REPORT ON THE FIRST HALF OF 2010

- Operating result 21% up year on year
- Recurrent net income improved by 23%
- Earnings forecast for 2010 confirmed
- Political risks require review of mid-term targets

RWE
The energy to lead

AT A GLANCE

RWE Group — Key Figures		Jan – Jun 2010	Jan – Jun 2009	+/- in %	Jan – Dec 2009
External electricity sales volume	Billion kWh	155.3	143.4	8.3	282.8
External gas sales volume	Billion kWh	230.8	168.2	37.2	332.0
External revenue	€ million	27,354	24,386	12.2	47,741
EBITDA	€ million	6,150	5,047	21.9	9,165
Operating result	€ million	4,956	4,084	21.4	7,090
Income from continuing operations before tax	€ million	3,160	3,384	–6.6	5,598
Net income	€ million	2,043	2,222	–8.1	3,571
Recurrent net income	€ million	2,746	2,232	23.0	3,532
Earnings per share	€	3.83	4.17	–8.2	6.70
Recurrent net income per share	€	5.15	4.19	22.9	6.63
Cash flows from operating activities	€ million	1,736	1,634	6.2	5,299
Capital expenditure	€ million	2,567	3,693	–30.5	15,637
Property, plant and equipment	€ million	2,497	2,133	17.1	5,913
Financial assets	€ million	70	1,560	–95.5	9,724
Free cash flow	€ million	–761	–499	–52.5	–614
		Jun 30, 2010	Dec 31, 2009	+/- in %	
Net debt of the RWE Group	€ million	29,808	25,787	15.6	
Workforce[1]		71,351	70,726	0.9	

1 Converted to full-time positions.

Contents

»Fiscal 2010 is progressing well. But we are facing substantial risks in the years ahead — especially due to the government's plans to impose burdens on nuclear energy.«

Dear Investors,

Your company, RWE, put in a respectable first-half performance. The operating result improved by 21%, with recurrent net income, the basis for determining your dividend, rising by as much as 23%. This is not only due to the first-time inclusion of Essent, but also to the good earnings achieved by our German power generation business and our Eastern European activities. In contrast, as expected, the operating result recorded by the Trading/Gas Midstream Division declined considerably.

Our outlook for 2010 as a whole remains unchanged. We expect the operating result and recurrent net income to grow by about 5%. The preconditions for an attractive dividend are thus still good.

However, we have become much more cautious in respect of the medium term. The German government plans to introduce a nuclear fuel tax, which would lead to a one-sided burden on nuclear power from 2011 onwards. If this plan were to be implemented, it would curtail our earnings power considerably, and in turn the financial headroom for investing in generation capacity and networks. Irrespective of this, we would lose all planning security.

Energy supply is a long-term business, which requires one to think not in terms of years, but in terms of decades. What we need most of all to be able to spend billions in capital are stable framework conditions. The government's plans are heading in the opposite direction. The introduction of a tax on nuclear fuel would be counterproductive in terms of environmental policy as well: It would put affordable CO_2-free electricity generation at a disadvantage and take away substantial funds from utilities, which could otherwise be invested in renewable energy. We are trying to convince the government that this is the wrong approach. But we must keep our legal options open as well. Policymakers have promised to make clear statements with respect to nuclear lifetime extensions and to incorporate them into a well-balanced energy concept. Instead, they have given rise to uncertainty so far. Against this backdrop, we must review the medium-term targets we presented to you in February of this year.

Sincerely yours,

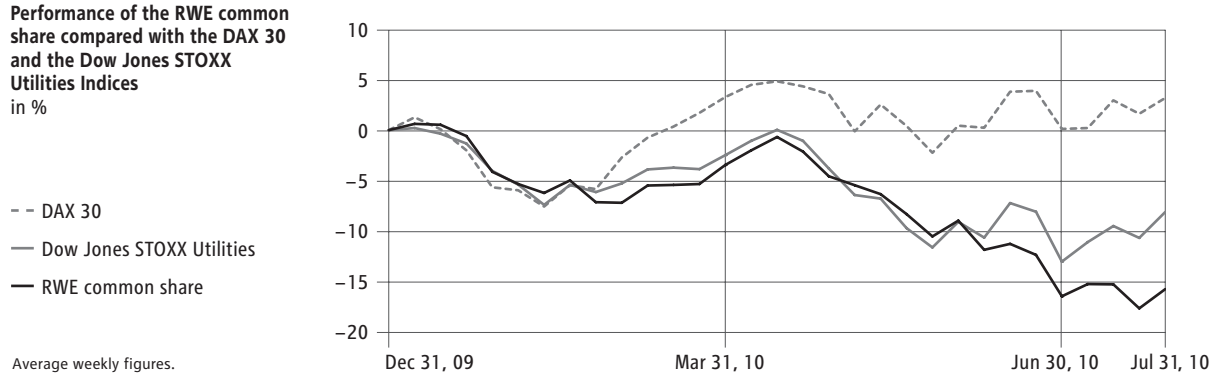
Jürgen Großmann

Dr. Jürgen Großmann
President and CEO of RWE AG

Essen, August 2010

Political risks weigh on RWE share price development

Performance of the RWE common share compared with the DAX 30 and the Dow Jones STOXX Utilities Indices
in %

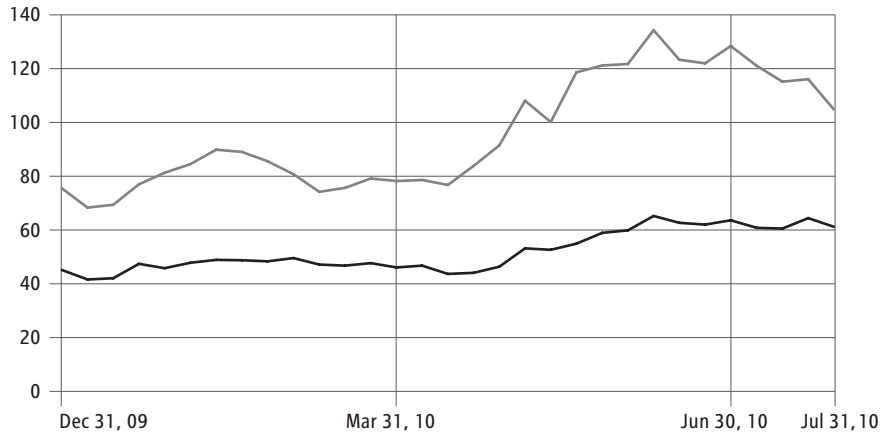


Average weekly figures.

The surge on stock markets witnessed since the spring of 2009 has started to falter in 2010. This was largely due to the financial crisis faced by the Greek state. The country's impending insolvency and the substantial budgetary deficits of other Eurozone countries even fuelled doubts concerning the currency union's stability. The EU managed to calm the situation somewhat with a rescue package. The surprisingly robust business cycle also had a positive effect, particularly in Germany. In the first half of the year, Germany's lead index, the DAX 30, remained just ahead of the level achieved by the end of 2009 (5,957 points). It closed trading for the month of June at 5,966 points. By comparison, the index of the most important Eurozone stocks, the Dow Jones Euro STOXX 50, lost 11% in value during the same period. Development displayed by the European utility sector was also weak. The sector index, Dow Jones STOXX Utilities, experienced a drop of 13%. Reasons for this were persistently low electricity and gas wholesale prices. Furthermore, there was growing concern over the stability of the conditions underlying energy policy in several European countries. Major uncertainty was caused by the German government's plans to impose a tax on nuclear fuel. This significantly reduced RWE's share prices. Our common shares closed at €53.72 as of June 30, while our preferred shares traded at €49.47. The total return (return resulting from changes in share price plus the dividend) for the first half of the year was –17% and –16%, respectively.

The corporate bond market is characterised by opposing developments. On the one hand, interest rates declined in the Eurozone, with the Interbank lending rate for corporate bonds at 2.9% for a ten-year term and 2.1% for a five-year term at the end of June. These are the lowest figures since the introduction of the euro. On the other hand, the Greek crisis led to a substantial increase in risk premiums that companies have to pay on top of these reference interest rates. The price for hedging RWE credit risk via five-year credit default swaps (CDSs) rose in the first half of 2010 from 45 to over 60 basis points. The iTraxx Europe Index, which consists of the CDS prices of 125 major European companies, climbed from 75 to nearly 130 basis points during the same period. The price for hedging our credit risk thus remains low compared to that of other industrial enterprises, proof of RWE's high creditworthiness.

Development of the five-year credit default swap (CDS) for RWE and of the iTraxx Europe CDS Index
in basis points



Average weekly figures.

ECONOMIC ENVIRONMENT

High level of incoming orders revives economies of industrial nations

The economic recovery observed since the middle of last year has continued in 2010. The recent strong rise in order intake caused production activity to increase in industrialised countries. Growth is also supported by state stimulus programmes and expansionary monetary policy. Based on initial estimates, the gross domestic product (GDP) of OECD countries was 2.5% higher in real terms in the first half of 2010 than in the same period last year. Growth in the Eurozone was weaker, as the upturn in this region was weakened by the national finance crises faced by several member states. However, the weak euro spurred exports. In Germany, the Eurozone's largest economy, economic output is likely to have increased by up to 2%, industrial production being the main force driving it. In April and May, it surpassed the year-earlier figures by 15% and 14%, respectively. Recapture effects in the construction sector after the cold winter had slowed work added to this in the second quarter. In the Netherlands, strong industrial production was also the basis of recovery. The country's GDP is estimated to have risen marginally in the period being reviewed. The same holds true for the UK economy, posting an approximated 0.7% in growth. Despite its stronger performance in the second quarter, the United Kingdom continues to suffer from the incisive developments in its real estate and finance sectors. In addition, consumer spending still tends to be weak. Eastern European countries kept the momentum that had been built up at the beginning of the year. Poland's economy fared particularly well. Based on current data, its GDP is likely to have risen by some 3%.

Weather colder than in 2009

Whereas the economic trend is reflected above all in industrial demand for energy, residential consumption is significantly influenced by the weather. The temperature dependency of demand for heating comes to bear in this context. It is reflected in seasonal revenue and earnings fluctuations, among other things. We generate around two-thirds of our gas sales volume in the winter and autumn months (Q1 and Q4). However, weather conditions also play a role when comparing various fiscal years. Overall, temperatures in Germany, the United Kingdom and the Netherlands were lower in the first half of 2010 than in the same period in 2009. January, February and May were especially cold months. Temperatures in our Eastern European markets were lower than the year-earlier average as well. In addition to energy consumption, weather conditions also influence the generation of electricity, especially from wind turbines. Wind levels in Germany and the United Kingdom were much lower than the long-term average. However, the decline compared to the first half of 2009 was marginal. In contrast, it was much windier in Spain than a year earlier.

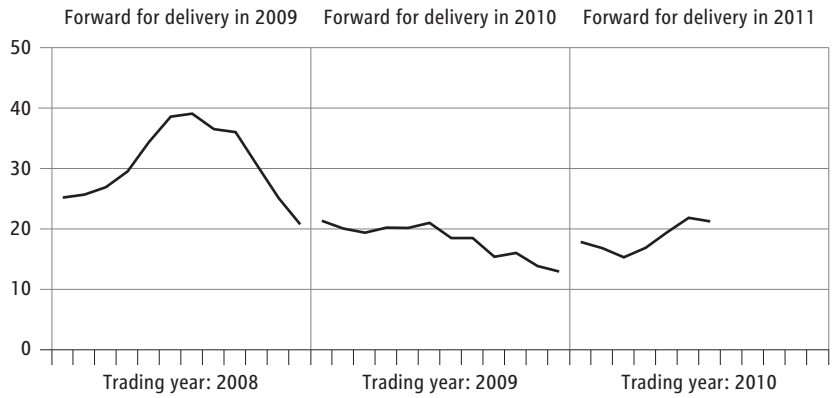
Cold weather and strong industrial business cycle stimulate energy consumption

The economic recovery and cold weather revitalised demand for energy in our core markets. Based on current data, German electricity consumption in the first half of the year was between 4% and 5% higher than in the comparable period in 2009. Production increases in energy-intensive industries, some of which posted double-digit growth rates, played a major role. Electricity demand rose by 1.2% in the UK and marginally at best in the Netherlands. Estimates for our Eastern European markets point to a significant revitalisation in demand. Poland leads the way with 4%, followed by the Czech Republic, Slovakia and Hungary, each with about 3%. Growth rates in terms of gas consumption were even higher. They are an estimated 15% for Germany, the Netherlands and the United Kingdom. The Czech Republic and Hungary posted increases of roughly 8%.

Oil price much higher than in 2009

Despite the improved general economic prospects, prices on fuel markets were still far below the levels witnessed just before the financial and economic crisis. However, there are already signs of recovery. This applies above all to crude oil prices. A barrel of Brent crude traded at an average of US$77 in the first half of 2010, US$25 more expensive than in the comparable period last year. This is largely due to the reduction in supplies by OPEC member states, combined with persistently high demand from emerging Asian countries. General expectations of a cyclically-driven rise in crude oil consumption also drove up prices.

Development of one-year forward prices on the Dutch gas wholesale market (TTF)
€/MWh



Average monthly figures.
Source: RWE Supply & Trading.

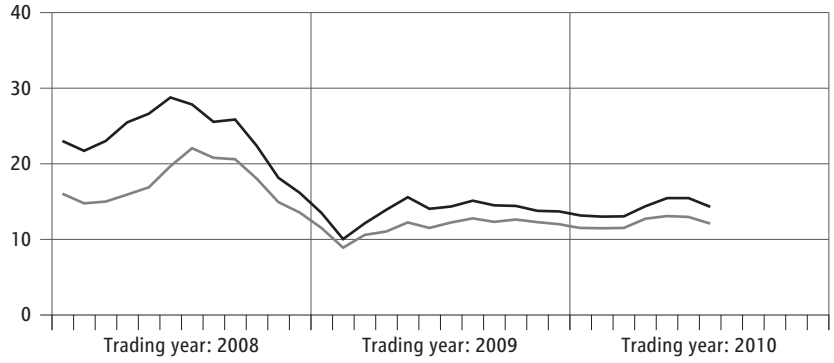
Gas prices markedly down year on year

As a large portion of gas imports to Continental Europe is based on long-term contracts which are linked to oil prices, the latter also influence developments on the gas market. However, this typically occurs with a lag of several months. Since oil prices declined substantially until the beginning of 2009, in the first half of 2010, the price of gas imports to Germany was some 20% lower year on year. Wholesale trading of gas has gained significance in recent years. Prices for this gas are not directly influenced by the price of oil. Major trading hubs are the National Balancing Point (NBP) in the UK and the Title Transfer Facility (TTF) in the Netherlands. These markets experienced a more substantial reduction in prices than was the case for oil-indexed contracts. This caused end-customer prices to come under additional pressure, especially relating to our sales to large buyers. In Germany, gas tariffs for households were 15% down compared to the first half of 2009 and 21% lower for industrial customers. The aforementioned customer groups saw their bills shrink by 11% and 15% in the Czech Republic, 7% and 20% in the UK, 20% and 21% in the Netherlands, and 12% and 13% in Hungary. The situation in forward trading was as follows: Contracts for delivery in the coming calendar year (2011 forward) sold for an average of €18 per megawatt hour (MWh) on the Dutch TTF wholesale market in the period being reviewed. This is €2 less than was paid for the 2010 forward in the first half of 2009.

Hard coal prices stabilised due to lively demand from Asia

Prices of thermal coal on international markets displayed a development similar to that of crude oil. A moderate recovery had already begun in 2009. In the first six months of 2010, a metric ton cost an average of US$83 (including freight and insurance) in Rotterdam spot trading, as opposed to US$68 in the comparable period in 2009. The international price level was significantly affected by the marked rise in demand for hard coal in Asia. In contrast, demand from Europe and North America was restrained. Hard coal quotations also reflect sea freight rates. Most recently, the need for transport capacity has grown considerably. However, sea cargo capacity has also increased. In the first half of the year, the standard route from South Africa to Rotterdam cost an average of US$13 per metric ton, up US$2 on the same period in 2009. German hard coal prices are determined by the German Federal Office of Economics and Export Control (BAFA). Since these prices track those of imported hard coal, they follow developments on international markets, albeit with a certain time lag. No BAFA price was available for the first half of 2010 when this report went to print, but experts estimate it to be €80 per metric ton of hard coal unit. The comparable year-earlier figure was €84.

Development of CO_2 certificate prices in the European Emission Trading System
€/metric ton of CO_2



Average monthly figures.
Source: RWE Supply & Trading.

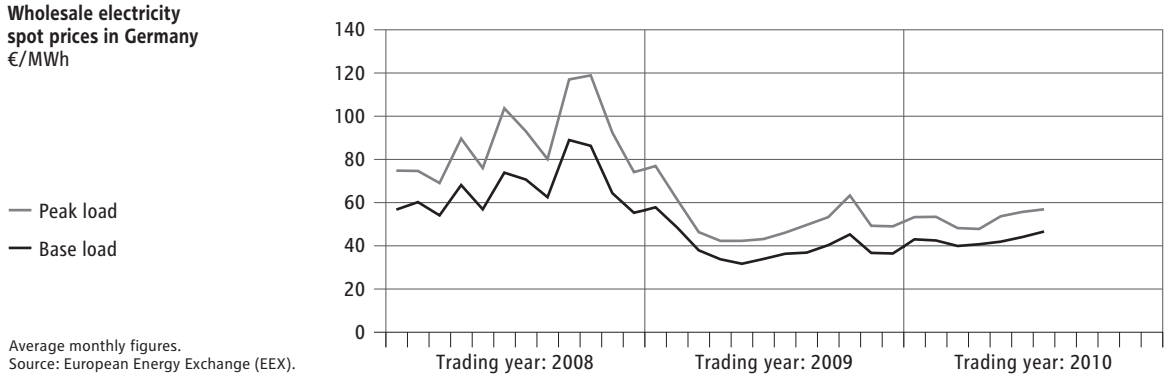
CO_2 emissions trading: prices marginally higher

Prices in European trading of CO_2 emission allowances (referred to as EU Allowances — EUAs) rose marginally in the second quarter. The reviving industrial sector is likely to have contributed to this. In the first half, EUAs for 2010 traded at an average of €14 per metric ton of CO_2. This is €1 more than was paid for 2009 certificates in the year-earlier period. A similar price development was observed for Certified Emission Reductions (CERs). These are credits earned from emission-reducing measures taken in developing and newly industrialising countries. European companies may cover domestic emissions up to a predetermined level by submitting CERs obtained through projects within the scope of the Clean Development Mechanism (CDM) created by the Kyoto Protocol. The advantage is that the costs for these types of certificates are usually lower than the market prices of EUAs. In the period under review, a 2010 CER traded at an average of €12 per metric ton of CO_2, compared to €11 a year before.

European electricity markets have bottomed out

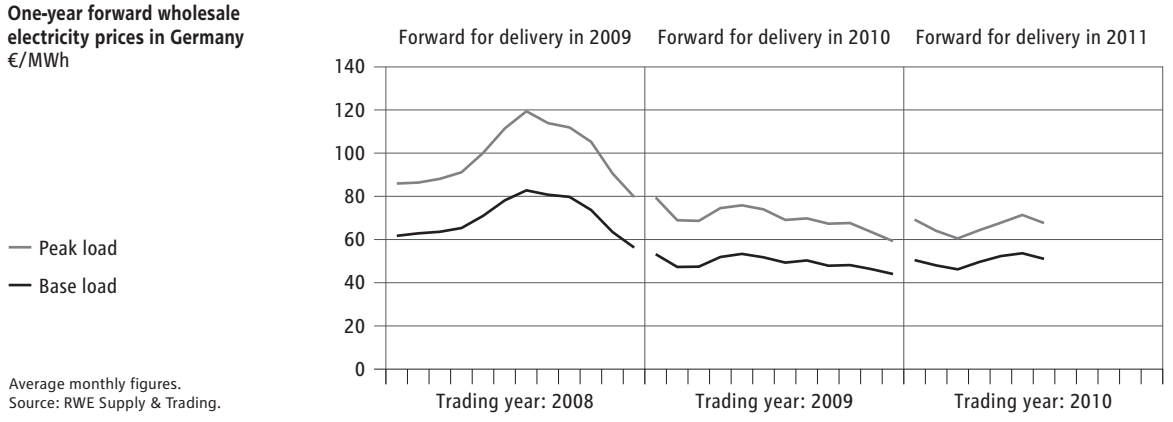
Prices on Europe's wholesale electricity markets are still much lower than levels seen before the recession. In German spot trading on the European Energy Exchange (EEX) base-load power sold for €41/MWh in the period under review, which was slightly more than in 2009. Peak-load power was listed at an average of €51/MWh, matching the year-earlier level. Prices in German forward trading hit their low for the year in March, before picking up again. Supply contracts for the coming calendar year (2011 forward) became more expensive during the second quarter, rising in price from €46 to €53/MWh for base-load power. The average price for the first six months was €50/MWh. This is slightly less than the cost of a 2010 forward in the year-earlier period. Using the same basis of comparison, peak-load power dropped 10% in price to €66/MWh.

Wholesale electricity spot prices in Germany
€/MWh



Average monthly figures.
Source: European Energy Exchange (EEX).

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

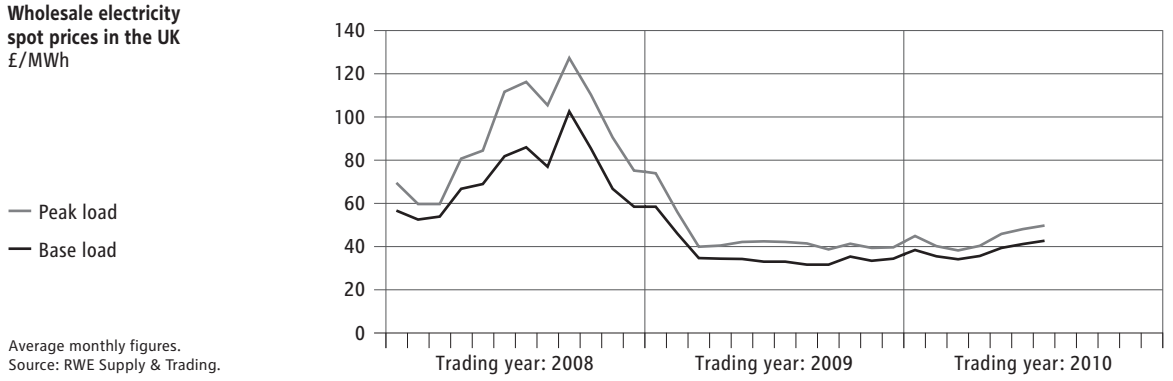


Average monthly figures.
Source: RWE Supply & Trading.

We sell forward nearly all of our in-house electricity generation in order to limit volume and price risks. Therefore, current electricity prices only had a minor impact on our income in the period under review. What is much more decisive is the price at which we concluded contracts for delivery in 2010 in preceding years. In the 2008/2009 trading period, the 2010 base-load forward sold for an average of €59 per MWh in the German market. The comparable figure for the 2009 forward in 2007/2008 was €63/MWh. Forward sales were thus 6% cheaper for 2010 than for 2009.

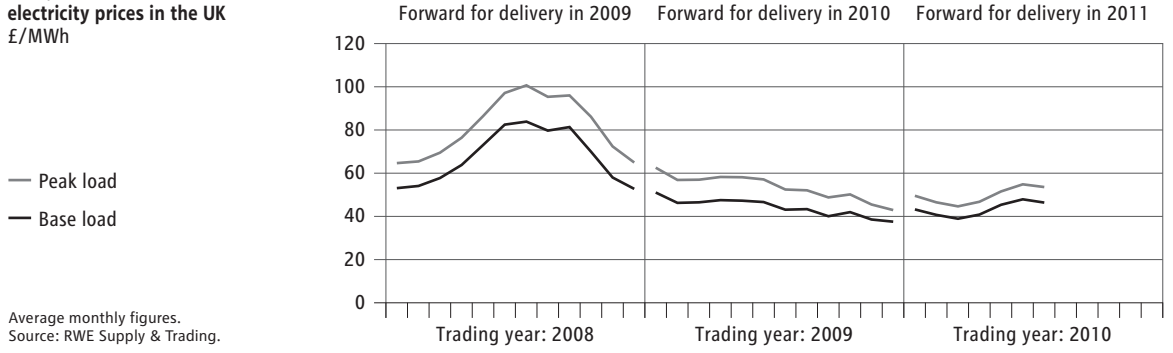
Changes in electricity wholesale prices generally affect the German end-customer business with a time lag. This is because sales companies buy electricity mostly in advance. Their procurement costs for 2010 were thus still influenced by wholesale prices in preceding years. Levies included in electricity bills in accordance with the German law for the promotion of energy from renewables rose significantly, as increasing amounts of electricity are being fed into the grid due to the progressive expansion of wind, biomass and solar generation capacity. Electricity tariffs charged to households and small commercial enterprises were thus an average of 3.5% higher than in the first half of 2009. Prices paid by industrial companies were 0.5% up on the year-earlier level.

Wholesale electricity spot prices in the UK
£/MWh



Average monthly figures.
Source: RWE Supply & Trading.

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



Average monthly figures.
Source: RWE Supply & Trading.

Despite the recent recovery trends, average UK wholesale electricity prices remained far below the level they displayed in the first half of 2009. Spot market contracts dropped 7% in price to £37/MWh (€43/MWh) for base-load power and 13% to £43/MWh (€50/MWh) for peak-load power. The situation in UK forward trading was as follows: The 2011 forward was settled for £43/MWh (€50/MWh) of base-load power and for £49/MWh (€57/MWh) of peak-load power. This is 10% and 16% less than was paid for the 2010 forward in the same period last year.

RWE sells forward most of the production from its UK power stations, similar to the policy it pursues in Germany. However, absolute electricity prices are only of limited informational value as regards RWE npower's earnings. This is because our UK generation portfolio largely consists of hard coal and gas-fired power plants, the generation costs of which are also subject to significant market fluctuations. RWE npower's earnings development is predominantly influenced by so-called clean dark spreads (hard coal) and clean spark spreads (gas). These are calculated by deducting the costs for the respective fuel and CO_2 certificates from the market price of electricity. Clean dark spreads realised on the forward market worsened substantially in 2009 and 2010, whereas clean spark spreads improved slightly. Margins for short-term spot market transactions realisable from hard coal and gas-fired power stations remain low. These power plants, which are predominantly used to generate mid-merit and peak-load electricity, are significantly affected by the fact that demand for electricity continues to be low due to the economic cycle.

All major UK energy suppliers lowered their electricity tariffs for end customers over the course of last year. Therefore, in the first half of 2010, prices were nearly 5% lower year on year for households and small commercial enterprises and down as much as 9% for industrial and corporate customers.

Prices declined in the Netherlands as well. They fell by 9% for households and 6% for industrial enterprises.

End-customer prices displayed varied developments in our Central Eastern European electricity markets. On average, industrial customers had to pay less than in the first half of 2009 — 4.5% in Poland, 21% in Hungary, and 9% in Slovakia. In contrast, residential electricity bills in Hungary and Poland rose by 6% and 5%, while they declined marginally in Slovakia.

MAJOR EVENTS

In the period under review

German government plans to impose tax on nuclear energy
On June 7, 2010, the German government decided to introduce a nuclear fuel tax as part of a comprehensive austerity package. The proposed tax should add some €2.3 billion in annual revenue to the federal budget from 2011 onwards. The levy is not linked to a potential extension of the lifetime of nuclear power stations. According to the Ministry of Finance's draft "Nuclear Fuel Tax Act," the tax rate would be €220 per gram of fissionable uranium used. This would in fact result in a gross burden of up to €4 billion per annum for Germany's four nuclear power plant operators. In our view, such a levy would be in violation of the principles of fiscal and constitutional law.

Joint venture for the construction and operation of the Gwynt y Môr offshore wind farm established
RWE Innogy, the Munich municipal utility (Stadtwerke München) and Siemens will join forces to build and operate the Gwynt y Môr offshore wind farm in the UK. In June, the partners set up a joint venture, with RWE Innogy owning 60%, Stadtwerke München 30%, and Siemens 10%. The investment in Gwynt y Môr exceeds €2 billion, including the grid connection to the coast. The wind farm will have 160 turbines and an aggregate installed capacity of 576 megawatts (MW) and will be erected off the coast of North Wales. The first foundations are scheduled to be built at the end of 2011. Siemens will supply, install and maintain the turbines and has also been commissioned to handle the grid connection.

Further major events occurred in the reporting period, which were presented on pages 11 and 12 of the interim report for the first quarter of 2010.

After the period under review

RWE Dea invests record sum in Egyptian gas concessions
In the next two decades, RWE Dea will spend US$3.6 billion to develop gas fields in Egypt's North Alexandria and West Mediterranean Deep Water concessions. This represents the single-largest investment in the company's history to date. On July 19, we signed the respective agreements with Egyptian Oil Minister Sameh Fahmy, the Egyptian state-owned company EGPC and BP. The contracts had been pre-approved by the Egyptian parliament. Production is scheduled to begin in 2014. BP holds a 60% interest in the project and will assume operational leadership. RWE Dea owns the remaining 40%. The field development budget of about US$9 billion will be split between the project partners on a pro rata basis. The natural gas reserves from the concessions to which we will have access amount to more than 50 billion cubic metres. By comparison, at the end of 2009, RWE Dea had 59 billion cubic metres in gas reserves. The North Alexandria and West Mediterranean Deep Water concessions are located in the western Nile delta, roughly 40 kilometres off the Egyptian coast. The water in the area in which field development is beginning is between 300 and 800 metres deep. Following a start-up phase, RWE Dea's share of annual production is envisaged to total over 3 billion cubic metres of gas.

NOTES ON REPORTING

New segment structure

Our reporting for 2010 is based on the new segment structure, which was used as a basis for the 2009 full-year financial statements for the first time. To ensure year-on-year comparability of the current half-year data, we have restated the figures for the first half of 2009 in line with the new structure. The segment split is now more reflective of national markets. The interim holding company, RWE Energy, has ceased to exist. This results in a breakdown into the seven following divisions:

- Germany: This division consists of the "Power Generation" and "Sales and Distribution Networks" Business Areas. The first one includes RWE Power's activities and the second one encompasses the new companies RWE Rheinland Westfalen Netz AG (including RWE Gasspeicher GmbH), RWE Vertrieb AG (including eprimo and RWE Aqua) and RWE Effizienz GmbH as well as the German regional utilities. The latter operate their own electricity generation facilities to a small extent, as well as managing the network and end-customer businesses. The business area includes some non-German activities: our minority interest in Austrian-based KELAG and Luxembourg-based Enovos as well as our water business in Zagreb, Croatia, which is run by RWE Aqua. We assigned Essent's German gas storage activities to the Sales and Distribution Networks Business Area with effect from April 1, 2010.

- Netherlands/Belgium: This is the division under which we report on Essent, which was consolidated for the first time as of September 30, 2009. However, in addition to the aforementioned reassignment, we made the following adjustments. With retrospective effect from January 1, 2010, we started disclosing the company's wind power generation under the Renewables Segment and the trading business (including key account activities) under the Trading/Gas Midstream Segment. To ensure transparency, we state the results from these two Essent activities as a separate item. Our former Dutch energy sales organisation (RWE Energy Nederland) was transferred to Essent effective from October 1, 2009. It has been assigned to the "Other, consolidation" line for the period before that.

- United Kingdom: RWE npower is presented in this item. It encompasses our UK generation and supply businesses with the exception of electricity production from renewables, which is overseen by RWE Innogy.

- Central Eastern and South Eastern Europe: This division covers our companies in Poland, Hungary, the Czech Republic and Slovakia. In the future, we will also state our Turkish operations as part of this division. We therefore amended the division's name (formerly Central and Eastern Europe). In Poland, we focus on electricity supply and the electricity distribution network. In Hungary, we also concentrate on lignite-based electricity generation, which is managed by our subsidiary Mátra. Before the reorganisation, Mátra belonged to RWE Power. Via minority interests, we are also active in gas sales and water supply in Hungary. In the Czech Republic, our main activity is gas. Our local operations encompass regional supply, distribution, supraregional transmission, transit and storage. In Slovakia, we are active in the electricity network and electricity end-customer businesses through our minority interest in VSE and in the gas supply sector via RWE Gas Slovensko.

- Renewables: This division encompasses all of the activities of RWE Innogy, which specialises in electricity and heat generation from renewable sources of energy. As mentioned earlier, we started reporting Essent's wind power generation under this division in 2010.

- Upstream Gas & Oil: This segment consists of RWE Dea's business. The company produces gas and oil, focusing on Europe and North Africa.

- Trading/Gas Midstream: We report on RWE Supply & Trading and Essent's trading activities under this item. In addition to energy trading and gas midstream activities, this division also encompasses sales to our major German industrial and corporate customers previously handled by RWE Key Account before it was incorporated into RWE Supply & Trading in 2009.

The "Other, consolidation" item covers, among others, Amprion (formerly RWE Transportnetz Strom) and Thyssengas (formerly RWE Transportnetz Gas) the latter of which is for sale. It also includes the Group holding company, RWE AG, our internal service providers, namely RWE Service, RWE IT and RWE Consulting, as well as RWE Technology, which was established with effect from January 1, 2010.

BUSINESS PERFORMANCE

Electricity production by division January — June	Germany[1]		Netherlands/ Belgium		United Kingdom		Central Eastern and South Eastern Europe		Renewables		RWE Group	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
In-house generation	83.2	72.5	7.6	–	15.5	12.9	2.8	2.8	3.0	2.2	112.1	90.4
Lignite	32.9	33.3	–	–	–	–	2.7	2.7	–	–	35.6	36.0
Hard coal	19.9	15.0	3.1	–	4.9	6.0	–	–	0.1	–	28.0	21.0
Nuclear	22.6	17.8	–	–	–	–	–	–	–	–	22.6	17.8
Gas	6.2	4.7	3.5	–	10.6	6.7	0.1	0.1	0.1	0.1	20.5	11.6
Renewable energy	0.7	0.8	0.9	–	–	–	–	–	2.8	2.1	4.4	2.9
Pumped storage, oil, other	0.9	0.9	0.1	–	–	0.2	–	–	–	–	1.0	1.1
Electricity purchased from third parties	13.9	16.5	3.6[2]	–	11.4[2]	13.3[2]	10.2[2]	10.1[2]	–	–	52.6[3]	61.3[3]
Total	**97.1**	**89.0**	**11.2**	**–**	**26.9**	**26.2**	**13.0**	**12.9**	**3.0**	**2.2**	**164.7**	**151.7**

1 Including electricity procured 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 2010, it amounted to 12.7 billion kWh, of which 11.8 billion kWh were generated from hard coal.
2 Electricity purchases stated were fully or partially carried out via our trading business.
3 Including purchases by RWE Supply & Trading and companies subsumed under "Other, consolidation" (mainly Amprion).

Electricity generation up 24%

In the first half of 2010, the RWE Group produced 112.1 billion kilowatt hours (kWh) of electricity, an increase of 24% compared to the first six months of 2009. In-house generation and power purchases combined for 164.7 billion kWh. This was 9% higher than last year's comparable figure. In the period under review, 32% of electricity generation was from lignite, 25% from hard coal, 20% from nuclear, and 18% from gas. The proportion of the mix accounted for by renewable energy amounted to 4%.

- Germany: The Germany Division generated 83.2 billion kWh of electricity. Relative to the Group, this corresponds to a share of 74%. In addition to RWE Power's German generation, this figure includes small amounts of electricity produced by regional companies. It also encompasses electricity generated by power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. However, electricity produced from renewable energy sources in Germany is mainly disclosed under the Renewables Segment. Generation by the Germany Division was 15% up on the first half of 2009, in part due to improved market conditions for our gas and contractually secured hard coal-fired power plants. In addition, we benefited from the increase in the availability of the Biblis nuclear power station.

- Netherlands/Belgium: Essent produced 7.6 billion kWh of electricity in the period being reviewed. Since we consolidated the Dutch utility for the first time as of September 30, 2009, we did not disclose its generation for the first half of that year.

- United Kingdom: RWE npower's electricity generation rose by 20% to 15.5 billion kWh. Conditions in the UK market for gas-fired power plants have improved, whereas for hard coal-fired power stations, they worsened. This was reflected in the utilisation of capacity at RWE npower's plants.

- Central Eastern and South Eastern Europe: Generation in this division totalled 2.8 billion kWh, on a par with the year-earlier level. It largely comes from the Hungarian lignite-based power producer Mátra.

- Renewables: This division produced 3.0 billion kWh of electricity, nearly exclusively from renewable energy sources — up 36% from 2009. This was in part because we started disclosing generation from Essent's wind turbines under this segment on January 1, 2010. The initial consolidation of Danta de Energías also had a positive impact; in May 2009, we increased our stake in the Spanish wind farm operator from 49.33% to 98.65%. Organic growth made a contribution to the rise in production as well. For instance, in the UK, the 90 MW Rhyl Flats offshore wind farm was fully commissioned in December 2009.

In addition to our in-house generation, we also procure electricity from external suppliers. These purchases totalled 52.6 billion kWh (first half of 2009: 61.3 billion kWh). This includes electricity fed into RWE's network by third parties, in accordance with the German Renewable Energy Act.

Natural depletion of reserves curtails gas and oil production

In the period under review, our upstream subsidiary RWE Dea produced 1,551 million cubic metres of gas and 1,139 thousand cubic metres of oil. Converting the gas to oil equivalent and adding it to crude oil production results in a total output of 2,640 thousand cubic metres, or 16.6 million barrels, which was 6% less than in the first half of 2009. Gas production dropped by 3%. We experienced a natural decline in output as existing reserves are being depleted. This affected our UK concession areas in particular. The start of production in a newly developed gas field in the UK North Sea was unable to compensate for this. Crude oil volumes were 10% lower than in the same period last year. The ramifications of the progressive depletion of reserves were felt here too, above all in our German Mittelplate oil field and at production sites in the Gulf of Suez (Egypt). Measures to improve yield as well as the start of production in a Danish field have been unable to offset the shortfall so far.

External electricity sales volume January – June	Residential and commercial customers		Industrial and corporate customers		Distributors		Electricity trading		Total	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Germany	14.0	13.9	14.2	12.7	29.0	27.0	–	–	57.2	53.6
Netherlands/Belgium[1]	5.9	–	5.0	–	–	–	–	–	10.9	–
United Kingdom	9.9	10.4	15.6	14.8	–	–	–	–	25.5	25.2
Central Eastern and South Eastern Europe	4.0	4.3	5.1	4.9	3.0	3.0	–	–	12.1	12.2
Trading/Gas Midstream	–	–	15.2	14.8	–	–	15.2	17.7	30.4	32.5
RWE Group[2]	**34.0**	**29.1**	**55.1**	**47.7**	**51.0**	**48.9**	**15.2**	**17.7**	**155.3**	**143.4**

1 Customers reassigned compared to the first quarter of 2010.
2 Including the sales volume of the Renewables Division and of companies stated under "Other, consolidation" (mainly Amprion).

Electricity sales volume 8% higher year on year due to first-time inclusion of Essent

In the first half of 2010, we supplied 155.3 billion kWh of electricity to external customers. Electricity sales are typically lower than generation levels, mainly due to transmission losses and in-house use by lignite mining operations and pumped storage power stations. Compared to the year-earlier period, our electricity deliveries were up 8%, in part because Essent was included for the first time. Furthermore, we benefited from the cyclically-induced rise in demand, especially in Germany.

- Germany: This division sold 57.2 billion kWh of electricity, 7% more than in the first half of 2009. Consumption by our industrial and corporate customers rose, driven by the economic recovery. Furthermore, the cold weather caused users of electric storage heaters to consume more electricity. This spurred our sales to households and small commercial enterprises. However, our customer base in this segment shrank. This happened within the context of the acquisition of a 24.9% stake in Stadtwerke Neuss Energie und Wasser GmbH in August 2009, among other things. The transaction also involved transferring some of the sales and network activities of the former RWE Rhein-Ruhr to the municipal utility. Owing to the deconsolidation of this stake, 80,000 customers are no longer considered. Disregarding these types of special items, the number of households and small commercial enterprises served by the Germany Division was essentially unchanged. As of June 30, 2010, it totalled 6,772,000 — 24,000 fewer than at the same point in time last year.

- Netherlands/Belgium: Essent sold 10.9 billion kWh of electricity in the first half of the year. By June 30, 2010, the company was supplying 2,316,000 customers with electricity, broken down into 2,154,000 in the Netherlands and 162,000 in Belgium.

- United Kingdom: RWE npower's electricity sales totalled 25.5 billion kWh, slightly surpassing the level achieved a year earlier. Industrial and corporate customer acquisitions were the main reason. Conversely, in the residential and small commercial customer segment, we suffered volume losses because our position in this market deteriorated due to fierce price competition. The number of electricity customers served in this segment dropped by 236,000 to 3,956,000 compared to June 30, 2009.

- Central Eastern and South Eastern Europe: External electricity sales generated by this division amounted to 12.1 billion kWh and were thus marginally down year on year. However, adjustments made to the recording of quantities and their assignment to the customer groups hamper the comparability of these figures with those published previously. Sales for 2010 are lower overall as a result. The cyclically-induced rise in demand had a positive effect. Furthermore, we acquired new corporate customers in Hungary and Poland. Our share of the residential and small commercial customer market also improved. By June 30, we were supplying 2,203,000 customers in Hungary and 900,000 in Poland with electricity, up 35,000 and 8,000 year on year.

- Trading/Gas Midstream: External electricity sales by this division amounted to 30.4 billion kWh. They were thus 6% lower than in last year's comparable period. This is because RWE Supply & Trading sold more electricity to sales companies within the Group.

External gas sales volume January – June	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2010	2009	2010	2009	2010	2009	2010	2009
Germany	17.0	14.2	13.2	11.0	28.1	29.2	58.3	54.4
Netherlands/Belgium	43.9	–	25.6	–	–	–	69.5	–
United Kingdom	27.7	26.4	2.7	3.7	–	–	30.4	30.1
Central Eastern and South Eastern Europe	20.9	20.6	16.5	13.8	4.5	8.6	41.9	43.0
Upstream Gas & Oil	–	–	0.9	1.5	9.6	8.6	10.5	10.1
Trading/Gas Midstream	–	–	13.0[1]	9.7	7.2[1]	4.7	20.2	14.4
RWE Group[2]	**109.5**	**67.2**	**71.9**	**49.9**	**49.4**	**51.1**	**230.8**	**168.2**

1 Customers reassigned compared to the first quarter of 2010.
2 Including sales volumes generated by RWE Energy Nederland in the first half of 2009.

Gas sales up 37% due to consolidation effects

At 230.8 billion kWh, gas sales volumes were 37% higher than in the first half of 2009. Excluding the effect of Essent's first-time consolidation, they would have risen by 6%. RWE Supply & Trading sold much more gas to external customers than a year earlier. In addition, we benefited from the increased residential need for gas for heating purposes, while customer losses in the Czech Republic had a counteracting effect.

- Germany: This division sold 58.3 billion kWh of gas, 7% more than in the same period last year. Sales to households and small commercial enterprises benefited from the aforementioned weather-related effect. Furthermore, we succeeded in growing our share of this market. By June 30, our fully consolidated German gas sales companies were supplying a total of 1,079,000 residential and commercial customers with gas, 38,000 more than by the middle of 2009. Gas sales volumes in the industrial and corporate customer segment benefited from the economic recovery and cold weather. Moreover, we won new customers. In contrast, we recorded a decrease in sales to distributors, some of which switched suppliers or started diversifying their gas procurement.

- Netherlands/Belgium: Essent contributed 69.5 billion kWh to the RWE Group's gas sales volume. At the end of June 2010, the company was supplying 1,991,000 customers with gas, of which 1,935,000 were in the Netherlands and 56,000 were in Belgium.

- United Kingdom: Despite the cold weather, gas sales by RWE npower only rose marginally to 30.4 billion kWh. Due to fierce price competition, our position in the UK market worsened somewhat, particularly in relation to our industrial customers. Our residential and small commercial enterprise customer base was down as well. As of the balance sheet date, it amounted to 2,569,000 and was thus 128,000 lower than a year earlier; 2,207,000 customers were being supplied by RWE npower with both electricity and gas.

- Central Eastern and South Eastern Europe: Gas sales recorded by this division declined by 3% to 41.9 billion kWh. Some of the distributors in the Czech Republic switched suppliers or started diversifying their gas purchases. Our residential and commercial customer figures dropped by 28,000 to 2,257,000 in that country. The fact that sales in this customer segment rose slightly nevertheless is due to the colder weather. The development of sales in the Central Eastern and South Eastern Europe Division is also positively affected by the fact that we stepped up gas marketing to corporate customers in Slovakia. RWE Gas Slovensko, the sales subsidiary we established in July 2008, achieved sales of 4.6 billion kWh in the period under review. This compares to 1.0 billion kWh in the first half of 2009.

- Upstream Gas & Oil: RWE Dea sold 10.5 billion kWh of gas externally. This represents an increase of 4% over last year's corresponding period, although we experienced a decline in gas production. The drop was reflected in a reduction in internal sales.

- Trading/Gas Midstream: The division sold 20.2 billion kWh of gas outside the Group. RWE Supply & Trading focuses on procuring gas for RWE companies and therefore predominantly generates internal sales. On the one hand, sales to third parties occur in the key account business with industrial and corporate customers. On the other hand, they consist of surplus gas purchases that we sell directly to distributors or on wholesale markets. We sold a sizeable amount of excess gas to distributors in the period being reviewed. This was one of the reasons RWE Supply & Trading's external gas sales volume was much higher than in the same period last year. Volumes also rose significantly in the industrial and corporate customer segment. This is primarily due to the fact that we now disclose the key account business of Essent's trading companies in the Trading/Gas Midstream Division.

External revenue € million	Jan – Jun 2010	Jan – Jun 2009	+/– in %	Jan – Dec 2009
Germany	10,000	10,162	–1.6	19,386
Power Generation	502	533	–5.8	1,056
Sales and Distribution Networks	9,498	9,629	–1.4	18,330
Netherlands/Belgium	3,485	–	–	1,799
United Kingdom	3,998	4,239	–5.7	7,843
Central Eastern and South Eastern Europe	2,727	2,822	–3.4	5,254
Renewables	177	132	34.1	245
Upstream Gas & Oil	680	627	8.5	1,208
Trading/Gas Midstream	3,942	3,544	11.2	6,937
Other, consolidation	2,345	2,860	–18.0	5,069
RWE Group	**27,354**	**24,386**	**12.2**	**47,741**
of which:				
Electricity revenue	17,298	15,209	13.7	31,225
Direct electricity tax	695	481	44.5	1,041
Gas revenue	8,155	7,227	12.8	12,443
Oil revenue	415	551	–24.7	1,024

External revenue 12% up year on year

In the first half of 2010, the RWE Group generated €27,354 million in external revenue. This was 12% higher than the year-earlier figure. The main reason was Essent's initial consolidation, whereas declining prices in the gas sales business had a counteracting effect. Foreign exchange rates had a favourable impact on the revenue trend because our most important currencies gained on the euro. Averaged for the first half of 2010, Sterling cost €1.16; in 2009's first half, the equivalent was €1.12. The US dollar, Czech crown, Hungarian forint and Polish zloty also increased in value. Net of major consolidation and currency effects, revenue was down 3%.

- Germany: External revenue posted by this division amounted to €10.0 billion — down 2% year on year. This is attributable to our gas operations, where revenues dropped by 16% to € 2,174 million. Our German regional utilities lowered their gas tariffs several times in 2009. In so doing, they passed the advantages of reduced procurement costs through to customers. Electricity revenue rose by 5% to €7,040 million, above all due to the aforementioned increases in sales volume.

- Netherlands/Belgium: The division earned €3,485 million in revenue. €1,078 million and €2,293 million of this were allocable to the electricity and gas businesses, respectively.

- United Kingdom: External revenue generated by RWE npower was down 6% to €3,998 million. Excluding currency effects, it would have declined by 8%. Electricity revenue amounted to €2,639 million, experiencing a year-on-year drop of 8%, and 11% excluding the currency impact. Price effects were the main cause, as RWE npower had lowered tariffs for residential customers by an average of 8% with effect from March 31, 2009. Gas revenue totalled €1,130 million — 2% down on the comparable figure for 2009. It slipped by 5% in Sterling terms, primarily due to lower prices. In the residential customer segment, RWE npower lowered gas tariffs by an average of 7% with effect from March 26, 2010.

- Central Eastern and South Eastern Europe: At €2,727 million, external revenue earned in this division was 3% lower than a year earlier. Net of foreign exchange effects, it was down 10%. This is due to the gas business, which generated €1,429 million in external revenue, which was 11% down year on year, and 16% excluding the impact of currencies. Price effects and the aforementioned drop in volume in the Czech Republic were the main reasons. In contrast, electricity revenue grew by 7% to €1,249 million. Deducting currency effects results in a marginal decrease of 2%, which is due to price declines relating to industrial and corporate customers.

- Renewables: External revenue was boosted by 34% to €177 million. This was primarily because we are disclosing revenue from Essent's wind power activities (€36 million) under this division for the first time. The initial consolidation of Danta de Energías and the commissioning of new wind farms also added to external revenue.

- Upstream Gas & Oil: This division grew external revenue by 8% to €680 million. RWE Dea sold its crude oil production at much higher dollar prices than in 2009. A counteracting effect was felt from the fact that the company realised lower gas prices and that oil production was down.

- Trading/Gas Midstream: External revenue totalled €3,942 million, climbing by 11% over the same period last year. This was mainly because revenue from Essent's trading activities was included for the first time.

Internal revenue € million	Jan – Jun 2010	Jan – Jun 2009	+/– in %	Jan – Dec 2009
Germany	7,336	7,068	3.8	14,587
Power Generation	5,250	4,832	8.7	9,804
Sales and Distribution Networks	2,086	2,236	–6.7	4,783
Netherlands/Belgium	263	–	–	158
United Kingdom	5	5	–	11
Central Eastern and South Eastern Europe	243	247	–1.6	465
Renewables	99	72	37.5	138
Upstream Gas & Oil	63	167	–62.3	262
Trading/Gas Midstream	11,321	10,642	6.4	19,308

Reconciliation of income from operating activities to EBITDA € million	Jan – Jun 2010	Jan – Jun 2009	+/– in %	Jan – Dec 2009
Income from operating activities[1]	3,738	4,227	–11.6	7,326
+ Operating income from investments	209	165	26.7	321
+ Non-operating income from investments	–	–92	–	–59
– Non-operating result (including non-operating income from investments)	1,009	–216	–	–498
Operating result	4,956	4,084	21.4	7,090
+ Operating depreciation and amortisation	1,194	963	24.0	2,075
EBITDA	**6,150**	**5,047**	**21.9**	**9,165**

1 See the income statement on page 38.

EBITDA € million	Jan – Jun 2010	Jan – Jun 2009	+/– in %	Jan – Dec 2009
Germany	3,746	3,264	14.8	5,811
Power Generation	2,478	2,007	23.5	3,889
Sales and Distribution Networks	1,268	1,257	0.9	1,922
Netherlands/Belgium	467	–	–	277
United Kingdom	255	230	10.9	445
Central Eastern and South Eastern Europe	846	624	35.6	1,285
Renewables	95	53	79.2	126
of which: Essent wind activities	32	–	–	–
Upstream Gas & Oil	345	249	38.6	437
Trading/Gas Midstream	281	738	–61.9	986
of which: Essent trading activities	72	–		–
Other, consolidation	115	–111	–	–202
RWE Group	**6,150**	**5,047**	**21.9**	**9,165**

Operating result € million	Jan – Jun 2010	Jan – Jun 2009	+/– in %	Jan – Dec 2009
Germany	3,214	2,767	16.2	4,780
Power Generation	2,229	1,789	24.6	3,428
Sales and Distribution Networks	985	978	0.7	1,352
Netherlands/Belgium	345	–	–	180
United Kingdom	154	135	14.1	247
Central Eastern and South Eastern Europe	722	521	38.6	1,055
Renewables	26	23	13.0	56
of which: Essent wind activities	9	–	–	–
Upstream Gas & Oil	192	130	47.7	203
Trading/Gas Midstream	278	738	–62.3	985
of which: Essent trading activities	68	–	–	–
Other, consolidation	25	–230	110.9	–416
RWE Group	**4,956**	**4,084**	**21.4**	**7,090**

Operating result up 21%

The RWE Group's earnings improved further in the first half of 2010. EBITDA increased by 22% to €6,150 million, and the operating result rose by 21% to €4,956 million. The inclusion of the Dutch-based energy utility Essent for the first time was partly responsible for this. Disregarding major consolidation and currency effects, EBITDA climbed by 9% and the operating result was up 10%. We recorded growth especially in the German electricity generation and Czech gas businesses. In addition, the release of provisions led to a significant improvement in the "Other, consolidation" item. In contrast, as expected, the operating result achieved by RWE Supply & Trading was far below the high level recorded a year ago. As before, we anticipate that the RWE Group's EBITDA will increase by between 5% and 10% for the year as a whole. We still expect our operating result to grow by approximately 5%.

- Germany: The division posted an operating result of €3,214 million. This represents an increase of 16% over 2009. Developments in the "Power Generation" and "Sales and Distribution Networks" Business Areas were as follows:

  Power Generation: The operating result achieved by our German electricity production improved by 25% to €2,229 million. The main driver was the rise in our generation output. It was partly driven by the increased availability of the Biblis nuclear power plant. Furthermore, we experienced €427 million in price-induced relief when purchasing hard coal. The expense we incurred due to the shortfall of CO_2 emission allowances amounted to €358 million, which was also much less than in the comparable period in 2009 (€457 million). A counteracting effect was felt from the fact that we sold our generation at market prices that were lower than a year earlier. Changes in nuclear and mining provisions also had a negative impact on balance.

  Sales and Distribution Networks: This business area closed the period under review with an operating result of €985 million, which was slightly higher year on year. In the network business, the cyclically-induced rise in electricity sales volumes drove up earnings. On top of that, it cost less for network companies to compen-

sate for energy losses, because the electricity used to do so became cheaper. Furthermore, expenses incurred for construction and maintenance measures dropped as weather-induced delays at the beginning of the year could not yet be made up completely. Conversely, the following issue had a negative effect: The German Federal Network Agency is of the opinion that our revenue from the network fees we charged at the beginning of network regulation (2005 to 2007) was too high. The excess amounts must be refunded via appropriately reduced network fees from 2010 onwards. In the sales business, declining electricity margins caused earnings shortfalls, whereas income from gas sales remained stable.

- Netherlands/Belgium: In the first half of the year, the new division recorded an operating result of €345 million. However, due to seasonal influences and special items, this performance should not be extrapolated for the full year. Essent's gas activities achieved a particularly strong operating result. The cold weather in the winter months was a contributing factor.

- United Kingdom: RWE npower's operating result advanced by 14% to €154 million. Net of foreign exchange effects, the gain amounted to 11%. The growth is largely attributable to the gas supply business where we benefited from the weather-induced rise in sales to residential customers. In addition, margins recovered somewhat owing to lower procurement prices. This effect will diminish as the year progresses because we lowered our residential gas tariffs at the end of March 2010. In the electricity supply business, we continued to feel the negative impact of the price reduction implemented at the end of March 2009. RWE npower's power generation activities closed the first six months with an operating result that was much lower than a year before. The significant deterioration in market conditions for our hard coal-fired power plants led to a reduction in earnings, which was not offset by the rise in production by gas-fired power stations and a decrease in maintenance costs. Expenses incurred to purchase CO_2 emission allowances fell by €8 million to €24 million. To stabilise earnings, RWE npower launched a cost-cutting programme in March of last year, which provided €120 million in relief in fiscal 2009. This had positive effects on earnings in the first half of 2010 as well because, to a significant degree, the measures had not yet been implemented in last year's comparable period.

- Central Eastern and South Eastern Europe: The operating result we achieved in this division grew by 39% to €722 million. This was in part due to the impact of foreign exchange rates. Net of currency effects, the rise amounted to 30%. In the Czech Republic, we benefited from the decline in procurement costs incurred by our supply companies. However, sales shortfalls in the key account business and reduced transit fees had a negative impact. Reduced purchasing costs were also a major reason why our Hungarian and Polish electricity sales businesses improved earnings.

- Renewables: The operating result rose by 13% to €26 million, in part due to the initial consolidation of Danta de Energías and the commissioning of the Rhyl Flats offshore wind farm. Essent's wind power activities, which were disclosed under the Renewables Division for the first time, contributed €9 million to the result. Their earnings clearly lagged behind expectations, owing to the extremely low level of wind in Germany. Negative effects were felt from RWE Innogy's extensive capital expenditure programme, as it goes hand in hand with run-up costs and requires additional manpower. On top of that, the operating result was curtailed by lower realised electricity prices. This mainly affected our run-of-river power plants in Germany and our wind farms in Spain. The low level of wind in the UK also hampered earnings.

- Upstream Gas & Oil: RWE Dea lifted its operating result by 48% to €192 million. The basis for this was higher realised oil prices. In addition, exploration costs in North Africa and royalties in Germany declined. The reduction in both realised gas prices and oil production volumes had a counteracting effect.

- Trading/Gas Midstream: At €278 million, the operating result posted by RWE Supply & Trading was markedly down on the high level achieved in the same period last year (€738 million) although it contains a contribution from Essent's trading business for the first time (€68 million). The reduction is predominantly attributable to the gas midstream business that benefited from special items in 2009. Earnings were hampered by the fact that gas sales prices were much lower than the oil-indexed procurement costs in parts of our business. One of the consequences was that we had to make a provision for our Czech gas activities. In RWE Supply & Trading's trading business, performance was good, but we were unable to match the high level achieved a year earlier.

Reconciliation to net income: negative one-off effects

The reconciliation from the operating result to net income is characterised by one-off effects stemming from the fair valuation of commodity derivatives, which were very negative on balance. The positive impact of the release of provisions and an improved financial result were unable to compensate for this. The consequence was that net income decreased despite the good operating earnings situation.

Non-operating result € million	Jan – Jun 2010	Jan – Jun 2009	+/- € million	Jan – Dec 2009
Capital gains	1	7	–6	35
Impact of commodity derivatives on earnings	–1,064	514	–1,578	720
Restructuring, other	54	–305	359	–257
Non-operating result	**–1,009**	**216**	**–1,225**	**498**

Negative effects were felt above all in the non-operating result, which deteriorated by €1,225 million to –€1,009 million. Its two most important components developed as follows:

- The accounting treatment of commodity derivative transactions had a negative impact of €1,064 million, compared to the €514 million in profit realised a year earlier. Pursuant to IFRS, certain derivatives used to hedge the prices of forward contracts (underlying transactions) are accounted for at fair value at the respective balance sheet date, whereas the underlying transactions (which show the exact opposite reaction) are only recognised as a profit or loss when they are realised. These timing differences result in short-term effects on earnings, which are neutralised over time. The derivatives largely related to gas forward sales by RWE Supply & Trading. Moreover, the non-operating result was negatively affected because, in 2010, we started accounting for our German gas purchasing agreements at fair value instead of as pending transactions. The mounting liquidity in the gas market allows us to take advantage of the opportunities and limit the risks arising from long-term purchase agreements through corresponding trading transactions. This made the change in accounting treatment necessary.

- The result stated under "Restructuring, other" amounted to €54 million. It was thus €359 million up on the year-earlier figure, which included an impairment loss on our investment in US-based Excelerate. Furthermore, we released provisions for impending losses in the period under review. As in the first half of 2009, we recognised €130 million in amortisation on RWE npower's customer base. Unlike before, we do not disclose income resulting from changes in nuclear and mining provisions as part of the non-operating result. Instead, we fully recognise it in the operating result of the German generation business.

Financial result € million	Jan – Jun 2010	Jan – Jun 2009	+/- € million	Jan – Dec 2009
Interest income	239	327	–88	589
Interest expenses	–576	–580	4	–1,224
Net interest	**–337**	**–253**	**–84**	**–635**
Interest accretion to non-current provisions	–442	–446	4	–957
Other financial result	–8	–217	209	–398
Financial result	**–787**	**–916**	**129**	**–1,990**

The financial result improved by €129 million to –€787 million. Its components developed as follows:

- Net interest deteriorated by €84 million to –€337 million. This was due to our growth investments and the acquisition of Essent. We covered the increased need for financing by issuing bonds and selling securities, among other things. This caused interest expenses to rise and interest income to fall.

- At –€442 million, the interest accretion to non-current provisions was essentially unchanged.

- The "Other financial result" rose by €209 million to –€8 million. The main reason was the absence of charges from the year-earlier period incurred in connection with the crisis on financial markets. In the first half of 2009, we had realised write-downs on securities and book losses on the sale of securities. Conversely, we generated income from such sales in 2010.

RWE earned €3,160 million in income from continuing operations before tax, down 7% on 2009. As in the first half of last year, the effective tax rate was 30%. After tax, income totalled €2,226 million and was thus 6% lower year on year. Discontinued operations stopped contributing to income because we no longer state any company in this item as we fully sold American Water in 2009.

The minority interest increased by €40 million to €183 million. Some companies in which third parties hold a minority share improved their earnings substantially. This largely relates to regional utilities in Germany (primarily LEW, VSE and enviaM) and in the Czech Republic.

Reconciliation to net income		Jan – Jun 2010	Jan – Jun 2009	+/- in %	Jan – Dec 2009
Operating result	€ million	4,956	4,084	21.4	7,090
Non-operating result	€ million	–1,009	216	–	498
Financial result	€ million	–787	–916	14.1	–1,990
Income from continuing operations before tax	€ million	**3,160**	**3,384**	**–6.6**	**5,598**
Taxes on income	€ million	–934	–1,022	8.6	–1,858
Income from continuing operations	€ million	**2,226**	**2,362**	**–5.8**	**3,740**
Income from discontinued operations	€ million	–	3	–	91
Income	€ million	**2,226**	**2,365**	**–5.9**	**3,831**
Minority interest	€ million	183	143	28.0	260
Net income	€ million	**2,043**	**2,222**	**–8.1**	**3,571**
Recurrent net income	€ million	**2,746**	**2,232**	**23.0**	**3,532**
Earnings per share	€	3.83	4.17	–8.2	6.70
Recurrent net income per share	€	5.15	4.19	22.9	6.63
Effective tax rate	%	30	30	–	33

The RWE Group's net income thus declined by 8% to €2,043 million. Accordingly, our earnings per share dropped from €4.17 to €3.83. The number of RWE shares outstanding in the period being reviewed averaged 533.6 million (prior year: 532.7 million).

The yardstick for the dividend is recurrent net income. It does not include the non-operating result. Major non-recurrent effects in the financial result and income taxes are also excluded. In the first half of the year, recurrent net income totalled €2,746 million, 23% up year on year. But, similar to the operating result, the significant rise may not be extrapolated for the full year. Our forecast for 2010 continues to envisage an increase of approximately 5%.

Capital expenditure on property, plant and equipment 17% higher year on year

The RWE Group spent €2,567 million in capital, 31% less than in the same period last year. Unlike in 2009, capital expenditure on financial assets was negligible. Conversely, capital spending on property, plant and equipment rose by 17% to €2,497 million. This was mainly due to the initial consolidation of Essent. Expanding and modernising our electricity generation capacity remains the focal point of the RWE Group's investments. The Germany Division's major projects are a 2,100 MW dual-block lignite-fired power plant at the Neurath site, a 1,528 MW twin-unit hard coal facility in Hamm, and a 1,560 MW twin-unit hard coal facility in the Dutch town of Eemshaven, which we plan to assign to the Netherlands/Belgium Division in our financial reporting. These plants are under construction. Additional funds were allocated to the 887 MW gas-fired power station in Lingen, which was commissioned in April 2010. Moreover, the Germany Division is investing in the maintenance and improvement of network infrastructure. A large portion of capital expenditure at the Netherlands/Belgium

Division is dedicated to the construction of the Moerdijk 2 and Claus C gas-fired power plants. RWE npower is also building two gas-fired power stations: one at Staythorpe, with an installed capacity of 1,650 MW, and a 2,188 MW power plant at Pembroke. RWE Innogy aims to expand its renewable generation base significantly, with wind power projects taking centre stage. Our upstream subsidiary, RWE Dea, is concentrating on developing oil and gas fields in preparation for production.

Capital expenditure on property, plant and equipment € million	Jan – Jun 2010	Jan – Jun 2009	+/- € million	Jan – Dec 2009
Germany	970	1,031	–61	2,813
Power Generation	717	791	–74	1,791
Sales and Distribution Networks	253	240	13	1,022
Netherlands/Belgium	463	–	463	156
United Kingdom	404	351	53	853
Central Eastern and South Eastern Europe	137	100	37	368
Renewables	202	194	8	447
Upstream Gas & Oil	191	311	–120	855
Trading/Gas Midstream	–	1	–1	2
Other, consolidation	130	145	–15	419
RWE Group	**2,497**	**2,133**	**364**	**5,913**

Capital expenditure on financial assets € million	Jan – Jun 2010	Jan – Jun 2009	+/- € million	Jan – Dec 2009
Germany	16	1,277	–1,261	1,325
Power Generation	1	40	–39	45
Sales and Distribution Networks	15	1,237	–1,222	1,280
Netherlands/Belgium	1	–	1	7,794
United Kingdom	–	78	–78	114
Central Eastern and South Eastern Europe	7	1	6	3
Renewables	20	142	–122	286
Upstream Gas & Oil	–	–	–	–
Trading/Gas Midstream	9	57	–48	141
Other, consolidation	17	5	12	61
RWE Group	**70**	**1,560**	**–1,490**	**9,724**

Cash flow statement — key figures

At €1,736 million, cash flows from operating activities were 6% higher than last year's corresponding figure. This was mainly due to the improved earnings. Negative effects in working capital had a counteracting impact. A substantial amount of funds was spent on collateral. RWE generally sells parts of its electricity generation on the exchange early on via futures. By concluding this type of hedge, we aim to limit the short-term exposure of our earnings to volatile commodity prices. Prices established for the futures were generally lower than electricity quotations on the balance sheet date. We had to make up the difference through payments ("variation margins") to the respective exchanges, which amounted to €0.9 billion after deducting payments made to us. In contrast, we had a net cash inflow of €0.4 billion from these payments in the first half of 2009.

Cash outflows for investing activities (including cash investments) in the reporting period exceeded proceeds from the disposal of assets and the sale of companies by €1,625 million. Cash outflows for financing activities totalled €916 million, mainly because of the dividend paid for fiscal 2009 in April. Cash and cash equivalents have declined by €804 million since the beginning of the year.

Our free cash flow amounted to –€761 million. This is the sum by which capital expenditure on property, plant and equipment exceeded cash flows from operating activities. Compared to 2009, free cash flow dropped by €262 million. This was a result of the rise in capital expenditure on property, plant and equipment.

Cash flow statement € million	Jan – Jun 2010	Jan – Jun 2009	+/- in %	Jan – Dec 2009
Cash flows from operating activities	1,736	1,634	6.2	5,299
of which: impact of the change in working capital	–2,284	–1,009	–126.4	–795
Cash flows from investing activities	–1,625	–5,244	69.0	–8,326
Cash flows from financing activities	–916	5,202	–117.6	4,839
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	1	5	–80.0	13
Total net changes in cash and cash equivalents	**–804**	**1,597**	**–150.3**	**1,825**
Cash flows from operating activities	1,736	1,634	6.2	5,299
Minus capital expenditure on property, plant and equipment and on intangible assets	–2,497	–2,133	–17.1	–5,913
Free cash flow	**–761**	**–499**	**–52.5**	**–614**

Net debt rises to €29.8 billion

As of June 30, 2010, our net debt totalled €29.8 billion. It was thus €4.0 billion up on the level on December 31, 2009. Our dividend payments of €2.1 billion and the negative free cash flow made a major contribution to this. Another reason was that provisions rose by €0.6 billion for pensions and by €0.3 billion for nuclear waste management.

Net debt € million	Jun 30, 2010	Dec 31, 2009	+/- in %
Cash and cash equivalents	2,270	3,074	–26.2
Marketable securities	2,636	3,443	–23.4
Other financial assets	2,306	3,247	–29.0
Financial assets	7,212	9,764	–26.1
Bonds, notes payable, bank debt, commercial paper	18,276	17,707	3.2
Other financial liabilities	2,433	2,439	–0.2
Financial liabilities	**20,709**	**20,146**	**2.8**
Net financial debt	**13,497**	**10,382**	**30.0**
Provisions for pensions and similar obligations	3,898	3,281	18.8
Surplus of plan assets over benefit obligations	64	79	–19.0
Provisions for nuclear waste management	9,754	9,491	2.8
Mining provisions	2,723	2,712	0.4
Net debt of the RWE Group	**29,808**	**25,787**	**15.6**

RWE Group's balance sheet structure	Jun 30, 2010		Dec 31, 2009	
	€ million	in %	€ million	in %
Assets				
Non-current assets	59,009	66.2	56,563	60.5
Intangible assets	17,577	19.7	17,320	18.5
Property, plant and equipment	30,133	33.8	28,627	30.6
Current assets	30,062	33.8	36,875	39.5
Receivables and other assets[1]	22,207	24.9	27,396	29.3
Total	**89,071**	**100.0**	**93,438**	**100.0**
Equity and liabilities				
Equity	13,828	15.5	13,717	14.7
Non-current liabilities	46,891	52.7	45,633	48.8
Provisions	23,178	26.0	22,315	23.9
Financial liabilities	17,752	19.9	17,019	18.2
Current liabilities	28,352	31.8	34,088	36.5
Other liabilities[2]	20,181	22.7	25,132	26.9
Total	**89,071**	**100.0**	**93,438**	**100.0**

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

Balance sheet structure: equity ratio increases to 15.5 %

As of June 30, 2010, the RWE Group had a balance sheet total of €89.1 billion. This was €4.4 billion less than at the end of 2009. The development of the fair values of current and non-current derivatives played a substantial role, declining by €2.6 billion on the assets side and by €2.4 billion on the equity and liabilities side of the balance sheet. Our financial accounts receivable from collateral dropped by €1.0 billion, while cash and cash equivalents and marketable securities were down by €1.7 billion. Currency effects had a counter-acting impact on the balance sheet total (+€1.1 billion). In the period under review, the RWE Group's equity ratio climbed from 14.7 % to 15.5 %. Our non-current assets were covered by equity and non-current liabilities at a rate of 103 %, proof of RWE's solid finance and capital structure.

Roughly 700 jobs created in Germany

As of June 30, 2010, the RWE Group employed 71,351 people (converted to full-time positions). The labour force expanded by 625 employees compared to December 31, 2009. German sites had a headcount of 40,688 as of the balance sheet date, 704 more than at the end of 2009. Initial consolidations did not have a material influence on personnel figures. However, our statement of Essent's trading and wind power activities under the Trading/Gas Midstream and Renewables Segments from 2010 onwards resulted in major shifts of employees between the divisions. In addition, personnel transferred from RWE IT to RWE npower and RWE Supply & Trading.

Workforce[1]	Jun 30, 2010	Dec 31, 2009	+/- in %
Germany	34,067	33,605	1.4
Power Generation	15,422	15,346	0.5
Sales and Distribution Networks	18,645	18,259	2.1
Netherlands/Belgium	4,486	4,695	–4.5
United Kingdom	11,991	12,224	–1.9
Central Eastern and South Eastern Europe	11,251	11,289	–0.3
Renewables	1,124	980	14.7
Upstream Gas & Oil	1,309	1,279	2.3
Trading/Gas Midstream	1,447	989	46.3
Other	5,676[2]	5,665	0.2
RWE Group	**71,351**	**70,726**	**0.9**

1 Converted to full-time positions.
2 Of which 2,242 at RWE IT and 1,388 at RWE Service.

Research and development: go-ahead for construction of ocean current power plant

In the first half of 2010, research and development (R&D) costs amounted to €58 million (previous year: €43 million). Furthermore, we capitalised €50 million in development costs (prior year: €39 million). Our R&D work aims to come up with innovative solutions to help ensure an environmentally friendly, reliable and affordable supply of energy over the long term. In the financial year underway, we made further progress in this respect, which we touched on in our report on the first quarter of 2010 (page 32). Of significant importance in the second quarter was the decision taken by RWE Innogy and Voith Hydro to build an ocean current power generation plant in the waters of the Orkney Islands (Scotland). The joint venture, named Voith Hydro Ocean Technologies, will install a marine tidal current turbine there, with an installed capacity of 1 MW. It will go through a two-year test run so we can gain expertise concerning the operation of this type of plant. Detailed information on our R&D activities and major ongoing projects is provided on pages 92 to 94 of RWE's 2009 Annual Report.

OUTLOOK FOR 2010

Economic upturn sustained

The economy's recovery witnessed since the middle of 2009 is likely to solidify this year. However, the revitalising effects of the state stimulus packages will gradually fade. Based on initial forecasts, global economic output in 2010 will be at least 3.5% higher year on year. We estimate that in the Eurozone, it will grow by a little more than 1%. Exports in this area are displaying dynamic development, whereas investing activity will probably remain restrained. European industrial capacity utilisation increased further in the second quarter, but it remains far below the level before the crisis. Germany's economy may achieve a growth rate of more than 2% in 2010. We anticipate that Dutch and Belgian GDP will grow by more than 1%. The forecast is similar for the United Kingdom. Our Eastern European markets differ from one another. Growth of up to 3% is forecast for Poland, over 3% for Slovakia, more than 1.5% for the Czech Republic, and 0.5% for Hungary.

Significant increase in energy consumption

The expected economic recovery will have a positive effect on demand for energy. Industrial output in the first six months in Germany displayed far more dynamic development than initially assumed. Furthermore, the jump in the ifo business climate index for trade and industry in July and the rise in orders, especially in energy-intensive branches of industry, are indicators of a strong third quarter. German electricity consumption for the full year should be at least 3% higher than the low level recorded in 2009. In the UK, demand for electricity had already been on a slight decline in the years before the recession due to progress made in the field of energy efficiency. In 2010, demand is likely to rise less than in Germany. Our forecast for the Netherlands is similar. Conversely, electricity usage in our Eastern European markets may increase by more than 3%.

We expect gas demand in our core markets to rise considerably this year. Consumption may exceed the 2009 level by 3% to 5% in Germany and by as much as 5% to 8% in the United Kingdom and the Netherlands. The basis for this is the expectation of a marked rise in industrial production as well as lower temperatures. For these reasons, we anticipate that usage in our Eastern European markets will grow as well. In general, the fact that gas is gaining significance over other energy sources, especially in the Czech Republic and Slovakia, is also having a positive effect.

Fuel probably more expensive than in 2009, the year of the crisis

Energy prices in 2010 will be far below the highs achieved in 2008. However, they will probably exceed the level seen in 2009, the year of the crisis. This applies in particular to crude oil and hard coal. Prices at the TTF (Netherlands) and NBP (UK) gas trading points are also likely to be higher than in 2009 after the marginal recovery in the second quarter. However, we expect that gas procurement on those markets will remain much more affordable than purchases via long-term oil-indexed contracts for the rest of the year. A flat price curve continues to materialise for European CO_2 emissions allowances.

Realised electricity price down year on year

The development of wholesale electricity prices will largely depend on whether the slight recovery of commodity prices witnessed in the second quarter continues. However, this will primarily affect the earnings of coming fiscal years, as we have sold forward nearly all of our German generation for 2010. The price we realised for this year's German electricity generation was below the corresponding figure for 2009 (€70 per MWh). A portion of our production has already been placed on the market for the years ahead as well: In Germany, our forward sales account for over 80 % for 2011 and over 35 % for 2012 (as of June 30, 2010). In principle, when concluding forward contracts, we hedge the volume and price of the required fuel at the time the contract is signed. This also applies to the purchase of emission certificates.

Outlook for 2010 € million	2009	2010 forecast vs. 2009	Change vs. prior forecast
EBITDA	9,165	+ 5 to 10%	–
Operating result	7,090	Approx. + 5%	–
Germany	4,780	Significantly above previous year	–
Power Generation	3,428	Significantly above previous year	–
Supply and Distribution Networks	1,352	Above previous year	–
Netherlands/Belgium	180	Significantly above previous year	–
United Kingdom	247	Slightly above previous year	–
Central Eastern and South Eastern Europe	1,055	In the order of last year's level	↑
Renewables	56	Above previous year	↓
Upstream Gas & Oil	203	Significantly above previous year	–
Trading/Gas Midstream	985	Significantly below previous year	–
Recurrent net income	3,532	Approx. + 5%	–

Forecast for 2010: significant earnings growth expected

As explained on page 1, we must review our mid-term targets given the present political uncertainties. However, we confirm our earnings forecast for the Group for the current year. Our operating earnings are set to continue improving. The full-year consolidation of the Dutch energy utility Essent for the first time will contribute to this. As regards our German generation, we will benefit from the increased availability of our Biblis nuclear power plant. Furthermore, we expect to see price-driven relief for purchases of fuel and CO_2 emission allowances. In contrast, RWE Supply & Trading will fall short of the unusually high earnings achieved in 2009. We will benefit from our efficiency-enhancement programme this year as well. Our target for 2010 is €700 million compared to 2006.

However, the strong earnings growth witnessed in the first six months cannot be extrapolated for the full year. As Essent was included in the RWE Group with effect from September 30, 2009, there will be less of a consolidation effect in the second half of the year. Moreover, the Dutch company already realised the bulk of its earnings in the first half of the year due to the seasonal nature of its business and as a result of special items. The significant improvement in the "Other, consolidation" line is not representative of the year as a whole, either. Growth in the Central Eastern and South Eastern Europe Division is likely to lose momentum as well.

All in all, this results in the following forecast for 2010: We anticipate that EBITDA will rise by between 5% and 10% compared to 2009. The operating result is expected to post a gain of approximately 5%. The same applies to recurrent net income.

- Germany: The division's operating result for 2010 is anticipated to be significantly higher year on year.

  Power Generation: The earnings growth forecast for Germany will largely come from RWE Power. The Biblis nuclear power plant's two units, which were only online for a short period of time in 2009 due to maintenance, will make a much larger contribution to production this year. We have already sold forward nearly all our 2010 German generation. As mentioned earlier, the electricity price realised is lower than in 2009. However, this is likely to be more than compensated for by price-induced relief in the procurement of fuel and emission certificates. In addition, we expect power station maintenance costs to be lower.

  Sales and Distribution Networks: This business area is predicted to close 2010 up year on year. We expect to see slight improvements in terms of both margins and volume in our gas sales activities. In addition, one-off charges in the gas business, which had a negative effect on last year's operating result, will not occur this year. Moreover, we plan to cut costs. In the German network business, the refunding of excess fees charged by network operators at the beginning of German network regulation will have a negative impact (see page 21). However, this will be contrasted by relief in other areas. For instance, we anticipate that expenses incurred by distribution system operators to compensate for network losses will experience a price-induced drop.

- Netherlands/Belgium: The new division will close the year significantly up on the last one, due to consolidation effects. Having included Essent only for one quarter in 2009, the Dutch energy utility will be considered for a full twelve months for the first time in 2010. As mentioned earlier, we began stating Essent's trading and wind power activities under other divisions as of January 1, 2010 and did likewise for Essent's German gas storage business as of April 1, 2010.

- United Kingdom: RWE npower's operating result is expected to be slightly higher year on year. We anticipate some additional earnings contributions from the commissioning of our new gas-fired power station at Staythorpe. The four units are scheduled to go online in the second half of the year. Furthermore, we expect maintenance costs to be lower. However, the earnings contribution by our electricity generation activities will probably decline overall. In the supply business, we expect procurement costs to be slightly more favourable compared to 2009. However, this will be contrasted by the income shortfall owing to the aforementioned reduction in electricity and gas tariffs as well as the negative effect of higher electricity network fees. RWE npower launched a cost-cutting programme last fiscal year, which has already had a significant impact on the operating result. The task at hand now is to safeguard the sustainability of the realised savings. On top of that, we are working on additional efficiency measures.

- Central Eastern and South Eastern Europe: We had initially predicted a decline in earnings. In the meantime, this division's earnings outlook has improved somewhat. Therefore, we currently expect the operating result posted by this part of our business to close the year in the order of last year's level. The forecast is based on a positive impact of foreign exchange rates. Net of currency effects, however, we anticipate to see slight declines in our operating result in the Czech Republic and Hungary. Gas margins in the Czech Republic are likely to shrink, whereas earnings generated by the gas network companies should rise. In the Hungarian electricity business, we will probably be unable to match the very good earnings achieved last year. In Poland, earnings are set to improve, even excluding the impact of foreign exchange rates. However, we will benefit from one-off effects in that country.

- Renewables: The division will close 2010 up on 2009 owing to the inclusion of Essent's wind farms and the continued expansion of the generation base. However, in light of the low wind levels in North Western Europe, the operating result will probably improve less than assumed thus far. In addition, ongoing investment projects continue to cause substantial run-up costs.

- Upstream Gas & Oil: The operating result from this division is expected to be much higher than the low figure achieved last year, especially due to higher realised oil prices and lower exploration costs. Conversely, earnings in the gas business are likely to deteriorate slightly in terms of both volume and price.

- Trading/Gas Midstream: Despite the inclusion of Essent's activities, RWE Supply & Trading is currently expected to close the year with an operating result that is significantly lower than last year's unusually high figure. Margins in the energy trading business are unlikely to match the very high level achieved in 2009. The operating result of our gas midstream activities will probably remain far below last year's figure, which was extremely good as we released provisions following successful price revisions. In 2010, we anticipate that we will experience a negative effect from the fact that the price we can realise for parts of our gas sales is much lower than the price we have to pay for gas purchases based on oil-indexed contracts.

Dividend for fiscal 2010

Our dividend proposal for fiscal 2010 will be in line with our usual payout ratio of 50% to 60%. The basis for calculating the payout ratio is recurrent net income, which is expected to be approximately 5% higher than last year.

Capital expenditure on property, plant and equipment much higher

We will spend far more capital on property, plant and equipment in 2010. The strongest growth is anticipated to occur in the Netherlands/Belgium Segment, owing to Essent's first full-year consolidation. The RWE Group's investment activity focuses on the construction of renewable generation capacity and highly efficient fossil fuel-fired power plants. We will set aside even more funds for this. Our electricity and gas networks as well as gas storage are other areas in which we plan to increase spending. In total, the RWE Group's capital expenditure on property, plant and equipment is likely to reach around €7 billion in 2010. This would be nearly 20% more than in 2009.

Leverage factor: net debt about three times as high as EBITDA

Our net debt, which amounted to €25.8 billion at the end of 2009, is expected to continue to increase this financial year. We expect a rise of approximately €5 billion, which will partly be caused by our comprehensive investment programme. Our leverage factor, which reflects the ratio of net debt to EBITDA, will therefore probably be slightly higher than in 2009 (2.8). We are orientating ourselves towards an upper limit of 3.0.

Headcount: marginal growth expected

We anticipate that our workforce will expand further this year. Nearly all divisions are creating jobs as they implement their investment programmes.

DEVELOPMENT OF RISKS AND OPPORTUNITIES

Risk management within the RWE Group

The proactive management of risks and opportunities is a core element of our business activities. The RWE Group has a groupwide risk management system for the early identification, standardised reporting, assessment, control and monitoring of risks. We also identify opportunities and associated earnings potential. We have reported on the organisation and processes of our risk management, the committees entrusted with it, and measures taken to control and monitor major risks in detail on pages 95 to 104 of our 2009 Annual Report.

Overall assessment of the risk and opportunity situation by executive management

The markets in which we are primarily active are among the most politically and economically stable in the world. But, even here, we are exposed to substantial risks. As a utility, we plan our investments for decades in advance. We are thus especially dependent on reliable political framework conditions in the energy sector. However, they harbour significant uncertainty in some respects, especially as regards the use of nuclear energy in Germany. At the beginning of June, the German government decided to introduce a nuclear fuel tax (see pages 1 and 10) as part of its austerity package. Such a levy would have substantial negative effects on the economic viability of nuclear power stations and on our earnings, cash flow and investment planning. However, opportunities may also arise in the field of nuclear energy. For instance, the German government may ease the current limitation of nuclear power station lifetimes, which was established in 2002. The governing parties had agreed on this in the coalition agreement.

In addition to energy policy, the economy's development has lasting effects on our earnings power. If the economic situation were to deteriorate unexpectedly, it would probably cause demand for our main products — electricity and gas — to drop and prices to fall. There is a danger of our electricity margins being curtailed for years. We largely sell our electricity generation and gas purchasing volumes forward, in order to limit the earnings risks arising from the short-term volatility of prices. We have sold forward almost all of our German generation for 2010 and over 80 % for 2011 (as of June 30, 2010). Our gas portfolio has been hedged fully for 2010 and already to a substantial degree for 2011.

Risks also arise due to the fact that some of our gas purchases are based on long-term agreements linked to the price of oil. This primarily relates to our German and Czech businesses. Purchase prices in these markets are currently much higher than quotations on Europe's wholesale markets, which are increasingly used as a reference, especially by large buyers. This means that there is a danger of declining margins and customer losses.

The economic situation also provides opportunities. For instance, RWE continues to be considered a safe bond issuer and is thus in a position to finance projects, the implementation of which has become much more difficult for other companies. Further opportunities arise from the lower prices of capital goods such as power plant components — above all in the field of renewable energy.

At present, there are no identifiable risks that could jeopardise the continued operation of RWE AG or the RWE Group.

Current key Value at Risk figures

We control and monitor risks and opportunities arising from the fluctuation of commodity prices and financial risks (foreign currency risks, interest rate risks and risks in connection with investments in securities) using key risk indicators such as the Value at Risk (VaR) among other things. The VaR indicates the maximum loss that might occur from a risk position assuming a certain probability and a certain horizon. 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 €12.4 million in the first half of 2010; its maximum daily value was €17.3 million. The average VaR for interest rate risks (including hedges) was €147.8 million for financial debt and €7.0 million for investments. The VaR for share investments amounted to €12.3 million and for the foreign currency position it was € 0.1 million.

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

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim consolidated reporting, 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, August 10, 2010

The Executive Board

Großmann

Birnbaum

Fitting

Jobs

Pohlig

Schmitz

CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income Statement

€ million	Apr – Jun 2010	Apr – Jun 2009	Jan – Jun 2010	Jan – Jun 2009
Revenue (including natural gas tax/electricity tax)	**12,087**	**9,870**	**27,354**	**24,386**
Natural gas tax/electricity tax	–668	–307	–1,412	–772
Revenue	**11,419**	**9,563**	**25,942**	**23,614**
Changes in finished goods and work in progress/other own work capitalised	71	68	124	116
Cost of materials	–8,164	–5,819	–17,530	–14,999
Staff costs	–1,116	–1,172	–2,368	–2,242
Depreciation, amortisation, and impairment losses	–751	–564	–1,402	–1,094
Other operating income	–373	–734	–1,028	–1,168
Income from operating activities of continuing operations	**1,086**	**1,342**	**3,738**	**4,227**
Income from investments accounted for using the equity method	74	–129	155	–72
Other income from investments	44	39	54	145
Financial income	290	299	760	804
Finance costs	–675	–705	–1,547	–1,720
Income from continuing operations before tax	**819**	**846**	**3,160**	**3,384**
Taxes on income	–267	–319	–934	–1,022
Income from continuing operations	**552**	**527**	**2,226**	**2,362**
Income from discontinued operations		–22		3
Income	**552**	**505**	**2,226**	**2,365**
of which: minority interest	66	28	183	143
of which: net income/income attributable to RWE AG shareholders	**486**	**477**	**2,043**	**2,222**
Basic and diluted earnings per common and preferred share in €	**0.91**	**0.89**	**3.83**	**4.17**
of which: from continuing operations in €	(0.91)	(0.93)	(3.83)	(4.21)
of which: from discontinued operations in €		(–0.04)		(–0.04)

Statement of Recognised Income and Expenses[1]

€ million	Apr – Jun 2010	Apr – Jun 2009	Jan – Jun 2010	Jan – Jun 2009
Income	**552**	**505**	**2,226**	**2,365**
Currency translation adjustment	–138	210	93	39
Fair valuation of financial instruments available for sale	–43	203	–31	184
Fair valuation of financial instruments used for hedging purposes	195	–331	244	32
Other comprehensive income of investments accounted for using the equity method (pro rata)	–66		–68	
Actuarial gains and losses of defined benefit pension plans and similar obligations	–405	–154	–324	–471
Other comprehensive income	**–457**	**–72**	**–86**	**–216**
Total comprehensive income	**95**	**433**	**2,140**	**2,149**
of which: attributable to RWE AG shareholders	(84)	(498)	(2,004)	(2,141)
of which: attributable to minority interests	(11)	(–65)	(136)	(8)

1 Figures stated after taxes.

Balance Sheet

Assets € million	Jun 30, 2010	Dec 31, 2009
Non-current assets		
Intangible assets	17,577	17,320
Property, plant and equipment	30,133	28,627
Investment property	163	182
Investments accounted for using the equity method	3,619	3,736
Other non-current financial assets	752	709
Receivables and other assets	4,554	4,113
Deferred taxes	2,211	1,876
	59,009	**56,563**
Current assets		
Inventories	3,179	3,115
Trade accounts receivable	8,988	9,530
Receivables and other assets	13,219	17,866
Marketable securities	2,406	3,290
Cash and cash equivalents	2,270	3,074
	30,062	**36,875**
	89,071	**93,438**

Equity and Liabilities € million	Jun 30, 2010	Dec 31, 2009
Equity		
RWE AG shareholders' interest	12,925	12,792
Minority interest	903	925
	13,828	**13,717**
Non-current liabilities		
Provisions	23,178	22,315
Financial liabilities	17,752	17,019
Other liabilities	3,584	3,972
Deferred taxes	2,377	2,327
	46,891	**45,633**
Current liabilities		
Provisions	5,214	5,829
Financial liabilities	2,957	3,127
Trade accounts payable	7,204	9,697
Other liabilities	12,977	15,435
	28,352	**34,088**
	89,071	**93,438**

Cash Flow Statement

€ million	Jan – Jun 2010	Jan – Jun 2009
Income	2,226	2,365
Depreciation, amortisation, impairment losses/write-backs	1,398	1,301
Changes in provisions	–745	–1,039
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	1,141	16
Changes in working capital	–2,284	–1,009
Cash flows from operating activities of continuing operations	**1,736**	**1,634**
Cash flows from operating activities of discontinued operations		11
Cash flows from operating activities	**1,736**	**1,645**
Capital expenditure on non-current assets/acquisitions	–2,564	–3,678
Proceeds from disposal of assets/divestitures	202	313
Changes in marketable securities and cash investments	737	–1,879
Cash flows from investing activities of continuing operations[1]	**–1,625**	**–5,244**
Cash flows from investing activities of discontinued operations		–78
Cash flows from investing activities	**–1,625**	**–5,322**
Cash flows from financing activities of continuing operations	**–916**	**5,202**
Cash flows from financing activities of discontinued operations		65
Cash flows from financing activities	**–916**	**5,267**
Net cash change in cash and cash equivalents	–805	1,590
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	1	5
Net cash change in cash and cash equivalents from discontinued operations		2
Net change in cash and cash equivalents	**–804**	**1,597**
Cash and cash equivalents at beginning of the reporting period	3,074	1,249
Cash and cash equivalents at end of the reporting period	**2,270**	**2,846**

1 In the first half of 2009 after funding the contractual trust arrangement (€40 million).

Statement of Changes in Equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Own shares	Accumulated other comprehensive income	**RWE AG shareholders' interest**	Minority interest	**Total**
Balance at Jan 1, 2009	**2,598**	**11,200**	**–2,500**	**289**	**11,587**	**1,553**	**13,140**
Sales of own shares		–52	228		176		176
Dividends paid		–2,401			–2,401	–123	–2,524
Income		2,222			2,222	143	2,365
Other comprehensive income		–452		371	–81	–135	–216
Total comprehensive income		1,770		371	2,141	8	2,149
Other changes		35			35	–738	–703
Balance at Jun 30, 2009	**2,598**	**10,552**	**–2,272**	**660**	**11,538**	**700**	**12,238**
Balance at Jan 1, 2010	**2,598**	**11,537**	**–2,272**	**929**	**12,792**	**925**	**13,717**
Dividends paid		–1,867			–1,867	–168	–2,035
Income		2,043			2,043	183	2,226
Other comprehensive income		–301		262	–39	–47	–86
Total comprehensive income		1,742		262	2,004	136	2,140
Other changes		–4			–4	10	6
Balance at Jun 30, 2010	**2,598**	**11,408**	**–2,272**	**1,191**	**12,925**	**903**	**13,828**

NOTES

Accounting policies

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

The consolidated interim report as of June 30, 2010, which was approved for publication on August 10, 2010, was prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

In line with IAS 34, the scope of reporting for the presentation of the consolidated financial statements of RWE AG for the period ended June 30, 2010 was condensed compared with the scope applied to the consolidated financial statements for the full year. With the exception of the changes and new rules described below, this consolidated interim report was prepared using the accounting policies applied in the consolidated financial statements for fiscal 2009. For further information, please see the consolidated financial statements for the period ended December 31, 2009, which provide the basis for this interim report.

The interest rate applied to provisions for nuclear waste management and provisions for mining damage is 5.00 % (December 31, 2009: 5.00 %). Provisions for pensions and similar obligations are discounted at an interest rate of 4.75 % in Germany and 5.30 % abroad (December 31, 2009: 5.25 % and 5.70 %, respectively).

Changes in accounting policies

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have approved a number of changes to the existing International Financial Reporting Standards (IFRSs) and adopted several new IFRSs and interpretations, which became effective for the RWE Group as of fiscal 2010.

IFRS 3 (2008) "Business Combinations" contains amended regulations on the accounting of business combinations. Compared to the original version of IFRS 3, these changes relate to the scope of application and the treatment of successive share purchases. Furthermore, IFRS 3 (2008) offers companies an option: Non-controlling interests can be measured at fair value or at the proportionate share of net assets individually for each transaction. Depending on which option a company exercises, any goodwill is recognised in full or only in proportion to the majority owner's interest. The changes will have a corresponding impact on the accounting treatment of business transactions.

IAS 27 (2008) "Consolidated and Separate Financial Statements": In particular, by revising IAS 27, the IASB changed the regulations for the treatment of transactions with non-controlling interests of a group. Transactions which result in a parent company changing its ownership interest in a subsidiary without a loss of control are to be accounted for as equity transactions without an effect on profit or loss. Regulations for treatment in the event of a loss of control over a subsidiary were also changed: The standard regulates how deconsolidation gains or losses are to be calculated and how residual ownership interest in the former subsidiary is to be measured following a partial sale. The changes will thus affect the accounting treatment of certain business transactions.

The following standards and interpretations, which are applicable for the first time in the fiscal year, do not have a material effect on the RWE Group's consolidated financial statements:

- Improvements to the International Financial Reporting Standards (2009)
- IFRS 1 (restructured in 2008) – First-time Adoption of International Financial Reporting Standards
- Amendment to IFRS 1 (2009) – Additional Exemptions for First-time Adopters
- Amendment to IFRS 2 (2009) – Group Cash-settled Share-based Payment Transactions
- Amendment to IAS 39 (2009) – Eligible Hedged Items
- IFRIC 12 – Service Concession Arrangements
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

New accounting policies

The IASB and the IFRIC have adopted further standards and interpretations, which are not yet mandatory in the European Union. These IFRSs can only be applied if they are endorsed by the EU, which is still pending in some cases. The impact of the following standards on the RWE Group's consolidated financial statements is currently being reviewed.

IFRS 9 "Financial Instruments" replaces the previous regulations of IAS 39 in respect of the classification and measurement of financial assets. IFRS 9 (2009) becomes effective for the first time for fiscal years starting on or after January 1, 2013.

IAS 24 (2009) "Related Party Disclosures" essentially simplifies reporting on related parties which are controlled or significantly influenced by the state. IAS 24 (2009) becomes effective for the first time for fiscal years starting on or after January 1, 2011.

Amendment to IAS 32 (2009) "Classification of Rights Issues" pertains to the issuer's accounting treatment of specific foreign-currency subscription rights, options and warrants. In the future, these instruments must be classified as equity. The new rule becomes effective for the first time for fiscal years starting on or after February 1, 2010.

The following standards and interpretations, which are not yet applicable in fiscal 2010, are not expected to have any material impact on the RWE Group's consolidated financial statements:

- Improvements to IFRS (2010)
- Amendment to IFRS 1 (2010) – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendment to IFRIC 14 (2009) – Prepayments of a Minimum Funding Requirement
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Scope of consolidation

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

Changes in the first half of 2010 relate to 16 companies that were consolidated for the first time, thereof 14 companies in the Renewables Division. Eleven former fully consolidated companies were removed from the scope of consolidation; eight were merged.

The scope of consolidation is as follows:

	Jun 30, 2010	Dec 31, 2009
Fully consolidated companies	450	453
Investments accounted for using the equity method	119	126

Acquisitions. On September 30, 2009, RWE acquired 100% of the Dutch-based power utility Essent N. V.'s voting stock. Due to the transaction's complex structure and size, some accounting aspects of the business acquisition have not yet been finalised.

Discontinued Operations. American Water Works Company Inc., Wilmington/Delaware, USA, was stated as a discontinued operation in the first half of last year. The table below shows American Water's key figures for the period of full consolidation (January to March 2009):

Key figures for American Water € million	Jan – Mar 2009
Revenue	426
Expenses/income	–323
Ordinary income from discontinued operations before tax	103
Taxes on income	–39
Income	64
Fair value adjustments	–39
Income from discontinued operations	25

Moreover, after the deconsolidation and loss of the majority of the voting stock in American Water, –€27 million result from the sale, –€9 million in fair value adjustments and €14 million in income from investments were reported in the first half of 2009 in income from discontinued operations.

Revenue

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

Research and development costs

In the first half of 2010, research and development costs totalled €58 million (first half of 2009: €43 million).

Equity

Pursuant to a resolution passed by the Annual General Meeting on April 17, 2008, the Executive Board of RWE AG was authorised to increase the company's capital stock, subject to the Supervisory Board's approval, by up to €287,951,360.00 until April 16, 2013, through the issuance of new bearer common shares in return for contributions in cash or in kind (authorised capital). In certain cases, the subscription rights of shareholders can be waived, with the approval of the Supervisory Board.

Pursuant to a resolution passed by the Annual General Meeting on April 22, 2010, the company was authorised to conduct share buybacks accounting for up to 10 % of the company's capital stock and to sell own common shares waiving shareholder subscription rights under certain conditions until October 21, 2011. Based on the resolution, the company's Executive Board is also authorised to withdraw own shares. The purchase and sale of these shares can also be carried out using put and call options.

Pursuant to a resolution passed by the Annual General Meeting on April 22, 2009, the Executive Board was authorised to withdraw own shares without requiring an additional resolution by the Annual General Meeting or – under certain conditions and waiver of shareholders' subscription rights – to sell them to third parties.

Pursuant to a resolution passed by the Annual General Meeting on April 22, 2009, the Executive Board was further authorised to issue option or convertible bonds until April 21, 2014. The total nominal value of the bonds is limited to €6,000 million. Shareholders' subscription rights may be waived under certain conditions. The Annual General Meeting decided to establish €144 million in conditional capital, divided into 56 million bearer common shares, in order to redeem the bonds. Shares from the authorised capital are to be deducted from the shares from the conditional capital, insofar as they are both issued with a waiver of shareholders' subscription rights. Accordingly, the share capital may not be increased by more than 20 % by the issue of new shares.

As of June 30, 2010, RWE AG held 28,846,473 (December 31, 2009: 28,846,473) no-par-value common shares in RWE AG. The acquisition costs of own shares amounting to €2,272 million (December 31, 2009: €2,272 million) were deducted from the carrying amount of equity. They account for €73,846,970.88 of the company's share capital (5.13 % of subscribed capital).

Furthermore, in the first half of 2010, RWE Group companies bought 3,175 common shares on the capital market at an average cost of €63.93 per share for issuance to employees of RWE AG and its subsidiaries. The proportionate share capital totals €8,128.00 (0.006 ‰ of subscribed capital). Employees were issued a total of 40 common shares at an average price of €50.97 per share within the scope of capital formation schemes and 3,135 common shares at an average price of €43.46 per share on the occasion of service anniversaries. Proceeds from the share issuances amounted to €138,285.90. The purchase price rebates offered to employees were recognised in the income statement as share-based payments at the fair value they had at their time of issuance.

Share-based payment

Detailed information was provided on groupwide share-based payment plans for executive staff at RWE AG and at subsidiaries in the consolidated financial statements for the period ended December 31, 2009.

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

The plan conditions for the newly issued tranche were amended in comparison to the conditions applicable to "Beat" presented in the consolidated financial statements for the period ending on December 31, 2009. The main amendments are a mandatory personal investment for all programme participants, the extension of the waiting period to 4 years, the introduction of additional exercise dates following the waiting period, and the extension of the term of the plan to five years.

Dividend distribution

RWE AG's April 22, 2010 Annual General Meeting decided to pay a dividend of €3.50 per individual, dividend-bearing share for fiscal 2009 (fiscal 2008: €4.50). The dividend payment totalled €1,867 million.

Financial liabilities

In the first half of 2010, a US$250 million public bond with a term of three years and a nominal interest rate of 2% was issued. The bond was placed primarily in Switzerland and Germany.

Furthermore, funds of €160 million with an interest rate of 4.76%, each after swaps into euros, were raised for a term of 30 years via a private placement.

Other liabilities

Other liabilities include €1,562 million (December 31, 2009: €1,562 million) in current redemption liabilities from put options of minority interests that are recognised in accordance with IAS 32.

Earnings per share

		Jan – Jun 2010	Jan – Jun 2009
Net income	€ million	2,043	2,222
Number of shares outstanding (weighted average)	thousands	533,559	532,709
Basic and diluted earnings per common and preferred share	€	3.83	4.17

The earnings per share are the same for both common and preferred shares.

Related party disclosures

The RWE Group classifies associated companies as related parties. In the first half of 2010, transactions concluded with material related parties generated €481 million in income (first half of 2009: €573 million) and €119 million in expenses (first half of 2009: €77 million). As of June 30, 2010, accounts receivable amounted to €633 million (December 31, 2009: €708 million), and accounts payable totalled €14 million (December 31, 2009: €10 million). All business transactions are concluded at arm's length conditions and on principle do not differ from those concluded with other companies.

As the CEO of RWE AG, Dr. Jürgen Großmann, is a partner in Georgsmarienhütte Holding GmbH and RGM Gebäudemanagement GmbH, the companies of the Georgsmarienhütte Group and RGM Gebäudemanagement GmbH are classified as related parties. In the first half of 2010, RWE Group companies provided services and deliveries amounting to €4.9 million to these companies (first half of 2009: €3.2 million). Conversely, in the first half of 2010, the aforementioned companies provided services and deliveries amounting to €1.1 million to RWE Group companies (first half of 2009: €1.0 million). As of June 30, 2010, there were receivables of €0.4 million (December 31, 2009: €0.2 million) and liabilities of €0.9 million to RWE Group companies (December 31, 2009: €2.0 million). All transactions are completed at arm's length prices and on principle, the business relations do not differ from those maintained with other enterprises.

Above and beyond this, the RWE Group did not conclude or carry out any material transactions with related companies or persons.

Events after the balance sheet date

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

REVIEW REPORT

To RWE Aktiengesellschaft, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and statement of recognised income and expense, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of RWE Aktiengesellschaft, Essen, for the period from January 1 to June 30, 2010 which are part of the half-year 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, August 11, 2010

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Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer
(German Public Auditor)

Markus Dittmann
Wirtschaftsprüfer
(German Public Auditor)

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As of August 10, 2010

FINANCIAL CALENDAR 2010/2011

November 11, 2010	Interim report for the first three quarters of 2010
February 24, 2011	Annual report for fiscal 2010
April 20, 2011	Annual General Meeting
April 21, 2011	Dividend payment
May 12, 2011	Interim report for the first quarter of 2011
August 11, 2011	Interim report for the first half of 2011
November 10, 2011	Interim report for the first three quarters of 2011

The interim report for the first half of 2010 was published on August 12, 2010.

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

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

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