental to German lignite-based power production. The reduction in carbon dioxide emissions from electricity generation by an additional 22 million metric tons under the Climate Action Programme 2020 will now be achieved by other means. One of the measures envisaged to achieve this goal is to transfer lignite-fired power plants with a total net installed capacity of 2.7 gigawatts to a capacity reserve before shutting them down several years later. These assets will be reserve stations, which no longer play their regular role on the market. Instead, they will be called upon whenever needed to overcome a shortage of capacity on the system. Their operators will receive cost-based compensation for this, which will be determined contractually on the basis of current market data. According to estimates made by the German government, this will reduce annual carbon dioxide emissions by 11 million metric tons. Furthermore, the lignite industry has pledged to achieve an additional reduction of 1.5 million metric tons of carbon dioxide "if necessary" from 2018 onwards. Based on expert calculations, the capacity reserve is much more affordable for consumers than the climate levy would have been. However, some important details of the reserve regulations still have to be established. It also remains to be seen which RWE plants are transferred to the reserve. This will depend on technical, economic and regulatory considerations. The governing coalition also decided to accelerate the expansion of combined heat and power generation. The corresponding annual subsidy cap will be increased to €1.5 billion. The coalition expects this to result in a reduction of 4 million metric tons of carbon dioxide per year, which will take full effect in 2020. Additional efficiency measures in construction, municipalities, industry and rail transportation are further elements of the energy package. They are expected to lead to another 5.5 million metric tons of carbon dioxide savings.

Electricity market design white book: German government opposes capacity market

The German government has outlined its course for the future design of the electricity market. In the white book published at the beginning of July entitled "An Electricity Market for the Transformation of the Energy Sector", it speaks out against the introduction of a capacity mechanism. A system of this kind would ensure that, in addition to revenue from electricity production, power plant operators received a payment for making their capacity available and therefore contributing to security of supply. The German government rejects this, in part because it fears that the mechanism will lead to substantial costs. It prefers the existing market model, which it intends to make more functional. To this end, the white book recommends guaranteeing the free formation of wholesale electricity prices, strengthening the balancing zone and balancing power system, opening the balancing power market to further providers, incentivising increased consumer flexibility, and making the market more transparent. It also envisages creating a capacity reserve, which would only be used whenever supply failed to cover demand. The German government intends to pass a corresponding draft electricity market act as early as October. The legislative procedure is scheduled to be completed in the spring of 2016.

UK competition authority does not see impediments to competition in wholesale electricity or gas markets

In early July, the UK Competition and Markets Authority (CMA) presented the first results of its ongoing investigation of the competitive landscape in the UK energy sector. In a preliminary report, it considers the national wholesale markets to be fully functional. The CMA does not see any reason why major energy companies such as RWE would gain a competitive advantage through vertical integration. In contrast, it feels there are indications of insufficient competition in the residential and small commercial enterprise sectors. This relates in particular to customers with a low willingness to switch providers. The CMA proposes a series of measures for assisting such customers including introducing a temporary price cap. The competition probe was commissioned in the middle of last year by the UK regulatory authority Ofgem (Office of Gas and Electricity Markets). It is scheduled to be completed by the end of 2015.

UK government abolishes advantages for green energy producers in connection with the climate protection levy

With effect from 1 August, the UK government abolished the exemption of green energy from the national climate protection levy and thus curtailed the earnings prospects of renewable energy producers. Officially called the 'climate change levy' (CCL), the climate protection tax has been imposed on fossil fuels and the electricity generated from them since April 2001. It must be paid by consumers in the commercial, industrial and public sectors, whereas fossil fuels used in households, transportation and electricity generation are not subject to the CCL. The levy is used to finance climate protection projects and measures to improve energy efficiency. For electricity, it currently amounts to £5.54/MWh. Green energy had been previously exempt from the CCL. Therefore, consumers subject to the levy were able to buy certificates, which are referred to as 'levy exemption certificates' (LECs), from renewable energy plant operators and submit them to the authorities in place of the CCL. For green energy producers, the LECs were an additional source of income, which has now been abolished. This affects RWE companies. We estimate that this will curtail our Group's operating result by about €20 million in 2015 and by approximately €40 million per annum thereafter.

RWE again raises hybrid capital

At the end of July, we issued a hybrid bond for the third time this year. The issuances of €700 million and €550 million in April were followed by a US$500 million issuance. All three bonds have a tenor of 60 years. The most recent bond we placed on the market has a coupon of 6.625% and may be cancelled by RWE for the first time in March 2026. The issue price of 99.117% results in a yield of 6.75% in US dollars. However, due to the swaps concluded, our financing costs in euros are much lower. Hybrid bonds are a mixture of equity and debt. As they are subordinate to all other financial liabilities, they have a coupon that is higher than that of regular bonds. Standard & Poor's and Moody's, the leading rating agencies, have classified our total of eight hybrid bonds as BBB- and Baa3, allocating only half of them to debt. We issued our first hybrid bond five years ago. It has a nominal volume of €1,750 million and has been cancelled by us with effect from 28 September 2015, which is the earliest possible date. The issuances this year have enabled us to replace it with hybrid capital of equal value.

Supervisory Board decides to reorganise: RWE AG to assume operational control

In August, based on proposals put forward by the Executive Board, the Supervisory Board of RWE AG decided to transform the Group holding company into an operating company and to pool a large number of German RWE subsidiaries in it. This will make us even leaner and more effective. In the future, we will manage our business activities directly from within RWE AG, according to the stages of the value chain. Chief operating officers (COOs) will be responsible for the Conventional Power Generation, Renewables, Networks and Supply Divisions. We will also set ourselves up differently in terms of company law by bundling the German supply and network operations of companies of which we are the sole owner in the new RWE AG. Companies such as RWE Group Business Services, RWE IT and RWE Effizienz will also be integrated into RWE AG. To satisfy regulatory requirements, Westnetz will remain independent. Another adjustment relates to RWE Generation SE, which will be folded into RWE Power AG. RWE Power, which will be renamed RWE Generation AG, will continue to exist, but will be placed under the management of the Executive Board of RWE AG. The same applies to RWE Innogy and RWE Supply & Trading. The restructuring will eliminate a large number of Supervisory Board committees. To maintain access to the expertise of these committees, we will establish international advisory boards for the Renewables, Networks and Supply Divisions. The reorganisation is scheduled to be completed by 1 January 2017.

NOTES ON REPORTING

RWE Group

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

Internal Service Providers
- RWE Consulting
- RWE Group Business Services
- RWE IT
- RWE Service

As of 30 June 2015.

Group structure with seven divisions

On 2 March 2015, we completed the sale of RWE Dea (Upstream Gas & Oil Segment). The transaction took retrospective effect to 1 January 2014. Since then, the RWE Group has been divided into seven segments (divisions), based on geographic and functional criteria as follows:

- Conventional Power Generation: Our conventional electricity production activities in Germany, the United Kingdom, the Netherlands and Turkey are subsumed under this division. It also includes RWE Power's opencast lignite mining in the Rhineland and RWE Technology, which specialises in project management and engineering. All of these activities are overseen by RWE Generation.

- Supply/Distribution Networks Germany: This division is in charge of the supply of electricity, gas and heat as well as energy services in our main market, Germany, and the operation of our German electricity and gas distribution networks. It is overseen by RWE Deutschland, to which Westnetz, RWE Vertrieb, RWE Effizienz, RWE Gasspeicher and our German regional companies belong, among others. Our non-controlling interests in KELAG (Austria) and Enovos (Luxembourg), both of which are energy utilities, are also assigned to this division.

- Supply Netherlands/Belgium: This is where we report on our Dutch and Belgian electricity and gas supply business. The division is managed by Essent, one of the largest energy utilities in the Benelux region.

- Supply United Kingdom: Assigned to this division is our UK electricity and gas supply business operated by RWE npower, which ranks among the six leading energy companies in the UK.

- Central Eastern and South Eastern Europe: This division encompasses a wide range of international activities, which are controlled by Prague-based RWE East. In the Czech Republic, we are the market leader in the storage, distribution and supply of gas. Our operations also include the sale of electricity. In Poland and Hungary, we are focusing on the electricity business (distribution networks and supply), which includes the generation of electricity from lignite in Hungary. We also intend to establish ourselves as a gas provider in both these countries. In Slovakia, we are active in the electricity business via a non-controlling interest and in the gas supply sector via a subsidiary. In Croatia, we have an established position as a wastewater management company in the capital Zagreb. In addition, we have become active in the local energy supply business. In Slovenia, Romania and Turkey, we have also entered the energy supply market.

- Renewables: This is where we present the figures of RWE Innogy, which focuses on developing, building and operating wind farms and hydroelectric power projects. Its major production sites are located in Germany, the United Kingdom, the Netherlands, Spain and Poland.

- Trading/Gas Midstream: This division encompasses the activities of RWE Supply & Trading. The company is responsible for trading energy and commodities, marketing and hedging the RWE Group's electricity position, and running the entire gas midstream business. Furthermore, it supplies some major German and Dutch industrial and corporate customers with electricity and gas.

The 'other, consolidation' item

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

RWE Dea disclosed as a discontinued operation

In accordance with International Financial Reporting Standards (IFRS), we now recognise RWE Dea in the income statement in condensed form under income from discontinued operations. The same applies to last year. Recurrent net income is now referred to as 'adjusted net income'. For the first half of 2015 and for fiscal 2014, RWE Dea is considered in this figure only by including the prorated interest on the price that LetterOne paid us for the period from 1 January 2014 until the completion of the transaction on 2 March 2015. In contrast, RWE Dea is not considered at all in adjusted net income for the first half of 2014. The upstream business was presented on the consolidated balance sheet for the period ended 31 December 2014 for the last time, where it was recognised in assets held for sale and liabilities held for sale. In the cash flow statement on page 32, we state the cash flows from discontinued operations for 2015 and 2014 separately. The presentation of cash flows in the review of operations deviates from this, as it solely relates to our continuing operations. The same applies to capital expenditure and employees.

BUSINESS PERFORMANCE

Electricity production January – June	Lignite		Hard coal		Gas		Nuclear		Renewables		Pumped storage, oil, other		Total	
Billion kWh	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Conventional Power Generation	35.2	35.3	22.2	21.7	17.8	17.2	15.2	14.6	0.4	0.5	1.5	1.2	92.3	90.5
of which:														
Germany[1]	35.2	35.3	9.6	12.9	1.4	1.1	14.6	14.2	0.3	0.2	1.5	1.2	62.6	64.9
Netherlands/Belgium	–	–	7.8	5.2	2.8	2.2	0.6	0.4	0.1	0.3	–	–	11.3	8.1
United Kingdom	–	–	4.8	3.6	12.4	12.1	–	–	–	–	–	–	17.2	15.7
Turkey	–	–	–	–	1.2	1.8	–	–	–	–	–	–	1.2	1.8
Central Eastern and South Eastern Europe	2.5	2.6	–	–	–	–	–	–	–	–	–	–	2.5	2.6
Renewables[1]	–	–	–	–	–	–	–	–	4.9	4.1	–	–	4.9	4.1
RWE Group[2]	**37.7**	**37.8**	**23.5**	**23.8**	**18.1**	**17.7**	**15.2**	**14.6**	**5.8**	**5.0**	**1.5**	**1.2**	**101.8**	**100.1**

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 half of 2015, it amounted to 4.7 billion kWh in the Conventional Power Generation Division (first half of 2014: 8.1 billion kWh), of which 3.0 billion kWh were generated by hard coal-fired power plants (first half of 2014: 5.8 billion kWh), and 0.4 billion kWh in the Renewables Division (first half of 2014: 0.3 billion kWh).
2 Including small generation volumes of other divisions.

Electricity generation up 2% year on year

In the first half of 2015, the RWE Group produced 101.8 billion kWh of electricity, 2% more than in the same period in 2014. One of the contributors was our new 1,554 MW hard coal-fired power plant near the Dutch port of Eemshaven. Its two units only underwent test runs in 2014 and started commercial operation on 1 May and 1 July 2015, respectively. We also benefited from the increased use of our UK hard coal-fired power station Aberthaw and several of our gas-fired power plants following outages last year. The expansion of our wind power capacity and high wind levels also contributed to the rise in electricity production. A counteracting effect was felt from the fact that some hard coal-fired power stations under contract are no longer at our disposal in 2015 because the underlying dispatch agreements expired. Furthermore, our gas-fired power plant at Denizli in the west of Turkey was underutilised because substantial amounts of low-cost hydroelectric power were generated due to the unusually high levels of precipitation in the region.

In addition to our in-house generation, we procure electricity from external suppliers. In the period under review, these purchases amounted to 35.0 billion kWh (first half of 2014: 34.7 billion kWh). In-house generation and purchases from third parties added up to 136.8 billion kWh (first half of 2014: 134.8 billion kWh).

External electricity sales volume January – June	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2015	2014	2015	2014	2015	2014	2015	2014
Conventional Power Generation	0.1	0.1	1.2	1.1	5.6	5.0	6.9	6.2
Supply/Distribution Networks Germany	10.9	11.0	13.8	14.8	34.9	37.4	59.6	63.2
Supply Netherlands/Belgium	5.3	5.7	4.3	4.9	–	–	9.6	10.6
Supply United Kingdom	6.8	7.3	15.4	14.8	1.1	1.0	23.3	23.1
Central Eastern and South Eastern Europe	4.5	4.3	4.8	4.6	3.4	3.4	12.7	12.3
Renewables	–	–	–	–	1.0	1.0	1.0	1.0
Trading/Gas Midstream	–	–	15.4	11.9	–	–	15.4	11.9
RWE Group[1]	**27.7**	**28.5**	**54.9**	**52.1**	**46.0**	**47.8**	**128.6**	**128.4**

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

Electricity sales volume practically unchanged

The volume of electricity supplied to external customers totalled 128.6 billion kWh, roughly as much as in the same period last year. We achieved gains in sales to industrial and corporate customers, partly because we won new customers. By contrast, we experienced a decline in deliveries to German distributors. This was in part because some of them increased their purchases from other energy suppliers or began buying all their electricity from them. In addition, sales to transmission system operators (TSOs) were down. We resell electricity that is generated under the German Renewable Energy Act (REA) and fed directly into our distribution network to the TSOs. The decline was due to the fact that operators of plant covered by the REA increasingly market their electricity directly or use it themselves. Sales to households and small commercial enterprises also dropped, reflecting the trend towards saving energy. In the United Kingdom, this was exacerbated by customer losses, which were more than offset by gains in Germany, the Benelux region and Central Eastern Europe.

External gas sales volume January – June	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2015	2014	2015	2014	2015	2014	2015	2014
Supply/Distribution Networks Germany	14.6	12.8	10.2	10.2	30.2	23.2	55.0	46.2
Supply Netherlands/Belgium	21.1	18.0	15.5	15.0	–	–	36.6	33.0
Supply United Kingdom	19.0	18.3	1.9	1.1	4.0	3.3	24.9	22.7
Central Eastern and South Eastern Europe	9.0	8.4	16.3	14.1	0.2	0.8	25.5	23.3
Trading/Gas Midstream	–	–	13.0	10.8	12.4	12.2	25.4	23.0
RWE Group	**63.7**	**57.5**	**56.9**	**51.2**	**46.8**	**39.5**	**167.4**	**148.2**

Gas supply volume up 13 % year on year

Our gas sales volume rose by 13 % to 167.4 billion kWh. Our customers used more gas for heating purposes as temperatures normalised compared to the very mild weather in the first half of 2014. This reinvigorated sales, primarily to households and distributors. In business with distributors, companies belonging to RWE Deutschland won new customers and intensified their supply relationships with existing ones. Another driver of our growth in gas sales volume was the successful acquisition of industrial and corporate customers. In the residential and small commercial enterprise segment, the positive effect of the weather was weakened by thrifty consumer behaviour. Furthermore, our share of the UK residential market declined. Customer acquisitions in Germany and the Benelux region were unable to compensate for this.

External revenue € million	Jan – Jun 2015	Jan – Jun 2014	+/– %	Jan – Dec 2014
Conventional Power Generation	958	896	6.9	1,888
Supply/Distribution Networks Germany	12,590	13,098	–3.9	25,310
Supply Netherlands/Belgium	2,330	2,540	–8.3	4,443
Supply United Kingdom	4,999	4,595	8.8	8,992
Central Eastern and South Eastern Europe	2,173	2,107	3.1	4,059
Renewables	182	133	36.8	277
Trading/Gas Midstream	1,864	1,675	11.3	3,409
Other, consolidation	42	43	–2.3	90
RWE Group	**25,138**	**25,087**	**0.2**	**48,468**
Natural gas tax/electricity tax	1,208	1,240	–2.6	2,319
RWE Group (excluding natural gas tax/electricity tax)	**23,930**	**23,847**	**0.3**	**46,149**

External revenue by product € million	Jan – Jun 2015	Jan – Jun 2014	+/– %	Jan – Dec 2014
Electricity revenue	16,767	17,014	–1.5	33,663
of which:				
Supply/Distribution Networks Germany	9,700	10,347	–6.3	20,204
Supply Netherlands/Belgium	768	996	–22.9	1,710
Supply United Kingdom	3,550	3,152	12.6	6,364
Central Eastern and South Eastern Europe	1,093	1,092	0.1	2,199
Trading/Gas Midstream	1,119	952	17.5	2,157
Gas revenue	6,865	6,519	5.3	11,905
of which:				
Supply/Distribution Networks Germany	2,355	2,214	6.4	4,122
Supply Netherlands/Belgium	1,526	1,507	1.3	2,664
Supply United Kingdom	1,324	1,211	9.3	2,144
Central Eastern and South Eastern Europe	1,040	958	8.6	1,746
Trading/Gas Midstream	621	627	–1.0	1,228
Other, consolidation	1,506	1,554	–3.1	2,900
RWE Group	**25,138**	**25,087**	**0.2**	**48,468**

External revenue on a par year on year

At €25,138 million, our external revenue (including natural gas and electricity tax) was essentially unchanged. Gas revenue was up 5% to €6,865 million, even though some of our supply companies lowered their tariffs. The main reason was the positive sales trend. In contrast, our electricity revenue amounted to €16,767 million, slightly less than in the same period last year. Price reductions came to bear here as well. Acquisitions and divestments did not have a notable influence on revenue, in contrast to the appreciation of the British pound, which cost an average of €1.38 in the period under review (first half of 2014: €1.22). The US dollar also gained on the euro, whereas there were only marginal changes in the other currencies of importance to us. Net of the foreign exchange impact, our revenue decreased by 2%.

Internal revenue € million	Jan – Jun 2015	Jan – Jun 2014	+/– %	Jan – Dec 2014
Conventional Power Generation	4,282	3,791	13.0	7,603
Supply/Distribution Networks Germany	639	561	13.9	1,208
Supply Netherlands/Belgium	14	14	–	44
Supply United Kingdom	62	135	–54.1	328
Central Eastern and South Eastern Europe	47	108	–56.5	180
Renewables	406	285	42.5	614
Trading/Gas Midstream	10,103	11,307	–10.6	24,441

EBITDA € million	Jan – Jun 2015	Jan – Jun 2014	+/– %	Jan – Dec 2014
Conventional Power Generation	752	1,036	–27.4	2,522
of which:				
Continental Western Europe	658	1,013	–35.0	2,412
United Kingdom	97	18	438.9	90
Supply/Distribution Networks Germany	1,351	1,375	–1.7	2,650
Supply Netherlands/Belgium	161	127	26.8	203
Supply United Kingdom	83	173	–52.0	294
Central Eastern and South Eastern Europe	500	520	–3.8	913
Renewables	382	216	76.9	547
Trading/Gas Midstream	84	109	–22.9	286
Other, consolidation	–127	–130	2.3	–284
RWE Group	**3,186**	**3,426**	**–7.0**	**7,131**

Operating result € million	Jan – Jun 2015	Jan – Jun 2014	+/– %	Jan – Dec 2014
Conventional Power Generation	276	593	–53.5	979
of which:				
Continental Western Europe	308	688	–55.2	1,362
United Kingdom	–19	–90	78.9	–384
Supply/Distribution Networks Germany	1,014	1,022	–0.8	1,871
Supply Netherlands/Belgium	141	98	43.9	146
Supply United Kingdom	53	133	–60.2	227
Central Eastern and South Eastern Europe	393	409	–3.9	690
Renewables	233	81	187.7	186
Trading/Gas Midstream	73	104	–29.8	274
Other, consolidation	–153	–169	9.5	–356
RWE Group	**2,030**	**2,271**	**–10.6**	**4,017**

Crisis in conventional electricity generation reflected in operating earnings

In the first half of 2015, we achieved EBITDA of €3,186 million and an operating result of €2,030 million. These figures were 7 % and 11 % down on those recorded in the same period last year. The main reason for this was the continued erosion of margins in conventional electricity generation. In the energy supply business, which contributed €614 million to the operating result throughout Europe (first half of 2014: €589 million), we benefited from the positive effect of the weather on gas sales volumes. This was contrasted by burdens due to unexpected operational and technical problems at RWE npower. As with revenue, there were no material consolidation effects. Due to the weak earnings achieved by RWE npower, the appreciation of the British pound only had a minor impact on the Group's operating result.

The following is a breakdown of the development of the operating result by division:

- Conventional Power Generation: Here, the operating result amounted to €276 million, less than half the figure achieved in the same period last year. The main reason for this is that we realised lower wholesale prices for our German and Dutch electricity generation than in 2014. This was only somewhat cushioned by price-driven relief in the purchase of fuel (especially hard coal) and CO_2 emission allowances. Cost-cutting measures enabled us to limit the decline in earnings.

- Supply/Distribution Networks Germany: This division posted an operating result of €1,014 million, essentially as much as in 2014. Proceeds from the sale of networks declined considerably. These disposals are generally implemented whenever we do not place the winning bid when our network licenses are retendered. However, we quite often forge partnerships with cities or communities. Although we do not remain the networks' sole owner in such events, in most cases, we can continue to operate them. The operating result that we achieved with our German supply business was higher than in 2014. One reason for this was the weather-driven increase in our customers' demand for gas.

- Supply Netherlands/Belgium: The operating result of our Dutch supply activities rose by 44% to €141 million. We benefited from the impact of the weather on gas sales volume here as well. In addition, we were successful in marketing new supply offerings.

- Supply United Kingdom: The operating result achieved by RWE npower dropped by 60% to €53 million. One reason for this is that we experienced process and system-related problems in customer billing, which will probably not be solved until the end of next year. Earnings shortfalls also resulted from the loss of residential and commercial customers and the trend towards saving energy. We were often only able to retain residential customers with expired contracts by offering them new contracts with more favourable conditions. In addition, network fees increased. By contrast, we spent less on implementing the Energy Companies Obligation (ECO) government programme. ECO requires the major electricity providers to finance measures to improve energy efficiency in homes. Furthermore, we benefited from declining gas procurement costs. However, this caused us to lower the standard gas tariff by 5.1% in February 2015. As some of the aforementioned burdens were much heavier than assumed in our budgets, we had to make a correction to our forecast for the full year. We no longer expect RWE npower to close 2015 moderately up on 2014. Instead, we anticipate a significant deterioration in its operating result.

- Central Eastern and South Eastern Europe: The division ended the period under review with an operating result of €393 million, 4% down year on year. This was in part due to shrinking margins in the Czech gas storage business. Earnings generated by Hungary-based Mátra, which produces electricity from lignite, also worsened. Contributing factors were declining prices on the electricity market and the cost of power plant inspections. Further burdens resulted from a rise in procurement costs in the Polish supply business. The weather-driven increase in gas sales volume had a positive effect in the Czech Republic. Moreover, local regulatory conditions for gas distribution system operators improved.

- Renewables: At €233 million, the operating result posted by RWE Innogy was nearly three times as high as in 2014. This was due in particular to the commissioning of new wind farms, especially Gwynt y Môr off the coast of North Wales and Nordsee Ost near Heligoland. In addition, higher wind levels led to an increase in the utilisation of our existing capacity. The sale of Gwynt y Môr's grid connection, which was mandated by the UK regulator (see page 8 of the report on the first quarter of 2015), the appreciation of the British pound, and the absence of the exceptional burdens experienced last year had a positive effect on the development of earnings.

- Trading/Gas Midstream: The operating result recorded by this division declined by 30% to €73 million. This was primarily attributable to energy trading. As expected, we were unable to match the good result achieved in the first half of last year. Our gas midstream business continues to be burdened by gas storage capacity that has been contracted over the long term, the management and marketing of which does not cover its costs.

The non-operating result, in which we recognise certain one-off effects which are not related to operations or to the period being reviewed, deteriorated by €585 million to –€447 million. The reasons were declines in capital gains and the accrual of provisions for legal risks arising from pending lawsuits. Furthermore, the accounting treatment of certain derivatives, which we use to hedge price fluctuations, led to a net loss, whereas it resulted in income a year earlier.

Financial result € million	Jan – Jun 2015	Jan – Jun 2014	+/– € million	Jan – Dec 2014
Interest income	121	102	19	218
Interest expenses	–521	–524	3	–1,080
Net interest	**–400**	**–422**	**22**	**–862**
Interest accretion to non-current provisions	–419	–491	72	–1,114
Other financial result	184	6	178	128
Financial result	**–635**	**–907**	**272**	**–1,848**

Our financial result improved by €272 million to –€635 million, predominantly due to high proceeds from the sale of securities, which are stated as part of the other financial result. In addition, the interest accretion to non-current provisions declined. The reason for this is that in 2014, we reduced the discount rates used to calculate our provisions in reaction to the drop in market interest rates. Furthermore, net interest has improved slightly this year.

Income from continuing operations before tax decreased by 37% to €948 million. Although we sold a large volume of securities tax-free in the period under review, our effective tax rate rose considerably, from 27% to 48%. This is because we recognise tax losses in RWE AG's tax group. As this is also expected to happen in the coming years, we did not capitalise deferred taxes for these losses, in compliance with IFRS. However, we anticipate that the effective tax rate for 2015 as a whole will be lower than the current figure. This is due to the fact that most of the tax loss in RWE AG's tax group expected for 2015 has already been incurred in the first six months and the aforementioned circumstance therefore had a disproportionately large impact.

Reconciliation to net income		Jan – Jun 2015	Jan – Jun 2014	+/– %	Jan – Dec 2014
EBITDA	€ million	**3,186**	**3,426**	**–7.0**	**7,131**
Operating depreciation and amortisation	€ million	–1,156	–1,155	–0.1	–3,114
Operating result	€ million	**2,030**	**2,271**	**–10.6**	**4,017**
Non-operating result	€ million	–447	138	–	77
Financial result	€ million	–635	–907	30.0	–1,848
Income from continuing operations before tax	€ million	**948**	**1,502**	**–36.9**	**2,246**
Taxes on income	€ million	–454	–412	–10.2	–553
Income from continuing operations	€ million	**494**	**1,090**	**–54.7**	**1,693**
Income from discontinued operations	€ million	1,524	124	–	364
Income	€ million	**2,018**	**1,214**	**66.2**	**2,057**
of which:					
Non-controlling interests	€ million	196	138	42.0	245
RWE AG hybrid capital investors' interest	€ million	80	52	53.8	108
Net income/income attributable to RWE AG shareholders	€ million	**1,742**	**1,024**	**70.1**	**1,704**
Adjusted net income[1]	€ million	**543**	**749**	**–27.5**	**1,282**
Earnings per share	€	2.83	1.67	69.5	2.77
Adjusted net income[1] per share	€	0.88	1.22	–27.9	2.09
Number of shares outstanding (average)	millions	614.7	614.7	–	614.7
Effective tax rate	%	48	27	–	25

1 New term: formerly 'recurrent net income'; see commentary on page 20.

After taxes, our continuing operations generated income of €494 million. This corresponds to a 55% decline compared with 2014.

Discontinued operations (RWE Dea) contributed €1,524 million to net income (first half of 2014: €124 million). Most of this (€1,453 million) is attributable to the book gain on the sale of RWE Dea.

Non-controlling interests rose by 42% to €196 million as some fully consolidated companies in which third parties hold stakes closed the period higher year on year. This relates primarily to our German regional utilities and is in part due to the aforementioned exceptional income from the sale of securities.

The portion of our earnings attributable to hybrid capital investors amounted to €80 million (first half of 2014: €52 million). 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 hybrid capital investors' interest corresponds to the finance costs after tax. Their increase compared to 2014 resulted from the aforementioned discontinuation of tax loss offsetting in RWE AG's tax group, as a result of which hybrid financing costs no longer had a tax-reducing effect in the period under review.

The developments presented above are the reason for the 70% improvement in net income to €1,742 million compared to 2014. Based on the 614.7 million in RWE shares outstanding, this corresponds to earnings per share of €2.83 (first half of 2014: €1.67).

Adjusted net income 28 % down year on year

Our adjusted net income amounted to €543 million. As set out on page 12, it does not include the full income of discontinued operations. Instead, it only contains the portion of the interest on the sale price of RWE Dea allocable to 2015. It decreased by 28 % compared to 2014. Contributing factors were the deteriorated operating earnings and the significant rise in the effective tax rate. When calculating adjusted income, we generally exclude one-off effects (e.g. the entire non-operating result) as well as the associated income taxes. Despite this, adjusted net income may include special items, for example resulting from asset impairments or restructuring expenses, which we have regularly recognised in the operating result since 2014. We therefore now refer to 'adjusted net income' instead of 'recurrent net income'.

Capital expenditure € million	Jan – Jun 2015	Jan – Jun 2014	+/– € million	Jan – Dec 2014
Capital expenditure on property, plant and equipment and on intangible assets				
Conventional Power Generation	299	602	–303	1,086
Supply/Distribution Networks Germany	298	190	108	900
Supply Netherlands/Belgium	11	4	7	9
Supply United Kingdom	65	55	10	148
Central Eastern and South Eastern Europe	110	95	15	309
Renewables	187	437	–250	723
Trading/Gas Midstream	3	7	–4	11
Other, consolidation	16	43	–27	59
RWE Group	**989**	**1,433**	**–444**	**3,245**
Capital expenditure on financial assets	**183**	**56**	**127**	**195**
Total capital expenditure	**1,172**	**1,489**	**–317**	**3,440**

Capital expenditure down substantially

At €1,172 million, our capital expenditure was 21 % lower than the figure recorded in the equivalent period last year. We spent €989 million on property, plant and equipment and intangible assets, 31 % less than in 2014. Capital expenditure on financial assets rose, but at €183 million it was of minor significance. There was a substantial decrease in spending in the field of conventional electricity generation, which last year focused on the two new hard coal power stations, one at Hamm in Germany and the other at Eemshaven in the Netherlands. The Eemshaven units are now producing electricity commercially. At Hamm, this only holds true for one unit, as the other one has experienced substantial delays. Capital expenditure in the Renewables Division also declined significantly. It was mainly dedicated to the new offshore wind farms Nordsee Ost near Heligoland and Gwynt y Môr off the coast of North Wales, which have officially been online since May and June 2015, respectively (see page 7). In the first half of 2014, they were still under construction. We recorded a substantial increase in capital expenditure in the Supply/Distribution Networks Germany Division, which stepped up its measures to improve electricity and gas network infrastructure.

Cash flow statement € million	Jan – Jun 2015	Jan – Jun 2014	+/– € million	Jan – Dec 2014
Funds from operations	2,162	1,632	530	3,696
Change in working capital	–1,498	345	–1,843	1,860
Cash flows from operating activities of continuing operations	**664**	**1,977**	**–1,313**	**5,556**
Cash flows from investing activities of continuing operations	**843**	**–1,127**	**1,970**	**–4,194**
Cash flows from financing activities of continuing operations	**–788**	**–938**	**150**	**–2,138**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	15	7	8	8
Total net changes in cash and cash equivalents[1]	**734**	**–81**	**815**	**–768**
Cash flows from operating activities of continuing operations	664	1,977	–1,313	5,556
Minus capital expenditure on property, plant and equipment and on intangible assets	–989	–1,433	444	–3,245
Free cash flow	**–325**	**544**	**–869**	**2,311**

1 Including discontinued operations, cash and cash equivalents rose by €758 million in the first half of 2015, whereas in the same period last year, they dropped by €88 million.

One-off effect dampens operating cash flows

The cash flows from operating activities which we achieved from our continuing operations declined by €1,313 million to €664 million. This was mainly because we received and paid for most of the CO_2 emission allowances required for 2014 in 2015, whereas we had covered our need for 2013 before the end of that year. This was reflected in the change in working capital.

Investing activities of continuing operations provided €843 million in cash inflows, as opposed to the €1,127 million in cash outflows a year earlier. Our proceeds from the sale of equity interests and property, plant and equipment clearly exceeded capital expenditure on property, plant and equipment, intangible assets and financial assets. This can largely be traced back to the sale of business activities, above all RWE Dea. We re-invested a portion of the funds which we received from the disposal in securities and other cash investments. Furthermore, we increased the funding of our pension commitments by transferring €1.3 billion in cash and cash equivalents to trusts and company pension institutions.

Financing activities of continuing operations led to a cash outflow of €788 million. The single-most important effect was the redemption of a €2 billion RWE bond in February, after having bought back associated paper with a nominal value of nearly €200 million in 2014. Dividends paid to RWE shareholders, co-owners of fully consolidated RWE companies and hybrid capital investors also reduced cash flows. A counteracting effect was felt from the fact that we issued two new hybrid bonds with a total volume of €1,250 million in April. Furthermore, we increased our liabilities vis-à-vis banks and pledged less collateral in connection with forward transactions.

On balance, the presented cash flows from operating, investing and financing activities caused our cash and cash equivalents to increase by €734 million.

Deducting capital expenditure on property, plant and equipment and intangible assets from cash flows from the operating activities of continuing operations results in free cash flow. The latter amounted to –€325 million compared to €544 million in the same period last year.

Net debt[1] € million	30 Jun 2015	31 Dec 2014	+/– %
Cash and cash equivalents	3,961	3,171	24.9
Marketable securities	6,762	4,777	41.6
Other financial assets	1,442	2,099	–31.3
Financial assets	**12,165**	**10,047**	**21.1**
Bonds, other notes payable, bank debt, commercial paper	16,495	16,155	2.1
Hedge transactions related to bonds[1]	–171	–38	–350.0
Other financial liabilities	2,433	2,411	0.9
Financial liabilities	**18,757**	**18,528**	**1.2**
Net financial debt	**6,592**	**8,481**	**–22.3**
Provisions for pensions and similar obligations	5,976	7,871	–24.1
Provisions for nuclear waste management	10,497	10,367	1.3
Mining provisions	2,420	2,401	0.8
Adjustment for hybrid capital (portion of relevance to the rating)	83	766	–89.2
Plus 50% of the hybrid capital stated as equity	1,357	1,353	0.3
Minus 50% of the hybrid capital stated as debt	–1,274	–587	–117.0
Net debt of continuing operations	**25,568**	**29,886**	**–14.4**
Net debt of discontinued operations	**–**	**1,086**	**–**
Total net debt	**25,568**	**30,972**	**–17.4**

1 In 2015, we started recognising the effects of the limitation of currency risks to which our foreign-currency bonds are exposed in net debt. Figures for 2014 have been adjusted accordingly.

Significant decline in net debt due to the sale of RWE Dea

With effect from 30 June 2015, our net debt amounted to €25.6 billion, which was much less than as of 31 December 2014 (€31.0 billion). The main reason for this was the disposal of RWE Dea, which had an impact of €5.3 billion, including the interest on the sale price. Further disposals had a total debt-reducing effect of €0.9 billion, such as the divestment of the grid connection of our Welsh offshore wind farm Gwynt y Môr and the reduction of our stake in our Czech subsidiary RWE Grid Holding. We provided information on these transactions on pages 8 et seq. of the report on the first quarter of 2015. Additionally, the two hybrid bonds with a total volume of €1,250 million issued in April contributed to the reduction in net debt, because we classify half of the hybrid capital as equity, in line with the approach taken by the rating agencies. The increase in the discount rates used to calculate provisions for pensions after having reduced them in the first quarter was another contributing factor. These adjustments reflect the development of market interest rates. Our new discount rates are 2.3% in Germany and 3.7% in the United Kingdom, as opposed to 2.1% and 3.4% at the end of 2014. This caused provisions for pensions to be lower. Another reason for their €1.9 billion decline was the €1.3 billion increase in the funding of our pension commitments. However, due to the associated cash outflows, this did not have an impact on net debt. The dividend payments, the appreciation of the British pound and the negative free cash flow had a debt-increasing effect.

Balance sheet structure	30 Jun 2015		31 Dec 2014	
	€ million	%	€ million	%
Assets				
Non-current assets	53,794	66.5	54,224	62.8
of which:				
Intangible assets	13,105	16.2	12,797	14.8
Property, plant and equipment	31,044	38.4	31,059	36.0
Current assets	27,103	33.5	32,092	37.2
of which:				
Receivables and other assets[1]	14,251	17.6	16,739	19.4
Assets held for sale	349	0.4	5,540	6.4
Total	**80,897**	**100.0**	**86,316**	**100.0**
Equity and liabilities				
Equity	13,946	17.2	11,772	13.6
Non-current liabilities	45,445	56.2	46,324	53.7
of which:				
Provisions	25,156	31.1	27,540	31.9
Financial liabilities	16,843	20.8	15,224	17.6
Current liabilities	21,506	26.6	28,220	32.7
of which:				
Other liabilities[2]	13,355	16.5	16,739	19.4
Liabilities held for sale	367	0.5	2,635	3.1
Total	**80,897**	**100.0**	**86,316**	**100.0**

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

Balance sheet structure: significantly improved equity ratio

As of 30 June 2015, we had a balance sheet total of €80.9 billion as opposed to €86.3 billion at the end of last year. The sale of RWE Dea removed €5.2 billion in assets held for sale and €2.6 billion in liabilities held for sale from the balance sheet. For the first time, we recognised a 10% stake in the Gwynt y Môr offshore wind farm, which we expect to sell to UK-based Green Investment Bank this year (see page 36 of the 2014 Annual Report), in assets and liabilities held for sale. Our shareholding in Gwynt y Môr will then drop from 60% to 50%. Further major changes occurred as marketable securities rose by €2.1 billion and derivative financial instruments went down by €2.3 billion on both sides of the balance sheet. In addition, provisions for pensions declined by €1.9 billion. The RWE Group's equity rose by €2.2 billion compared to last year. Its share of the balance sheet total (equity ratio) was 17.2%, which was 3.6 percentage points more than at the end of 2014.

Workforce[1]	30 Jun 2015	31 Dec 2014	+/– %
Conventional Power Generation	14,277	14,776	–3.4
Supply/Distribution Networks Germany	18,482	18,412	0.4
Supply Netherlands/Belgium	2,328	2,688	–13.4
Supply United Kingdom	6,847	6,985	–2.0
Central Eastern and South Eastern Europe	9,793	9,978	–1.9
Renewables	898	989	–9.2
Trading/Gas Midstream	1,300	1,338	–2.8
Other[2]	4,792	4,618	3.8
RWE Group	**58,717**	**59,784**	**–1.8**
of which:			
In Germany	35,866	36,411	–1.5
Outside of Germany	22,851	23,373	–2.2

1 Converted to full-time positions.
2 As of 30 June 2015, 2,031 thereof were accounted for by RWE Group Business Services (end of 2014: 1,681), 1,709 were accounted for by RWE IT (end of 2014: 1,837), 667 were accounted for by RWE Service (end of 2014: 703) and 278 were accounted for by the holding company RWE AG (end of 2014: 299).

Headcount down by over 1,000

RWE had 58,717 people on its payroll as of 30 June 2015. Part-time positions were considered in this figure on a pro-rata basis. In the first half of 2015, on balance 1,067 employees left the Group, 545 of whom worked at our German sites, while 522 were active at our foreign locations. This was mostly due to streamlining measures, particularly in the Conventional Power Generation Division. We also recorded a significant decline in personnel in the Supply Netherlands/Belgium Division. However, this was predominantly because this year we have begun to include over 200 staff members from the division in the figures for RWE Group Business Services (in the ‘other’ item). In the Central Eastern and South Eastern Europe Division, an effect was felt when the Hungary-based energy utility ELMÜ-ÉMÁSZ sold its subsidiary Sinergy in May 2015, which took 121 people off the Group’s payroll. The completion of the sale of RWE Dea in March has not had an impact on headcount in 2015, as we stopped reporting the employees of that company at the Group level in the middle of 2014.

OUTLOOK

Outlook for the Group unchanged

We confirm the forecast for the RWE Group's business trend this year, which we published on pages 87 et seqq. of the 2014 Annual Report and in the report on the first quarter of 2015, with one exception. As set out on page 17, our UK supply business will close fiscal 2015 significantly down year on year. We had previously assumed a moderate improvement in earnings. Nevertheless, we maintain our forecast for the Group as a whole. We anticipate that EBITDA for the 2015 fiscal year will be between €6.1 billion and €6.4 billion. The operating result is expected to range from €3.6 billion to €3.9 billion. Adjusted net income should total between €1.1 billion and €1.3 billion.

Outlook for fiscal 2015	2014 actual € million	Previous forecast May 2015[1]	Update
EBITDA	7,131	€6.1 billion to €6.4 billion	–
Operating result	4,017	€3.6 billion to €3.9 billion	–
Conventional Power Generation	979	Significantly below previous year	–
Supply/Distribution Networks Germany	1,871	Moderately below previous year	–
Supply Netherlands/Belgium	146	Significantly above previous year	–
Supply United Kingdom	227	Moderately above previous year	Significantly below previous year
Central Eastern and South Eastern Europe	690	Moderately below previous year	–
Renewables	186	Significantly above previous year	–
Trading/Gas Midstream	274	Moderately below previous year	–
Adjusted net income[2]	1,282	€1.1 billion to €1.3 billion	–

1 See page 26 of the report on the first quarter of 2015.
2 New term: formerly 'recurrent net income'; see commentary on page 20.

Declining margins in conventional electricity generation and the aforementioned difficulties in the UK supply business are major contributors to the decline in our operating result. However, we expect RWE Innogy to post a significant increase. Furthermore, we are benefiting from our current efficiency-enhancement programme. In addition, we expect that the weather will have a positive effect on the gas business. Moreover, 2014 had been burdened by high impairments. This forecast does not take into account the possibility that the nuclear fuel tax introduced in 2011 may be deemed unconstitutional. Should this happen this fiscal year, EBITDA, the operating result and adjusted net income may well be up to €1.6 billion higher.

We expect capital expenditure on property, plant and equipment and intangible assets from 2015 to 2017 to total €2.5 billion to €3.0 billion. Our net debt, which has already decreased substantially due to the sale of RWE Dea, will also probably be far below the 2014 level (€31.0 billion) at the end of the year. However, the leverage factor, i. e. the ratio of net debt to EBITDA, will likely be higher than in 2014 (3.8). Furthermore, we anticipate that we will dedicate more funds to capital expenditure and dividend payments in 2015 than we will receive from operating activities, which will prevent us from achieving a budget surplus. One reason are special cash flow items, which are reflected in corresponding changes in working capital (see page 90 of the 2014 Annual Report).

By the end of the year, we expect to have fewer employees than in 2014 (59,784). This will result in part from efficiency-enhancing measures, which we are taking primarily in the Conventional Power Generation Division.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

Change to the risk and opportunity situation since the beginning of the year

Uncertain political framework conditions, changing market structures and volatile electricity and fuel prices bring huge entrepreneurial challenges, making professional risk management more important than ever. To us, the systematic recording, assessment and control of risks is a key element of good corporate governance. It is equally important to identify and take advantage of opportunities.

We have reported on the organisation and processes of our risk management, the organisational units entrusted with it, the major risks and opportunities, and measures taken to control and monitor risks in detail on pages 75 to 86 of our 2014 Annual Report. We are updating this presentation in three respects.

- The risks associated with the Climate Action Programme 2020 have been defined. As set out on page 8, the German government has abandoned its plan to impose a climate levy on power stations. Had it been implemented, large parts of German electricity production from lignite would have become unprofitable. The German government intends to achieve the additional emission reduction envisaged by the Climate Action Programme by transferring lignite-fired power plants with a total net installed capacity of 2.7 gigawatts to a capacity reserve and shutting them down several years later. As major details remain to be clarified and arranged contractually, the German lignite industry is still at risk of facing significant additional burdens.

- The Conservative victory in the UK general election of 7 May 2015 is having a substantial impact on the country's energy sector. The defeated Labour Party had campaigned for a 20-month freeze of residential electricity and gas tariffs. The implementation of its plans would probably have curtailed earnings substantially. However, there is also a risk of state intervention to the detriment of energy utilities under the Conservative government. For instance, the antitrust authority CMA has made a proposal to protect disengaged residential and commercial customers by capping prices. If it is put into practice, the situation in the UK supply business, which is difficult as it is, may deteriorate further. Moreover, the UK government intends to cut green energy subsidies and has already abolished the exemption from the national climate protection levy (see page 9). This may result in planned renewables projects no longer being profitable, which would cause them to be abandoned.

- The claims asserted against us in pending actions before ordinary courts and courts of arbitration have in one case been significantly increased; in consideration of the existing legal appraisals, we consider those additionally asserted claims as unrealistic and leave the risk assessment unchanged ("medium").

Current key 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 €19 million in the first half of 2015 compared to €10 million in the same period last year. Its maximum daily value was €31 million (first half of 2014: €14 million).

As regards interest risks, we differentiate between two categories. On the one hand, interest rate increases can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for our securities price risk associated with our capital investments in the first half of 2015 averaged €8 million (first half of 2014: €4 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 averaged €5 million (first half of 2014: €9 million).

The securities we hold in our portfolio include shares. The VaR for the risk associated with changes in share prices was €7 million (first half of 2014: €5 million). The VaR for our foreign currency position remained below €1 million.

RESPONSIBILITY STATEMENT

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

Essen, 11 August 2015

The Executive Board

Terium Schmitz Günther Tigges

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement

€ million	Apr – Jun 2015	Apr – Jun 2014	Jan – Jun 2015	Jan – Jun 2014
Revenue (including natural gas tax/electricity tax)	**10,506**	**10,873**	**25,138**	**25,087**
Natural gas tax/electricity tax	−467	−476	−1,208	−1,240
Revenue	**10,039**	**10,397**	**23,930**	**23,847**
Cost of materials	−7,733	−7,923	−17,950	−17,515
Staff costs	−1,157	−1,208	−2,370	−2,442
Depreciation, amortisation, and impairment losses	−582	−592	−1,156	−1,155
Other operating result	−399	−332	−1,163	−613
Income from investments accounted for using the equity method	99	98	192	204
Other income from investments	19	74	100	83
Financial income	142	127	1,157	318
Finance costs	−548	−583	−1,792	−1,225
Income from continuing operations before tax	**−120**	**58**	**948**	**1,502**
Taxes on income	−208	−49	−454	−412
Income from continuing operations	**−328**	**9**	**494**	**1,090**
Income from discontinued operations		82	1,524	124
Income	**−328**	**91**	**2,018**	**1,214**
of which: non-controlling interests	54	36	196	138
of which: RWE AG hybrid capital investors' interest	42	26	80	52
of which: net income/income attributable to RWE AG shareholders	**−424**	**29**	**1,742**	**1,024**
Basic and diluted earnings per common and preferred share in €	**−0.69**	**0.05**	**2.83**	**1.67**
of which: from continuing operations in €	−0.69	−0.08	0.35	1.47
of which: from discontinued operations in €		0.13	2.48	0.20

Statement of comprehensive income[1]

€ million	Apr – Jun 2015	Apr – Jun 2014	Jan – Jun 2015	Jan – Jun 2014
Income	**–328**	**91**	**2,018**	**1,214**
Actuarial gains and losses of defined benefit pension plans and similar obligations	1,499	–152	608	–326
Income and expenses of investments accounted for using the equity method (pro rata)	–3	–12	–2	–12
Income and expenses recognised in equity, not to be reclassified through profit or loss	**1,496**	**–164**	**606**	**–338**
Currency translation adjustment	–4	54	292	22
Fair valuation of financial instruments available for sale	–214	30	–287	39
Fair valuation of financial instruments used for hedging purposes	97	–40	278	–567
Income and expenses of investments accounted for using the equity method (pro rata)		42		42
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**–121**	**86**	**283**	**–464**
Other comprehensive income	**1,375**	**–78**	**889**	**–802**
Total comprehensive income	**1,047**	**13**	**2,907**	**412**
of which: attributable to RWE AG shareholders	(914)	(–40)	(2,612)	(319)
of which: attributable to RWE AG hybrid capital investors	(42)	(26)	(80)	(52)
of which: attributable to non-controlling interests	(91)	(27)	(215)	(41)

1 Figures stated after taxes.

Balance sheet

Assets € million	30 Jun 2015	31 Dec 2014
Non-current assets		
Intangible assets	13,105	12,797
Property, plant and equipment	31,044	31,059
Investment property	78	83
Investments accounted for using the equity method	3,314	3,198
Other financial assets	803	958
Receivables and other assets	2,035	2,293
Deferred taxes	3,415	3,836
	53,794	**54,224**
Current assets		
Inventories	2,018	2,232
Trade accounts receivable	6,462	6,512
Receivables and other assets	7,789	10,227
Marketable securities	6,524	4,410
Cash and cash equivalents	3,961	3,171
Assets held for sale	349	5,540
	27,103	**32,092**
	80,897	**86,316**

Equity and liabilities € million	30 Jun 2015	31 Dec 2014
Equity		
RWE AG shareholders' interest	9,481	7,388
RWE AG hybrid capital investors' interest	2,713	2,705
Non-controlling interests	1,752	1,679
	13,946	**11,772**
Non-current liabilities		
Provisions	25,156	27,540
Financial liabilities	16,843	15,224
Other liabilities	2,444	2,695
Deferred taxes	1,002	865
	45,445	**46,324**
Current liabilities		
Provisions	5,699	5,504
Financial liabilities	2,085	3,342
Trade accounts payable	5,349	6,309
Other liabilities	8,006	10,430
Liabilities held for sale	367	2,635
	21,506	**28,220**
	80,897	**86,316**

Cash flow statement

€ million	Jan – Jun 2015	Jan – Jun 2014
Income from continuing operations	494	1,090
Depreciation, amortisation, impairment losses/write-backs	1,156	1,147
Changes in provisions	342	–342
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	170	–263
Change in working capital	–1,498	345
Cash flows from operating activities of continuing operations	**664**	**1,977**
Cash flows from operating activities of discontinued operations	–125	385
Cash flows from operating activities	**539**	**2,362**
Capital expenditure on non-current assets/acquisitions	–1,146	–1,472
Proceeds from disposal of assets/divestitures	4,804	480
Changes in marketable securities and cash investments	–2,815	–135
Cash flows from investing activities of continuing operations[1]	**843**	**–1,127**
Cash flows from investing activities of discontinued operations	–111	–318
Cash flows from investing activities[1]	**732**	**–1,445**
Cash flows from financing activities of continuing operations	**–788**	**–938**
Cash flows from financing activities of discontinued operations	260	–74
Cash flows from financing activities	**–528**	**–1,012**
Net cash change in cash and cash equivalents	743	–95
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	15	7
Net change in cash and cash equivalents	**758**	**–88**
Cash and cash equivalents at the beginning of the reporting period	3,257	3,950
of which: reported as "Assets held for sale"	–86	
Cash and cash equivalents at the beginning of the reporting period as per the consolidated balance sheet	3,171	3,950
Cash and cash equivalents at the end of the reporting period	4,015	3,862
of which: reported as "Assets held for sale"	–54	–5
Cash and cash equivalents at the end of the reporting period as per the consolidated balance sheet	**3,961**	**3,857**

1 After transfer to contractual trust arrangements (€1,258 million).

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Accumu-lated other comprehensive income	**RWE AG shareholders' interest**	RWE AG hybrid capital investors' interest	Non-controlling interests	**Total**
Balance at 1 Jan 2014	**3,959**	**5,062**	**−1,283**	**7,738**	**2,701**	**1,698**	**12,137**
Capital paid in						43	43
Dividends paid		−615		−615	−63	−206	−884
Income		1,024		1,024	52	138	1,214
Other comprehensive income		−248	−457	−705		−97	−802
Total comprehensive income		776	−457	319	52	41	412
Other changes		−6		−6	20	5	19
Balance at 30 Jun 2014	**3,959**	**5,217**	**−1,740**	**7,436**	**2,710**	**1,581**	**11,727**
Balance at 1 Jan 2015	**3,959**	**5,008**	**−1,579**	**7,388**	**2,705**	**1,679**	**11,772**
Capital paid in						4	4
Dividends paid		−615		−615	−72	−217	−904
Income		1,742		1,742	80	196	2,018
Other comprehensive income		602	268	870		19	889
Total comprehensive income		2,344	268	2,612	80	215	2,907
Other changes		96		96		71	167
Balance at 30 Jun 2015	**3,959**	**6,833**	**−1,311**	**9,481**	**2,713**	**1,752**	**13,946**

NOTES

Accounting policies

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

The interim consolidated financial statements as of 30 June 2015 were approved for publication on 11 August 2015. They have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of the interim consolidated financial statements for the period ended 30 June 2015 was condensed compared with the scope applied to the consolidated financial statements for the period ended 31 December 2014. With the exception of the changes and new rules described below, this interim consolidated report was prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2014. For further information, please see the Group’s 2014 Annual Report, which provides the basis for this interim consolidated report.

The discount rate applied to provisions for nuclear waste management and provisions for mining damage is 4.6% (31 December 2014: 4.6%). Provisions for pensions and similar obligations are discounted at an interest rate of 2.3% in Germany and 3.7% abroad (31 December 2014: 2.1% and 3.4%, respectively).

Changes in accounting policies

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved several amendments to existing International Financial Reporting Standards (IFRSs) and new IFRSs, which became effective for the RWE Group as of fiscal 2015:

- Annual Improvements to IFRSs Cycle 2011-2013 (2013)
- IFRIC Interpretation 21 – Levies (2013)

These new policies do not have any 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 are accounted for using the equity method, and principal joint arrangements are accounted for using the equity method or as joint operations.

The following summaries show the changes in the number of fully consolidated companies, investments accounted for using the equity method and joint ventures:

Number of fully consolidated companies	Germany	Abroad	Total
Balance at 1 Jan 2015	**154**	**187**	**341**
First-time consolidation	10	5	15
Deconsolidation	–13	–15	–28
Mergers	–3	–6	–9
Balance at 30 Jun 2015	**148**	**171**	**319**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
Balance at 1 Jan 2015	**70**	**24**	**94**
Acquisitions	1		1
Disposals	–2	–1	–3
Other changes	1		1
Balance at 30 Jun 2015	**70**	**23**	**93**

Furthermore, five companies are presented as joint operations.

Disposals

Offshore installation vessel "Victoria Mathias"
At the beginning of January 2015, RWE Innogy sold the special purpose vessel "Victoria Mathias" used to install offshore wind farms to the Dutch company MPI Offshore. The installation ship, which was part of the Renewables Segment, was reported as of 31 December 2014 at a book value of €69 million in the balance sheet under Assets held for sale.

Network connection for the Gwynt y Môr offshore wind farm
For regulatory reasons, the Gwynt y Môr offshore wind farm, which belongs to the Renewables Segment, sold its self-constructed network connection and a transformer station to the financial investors Balfour Beatty Investment Ltd. and Equitix Ltd. in February 2015. As of 31 December 2014, the book value of the network connection and transformer station was reported in the amount of €241 million in the balance sheet under Assets held for sale.

RWE Grid Holding
In March 2015, a group of funds managed by Macquarie increased its stake in Czech-based RWE Grid Holding by 15%. RWE currently owns an interest of 50.04% in the company which is assigned to the Central Eastern and South Eastern Europe Segment and pools RWE's Czech gas distribution network activities. With this sale, the share of equity attributable to RWE AG's shareholders increased by €97 million and the share of non-controlling interests increased by €73 million.

RWE Dea
In March 2015, RWE Dea AG (Upstream Gas & Oil Segment), in which the Group's gas and oil production activities were pooled, was sold to the Luxembourg-based investment company LetterOne.

RWE Dea was accounted for as a discontinued operation until 28 February 2015, after which it was deconsolidated. The gain on the deconsolidation amounted to €1,453 million and has been recognised in "Income from discontinued operations" on the income statement.

Key figures for discontinued operations are presented in the following table:

Key figures for discontinued operations € million	Jan – Jun 2015	Jan – Jun 2014
Revenue (including natural gas tax)	285	1,027
Expenses/income	1,296	–667
Income from discontinued operations before tax	1,581	360
Taxes on income	–57	–236
Income from discontinued operations	1,524	124

Income and expenses directly recognised in equity cumulatively (accumulated other comprehensive income) of discontinued operations amounted to €0 million (31 December 2014: –€40 million).

Of the share of RWE AG shareholders in the sum of recognised income and expenses (total comprehensive income), €1,049 million (previous year: €200 million) was allocable to continuing operations and €1,563 million (previous year: €119 million) was allocable to discontinued operations.

As of 31 December 2014, RWE Dea accounted for €4,418 million in non-current assets, €812 million in current assets, €1,490 million in non-current liabilities and €1,145 million in current liabilities.

Assets held for sale and disposal groups

RWE Innogy GyM 1 Ltd.
In June 2015, an agreement was reached with Green Investment Bank on the sale of the RWE Innogy GyM 1 Ltd., which is assigned to the Renewables Segment and holds a fractional ownership share of 10% in the Gwynt y Môr offshore wind farm. The sale is expected to be completed during 2015.

With effect from 30 June 2015, the following assets and liabilities of RWE Innogy GyM 1 Ltd. were recognised as being held for sale on the balance sheet:

Key figures for RWE Innogy GyM 1 Ltd. € million	30 Jun 2015
Non-current assets	268
Current assets	81
Non-current liabilities	15
Current liabilities	352

When the assets and liabilities were classified as being held for sale, impairment losses of the disposal group amounting to €22 million were recognised as other operating expenses.

Revenue

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

Share-based payment

Information was provided on share-based payment plans for executive staff at RWE AG and at subsidiaries in the consolidated financial statements for the period ended 31 December 2014.

In the first quarter of 2015, another tranche was issued within the framework of the Long-Term Incentive Plan for executive staff (“Beat 2010”).

Dividend distribution

RWE AG’s 23 April 2015 Annual General Meeting decided to pay a dividend of €1.00 per individual, dividend-bearing share for fiscal 2014 (fiscal 2013: €1.00). The dividend payment totalled €615 million.

Financial liabilities

A six-year bond with a carrying amount of €1,801 million and a coupon of 5% p. a. fell due in February 2015.

In April 2015, RWE AG issued two hybrid bonds with a total volume of €1,250 million and a tenor ending on 2075. The first hybrid bond, which amounts to €700 million, may be cancelled by RWE AG for the first time in 2020, and the second hybrid bond, which amounts to €550 million, may be cancelled for the first time in 2025. They have coupons of 2.75% p. a. and 3.5% p.a., respectively.

Earnings per share

		Jan – Jun 2015	Jan – Jun 2014
Net income/income attributable to RWE AG shareholders	€ million	1,742	1,024
Number of shares outstanding (weighted average)	thousands	614,745	614,745
Basic and diluted earnings per common and preferred share	€	2.83	1.67

Related party disclosures

The RWE Group classifies associated companies and joint ventures as related parties. In the first half of 2015, transactions concluded with material related parties generated €2,012 million in income (first half of 2014: €2,132million) and €1,515 million in expenses (first half of 2014: €1,633 million). As of 30 June 2015, accounts receivable amounted to €796 million (31 December 2014: €600 million), and accounts payable totalled €244 million (31 December 2014: €292 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 €1,205 million (31 December 2014: €1,212 million).

Reporting on financial instruments

Financial instruments are divided into non-derivative and derivative. Non-derivative financial assets essentially include other financial assets, accounts receivable, marketable securities and cash and cash equivalents. Financial instruments in the "Available for sale" category are recognised at fair value, and other non-derivative financial assets at amortised cost. On the liabilities side, non-derivative financial instruments principally include liabilities recorded at amortised cost.

The fair value of financial instruments "Available for sale" which are reported under other financial assets and securities is the published exchange price, insofar as the financial instruments are traded on an active market. The fair value of non-quoted debt and equity instruments is determined on the basis of discounted expected payment flows. Current market interest rates corresponding to the term and remaining maturity are used for discounting.

Derivative financial instruments are recognised at fair value as of the balance-sheet date, insofar as they fall under the scope of IAS 39. Exchange-traded products are measured using the published closing prices of the relevant exchange. Non-exchange traded products are measured on the basis of publicly available broker quotations or, if such quotations are not available, of generally accepted valuation methods. In doing so, we draw on prices on active markets as much as possible. If such are not available, company-specific planning estimates are used in the measurement process. These estimates encompass all of the market factors which other market participants would take into account in the course of price determination. Assumptions pertaining to the energy sector and economy are made within the scope of a comprehensive process conducted by an independent team with the involvement of both in-house and external experts. This team is overseen by RWE AG's Group Strategy Department. The assumptions are coordinated and agreed upon with the operating subsidiaries in a joint steering committee within the Group and approved as binding budgeting data by the Executive Board.

The fair values of groups of financial assets and financial liabilities are measured based on the net risk position for each business partner in accordance with IFRS 13.48.

As a rule, the carrying amounts of financial assets and liabilities subject to IFRS 7 are identical with their fair values. There are deviations only in relation to bonds, bank debt, and other financial liabilities. Their carrying amounts totalled €18,929 million (31 December 2014: €18,566 million) and their fair values totalled €20,773 million (31 December 2014: €21,183 million).

The following overview presents the main classifications of financial instruments measured at fair value in the fair value hierarchy prescribed by IFRS 13. In accordance with IFRS 13, the individual levels of the fair value hierarchy are defined as follows:

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

Fair value hierarchy € million	Total 30 Jun 2015	Level 1	Level 2	Level 3	Total 31 Dec 2014	Level 1	Level 2	Level 3
Other financial assets	803	36	234	533	958	39	364	555
Derivatives (assets)	5,173		5,125	48	7,491		7,422	69
of which: used for hedging purposes	(1,096)		(1,096)		(1,459)		(1,459)	
Securities	6,524	5,327	1,197		4,410	1,967	2,443	
Assets held for sale					142		142	
Derivatives (liabilities)	5,113		5,102	11	7,408		7,404	4
of which: used for hedging purposes	(1,609)		(1,609)		(2,369)		(2,369)	
Liabilities held for sale					93		93	

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

Level 3 financial instruments: Development in 2015 € million	Balance at 1 Jan 2015	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 30 Jun 2015
			Recognised in profit or loss	With a cash effect	
Other financial assets	555	9	–24	–7	533
Derivatives (assets)	69		13	–34	48
Derivatives (liabilities)	4		11	–4	11

Level 3 financial instruments: Development in 2014 € million	Balance at 1 Jan 2014	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 30 Jun 2014
			Recognised in profit or loss	With a cash effect	
Other financial assets	394	71	9	18	492
Derivatives (assets)	101		–22	–27	52
Derivatives (liabilities)	6	–1		–2	3

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total Jan – Jun 2015	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan – Jun 2014	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	14	14	3	–22
Cost of materials	–11	–11	–25	
Other operating income/expenses	12	5	11	2
Income from investments	–30	–1	–2	–1
Income from discontinued operations	–7			
	–22	**7**	**–13**	**–21**

Level 3 derivative financial instruments essentially consist of energy purchase agreements, which relate to trading periods for which there are no active markets yet. The valuation of such depends on the development of gas prices in particular.

All other things being equal, rising gas prices cause the fair values to increase and vice-versa. A change in pricing by +/–10% would cause the market value to rise by €4 million or decline by €4 million.

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

Netting of financial assets and financial liabilities as of 30 Jun 2015 € million	Gross amounts recognised	Amount set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/ pledged	
Derivatives (assets)	6,228	−5,342	886		−288	598
Derivatives (liabilities)	5,616	−4,915	701	−116	−449	136

Netting of financial assets and financial liabilities as of 31 Dec 2014 € million	Gross amounts recognised	Amount set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/ pledged	
Derivatives (assets)	8,452	−7,081	1,371		−323	1,048
Derivatives (liabilities)	8,210	−6,921	1,289	−188	−918	183

The related amounts not set off include cash collateral received and pledged for over-the-counter transactions as well as collateral pledged in advance for exchange transactions, which may consist of securities transferred as collateral.

Events after the balance-sheet date

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

REVIEW REPORT

To RWE Aktiengesellschaft, Essen:

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of RWE Aktiengesellschaft, Essen, for the period from 1 January to 30 June 2015 which are part of the interim financial report pursuant to § 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Essen, 12 August 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Reuther	Ralph Welter
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR 2015/2016

12 November 2015	Interim report on the first three quarters of 2015
8 March 2016	Annual report for fiscal 2015
20 April 2016	Annual General Meeting
21 April 2016	Dividend payment
12 May 2016	Interim report on the first quarter of 2016
11 August 2016	Interim report on the first half of 2016
14 November 2016	Interim report on the first three quarters of 2016

This document was published on 13 August 2015. It is a translation of the German interim report on the first half of 2015.
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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