REPORT ON THE FIRST QUARTER OF 2015

- RWE confirms earnings forecast for 2015
- €1.6 billion operating result for the quarter according to plan
- Sale of RWE Dea completed successfully
- Drop in margins and new political risks in conventional power generation
- Gas business benefits from cooler weather

RWE
The energy to lead

AT A GLANCE

RWE Group – key figures		Jan – Mar 2015	Jan – Mar 2014[1]	+/– %	Jan – Dec 2014
Electricity production	billion kWh	56.5	52.0	8.7	208.3
External electricity sales volume	billion kWh	68.4	67.0	2.1	258.3
External gas sales volume	billion kWh	112.0	98.8	13.4	281.3
External revenue	€ million	14,632	14,214	2.9	48,468
EBITDA	€ million	2,204	2,281	–3.4	7,131
Operating result	€ million	1,630	1,718	–5.1	4,017
Income from continuing operations before tax	€ million	1,068	1,444	–26.0	2,246
Net income	€ million	2,166	995	117.7	1,704
Recurrent net income[2]	€ million	877	797	10.0	1,282
Earnings per share	€	3.52	1.62	117.3	2.77
Recurrent net income[2] per share	€	1.43	1.30	10.0	2.09
Cash flows from operating activities of continuing operations	€ million	–627	–107	–486.0	5,556
Capital expenditure	€ million	414	748	–44.7	3,440
Property, plant and equipment and intangible assets	€ million	364	725	–49.8	3,245
Financial assets	€ million	50	23	117.4	195
Free cash flow	€ million	–991	–829	–19.5	2,311
		31 Mar 2015	31 Dec 2014		
Net debt	€ million	27,700	30,972[3]	–10.6	
Workforce[4]		59,142	59,784	–1.1	

1 Figures adjusted; see commentary on page 12.
2 In the future: 'adjusted net income'; see commentary on page 20.
3 Figure adjusted; see footnote 1 to the table entitled 'Net debt' on page 23.
4 Converted to full-time positions.

Contents

Dear Shareholders, Customers and Friends of the Company,

Here in Germany, when people say "We're going to Berlin", they are usually referring to football and expressing how happy they are that their team has made it to the Cup Final. For the people working in Germany's mining districts, this sentence recently expressed something much more serious: on 25 April, over 15,000 people went to the capital to protest against the government's plans to impose a climate levy on power plants. The plans were announced by the Federal Ministry for Economic Affairs and Energy in March and envisage imposing a fine on power stations more than 20 years old if their emissions exceed certain annual limits. Those who know the details of the plans will understand why they are being protested. If they were implemented fully, the levy would result in a phase-out of electricity generated from lignite as the stations could no longer be utilised enough to cover their fixed costs. They would have to be closed – along with the opencast mines. The consequences would be catastrophic – not just for the companies and their employees in the lignite mining districts. Based on figures published by the German Association of Water and Energy Industries (BDEW), lignite covered a quarter of all electricity produced in Germany in 2014, with wind and solar power accounting for less than one sixth, despite double-digit billions of euros in annual subsidies. This clearly shows that the only readily available German energy source cannot be renounced at the drop of a hat while seeking to maintain security of supply. We at RWE are all in favour of the German and European climate protection goals. However, we are convinced that they can be achieved by means other than those causing immense collateral damage to the energy industry.

Despite the huge uncertainty caused by the plans to introduce a climate levy, there is some positive news for the first quarter. Most of all, I am pleased that, after a year, we finally completed the sale of RWE Dea to the financial investor LetterOne. Some of the conditions had to be adjusted compared to the original sale agreement, but at €5.1 billion, the enterprise value of RWE Dea was basically unchanged. This is an outcome that we are very satisfied with.

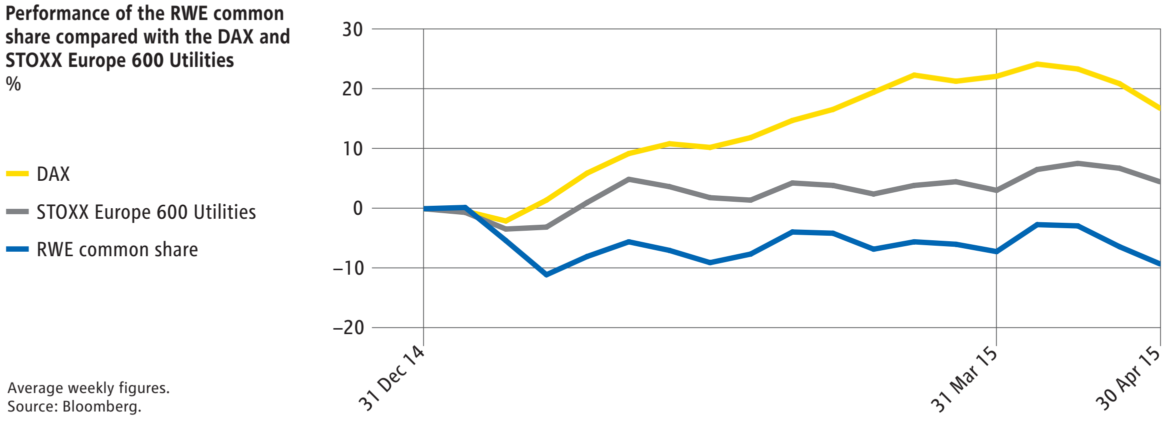
In closing, I would like to say a few words about RWE's business performance in the first quarter. We fared as planned. The Group's operating result of €1.6 billion was in line with expectations. The fact that it declined by 5% compared to 2014 is partially due to the persistent drop in margins in conventional electricity generation. In contrast, in the gas business, we benefited from a normalisation of temperatures compared to the extremely mild first quarter last year. We confirm our forecast for fiscal 2015: we still predict that the operating result will amount to between €3.6 billion and €3.9 billion and that recurrent net income will total €1.1 billion to €1.3 billion.

Sincerely yours,

Peter Terium
CEO of RWE AG
Essen, May 2015

RISKS DUE TO ENERGY POLICY AND LOW WHOLESALE ELECTRICITY PRICES WEIGH ON RWE SHARE PERFORMANCE

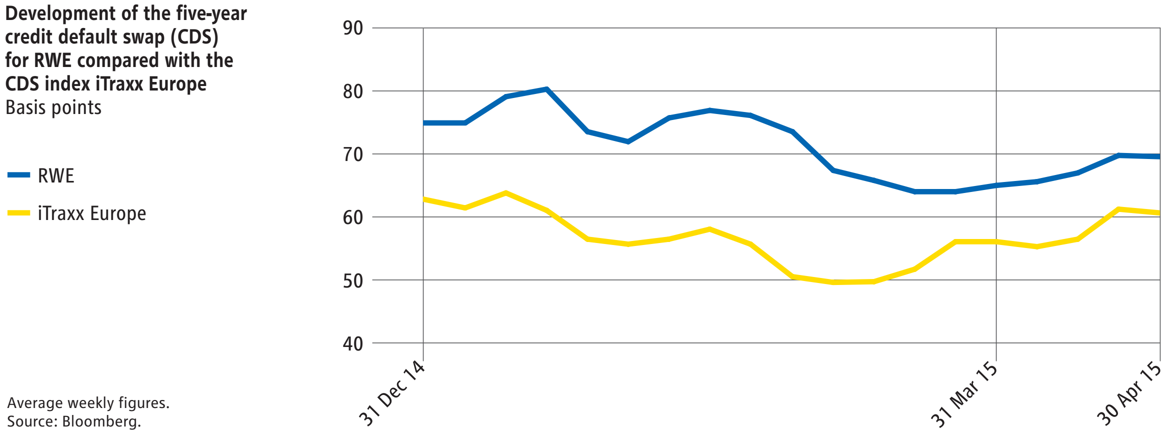
Performance of the RWE common share compared with the DAX and STOXX Europe 600 Utilities
%



Average weekly figures.
Source: Bloomberg.

Stock markets got off to a good start in 2015. The German DAX index closed the first quarter at 11,966 points, up 22 % on its year-end quotation in 2014. It was buoyed by the extremely loose monetary policy of the European Central Bank (ECB). In March, the ECB launched a programme for the purchase of government bonds with a volume of 60 billion euros per month, with which it intends to guide the Eurozone's inflation rate towards the ECB target of 2 %. Sentiment on stock markets was clouded by the Ukraine conflict, which is still unresolved. Furthermore, Greece's precarious budgetary situation rekindled fears of a destabilisation of the European Currency Union. RWE shareholders experienced a downbeat first quarter. Common shares dropped by 7 % to €23.78, with preferred shares slipping by 4 % to €18.10. The persistent slump in the German wholesale electricity sector played a significant role in this. Another source of major uncertainty were the German government's plans to impose a climate levy on power plants, which may jeopardise the future of German lignite-based electricity generation.

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



Average weekly figures.
Source: Bloomberg.

The expansionary monetary policy pursued in the Eurozone also characterised the situation on the debt market. Interest levels are still exceptionally low. The ECB's bond purchase programme caused the average yield of ten-year German government bonds to drop to a new record low. At the end of the first quarter, it was a mere 0.2 %. The cost of hedging credit risks via credit default swaps (CDSs) was also very low. The iTraxx Europe Index, which consists of the prices of the CDSs of 125 major European companies, averaged 56 basis points from January to March. This was the lowest average for a quarter since 2007. The five-year CDS for RWE averaged 72 basis points.

ECONOMIC ENVIRONMENT

Economic upturn continues

Based on initial estimates, the global gross domestic product (GDP) achieved in the first quarter of 2015 was about 3% higher than a year earlier. The increase estimated for the Eurozone is approximately 1%. Once again, the German economy was among the front-runners in the currency area. It is estimated to have grown by more than 1%. In particular, consumer spending had a stimulating effect. GDP in the Netherlands and Belgium also probably rose by more than 1%. Based on available data, the United Kingdom saw its economy expand by as much as 2.4%. Especially dynamic development was displayed by the country's service sector. When this report went to print, no GDP figures for the first quarter were available for our key markets in Central Eastern Europe, i.e. Poland, the Czech Republic, Slovakia and Hungary. However, these economies are also likely to have got off to a good start to 2015, as their industrial output increased significantly.

Weather colder than in 2014

Whereas the economic trend primarily impacts on demand for energy among industrial enterprises, residential energy consumption is strongly influenced by weather conditions. The colder it is, the more energy is needed for heating purposes. This leads to seasonal fluctuations in sales volume and earnings. Weather-related effects can also be of significance when comparing various fiscal years to one another, as demonstrated in this interim report. In the first quarter of 2015, temperatures in Western and Central Europe were close to the ten-year seasonal average. In contrast, the weather had been unusually mild throughout nearly the whole of Europe in the same period last year.

In addition to energy consumption, the generation of electricity is also subject to weather-related influences, with wind levels playing a major role. In the first quarter of 2015, the utilisation of our wind turbines in Germany, Spain and Italy was generally better than in 2014, whereas it was down in the United Kingdom, the Netherlands and Poland. Electricity generated by our run-of-river power plants is affected by precipitation, which in Germany was on a par with the high level witnessed in the first quarter of last year. Sunshine also has a significant impact on the supply of electricity, not least due to the considerable rise in German photovoltaic capacity in accordance with the country's Renewable Energy Act. Based on figures published by Germany's National Meteorological Service, the country had an average of 260 hours of sunshine in the first three months of 2015, compared to 329 a year earlier.

Lower temperatures and good economic cycle stimulate energy consumption

The positive economic trend and the generally colder weather spurred electricity and gas consumption in our core markets, whereas the trend towards energy savings had a dampening effect. According to preliminary calculations made by the German Association of Energy and Water Industries (BDEW), electricity consumption in Germany in the first quarter of 2015 was slightly higher year on year. Based on initial estimates, demand for electricity was also up compared to 2014 in the Netherlands, the United Kingdom, Poland, Slovakia and Hungary. Gas consumption, which is particularly subject to weather-related effects, posted a much bigger rise, which the BDEW estimates is 7% for Germany. Network operators in the United Kingdom and the Netherlands calculated increases of 10% and 8%, respectively. Current data for the Czech Republic indicate a gain of 9%.

Lower wholesale and retail gas prices

The collapse in prices in European gas trading witnessed in 2014 has continued this year. Averaged for the year, spot prices at the Dutch Title Transfer Facility (TTF), the reference market for Continental Europe, amounted to €21 per megawatt hour (MWh) in the first quarter, €3 less than in the same period in 2014. In TTF forward trading, contracts for delivery in the coming calendar year (2016 forward) were also settled for €21 per MWh. This is €5 less than the price paid for the 2015 forward in last year's corresponding period. As a result of the development of wholesale prices, retail customers also paid less. Based on available data in Germany, on average, gas became 1% cheaper for households and 4% cheaper for industrial enterprises. In the United Kingdom, gas prices for the aforementioned customer groups were down about 2% and 10% year on year, while in the Netherlands, they declined by approximately 3% for both groups. Data for the Czech Republic indicate drops of 1% and 7%.

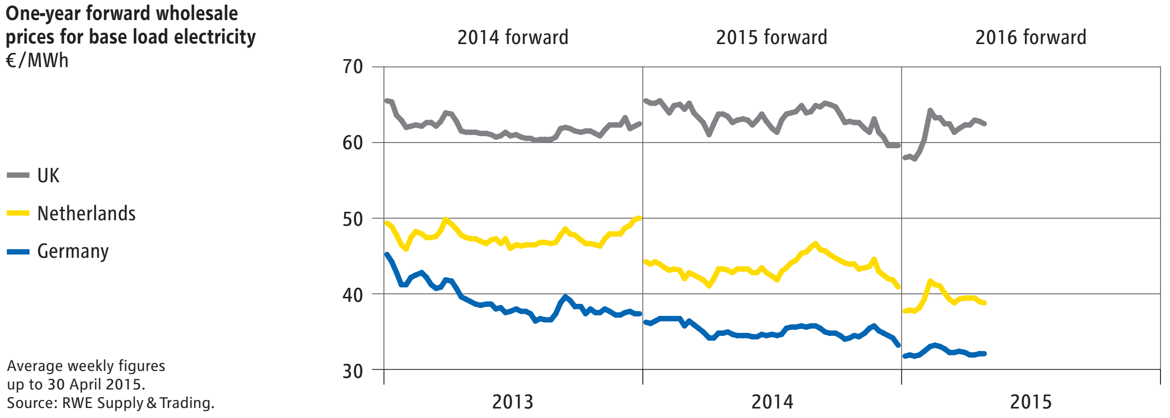
Slump on hard coal market persists

The downward trend of prices in international hard coal trading witnessed since 2011 intensified at the beginning of 2015. Coal deliveries including freight and insurance to Amsterdam/Rotterdam/Antwerp (known as the ARA ports) were quoted at an average of US$61 (€54) per metric ton in spot trading in the first quarter, as opposed to US$79 in the first three months of 2014. In the first quarter of 2015, the 2016 forward (API 2 Index) traded at an average of US$60 per metric ton, US$23 less than last year's comparable figure. China, the world's biggest coal importer, played a major part in the collapse of prices by limiting coal imports substantially. Declining overseas shipping costs also played a role. In the first quarter of 2015, the standard route from South Africa to Rotterdam cost an average of US$4 per metric ton, US$5 less than in 2014. Freight rates were therefore as low as in 1998 during the Asian financial crisis.

Slight recovery in the price of CO_2 emission allowances

The prices at which CO_2 emission allowances trade in Europe are low, because the allowances available for the third trading period, which ends in 2020, clearly exceed the amount actually required by the companies to cover their emissions. This is in part due to the euro crisis and its curtailment of industrial activity. Last year, however, prices went back on a slight upward trend. Recently, they have displayed a sideways trend. The standard certificate (EU Allowance, or EUA) for 2015, which confers the right to emit a metric ton of carbon dioxide, traded for an average of slightly more than €7 in the first three months of this year. The comparable figure for 2014 was just under €6. Prices were buoyed by the EU's reduction of the certificate surplus by temporarily withholding emission allowances (referred to as backloading). It is envisaged that backloading will continue until the end of 2016 and that it will affect certificates covering a total of 900 million metric tons of carbon dioxide. Positive stimulus was also provided by the plans to introduce a 'market stability reserve', in which emission allowances are 'deposited' by EU member states in the event of a substantial surplus of certificates. At the beginning of May, representatives of the EU member states, the European Parliament and the EU Commission agreed to introduce the market stability reserve in 2019. They also decided to transfer the backloaded certificates directly to the reserve instead of putting them back on the market in 2019 and 2020, which was the original plan.

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



Average weekly figures up to 30 April 2015.
Source: RWE Supply & Trading.

German base load wholesale price only €32 per MWh

The development of wholesale electricity prices in Germany is significantly affected by rising feed-ins of electricity subsidised under the German Renewable Energy Act. This forces conventional generation plant off the market, primarily gas-fired power stations, which have comparatively high fuel costs. Their influence on the formation of electricity prices has thus decreased, whereas that of hard coal-fired power plants, which have relatively low production costs due to the decline in prices on hard coal markets, has risen. These two factors, the crowding-out of gas-fired power stations and the drop in the price of hard coal, are the major reason why quotations on the German wholesale electricity market have been declining for years. This downward trend has weakened recently. In the first quarter, the average spot price for base load power was €32 per MWh, down €1 on the level recorded in last year's corresponding period. The 2016 forward also cost €32 per MWh. By comparison, the 2015 forward traded for €36 in the same quarter last year.

In the United Kingdom, our second-largest generation market, gas-fired power stations account for a much larger share of electricity production than in Germany and therefore have a stronger influence on prices. For this reason, and due to the introduction of a tax on carbon dioxide in April 2013, UK wholesale electricity quotations are relatively high. However, this price curve also trended downwards. Base load power in the first quarter cost an average of £44 (€59) per MWh and was therefore £1 cheaper than in 2014. The 2016 forward traded at £45 (€61) per MWh, which was £8 below the comparable figure for last year.

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

Power plant margins down year on year

We sell forward most of the output of our power stations and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, the most recent developments on the market hardly had an impact on electricity revenues in the reporting period. They depend more on the conditions at which forward contracts for delivery in 2015 were concluded in preceding years. As wholesale electricity prices in Continental Western Europe have been trending downwards for a quite a while, the average price we realised for this year's in-house generation was lower than the comparable figure for 2014. Therefore, we achieved lower margins with our German lignite and nuclear power plants, the fuel costs of which are typically stable. The margins of our gas and hard coal-fired power plants are also under pressure. However, they were fairly stable compared to 2014, as both the unfavourable development of electricity prices as well as relief provided by declining fuel prices came to bear.

Lower retail electricity bills

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

MAJOR EVENTS

In the period under review

German government intends to burden power stations with additional levy

At the end of March, the German Federal Ministry for Economic Affairs and Energy (BMWi) set out how it intends to achieve the additional reduction in carbon emissions from electricity generation of 22 million metric tons envisaged by the 'Climate Protection Action Plan 2020'. In a key issues paper on the future development of the electricity market, it proposes imposing a climate levy on power plants. Stations that are more than 20 years old would be subject to an emissions limit starting in 2017. It would amount to 7 million metric tons of carbon dioxide for every gigawatt of installed capacity in their twenty-first year of operation, and would drop by 200,000 metric tons for every further year until a floor of 3 million metric tons was reached. Power plants that are older than 40 years would then only have an emissions limit equal to this base amount. Plant operators may emit more carbon dioxide than prescribed by the limit, but they would have to pay a penalty for every additional metric ton of carbon dioxide, which could be as high as €20 according to the key issues paper. The BMWi's plans have met with huge criticism in particular from power utilities and trade unions. RWE is a staunch opponent, as the climate levy would initiate a phase-out of lignite-fired electricity generation. Owing to the reduced utilisation, many stations would no longer be able to cover their fixed costs and would therefore have to be taken off the market. Not only would this force lignite-fired power plants to be shut down, but the opencast mines would also have to be closed. Meanwhile, Germany's Minister of Economics, Sigmar Gabriel, has announced that he will review the plans to introduce a climate levy and obtain an expert opinion on the issue.

Federal Ministry for Economic Affairs and Energy opposes capacity mechanism in electricity generation

In the key issues paper on the development of the electricity market, the Federal Ministry for Economic Affairs and Energy (BMWi) also expressed an opinion on the introduction of a general capacity market as proposed by the industry associations. A mechanism of this kind would ensure that, in addition to revenue from electricity production, power plant operators received a payment for making their capacity available and therefore contributing to security of supply. The BMWi opposes this, one of its concerns being that it would result in substantial costs. Instead, it is a proponent of a capacity reserve, which would be used whenever supply failed to cover demand. In the BMWi's view, the electricity market is capable of ensuring security of supply with its current structure, even though increasing numbers of power plants can be expected to shut down for economic reasons. The BMWi believes that huge price spikes will occur during future electricity shortages, enabling the profitable operation of the power stations that are still needed on the market. However, many experts feel that this is too unpredictable. Countries such as the United Kingdom and France have therefore already decided in favour of capacity markets. The BMWi is in the process of preparing a white book, which will contain specific recommendations regarding the refinement of the electricity market's design and is scheduled to be published in June 2015.

German Economics Minister wants to subject nuclear provisions to stress tests

In a letter to the coalition parties, Germany's Minister of Economics Sigmar Gabriel announced in March that he would subject the financial statements of the country's nuclear power plant operators to a stress test, in order to assess the development of nuclear provisions. He wrote that this would lay the groundwork for talks the government is required to hold with the affected companies pursuant to the coalition agreement in order to discuss the financial backing of their obligations to dismantle the power stations and dispose of radioactive waste. Gabriel further stated that he would address other key points including ensuring operator liability in the event of a reorganisation under company law and explore the feasibility of setting up internal and external funds (including public trusts), to which the utilities could deposit the cash they use to back their provisions either in part or in full. It remains to be seen how the measures announced in the letter will be implemented and which further steps are planned. As regards the stress tests, compliance with our obligations to recognise suitable provisions on the balance sheet is already being monitored by independent auditors.

Sale of RWE Dea completed

On 2 March 2015, we completed the sale of RWE Dea AG to LetterOne. We had reached an agreement on the transaction with the Luxembourg-based investment company a year before. Modifications were made to the original sale agreement to reflect the political uncertainty and operating developments since then. As a result of the contract's new provisions, the enterprise value of RWE Dea amounted to €5.1 billion based on the exchange rates effective at the beginning of March 2015.

RWE Innogy sells wind turbine installation vessel

At the beginning of January, we sold one of our two vessels used to install offshore wind farms to the Dutch company MPI Offshore. The price for 'Victoria Mathias' was €69 million. We decided to sell the ship because our offshore wind project volume has declined considerably. Victoria Mathias was in use until February, when the Nordsee Ost offshore wind farm was still being built. Our second jack-up vessel, 'Friedrich Ernestine', will remain under our ownership for the time being. In March, we leased it to China-based ZPMC Profundo Wind Energy for a period of five years.

New owner of Gwynt y Môr offshore wind farm network infrastructure

In the middle of February, a consortium made up of Balfour Beatty Investments and Equitix purchased the network infrastructure of our Gwynt y Môr wind farm off the coast of Wales for £352 million (€475 million). The transaction was necessary for regulatory reasons: in the United Kingdom electricity generation and network activities must be under separate ownership. The buying consortium was selected by the UK regulator Ofgem. The consortium is responsible for transmitting the electricity produced by the wind farm to the mainland and feeding it into the grid. The wind farm has 160 turbines with a total net installed capacity of 576 megawatts (MW) and is just about to be completed. The sale reduces the capital expenditure to around €2.4 billion. We are accountable for 60% of this, in line with our current stake in Gwynt y Môr.

RWE and Statkraft agree partnership for Triton Knoll offshore wind farm

In the middle of February, RWE and the Norwegian energy utility Statkraft signed a contract for the joint development of the Triton Knoll wind farm off the east coast of England. The agreement stipulates that Statkraft will acquire a 50% interest in the project. On completion, Triton Knoll could have an installed capacity of up to 900 MW. The estimated capex volume is between £3 billion and £4 billion. The final decision on the investment is scheduled to be taken in 2017.

RWE reduces stake in Czech gas distribution network business

In March, a group of funds managed by Macquarie increased its shareholding in our subsidiary RWE Grid Holding (RGH) by 15% to 49.96%. Our Czech gas distribution network operations are pooled at RGH. The transaction has strengthened our financial clout as well as our partnership with Macquarie in the Czech Republic.

Nordsee One wind farm scheduled for construction

In the middle of March, together with our project partner Northland Power, we secured the financing for the Nordsee One offshore project through an international consortium of banks. The consortium will cover 70% of the approximately €2 billion in investment costs. The remaining 30% will be borne by Northland Power and RWE at a ratio of 85% to 15%. This confirmed the decision to build the Nordsee One offshore wind farm, which was subject to obtaining the banks' financing. The development of the wind farm, which could begin commercial operation at the end of 2017 with an installed capacity of 332 MW, is well advanced. Construction work is scheduled to start in an area 40 kilometres north of the Isle of Juist next year. In September 2014, the Canadian independent power producer Northland Power had acquired an 85% stake in Nordsee One and its successor projects Nordsee 2 and Nordsee 3 from us. It was agreed that the purchase price would be paid in instalments, which will fall due as soon as the financing of each project has been secured. As this requirement has now been satisfied for Nordsee One, Northland Power paid us €62 million in March.

Peter Terium re-appointed Chairman of the Executive Board of RWE AG – Uwe Tigges' contract extended

At its meeting on 4 March, the Supervisory Board of RWE AG reached a unanimous decision to re-appoint Peter Terium (51) as a member of the Executive Board and its Chairman for a term of five years with effect from 1 March 2016. As a consequence, Mr. Terium's current term will end prematurely, as of 29 February 2016. This procedure has enabled the Supervisory Board to secure continuity at the helm of the company over the long term early on, as a regular extension would not have been possible before September 2015. By taking this step, the Supervisory Board is recognising the successful leadership of the company through a period of change. It also reached a unanimous decision in favour of an extension of the Executive Board mandate of Chief HR Officer and Labour Director Uwe Tigges (55), whose new contract will expire at the end of 2020.

After the period under review

RWE raises additional hybrid capital

In the middle of April, we issued a €1.25 billion hybrid bond with a tenor of 60 years. The issuance targeted both institutional and private investors and was conducted in two tranches. The bonds of the first tranche (€700 million) have a coupon of 2.75 %, an issue price of 99.38 % and may be cancelled by RWE for the first time five-and-a-half years from their issue date. The second tranche (€550 million) has a coupon of 3.5 %, an issue price of 100 % and may not be cancelled during the first ten years. Hybrid bonds are a mixture of equity and debt. As they are subordinate to all other financial liabilities, they have a coupon that is higher than that of conventional bonds. RWE placed its first hybrid bond in September 2010, followed by issuances in Swiss francs, US dollars and pounds Sterling. Standard & Poor's and Moody's, the leading rating agencies, have classified our hybrid bonds as BBB- and Baa3, allocating only half of them to debt.

RWE pays dividend of €1 per share

On 23 April 2015, the Annual General Meeting of RWE AG approved the dividend proposal by the Executive and Supervisory Boards for fiscal 2014 to pay a dividend of €1 per common and preferred share. This is the last time our dividend proposal was oriented towards a targeted range of between 40 % and 50 % of recurrent net income; we distributed 48 %. Starting this financial year, we will broaden the basis of our dividend policy. In addition to earnings, the Group's operating cash flows, debt position and opportunities for investing in growth will also be considered from now on.

Conservative victory fuels hopes of more stable UK energy framework

The Conservative Party obtained the absolute majority required for sole incumbency in the UK general election on 7 May. The Tories won 331 of 650 seats in the House of Commons. This enables Prime Minister David Cameron to remain at the helm without the Liberal Democrats, the former coalition partner. The outcome of the election has a great influence on the course for UK energy policy. The opposition Labour Party had campaigned for freezing residential electricity and gas tariffs for a period of 20 months. In addition, Labour intended to make further adjustments to the regulatory framework in the electricity sector, which has just undergone a fundamental reform. The Tory victory should bring the country's future energy policy more in line with the principles of continuity and market orientation.

NOTES ON REPORTING

RWE Group

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

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

As of 31 March 2015.

Group structure with seven divisions

As set out on page 8, we completed the sale of RWE Dea (Upstream Gas & Oil Segment) on 2 March 2015. The transaction took retrospective effect to 1 January 2014. Since then, the RWE Group has therefore been divided into seven segments (divisions), based on geographic and functional criteria as follows:

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

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

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

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

- Central Eastern and South Eastern Europe: This division encompasses our activities in the Czech Republic, Hungary, Poland, Slovakia, Croatia, Romania and Turkey, which are overseen by Prague-based RWE East. Our market-leading Czech gas business includes storage, distribution and supply. In 2010, we also started selling electricity in the Czech Republic. In Hungary, we cover the entire electricity value chain, from production through to the operation of the distribution system and supply. Our Polish operations focus on the distribution and sale of electricity in Greater Warsaw. In Slovakia, we are active in the electricity network and electricity retail businesses via a non-controlling interest and in the gas supply sector via a subsidiary. In Croatia, we have an established position as a wastewater management company in the capital Zagreb and as a co-owner of the Plomin hard coal-fired power plant. In addition, we have become active in the local energy supply business. In Romania and Turkey, we have also entered the supply market.

- Renewables: This is where we present the figures of RWE Innogy, which generates electricity from wind, water and – to a limited extent – biomass. Its major production sites are located in Germany, the United Kingdom, the Netherlands, Spain and Poland.

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

The 'other, consolidation' item

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

RWE Dea disclosed as a 'discontinued operation'

In accordance with International Financial Reporting Standards (IFRS) we now recognise RWE Dea in the income statement in condensed form under 'income from discontinued operations'. The same applies to last year. The figures for the first quarter of 2014 were restated in line with the new accounting treatment. RWE Dea is considered in recurrent net income in the first quarter of 2015 and fiscal 2014 only by including the prorated interest on the price that LetterOne has contractually undertaken to pay us for the period from 1 January 2014 until the completion of the transaction on 2 March 2015. In contrast, RWE Dea is not considered at all in recurrent net income for the first quarter of 2014. The upstream business was presented on the consolidated balance sheet for the period ended 31 December 2014 for the last time, where it was recognised in 'assets held for sale' and 'liabilities held for sale'. In the cash flow statement on page 32, we recognise the cash flows from discontinued operations for 2015 and 2014 separately. However, the cash flow statement on page 22 of the review of operations solely relates to continuing operations for both years. This also applies to the presentation of capital expenditure and employees.

BUSINESS PERFORMANCE

Electricity production January – March	Lignite		Hard coal		Gas		Nuclear		Renewables		Pumped storage, oil, other		Total	
Billion kWh	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Conventional Power Generation	19.8	18.9	12.6	10.9	9.2	8.0	8.2	7.9	0.2	0.3	0.7	0.5	50.7	46.5
of which:														
Germany[1]	19.8	18.9	5.6	6.7	0.9	0.7	7.9	7.6	0.2	0.1	0.7	0.5	35.1	34.5
Netherlands/Belgium	–	–	4.2	2.4	1.5	0.9	0.3	0.3	–	0.2	–	–	6.0	3.8
United Kingdom	–	–	2.8	1.8	6.1	5.5	–	–	–	–	–	–	8.9	7.3
Turkey	–	–	–	–	0.7	0.9	–	–	–	–	–	–	0.7	0.9
Central Eastern and South Eastern Europe	1.4	1.4	–	–	–	0.1	–	–	–	–	–	–	1.4	1.5
Renewables[1]	–	–	–	–	–	–	–	–	2.9	2.6	–	–	2.9	2.6
RWE Group[2]	**21.2**	**20.3**	**13.6**	**11.9**	**9.5**	**8.3**	**8.2**	**7.9**	**3.3**	**3.1**	**0.7**	**0.5**	**56.5**	**52.0**

1 Including electricity from power plants not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In the first quarter of 2015, it amounted to 2.4 billion kWh in the Conventional Power Generation Division (first quarter of 2014: 4.1 billion kWh), of which 1.6 billion kWh were generated from hard coal (first quarter of 2014: 3.6 billion kWh), and to 0.2 billion kWh in the Renewables Division (first quarter of 2014: 0.2 billion kWh).

2 Including small generation volumes of other divisions.

Electricity generation up 9% year on year

In the first quarter of 2015, the RWE Group produced 56.5 billion kWh of electricity, 9% more than in the same period in 2014. A major contributing factor was the improved availability of our power plants following unscheduled outages last year. Furthermore, our new 1,554 MW hard coal-fired power station at the Dutch port of Eemshaven now has both of its units online, thereby increasing its production substantially. A counteracting effect was felt from the significant reduction in the generation capacity at our disposal based on long-term usage agreements. This was caused by the expiry of the underlying contracts in 2014 and affected German hard coal-fired power stations with a total net installed capacity of 2.1 GW.

In addition to our in-house generation, we procure electricity from external suppliers. In the period under review, these purchases amounted to 16.4 billion kWh (first quarter of 2014: 18.5 billion kWh). In-house generation and purchases from third parties totalled 72.9 billion kWh (first quarter of 2014: 70.5 billion kWh).

External electricity sales volume January – March	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2015	2014	2015	2014	2015	2014	2015	2014
Conventional Power Generation	0.1	0.1	0.6	0.3	3.0	2.9	3.7	3.3
Supply/Distribution Networks Germany	6.3	6.4	6.8	7.1	16.5	18.9	29.6	32.4
Supply Netherlands/Belgium	3.0	3.2	2.9	2.3	–	–	5.9	5.5
Supply United Kingdom	3.9	4.2	7.9	7.8	0.6	0.6	12.4	12.6
Central Eastern and South Eastern Europe	2.4	2.3	2.4	2.4	1.7	1.8	6.5	6.5
Renewables	–	–	–	–	0.6	0.6	0.6	0.6
Trading/Gas Midstream	–	–	6.9	5.9	–	–	9.7[1]	6.1[1]
RWE Group[2]	**15.7**	**16.2**	**27.5**	**25.8**	**22.4**	**24.8**	**68.4**	**67.0**

1 Including volume effects of the sale of self-generated electricity on the wholesale market. If these sales volumes exceed the purchases made for supply purposes, the positive balance is recognised in the sales volume. In the first quarter of 2015, the balance was +2.8 billion kWh (first quarter of 2014: +0.2 billion kWh).
2 Including small volumes subsumed under 'other, consolidation'.

Slight increase in electricity sales volume

Our electricity deliveries to external customers rose by 2 % to 68.4 billion kWh. This is partly owed to the growth in our generation volumes, which resulted in RWE Supply & Trading selling more electricity produced by our power stations on the wholesale market (see footnote 1 to the above table). Deliveries to industrial and corporate customers were also up, in part due to customer acquisitions in this segment. In contrast, sales to German distributors declined. This was in part because some of them increased their purchases from other energy suppliers or began buying all their electricity from them. In addition, the volume of sales to transmission system operators (TSOs) was down. We resell electricity that is generated under the German Renewable Energy Act (REA) and fed directly into our distribution network to the TSOs. The decline was due to the fact that operators of plant covered by the REA increasingly market their electricity directly or use it themselves. Sales to households and small commercial enterprises also dropped, in part due to customer losses in the United Kingdom.

External gas sales volume[1] January – March	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2015	2014	2015	2014	2015	2014	2015	2014
Supply/Distribution Networks Germany	10.6	9.6	6.1	6.1	21.8	16.2	38.5	31.9
Supply Netherlands/Belgium	16.2	14.9	9.5	9.1	–	–	25.7	24.0
Supply United Kingdom	13.8	13.4	1.2	0.6	2.8	2.4	17.8	16.4
Central Eastern and South Eastern Europe	7.0	6.7	9.1	8.3	0.5	0.4	16.6	15.4
Trading/Gas Midstream	–	–	7.0	5.5	6.4	5.6	13.4	11.1
RWE Group	**47.6**	**44.6**	**32.9**	**29.6**	**31.5**	**24.6**	**112.0**	**98.8**

1 Excluding discontinued operations (RWE Dea). Figures for the first quarter of 2014 have been adjusted accordingly.

Gas supply volume up 13 % year on year

Gas sales volume rose by 13 % to 112.0 billion kWh. Our customers used more gas for heating purposes as temperatures normalised compared to the very mild weather in the first quarter of 2014. This reinvigorated sales, primarily to households and distributors. As regards the distributors, companies belonging to RWE Deutschland won new customers and intensified their supply relationships with existing ones. Another driver of our growth in gas sales volume was the successful acquisition of industrial and corporate customers by RWE Supply & Trading, among others. In contrast, our share of the UK residential market deteriorated, similar to the situation with electricity. However, the positive effect of the weather outweighed this.

External revenue[1] € million	Jan – Mar 2015	Jan – Mar 2014	+/– %	Jan – Dec 2014
Conventional Power Generation	451	417	8.2	1,888
Supply/Distribution Networks Germany	6,831	7,116	–4.0	25,310
Supply Netherlands/Belgium	1,536	1,708	–10.1	4,443
Supply United Kingdom	2,917	2,678	8.9	8,992
Central Eastern and South Eastern Europe	1,281	1,243	3.1	4,059
Renewables	92	76	21.1	277
Trading/Gas Midstream	1,498	953	57.2	3,409
Other, consolidation	26	23	13.0	90
RWE Group	**14,632**	**14,214**	**2.9**	**48,468**
Natural gas tax/electricity tax	741	763	–2.9	2,319
RWE Group (excluding natural gas tax/electricity tax)	**13,891**	**13,451**	**3.3**	**46,149**

1 Excluding discontinued operations (RWE Dea). Figures for the first quarter of 2014 have been adjusted accordingly.

External revenue by product[1] € million	Jan – Mar 2015	Jan – Mar 2014	+/– %	Jan – Dec 2014
Electricity revenue	8,923	8,957	–0.4	33,663
of which:				
Supply/Distribution Networks Germany	4,879	5,277	–7.5	20,204
Supply Netherlands/Belgium	439	574	–23.5	1,710
Supply United Kingdom	1,923	1,699	13.2	6,364
Central Eastern and South Eastern Europe	577	563	2.5	2,199
Trading/Gas Midstream	825	596	38.4	2,157
Gas revenue	4,718	4,477	5.4	11,905
of which:				
Supply/Distribution Networks Germany	1,659	1,537	7.9	4,122
Supply Netherlands/Belgium	1,077	1,117	–3.6	2,664
Supply United Kingdom	959	856	12.0	2,144
Central Eastern and South Eastern Europe	681	647	5.3	1,746
Trading/Gas Midstream	341	319	6.9	1,228
Other, consolidation	991	780	27.1	2,900
RWE Group	**14,632**	**14,214**	**2.9**	**48,468**

1 Excluding discontinued operations (RWE Dea). Figures for the first quarter of 2014 have been adjusted accordingly.

External revenue 3 % higher

Our external revenue (including natural gas and electricity taxes) rose by 3 % to €14,632 million. This was primarily attributable to the gas business. Although some of our supply companies lowered their tariffs, gas revenue totalled €4,718 million, up 5 % year on year. The main reason was the positive sales trend. Conversely, our electricity revenue amounted to €8,923 million and was therefore essentially unchanged despite a marginal rise in supply volume. Price reductions came to bear here as well. The development of consolidated revenue was also affected by changes in foreign exchange rates. Averaged for the period under review, the British pound cost €1.36, which was much more than in 2014 (€1.21). The US dollar also appreciated significantly compared to the euro, whereas there were only marginal changes in the other currencies of importance to us. Net of the foreign exchange impact, our revenue rose by 1 %. There was no notable influence on the development of revenue due to consolidation effects of acquisitions and sales of business activities.

Internal revenue[1] € million	Jan – Mar 2015	Jan – Mar 2014	+/– %	Jan – Dec 2014
Conventional Power Generation	2,446	2,045	19.6	7,603
Supply/Distribution Networks Germany	362	281	28.8	1,208
Supply Netherlands/Belgium	5	9	–44.4	44
Supply United Kingdom	37	91	–59.3	328
Central Eastern and South Eastern Europe	26	74	–64.9	180
Renewables	225	178	26.4	614
Trading/Gas Midstream	6,712	6,628	1.3	24,441

1 Excluding discontinued operations (RWE Dea). Figures for the first quarter of 2014 have been adjusted accordingly.

EBITDA[1] € million	Jan – Mar 2015	Jan – Mar 2014	+/– %	Jan – Dec 2014
Conventional Power Generation	663	780	–15.0	2,522
of which:				
Continental Western Europe	581	726	–20.0	2,412
United Kingdom	80	54	48.1	90
Supply/Distribution Networks Germany	810	824	–1.7	2,650
Supply Netherlands/Belgium	116	86	34.9	203
Supply United Kingdom	158	148	6.8	294
Central Eastern and South Eastern Europe	305	342	–10.8	913
Renewables	227	154	47.4	547
Trading/Gas Midstream	13	10	30.0	286
Other, consolidation	–88	–63	–39.7	–284
RWE Group	**2,204**	**2,281**	**–3.4**	**7,131**

1 Excluding discontinued operations (RWE Dea). Figures for the first quarter of 2014 have been adjusted accordingly.

Operating result[1] € million	Jan – Mar 2015	Jan – Mar 2014	+/– %	Jan – Dec 2014
Conventional Power Generation	428	559	–23.4	979
of which:				
Continental Western Europe	408	564	–27.7	1,362
United Kingdom	23	–1	–	–384
Supply/Distribution Networks Germany	643	656	–2.0	1,871
Supply Netherlands/Belgium	106	70	51.4	146
Supply United Kingdom	144	128	12.5	227
Central Eastern and South Eastern Europe	251	286	–12.2	690
Renewables	151	97	55.7	186
Trading/Gas Midstream	7	6	16.7	274
Other, consolidation	–100	–84	–19.0	–356
RWE Group	**1,630**	**1,718**	**–5.1**	**4,017**

1 Excluding discontinued operations (RWE Dea). Figures for the first quarter of 2014 have been adjusted accordingly.

Operating result 5 % down year on year

In the first quarter of 2015, we achieved EBITDA of €2,204 million and an operating result of €1,630 million. These figures were 3 % and 5 % down on those recorded in the same period last year. The main reason for this was the continued shrinking of margins in conventional electricity generation. Conversely, in energy supply, which contributed €554 million to the operating result (first quarter of 2014: €459 million), we benefited from the impact of the weather on sales volumes, primarily in the gas business. As with revenue, there were no material consolidation effects, while the strength of the British pound had a positive impact. Disregarding the currency impact, EBITDA and the operating result declined by 4 % and 6 %, respectively.

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

- Conventional Power Generation: This division's operating result dropped by 23 % to €428 million. The main reason for this is that we realised lower wholesale prices for our German and Dutch electricity generation than in 2014. This was only somewhat cushioned by price-related relief in the purchase of fuel (especially hard coal) and CO_2 emission allowances. We limited the decline in the operating result through cost-cutting measures.

- Supply/Distribution Networks Germany: The division posted an operating result of €643 million, slightly less than in 2014 (€656 million). Income from the sale of networks decreased considerably. Generally, we only make this type of disposal if we do not place the winning bid when our network permits are retendered. However, we quite often succeed in forging partnerships with cities or communities. Although we do not remain the sole owner in such cases, we can usually continue to manage the networks. The operating result that we achieved with our German supply business was higher than in 2014. An important role was played by the weather-driven rise in our customers' need for gas.

- Supply Netherlands/Belgium: The operating result of our Dutch supply activities rose by 51% to €106 million. The weather-induced increase in sales in the gas business also came to bear here. In addition, we released a provision which we had accrued to cover legal risks and generated additional income by marketing new supply offerings.

- Supply United Kingdom: This division's operating result rose by 13% year on year to €144 million. Net of the impact of currencies, however, it was unchanged. A positive effect was felt from the fact that we spent less on implementing the Energy Companies Obligation (ECO) state programme. ECO obliges the major power providers to finance measures to improve energy efficiency in homes. Furthermore, we benefited from declining gas purchase prices. However, this caused us to lower the standard gas tariff by 5.1% in February 2015. Network fees, which had already posted a significant increase in 2014, rose further. In addition, customer losses and residential energy savings weighed on earnings.

- Central Eastern and South Eastern Europe: Here, the operating result dropped by 12% to €251 million, in part because the margins of the Czech gas storage business decreased. Further burdens resulted from increased procurement costs in Polish electricity supply. The weather-induced rise in gas consumption in the Czech Republic had a positive effect. Furthermore, the country's regulatory conditions for gas distribution system operators improved.

- Renewables: RWE Innogy improved its operating result by 56% to €151 million. This was largely due to the commissioning of new wind turbines. For example, the Welsh offshore wind farm Gwynt y Môr produced electricity from a large portion of its capacity in the first quarter. In addition, we received income from the sale of the wind farm's network infrastructure (see page 8). The appreciation of the British pound also had a positive effect on the operating result.

- Trading/Gas Midstream: This division closed the reporting period with an operating result of €7 million, nearly exactly on a par with the low level witnessed a year before. Gas storage capacity contracted over the long term, the management and marketing of which does not cover its costs, continues to curtail the divisions's earnings.

Reconciliation to net income: substantial one-off income from the sale of RWE Dea

The non-operating result, in which we recognise certain one-off effects which are not related to operations or to the period being reviewed, deteriorated by €510 million to –€333 million. The reasons were declines in capital gains and the accrual of provisions for legal risks arising from pending lawsuits. Furthermore, the accounting treatment of certain derivatives, which we use to hedge price fluctuations, led to a net loss, whereas it resulted in income a year earlier.

Financial result[1] € million	Jan – Mar 2015	Jan – Mar 2014	+/– € million	Jan – Dec 2014
Interest income	57	48	9	218
Interest expenses	–273	–261	–12	–1,080
Net interest	**–216**	**–213**	**–3**	**–862**
Interest accretion to non-current provisions	–223	–243	20	–1,114
Other financial result	210	5	205	128
Financial result	**–229**	**–451**	**222**	**–1,848**

1 Excluding discontinued operations (RWE Dea). Figures for the first quarter of 2014 have been adjusted accordingly.

The financial result improved by €222 million to –€229 million. Income from the sale of securities stated as part of the other financial result was much higher than in the same period last year. Furthermore, the interest accretion to non-current provisions declined marginally. The main reason for this is that we have recently reduced the discount rates for our provisions for pensions repeatedly in reaction to the significant drop in market interest rates.

Income from continuing operations before tax decreased by 26% to €1,068 million. Our effective tax rate declined by two percentage points to 23%, partially because we sold a significant number of securities on hand tax-free in the period under review. A counteracting effect was felt from the fact that we can no longer offset taxes in RWE AG's tax group due to a lack of income. This relates to 2015 and probably also to the years ahead. As the impact of the latter circumstance will last longer than that of the former, we expect that the effective tax rate for 2015 as a whole will be higher than in the first quarter.

After taxes, our continuing operations generated income of €822 million. This corresponds to a drop of 24% compared to 2014.

Discontinued operations (RWE Dea) contributed €1,524 million to income (first quarter of 2014: €42 million). Most of this (€1,453 million) is attributable to the book gain on the sale of RWE Dea.

The minority interest increased by 39% to €142 million, because some fully consolidated companies, in which entities not belonging to the Group hold a stake, closed the period up year on year. This primarily related to our German regional utilities, which benefited from one-off income from sales of securities.

Reconciliation to net income[1]		Jan – Mar 2015	Jan – Mar 2014	+/– %	Jan – Dec 2014
EBITDA	€ million	**2,204**	**2,281**	**–3.4**	**7,131**
Operating depreciation and amortisation	€ million	–574	–563	–2.0	–3,114
Operating result	€ million	**1,630**	**1,718**	**–5.1**	**4,017**
Non-operating result	€ million	–333	177	–288.1	77
Financial result	€ million	–229	–451	49.2	–1,848
Income from continuing operations before tax	€ million	**1,068**	**1,444**	**–26.0**	**2,246**
Taxes on income	€ million	–246	–363	32.2	–553
Income from continuing operations	€ million	**822**	**1,081**	**–24.0**	**1,693**
Income from discontinued operations	€ million	1,524	42	–	364
Income	€ million	**2,346**	**1,123**	**108.9**	**2,057**
of which:					
Non-controlling interests	€ million	142	102	39.2	245
RWE AG hybrid capital investors' interest	€ million	38	26	46.2	108
Net income/income attributable to RWE AG shareholders	€ million	**2,166**	**995**	**117.7**	**1,704**
Recurrent net income[2]	€ million	**877**	**797**	**10.0**	**1,282**
Earnings per share	€	3.52	1.62	117.3	2.77
Recurrent net income[2] per share	€	1.43	1.30	10.0	2.09
Number of shares outstanding (average)	millions	614.7	614.7	–	614.7
Effective tax rate	%	23	25	–	25

1 Figures for the first quarter of 2014 adjusted; see commentary on page 12.
2 From the report on the first half of 2015 onwards, we will use the term 'adjusted net income'; see commentary below.

The portion of our earnings attributable to hybrid capital investors amounted to €38 million (first quarter of 2014: €26 million). However, only the hybrid bonds classified as equity pursuant to IFRS are considered here. These are the issuances of €1,750 million in September 2010 and of £750 million in March 2012. The hybrid capital investors' interest corresponds to the finance costs after tax. Their increase compared to 2014 resulted from the aforementioned discontinuation of tax loss offsetting in RWE AG's tax group. Therefore, the costs of hybrid financing stopped having a tax-reducing effect in the period under review.

The developments presented above are the reason why net income more than doubled to €2,166 million compared to 2014 (€995 million). Based on the 614.7 million in RWE shares outstanding, this corresponds to earnings per share of €3.52 (first quarter of 2014: €1.62).

Recurrent net income up 10 %

Our recurrent net income totalled €877 million, which is 10 % higher year on year. As set out on page 12, it does not include the full income of discontinued operations, but only the portion of the interest on the sale price of RWE Dea allocable to 2015. When calculating recurrent income, we generally exclude one-off effects (e.g. the entire non-operating result) as well as the associated income taxes. Despite this, recurrent net income may include special items, for example resulting from asset impairments or restructuring expenses, which we have regularly recognised in the operating result since 2014. We will take this into account by referring to 'adjusted' instead of 'recurrent' net income in the future, starting with the report on the first half of 2015.

Capital expenditure[1] € million	Jan – Mar 2015	Jan – Mar 2014	+/– € million	Jan – Dec 2014
Capital expenditure on property, plant and equipment and on intangible assets				
Conventional Power Generation	97	337	–240	1,086
Supply/Distribution Networks Germany	112	69	43	900
Supply Netherlands/Belgium	5	3	2	9
Supply United Kingdom	28	27	1	148
Central Eastern and South Eastern Europe	33	34	–1	309
Renewables	77	223	–146	723
Trading/Gas Midstream	1	1	–	11
Other, consolidation	11	31	–20	59
RWE Group	**364**	**725**	**–361**	**3,245**
Capital expenditure on financial assets	**50**	**23**	**27**	**195**
Total capital expenditure	**414**	**748**	**–334**	**3,440**

1 Excluding discontinued operations (RWE Dea). Figures for the first quarter of 2014 have been adjusted accordingly.

Capital expenditure down 45 % year on year

At €414 million, our capital expenditure was 45 % lower than the figure recorded in the equivalent period last year. We spent €364 million on property, plant and equipment and intangible assets, half the amount spent in the first quarter of 2014. Capital expenditure on financial assets rose, but at €50 million, it continued to be of minor significance. There was a considerable drop in spending on conventional electricity generation, which a year earlier focused on the two new dual-block hard coal power stations – one at Eemshaven in the Netherlands (1,554 MW) and the other at Hamm in Germany (1,528 MW). The first Eemshaven unit began operating commercially on 1 May 2015, and the second one is scheduled to follow soon. One of the blocks of the station at Hamm has been producing electricity commercially since 2014, whereas the second one has experienced substantial delays and it remains to be seen when it can go online. Capital expenditure in the Renewables Division also declined significantly. A substantial portion was dedicated to the new offshore wind farms Gwynt y Môr (576 MW) in Wales and Nordsee Ost (295 MW) near Heligoland. In the first quarter of 2014, they were under construction, whereas now they are in their commissioning phases. They are scheduled to begin generating electricity commercially from all turbines in the middle of 2015. We recorded a substantial increase in capital expenditure in the Supply/Distribution Networks Germany Division, which stepped up its measures to improve electricity and gas network infrastructure.

Cash flow statement[1] € million	Jan – Mar 2015	Jan – Mar 2014	+/– € million	Jan – Dec 2014
Funds from operations	2,255	1,568	687	3,696
Change in working capital	–2,882	–1,675	–1,207	1,860
Cash flows from operating activities of continuing operations	**–627**	**–107**	**–520**	**5,556**
Cash flows from investing activities of continuing operations	**1,400**	**–28**	**1,428**	**–4,194**
Cash flows from financing activities of continuing operations	**–801**	**–142**	**–659**	**–2,138**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	27	1	26	8
Total net changes in cash and cash equivalents[2]	**–1**	**–276**	**275**	**–768**
Cash flows from operating activities of continuing operations	–627	–107	–520	5,556
Minus capital expenditure on property, plant and equipment and on intangible assets	–364	–722	358	–3,245
Free cash flow	**–991**	**–829**	**–162**	**2,311**

1 Excluding discontinued operations (RWE Dea). Figures for the first quarter of 2014 have been adjusted accordingly.
2 Including discontinued operations, cash and cash equivalents rose by €23 million in the first quarter of 2015, whereas in the same period last year, they decreased by €277 million.

Operating cash flows marked by seasonal effects

The cash flows from operating activities which we achieved from our continuing operations amounted to –€627 million. Last year's corresponding figure (–€107 million) was also negative. This is largely due to seasonal influences, which are reflected in changes in working capital. The fact that electricity and gas sales volumes are above average in the first quarter, whereas payments received from customers are spread over the year, play a role here. This typically results in a high level of receivables in the supply business and commensurately lower operating cash flows. Cash flows from operating activities were down by €520 million compared to 2014, in part because we received and paid for most of the CO_2 emission allowances required for 2014 in 2015, whereas we covered our need in 2013 before the end of that year. This was also reflected in the development of working capital.

Investing activities of continuing operations provided €1,400 million in cash inflows, as opposed to the €28 million in cash outflows a year earlier. Our proceeds from the sale of equity interests and property, plant and equipment clearly exceeded capital expenditure on property, plant and equipment, intangible assets and financial assets. This can largely be traced back to the sale of assets, above all RWE Dea. However, we reinvested a portion of the funds which we received from the disposal in securities and other cash investments. Furthermore, we increased the funding of our pension commitments by transferring €1.3 billion in cash and cash equivalents to trustees and company pension institutions. This also had a negative impact on cash flows from investing activities.

Financing activities of continuing operations led to a cash outflow of €801 million. This is largely because we redeemed a €2 billion RWE bond in February, after having bought back associated paper with a nominal value of nearly €200 million in 2014. Dividends paid to co-owners of fully consolidated RWE companies and hybrid capital investors also reduced cash flows. A counteracting effect was felt from the fact that we increased our liabilities vis-à-vis banks and that we pledged less collateral in connection with forward transactions.

The presented cash flows from operating, investing and financing activities nearly fully netted each other out. Our cash and cash equivalents dropped by €1 million.

Deducting capital expenditure on property, plant and equipment and intangible assets from cash flows from the operating activities of continuing operations results in free cash flow, which amounted to −€991 million compared to −€829 million in the same period last year.

Net debt[1] € million	31 Mar 2015	31 Dec 2014	+/− %
Cash and cash equivalents	3,280	3,171	3.4
Marketable securities	7,007	4,777	46.7
Other financial assets	1,428	2,099	−32.0
Financial assets	**11,715**	**10,047**	**16.6**
Bonds, other notes payable, bank debt, commercial paper	15,486	16,155	−4.1
Currency hedges related to bonds[1]	−216	−38	−468.4
Other financial liabilities	2,603	2,411	8.0
Financial liabilities	**17,873**	**18,528**	**−3.5**
Net financial debt	**6,158**	**8,481**	**−27.4**
Provisions for pensions and similar obligations	8,036	7,871	2.1
Provisions for nuclear waste management	10,433	10,367	0.6
Mining provisions	2,416	2,401	0.6
Adjustment for hybrid capital (portion of relevance to the rating)	657	766	−14.2
Plus 50% of the hybrid capital stated as equity	1,335	1,353	−1.3
Minus 50% of the hybrid capital stated as debt	−678	−587	−15.5
Net debt of continuing operations	**27,700**	**29,886**	**−7.3**
Net debt of discontinued operations	**–**	**1,086**	**−100.0**
Total net debt	**27,700**	**30,972**	**−10.6**

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

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

As of 31 March 2015, our net debt amounted to €27.7 billion, which was much less than as of 31 December 2014 (€31.0 billion). The main reason for this was the disposal of RWE Dea, which had an impact of €5.3 billion, including the interest on the sale price. Further sales transactions in the first quarter of 2015 had a total debt-reducing impact of €0.9 billion, such as the divestment of the network infrastructure of our Welsh offshore wind farm Gwynt y Môr and the reduction of our stake in our subsidiary RWE Grid Holding. In contrast, the negative free cash flow increased debt. Additionally, we had to make further downward adjustments to the discount rates used to calculate provisions for pensions from 2.1% to 1.4% in Germany and from 3.4% to 3.1% in the United Kingdom. This was due to the continued decrease in market interest rates. The fact that provisions for pensions rose by a mere €0.2 billion nevertheless is due to the aforementioned €1.3 billion increase in the funding of pension commitments, as these funds were set off against provisions for pensions (see page 22).

Balance sheet structure	31 Mar 2015		31 Dec 2014	
	€ million	%	€ million	%
Assets				
Non-current assets	55,170	65.6	54,224	62.8
of which:				
Intangible assets	13,034	15.5	12,797	14.8
Property, plant and equipment	31,305	37.2	31,059	36.0
Current assets	28,974	34.4	32,092	37.2
of which:				
Receivables and other assets[1]	16,950	20.1	16,739	19.4
Assets held for sale	–	–	5,540	6.4
Total	**84,144**	**100.0**	**86,316**	**100.0**
Equity and liabilities				
Equity	13,624	16.2	11,772	13.6
Non-current liabilities	47,659	56.6	46,324	53.7
of which:				
Provisions	27,753	33.0	27,540	31.9
Financial liabilities	16,310	19.4	15,224	17.6
Current liabilities	22,861	27.2	28,220	32.7
of which:				
Other liabilities[2]	14,673	17.4	16,739	19.4
Liabilities held for sale	–	–	2,635	3.1
Total	**84,144**	**100.0**	**86,316**	**100.0**

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

Balance sheet structure: significantly improved equity ratio

As of 31 March 2015, we had a balance sheet total of €84.1 billion as opposed to €86.3 billion by the end of last year. The sale of RWE Dea reduced ‘assets held for sale’ by €5.2 billion and ‘liabilities held for sale’ by €2.6 billion. Further major changes on the balance sheet occurred on the assets side, where marketable securities rose by €2.4 billion and non-current assets increased by €0.9 billion. On the equity and liabilities side, provisions climbed by €1.1 billion and liabilities decreased by €2.5 billion. The RWE Group’s equity was up by €1.8 billion year on year. Its share of the balance sheet total (equity ratio) was 16.2 %, which was 2.6 percentage points more than in 2014.

Workforce[1]	31 Mar 2015	31 Dec 2014	+/– %
Conventional Power Generation	14,433	14,776	–2.3
Supply/Distribution Networks Germany	18,484	18,412	0.4
Supply Netherlands/Belgium	2,411	2,688	–10.3
Supply United Kingdom	6,849	6,985	–1.9
Central Eastern and South Eastern Europe	9,891	9,978	–0.9
Renewables	952	989	–3.7
Trading/Gas Midstream	1,328	1,338	–0.7
Other[2]	4,794	4,618	3.8
RWE Group	**59,142**	**59,784**	**–1.1**
of which:			
In Germany	36,071	36,411	–0.9
Outside of Germany	23,071	23,373	–1.3

1 Converted to full-time positions.
2 As of 31 March 2015, 1,989 thereof were accounted for by RWE Group Business Services (end of 2014: 1,681), 1,735 were accounted for by RWE IT (end of 2014: 1,837), 676 were accounted for by RWE Service (end of 2014: 703) and 288 were accounted for by the holding company RWE AG (end of 2014: 299).

Headcount down by over 600

RWE had 59,142 people on its payroll as of 31 March 2015. Part-time positions were considered on a pro-rata basis. On balance, 642 employees left the Group in the first quarter of 2015, of whom 340 worked at our German sites and 302 were active at our foreign locations. Streamlining measures played a central role, especially in the Conventional Power Generation Division. We also recorded a significant decline in headcount in the Supply Netherlands/Belgium Division. However, this was because RWE Group Business Services Benelux and its 208 staff members were transferred to RWE Group Business Services (included in the 'other' item). Sales of companies did not have a notable effect on the development of employee figures, as the personnel of RWE Dea, which was sold in March 2015, were no longer considered in the figures for 2014.

OUTLOOK

Development of the economy in 2015: experts predict slight upturn

Based on current forecasts, global economic output will increase by about 3% in 2015, growing slightly more than in 2014. By contrast, the Eurozone is expected to post continued moderate growth of just over 1%. The prospects for Germany's economy seem to be a little brighter. The German Council of Economic Experts believes that economic output may increase by 1.8% in 2015. In the Netherlands and Belgium, gross domestic product (GDP) will also probably rise by more than 1%. The United Kingdom may well post growth of over 2%. Estimates for our Central Eastern European markets have GDP advancing by some 3% in Poland, with Slovakia, the Czech Republic and Hungary lagging slightly behind, each recording an increase of 2.5%.

Energy consumption probably higher than in 2014

Our forecast for this year's energy consumption is based on the aforementioned assumptions concerning economic developments. In addition, we assume that temperatures in 2015 will be normal and therefore generally lower than in 2014, which was characterised by very mild weather. If these conditions materialise, we anticipate that demand for electricity will remain stable or rise marginally in Germany, the Netherlands and the United Kingdom. However, the revitalising influences of an expanding economy and the colder weather will probably be contrasted by reduced consumption due to the increasingly efficient use of energy. Electricity usage in Poland, Slovakia and Hungary is likely to advance by 2%. Consumption of gas is expected to rise even more across all RWE markets, largely driven by an increased need for heating caused by the weather.

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

1 Published on 10 March 2015; see page 88 of the 2014 Annual Report.
2 In the future: 'adjusted net income'; see commentary on page 20.

Outlook for 2015 unchanged

We confirm the forecast for the RWE Group's business trend this year, which we published on pages 87 et seqq. of the 2014 Annual Report. As before, we anticipate that EBITDA for the 2015 fiscal year will be between €6.1 billion and €6.4 billion. The operating result is expected to range from €3.6 billion to €3.9 billion. Recurrent net income should total between €1.1 billion and €1.3 billion. Our outlook regarding the development of the operating results achieved by the divisions is also unchanged.

Declining margins in the conventional electricity generation sector characterise RWE's earnings. However, the impairment losses that weighed on earnings in 2014 will not recur. Furthermore, we anticipate that our current efficiency-enhancement programme will have positive effects. Assuming that temperatures remain normal, earnings in the gas business should improve over last year, which was characterised by very mild weather. This forecast does not take into account the possibility that the nuclear fuel tax may be deemed illegal by a high court ruling in 2015. In such an event, EBITDA, the operating result and recurrent net income may well be up to €1.6 billion higher.

We anticipate that our capital expenditure on property, plant and equipment and intangible assets in 2015 will total about €2.5 billion to €3.0 billion. Our net debt, which decreased substantially in the first quarter due to the sale of RWE Dea, is also expected to be far below the 2014 level (€31.0 billion) as of 31 December 2015. However, the leverage factor, i.e. the ratio of net debt to EBITDA, will probably be higher than last year (3.8). Furthermore, we anticipate that we will dedicate more funds to capital expenditure and dividend payments than we will receive from operating activities, which will prevent us from achieving a budget surplus in 2015. One reason are special cash flow items, which are reflected in corresponding changes in working capital (see page 90 of the 2014 Annual Report).

By the end of the year, we will probably have fewer members of staff than in 2014 (59,784). Efficiency-enhancing measures, which we are taking primarily in the Conventional Power Generation Division, are a major reason for the reduction in headcount.

Forward-looking statements

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

DEVELOPMENT OF RISKS AND OPPORTUNITIES

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

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

We have reported on the organisation and processes of our risk management, the organisational units entrusted with it, the major risks and opportunities, and measures taken to control and monitor risks in detail on pages 75 to 86 of our 2014 Annual Report. We are updating this presentation in two respects. The risks associated with the 'Climate Protection Action Plan 2020' have become more concrete. The plans of the German Ministry for Economic Affairs and Energy to impose a climate levy on old power stations (see page 7) could curtail earnings significantly. If they are implemented, on the whole, German electricity production from lignite will most likely become unprofitable. The outcome of the parliamentary elections in the United Kingdom also has an influence on our risk exposure. The victory of the Conservative Party should reduce the risk of state intervention to the detriment of energy utilities (see page 10).

Current key risk figures

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

The central risk controlling parameter for commodity positions is the Global VaR, which is related to the trading business of RWE Supply & Trading and may not exceed €40 million. It averaged €20 million in the first quarter of 2015 compared to €10 million in the same period last year. Its maximum daily value was €31 million (first quarter of 2014: €13 million).

As regards interest risks, we differentiate between two categories. On the one hand, interest rate increases can lead to reductions in the price of securities held by RWE. This primarily relates to fixed-interest bonds. On the other hand, interest rate increases also cause our financing costs to rise. The VaR for our securities price risk associated with our capital investments in the first quarter of 2015 averaged €5 million (first quarter of 2014: €4 million). We measure the sensitivity of the interest expense with respect to rises in market interest rates using the Cash Flow at Risk. We apply a confidence level of 95% and a holding period of one year. The Cash Flow at Risk averaged €7 million (first quarter of 2014: €6 million).

The securities we hold in our portfolio include shares. The VaR for the risk associated with changes in share prices was €7 million (first quarter of 2014: €6 million). The VaR for our foreign currency position remained below €1 million.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONDENSED)

Income statement[1]

€ million	Jan – Mar 2015	Jan – Mar 2014
Revenue (including natural gas tax/electricity tax)	**14,632**	**14,214**
Natural gas tax/electricity tax	−741	−764
Revenue	**13,891**	**13,450**
Cost of materials	−10,217	−9,592
Staff costs	−1,213	−1,234
Depreciation, amortisation, and impairment losses	−574	−563
Other operating result	−764	−281
Income from investments accounted for using the equity method	93	106
Other income from investments	81	9
Financial income	1,015	191
Finance costs	−1,244	−642
Income from continuing operations before tax	**1,068**	**1,444**
Taxes on income	−246	−363
Income from continuing operations	**822**	**1,081**
Income from discontinued operations	1,524	42
Income	**2,346**	**1,123**
of which: non-controlling interests	142	102
of which: RWE AG hybrid capital investors' interest	38	26
of which: net income/income attributable to RWE AG shareholders	**2,166**	**995**
Basic and diluted earnings per common and preferred share in €	**3.52**	**1.62**
of which: from continuing operations in €	1.04	1.55
of which: from discontinued operations in €	2.48	0.07

1 Prior-year figures adjusted.

Statement of comprehensive income[1]

€ million	Jan – Mar 2015	Jan – Mar 2014
Income	**2,346**	**1,123**
Actuarial gains and losses of defined benefit pension plans and similar obligations	–891	–174
Income and expenses of investments accounted for using the equity method (pro rata)	1	
Income and expenses recognised in equity, not to be reclassified through profit or loss	**–890**	**–174**
Currency translation adjustment	296	–32
Fair valuation of financial instruments available for sale	–73	9
Fair valuation of financial instruments used for hedging purposes	181	–527
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**404**	**–550**
Other comprehensive income	**–486**	**–724**
Total comprehensive income	**1,860**	**399**
of which: attributable to RWE AG shareholders	(1,698)	(359)
of which: attributable to RWE AG hybrid capital investors	(38)	(26)
of which: attributable to non-controlling interests	(124)	(14)

1 Figures stated after taxes.

Balance sheet

Assets € million	31 Mar 2015	31 Dec 2014
Non-current assets		
Intangible assets	13,034	12,797
Property, plant and equipment	31,305	31,059
Investment property	81	83
Investments accounted for using the equity method	3,266	3,198
Other financial assets	812	958
Receivables and other assets	2,582	2,293
Deferred taxes	4,090	3,836
	55,170	**54,224**
Current assets		
Inventories	1,978	2,232
Trade accounts receivable	7,642	6,512
Receivables and other assets	9,308	10,227
Marketable securities	6,766	4,410
Cash and cash equivalents	3,280	3,171
Assets held for sale		5,540
	28,974	**32,092**
	84,144	**86,316**

Equity and liabilities € million	31 Mar 2015	31 Dec 2014
Equity		
RWE AG shareholders' interest	9,183	7,388
RWE AG hybrid capital investors' interest	2,671	2,705
Non-controlling interests	1,770	1,679
	13,624	**11,772**
Non-current liabilities		
Provisions	27,753	27,540
Financial liabilities	16,310	15,224
Other liabilities	2,707	2,695
Deferred taxes	889	865
	47,659	**46,324**
Current liabilities		
Provisions	6,409	5,504
Financial liabilities	1,779	3,342
Trade accounts payable	5,641	6,309
Other liabilities	9,032	10,430
Liabilities held for sale		2,635
	22,861	**28,220**
	84,144	**86,316**

Cash flow statement[1]

€ million	Jan – Mar 2015	Jan – Mar 2014
Income from continuing operations	822	1,081
Depreciation, amortisation, impairment losses/write-backs	574	562
Changes in provisions	937	168
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	−78	−243
Changes in working capital	−2,882	−1,675
Cash flows from operating activities of continuing operations	**−627**	**−107**
Cash flows from operating activities of discontinued operations	−125	264
Cash flows from operating activities	**−752**	**157**
Capital expenditure on non-current assets/acquisitions	−415	−740
Proceeds from disposal of assets/divestitures	4,758	271
Changes in marketable securities and cash investments	−2,943	441
Cash flows from investing activities of continuing operations[2]	**1,400**	**−28**
Cash flows from investing activities of discontinued operations	−111	−144
Cash flows from investing activities[2]	**1,289**	**−172**
Cash flows from financing activities of continuing operations	**−801**	**−142**
Cash flows from financing activities of discontinued operations	260	−121
Cash flows from financing activities	**−541**	**−263**
Net cash change in cash and cash equivalents	−4	−278
Effect of changes in foreign exchange rates and other changes in value on cash and cash equivalents	27	1
Net change in cash and cash equivalents	**23**	**−277**
Cash and cash equivalents at the beginning of the reporting period	3,257	3,950
of which: reported as "Assets held for sale"	−86	
Cash and cash equivalents at the beginning of the reporting period as per the consolidated balance sheet	3,171	3,950
Cash and cash equivalents at the end of the reporting period	**3,280**	**3,673**

1 Prior-year figures adjusted.
2 After transfer to contractual trust arrangements (€1,258 million).

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Accumu-lated other comprehensive income	**RWE AG shareholders' interest**	RWE AG hybrid capital investors' interest	Non-controlling interests	**Total**
Balance at 1 Jan 2014	**3,959**	**5,062**	**−1,283**	**7,738**	**2,701**	**1,698**	**12,137**
Capital paid in						24	24
Dividends paid					−63	−75	−138
Income		995		995	26	102	1,123
Other comprehensive income		−102	−534	−636		−88	−724
Total comprehensive income		893	−534	359	26	14	399
Other changes					10		10
Balance at 31 Mar 2014	**3,959**	**5,955**	**−1,817**	**8,097**	**2,674**	**1,661**	**12,432**
Balance at 1 Jan 2015	**3,959**	**5,008**	**−1,579**	**7,388**	**2,705**	**1,679**	**11,772**
Dividends paid					−72	−102	−174
Income		2,166		2,166	38	142	2,346
Other comprehensive income		−816	348	−468		−18	−486
Total comprehensive income		1,350	348	1,698	38	124	1,860
Other changes		97		97		69	166
Balance at 31 Mar 2015	**3,959**	**6,455**	**−1,231**	**9,183**	**2,671**	**1,770**	**13,624**

NOTES

Accounting policies

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

The interim consolidated financial statements as of 31 March 2015 were approved for publication on 11 May 2015. They have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU.

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

The discount rate applied to provisions for nuclear waste management and provisions for mining damage is 4.6% (31 December 2014: 4.6%). Provisions for pensions and similar obligations are discounted at an interest rate of 1.4% in Germany and 3.1% abroad (31 December 2014: 2.1% and 3.4%, respectively).

Changes in accounting policies

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

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

These new policies do not have any material effects on the RWE Group's consolidated financial statements.

Scope of consolidation

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

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

Number of fully consolidated companies	Germany	Abroad	Total
1 Jan 2015	**154**	**187**	**341**
First-time consolidation	7	3	10
Deconsolidation	−13	−7	−20
Mergers	−1	−4	−5
31 Mar 2015	**147**	**179**	**326**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
1 Jan 2015	**70**	**24**	**94**
Acquisitions			
Disposals	−2		−2
Other changes		1	1
31 Mar 2015	**68**	**25**	**93**

Furthermore, five companies are presented as joint operations.

Disposals

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

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

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

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

RWE Dea was accounted for as a discontinued operation until 28 February 2015, after which it was deconsolidated. The gain on the deconsolidation amounted to €1,453 million and has been recognised in "Income from discontinued operations" on the income statement. Prior-year figures were adjusted on the income and cash flow statements in compliance with IFRS 5.

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

Key figures for discontinued operations € million	Jan – Mar 2015	Jan – Mar 2014
Revenue (including natural gas tax)	285	574
Expenses/income	1,296	−383
Income from discontinued operations before tax	1,581	191
Taxes on income	−57	−149
Income from discontinued operations	1,524	42

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

Of the share of RWE AG shareholders in the sum of recognised income and expenses (total comprehensive income), €135 million (previous year: €301 million) was allocable to continuing operations and €1,563 million (previous year: €58 million) was allocable to discontinued operations.

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

Revenue

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

Share-based payment

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

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

Dividend distribution

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

Financial liabilities

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

Earnings per share

		Jan – Mar 2015	Jan – Mar 2014
Net income/income attributable to RWE AG shareholders	€ million	2,166	995
Number of shares outstanding (weighted average)	thousands	614,745	614,745
Basic and diluted earnings per common and preferred share	€	3.52	1.62

Related party disclosures

The RWE Group classifies associated companies and joint ventures as related parties. In the first quarter of 2015, transactions concluded with material related parties generated €856 million in income (first quarter of 2014: €1,025 million) and €776 million in expenses (first quarter of 2014: €777 million). As of 31 March 2015, accounts receivable amounted to €733 million (31 December 2014: €600 million), and accounts payable totalled €292 million (31 December 2014: €292 million). All business transactions are concluded at arm's length conditions and on principle do not differ from those concluded with other companies. Other obligations from executory contracts amounted to €1,295 million (31 December 2014: €1,212 million).

Reporting on financial instruments

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

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

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

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

As a rule, the carrying amounts of financial assets and liabilities subject to IFRS 7 are identical with their fair values. There are deviations only in relation to bonds, bank debt, and other financial liabilities. Their carrying amounts totalled €18,089 million (31 December 2014: €18,566 million) and their fair values totalled €21,584 million (31 December 2014: €21,183 million).

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

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

Fair value hierarchy € million	Total 31 Mar 2015	Level 1	Level 2	Level 3	Total 31 Dec 2014	Level 1	Level 2	Level 3
Other financial assets	812	39	245	528	958	39	364	555
Derivatives (assets)	6,362		6,297	65	7,491		7,422	69
of which: used for hedging purposes	(1,677)		(1,677)		(1,459)		(1,459)	
Securities	6,766	4,078	2,688		4,410	1,967	2,443	
Assets held for sale					142		142	
Derivatives (liabilities)	6,306		6,299	7	7,408		7,404	4
of which: used for hedging purposes	(2,209)		(2,209)		(2,369)		(2,369)	
Liabilities held for sale					93		93	

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

Level 3 financial instruments: Development in 2015 € million	Balance at 1 Jan 2015	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 31 Mar 2015
			Recognised in profit or loss	With a cash effect	
Other financial assets	555	5	–25	–7	528
Derivatives (assets)	69	1	3	–8	65
Derivatives (liabilities)	4		3		7

Level 3 financial instruments: Development in 2014 € million	Balance at 1 Jan 2014	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 31 Mar 2014
			Recognised in profit or loss	With a cash effect	
Other financial assets	394	66	–1	13	472
Derivatives (assets)	101	–1	–18	–18	64
Derivatives (liabilities)	6	–1	2	–2	5

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total Jan – Mar 2015	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan – Mar 2014	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	15	15		
Cost of materials	–7	–7	–20	–20
Other operating income/expenses	3	3		
Income from investments	–29		–1	–1
Income from discontinued operations	–7	–7		
	–25	**4**	**–21**	**–21**

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

All other things being equal, rising gas prices cause the fair values to increase and vice-versa. A change in pricing by +/–10 % would cause the market value to rise by €5 million or decline by €5 million.

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

Netting of financial assets and financial liabilities as of 31 Mar 2015 € million	Gross amounts recognised	Amount set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/ pledged	
Derivatives (assets)	8,027	–7,045	982		–339	643
Derivatives (liabilities)	7,705	–6,878	827	–107	–592	128

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

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

Events after the balance-sheet date

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

FINANCIAL CALENDAR 2015/2016

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

This document was published on 13 May 2015. It is a translation of the German interim report on the first quarter of 2015.
In case of divergence from the German version, the German version shall prevail.

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

RWE Aktiengesellschaft

Opernplatz 1
45128 Essen
Germany

T +49 201 12–00
F +49 201 12–15199
I www.rwe.com

Investor Relations

T +49 201 12–15025
F +49 201 12–15033
I www.rwe.com/ir
E invest@rwe.com