RWE

Interim report on the first half of 2020

RWE confirms earnings forecast for 2020 // Operations only slightly affected by corona crisis so far // First-half adjusted EBITDA rises to €1.8 billion // Asset swap with E.ON successfully completed after more than two years

At a glance

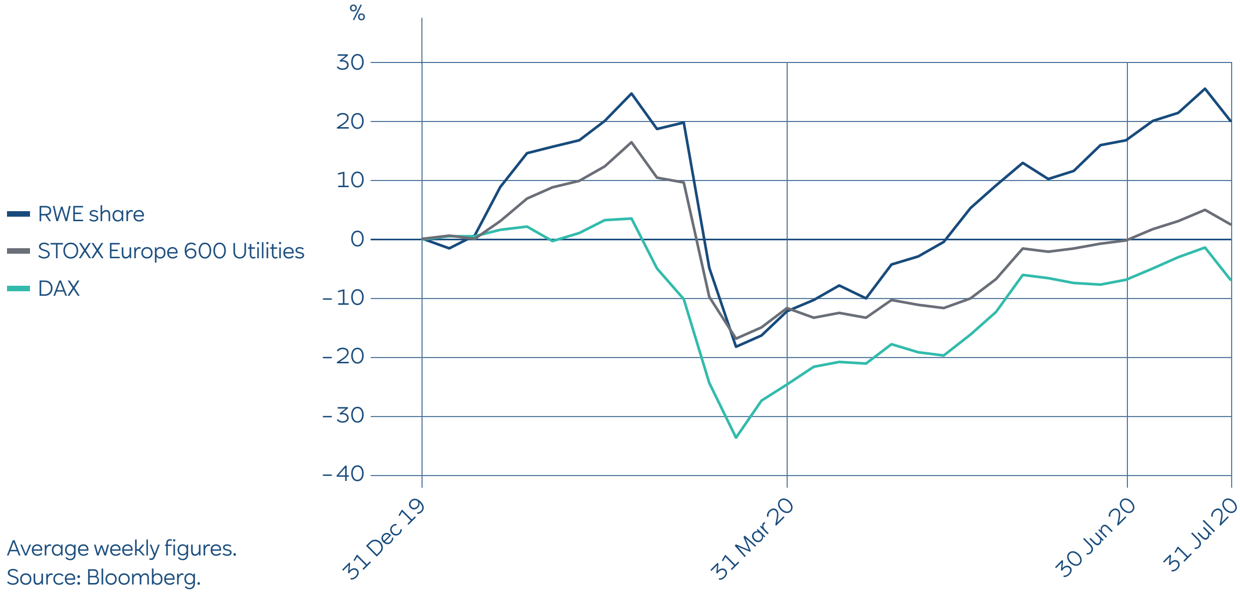
RWE Group – key figures		Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Power generation	billion kWh	64.5	73.7	-9.2	153.2
External revenue (excluding natural gas tax/electricity tax)	€ million	6,475	6,441[1]	34	13,125
Adjusted EBITDA	€ million	1,807	1,130	677	2,489
Adjusted EBIT	€ million	1,088	617	471	1,267
Income from continuing operations before taxes	€ million	1,446	-67	1,513	-752
Net income	€ million	1,010	830	180	8,498
Adjusted net income	€ million	795	–	–	–
Earnings per share	€	1.64	1.35	0.29	13.82
Adjusted net income per share	€	1.29	–	–	–
Cash flows from operating activities of continuing operations	€ million	1,171	-1,136	2,307	-977
Capital expenditure[2]	€ million	1,040	560	480	1,771
Property, plant and equipment and intangible assets	€ million	988	547	441	1,767
Financial assets	€ million	52	13	39	4
Free cash flow	€ million	248	-1,647	1,895	-2,053
		30 Jun 2020	31 Dec 2019		
Net debt of continuing operations[3]	€ million	7,785	6,927	858	
Workforce[4]		19,710	19,792	-82	

1 Prior-year figures restated; see page 116 of the 2019 Annual Report for related commentary.
2 Only cash investments; prior-year figures restated accordingly.
3 New definition and restated prior-year figure; see commentary on page 20.
4 Converted to full-time positions.

Contents

RWE share registers H1 total return of 17 % despite difficult market environment

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



Average weekly figures.
Source: Bloomberg.

Corona crisis sends stock markets into free fall – recovery in second quarter

Investors on stock markets faced a turbulent first six months due to the corona pandemic. Hitting an all-time high of nearly 13,800 points in February, Germany's blue chip index lost more than a third of its value in the following four weeks. This was primarily because the corona crisis came to a head and lockdown measures were taken by numerous governments, causing parts of the economy to come to a temporary standstill. After bottoming out in mid-March, the DAX climbed strongly back upwards. The loosening of the lockdown rules in the second quarter and the announcement of state stimulus packages provided much-needed tailwind. The rapid onset of the recovery of the Chinese economy also had a positive impact. By the end of the first half of the year, the DAX was at 12,311 points, just 7 % below its last quotation in 2019. In July, the German lead index temporarily nudged back above the 13,000-point mark.

RWE share among leading stocks in DAX

The RWE share stood its ground in this difficult market environment, closing June at €31.11. Including the dividend of €0.80, this corresponds to a total return of 17 % for the first half of the year. As a result, the RWE share outpaced not only the DAX, but also the STOXX Europe 600 Utilities sector index, which recorded a performance of – 0.5 %. Our transformation into a leading renewable energy company provides us with a large share of regulated income, which gives us stability in times of crisis. Furthermore, we typically secure a large portion of our generation by selling it up to three years forward. Therefore, the decline in wholesale electricity prices and volumes caused by the corona crisis does not have a notable impact on our current earnings. An important driver of our share price is our growth strategy in the renewable energy business, which is widely endorsed by the capital market. The fact that policymakers and industry agreed on the framework conditions of Germany's coal phaseout and that the resulting regulations were enshrined in law before the summer recess was also well received (see also pages 7 et seq. of this report).

Economic environment

Negative economic growth in all RWE core markets

Based on preliminary estimates, global economic output in the first half of 2020 was 6 % lower than in the same period last year. The coronavirus pandemic and the infection control measures triggered by it led to substantial declines in the gross domestic product (GDP) of major industrial nations. Economic experts estimate that Eurozone GDP was down by about 9 %. Based on available data, the decline in Germany, the largest economy in the currency area, amounted to some 7 %. The Dutch economy probably shrank by approximately 6 %. GDP in the United Kingdom and the USA is likely to have decreased by approximately 8 % and 5 %, respectively.

German power consumption estimated to be 5 % down year on year

Economic output dragged down demand for energy. According to initial data from the German Association of Energy and Water Industries (BDEW), German electricity usage in the first half of the year was roughly 5 % down on 2019. Experts estimate similar declines for the Netherlands (– 5 %), the United Kingdom (– 7 %) and the USA (– 4 %). The main reasons were the restrictions in industrial production due to the corona crisis. The mild weather also came to bear, albeit to a lesser degree, because less electricity was needed for heating purposes.

Improved wind conditions in northern and eastern Europe

The utilisation and profitability of renewable energy assets greatly depend on weather conditions. This is why wind speeds are extremely important to us. At our generation sites in northern and central Europe, they were generally higher than the long-term average, whereas they were lower or unchanged at most of our locations in southern Europe and the USA. Compared to 2019, there was a substantial increase in some of the wind speeds measured in the United Kingdom and Sweden. Our wind farms in central Europe and the US northwest also benefited from more favourable wind conditions, whereas wind speeds were down on the whole in southern Europe and the east of the USA. The utilisation of run-of-river power stations strongly depends on precipitation and melt water volumes. In Germany, where most of our run-of-river power plants are located, these volumes remained far below the long-term average in the period under review. They were also down on the first half of 2019.

Gas prices remain very low

The dispatch times and margins of conventional power stations strongly depend on the development of the cost of fuel and emission allowances. Natural gas, our most important freely tradable energy source, is currently very cheap. In the first six months, spot prices at the Dutch Title Transfer Facility (TTF) – the main gas trading hub in Continental Europe – averaged €8/MWh. This was half as much as a year before. An important role was played by low demand for heating due to the mild winter weather. Furthermore, gas usage in industrial production was down due to the corona crisis. Quotations in forward trading also dropped. The 2021 TTF forward cost an average of €13/MWh in the reporting period, which was €6 less than the 2020 TTF forward in the first half of 2019.

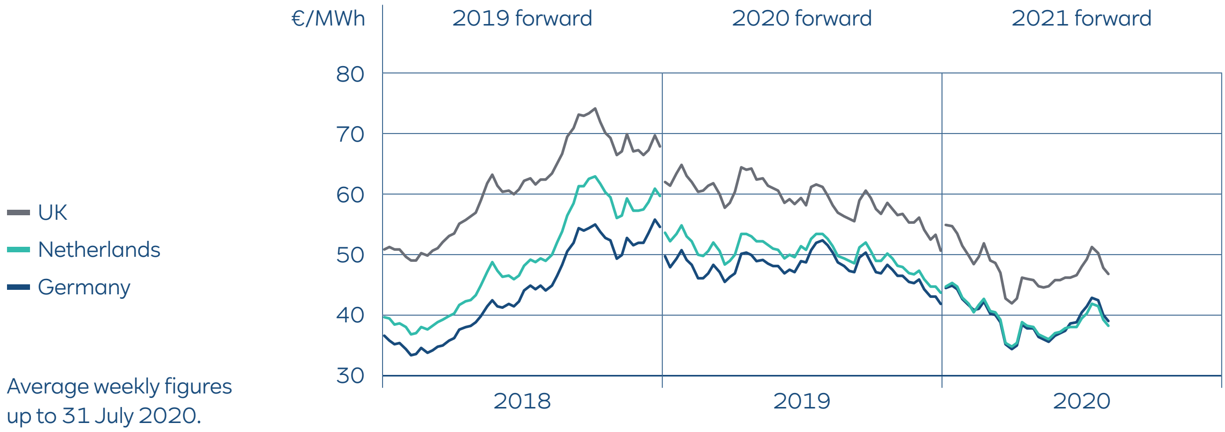
Declining demand curbs hard coal prices

Prices paid for hard coal used in power plants (steam coal) also declined considerably. In the period being reviewed, deliveries to the ARA ports (ARA = Amsterdam, Rotterdam and Antwerp) including freight and insurance were settled for an average of US$46/metric ton (€42), as opposed to US$65/metric ton in the first six months of last year. The decrease was mainly driven by demand: very little use was made of coal-fired power stations in Europe. One reason for this was the extremely low level of gas prices, as this improved the competitiveness of gas in relation to coal. The corona-induced drop in demand for energy also reduced demand for hard coal. Many buyers and sellers expect the market environment for coal-fired power plants to remain difficult, not least due to the relatively high CO_2 emissions of these stations and the associated cost disadvantages. The negative sentiment was reflected in the development of hard coal forward prices: the 2021 forward (API 2 Index) cost an average of US$57/metric ton (€51) in the first half of the year, US$17 less than what was paid for the 2020 forward in 2019.

CO_2 emissions trading: corona only causes temporary price drop

An important cost factor of fossil fuel-fired power stations is the procurement of CO_2 emission allowances. An EU Allowance (EUA), which confers the right to emit one metric ton of carbon dioxide, traded for an average of €22 in the first six months of 2020, compared to €24 in the same period in 2019. These figures relate to contracts for delivery that mature in December of the following year. At the start of 2020, EUAs traded for €25. The corona crisis drove their price below €16 in March, because the drop in industrial output resulted in a decrease in carbon dioxide emissions and in turn a decline in demand for emission allowances. In the second quarter, quotations trended strongly back upwards, and by the end of June they had returned to the level seen at the beginning of the year. In addition to the materialising economic recovery, political initiatives for improved climate protection also contributed to the increase in price, in particular the European Green Deal. This package of measures, the implementation of which the EU is spurring determinedly, envisages significantly raising the greenhouse gas reduction goals for 2030, among other things. The implementation of this endeavour requires a revision of the European Emissions Trading System and a downward adjustment to the volume of allowances put on the market going forward. Many participants in emissions trading therefore expect a substantial shortage of EUAs available to utilities and industry in the long run.

One-year forward prices of base-load electricity on the wholesale market



Average weekly figures up to 31 July 2020.
Source: RWE Supply & Trading.

Significant price drop on electricity forward markets

The steep decline in the price of hard coal and natural gas characterised developments on electricity forward markets. The detrimental effect of the corona crisis on demand for electricity also came to bear. In the first half of 2020, base-load power traded for an average of €23/MWh on the German spot market, compared to €38/MWh in the same period last year. Spot prices decreased from £47 to £28/MWh (€33) in the United Kingdom and from €44 to €26/MWh in the Netherlands. Prices on forward markets were much higher than in spot trading. However, they also registered a substantial drop compared to 2019. In Germany, the 2021 base-load forward cost an average of €39/MWh, as opposed to €48 for the 2020 forward in the first half of 2019. In the United Kingdom, the price of the one-year forward declined from £53 to £41/MWh (€47), and in the Netherlands it dropped from €51 to €39/MWh.

Electricity forward sales for 2020: slight year-on-year improvement in margins

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, our electricity revenue in the period under review was determined by the conditions at which we concluded forward contracts for 2020 in earlier years. The 2020 generation of our lignite and nuclear power plants, which mostly cover the need for base-load electricity, was sold fairly early. The resulting average prices and margins were higher than for last year's generation. We sold forward the generation of our hard coal and gas-fired power stations with a shorter lead time. The prices realised here also rose, but the significant increase in the price of CO_2 emission allowances prior to 2020 had a substantial counteracting effect on margins. Whereas, on the whole, the spreads of our gas-fired power plants on the forward market were higher than in 2019, those of our hard coal-fired power stations remained low.

Major events

In the period under review

Asset swap with E.ON finalised: RWE takes ownership of innogy's renewable energy business

At the end of June, we successfully completed our asset swap with E.ON, marking one of the biggest transactions in German industrial history. The swap was agreed in early 2018 and implemented in two steps once all the legal requirements were met. First, we sold our 76.8 % stake in innogy in exchange for which we received E.ON's renewable energy business, a 16.7 % shareholding in E.ON and the non-controlling interests in our Gundremmingen (25 %) and Emsland (12.5 %) nuclear power plants from E.ON subsidiary PreussenElektra. These transfers took place shortly after the asset swap was approved by the European Commission in September 2019. The second step, which took effect at the end of the day on 30 June 2020, involved E.ON returning to us parts of the innogy portfolio, i.e. the renewable energy business, the German and Czech gas storage facilities and a 37.9 % stake in the Austrian power utility Kelag. We had recorded these activities in our Group figures before they were transferred back to us, as they were already assigned to us commercially. Now they belong to RWE also in legal terms.

Peyton Creek wind farm in Texas starts commercial operation

In March 2020, Peyton Creek, our new onshore wind farm located in the US state of Texas, went into commercial operation. It consists of 48 wind turbines with a combined capacity of 151 MW. Although construction work was curtailed by Tropical Storm Imelda, Peyton Creek managed to go online without any delay. We are building two more large-scale onshore wind farms in Texas: Cranell, with a capacity of 220 MW, and Big Raymond (440 MW). Completion of both these wind farms will be delayed due to the corona crisis. We currently expect to finish Cranell and the eastern part of Big Raymond (200 MW) this year, with the western part of Big Raymond (240 MW) being scheduled for the beginning of 2021.

Go-ahead for construction of North Sea wind farm Kaskasi

Also in March of this year, we made the final investment decision to build the Kaskasi wind farm in the German North Sea. It will be located 35 kilometres north of the island of Heligoland. Altogether, its 38 turbines will have an installed capacity of 342 MW, enough to power approximately 400,000 homes. Offshore construction work is scheduled to start in 2021. Based on our current planning, Kaskasi should be fully operational by as early as 2022. A novel vibration technique will be used to install the foundations 18 to 25 metres under water. This new method reduces noise emissions that can affect marine fauna and shortens construction time. Another advantage is that Kaskasi will be located near our Nordsee Ost and Amrumbank wind farms, enabling operation and maintenance synergies to be leveraged.

RWE acquires state-of-the-art gas-fired power plant in the east of England

We cemented our position as a leading generator of electricity from gas in the UK. In mid-February 2020, we bought the King's Lynn gas-fired power station in Norfolk (eastern England) from the British energy utility Centrica for £101 million. The station has a net installed capacity of 382 MW and boasts a high efficiency of 57 %. Its operating mode can be adapted flexibly in response to demand. A capacity market contract secures fixed payments for King's Lynn from October 2020 to September 2035. Recently, the power plant was modernised extensively, which included equipping it with a new gas turbine.

Official closure of RWE's last hard coal power station in the UK

Located in Wales, our last UK hard coal-fired power plant Aberthaw B was officially decommissioned on 31 March 2020. The station had been offline since December 2019. It consisted of three units with a total net capacity of 1,560 MW. Its British capacity market obligations through to the end of September 2021 were transferred to third-party stations or other units within RWE's power plant fleet. Aberthaw B was commissioned in 1971 and has thus contributed to security of supply in the United Kingdom for nearly half a century.

RWE successful in capacity market auctions in Great Britain

The UK government held three capacity market auctions in the first quarter of 2020. The first round of bids, which took place at the end of January, related to the delivery period from 1 October 2022 to 30 September 2023. With the exception of some small generation assets, all RWE power plants represented in the auction qualified for a capacity payment. Together, they have a secured capacity of 6.5 GW. These stations will be remunerated for being online during the aforementioned period and thereby contributing to power supply. However, at £6.44/kW (before being adjusted for inflation), the capacity payment established in the auction was lower than expected by most market observers.

At the beginning of February, a second auction was held, which related to the delivery period from 1 October 2020 to 30 September 2021. An earlier auction for this period had already taken place in December 2016, at which RWE stations with a total capacity of 8.0 GW (including Aberthaw) qualified for a payment of £22.50/kW. The recent auction was held to close remaining capacity gaps. Contracts for an additional 1.0 GW in generation capacity for a payment of £1.00/kW were won at the recent auction. RWE entered a small asset, which did not submit a successful bid.

In the third auction, which took place in early March, we again secured a payment for 6.5 GW of capacity. The power plants in question will receive a payment of £15.97/kW (before being adjusted for inflation) for the period from 1 October 2023 to 30 September 2024.

Capacity auctions have been held in Great Britain since 2014. The government's objective is to ensure that a sufficient amount of generation capacity is available to the national market. In November 2018, the British capacity market was suspended for about a year, because the Court of the European Union declared the approval granted by the European Commission null and void. After renewed clearance under state aid law from Brussels in October 2019, capacity payments were resumed and the postponed auctions were held. In January 2020, we received approximately €50 million in retroactive payments for 2018 and about €180 million for 2019. In our income statement, we already recognised these cash inflows with an effect on fiscal 2019.

Interruption of biomass usage in Eemshaven power station due to fire damage

In mid-May, a biomass supply unit at our Eemshaven power plant in the Netherlands sustained fire damage. No one was injured. Due to the incident, we will probably be limited to operating the two blocks using hard coal only through to the end of November 2020. Since it will be impossible to co-fire biomass during this period, the corresponding subsidies will be suspended. Furthermore, storing biomass which we purchased forward early on will place a financial burden on us. We currently estimate that our earnings will be curtailed by a low to medium double-digit million euro amount, largely in the second half of the year.

RWE pays dividend of €0.80 per share for fiscal 2019

On 26 June 2020, the Annual General Meeting of RWE AG approved the dividend proposal by the Executive Board and the Supervisory Board for fiscal 2019. Accordingly, we paid a dividend of €0.80 per share on 1 July 2020. For fiscal 2020, the Executive Board is targeting €0.85. Due to the distancing rules in reaction to the corona pandemic, we held the entire Annual General Meeting online for the first time. Shareholder participation represented 63.37 % of the capital stock bearing voting rights (previous year: 61.29 %).

After the period under review

German Lower and Upper House adopt legal framework for German coal phaseout

On 3 July, Germany's Lower and Upper Houses of Parliament passed the Law on the Reduction and End of Electricity Generation from Coal and on the Amendment of Further Laws (Coal Phaseout Act). The new law is based on the recommendations of the Government's Growth, Structural Change and Employment Commission of January 2019 and envisages phasing out the use of coal to produce electricity in Germany by 2038. The Act also includes regulations on constantly monitoring security of supply, cancelling CO_2 allowances that are freed up, and introducing an adjustment allowance for older employees in the coal sector as well as an authorisation to compensate power consumers in the event of a rise in the price of electricity caused by the coal phaseout. The new law raises Germany's renewable energy expansion target to 65 % by 2030. In addition, combined heat and power generation subsidies have been prolonged and updated in order to promote conversions of hard coal-fired power plants to spur climate-friendly electricity supply.

Now there is a roadmap for shutting down lignite-fired power stations, which the government has agreed with the affected states and energy companies. It envisages RWE implementing most of the initial capacity reductions. We will decommission the first 300 MW block in the Rhenish lignite mining area as early as the end of 2020, followed by three additional 300 MW units next year. Another 300 MW facility as well as two 600 MW blocks will follow in 2022. The power stations in Neurath and Niederaussem will be most heavily affected by these plans, along with Weisweiler, albeit to a lesser extent. Thereafter, capacity remaining at the Weisweiler power station will gradually be taken off the grid: a 300 MW block in 2025 and two 600 MW units in 2028 and 2029, respectively. The Inden opencast mine, which exclusively supplies Weisweiler with lignite, will then also be closed. We will shut down our last two 600 MW blocks at the end of 2029, one of which will be placed on a four-year security standby starting on 1 January 2030. This will only leave our three most modern lignite units at 1,000 MW apiece on the market from 2030 onwards.

The closures will have considerable consequences for the opencast mines as they will prevent us from extracting more than half of the lignite reserves for which we were granted a permit. Hambach Forest will be preserved. Of our three opencast mines in the Rhenish lignite mining region – Inden, Hambach and Garzweiler – only the third will stay operational from 2030 onwards to supply the remaining assets with fuel. Accordingly, a clause setting out the energy sector's need for the Garzweiler II opencast mine was introduced into the Act.

The lignite phaseout will place a considerable financial burden on our company. The Act envisages us receiving €2.6 billion in compensation in equal instalments over 15 years. However, the damage we will actually incur will clearly exceed this sum. The compensation claim against the federal government and a large part of the expected burden were already reflected in last year's consolidated financial statements (see page 43 of the 2019 Annual Report). Intended recipients of state compensation in addition to RWE include the affected workforce. Our current plans envisage over 3,000 of the approximately 10,000 jobs in our lignite business being cut in the short term. By 2030, this figure could increase to around 6,000. The Coal Phaseout Act provides for an adjustment allowance and compensation for any disadvantages concerning statutory pensions. It is envisaged that these will be paid by the federal government.

The lignite phaseout is supplemented by a public-law contract drawn up by the federal government and the operators. The contract contains numerous provisions in particular regarding the implementation of the shutdowns and the compensation. The objective is to protect the legitimate claims of the affected power producers. In exchange, the companies pledge to refrain from staking further claims and to renounce filing related lawsuits, among other things. The contract has been submitted to Germany's Lower House for approval. Just like the Coal Phaseout Act, the contract is subject to approval under EU state aid law.

The Act also sets out the details of the hard coal phaseout. It stipulates that auctions decide which hard coal capacities are taken off the grid and how much their operators receive in compensation. The draft law envisages annual tender procedures from 2020 to 2027. However, operator bids will be subject to specific caps which are set to be lowered from €165,000/MW to €89,000/MW during the aforementioned period. Thereafter, the proposed legislation allows the regulator to order closures without compensation. If the tenders do not result in enough shutdowns, starting in 2024, power plant operators could be ordered to shut down stations without compensation.

German government seeks to provide up to €40 billion in assistance to coal regions

Also on 3 July, the German Lower House and Upper House adopted the Act on Strengthening the Structure of the Coal Regions. It envisages the federal government providing the lignite mining areas with up to €14 billion in financial aid for investments of major importance through to 2038. The Rhenish lignite mining region, in which we operate, is expected to receive 37 % of these funds, with 43 % and 20 % going to the Lausitz and Central German coal mining regions, respectively. The states can use the aid money to take a variety of measures such as investing in infrastructure associated with the industry and for their local public transport systems. On top of this, the federal government intends to support the regions with further measures. €26 billion has been earmarked for this, with measures including the expansion of the railway and road networks and establishing locations for research institutions.

RWE sets stage for acquisition of onshore wind and solar projects with total volume of 2.7 GW

In late July, we reached an agreement with Nordex, making us the exclusive bidder for the wind turbine manufacturer's European development business. The purchase price is €402.5 million. The business that is up for sale consists of a pipeline of onshore wind and solar projects with a total capacity of 2.7 GW. The lion's share of this, 1.9 GW, is in France. The pipeline also includes projects in Spain, Sweden and Poland. Approximately 15 % of the pipeline is nearly ready for a final investment decision or in an advanced stage of development. State subsidies have already been secured for 230 MW of generation capacity. The acquisition is subject to state approval for foreign investments in France. In addition, the process of involving the employees customary in the country must be implemented. The project volume offered for sale will supplement our current 22 GW development pipeline. Nordex's European development business includes a team of over 70. It is envisaged that these employees, most of whom reside in France, be integrated into the subsidiary RWE Renewables on conclusion of the transaction to develop further projects there.

Wood pellet manufacturer Georgia Biomass sold to Enviva Partners

At the end of July, we sold Georgia Biomass Holding to US-based Enviva Partners. The agreed price is US$175 million. Georgia Biomass operates a large-scale plant in Waycross, Georgia, which manufactures wood pellets for industrial use. Over 800,000 metric tons were produced there last year. Our disposal of Georgia Biomass is in line with our new strategic orientation. Wood pellet production is no longer one of our core businesses. The buyer Enviva Partners, based in Bethesda, Maryland, ranks among the world's leading companies in this field.

Supervisory Board establishes succession plan: Markus Krebber set to become CEO of RWE AG in mid-2021

The Supervisory Board of RWE AG appointed Markus Krebber (47) CEO of RWE AG with effect from 1 July 2021. The resolution was passed by circular at the end of July 2020 and also stipulates that Markus Krebber's tenure as a member of the Executive Board be extended by a further period expiring on 30 June 2026. He will succeed Rolf Martin Schmitz (63), as CEO, who has held this office since 2016. Mr. Schmitz's contract will expire in the middle of 2021. With this succession plan, the Supervisory Board wants to ensure that RWE maintains its new strategic course. On completion of a degree in economics, Markus Krebber worked in business consulting followed by the financial services sector. In 2012, he joined the RWE Group on the Board of Directors of RWE Supply & Trading. Markus Krebber has been the CFO of RWE AG since 2016. Together with Rolf Martin Schmitz, he was a driving force behind the asset swap with E.ON, which turned RWE into a leading renewable energy company.

Commentary on reporting

RWE Group realigned due to asset swap with E.ON

In this year's financial reporting, we present the Group in a new structure. We have eliminated the provisional 'innogy – continuing operations' and 'acquired E.ON operations' segments shown in the 2019 Annual Report and broken down the generation activities by energy source. This reflects the integration of the assets that we received as a result of the transaction with E.ON. We now distribute our business among the following five segments: (1) Offshore Wind, (2) Onshore Wind / Solar, (3) Hydro / Biomass / Gas, (4) Supply & Trading and (5) Coal / Nuclear. Segments (1) to (4) represent our core business. This is where we want to grow. In (5), we have pooled our German electricity generation from lignite, hard coal and nuclear fuel, which will lose importance due to exit roadmaps established by the state. Figures for 2019 have been adapted to the new segment structure retroactively to enable comparability.

The segments are made up of the following activities:

- Offshore Wind: Our business involving offshore wind is subsumed here. It is overseen by our Group company RWE Renewables.

- Onshore Wind / Solar: This is the segment in which we pool our onshore wind, solar power and battery storage activities. Here again, operating responsibility lies with RWE Renewables.

- Hydro / Biomass / Gas: This segment encompasses our run-of-river, pumped storage, biomass and gas power stations. It also includes the Dutch Amer 9 and Eemshaven hard coal power plants, which we are increasingly co-firing with biomass, as well as the project management and engineering services specialist RWE Technology International. These activities are overseen by RWE Generation. The 37.9 % stake in the Austrian energy utility Kelag previously held by innogy is also assigned to Hydro / Biomass / Gas.

- Supply & Trading: This is where we report proprietary trading of energy commodities. The segment is managed by RWE Supply & Trading, which also acts as an intermediary for gas, supplies key accounts with energy, and undertakes a number of additional trading-related activities. The segment also includes the German and Czech gas storage facilities which we acquired from innogy.

- Coal / Nuclear: Our German electricity generation from lignite, hard coal, and nuclear fuel as well as our lignite production in the Rhenish mining region to the west of Cologne are subsumed in this segment. It also includes our investments in the Dutch nuclear power plant operator EPZ (30 %) and URANIT (50 %), which holds a 33 % stake in uranium enrichment specialist Urenco. The aforementioned activities and investments are assigned to our Group companies RWE Power (lignite and nuclear) and RWE Generation (hard coal).

Group companies with cross-segment tasks such as the Group holding company RWE AG are stated as part of the core business under 'other, consolidation'. This item also includes our 25.1 % stake in the German transmission system operator Amprion and consolidation effects.

Forward-looking statements

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

Business performance

Power generation January – June	Renewables		Pumped storage, batteries		Gas		Lignite		Hard coal		Nuclear		Total[1]	
Billion kWh	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Offshore Wind	3.7	1.4	–	–	–	–	–	–	–	–	–	–	3.7	1.4
Onshore Wind / Solar	8.9	2.5	–	–	–	–	–	–	–	–	–	–	8.9	2.5
Hydro / Biomass / Gas	2.8	2.0	1.0	0.9	21.1	24.7	–	–	1.5	5.7	–	–	26.5	33.3
of which:														
Germany[2]	1.0	1.2	1.0	0.9	4.3	3.0	–	–	–	–	–	–	6.4	5.1
United Kingdom	0.3	0.2	–	–	9.7	18.0	–	–	–	0.4	–	–	10.0	18.6
Netherlands	1.5	0.6	–	–	5.4	2.9	–	–	1.5	5.3	–	–	8.4	8.8
Turkey	–	–	–	–	1.7	0.8	–	–	–	–	–	–	1.7	0.8
Coal / Nuclear[2]	–	–	–	–	0.2	–	14.3	24.7	1.0	2.5	10.0	9.2	25.4	36.5
RWE Group	**15.4**	**5.9**	**1.0**	**0.9**	**21.3**	**24.7**	**14.3**	**24.7**	**2.5**	**8.2**	**10.0**	**9.2**	**64.5**	**73.7**

1 Including generation volumes not attributable to any of the energy sources mentioned (e.g. electricity from oil-fired power stations).
2 Including power procured from generation facilities not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. These purchases amounted to 1.1 billion kWh (previous year: 0.9 billion kWh) in the Hydro / Biomass / Gas segment and 0.3 billion kWh (previous year: 0.9 billion kWh) in the Coal / Nuclear segment.

Significant decline in electricity generation from coal-fired power plants

In the first half of 2020, the RWE Group produced 64.5 billion kWh of electricity, 12 % less than in the same period in 2019. This decrease is predominantly attributable to deteriorated market conditions for our lignite and hard coal power stations. The price-driven increased competitiveness of gas played a role here. Furthermore, the corona crisis and substantial amounts of wind power put on the system reduced demand for conventionally generated electricity. Due to these two factors, less use was made of our British gas-fired power stations than in 2019. By contrast, power production from gas was up in Germany, owing in particular to a significant reduction in the cost of this fuel. The latter also applies to the Netherlands where we also benefited from the recommissioning of the Claus C gas-fired power station, which had been offline for several years for reasons of profitability. The contribution of renewable energy to our electricity generation rose considerably. In the first six months, almost a quarter of our electricity was generated from renewables. This was primarily attributable to the first-time inclusion of the operations we acquired from E.ON in September 2019. In addition, we benefited from favourable wind conditions. The commissioning of new wind farms (e.g. Peyton Creek in Texas; for more information see page 5) and the fact that our Dutch hard coal-fired power plants Amer 9 and Eemshaven are now increasingly run on biomass also had a positive impact.

In addition to our in-house generation, we procure electricity from external suppliers. In the period under review, these purchases amounted to 26.0 billion kWh (previous year: 23.0 billion kWh). In-house generation and power purchases combined for 90.5 billion kWh (previous year: 96.7 billion kWh).

Electricity and gas sales 6 % and 55 % down year on year

In the period under review, the RWE Group sold 87.0 billion kWh of electricity and 18.1 billion kWh of gas. These volumes are largely attributable to the Supply & Trading segment. Our main product, electricity, registered a 6 % decline, primarily because generation from our power plants dropped, resulting in RWE Supply & Trading selling less RWE power on the wholesale market. RWE's gas sales decreased by 55 %. This is because we started recording gas sales by RWE Supply & Trading in the Czech Republic as pure trading transactions on 1 July 2019, eliminating them from sales volume and revenue.

External revenue[1] € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Offshore Wind	175	–	175	85
Onshore Wind / Solar	986	567	419	1,265
Hydro / Biomass / Gas	511	443	68	1,200
Supply & Trading	4,375	4,917	-542	9,554
Other, consolidation	6	5	1	6
Core business	**6,053**	**5,932**	**121**	**12,110**
Coal / Nuclear	422	509	-87	1,015
RWE Group (excluding natural gas tax/electricity tax)	**6,475**	**6,441**	**34**	**13,125**
Natural gas tax/electricity tax	104	75	29	152
RWE Group	**6,579**	**6,516**	**63**	**13,277**

1 Prior-year figures restated due to changed application of IFRS; see page 116 of the 2019 Annual Report for related commentary.

External revenue by product[1] € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Electricity revenue	**5,706**	**4,993**	**713**	**10,272**
of which:				
Offshore Wind	175	–	175	107
Onshore Wind / Solar	943	484	459	943
Hydro/Biomass / Gas	365	295	70	671
Supply & Trading	4,103	4,063	40	8,259
Other, consolidation	–	–	–	1
Core business	**5,586**	**4,842**	**744**	**9,981**
Coal / Nuclear	120	151	-31	291
Gas revenue	**231**	**832**	**-601**	**1,156**
of which:				
Hydro / Biomass / Gas	3	15	-12	22
Supply & Trading	228	817	-589	1,134
Core business	**231**	**832**	**-601**	**1,156**
Other revenue	**538**	**616**	**-78**	**1,697**
RWE Group (excluding natural gas tax/electricity tax)	**6,475**	**6,441**	**34**	**13,125**

1 Prior-year figures restated due to changed application of IFRS; see page 116 of the 2019 Annual Report for related commentary.

Electricity revenue up, gas revenue markedly down

The Group's external revenue totalled €6,475 million (excluding natural gas tax and electricity tax), slightly more than last year's corresponding figure (€6,441 million). Our electricity revenue rose by 14 % to €5,706 million despite the decline in generation volumes. Two effects came to bear here: we realised higher market prices for the electricity generation of our conventional power stations than in 2019 and we benefited from the shift in our production to electricity from renewables, for which we usually receive payments exceeding the market level. Conversely, our gas revenue dropped by 72 % to €231 million. In addition to the decrease in sales set out earlier, the reduction in gas prices was a contributing factor.

One indicator, which is increasingly attracting the attention of sustainability-oriented investors, is the percentage of Group revenue accounted for by coal-fired generation and other coal products. At 22 % in the first half of 2020, this share was below the comparable figure in 2019 (25 %).

Internal revenue € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Offshore Wind	497	263	234	682
Onshore Wind / Solar	112	38	74	271
Hydro / Biomass / Gas	1,473	1,719	- 246	3,409
Supply & Trading	1,523	2,032	- 509	3,266
Other, consolidation	- 3,335	- 3,412	77	- 6,900
Core business	**270**	**640**	**- 370**	**728**
Coal / Nuclear	1,339	1,156	183	2,385
Consolidation	- 1,609	- 1,796	187	- 3,113

Adjusted EBITDA € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Offshore Wind	585	236	349	614
Onshore Wind / Solar	273	121	152	295
Hydro / Biomass / Gas	324	221	103	672
Supply & Trading	322	461	- 139	731
Other, consolidation	- 7	- 37	30	- 129
Core business	**1,497**	**1,002**	**495**	**2,183**
Coal / Nuclear	310	128	182	306
RWE Group	**1,807**	**1,130**	**677**	**2,489**

Adjusted EBITDA 60 % up year on year

In the period under review, our adjusted earnings before interest, taxes, depreciation and amortisation (adjusted EBITDA) amounted to €1,807 million. Of this, €1,497 million was attributable to our core business, with the remaining €310 million coming from the Coal / Nuclear segment. Our adjusted EBITDA surpassed the previous year's figure by €677 million, or 60 %, primarily due to the first-time inclusion of the renewables business that we acquired from E.ON. The considerable increase in the utilisation of our wind farms and the reinstatement of the British capacity market also made a contribution to the rise in earnings. By contrast, our trading business was unable to match the exceptional earnings achieved in 2019, despite a strong performance.

Earnings developed as follows by segment:

- Offshore Wind: We recorded €585 million in adjusted EBITDA in this segment. This represents a significant increase over last year's figure (€236 million), which did not yet include the operations acquired from E.ON. Favourable wind conditions in northern and central Europe also had a major impact.

- Onshore Wind / Solar: Adjusted EBITDA posted here rose by €152 million to €273 million, benefiting from the same factors as the Offshore Wind segment. Furthermore, the commissioning of new generation capacity contributed to the rise in earnings.

- Hydro / Biomass / Gas: This segment's adjusted EBITDA advanced by €103 million to €324 million, mainly due to the reinstatement of the British capacity market. Capacity payments equivalent to €74 million were received for the first half of 2020, whereas these payments were suspended during the same period last year. Moreover, we benefited from a slight reduction in operating costs due in part to postponed power plant maintenance.

- Supply & Trading: Despite the sudden fall in commodity prices as a result of the corona crisis, our trading activities posted a very satisfactory result. However, we were unable to match the exceptional performance achieved in 2019. This explains why, at €322 million, adjusted segment EBITDA was fairly high, but considerably down on last year's corresponding figure (€461 million).

- Coal / Nuclear: Totalling €310 million, adjusted EBITDA improved by €182 million in this segment. One reason for this development was that we realised higher margins with our lignite-fired and nuclear power plants than in 2019. We had already sold forward nearly all of the production of these plants in earlier years. Another positive effect stemmed from our acquisition in September 2019 of the minority interests in the Gundremmingen and Emsland nuclear power plants previously held by E.ON.

Adjusted EBIT € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Offshore Wind	401	154	247	377
Onshore Wind / Solar	85	40	45	59
Hydro / Biomass / Gas	155	62	93	342
Supply & Trading	300	441	-141	691
Other, consolidation	-8	-37	29	-128
Core business	**933**	**660**	**273**	**1,341**
Coal / Nuclear	155	-43	198	-74
RWE Group	**1,088**	**617**	**471**	**1,267**

Our adjusted EBIT in the first six months of 2020 totalled €1,088 million, surpassing the figure recorded in the same period in 2019 by €471 million, or 76 %. It differs from adjusted EBITDA by way of operating depreciation and amortisation, which amounted to €719 million in the period being reviewed (previous year: €513 million).

Non-operating result € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Disposal result	–	21	-21	48
Effects on income from the valuation of derivatives and inventories	739	-431	1,170	81
Other	-77	-42	-35	-1,210
Non-operating result	**662**	**-452**	**1,114**	**-1,081**

The non-operating result, in which we recognise certain factors which are not related to operations or the period being reviewed, amounted to €662 million (first half of 2019: -€452 million). This significant improvement is essentially attributable to the item 'effects on income from the valuation of derivatives and inventories'. Here, we report temporary gains or losses that arise from the fact that IFRS stipulates that financial instruments used to hedge price risks be recognised at fair value as of the cut-off date, whereas the hedged underlying transactions may only be recognised with an effect on earnings once they are realised. In the first half of 2020, this resulted in a significantly positive contribution to earnings, as opposed to the substantially negative contribution in the same period last year.

Financial result € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Interest income	248	91	157	185
of which: E.ON dividend	182	–	182	–
Interest expenses	-168	-119	-49	-258
Net interest	**80**	**-28**	**108**	**-73**
Interest accretion to non-current provisions	-151	-213	62	-881
of which: interest accretion to mining provisions	-122	-56	-66	-581
Other financial result	-233	9	-242	16
Financial result	**-304**	**-232**	**-72**	**-938**

Compared to 2019, our financial result deteriorated by €72 million to -€304 million. Its components changed as follows:

- Net interest improved by €108 million to €80 million. This was mainly because we received our first dividend for the stake we acquired in E.ON in 2019, which currently amounts to 15%. A counteracting effect was felt from heavier interest burdens caused in part by the acquisition of E.ON's renewable energy business, because we are stating interest expenses which were incurred to finance onshore wind farms in the USA for the first time.

- The interest accretion to non-current provisions curtailed the result by €151 million (previous year: €213 million). In the period under review, we took a one-off charge due to a reduction of the discount rate we use to calculate our mining provisions. The rise in the present value of the obligations caused by the interest adjustment was partly considered as an expense in the interest accretion. A similar effect regarding our nuclear provisions curtailed earnings even more last year.

- The 'other financial result' deteriorated by €242 million to – €233 million. We suffered losses on our portfolio of securities due to the corona-induced turmoil on the capital markets, having achieved gains in 2019. In addition, unfavourable interest and exchange rate developments weighed on income from financial transactions.

Owing to the aforementioned developments, income before taxes from our continuing operations totalled €1,446 million (previous year: – €67 million). Taxes on income amounted to €449 million, which corresponds to an effective tax rate of 31 %. This relatively high figure is due to the fact that we cannot currently capitalise any deferred taxes in the RWE AG tax group unless they are offset by deferred tax liabilities. Deferred tax assets are an entitlement to future tax reductions resulting from differences in the recognition and/or measurement of assets and liabilities between the tax and IFRS balance sheets. The capitalisation of deferred taxes is subject to the prerequisite that taxable profits arise in future fiscal periods which allow the tax reduction to be used. This is currently not foreseeable for RWE AG's tax group. After taxes, income achieved by our continuing operations totalled €997 million (previous year: €84 million).

Income from discontinued operations amounted to €50 million. It is attributable to our stake in Slovak energy provider VSE, which we acquired from innogy in 2019 and intend to sell to E.ON as soon as possible (see page 45 of the 2019 Annual Report). The figure for the same period last year (€1,311 million) still contained the income of all the discontinued innogy operations which were sold, with the exception of VSE, in September 2019.

Non-controlling interests in income decreased by €513 million to €37 million because we divested our 76.8 % stake in innogy in September 2019.

Since the spring of 2019, there have been no more outstanding hybrid bonds which would be classified as equity pursuant to IFRS. Accordingly, the portion of earnings attributable to hybrid capital investors was zero. By contrast, last year it amounted to €15 million, which related to the £750 million hybrid bond we called on 20 March 2019.

The RWE Group's net income amounted to €1,010 million (previous year: €830 million). Based on the 614.7 million RWE shares outstanding, this corresponded to earnings per share of €1.64 (previous year: €1.35).

Adjusted net income totalled €795 million. This figure differs from net income according to IFRS in that the non-operating result, which reflects exceptional items, and other major non-recurrent effects are deducted from it. We did not calculate adjusted net income for 2019 because this figure would have been of limited informational value due to the significant one-off effects of the asset swap with E.ON.

Reconciliation to net income € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Adjusted EBITDA	**1,807**	**1,130**	**677**	**2,489**
Operating depreciation, amortisation and impairment losses	-719	-513	-206	-1,222
Adjusted EBIT	**1,088**	**617**	**471**	**1,267**
Non-operating result	662	-452	1,114	-1,081
Financial result	-304	-232	-72	-938
Income from continuing operations before taxes	**1,446**	**-67**	**1,513**	**-752**
Taxes on income	-449	151	-600	92
Income from continuing operations	**997**	**84**	**913**	**-660**
Income from discontinued operations	50	1,311	-1,261	9,816
Income	**1,047**	**1,395**	**-348**	**9,156**
of which:				
Non-controlling interests	37	550	-513	643
RWE AG hybrid capital investors' interest	–	15	-15	15
Net income/income attributable to RWE AG shareholders	**1,010**	**830**	**180**	**8,498**
Adjusted net income	**795**	**–**	**–**	**–**

Reconciliation to adjusted net income **January – June 2020** € million	Original figures	Adjustment	Adjusted figures
Adjusted EBIT	**1,088**	**–**	**1,088**
Non-operating result	662	-662	–
Financial result	-304	164	-140
Income from continuing operations before taxes	**1,446**	**-498**	**948**
Taxes on income	-449	307	-142
Income from continuing operations	**997**	**-191**	**806**
Income from discontinued operations	50	-50	–
Income	**1,047**	**-241**	**806**
of which:			
Non-controlling interests	37	-26	11
Net income/income attributable to RWE AG shareholders	**1,010**	**-215**	**795**

Capital expenditure on property, plant and equipment and on intangible assets[1] € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Offshore Wind	314	161	153	492
Onshore Wind / Solar	521	170	351	752
Hydro / Biomass / Gas	61	89	– 28	212
Supply & Trading	16	8	8	29
Other, consolidation	– 1	– 1	–	– 3
Core business	**911**	**427**	**484**	**1,482**
Coal / Nuclear	77	120	– 43	281
RWE Group	**988**	**547**	**441**	**1,767**[2]

1 Table only shows cash investments; prior-year figures restated accordingly.
2 Including a €4 million consolidation effect between the core business and the Coal / Nuclear segment.

Capital expenditure on financial assets[1] € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Offshore Wind	2	–	2	–
Onshore Wind / Solar	19	11	8	46
Hydro / Biomass / Gas	117	2	115	2
Supply & Trading	6	–	6	68
Other, consolidation	– 92	–	– 92	– 112
Core business	**52**	**13**	**39**	**4**
Coal / Nuclear	–	–	–	–
RWE Group	**52**	**13**	**39**	**4**

1 Table only shows cash investments; prior-year figures restated accordingly.

Capital expenditure up 86 % on 2019

In the first six months of 2020, capital expenditure amounted to €1,040 million (previous year: €560 million). Unlike in the past, we now only focus on capital expenditure with an effect on cash in our financial reporting. We spent €988 million on property, plant and equipment and intangible assets – much more than in 2019 (€547 million). The first-time inclusion of capital expenditure in the renewable energy business received from E.ON came to bear here. However, we posted a substantial increase even without this effect, because we are currently building two large-scale offshore wind farms: Triton Knoll off the coast of England and Kaskasi near Heligoland. Our capital spending on financial assets amounted to €52 million (previous year: €13 million). The most important transaction was the acquisition of the King's Lynn gas-fired power plant, on which we report on page 5. The negative figure (– €92 million) in the 'other, consolidation' line item is due to retroactive adjustments to the initial consolidation of the renewable energy business we acquired from E.ON in 2019.

Cash flow statement[1] € million	Jan – Jun 2020	Jan – Jun 2019	+/–	Jan – Dec 2019
Funds from operations	1,002	-268	1,270	1,809
Change in working capital	169	-868	1,037	-2,786
Cash flows from operating activities of continuing operations	**1,171**	**-1,136**	**2,307**	**-977**
Cash flows from investing activities of continuing operations	**-95**	**1,558**	**-1,653**	**474**
Cash flows from financing activities of continuing operations	**-807**	**-615**	**-192**	**189**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	-80	8	-88	13
Total net changes in cash and cash equivalents	**189**	**-185**	**374**	**-301**
Cash flows from operating activities of continuing operations	1,171	-1,136	2,307	-977
Minus capital expenditure	-1,040	-560	-480	-1,771
Plus proceeds from divestitures/asset disposals	117	49	68	695
Free cash flow	**248**	**-1,647**	**1,895**	**-2,053**

1 All items solely relate to continuing operations.

Operating cash flow reflects high operating income

Our continuing operations generated cash flows from operating activities of €1,171 million (previous year: -€1,136 million). The substantial improvement over 2019 is due in part to the good operating earnings. Furthermore, last year's corresponding figure was curtailed by cash outflows from the realisation of commodity forwards, on which we reported on page 19 of the report on the first half of 2019.

Investing activities of continuing operations led to a cash outflow of €95 million. This was predominantly due to capital expenditure on property, plant and equipment and financial assets, with proceeds from the sale of securities having a counteracting effect. The latter were much higher in the first half of 2019 and the main reason why cash flows from investing activities were positive, amounting to €1,558 million.

Financing activities of our continuing operations led to cash outflows of €807 million (previous year: €615 million). In the period under review, redemptions exceeded financial debt issuances. Our €19 million in dividend payments to co-owners of fully consolidated RWE companies only played a minor role. The dividend payment to our shareholders did not yet affect the cash flow statement because it was made as of 1 July.

On balance, the aforementioned cash flows from operating, investing and financing activities increased our cash and cash equivalents by €189 million.

Free cash flow reflected the significant rise in operating cash flows. At €248 million, it was clearly up on last year's corresponding figure (-€1,647 million).

Net debt[1] € million	30 Jun 2020	31 Dec 2019	+/–
Cash and cash equivalents	3,381	3,192	189
Marketable securities	2,579	3,523	-944
Other financial assets	2,798	2,383	415
Financial assets	**8,758**	**9,098**	**-340**
Bonds, other notes payable, bank debt, commercial paper	2,458	2,466	-8
Hedging of bond currency risk	6	7	-1
Other financial liabilities	3,893	3,147	746
Financial liabilities	**6,357**	**5,620**	**737**
Minus 50% of the hybrid capital recognised as debt	-560	-562	2
Net financial assets (including correction of hybrid capital)	**2,961**	**4,040**	**-1,079**
Provisions for pensions and similar obligations	3,509	3,446	63
Surplus of plan assets over benefit obligations	-406	-153	-253
Provisions for nuclear waste management	6,600	6,723	-123
Provisions for dismantling wind farms	1,043	951	92
Net debt of continuing operations	**7,785**	**6,927**	**858**
Net debt of discontinued operations	**247**	**232**	**15**
Net debt	**8,032**	**7,159**	**873**

1 New definition of net debt: see commentary in the text. In addition, prior-year figures restated due to retroactive adjustments to the initial consolidation of the renewable energy business acquired from E.ON in 2019.

Net debt rises to €8.0 billion

As of 30 June 2020, our net debt amounted to €8,032 million. Of this total, €7,785 million was attributable to our continuing operations, with €247 million being related to the stake in Slovak energy provider VSE, which is for sale. We have redefined net debt in our financial reporting on the current fiscal year. It no longer contains our mining provisions, which essentially cover our obligations to recultivate opencast mining areas. The assets we use to cover these provisions are also disregarded, e. g. our €2.6 billion claim against the state for damages from the lignite phaseout. We restated the prior-year figures accordingly. Despite high operating cash inflows, our net debt rose by €873 million compared to 31 December 2019. The substantial investing activities played a role. The dividend payment of €492 million approved by the Annual General Meeting on 26 June 2020 also drove up debt: although it was not made until 1 July 2020, it was already recognised as a financial liability in the half-year report.

Group balance sheet structure[1]	30 Jun 2020		31 Dec 2019	
	€ million	%	€ million	%
Assets				
Non-current assets	35,723	57.4	35,776	55.9
of which:				
Intangible assets	4,633	7.4	4,862	7.6
Property, plant and equipment	19,087	30.7	18,964	29.6
Current assets	26,476	42.6	28,241	44.1
of which:				
Trade accounts receivable	2,366	3.8	3,621	5.7
Receivables and other assets	15,794	25.4	15,311	23.9
Marketable securities	2,305	3.7	3,258	5.1
Assets held for sale	1,469	2.4	1,274	2.0
Total	**62,199**	**100.0**	**64,017**	**100.0**
Equity and liabilities				
Equity	16,521	26.6	17,474	27.3
Non-current liabilities	27,205	43.7	26,937	42.1
of which:				
Provisions	18,898	30.4	18,937	29.6
Financial liabilities	4,151	6.7	3,924	6.1
Current liabilities	18,473	29.7	19,606	30.6
of which:				
Provisions	2,219	3.6	2,638	4.1
Financial liabilities	2,200	3.5	1,689	2.6
Trade accounts payable	2,103	3.4	2,987	4.7
Other liabilities	11,414	18.4	11,782	18.4
Liabilities held for sale	537	0.9	510	0.8
Total	**62,199**	**100.0**	**64,017**	**100.0**

1 Prior-year figures restated due to retroactive adjustments to the initial consolidation of the renewable energy business acquired from E.ON in 2019.

H1 balance sheet: equity ratio drops to 26.6 %

As of the cut-off date for the half-year financial statements, the RWE Group had a balance-sheet total of €62.2 billion. This is €1.8 billion down on the figure recorded at the end of last year. Declines were registered above all in the securities on our books (– €1.0 billion) as well as in trade accounts receivable (– €1.3 billion) and payable (– €0.9 billion). A drop was also registered for equity, which declined by €1.0 billion to €16.5 billion. Its share of the balance-sheet total (equity ratio) amounts to 26.6 %, which is slightly lower than in 2019 (27.3 %). Our stake in Slovak energy utility VSE and the wood pellet producer Georgia Biomass Holding, which we have sold, are stated separately on the balance sheet under 'assets held for sale' (€1.5 billion) and 'liabilities held for sale' (€0.5 billion).

Workforce[1]	30 Jun 2020	31 Dec 2019	+/–
Offshore Wind	1,076	1,016	60
Onshore Wind / Solar	2,456	2,462	-6
Hydro / Biomass / Gas	2,811	2,893	-82
Supply & Trading	1,696	1,633	63
Other[2]	357	314	43
Core business	**8,396**	**8,318**	**78**
Coal / Nuclear	11,314	11,474	-160
RWE Group	**19,710**	**19,792**	**-82**

1 Converted to full-time positions.
2 This item currently only comprises employees of the holding company RWE AG.

Headcount marginally down on year-end 2019

As of 30 June 2020, the RWE Group's continuing operations had 19,710 people on the payroll, of which 14,878 were employed in Germany and 4,832 worked at locations abroad. Part-time positions were considered in these figures on a pro-rata basis. Personnel figures were down by 82 compared to the end of 2019. We recorded the biggest decline in the Coal / Nuclear segment, where headcount decreased by 160, to a certain extent due to partial retirement programmes. By contrast, the workforce in our core business grew by 78 employees. Large-scale projects such as the construction of the UK North Sea wind farm Triton Knoll played a major role. In addition, we need more employees to continue developing the Group's IT infrastructure. This led to new hires, above all in the Supply & Trading segment.

Outlook for 2020

IMF anticipates 5 % decline in global economic output

In view of the corona crisis, since the beginning of the year economic experts have made major downward adjustments to their growth expectations for 2020. As it remains uncertain how successfully the virus can be controlled and how long public life will be limited, current forecasts have a wide range of fluctuation. Estimates regarding world economic output run the gamut from – 2 % to – 6 %. The current prognosis of the International Monetary Fund (IMF) is – 5 %. The IMF's economists believe that German gross domestic product will decline by 8 %. Their current forecasts are similar for the Netherlands (– 7 %), the United Kingdom (– 10 %) and the USA (– 8 %).

Power consumption much lower than in 2019

Tracking the drop in economic output, demand for electricity will also lag far behind the 2019 level. Based on the above economic forecast by the IMF, we currently expect declines of between 4 % and 7 % for the aforementioned RWE core markets. As set out earlier, the corona crisis also put wholesale electricity prices under pressure. However, prices on forward markets recovered somewhat in the second quarter.

This year's earnings only slightly affected by corona crisis

The development outlined above will only have very limited influence on our earnings this year, as we have sold forward nearly all of our electricity production for 2020 at firm conditions. These transactions were conducted up to three years in advance. We expect a slight curtailment in income as a result of lockdown measures taken in the USA which will result in the commissioning of some new wind farms taking place a little later than planned, reducing the income they contribute in 2020. In view of the losses suffered by our securities portfolio in the first quarter, the consequences of the corona crisis should also be felt in the financial result.

Forecast € million	2019 actual	Outlook for 2020
Adjusted EBITDA	2,489	2,700 – 3,000
of which:		
Core business	2,183	2,150 – 2,450
of which:		
Offshore Wind	614	900 – 1,100
Onshore Wind / Solar	295	500 – 600
Hydro / Biomass / Gas	672	550 – 650
Supply & Trading	731	150 – 350
Coal / Nuclear	306	500 – 600
Adjusted EBIT	1,267	1,200 – 1,500
Adjusted net income	–	850 – 1,150

RWE confirms earnings forecast for 2020

Despite the burdens caused by the coronavirus, we confirm the earnings forecast we published on pages 94 et seq. of our 2019 Annual Report. We continue to anticipate adjusted EBITDA of €2,700 million to €3,000 million (thereof core business: €2,150 million to €2,450 million) and adjusted EBIT of €1,200 million to €1,500 million. In view of the strong trading performance in the first six months, we actually expect to close the year at the upper ends of these ranges. We continue to anticipate adjusted net income of €850 million to €1,150 million. In addition to the positive development displayed by our operating activities, the aforementioned negative effects of the corona crisis on the financial result will come to bear here. We also maintain our EBITDA forecasts for each of the segments.

Capital expenditure on property, plant and equipment markedly up on previous year

We also confirm our outlook in respect of capital spending. Our capital expenditure on property, plant and equipment and intangible assets will be much higher than in 2019 (€1,767 million). The first full-year inclusion of the renewable energy business received from E.ON in our consolidated figures will come to bear here. However, capital expenditure on property, plant and equipment in our core business will probably increase even without this effect, primarily due to the Triton Knoll and Kaskasi offshore wind projects. We plan to spend €200 million to €300 million outside of the core business in the Coal / Nuclear segment. These funds are primarily being used to maintain our power plants and opencast mines.

Leverage factor probably compliant with upper limit of 3.0

One of our main management parameters is the ratio of net debt to adjusted EBITDA of the core business, also referred to as the leverage factor. We calculate this key performance indicator based on a new definition of net debt, which has been provided on page 20. We set the long-term upper limit for the leverage factor at 3.0 and are confident of being able to comply with it in the current fiscal year. However, if market parameters, e.g. commodity prices or interest rates, develop unfavourably, we cannot rule out slightly exceeding the 3.0 mark temporarily.

Current assessment of risk exposure

Higher risks if corona crisis continues – Coal Phaseout Act enables more reliable planning

Information on the structure and processes of our risk management, the responsible organisational units, the major risks and opportunities as well as our measures to control and monitor risks is presented on pages 84 et seqq. of our 2019 Annual Report and reflects the knowledge we had as of February 2020. New findings and risk assessments have primarily arisen from the corona crisis and the enactment of the German Coal Phaseout Act.

- As set out on page 23, the coronavirus pandemic is likely to only have a minor impact on our earnings this year. We could face higher risks in the event of further waves of infections and a delay in the economy's recovery. This could affect RWE in various ways. An extended period of low energy consumption in combination with low prices on the electricity market would curtail the earnings power of our generation portfolio. Lockdown measures and absences due to illness could curtail operations and delay completion of new wind and solar farms. In addition, further crises may materialise on financial markets, causing the prices of the securities in our portfolio to drop, the value of pension assets to decrease, and access to fresh capital to become very difficult. Moreover, if financial and commodity markets become more volatile, we will have to pledge more collateral when concluding forward contracts. In addition, there will probably be a rise in our credit risk exposure resulting from our business relationships with key accounts, suppliers, trading partners and banks.

  Despite these risks, the RWE Group has a crisis-resistant setup. We limit the price and volume risk exposure of our generation portfolio through early forward sales of electricity. The high share of regulated income in the renewable energy business also has a stabilising effect. Even in the event of renewed turmoil on the financial markets and difficulties in issuing debt, we expect to have enough liquidity to cover our financing needs at all times. Our last resort is a €5 billion syndicated credit line, which we have not had to use so far. We ensure business continuity through preventive measures and emergency plans, which proved themselves during the first wave of the coronavirus pandemic.

  As presented on pages 86 et seqq. of our 2019 Annual Report, we break down our risks into seven classes based on cause. We rate each of these risk classes, orientating ourselves to the highest single risk. In so doing, we distinguish among the ratings 'low', 'medium' and 'high'. The dangers that could materialise if the corona crisis persists primarily relate to market risks, financial risks and operational risks. Despite this, we still rate these three risk classes 'medium'.

- At the beginning of 2020, the German government reached an agreement on the roadmap for the country's lignite phaseout and on the level of compensation with the affected states and companies. The agreements are reflected in the Coal Phaseout Act adopted by the German Lower and Upper Houses in early July (see pages 7 et seq.). A corresponding public-law contract designed to ensure that the companies can protect their legitimate interests has been negotiated and submitted to the Lower House for approval. However, the entry into force of the entire package is subject to state aid approval from the European Commission. Although the pledged state compensation clearly falls short of the damage we will actually incur, we welcome the Coal Phaseout Act as it establishes clear framework conditions for the coal phaseout. On the whole, this has caused our regulatory and political risks to decrease. We have rerated them from 'high' to 'medium'. There is still some uncertainty regarding the review of the compensation under state aid law. In addition, despite the safeguards provided by the public-law contract, it cannot be ruled out that the exit roadmap and compensation rules may be changed to our detriment by a later government. However, we believe that the probability of such a scenario is low.

Risk indicators in the first half of 2020

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

In the trading business of RWE Supply & Trading, the VaR is limited to €40 million for commodity positions. From January to June 2020, it averaged €16 million, on a par with the same period last year. The highest daily level was €21 million (previous year: €22 million).

Our LNG business and management of our gas portfolio are pooled in a dedicated organisational unit of RWE Supply & Trading. The VaR ceiling for these activities is €14 million. In the first half of 2020, the average was €7 million (previous year: €6 million).

The development of market interest rates is a major financial risk. If they rise, we can suffer losses on the securities on our books. This primarily relates to fixed-interest bonds. The average VaR for the interest rate-driven securities price risk for capital investments was €4 million, the same as last year. In addition, rising interest rates drive up our finance costs. We measure this risk using the cash flow at risk (CFaR). In doing so, we apply a confidence level of 95 % and a holding period of one year. At €29 million, our CFaR was relatively high (previous year: €8 million). This was primarily due to a significant increase in the volatility of short-term interest rates.

The securities on our books also include equities. The VaR for the price risk associated with these assets was €8 million (previous year: €5 million). This does not include our 15 % stake in E.ON.

RWE is also exposed to risks from fluctuations in foreign exchange rates. Companies under the operating management of RWE AG also have their risk exposure to cash flows in foreign currencies hedged by the parent company. The average VaR for RWE AG's foreign currency position was €2 million, matching the year-earlier level.

Responsibility statement

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

Essen, 10 August 2020

The Executive Board

Schmitz Krebber

Interim consolidated financial statements (condensed)

Income statement

€ million	Apr – Jun 2020	Apr – Jun 2019[1]	Jan – Jun 2020	Jan – Jun 2019[1]
Revenue (including natural gas tax/electricity tax)	**2,721**	**2,761**	**6,579**	**6,516**
Natural gas tax/electricity tax	-49	-36	-104	-75
Revenue[2]	**2,672**	**2,725**	**6,475**	**6,441**
Cost of materials	-1,583	-2,499	-3,647	-5,165
Staff costs	-559	-517	-1,130	-1,040
Depreciation, amortisation and impairment losses	-377	-259	-735	-513
Other operating result	138	87	598	275
Income from investments accounted for using the equity method	69	103	178	165
Other income from investments	10	-27	11	2
Financial income	523	205	962	405
Finance costs	-460	-338	-1,266	-637
Income from continuing operations before tax	**433**	**-520**	**1,446**	**-67**
Taxes on income	-159	229	-449	151
Income from continuing operations	**274**	**-291**	**997**	**84**
Income from discontinued operations	20	298	50	1,311
Income	**294**	**7**	**1,047**	**1,395**
of which: non-controlling interests	12	138	37	550
of which: RWE AG hybrid capital investors' interest				15
of which: net income/income attributable to RWE AG shareholders	**282**	**-131**	**1,010**	**830**
Basic and diluted earnings per share in €	**0.46**	**-0.21**	**1.64**	**1.35**
of which: from continuing operations in €	0.45	-0.49	1.60	0.03
of which: from discontinued operations in €	0.01	0.28	0.04	1.32

1 Figures restated: The implementation of the failed own-use IFRS IC agenda decision drove down revenue and the cost of materials by €524 million and €354 million, respectively, in the first half of 2019; for more information, see page 116 of the 2019 Annual Report.
2 A presentation of revenue by product and segment can be found on page 12 in the review of operations.

Statement of comprehensive income

Amounts after tax – € million	Apr – Jun 2020	Apr – Jun 2019	Jan – Jun 2020	Jan – Jun 2019
Income	**294**	**7**	**1,047**	**1,395**
Actuarial gains and losses of defined benefit pension plans and similar obligations	-338	-524	103	-606
Prorated income and expenses of investments accounted for using the equity method	-26	-1	-26	-1
Fair valuation of equity instruments	277	1	112	105
Income and expenses recognised in equity, not to be reclassified through profit or loss	**-87**	**-524**	**189**	**-502**
Currency translation adjustment	-150	-63	-535	42
Fair valuation of debt instruments	32	30	-3	64
Fair valuation of financial instruments used for hedging purposes	161	948	278	-396
Prorated income and expenses of investments accounted for using the equity method			-2	
Income and expenses recognised in equity, to be reclassified through profit or loss in the future	**43**	**915**	**-262**	**-290**
Other comprehensive income	**-44**	**391**	**-73**	**-792**
Total comprehensive income	**250**	**398**	**974**	**603**
of which: attributable to RWE AG shareholders	262	364	973	206
of which: attributable to RWE AG hybrid capital investors				15
of which: attributable to non-controlling interests	-12	34	1	382

Balance sheet

Assets € million	30 Jun 2020	31 Dec 2019[1]
Non-current assets		
Intangible assets	4,633	4,862
Property, plant and equipment	19,087	18,964
Investments accounted for using the equity method	3,104	3,221
Other non-current financial assets	4,545	4,354
Receivables and other assets	3,965	3,669
Deferred taxes	389	706
	35,723	**35,776**
Current assets		
Inventories	1,161	1,585
Trade accounts receivable	2,366	3,621
Receivables and other assets	15,794	15,311
Marketable securities	2,305	3,258
Cash and cash equivalents	3,381	3,192
Assets held for sale	1,469	1,274
	26,476	**28,241**
	62,199	**64,017**

Equity and liabilities € million	30 Jun 2020	31 Dec 2019[1]
Equity		
RWE AG shareholders' interest	16,073	16,971
Non-controlling interests	448	503
	16,521	**17,474**
Non-current liabilities		
Provisions	18,898	18,937
Financial liabilities	4,151	3,924
Other liabilities	2,133	1,912
Deferred taxes	2,023	2,164
	27,205	**26,937**
Current liabilities		
Provisions	2,219	2,638
Financial liabilities	2,200	1,689
Trade accounts payable	2,103	2,987
Other liabilities	11,414	11,782
Liabilities held for sale	537	510
	18,473	**19,606**
	62,199	**64,017**

1 Prior-year figures restated due to a retroactive adjustment to the initial consolidation of the acquired E.ON operations; see page 35 in the Notes for further information.

Cash flow statement

€ million	Jan – Jun 2020	Jan – Jun 2019
Income from continuing operations	997	84
Depreciation, amortisation and impairment losses/write-backs	681	512
Changes in provisions	-541	-607
Deferred taxes/non-cash income and expenses/income from disposal of non-current assets and marketable securities	-135	-257
Changes in working capital	169	-868
Cash flows from operating activities of continuing operations	**1,171**	**-1,136**
Cash flows from operating activities of discontinued operations	14	-568
Cash flows from operating activities	**1,185**	**-1,704**
Cash flows from investing activities of continuing operations[1]	**-95**	**1,558**
Cash flows from investing activities of discontinued operations	-21	-260
Cash flows from investing activities	**-116**	**1,298**
Cash flows from financing activities of continuing operations	**-807**	**-615**
Cash flows from financing activities of discontinued operations	-7	-243
Cash flows from financing activities	**-814**	**-858**
Net cash change in cash and cash equivalents	255	-1,264
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	-80	8
Net change in cash and cash equivalents	**175**	**-1,256**
Cash and cash equivalents at beginning of reporting period	3,212	5,225
of which: reported as 'Assets held for sale'	20	1,702
Cash and cash equivalents at beginning of reporting period as per the consolidated balance sheet	3,192	3,523
Cash and cash equivalents at end of reporting period	**3,387**	**3,969**
of which: reported as 'Assets held for sale'	6	704
Cash and cash equivalents at end of reporting period as per the consolidated balance sheet	**3,381**	**3,265**

1 After the initial/subsequent transfer to plan assets in the amount of €98 million (prior-year period: €42 million).

Statement of changes in equity

€ million	Subscribed capital and additional paid-in capital of RWE AG	Retained earnings and distributable profit	Accumulated other comprehensive income	RWE AG shareholders' interest	RWE AG hybrid capital investors' interest	Non-controlling interests	Total
Balance at 1 Jan 2019	**3,959**	**1,139**	**3,638**	**8,736**	**940**	**4,581**	**14,257**
Capital paid out					-869	-1	-870
Dividends paid		-430		-430	-61	-445	-936
Income		830		830	15	550	1,395
Other comprehensive income		-351	-273	-624		-168	-792
Total comprehensive income		479	-273	206	15	382	603
Other changes		-44	-874	-918	-25	34	-909
Balance at 30 Jun 2019	**3,959**	**1,144**	**2,491**	**7,594**		**4,551**	**12,145**
Balance at 1 Jan 2020[1]	**3,959**	**8,908**	**4,104**	**16,971**		**503**	**17,474**
Capital paid out						-2	-2
Dividends paid		-492		-492		-53	-545
Income		1,010		1,010		37	1,047
Other comprehensive income		189	-226	-37		-36	-73
Total comprehensive income		1,199	-226	973		1	974
Other changes		-507	-872	-1,379		-1	-1,380
Balance at 30 Jun 2020	**3,959**	**9,108**	**3,006**	**16,073**		**448**	**16,521**

1 Prior-year figures restated due to a retroactive adjustment to the initial consolidation of the acquired E.ON operations; see page 35 in the Notes for further information.

Notes

Accounting policies

RWE AG, headquartered in Essen, Germany, is the parent company of the RWE Group ('RWE' or 'Group').

The interim consolidated financial statements as of 30 June 2020, including the additional information in the interim Group review of operations, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the European Union (EU). The statements were authorised for issue on 10 August 2020.

In line with IAS 34, the scope of reporting for the presentation of the interim consolidated financial statements for the period ended 30 June 2020 was condensed compared with the scope applied to the consolidated financial statements as of 31 December 2019. With the exception of the changes and new rules described below, these interim consolidated financial statements were prepared using the accounting policies applied in the consolidated financial statements for the period ended 31 December 2019. For further information, please see the Group's 2019 Annual Report, which provides the basis for this half-year financial report.

The discount rate applied to provisions for nuclear waste management is 0.0% (31 December 2019: 0.0%), and 1.92% (31 December 2019: 1.99%) for mining-related provisions. Provisions for pensions and similar obligations are discounted at an interest rate of 1.3% in Germany and 1.6% abroad (31 December 2019: 1.20% and 2.00%, respectively).

As of 30 June 2020, based on the respective business models, there was no need to perform impairment tests due the effects of the coronavirus pandemic.

Changes in accounting regulations

The International Accounting Standards Board (IASB) has approved several amendments to existing IFRSs, which are effective for the RWE Group as of fiscal 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards (2018),
- Amendments to IFRS 3 Definition of a Business (2018),
- Amendments to IAS 1 and IAS 8 Definition of Material (2018),
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (2019).

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

New accounting policies

The IASB issued further standards and amendments to standards, which are not yet mandatory in the EU in fiscal 2020. These standards and amendments to standards are listed below and are not expected to have any material effects on RWE's consolidated financial statements:

- IFRS 17 Insurance Contracts (2017),
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (2020),
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (2020),
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (2020),
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract (2020),
- Annual Improvements to IFRS Standards 2018-2020 (2020),
- Amendment to IFRS 16 Leases: Covid 19-Related Rent Concessions (2020),
- Amendments to IFRS 4 Insurance Contracts – Deferral of IFRS 19 (2020).

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 changes in the number of fully consolidated companies as well as of investments and joint ventures accounted for using the equity method are presented below:

Number of fully consolidated companies	Germany	Abroad	Total
Balance at 1 Jan 2020	**58**	**201**	**259**
First-time consolidation	2	8	10
Deconsolidation	-1	-2	-3
Mergers	-1		-1
Balance at 30 Jun 2020	**58**	**207**	**265**

As at 31 December 2019, there were 31 investments and joint ventures accounted for using the equity method, of which eleven were in Germany and 20 were abroad. Furthermore, two companies are presented as joint operations (31 December 2019: two companies).

Acquisitions

Acquired E.ON operations

On 18 September 2019, as part of the extensive asset swap agreed upon with E.ON SE on 12 March 2018, RWE gained control of major parts of E.ON's former renewable energy business. The acquired operations are active in onshore and offshore wind as well as in the photovoltaic business in Europe and the USA.

An update of the figures reported during first-time consolidation was performed during the period under review and resulted in the following adjustments: Due to better understanding of the fair value of operating rights and property, plant and equipment in particular, the fair value of net assets stated upon first-time consolidation was reduced by €339 million, from €2,939 million to €2,600 million. Taking account of a purchase price adjustment resulting from contractually agreed settlements, the goodwill recognised upon first-time consolidation increased by €219 million to €872 million.

The initial accounting of the business combination has not been finalised due to the complex structure and the size of the transaction, in particular because the material information could not be exchanged until the antitrust restrictions had been removed.

Acquisition of the King's Lynn power station

On 12 February 2020, the acquisition of a 100% stake in Centrica KL Limited (CKLL), Windsor, UK, agreed with the British energy company GB Gas Holdings Limited, a subsidiary of Centrica plc, Windsor, UK, at the end of December 2019, was completed.

The power station is a combined-cycle gas turbine (CCGT) power plant located in King's Lynn, Norfolk, UK. The plant has a capacity of 382 megawatts and will receive reliable, stable capacity payments until 2035 based on a 15-year contract in the British capacity market with a term starting in October 2020.

Initial accounting of the business combination is presented in the following table, together with the assumed assets and liabilities:

Balance-sheet items € million	IFRS carrying amounts (fair values) at first-time consolidation
Non-current assets	125
Current assets	5
Non-current liabilities	9
Current liabilities	88
Net assets	**33**
Purchase price	33
Goodwill	

The fair value of the receivables included in non-current and current assets amounted to €0.1 million and corresponded to the gross amount of the receivables that are fully recoverable.

Since its initial consolidation, the company has contributed €12 million to the Group's revenue. No notable contributions to income were made yet in the first half of the year.

Excluding €80 million in redeemed shareholder loans, the purchase price amounted to €33 million and was paid exclusively in cash and cash equivalents.

Disposals

Sale of the Seabreeze II installation ship

In April 2020, the Seabreeze II offshore installation ship and the related equipment was sold and transferred to SPIC Ronghe International Financial Leasing Co. Ltd. The ship was part of the Offshore Wind segment.

Disposal groups

Georgia Biomass

In the second quarter of 2020, management decided to sell Georgia Biomass, which is responsible for the US biomass business. This company is part of the Hydro/Biomass/Gas segment. A contract of sale was signed on 18 June 2020. The sale transaction was completed on 31 July 2020.

As of 30 June 2020, the assets and liabilities of Georgia Biomass were stated on the balance sheet as 'held for sale'. The main groups of assets and liabilities of the disposal group are presented below:

Key figures of the disposal group € million	30 Jun 2020
Non-current assets	
Property, plant and equipment	116
Other non-current assets	4
	120
Current assets	**75**
Non-current liabilities	
Financial liabilities	7
Other non-current liabilities	7
	14
Current liabilities	**6**

The disposal group's accumulated other comprehensive income amounted to €3 million.

Discontinued operations

innogy – discontinued operations

On 18 September 2019, RWE sold the parts of innogy stated as 'innogy – discontinued operations' since 30 June 2018 to E.ON SE as part of the extensive asset swap contractually agreed upon with E.ON SE on 12 March 2018. This largely related to the lion's share of the grid and retail business.

In late August 2019, RWE acquired innogy's stake in the investment in the Slovak power and gas utility Východoslovenská energetika Holding a.s., (VSEH), which is fully consolidated and also stated as part of 'innogy – discontinued operations'. The stake in VSEH was not yet transferred to E.ON on 18 September 2019. However, since the envisaged sale of the VSE Group is part of the overall plan to divest the grid and retail business, the VSE Group is still stated as a discontinued operation. As at 30 June 2020, the discontinued operations are thus solely comprised of the VSE Group.

The elimination bookings effected to consolidate expenses and income for the intragroup deliveries and services existing so far, which will be continuing either with the discontinued operations or with third parties after the deconsolidation of such operations, were fully assigned to the discontinued operations.

Major key figures of discontinued operations are presented in the following tables:

Key figures of discontinued operations € million	30 Jun 2020	31 Dec 2019
Non-current assets		
Intangible assets	407	405
Property, plant and equipment	755	734
Other non-current assets	8	8
	1,170	**1,147**
Current assets	**104**	**127**
Non-current liabilities		
Provisions	9	9
Financial liabilities	225	225
Other non-current liabilities	135	131
	369	**365**
Current liabilities	**148**	**145**

Key figures of discontinued operations € million	Jan – Jun 2020	Jan – Jun 2019
Revenue[1]	400	17,658
Other income[2]	12	1,339
Expenses[3]	-348	-17,143
Income of discontinued operations before tax	64	1,854
Taxes on income	-14	-543
Income of discontinued operations	50	1,311

1 In the previous year including income with continuing operations in the amount of €1,247 million.
2 In the previous year including income with continuing operations in the amount of €93 million.
3 Including expenses with continuing operations in the amount of €79 million (previous year: €7,663 million).

Of the share of total comprehensive income attributable to RWE AG shareholders, €948 million (prior-year period: –€495 million) was allocable to continuing operations and €25 million (prior-year period: €701 million) was allocable to discontinued operations.

Share-based payment

The consolidated financial statements for the period ended 31 December 2019 presented the share-based payment system for executives of RWE AG and subordinate affiliates. As part of the Long-Term Incentive Plan for executives entitled 'Strategic Performance Plan' (SPP), RWE AG issued another tranche for fiscal 2020.

Impairments

An impairment of €9 million (previous year: €25 million) was recognised for coal inventories in the period under review due to a decline in market prices.

Dividend distribution

RWE AG's Annual General Meeting, held on 26 June 2020, decided to pay a dividend of €0.80 per dividend-bearing RWE share for fiscal 2019. The dividend payment for fiscal 2019 occurred on 1 July 2020 and totalled €492 million (previous year: €430 million). This amount was recorded as a financial liability as of the balance-sheet date.

Financing measures

During the first half of 2020, RWE used its Commercial Paper Programme, which allows for financing on the money market up to the equivalent of US$5 billion. This financing was activated up to a maximum amount of €1.2 billion. As of the balance-sheet date, the amount used was €0.2 billion.

Due to the coronavirus pandemic, RWE also agreed additional bilateral lines of credit with banks with a total volume of around €1.7 billion, of which €1.2 billion was still in place on 30 June 2020. In the period under review, up to €0.2 billion was drawn down from these new credit lines, which were no longer used as of 30 June 2020. With regard to the bilateral lines of credit in place as of 30 June 2020, €0.9 billion were made available from the banks until further notice; the rest has varying maturities of no later than April 2021.

Earnings per share

		Jan – Jun 2020	Jan – Jun 2019
Net income/income attributable to RWE AG shareholders	€ million	1,010	830
of which: from continuing operations		986	18
of which: from discontinued operations		24	812
Number of shares outstanding	thousands	614,745	614,745
Basic and diluted earnings per share	€	1.64	1.35
of which: from continuing operations	€	1.60	0.03
of which: from discontinued operations	€	0.04	1.32

Related party disclosures

The RWE Group classifies associated companies and joint ventures as related parties. In the first half of 2020, transactions concluded with material related parties generated €300 million in income (first half of 2019: €288 million). Furthermore, transactions concluded with material related parties led to expenses of €103 million (first half of 2019: €1,574 million). As of 30 June 2020, accounts receivable amounted to €182 million (31 December 2019: €147 million) and accounts payable totalled €157 million (31 December 2019: €130 million). All business transactions were concluded at arm's length conditions and on principle do not differ from transactions involving the supply of goods and services concluded with other companies. Other obligations from executory contracts amounted to €130 million (31 December 2019: €99 million).

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

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 are recognised at amortised cost or fair value, depending on their classification. Financial instruments are assigned to the following categories for accounting purposes:

- Debt instruments measured at amortised cost: The contractual cash flows solely consist of interest and principle on the outstanding capital and the financial instrument is intended to be held to final maturity.
- Debt instruments measured at fair value through other comprehensive income: The contractual cash flows solely consist of interest and principle on the outstanding capital and the financial instrument is intended to be held and sold.
- Equity instruments measured at fair value through other comprehensive income: The option to recognise changes in fair value in other comprehensive income is exercised.
- Financial assets measured at fair value through profit or loss: The contractual cash flows of debt instruments do not solely consist of interest and principle on the outstanding capital or the option to recognise changes in the fair value of the equity instruments in other comprehensive income is not exercised.

On the liabilities side, non-derivative financial instruments principally include liabilities recorded at amortised cost.

The fair value of financial instruments is established based on the published exchange price, insofar as the financial instruments are traded on an active market. On principle, the fair value of non-quoted debt and equity instruments is determined on the basis of discounted expected cash flows, taking into consideration macroeconomic developments and corporate planning data. Current market interest rates corresponding to the 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 IFRS 9. 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, on generally accepted valuation methods. In doing so, we draw on prices on active markets as much as possible. If such are not available either, 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 the economy are the result of a comprehensive process with the involvement of both in-house and external experts.

Measurement of the fair value of a group of financial assets and financial liabilities is conducted on the basis of the net risk exposure per business partner.

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 financial liabilities. Their carrying amounts totalled €5,189 million (31 December 2019: €4,511 million) and their fair values totalled €5,550 million (31 December 2019: €4,798 million).

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

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

Fair value hierarchy € million	Total 30 Jun 2020	Level 1	Level 2	Level 3	Total 31 Dec 2019	Level 1	Level 2	Level 3
Other non-current financial assets[1]	4,545	4,020	195	330	4,354	3,853	188	313
Derivatives (assets)	12,206		11,662	544	12,108		11,443	665
of which: used for hedging purposes	2,398		2,398		2,961		2,961	
Marketable securities	2,305	1,224	1,081		3,258	1,829	1,429	
Assets held for sale	10		1	9	9		1	8
Derivatives (liabilities)	10,267		9,833	434	10,479		9,902	577
of which: used for hedging purposes	1,076		1,076		1,513		1,513	
Liabilities held for sale	5			5	4			4

1 Prior-year figures restated due to a retroactive adjustment to the initial consolidation of the acquired E.ON operations; see page 35 in the Notes for further information.

Due to the increased number of price quotations on active markets, securities with a fair value of €55 million (31 December 2019: €24 million) were reclassified from Level 2 to Level 1. Conversely, due to a reduction in the number of price quotations, financial assets with a fair value of €9 million (31 December 2019: €25 million) were reclassified from Level 1 to Level 2.

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

Level 3 financial instruments: Development in 2020 € million	Balance at 1 Jan 2020	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 30 Jun 2020
			Recognised in profit or loss	Recognised in OCI	With a cash effect	
Other non-current financial assets[1]	313	3	-5		19	330
Derivatives (assets)	665	2	6		-129	544
Assets held for sale	8				1	9
Derivatives (liabilities)	577	1	44		-188	434
Liabilities held for sale	4				1	5

1 Opening balance restated due to a retroactive adjustment to the initial consolidation of the acquired E.ON operations: see page 35 in the Notes for further information.

Level 3 financial instruments: Development in 2019 € million	Balance at 1 Jan 2019	Changes in the scope of consolidation, currency adjustments and other	Changes			Balance at 30 Jun 2019
			Recognised in profit or loss	Recognised in OCI	With a cash effect	
Other non-current financial assets	148	1	-3	-2	3	147
Derivatives (assets)	156	-1	27		-23	159
Assets held for sale	804	-14	-15		38	813
Derivatives (liabilities)	35	-1	8		-11	31

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

Level 3 financial instruments: Amounts recognised in profit or loss € million	Total Jan – Jun 2020	Of which: attributable to financial instruments held at the balance-sheet date	Total Jan – Jun 2019	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	-3	-3	3	3
Cost of materials	-31	-31	-13	-13
Other operating income/expenses	-4	-4	29	29
Income from investments	-5	-5	-3	-3
Income from discontinued operations			-15	14
	-43	**-43**	**1**	**30**

Level 3 derivative financial instruments essentially consist of energy purchase and commodity agreements, which relate to trading periods for which there are no active markets yet. The valuation of such depends on the development of electricity, oil and gas prices in particular. All other things being equal, rising market prices cause the fair values to increase, whereas declining market prices cause them to drop. A change in pricing by +/- 10% would cause the market value to rise by €63 million (previous year: €47 million) or decline by €63 million (previous year: €47 million).

Events after the balance-sheet date

Commentary on events after the balance-sheet date can be found in the interim Group review of operations.

Review report

To RWE Aktiengesellschaft, Essen

We have reviewed the condensed consolidated interim financial statements – comprising the condensed income statement, condensed statement of comprehensive income, condensed statement of financial position, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim group management report of RWE Aktiengesellschaft, Essen, for the period from January 1, 2020 to June 30, 2020 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Essen, 10 August 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Markus Dittmann	Ralph Welter
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial Calendar 2020/2021

12 November 2020	Interim statement on the first three quarters of 2020
16 March 2021	Annual report for fiscal 2020
28 April 2021	Annual General Meeting
29 April 2021	Ex-dividend date
3 May 2021	Dividend payment
12 May 2021	Interim statement on the first quarter of 2021
12 August 2021	Interim report on the first half of 2021
11 November 2021	Interim statement on the first three quarters of 2021

This document was published on 13 August 2020. It is a translation of the German interim report on the first half of 2020. In case of divergence from the German version, the German version shall prevail.

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