Powering. Reliable. Future. Yesterday, today and tomorrow.

Annual Report 2017

RWE

A reliable partner for the energy transition

When RWE started supplying Germany with electricity 120 years ago, the modern industrial age was just starting. We have pushed ahead with electrification, played our part in shaping the development of industry and prepared for the energy of the future with foresight.

Electricity is the lifeblood of our modern digitised society. It is the source of prosperity and progress. Electricity gives us light, heating, industrial production, communications, medical services, mobility and much, much more. And, now, as in the past, RWE plays a key role in all of this.

Our world is increasingly electric. This is a trend which goes beyond mere digitisation. More and more households are heated with electricity and more and more drivers charge their cars instead of filling them. At the same time, the demands faced by utilities continue to grow and evolve. Society expects energy to be produced in an increasingly environmentally friendly manner, paving the way to creating a sustainable energy system. The modern vision is that most electricity will be generated from solar, wind and hydroelectric power – energy sources which are at the mercy of the elements. At the same time, demand for energy will continue to grow. Despite this, electricity always has to be available when it is needed. At affordable prices.

These are huge challenges. But, working as a team, we have overcome much bigger hurdles in the past. At RWE, we do not merely support the transformation of the energy sector, we make it possible. Our modern power plants partner with renewables, adjusting flexibly to the ups and downs in wind and solar generation, making an important contribution to security of supply.

A world undergoing fundamental change needs a strong, reliable partner, conscious of its responsibility to play its part in this modern transformation. That’s why RWE has thousands of employees, working passionately for a common goal...

... now as in the past:

Powering. Reliable. Future.

Our title picture blends the past with the future. At the same site where Rheinisch-Westfälische Elektrizitätswerk was founded on 25 April 1898, we will be opening our new corporate headquarters in the spring of 2020 to the north of Essen city centre. This is where we commissioned our first power station in 1900 at the site of the Victoria Mathias colliery. All of RWE’s employees in Essen will unite at this new location, where we will continue to pursue our goal of powering a reliable future.

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2017 KEY FIGURES AT A GLANCE

RWE Group		2017	2016	+/– %
Power generation	billion kWh	202.2	216.1	–6.4
External electricity sales volume	billion kWh	261.1	264.6	–1.3
External gas sales volume	billion kWh	254.1	265.1	–4.1
External revenue	€ million	44,585	45,833	–2.7
Adjusted EBITDA	€ million	5,756	5,403	6.5
Adjusted EBIT	€ million	3,646	3,082	18.3
Income before taxes	€ million	3,056	–5,807	152.6
Net income	€ million	1,900	–5,710	133.3
Adjusted net income	€ million	1,232	777	58.6
Cash flows from operating activities	€ million	–1,754	2,352	–174.6
Capital expenditure	€ million	2,629	2,382	10.4
Property, plant and equipment and intangible assets	€ million	2,260	2,027	11.5
Financial assets	€ million	369	355	3.9
Free cash flow[1]	€ million	–3,849	809	–575.8
Number of shares outstanding (annual average)	thousands	614,745	614,745	–
Earnings per share	€	3.09	–9.29	133.3
Adjusted net income per share	€	2.00	1.26	58.7
Dividend per common share	€	1.50[2]	–	–
Dividend per preferred share	€	1.50[2]	0.13	–
		31 Dec 2017	31 Dec 2016	
Net debt	€ million	20,227	22,709	–10.9
Workforce[3]		59,547	58,652	1.5

1 Changed term; see explanation on page 56.
2 Dividend proposal for RWE AG's 2017 fiscal year, subject to the passing of a resolution by the 26 April 2018 Annual General Meeting.
3 Converted to full-time positions.

"POWERING. RELIABLE. FUTURE. – THIS IS RWE"

Rolf Martin Schmitz on the security of German electricity generation, RWE's climate protection roadmap and the company's earnings prospects

Mr. Schmitz, 2017 was year one after innogy's public listing and your appointment as CEO of RWE. What would you say looking back on 2017?
We can be quite proud of our accomplishments last year. We gave RWE a strategy that is clear to and accepted by the public and the capital market. Our motto is 'Powering. Reliable. Future.' – this is RWE. This is what we're about. Things also went well in operating terms. Adjusted EBITDA, our most important earnings indicator, was even better than forecast, amounting to 5.8 billion euros. Our share also performed well. RWE's common stock increased by 44 percent in 2017, making it the third-strongest share in the DAX. Last but not least, teamwork across the new RWE is blossoming and I'm extremely happy about that. This is a very good basis for 2018.

You touched on the good development in operating terms. What were the main success factors?
There were several: the most important factor in quantitative terms was the significantly improved performance of the trading business after its poor showing in 2016. In addition, we achieved above-average income from the commercial optimisation of our power plant deployment. By the way, this was one of the reasons why our EBITDA exceeded expectations. And we mustn't forget our ongoing cost-cutting programme: in 2017, we already achieved more than half of our target volume for 2019. I'm especially proud of that, because it shows that we work hard to achieve success and demonstrates that our employees are our most valuable asset. They did an outstanding job in 2017.

But looking back at last year, we mustn't lose sight of one thing: the government refunded RWE the 1.7 billion euros in nuclear fuel tax payments made in the past. At the beginning of June, just before your 60th birthday, the German Constitutional Court announced that the tax was null and void. Did that feel like an early birthday present?
When the judgement was pronounced, I really did think: "What a great birthday present!" Another one of my initial reactions was: It's great that the justice system still works. This is my personal opinion. From the company's point of view, the refund is a big financial boost. However, we will pass some of the funds on to our shareholders. Holders of RWE common shares didn't receive a dividend the last two times around, and our preferred shareholders only received the minimum share in profits. By paying a special dividend of one euro – in addition to the normal dividend of 50 cents – we want to thank them for their patience and loyalty. Of course, this is all subject to the approval of the Annual General Meeting.

Let's stick with nuclear energy: RWE transferred the liability for the costs of interim and final storage to the federal government and in exchange paid about 7 billion euros to the new state disposal fund. Does that deal with nuclear energy once and for all?
No, by no means. First of all, we have to ensure the safe operation of our power plants until 2022. It will also take some time to dismantle them. This demanding task will keep us busy for at least 20 years. Despite this, the legal reorganisation of nuclear waste management was a milestone. As processing and financing interim and final storage are now handled by one entity – the federal government – major risks which we faced previously have been eliminated. Otherwise, politicians could have drawn out the search for a final storage site indefinitely, demanding that the additional costs be covered by the energy companies. The principle that applies now is: those in charge of processing also bear the costs. In addition, now we know exactly where our responsibility ends and the government's starts, as we clarified the details in a contract. Admittedly, the 7 billion euros was a high price to pay to transfer the liability to the state. This is much more than the provisions we had formed for interim and final storage. But the legal certainty this gave us was worth it.

Nevertheless, RWE is still exposed to substantial political risks. Just think of the exit from coal. Were you relieved that the coalition agreement between the Christian Democrats/Christian Social Union and the Social Democrats remains vague on this point?

I would be relieved if we had a clear and, most importantly, reliable regulatory framework for our coal-fired power stations. This is important for us to be able to shape the structural change in the Rhenish lignite mining region in a way that is both economically viable and socially acceptable. This structural change is a long-term process for which we need certainty with regard to planning. But the coalition agreement does give reason to be optimistic: the framework and details of the exit from coal will be established by a commission. This can be useful if it is an open and constructive process. Renouncing the German emission reduction target for 2020 was also a good move. It is useless to parade unachievable goals.

However, the new government parties set reduction goals for every branch of industry for 2030, which are very ambitious. They require the energy sector to lower its greenhouse gas emissions more than the average: by over 60 % compared to 1990. Is that even possible?

The real question is, “At what price?” Therefore, we must get together to come up with a way of achieving this goal intelligently, without putting security of supply at risk or creating big divides in industrial policy. This is an ambitious task for the commission which will have to address this matter. The commission’s name “Growth, Structural Change and Employment” gives reason to hope that economic and social matters will play a central role.

The government is obviously considering determining a fixed date for putting a halt to electricity generation from coal. What do you think of this?

Not much. No one can predict how the world will have changed by 2040 or 2050. Just consider the change we have experienced in the last 20 years alone. Politicians should set realistic emission-reduction goals and create a framework which ensures that these goals are achieved. It should be left up to the companies how they adapt to this framework and which technologies they use. Over-regulation is always counterproductive.

What do you tell environmental activists, politicians and investors who accuse you of not doing enough to combat climate change?

I explain to them that RWE already has a roadmap for reducing emissions, which is in line with the goals of the Paris Climate Convention. We aim to reduce our carbon dioxide emissions by between 40 and 50 percent by 2030 compared to 2015. We are serious about this, as demonstrated by our recent past: we have reduced emissions every year since 2012. They dropped by 11 percent in 2017 alone. The most important pillar of our emission reduction strategy is the phase-out of lignite production. We also have a clear roadmap for this. In October 2017, we put the first two lignite units into standby: they have not generated any electricity since then. The next two units will follow this year. By 2030, we will have closed the first of our three opencast mines as well as the nearby Weisweiler power station. After that, by the middle of the century, electricity generation from lignite in the Rhineland will be history.

Nevertheless, you have reason to fear that policymakers may find that this roadmap isn’t ambitious enough.

I tip my hat to all other sectors like heating and transportation that manage to reduce emissions as fast as us. Of course, every once in a while, politicians will call for additional power plant closures, as was recently the case with the exploratory talks for a government made up of the Christian Democratic Union/Christian Social Union, the Green Party and the Free Democratic Party. But we mustn’t lose sight of reality: last year alone, six coal units were shut down in Germany. Another ten will probably follow by 2020. Furthermore, Germany is phasing out nuclear energy at the same time. If the predictions of the four German transmission system operators materialise, in two years the country may face situations where it cannot meet its demand for electricity from its own production. The expansion of renewables doesn’t help much here, as solar and wind farms do not generate electricity reliably. The situation may become dire once the nuclear phase-out has been completed at the end of 2022, if not earlier. It would be risky to rely on other countries as they are also shutting down power plants and renewables are on the rise there. By then, the dark doldrums as experienced in January 2017 could also cause problems for our neighbours.

Nevertheless, the Dutch government aims to exit from coal by 2030 and wants to introduce a minimum price for carbon dioxide in the Netherlands.

To be honest, none of this seems logical to me, not even the minimum price for carbon dioxide. One of the major political moves last year was the EU's strengthening of the European Emission Trading System. The system was modified to enable the participating sectors to achieve the greenhouse gas emission goals for 2030. The reform was the main reason why emissions certificates cost twice as much today as they did a year ago. In February, they achieved the ten euro mark. This demonstrates that emissions trading works and I ask myself why there should still be a need for national carbon taxes. Such solo efforts will only shift emissions abroad. But the climate doesn't respect country borders. Effective climate protection should keep the whole of Europe in mind and, ideally, be global.

One of the positive developments last year was the turnaround in German wholesale electricity forwards after the record lows in the beginning of 2016. When will we see this reflected in our books?

I wouldn't speak of a turnaround yet: electricity prices slipped again at the beginning of 2018. What is true is that 2017 was a good year with regard to the development of electricity forwards. However, it will take a while for this to become visible in our earnings. We sell the electricity from our power stations up to three years in advance. As a result, changes in market prices are reflected in our books with a significant time lag. This was very advantageous to us when electricity prices plummeted from 2008 to the beginning of 2016. Now we face the opposite situation.

Does this mean that the RWE Group's earnings will decline this year?

Yes, it's safe to assume that. We realised an average price of 31 euros per megawatt hour with our German lignite-fired and nuclear power stations for 2017. The comparable figure for 2018 is three euros below that. Based on about 90 terawatt hours of electricity generated, this represents a shortfall of nearly 300 million euros. Furthermore, the Gundremmingen B nuclear power station, which we had to shut down at the end of 2017, stopped contributing to earnings. Moreover, I do not believe that income from the optimisation of our power plant dispatch will be as high as last year. Earnings achieved by innogy will probably not match the 2017 level, either. We forecast adjusted EBITDA of 4.9 billion to 5.2 billion euros for the RWE Group, much less than in 2017. However, I hope that we have reached the low point in conventional electricity generation and that things will pick up no later than 2020.

What does this mean in terms of the dividend: Will RWE shareholders have to wait another two years for the regular dividend to be raised above 50 euro cents?

When proposing the dividend, we orientate ourselves more to the medium-term earnings prospects and less towards the electricity price we achieved in the past. My fellow board member Markus Krebber and I intend to propose an increased regular dividend of 70 euro cents for fiscal 2018. Therefore, our shareholders will feel the recovery of electricity prices a little earlier than our books.

A brief word about innogy: the profit warning in December 2017 led to a loss in trust on the capital market. What do you expect of management?

Right after the profit warning, the Supervisory Board of innogy made a statement on it. It believes that our subsidiary's strategy is right, but wants more cost discipline and a more focused growth and investment strategy. We endorse this and it is in the interests of our own shareholders. We mustn't forget that the significant drop in innogy's share price following the profit warning also dragged down the RWE share price. innogy announced that it will limit net investments to 2.5 billion euros this year. All capital expenditure exceeding this limit must be financed by selling assets or investments. I welcome this – and the fact that our subsidiary wants to keep the dividend constant at 1.60 euros compared to 2017.

Irrespective of the developments at innogy, what is the biggest challenge for the RWE Group in the current fiscal year?

We must do our homework with as much vigour as before. The most important task remains reducing costs in conventional electricity generation. We expect that generation capacity will become tighter and that this will stimulate electricity prices. But we haven't reached that point yet and until then, we must do everything we can to secure the profitability of our power stations. On the political stage, the talks on Germany's exit from coal will be of utmost importance. What I wish for in general is more recognition for what we stand for. We make sure that there is always as much electricity as necessary – every day, hour and second. This is not a walk in the park. It's a demanding task that throws up increasingly bigger challenges. If politicians realise and reward this, I am confident that they will chart the right course.

THE EXECUTIVE BOARD OF RWE AG

Dr. Rolf Martin Schmitz
Dr. Markus Krebber

Dr. Rolf Martin Schmitz
Chairman of the Executive Board
and Chief Executive Officer

Born in 1957 in Mönchengladbach; doctorate in engineering; Planning Engineer at STEAG AG from 1986 to 1988; various positions, including Head of Corporate Development and Economic Policy, at VEBA AG from 1988 to 1998; Member of the Executive Board of rhenag Rheinische Energie AG from 1998 to 2001; Member of the Board of Management of Thüga AG from 2001 to 2004; Chairman of the Board of Directors of E.ON Kraftwerke GmbH from 2004 to 2005; Chairman of the Executive Board of RheinEnergie AG and Managing Director of Stadtwerke Köln from 2006 to 2009; Chief Operating Officer National of RWE AG from May 2009 to September 2010; Chief Operating Officer of RWE AG from October 2010 to October 2016 and concurrently Deputy Chairman of the Executive Board of RWE AG from July 2012 to October 2016; Chairman of the Executive Board and Chief Executive Officer of RWE AG since October 2016; concurrently Labour Director of RWE AG since May 2017.

Group-level responsibilities

- Corporate Business Development
- Corporate Transformation
- Group Communications & Public Affairs
- Group Strategy
- Human Resources
- Internal Audit & Compliance
- Legal

Dr. Markus Krebber
Chief Financial Officer

Born in 1973 in Kleve; Banker; doctorate in economics; Management Consultant at McKinsey & Company from 2000 to 2005; various management positions at Commerzbank AG from 2005 to 2012; Managing Director and Chief Financial Officer of RWE Supply & Trading GmbH from November 2012 to August 2016; Chief Executive Officer of RWE Supply & Trading GmbH from March 2015 to May 2017; Chief Financial Officer of RWE AG since October 2016.

Group-level responsibilities

- Accounting
- Business Services
- Controlling & Risk Management
- Finance & Credit Risk
- Investor Relations
- Portfolio Management / Mergers & Acquisitions
- Tax

SUPERVISORY BOARD REPORT

"After the reorganisation that took place in 2016, the task at hand last year was to bring the Group's new structure to life and sharpen the profiles of both RWE and innogy. We accomplished this wonderfully."

Dear Shareholders,
Ladies and Gentlemen

Fiscal 2017 was the first full financial year for the RWE Group in its new organisational structure: the RWE subsidiary innogy looked after the renewable energy, grids and retail businesses, while the parent company focused on conventional power generation and energy trading. RWE AG was very happy with the way last year went. The starting point was the company's refinement of its strategy. RWE AG has summed up its business model nicely: 'Powering. Reliable. Future.' RWE is a guarantor of a reliable supply of electricity. This topic is still not considered sufficiently in debates on the energy industry, but it will become more important, as security of supply is a product with a future – and those who offer such products have a future themselves. One of the positive developments last year was the continued recovery of German wholesale electricity forward prices. This has made the long-term earnings prospects in conventional electricity generation more favourable, despite the persistent uncertainties surrounding energy policy. In addition, RWE's financial position improved. This was predominantly because the government had to refund the nuclear fuel tax RWE had paid in earlier years. Operational factors also played a role, e. g. the continued cost reductions and the revitalised trading business. They were instrumental in the Group meeting – and in some cases beating – its profit targets. This positive accomplishment is rounded off by the encouraging development of our share price: RWE common stock was among the top performers in the DAX in 2017.

Now let me go into the work we did on the Supervisory Board in the financial year that just ended. Once again, we fulfilled all of the duties imposed on us by German law and the Articles of Incorporation. We advised the Executive Board on running the company and monitored its actions attentively. Moreover, we were consulted on all fundamental decisions. The Executive Board informed us of all material aspects of business developments, the earnings situation as well as the risks and the management thereof both verbally and in writing. This was done regularly, extensively and in a timely fashion. Decisions were taken on the basis of detailed reports and draft resolutions submitted by the Executive Board. The Supervisory Board had ample opportunity to concern itself with these in its plenary sessions and its committees. We were also informed by the Executive Board of projects and transactions of special importance or urgency between meetings.

We passed the resolutions required of us by law or the Articles of Incorporation. Where necessary, we did so by circular. As Chairman of the Supervisory Board, I was constantly in touch with the Chairman of the Executive Board, enabling us to discuss events of material significance to the Group's situation and development without any delay.

Last year, the Supervisory Board convened for five ordinary meetings. The shareholder and employee representatives on the Supervisory Board consulted on the agenda items of the plenary sessions in advance. The following table provides an overview of the attendance of the members of the corporate bodies at the meetings of the Supervisory Board and its committees:

Attendance at meetings in fiscal 2017 by Supervisory Board member[1]	Supervisory Board	Executive Committee	Audit Committee	Personnel Affairs Committee	Nomination Committee	Strategy Committee
Dr. Werner Brandt, Chairman	5/5	1/1	5/6[2]	4/4	1/1	2/2
Frank Bsirske, Deputy Chairman	5/5	1/1		4/4		2/2
Reiner Böhle	2/5			1/4		
Sandra Bossemeyer	5/5	1/1				
Ute Gerbaulet (since 27 April)	3/3					
Reinhold Gispert (since 27 April)	3/3		3/3			1/1
Arno Hahn (until 27 April)	2/2		3/3			1/1
Andreas Henrich	4/5					
Prof. Dr. Hans-Peter Keitel	4/5	1/1			1/1	2/2
Dr. h. c. Monika Kircher	4/5					
Martina Koederitz (until 27 April)	0/2					
Monika Krebber	5/5	1/1				
Harald Louis	5/5			4/4		
Dagmar Mühlenfeld	5/5	1/1				
Peter Ottmann	5/5			4/4	1/1	
Günther Schartz	5/5					2/2
Dr. Erhard Schipporeit	5/5		6/6			
Dr. Wolfgang Schüssel	5/5	1/1	6/6	4/4		
Ullrich Sierau	5/5		5/6			
Ralf Sikorski	5/5		6/6			2/2
Marion Weckes	5/5		5/6			
Leonhard Zubrowski	5/5	1/1				

1 Attendance is indicated by the ratio of the number of meetings attended by the Supervisory Board member to the total number of meetings during the individual's term as a member of the corporate body in question. Only the committees that convened in the year under review are listed.
2 Werner Brandt was no longer a member of the Audit Committee in 2017, but attended meetings as a guest.

Main points of debate of the Supervisory Board meetings. In all five meetings we were informed by the Executive Board of RWE's financial situation as well as of major political and economic developments relevant to the company, and assisted the Board by providing advice. Now I would like to address the main points of our sessions in more detail.

- We dedicated our meeting on 8 March 2017 to RWE AG's future strategic orientation within the operating activities for which the company is responsible. The Executive Board informed us about this extensively and presented us with RWE's new motto 'Powering. Reliable. Future.' Other subjects discussed were the financial statements of the parent company for fiscal 2016, the agenda of the Annual General Meeting of 27 April 2017, and the appointment of the independent auditors for fiscal 2017.

- At the second meeting, which was held on the day before the Annual General Meeting, the Executive Board reported on matters of energy policy, e. g. the new EU limits for nitrous oxide and mercury emissions of power plants and the German Act on the Modernisation of the Grid Fee Structure. More detailed commentary on this can be found on page 34 et seq. We were also informed thoroughly of the development of economic framework conditions such as wholesale electricity prices, and of the capital market's view of our company and its strategy.

- Current developments in nuclear energy were the focus of our third meeting, which took place on 23 June 2017. We concerned ourselves in detail with the law on the reorganisation of responsibility for nuclear waste disposal, which had entered into force a week before. Also on the agenda was the public law contract occasioned by the aforementioned law between RWE and the Federal Republic of Germany that envisages legally securing the transfer of liability for interim and final storage costs to the federal government. In this context, we also explored proposals made by the Executive Board to reorganise RWE's nuclear energy business and charged it with implementing the presented concept. Another topic was the German Constitutional Court's ruling that the German nuclear fuel tax was null and void. In this matter, we advised the Executive Board on the use of the refunded taxes.

- In our fourth session, which took place on 22 September 2017, we addressed non-financial reporting. This became legally mandatory for German listed companies with more than 500 employees for financial years beginning after 31 December 2016. We concerned ourselves extensively with the new legal requirements, determined the contents of RWE's non-financial report, and passed the resolution to submit it to an external auditor. A further important subject was the conditions in Colombia's hard coal mines and RWE's involvement in the Bettercoal initiative, which promotes improvement in the global supply chain. In the same meeting, we also discussed the new recommendations of the German Corporate Governance Code (GCGC), which were published in the German Federal Gazette on 24 April 2017. RWE has previously essentially met the additional requirements. Nevertheless, we took the changes to the Code as an opportunity to introduce a provision into our Rules of Procedure on the Chairman of the Supervisory Board's communication with investors. Furthermore, we refined the competency profile for members of the Supervisory Board, establishing that at least six shareholder representatives have to be independent. More detailed information on this can be found in our latest Corporate Governance Report, which has been published on the internet at www.rwe.com/corporate_governance. The statement of compliance issued by the Executive Board and the Supervisory Board of RWE AG on 14 December 2017 can also be found there. RWE fully complied with the recommendations of the version of the Code before and after its amendment in 2017.

- One of the recommendations of the GCGC is that the Supervisory Board regularly subject its work to an efficiency audit. We conducted such a test in the fourth quarter of 2017, and its results were the topic of our fifth meeting, which was held on 14 December 2017. The audit confirmed that we work together very constructively and trustingly. However, it also highlighted room for improvements, the implementation of which we debated extensively. Another point of focus of that meeting was the Executive Board's planning for 2018 and its outlook for the two following fiscal years. The members of the Executive Board answered our questions in this regard and explained important issues clearly. We adopted the company's planning following a thorough review.

Supervisory Board committees. Last year, the Supervisory Board had six standing committees and the project-related NewCo IPO Committee, which was created at the end of 2015 in order to assist in the placement of innogy shares in the capital market. These committees are charged with preparing topics and resolutions for Supervisory Board meetings. In certain cases, they exercise decision-making powers conferred on them by the Supervisory Board. The committee chairmen regularly informed the Supervisory Board of their work. In the year under review, a total of 14 committee meetings were held, on which I would like to report in more detail. Attendance by individual is presented in the table on page 9.

- The **Executive Committee** convened once. Its members discussed the company's planning for fiscal 2018 as well as the outlook for 2019 and 2020 in depth and prepared their adoption by the Supervisory Board.

- The **Audit Committee** was in session six times. It concerned itself extensively with the interim and annual financial statements of RWE AG and the Group, together with the combined review of operations. The Committee discussed the financial statements in detail with the Executive Board before they were published. The independent auditors participated in the debates and reported on the results of their audit and/or audit-like review; at all times, the Committee was vigilant that quality standards were adhered to. It submitted a recommendation to the Supervisory Board regarding the election of the independent auditors for fiscal 2017 by the Annual General Meeting. Furthermore, it prepared the grant of the audit award to the independent auditors including the fee agreement and set the priorities of the audit for fiscal 2017. The Committee was regularly informed of the effectiveness of the accounting-related internal control system. This did not reveal any issues that would call the effectiveness of the control system into question. Furthermore, the Committee dealt with compliance and with the schedule and results of the internal audit. In this context, the Committee held consultations on the new legal requirements imposed on the non-financial reporting of companies and prepared a resolution by the Supervisory Board on this matter. New policies introduced by International Financial Reporting Standards (IFRS) were also on the agenda. The Committee was regularly informed about the spot checks performed by the German Financial Reporting Enforcement Panel (DPR) on the financial statements of the parent company and the Group for the period ending on 31 December 2016. The DPR did not find any errors. In addition, the Committee discussed the risk situation of the RWE Group in the wake of the German Corporate Control and Transparency Act (KonTraG), data protection, cyber security as well as legal and tax issues. In-house experts were consulted when necessary.

- During the year being reviewed, the **Personnel Affairs Committee** held four meetings, at which the staff-related decisions of the Supervisory Board were prepared. Amongst the matters discussed were the level of bonuses and share-based payments granted to the Executive Board.

- The members of the **Nomination Committee** convened in one session, in which they consulted on the candidates for the by-elections to the Supervisory Board to be proposed at the Annual General Meeting on 27 April 2017.

- The **Strategy Committee** held two meetings. At the beginning of 2017, it assisted in the work performed by company management on the continued development of the strategy, the results of which were presented to the Supervisory Board in its March session. At its second meeting at the end of the year, the Committee was informed by the Executive Board about the implementation of the new strategy.

- The **Mediation Committee** pursuant to Section 27, Paragraph 3 of the German Co-Determination Act did not have to meet in 2017.

- The **NewCo IPO Committee** did not convene last year, either.

Conflicts of interest. The members of the Supervisory Board are obliged by law and the GCGC to immediately disclose any conflicts of interest they have. No such notifications were made in the year under review.

Financial statements for fiscal 2017. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft scrutinised and issued an unqualified auditor’s opinion on the 2017 financial statements of RWE AG, which were prepared by the Executive Board in compliance with the German Commercial Code, the financial statements of the Group, which were prepared in compliance with IFRS pursuant to Section 315a of the German Commercial Code, the combined review of operations for RWE AG and the Group, and the accounts. In addition, PricewaterhouseCoopers found that the Executive Board had established an appropriate early risk detection system. The company was elected independent auditor by the Annual General Meeting on 27 April 2017 and commissioned by the Supervisory Board to audit the financial statements of RWE AG and the Group.

The annual report and the audit reports for 2017 as well as documents supporting the annual financial statements were submitted to the members of the Supervisory Board in good time. Furthermore, the Executive Board commented on the documents in the Supervisory Board's balance sheet meeting of 7 March 2018. The independent auditors reported at this meeting on the material results of the audit and were available to provide supplementary information. The Audit Committee had previously concerned itself in depth with the financial statements of RWE AG and the Group, as well as audit reports, during its meeting on 6 March 2018, with the auditors present. It recommended that the Supervisory Board approve the financial statements as well as the appropriation of profits proposed by the Executive Board.

At its meeting on 7 March 2018, the Supervisory Board reviewed the financial statements of RWE AG and the Group, the combined review of operations for RWE AG and the Group, and the Executive Board's proposal regarding the appropriation of distributable profit and the Group's separate non-financial report. No objections were raised as a result of this review. As recommended by the Audit Committee, the Supervisory Board approved the results of the audits of the financial statements of RWE AG and the Group and approved both financial statements. The 2017 financial statements are therefore adopted. The Supervisory Board concurs with the Executive Board's proposal regarding the appropriation of profits, which envisages paying a dividend of €1.50 per share bearing dividend entitlements. The sum consists of two components: the regular dividend of €0.50 and a one-time special payment of €1.00 through which we would like RWE shareholders to benefit from the refund of the nuclear fuel tax by the government.

Personnel changes in the Supervisory Board and Executive Board. In the year under review, we bade farewell to Martina Koederitz and Arno Hahn, who left the Supervisory Board. They both retired from their office with effect from the end of the Annual General Meeting on 27 April 2017. The Essen District Court appointed Reinhold Gispert to the Supervisory Board to succeed Arno Hahn as employee representative. The Annual General Meeting appointed Ute Gerbaulet to the Supervisory Board as shareholder representative in place of Martina Koederitz. Another staff matter concerned Monika Kircher, who had been appointed to the Supervisory Board by court order in October 2016. This appointment was replaced by an AGM resolution. There was also a personnel change on the Executive Board of RWE AG: Uwe Tigges, who was responsible for human resources and held the post of Labour Director, resigned from his office on the Executive Board as of the end of the day on 30 April 2017. Responsibility for human resources was assumed by the Chairman of the Executive Board Rolf Martin Schmitz. The Supervisory Board appointed Rolf Martin Schmitz new Labour Director with effect from 1 May 2017. On behalf of the Supervisory Board, I want to thank Martina Koederitz, Arno Hahn and Uwe Tigges for their commitment to the company and wish them all the best for their future professional endeavours.

A good fiscal year – thanks to our employees. Having reported on our work in detail, I would now like to turn my attention to RWE's employees, whose dedication, motivation and skills played their part in the commercial success of the company yet again in 2017. I would like to express my heartfelt thanks to you all – also on behalf of my colleagues. After the reorganisation that took place in 2016, the task at hand last year was to bring the Group's new structure to life and sharpen the profiles of both RWE and innogy. We accomplished this wonderfully. Thanks to the 60,000 staff members throughout the Group, we can look back on a good 2017 and look forward with confidence.

On behalf of the Supervisory Board

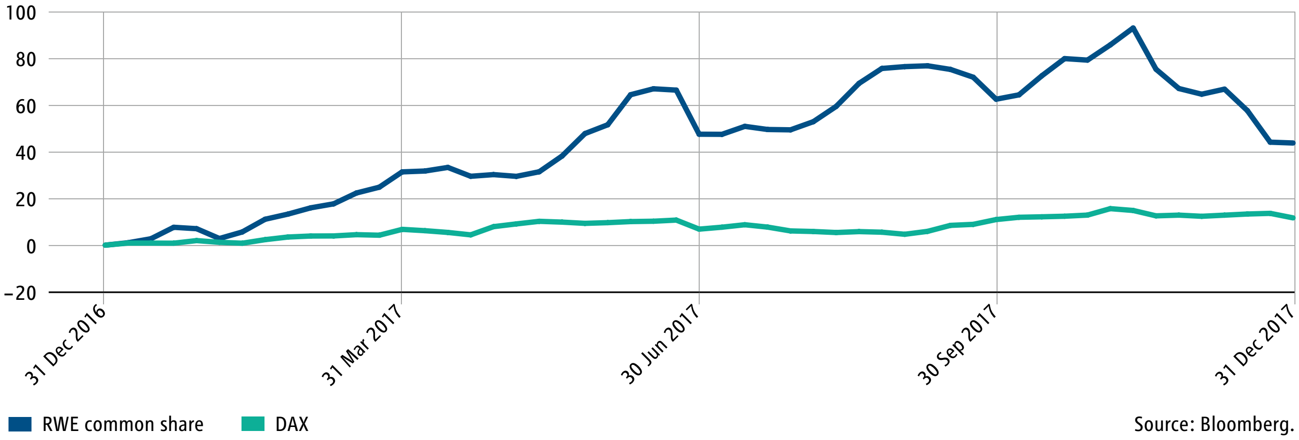
Dr. Werner Brandt
Chairman

Essen, 8 March 2017

RWE ON THE CAPITAL MARKET

Buoyed by the expansionary monetary policy of leading central banks and a robust economy, the DAX advanced by 13 % last year. At one point, it clearly surpassed the 13,000 point mark, recording an all-time high. RWE shares performed even better: our common stock closed the year up 44 %. The development of our share price demonstrated that the capital market's trust in RWE's financial strength has increased since innogy's successful IPO. The refund by the government of the nuclear fuel tax we had paid in earlier years and the continuation of the recovery of German wholesale electricity prices were also received positively.

Performance of the RWE common share compared with the DAX
% (average weekly figures)



Source: Bloomberg.

Positive sentiment on stock markets thanks to robust economy. The German stock market continued its upward trend in 2017. The DAX exceeded the 13,000 point mark for the first time ever. Although it closed the month of December slightly lower, at 12,918 points, it still achieved a good performance for the year of 13 %. Major stimulus came from the favourable economic trends in both Europe and the USA. The leading central banks' continued extremely expansive monetary policy also contributed to the good sentiment on stock markets. In the autumn, the US government provided additional stimulus by passing a pro-economy tax reform. The strong euro had a slightly dampening effect on the development of the DAX, as it drove up the price of exports from the European currency zone.

RWE common shares up 44 %. RWE investors benefited from an especially strong return in 2017. Our common stock increased in price by 44 % to €17.00 over the course of the year. RWE preferred shares rose to €14.33; including the preferred dividend of €0.13, they achieved a total return of 66 %. Our stock therefore clearly outperformed the STOXX Europe 600 Utilities sector index (+10 %). They fared well in part due to the reorganisation of the RWE Group and the successful IPO of our subsidiary innogy last year. Since then, investor trust in the financial solidity of RWE AG and the future viability of its key business areas has improved considerably. The increase in German wholesale electricity prices also contributed to this. RWE shares gained additional momentum when the German Constitutional Court ruled in early June that the nuclear fuel tax was null and void (see page 37). After the elections to the German Lower House of Parliament in September, the talks to form the coalition unsettled RWE investors because calls for an accelerated coal phase-out were voiced. The RWE share experienced a severe setback in December due to the profit warning issued by innogy, which made a downward correction to its earnings outlook for 2017 and 2018.

RWE share indicators		2017	2016	2015	2014	2013
Earnings per share[1]	€	3.09	−9.29	−0.28	2.77	−4.49
Adjusted net income per share[1]	€	2.00	1.26	1.83	2.09	3.76
Cash flows from operating activities per share[1]	€	−2.85	3.83	5.43	9.04	7.81
Dividend per common share	€	1.50[2]	–	–	1.00	1.00
Dividend per preferred share	€	1.50[2]	0.13	0.13	1.00	1.00
Dividend payment	€ million	922[2]	5	5	615	615
Dividend yield on common shares[3]	%	8.8	–	–	3.9	3.8
Dividend yield on preferred shares[3]	%	10.5	1.5	1.5	5.3	4.3
Common share price						
End of fiscal year	€	17.00	11.82	11.71	25.65	26.61
High	€	23.14	15.95	25.68	32.83	31.90
Low	€	11.80	10.17	9.20	24.95	20.74
Preferred share price						
End of fiscal year	€	14.33	8.72	8.94	18.89	23.25
High	€	17.46	11.61	19.62	25.61	29.59
Low	€	8.87	7.95	7.33	18.89	20.53
Number of shares outstanding (annual average)	thousands	614,745	614,745	614,745	614,745	614,745
Market capitalisation at the end of the year	€ billion	10.3	7.1	7.1	15.5	16.2

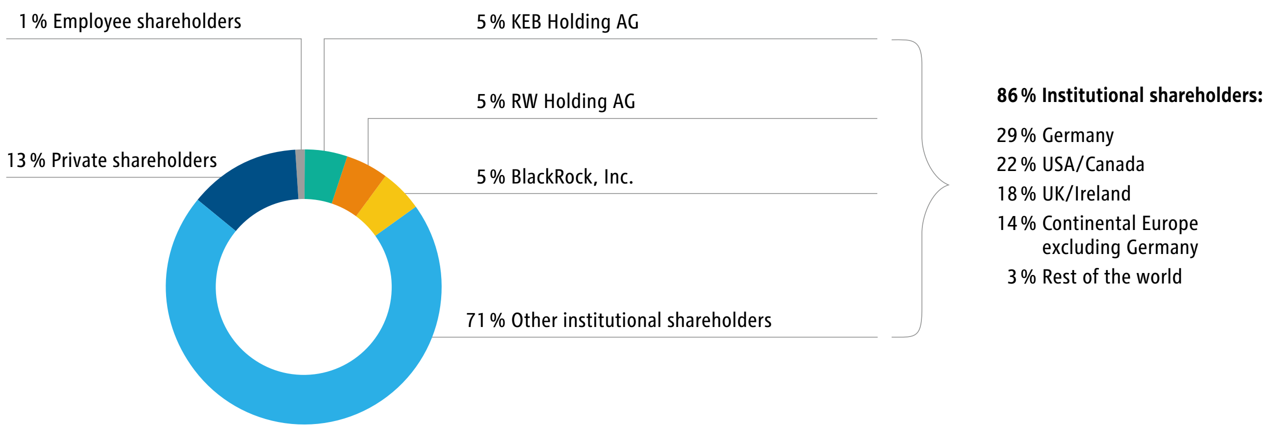
1 In relation to the annual average number of shares outstanding.
2 Dividend proposal for RWE AG's 2017 fiscal year, subject to the passing of a resolution by the 26 April 2018 Annual General Meeting.
3 Ratio of the dividend per share to the share price at the end of the fiscal year.

Dividend proposal for fiscal 2017. The Supervisory and Executive Boards of RWE AG will propose to the Annual General Meeting on 26 April 2018 a dividend of €1.50 per common and preferred share. The sum is made up of the regular dividend of €0.50 and a special payment of €1.00 through which we want to enable our shareholders to benefit from the nuclear fuel tax refund.

Broad international shareholder base. At the end of 2017, an estimated 86 % of the total of 614.7 million RWE shares (including 39 million non-voting preferred shares) were held by institutional investors, and 14 % were held by individuals (including employees). Institutional investors from Germany owned 29 % of RWE (previous year: 27 %). In other countries on the European continent, this investor group held 14 % (previous year: 20 %) of RWE's subscribed capital. In North America, the United Kingdom and Ireland, it accounted for a combined 40 % (previous year: 35 %). RWE AG's single-largest shareholders are RW Holding, in which municipalities have pooled their shares, KEB Holding, which is backed by the City of Dortmund, and the US asset management company BlackRock. Based on their latest voting right notifications, the three companies each held about 5 % of the voting rights. At the end of 2016, a large portion of the RWE shares held by municipalities was still pooled in RWEB GmbH, which accounted for 14 % of the voting rights. However, this pooling was reversed last year. The free float of our common shares considered by Deutsche Börse in terms of index weighting was 89 % at year-end. Only the shares held by RW Holding and KEB Holding were deducted. Stakes held by asset management companies like BlackRock are classified by Deutsche Börse as free float as long as they do not exceed 25% of the capital stock.

About 1 % of RWE shares are owned by our current and former staff members. Last year, 4,900 people, or 35 % of all eligible individuals, participated in RWE AG's employee stock ownership plan, buying a total of 340,920 common shares. The programme enables the employees of our German subsidiaries to take shares in the company on preferential terms. We spent €3 million on this in the year under review. The personnel of innogy SE and its subsidiaries were not included in the employee stock ownership plan, as they qualify for an innogy stock ownership plan, which was launched in 2017.

Shareholder structure of RWE AG[1]



1 As of the end of 2017; percentages reflect shares in the subscribed capital.
Sources: RWE data and notifications of shareholders in accordance with the German Securities Trading Act (WpHG).

RWE represented on numerous stock markets. In Germany, RWE shares are traded on the stock markets in Frankfurt am Main, Düsseldorf, Berlin, Hamburg, Hanover, Munich and Stuttgart, as well as via electronic platforms such as Xetra. They are also available on some stock markets in the rest of Europe. In the USA, instead of our shares being traded, RWE is represented via American Depositary Receipts (ADRs) in a Level 1 ADR programme. ADRs are share certificates issued by US depositary banks, representing a certain number of a foreign company's deposited shares. Under RWE's programme, one ADR represents one common share.

Ticker symbols of RWE shares	Common share	Preferred share
Reuters: Xetra	RWEG.DE	RWEG_p.DE
Reuters: Frankfurt Stock Exchange	RWEG.F	RWEG_p.F
Bloomberg: Xetra	RWE GY	RWE3 GY
Bloomberg: Frankfurt Stock Exchange	RWE GR	RWE3 GR
German Securities Identification Number (WKN)	703712	703714
International Securities Identification Number (ISIN)	DE0007037129	DE0007037145
American Depositary Receipt (CUSIP Number)	74975E303	–

01

Combined review of operations

1.1 STRATEGY AND STRUCTURE

The European energy sector is undergoing fundamental change and only utilities that evolve will survive over the long term. Such a change has occurred at RWE – in both organisational and strategic terms. We started by strengthening our renewable energy, grid and retail operations by pooling them in the new subsidiary innogy, which we listed on the stock exchange. Then we explored how to position ourselves in conventional electricity generation and energy trading over the long term. Our mission statement is to ensure security of supply in times of increasingly volatile feed-ins of electricity from renewable sources. We are accomplishing this primarily with our flexible power plants. Furthermore, we intend to take advantage of the opportunities that will arise due to the progress made in electricity storage technologies.

RWE in a nutshell. The RWE Group is one of the leading suppliers of electricity and gas in Europe. Through its companies – including innogy – it covers all stages of the energy value chain, running the gamut from lignite production and electricity generation from gas, coal, nuclear and renewables, to energy trading and the operation of distribution networks as well as the supply of electricity, gas and innovative energy solutions. In fiscal 2017, the Group recorded revenue of €44.6 billion. The Group's major markets are Germany, the United Kingdom, the Benelux region and Eastern Europe. In electricity generation from renewables, its regional footprint is larger, including countries such as Spain and Italy, and in the future the USA. A detailed presentation of the Group's structure and the segments' operating activities can be found on page 20 et seqq.

New demands placed on energy utilities. The traditional business model for energy utilities is increasingly coming under pressure. With the continuing expansion of renewables, the focus of conventional power generation in Europe is shifting away from maximising the production of electricity and moving towards providing adequate capacities which can smooth out the fluctuations in solar and wind feed-ins. As a result of this, revenue streams for power plants are heading in the direction of market-oriented capacity payments for security of supply. This trend has progressed quite a long way in some European markets, such as the United Kingdom for example. In Germany, however, politicians have decided not to introduce a capacity market for the time being. A further challenge is integrating the rising volume of decentralised electricity feed-ins from renewables into the network. This makes the grid business more complex technologically. In the retail business, one of the main trends is that customers want to use energy more efficiently and take advantage of the opportunities opened up by digitisation. Furthermore, households and businesses are producing more of their own electricity and sometimes taking on the role of energy managers who sell their power generation independently.

One Group – two future-oriented companies. We are convinced that we will be best placed to rise to the challenges of the changing energy sector if we reflect the various aspects of these challenges in our organisational structure. Therefore, we pooled the renewables, grid and supply businesses in a new subsidiary called innogy SE and listed it on the stock market. As part of the initial public offering, 73.4 million innogy shares from RWE AG's holding and another 55.6 million shares from a capital increase by innogy SE were placed with a wide range of investors. As a result, RWE AG's interest in innogy dropped to 76.8 %. Additional information on this can be found on page 37 et seq. of the 2016 Annual Report.

With its mix of renewables, smart grids and innovative retail solutions, innogy has excellent business potential and the tools to be a driving force in transforming the energy sector. Its listing has advantages in accessing financing on the capital market. The proceeds of €2.0 billion from the capital increase will mainly be used for growth projects. RWE AG also benefits from this reorganisation, because it has given the company additional financial flexibility. RWE AG used the proceeds of €2.6 billion from the sale of innogy shares to finance the new German nuclear energy fund (see page 35).

As a result of the reorganisation, RWE AG's operating focus now lies on conventional electricity generation and energy trading. innogy is included in the consolidated financial statements as a fully consolidated company, but in practice, the company is held as a pure financial investment. A comprehensive agreement guarantees innogy that it can act independently in business matters and that RWE AG will only exercise its influence as the majority owner by way of the legally mandated bodies of the Supervisory Board and the Annual General Meeting. Accordingly, innogy also decides independently on its strategy. Our subsidiary provides more detailed information on this in its latest annual report. We also address this in this chapter, but mainly focus on the business activities for which RWE AG is responsible in operating terms.

Framework conditions for power plants remain difficult. The reliable supply of electricity continues to be taken for granted in our main generation markets, i. e. Germany, the United Kingdom and the Benelux region. However, this is increasingly being called into question by the progressive expansion of renewable energy: electricity feed-ins dependent on the weather and time of day have risen considerably as a result of mounting wind and solar power capacity, whereas the utilisation and profitability of conventional power stations has tended to decrease. In Germany and the Netherlands in particular, numerous power plants have already been shut down temporarily or definitively because they can no longer cover their operating costs. This trend has slowed somewhat recently. However, over the long term, conventional generation assets will certainly have much fewer load hours than before with which to cover their fixed costs.

Political guidelines are another reason for the declining amount of reliable generation capacity. The German government accelerated the country’s nuclear phase-out after the reactor accident at Fukushima in March 2011. At present, seven nuclear power plants are in operation in Germany, with a combined net capacity of 9.5 GW. Pursuant to the German Nuclear Energy Act, they must be shut down successively by the end of 2022. Electricity generation from coal is also on the decline, as a result of the ambitious climate protection goals in our core markets. For example, the new Dutch government sets out in its coalition agreement its intention to exit from coal completely by 2030. The United Kingdom aims to achieve the same goal in the middle of the next decade. Germany is also in the process of reducing electricity generation from coal, even though the room for manoeuvre is limited due to the nuclear phase-out. In 2015, it was decided to take eight German lignite-fired power plants with a total net installed capacity of 2.7 GW off the market. The stations – including five owned by RWE – are successively being decommissioned from 2016 to 2019, after which they will be on standby to ensure security of supply for a period of four years each, before being shut down for good. It cannot be ruled out that the new German government will accelerate the exit from coal and force us to shut down further stations.

According to surveys conducted by the German Association of Energy and Water Industries (BDEW), conventional power stations in Germany with over 20 GW in total installed net capacity will have stopped operating by the end of 2022. The German Network Agency also expects the number of power stations to decrease substantially. Renewable generation capacity is set to continue rising, but wind turbines and solar panels cannot guarantee security of supply due to the significant fluctuation in their utilisation. Electricity storage technologies also rapidly reach their limits – at least at present. It is impossible to predict if and when they will meet the technical and commercial requirements needed in order to make a major contribution to security of supply.

RWE’s strategic mission: we stand for security of energy supply. Owing to the developments outlined above, the reliability of electricity supply will become a critical factor in the success of the energy transition. This is the basis of our business model: we consider ourselves the backbone of security of supply in our key regions. We express this with our motto ‘Powering. Reliable. Future.’ This means that, in the long run, our contribution to the supply of energy will consist less of producing kilowatt hours and increasingly of providing generation capacity when needed. We expect that the security we provide will be compensated appropriately sooner or later. This is already the case in the United Kingdom, where a general capacity market was introduced on 1 October 2017. In addition to revenue from electricity sales, UK power plant operators receive a payment for making their capacity available and therefore contributing to security of supply. So far, German politicians have not adopted the UK model, concentrating instead on improving the functionality of the existing market. They believe that phases of tight supply will result in price spikes that are high enough to keep the required amount of generation capacity on the market. Experts from the Federation of German Industries (BDI) estimate that, in the long run, back-up capacity of more than 80 GW will be needed to ensure security of supply in Germany. We intend to cover a portion of this primarily with our flexible power stations to begin with, supplemented later by the increased use of storage technologies to the extent that it is technically possible and economically feasible to do so.

Group structure with three operating segments and the financial investment innogy. RWE AG reorganised its core business following the IPO of innogy SE. Since 2017, it has consisted of three instead of the former two operating segments (divisions). The former 'Conventional Power Generation' Division has been split into the 'Lignite & Nuclear' and 'European Power' Divisions. To ensure comparability between 2017 and 2016 figures, we also present the prior-year figures according to the new structure. The third operating segment is 'Supply & Trading' (formerly 'Trading/Gas Midstream'). This is only a change in name and does not affect the nature of the business. The segment structure is rounded off by innogy as the fourth division, which operates independently. We state individual activities outside the segments in the item 'other, consolidation'. In particular, this item currently includes RWE AG and its 25.1 % stake in the transmission system operator Amprion.

We present the RWE Group's four segments in more detail below.

(1) Lignite & Nuclear. This is where we report our German electricity generation from lignite and nuclear energy as well as lignite production in the Rhineland. These activities are overseen by RWE Power. This segment also includes our 50.9 % stake which we are about to sell in the Hungarian company Mátra, which produces lignite and generates electricity from this energy source. It also comprises our interests in the Dutch nuclear power plant operator EPZ (30 %) and in Germany-based URANIT (50 %), which holds a 33 % interest in the uranium enrichment specialist Urenco.

Due to their relatively low and stable fuel costs, lignite-fired and nuclear power stations are primarily used for base load. The significant decline in German wholesale electricity prices seen from the middle of 2008 to the beginning of 2016 caused these assets to become much less profitable. By reducing costs significantly, we managed to limit the earnings shortfalls. We are continuing our austerity policy although wholesale electricity prices have picked up again since then. We want to reduce annual expenditure in the Lignite & Nuclear segment by about €200 million until 2019 compared to 2016 with our current efficiency-enhancement programme. We have already achieved a large part of this goal.

Lignite-fired and nuclear power stations will become a less important part of our generation portfolio although their earnings prospects are brighter now. This is largely due to the framework established by energy policy in Germany. The nuclear energy sector is on a legal phase-out schedule with firm dates by which the stations have to be taken offline. Accordingly, Unit B of our Gundremmingen nuclear power plant was forced to stop producing electricity as of 31 December 2017. Since then, two RWE nuclear power stations remain in operation: Gundremmingen C and Emsland. We have permission to operate these stations until the end of 2021 and the end of 2022, respectively, after which they must also be shut down.

There is also a time limit on the use of lignite to generate electricity. This is a result of European and national climate protection goals. Germany aims to reduce greenhouse gas emissions by between 80 % and 95 % by 2050 compared to 1990. Our strategy is in line with this very ambitious plan: it envisages a complete exit from lignite-based power generation by the middle of the century. The early shutdown of our five lignite units mentioned earlier is a first step in this direction. On 1 October 2017, units P and Q at Frimmersdorf were put on standby, with units E and F at Niederaussem to follow twelve months from then and unit C at Neurath to follow another twelve months thereafter. Our carbon dioxide emissions in the Rhenish lignite mining region will therefore fall by some 15 % below the level seen in 2015. We intend to increase this ratio to between 40 % and 50 % by the end of the next decade, as coal reserves in the opencast mine in Inden will have been depleted by then and we will shut down the Weisweiler power station, among other things. Thereafter, falling capacity utilisation levels and closures of additional lignite-fired units will lead to further declines in carbon dioxide emissions before our most modern lignite-fired power plants are taken offline when opencast mining comes to an end at Hambach and Garzweiler.

(2) European Power. Our electricity generation from gas, hard coal and biomass is subsumed under this segment. Here, the geographic focus is on Germany, the United Kingdom and the Benelux region. The segment also contains our 70 % stake in the Denizli gas-fired power station in Turkey, some hydroelectric power plants in Germany and Luxembourg and RWE Technology International, which specialises in project management and engineering services. All of these activities are overseen by RWE Generation.

The economic and political environment is also challenging for our gas and hard coal-fired power stations, which usually cover medium and peak loads. The rapid expansion of renewable energy in Germany has resulted in a significant decline in the use of these assets compared to the beginning of the decade. In some cases, their margins are far below the levels common at that time. We have temporarily taken some German and Dutch gas-fired power plants offline that can no longer cover their fixed operating costs. The stations have been mothballed and can come back online as soon as market conditions allow. Furthermore, we have shut down several hard coal-fired power stations. The most recent examples are the Voerde A/B units on the Lower Rhine, which were taken offline as of 1 April 2017. RWE held a 25 % stake in them and marketed their electricity. Besides temporary and permanent power plant closures, we have taken additional measures to cut costs and will also do so in the future. Within the scope of our ongoing efficiency-enhancement programme, we aim to reduce costs in the European Power segment by about €100 million by 2019 compared to the 2016 level. We have made good progress in this respect.

Despite the persistent pressure from consolidation, we believe the European Power segment has long-term growth prospects. We expect that our stations will become more profitable as secured generation capacity becomes tight. In the long run, this should benefit gas-fired power stations in particular. As their margins have already recovered somewhat, we were able to bring some mothballed stations back online, for example Unit G of the Gersteinwerk power station in Werne (Westphalia). Due to the German nuclear phase-out and the closure of additional coal-fired units, gas will become an increasingly important energy source in the coming years in order to secure electricity supply. Gas-fired power stations emit less carbon dioxide than coal-fired power plants and are therefore accepted more by the public as a partner to renewable energy.

In terms of power plant capacity, gas is already our most important fuel, and its share of our generation portfolio will continue to rise. For example, we are planning to build a combined-cycle gas turbine power plant with an installed capacity of up to 2,500 MW and/or an open-cycle gas turbine with a capacity of up to 300 MW at our site at Tilbury in the UK. Our investment decision will depend in part on whether we manage to secure the compensation we need for the project in the UK capacity market auctions. We have identified growth options consisting of acquiring existing assets in Germany and the Benelux region, which to date do not have capacity markets. Building new generation capacity is usually unprofitable in these regions, unless the assets receive compensation under the German Combined Heat and Power Act or as back-up power stations. We currently plan to build an open-cycle gas turbine at Gundremmingen, our Bavarian nuclear site, which would be used to stabilise the grid. One prerequisite is that we place the winning bid in the call for tenders for the project by the transmission system operator in charge.

We do not plan to build new hard coal-fired power plants. Besides this being unprofitable, political considerations also play a role. In the Netherlands, where exiting from coal is at the very top of the energy policy agenda, we want to convert our Amer 9 and Eemshaven hard coal-fired power stations for increased biomass co-firing. This will give us two advantages: it will enable us to improve our carbon footprint significantly and increase the acceptance of the power stations among the public and political decision-makers.

We intend to make more use of storage technologies, with a view to supplying people with energy reliably. Investing in storage is usually unprofitable at present. One reason for this is that the scarcity premiums obtainable on the market are still too low and the available technologies are still too costly because they are not mature. Nevertheless, we are preparing to expand storage capacity by conducting pilot projects. One example is the new 6 MW battery storage unit, which we installed next to the Herdecke pumped storage power station on the Ruhr river. The unit is used to maintain grid stability. Above and beyond that, we are exploring how to bridge extended periods of oversupply and shortages of electricity. A promising option is the use of excess wind and solar power to generate heat. The saved fuel (e. g. gas) would then be available to produce electricity during later periods of scarcity. We are also looking into recyclable batteries that can be used to cover brief periods of extreme shortage.

(3) Energy Trading. This segment encompasses the multi-faceted activities of RWE Supply & Trading, which acts as the commercial centre for the RWE Group. Its core business, energy trading, forms the economic link between the elements of our value chain, the regional markets and the various energy commodities. RWE Supply & Trading concentrates on trading in electricity, natural gas, coal, oil, CO_2 certificates and biomass. It increasingly conducts these activities outside of Europe, for example in New York, Singapore and Mumbai. The company is also responsible for sourcing the fuel needed to produce electricity and heat and marketing the electricity generated by RWE power plants. One objective is to limit price risks. On top of that, the segment generates added value by the commercial optimisation of our power plant dispatch. The resulting earnings are reported under the Lignite & Nuclear and European Power segments. RWE Supply & Trading also markets its expertise to major European customers outside of the RWE Group, offering services ranging from traditional energy supply contracts and comprehensive energy management solutions to complex risk management concepts.

Another focal point of RWE Supply & Trading's activities is the gas business. We enter into long-term supply agreements with producers, organise gas transportation by booking pipelines and optimise the timing of our deliveries using leased gas storage facilities. We also conclude transactions involving liquefied natural gas (LNG). The objective is to tap into synergies between the pipeline-bound gas business and overseas LNG trading. RWE Supply & Trading intends to establish itself as one of Europe's leading gas intermediaries. To this end, the company also looks at markets outside of RWE's core regions. The principle underlying this approach is, the greater the size and diversification of the procurement and supply portfolios, the greater the chances to commercially optimise them.

RWE Supply & Trading also leverages its know-how to make short to medium-term investments in energy assets or energy companies, for which value-enhancing measures can be taken in order to fetch high returns upon resale (referred to as principal investments). At the end of 2017, RWE Supply & Trading had a portfolio of nine investments in a variety of activities, a large portion of which was in the USA. They range from the coal mine operator Blackhawk Mining and the developer of renewable energy projects Walden Green Energy to the specialist for energy storage solutions Stem. The attractiveness of principal investments was proven by our investment in the Lynemouth hard coal-fired power station in the north of England: we purchased the plant in 2012 and then established the basis for its conversion to biomass firing using state subsidies. In early 2016, the power station was sold on to an investor for a profit.

(4) innogy. Our subsidiary innogy is responsible for business involving renewable energy, distribution networks and retail. Its strategy is designed to spur structural change in the energy sector.

- **Renewables.** innogy plans, builds and operates facilities for the generation of electricity from renewable sources. In terms of generation capacity, the company's strongest presence is currently in Germany and the United Kingdom, followed by Spain, the Netherlands and Poland. In terms of energy sources, the focus is on onshore and offshore wind, as well as hydroelectric power. innogy further expanded its generation capacity last year: milestones were the inauguration of the Dutch wind farm Zuidwester (90 MW) and the commissioning of the Nordsee One offshore wind farm (332 MW) north of the Isle of Juist, in which innogy holds a 13.5 % stake. Furthermore, our subsidiary has set the stage for the continued expansion of its wind power capacity by acquiring a project portfolio with over 2 GW in the USA and securing a state subsidy contract for the Triton Knoll offshore wind project in the UK. Moreover, by acquiring Belectric Solar & Battery at the beginning of 2017, innogy has become a global player in the supply of ground-mounted solar farms and battery storage units. Belectric built one of Germany's largest battery storage facilities in Chemnitz, which was officially inaugurated in August 2017, and is currently constructing Israel's most powerful solar farm together with a local partner. We report on some of the projects mentioned here in detail on page 38 et seq.

- **Grid & Infrastructure.** Networks are the backbone of the energy transition, and their operators can generally earn stable returns. innogy manages electricity distribution networks in Germany, Hungary, Poland and Slovakia. Moreover, it is active in the gas distribution network business in Germany, the Czech Republic and Croatia. Conditions in its home market Germany pose the greatest challenge: rising volumes of electricity feed-ins from renewables, which are dependent on the weather and time of day, and an increasing number of small, decentralised generation facilities are making network operation an increasingly complex technical feat, but at the same time, are also opening up growth opportunities. In order to ensure a reliable supply of electricity in this environment, innogy must invest in maintaining and expanding network infrastructure. The company is developing new control technologies and testing them in field trials so that networks can be used more effectively and flexibly. A trailblazing project in relation to engineering and testing such technologies is the 'Designetz' project that was launched in 2017 and is the result of innogy joining forces with a number of partners in order to work on a blueprint for the energy network of the future (see page 27). A co-operative venture with Deutsche Telekom also aims to develop new business models relating to the grid: the two companies want to use synergies through the joint expansion of the energy and fibre-optic network in rural areas. Furthermore, innogy took a 17.5 % interest in eluminocity, a startup with headquarters in Munich and Denver, which specialises in intelligent street lighting, smart city sensor technology and high-quality charging stations for electric vehicles.

- **Retail.** At the end of last year, innogy supplied 15.9 million customers with electricity and around 6.6 million with gas in eleven European markets. Our subsidiary is one of the largest suppliers of electricity and gas in Germany, the Netherlands and the United Kingdom. It has a leading position in at least one of these products in several other European markets. In the long run, it intends to focus on markets with attractive framework conditions, in which it can rank among the three leading suppliers. These requirements are not met in the United Kingdom. Against this backdrop, innogy agreed with its competitor SSE to merge its UK retail business with a large portion of the retail activities of SSE to form an independent company listed on the stock exchange (see page 38). Challenges and opportunities also result from changes in customer needs. Increasing numbers of households and businesses want to use energy more efficiently and profit from the opportunities of digitisation. Therefore, innogy does not limit itself to the traditional supply of electricity and gas. Instead, the company also develops innovative products and services enabling its customers to use energy intelligently while taking advantage of the newest technologies. This also involves entering into partnerships. One example is the long-term co-operation with the leading consumer electronics manufacturer Medion initiated in the middle of 2017 that consists of combining innogy's software platform with Medion's smart home products. E-mobility is another of innogy's important business fields. One of the activities in this area is building charging infrastructure. This often involves our subsidiary forging partnerships with private enterprises. For example, the company agreed with Tank & Rast to set up and operate over 100 fast charging stations at the company's motorway restaurants and service stations. The German Ministry of Transportation and Digital Infrastructure granted innogy about €3 million in subsidies for the installation of over 1,000 new charging stations.

RWE AG's management system. Ensuring sustainable growth in shareholder value is at the heart of our business policy. To manage the Group companies, RWE AG deploys a groupwide planning and controlling system, which ensures that resources are used efficiently, and provides timely, detailed insight into the current and prospective development of the company's assets, financial position and net worth. Based on the targets set by RWE's Executive Board and our expectations regarding the development of the business, once a year we formulate our medium-term plan, in which we forecast the development of key financial indicators. This plan contains the budget figures for the next fiscal year and planned figures for the following years. The Executive Board submits the plan to the Supervisory Board, which reviews and approves it. The Supervisory Board occasionally requests adjustments to be made prior to giving its approval. During the fiscal year, we produce internal forecasts linked to the budget. The Executive Boards of RWE AG and the main operating units meet regularly to analyse the interim and annual financial statements and update the forecasts. In the event that the updated forecast figures deviate significantly from the budget figures, the underlying reasons are analysed and countermeasures are taken if necessary. We also immediately notify the capital market in the event that published forecasts need to be modified.

Some of the key indicators we use in managing our operational business and assessing the financial situation are adjusted EBITDA, adjusted EBIT, adjusted net income and net debt. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortisation. In order to improve its explanatory power in relation to the development of ordinary activities, we remove non-operating or aperiodic effects, which are shown in the non-operating result. Capital gains or losses, temporary effects from the fair valuation of derivatives, impairments and other material special items are filtered out. Subtracting operating depreciation and amortisation from adjusted EBITDA yields the adjusted EBIT, the development of which has a significant influence on the variable compensation of our employees. Adjusted net income is another key operating indicator. We calculate this by correcting net income for all major special items (including the entire non-operating result) along with the related income taxes. Since 2016, we have used this indicator as a factor in determining the share-based payment of our senior management.

We primarily use the internal rate of return as a yield indicator for assessing investment projects. The Group's financial position is analysed using cash flows from operating activities, amongst others. We also attach special importance to the development of free cash flow, the definition of which we changed in 2017. It is the result of deducting capital expenditure from cash flows from operating activities and adding to them proceeds from divestments and asset disposals. Net debt is another indicator of RWE's financial strength. Essentially, it consists of net financial debt together with provisions for pensions and similar obligations, for nuclear waste management, for mining damage (e. g. the recultivation of opencast mining sites) and for the dismantling of wind farms. One half of the liabilities from hybrid bonds is recognised in net debt.

In compliance with International Financial Reporting Standards, we recognise innogy as a fully consolidated company in the consolidated financial statements. In other words, the Group figures include our subsidiary's revenue, expenses, cash flows, assets, debt, etc. However, this approach only reflects innogy's operating independence to a limited extent. Therefore, for management purposes, we also use key figures in which our subsidiary is subsumed as a pure financial investment under 'other financial assets'. Further details on this can be found on page 60.

Sustainability – a standard we hold ourselves to. We can only succeed over the long term if we ensure society's acceptance by embracing our corporate responsibility (CR). In order to focus on the various aspects of this responsibility, we maintain a dialogue with all our stakeholder groups, such as shareholders, employees, customers, politicians, associations and non-governmental organisations. Since the reorganisation of the Group, RWE AG has defined its main task as ensuring security of supply. We also give great importance to environmental management and occupational safety. We have already achieved very high standards in these areas and we intend to maintain these. Other key areas for us include ensuring compliance with the Code of Conduct and the compliance regulations of RWE and making sure that our suppliers adhere to internationally recognised environmental and social standards.

We face particular challenges in relation to climate protection, especially since high carbon dioxide emissions also involve high business risks. By expanding its activities in renewables, the RWE Group is making an important contribution to electricity generation that is gentle on the environment. Furthermore, our new-build power plant programme completed in 2015 has established the basis to replace old, emission-intensive assets with cutting-edge generation capacity. The carbon dioxide emissions of our power stations have dropped steadily in the last five years. We expect this trend to continue, above all due to the decommissioning of coal-fired power plants. Based on current planning, our emissions in our core markets Germany, the United Kingdom and the Benelux region will decrease by between 55 million and 65 million metric tons of carbon dioxide by 2030 compared to 2015 (141 million metric tons). These figures relate to our current generation portfolio and are in line with long-term European and national climate protection goals.

Further information on our strategy and our measures in relation to CR can be found in our separate non-financial report on the Group in accordance with Section 315b, Paragraph 3 of the German Commercial Code, which will be published as part of our CR Report and does not form part of the combined review of operations. The CR Report is entitled 'Our responsibility' and can be accessed on the internet at www.rwe.com/cr-report.

1.2 INNOVATION

Innovation is the key to long-term commercial success. This holds true more than ever for energy utilities like RWE. In numerous research and development projects, we look for technical solutions to make opencast mines more profitable, power plants less emissions-intensive, and grids more intelligent. We are also innovative with regard to the development of new business models that satisfy customers' future needs and expand our offering beyond the sale of electricity and gas. In our daily operations, we benefit from the ingenuity and entrepreneurial spirit of our employees. Once again they had thousands of good ideas in 2017, which will allow us to achieve millions of euros in savings.

With around 490 inventions, we are in the vanguard of Europe's utilities. The RWE Group is innovative in many ways. Our main motivation is to remain competitive over the long term in a dramatically changing environment as well as to be a driving force behind this transformation. With a groupwide tally of around 1,480 patents and patent registrations, based on roughly 490 inventions, we are in the vanguard of Europe's most innovative utilities. Last year, we worked on more than 320 research and development (R&D) projects and filed patent applications for 76 inventions. Our R&D projects frequently involve co-operating with external partners from the engineering and chemical industries, or with research institutions. As a result of this, we usually only have to bear a portion of the project costs. The RWE Group's operating R&D spending amounted to €182 million in 2017 (previous year: €165 million). A total of about 550 of our employees were solely or partially dedicated to R&D activities.

RWE AG: solutions for more economic opencast mining, lower emissions and new ways of using carbon dioxide. The reorganisation of the RWE Group changed the responsibilities for research and development: innovation in the areas of renewable energy, grids and retail is now in the hands of our subsidiary innogy. RWE AG is responsible for the R&D activities of the areas of the Group under its management. Its measures are primarily dedicated to conventional electricity generation. They aim to make the operation of our opencast mines and power stations more profitable and reduce emissions. Another major area of research is the use of lignite and carbon dioxide through conversion to fuel or starting materials for the chemical industry. We will present a small selection of RWE AG's important R&D projects, followed by a brief insight into the innovative work done by innogy and ending with an employee's idea, which is representative of many others.

Opencast mining: more efficient processes thanks to digital control. In the Hambach opencast mine, we explored the options offered by digitisation to make lignite production more profitable. This was done in a four-year EU research project in which we co-operated with Delft University of Technology (Netherlands). Controlling opencast mines digitally is as complex as mining the lignite itself as it also involves many steps that dovetail each other: huge bucket-wheel excavators in the terraced opencast mines scoop up the coal and its covering layers and place it on conveyor belts on which it is transported to a distributor. This is where the loads are sent off on various transport routes: the lignite is either placed in interim storage in a coal bunker or supplied directly to the surrounding power stations and processing plants – either via belt conveyor systems or the works railway, depending on the distance. The overburden often travels several kilometres on conveyor belts before it reaches the spent side of the mine where it is used to refill the pits resulting from mining. To ensure that this process runs with clockwork precision, the heavy equipment and material flows must be dispatched accurately. Numerous influences and effects must be considered when making every single decision. Our research project has demonstrated how this can be done with digital support. It was completed successfully in October 2017. Now RWE is working on turning the methods designed within the scope of the project into dispatch aids applicable to the operation of opencast mines. Our goal is to have a software module by 2020 with which our mining engineers can optimise processes in opencast mines working either on their office computers or using tablets on site.

For the reliable operation of power stations: coal analysis 'on the fly'. Operating lignite-fired power plants as smoothly as possible requires us to have precise knowledge of the composition of the coal that we use. Not all coal is the same, as it can contain various degrees of trace elements such as iron, calcium and magnesium. Unfavourable mixtures of these can leave deposits in the furnace during combustion, forcing the lignite unit to be shut down temporarily for cleaning. To prevent this, we analyse the composition of the coal before it reaches the power plant. This involves regularly taking samples from the conveyor belt, preparing and analysing them – a process that is fully automated. We are currently testing a new device in the Fortuna coal bunker of the Garzweiler opencast mine based on an alternative method: Germany's first online coal analyser featuring innovative radiometric measuring technology. The apparatus analyses the quality of the coal in real time, i. e. as it passes the analyser on the conveyor belt – up to 10,000 metric tons per hour. If the new online coal analyser proves itself in continuous operation, it may be used in our opencast lignite mines. We expect this to reduce maintenance costs while improving the availability of our power plants.

Reducing emissions: flue gas with less mercury thanks to rotary hearth furnace coke. We aim to operate all of our power stations in the most environmentally friendly manner. The legislator already imposes strict requirements on us in this regard, for example in relation to mercury emissions. The introduction of new EU-wide limits makes the framework conditions for operating our lignite-fired power plants even tighter. Today, we already manage to remove and capture most of the mercury from flue gases. As a result, our stations are far below the currently applicable threshold values. Independently of that, for years we have been conducting in-depth research into ways to further decrease mercury emissions on a large scale and at reasonable cost. We are focusing primarily on a method using rotary hearth furnace coke from Rhenish lignite produced by RWE. We already use this substance as a mercury separator, albeit only in our processing plants, in which we convert lignite into briquettes or powdered lignite for the cement and lime industry. Now we are testing whether and how rotary hearth furnace coke can be used to lower the emissions of power stations. We are doing this with the help of a pilot plant in the Coal Innovation Centre at the Niederaussem power station, which has been running since October 2017. This involves very finely ground rotary hearth furnace coke being mixed with water and introduced into the power plant's flue gas ducts, which are much larger than those of the processing facilities. We will make use of the findings to design a demonstration plant for permanent operation, which we will start building at Niederaussem in 2018.

New uses for carbon dioxide: from CO_2 to diesel. We have been working on a method for removing carbon dioxide from flue gases in power stations for a long time. We have developed one of the world's leading technologies in this field in co-operation with BASF and Linde in the Coal Innovation Centre at Niederaussem. It was tested in a pilot plant that has put in more than 60,000 operating hours since 2009 and has proven its efficiency, delivering carbon dioxide separation rates of over 90 %. Within the scope of three EU subsidy projects, we are now going one step further: we plan to use the carbon dioxide from the pilot plant, water and electricity to produce fuel and starting materials for the chemical industry in various test facilities at the Niederaussem site. In every production method, the carbon dioxide is used to create a replacement for fossil fuels such as oil and gas. The projects are called OCEAN, LOTER.CO_2M and ALIGN-CCUS and differ from one another mainly by virtue of their target products. In OCEAN, oxalic acid, a basis for high-quality chemical products, is obtained from carbon dioxide. In LOTER.CO_2M, the focus lies on the simple and efficient production of methanol, a starting material for a variety of chemical products and one of the most produced chemicals worldwide. Last but not least, the ALIGN-CCUS project is dedicated to the production of dimethyl ether (DME), which is of interest particularly as a replacement for diesel. It burns nearly soot-free and does not produce much nitrous oxide. DME can be used in vehicle engines and power units. The latter can be used to cover peak loads during low levels of electricity feed-ins from renewable energy (e. g. in the event of lulls). Furthermore, DME can be used to chemically store excess electricity over extended periods of time while taking up little space. We have set ourselves the goal for 2020 of running a power unit's diesel engine on DME produced by our test plant. The unit will initially be configured to generate 240 kW and be as large as a freight container. However, it is modular and therefore expandable. It can be used to supply electricity decentrally, for instance to bridge periods until networks are expanded. In the projects described above, we work with a variety of renowned industrial and scientific partners, including RWTH Aachen, the Universities of Duisburg-Essen and Genoa, Mitsubishi Hitachi Power Systems Europe, the independent engineering service provider for internal combustion engines and vehicle technology FEV, and the Jülich Research Centre. The projects receive approximately €3 million in EU subsidies and are scheduled to run for a maximum of four years.

More detailed information on this and RWE AG's other R & D projects can be found at www.rwe.com/innovation.

innogy SE: focus on renewable energy, smart grids and new retail products. The RWE Group is also pushing forward with innovation in renewables, distribution networks and supply. Our subsidiary innogy has a wide range of innovative undertakings which are presented in detail at www.innogy.com/innovation. Some of them enable it to make valuable contributions to the success of the energy transition, e. g. the 'Designetz' project. Spearheaded by innogy, a research consortium aims to develop a sustainable concept for integrating renewable energy into the supply system. The main challenge consists of finding a way to network the large number of decentralised electricity generators and users in both rural and urban areas intelligently. The consortium partners include municipal utilities, renowned research institutes and large technology firms. Designetz is scheduled to be rolled out in North Rhine-Westphalia, Rhineland-Palatinate and Saarland. These states, in which over a quarter of Germany's population lives, are ideally suited to conducting field trials for the decentralised energy landscape of the future, as they are home to areas with very high levels of electricity from renewables as well as heavily industrialised areas of consumption. Designetz is part of the 'Intelligent Energy Showcase – Digital Agenda for the Energy Transition' (SINTEG) subsidy programme of the German Federal Ministry for Economic Affairs and Energy. The Ministry attaches such high importance to Designetz that it has provided it with about €30 million in subsidies.

Innovation Hub at innogy: a platform for the development of new business models. Companies seeking to survive over the long term in a market undergoing dynamic change must ensure today that they have compelling offers to satisfy the customer needs of the future. At the Innovation Hub, a platform created in 2014, trailblazing ideas and business models concerning all things energy and beyond are developed. Special attention is paid to the possibilities offered by digitisation. The ambition is to bring products and services to market maturity which allow customers to use energy more efficiently and improve their quality of life. An example of this is 'Fresh Energy', a new solution consisting of a smart meter and a smartphone app. The smart meter records the energy consumption of all household appliances. The data is presented in a manner that is easy to understand, enabling the user to identify 'power hungry' appliances. Moreover, customers are only invoiced for the electricity they have actually used, without any advance or back payments.

Savings thanks to the experience and knowledge of our employees. Day-to-day operations are a fertile breeding ground for good ideas. Many of our employees harness their experience to help move the company forward with innovation. Last year, Group employees submitted around 2,300 suggestions for improvements to the idea managers at their respective companies. We estimate the economic benefit of their suggestions amounts to about €8 million in the first year of implementation. For example, an employee of RWE Power discovered that bulldozer performance in the Garzweiler opencast mine can be increased by making small adjustments to the blade. The bulldozer uses the blade to push material in order to level paths for heavy equipment, among other things. The employee realised that loose and muddy material often failed to stick to the front of the blade, falling off to the sides instead. The employee's idea was to fit big 'ears' made of thick-walled sheet metal to the sides of the blade in order to do a better job of keeping the bulldozed material in front of it. This put the ball in the court of RWE Power's Equipment Department, which upgraded one of our vehicles to these specifications. A test with the modified blade demonstrated that a third more material could be moved. The first step will involve upgrading four of the bulldozers used in the Garzweiler opencast mine. We estimate that associated costs will total just under €11,000 – money well spent, as this can result in over €80,000 in annual savings based on approximately 5,000 hours of bulldozing work carried out every year.

1.3 ECONOMIC ENVIRONMENT

The market prospects of our power stations improved somewhat in 2017. Buoyed by rising hard coal quotations, wholesale electricity prices continued the course for recovery on which they embarked at the beginning of 2016. Purchases of base-load power made in 2017 for the following calendar year cost an average of €32 per MWh, €5 more than in 2016. However, this will only affect our earnings in the future. We had sold forward most of our electricity generation for 2017 in earlier years. The realised margins were significantly down on 2016. However, the profit margins of our Continental European gas-fired power stations improved.

Economic upturn continues. Based on initial estimates, worldwide economic output was some 3 % higher last year than in 2016. The Eurozone is estimated to have recorded more than 2 % growth. Germany's gross domestic product (GDP) is likely to have risen by about the same percentage. Stimulus came primarily from consumer spending. GDP in the Netherlands rose by approximately 3 %. By contrast, Belgium posted growth of just under 2 %. The same applies to the United Kingdom, our most important market outside of the currency union, which benefited from the expanding service sector, but felt the adverse effects of the impending exit from the EU. The economies of our major Central Eastern European markets displayed much more dynamic development. Available data indicates that GDP increased by over 4 % in Poland and the Czech Republic, with Hungary and Slovakia recording a gain of more than 3 %.

Temperatures slightly above average. Whereas the economic trend significantly affects the energy needs of industrial enterprises, residential energy consumption is influenced more by weather conditions. The lower the outside temperature, the more gas and electricity is needed for heating purposes. Meteorological data for 2017 shows that weather conditions were relatively mild throughout the whole of Europe. Average temperatures were mostly slightly higher than the relevant ten-year average, despite the very cold weather in January. The comparison to the previous year is varied: overall, it was slightly warmer than in 2016 in the United Kingdom and the Netherlands, whereas it was colder in large parts of Eastern Europe. The average temperature for the year measured in Germany was on a par with the previous year.

Wind conditions more favourable than in 2016. In addition to energy consumption, the generation of electricity – particularly from wind farms – is also subject to weather-related influences. On the whole, wind levels at innogy's generation sites were slightly less favourable than the long-term average. However, they improved over the prior year in nearly all countries, with the exception of Spain. Run-of-river power stations are also subject to weather conditions. Their electricity production depends on precipitation and melt water volumes. In Germany, where most of the RWE Group's hydroelectric power plants are located, these volumes were relatively low in 2017, when compared to the long-term average and the preceding year.

Higher energy consumption in RWE's core markets. The economic growth stimulated energy consumption in our core markets, whereas the trend towards saving energy had a dampening effect. Based on preliminary calculations by the Federal Association of the German Energy and Water Industries (BDEW), German demand for electricity in 2017 was 0.7 % up year on year. Estimates indicate a rise of about 1 % in the Netherlands. Electricity consumption is likely to have advanced by between 2 % and 3 % in Poland, Slovakia and Hungary, whereas it dropped by some 2 % in the United Kingdom.

In relation to gas, volume increases in our Continental European markets were contrasted by a decline in the United Kingdom. Based on pro-forma BDEW figures, gas consumption rose by 6 % year on year in Germany, in part because the market conditions for gas-fired power plants improved, allowing these stations to be used more. According to estimates, gas consumption was up 2 % in the Netherlands, and 1 % in the Czech Republic. By contrast, gas demand in the United Kingdom decreased by approximately 2 % compared to 2016, in part due to the relatively mild weather.

One-year forward prices of gas on the TTF wholesale market
€/MWh (average weekly figures)

Source: RWE Supply & Trading.

Stabilisation of TTF wholesale gas quotations. Following a lengthy decline, wholesale gas prices recovered somewhat in Western Europe. Averaged for the year, spot prices at the important Dutch Title Transfer Facility (TTF) amounted to €17 per MWh, €3 more than in 2016. In TTF forward trading, contracts for delivery in the following calendar year (2018 forward) were also settled for an average of €17 per MWh. By comparison, in 2016 the price paid for the 2017 forward was €15.

Residential tariffs typically react to developments on the wholesale market with a time lag. They were still significantly marked by the slump of earlier years. Based on available data, gas became 3 % and 1 % cheaper for German and UK households, respectively. In the Czech Republic, residential customer tariffs were essentially unchanged, whereas they were up 2 % year on year in the Netherlands. Developments affecting industrial customers were as follows: prices were up 1 % in Germany, 5 % in the Netherlands and 6 % in the United Kingdom. This was contrasted by a 7 % decline in tariffs in the Czech Republic.

One-year forward prices of coal deliveries to Amsterdam/Rotterdam/Antwerp
US$/metric ton of coal (average weekly figures)

Source: RWE Supply & Trading.

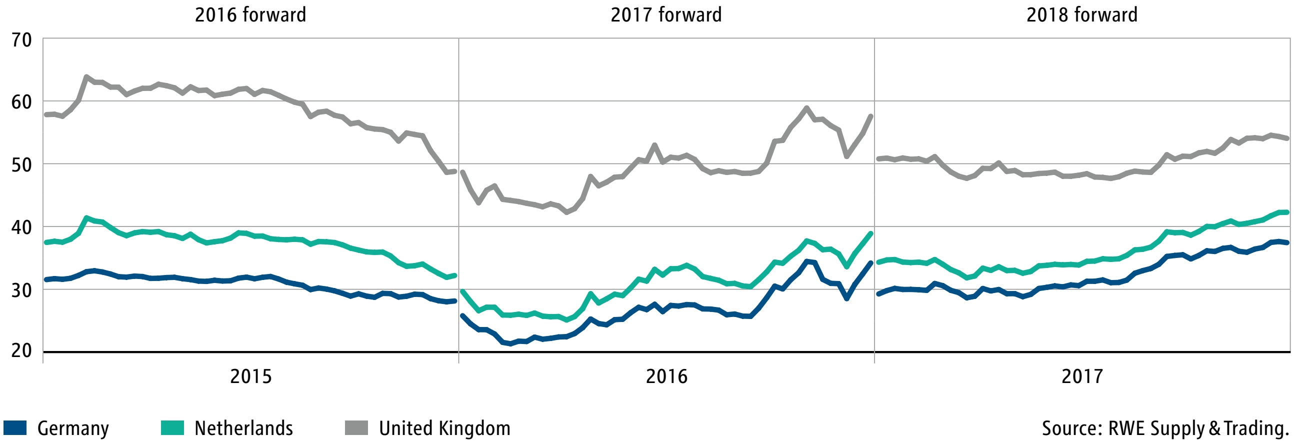
Hard coal much more expensive than in 2016. Quotations in international hard coal trading bottomed out at the beginning of 2016, after which they rose considerably. In 2017, coal imports including freight and insurance via the ARA ports (Amsterdam/Rotterdam/Antwerp) were quoted at an average of US$84 (€75) per metric ton in spot trading, up US$24 compared to 2016. The 2018 forward (API 2 Index) traded at US$74 (€65) per metric ton, US$20 higher than the comparable figure for the previous year. This is in part due to robust Chinese economic activity and its revitalising impact on the country's demand for coal. In 2016, Beijing had curbed domestic coal production through regulatory intervention. However, the restrictions were loosened after a while. Freight rates, i. e. overseas shipping costs, are an important price component in international hard coal trading. They also displayed a clear upward trend. In 2017, the standard route from South Africa to Rotterdam cost an average of just under US$7 per metric ton, compared to slightly more than US$4 in the previous year. The rise in fuel costs had a price-increasing effect. Furthermore, excess ocean freight capacity built up in the past decreased somewhat.

Forward prices of CO_2 emission allowances (EU Allowances)
€/metric ton of CO_2 (average weekly figures)

Source: RWE Supply & Trading.

Reform of European Emissions Trading System (ETS) gives rise to speculation over CO_2 certificates. Prices in European trading of carbon dioxide emission allowances also increased. Last year, a European Union Allowance (EUA), which confers the right to emit a metric ton of CO_2, was quoted at an average of €6. This information relates to forward contracts which fall due in December 2018. By comparison, in 2016, an EUA in contracts for December 2017 cost slightly more than €5. There are still many more emission allowances on the market than companies need to cover their carbon dioxide emissions, but the EU Parliament and the European Council have initiated a package of measures that puts the EU in a position to reduce the surplus of certificates substantially (see page 34). In the last rounds of negotiation on this package in the second half of 2017, EUAs rose in price considerably, reaching the €8 mark at the end of the year. However, the measures adopted by the EU will not come to bear until after 2018. Furthermore, Brexit brings with it risks: it is still unclear if and when the United Kingdom will leave the ETS. In the event of an early withdrawal, industrial enterprises with a local domicile will put large numbers of emission allowances they no longer require on the market, thereby increasing the oversupply. The possibility of such a scenario had a dampening effect on EUA prices in 2017.

One-year forward prices of base-load electricity on the wholesale market
€/MWh (average weekly figures)



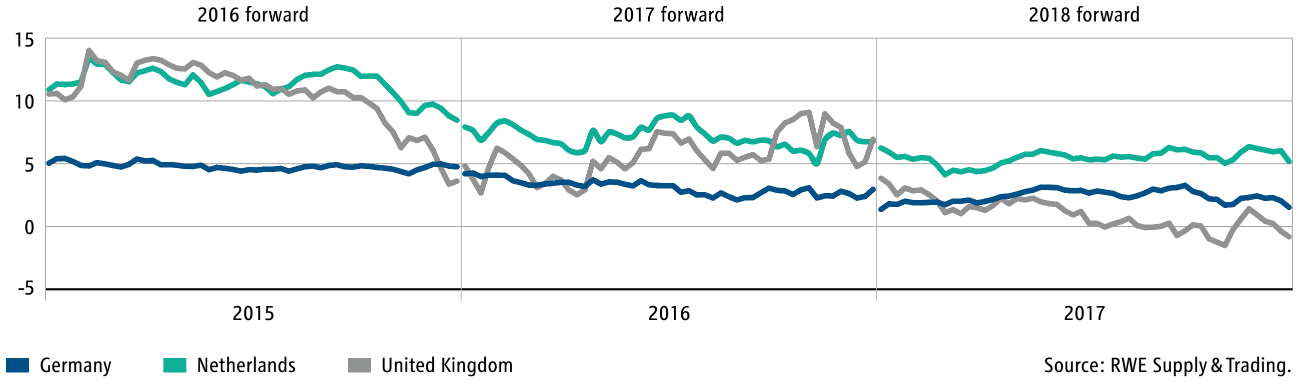
Source: RWE Supply & Trading.

Wholesale electricity prices markedly up year on year. In our major generation markets, wholesale electricity prices continued the upward trend on which they had embarked in 2016. The recovery of hard coal quotations played an important role. Hard coal-fired power plants set the prices on the electricity market for many hours during the year, especially in Germany. If their fuel costs rise, this has a knock-on effect on electricity prices. In Germany, the average spot price of base-load power was €34 per MWh in 2017, €5 more than in the previous year. Prices also rose in forward trading. Last year, the 2018 base-load forward cost an average of €32 per MWh. By comparison, the 2017 forward traded for €27 per MWh in 2016.

In the United Kingdom, our second-largest generation market, wholesale electricity quotations are typically much higher than in Germany. The average spot price of base-load electricity amounted to £45 (€52) per MWh, up £5 on the level witnessed in 2016. The 2018 forward traded for £44 (€50) per MWh, £3 higher than the previous year's comparable figure.

In the Netherlands, where we have our third-largest generation position, base-load power traded for an average of €39 per MWh on the spot market. Relative to 2016, it rose in price by €7. Forward contracts for 2018 were quoted at €36 per MWh, €5 more than what was paid for the 2017 forward in the prior-year period.

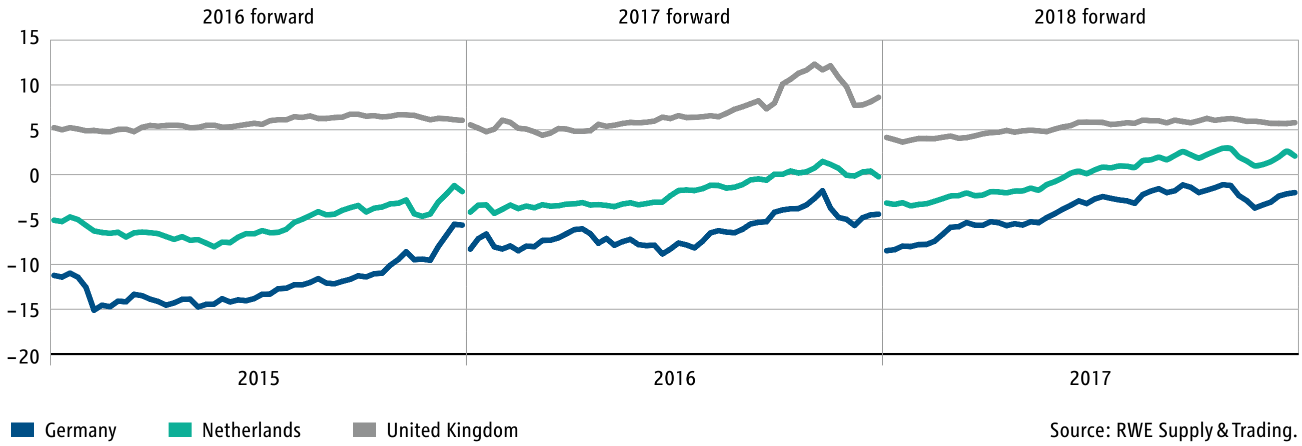
Clean dark spreads[1] forward trading
€/MWh (average weekly figures)



Source: RWE Supply & Trading.

1 Price of base-load electricity minus the cost of hard coal and CO_2 emission allowances based on a power plant efficiency of 35 % to 37 %; including CO_2 tax in the UK.

Clean spark spreads[1] forward trading
€/MWh (average weekly figures)



Source: RWE Supply & Trading.

1 Price of base-load electricity minus the cost of gas and CO_2 emission allowances based on a power plant efficiency of 49 % to 50 %; including CO_2 tax in the UK.

Sustained pressure on electricity generation margins. The margins of our conventional power plants are the difference between the price of electricity and the costs (including taxes) of the fuel and CO_2 emission allowances required to produce it. We generally source the fuel for our hard coal and gas-fired power plants from liquid markets at prevailing conditions. Therefore, the generation costs of these stations can change significantly. The margins are referred to as clean dark spreads for hard coal-fired power plants and clean spark spreads for gas-fired power plants.

The two above graphs illustrate the development of the aforementioned spreads in our main generation markets since 2015, based on the respective year-forward transactions. Taking the annual average figures as a basis, clean dark spreads were clearly on a downward trend over the entire three-year reporting period presented, particularly in the United Kingdom. Margins of gas-fired power stations displayed much more favourable development, picking up continually in both Germany and the Netherlands. In the United Kingdom, clean spark spreads were the highest in absolute terms, but in 2017 failed to match the very good level recorded the year before.

The cost of the fuel used to generate electricity from nuclear energy and lignite is generally more stable. We produce lignite from our own opencast mines. There are no reliable market prices for it due to its limited tradability. We cover our uranium consumption via long-term contracts at firm conditions. Owing to their relatively stable fuel costs, the margins of lignite-fired and nuclear power plants generally develop in line with wholesale electricity prices and they have mirrored the significant upward trend of the latter since 2016.

RWE electricity from lignite and nuclear energy sold for an average of €31 per MWh. We sell forward most of the output of our power stations and secure the prices of the required fuel and emission allowances in order to reduce short-term volume and price risks. Therefore, the income we earned from our power plants in the year under review depended on these types of forward contracts for 2017, which we had concluded up to three years in advance. Overall, our 2017 power production sold for a lower price compared to the previous year. For electricity from our German lignite-fired and nuclear power plants, we achieved an average of €31 per MWh (previous year: €35 per MWh). As a result, income from these stations was significantly lower than in 2016. The effects of the abolishment of the German nuclear fuel tax have not been considered here. Our hard coal-fired stations also recorded declining margins. Conversely, our gas-fired power plants, the production of which we sell forward closer to delivery, already benefited from the most recent recovery of wholesale electricity prices. In sum, their margins and deployment times were higher than in the previous year.

Significant increase in German industrial electricity prices. Electricity bills are greatly determined by grid fees, levies and taxes. This applies above all to households. In Germany and the United Kingdom, where the share of the total price accounted for by state-mandated components is growing steadily, residential tariffs rose by an average of 2 % and 7 % compared to 2016. In the Netherlands and Poland, households had to pay about 1 % and 3 % more than in the previous year. By contrast, residential tariffs declined by 3 % and 4 % in Hungary and Slovakia. The regional differences in the development of industrial electricity prices were even greater: they increased by 8 % in Germany and 3 % in the United Kingdom, whereas they dropped by 1 % in the Netherlands, 7 % in Poland, 8 % in Hungary and by as much as 11 % in Slovakia.

1.4 POLITICAL ENVIRONMENT

In 2017, policymakers made trailblazing decisions regarding the energy sector. One of the most important ones related to the European Emissions Trading System: following a lengthy tug of war, the European Parliament and the Council of Ministers reached an agreement on a reform to strengthen this climate protection tool. The most important course set in Germany related to nuclear energy: it was established by law that the government will take over the processing and financing of the interim and final storage of radioactive waste. It will receive the capital required for this from a fund, into which the power plant operators made payments in the middle of 2017. This regulation is appropriate. As a result, our political risks in relation to nuclear energy decreased considerably.

European emissions trading reform adopted. In February 2018, the European Parliament gave the go-ahead for a fundamental reform of the European Emissions Trading System (ETS). The European Council had already given its informal approval in December 2017. This was preceded by trilateral talks held by representatives of the two bodies and the EU Commission, which led to an agreement in November. The objective of the reform is to strengthen the ETS and bring it in line with the European greenhouse gas reduction goal for 2030. By then, branches of industry participating in the ETS must reduce their emissions by 43 % compared to 2005. Therefore, the number of CO_2 certificates issued will be lowered by 2.2 % annually during the fourth trading period, which runs from 2021 until 2030. The current reduction rate is 1.74 %. Another objective of the amendment to the ETS is to reduce the existing glut of allowances on the market more quickly. This will be done by transferring a much larger volume of allowances into the 'market stability reserve' (MSR) compared to what is prescribed by current legislation. The MSR, which will be used from 2019 onwards, is a tool that will give the EU more flexibility in bringing the supply of certificates in line with demand. The new regulation envisages withholding up to 24 % of the volume allocated on the market annually from 2019 to 2023 and transferring it to the MSR. It also envisages cancelling MSR emission allowances exceeding the volume allocated to the market in the preceding year from 2023 onwards. In addition, it will allow member states to cancel certificates relating to power plants closed as a result of emission-reduction measures.

EU imposes stricter limits on air pollutant emissions. The European Union has passed new regulations for limiting air pollutant emissions of new power plants, which must also be complied with by existing stations from 2021 onwards. A corresponding implementing regulation entered into force in August 2017. By and large, the standards are appropriate and feasible. However, they go beyond what is achievable at present in relation to nitrous oxides and mercury. The implementing regulation must now be translated into national law, which in Germany will involve an amendment to the thirteenth Federal Emission Control Act. The EU has given member states room for manoeuvre within which they can set their own thresholds. We hope that German policymakers will consider technical and economic feasibility as well as the need for a secure supply of electricity. Only once the Federal Emission Control Act has been amended can we estimate the consequences that this will have for our power plants. The need to implement extensive retrofits or to shut down individual stations early cannot be ruled out.

European Council wants to exclude coal-fired power stations from capacity markets. In the middle of December 2017, the member states in the European Council agreed on a joint position on the redesign of energy law. One of the main topics was the determination of minimum standards that national governments must observe if they have introduced capacity mechanisms or intend to do so. The countries agreed that power plants emitting more than 550 grams of carbon dioxide per kilowatt hour may only be compensated for their capacity if their annual emissions do not exceed 700 kilograms per kilowatt of installed capacity. This rule should apply to new and existing plant from 2026 and 2030 onwards, respectively. There are no provisions governing the level of the payments until then – with the exception that compensation for existing stations, which do not meet the 550 gram criterion, must be reduced by 5 % per year from 2026 to 2030. If the concepts of the European Council are implemented in the planned EU Electricity Market Regulation, coal-fired power stations and old gas-fired power plants would not be able to participate in capacity markets. A modern lignite-fired power plant would be allowed to operate for a maximum of 750 hours per year in order to remain within the annual emission contingent of 700 kg/kW. This would only represent about 10 % of its normal capacity utilisation. The service life of a modern hard coal-fired power station would be limited to roughly 950 hours per annum. If Germany introduced a capacity market, a large portion of the country's secured generation capacity would be excluded from it. Very little would be gained in terms of security of supply.

At the end of February 2018, the Industry Committee of the European Parliament debated the matter and established its standpoint. The Committee's position is generally in line with the concept of the Council. It is actually a proponent of even tighter regulation in certain areas. Now the Parliament and Council have to agree on a joint position. This will involve trilateral negotiations with representatives of the Commission, which will probably carry on into the second half of 2018.

New law on nuclear waste disposal in force – utilities pay into the nuclear energy fund. The law on the reorganisation of the responsibility for nuclear waste disposal in Germany entered into force on 16 June 2017. This was half a year after being passed by the Lower House of Parliament, as it was subject to EU clearance. The law is largely in line with the recommendations submitted in April 2016 by the Commission for the Review of the Financing of the Nuclear Phase-out tasked by the German government. Accordingly, the federal government will handle the processing and financing of the interim and final storage of radioactive waste, whereas responsibility for shutting down and dismantling the stations as well as for packaging radioactive waste will continue to be borne by the companies. The tasks transferred to the federal government will be financed by a fund into which power plant operators have paid. On 3 July 2017, the companies transferred the full amount of €24.1 billion to the fund's accounts at the Deutsche Bundesbank. RWE's share amounted to €6.8 billion. This ends the liability of nuclear power plant operators for the costs of intermediate and final storage. In order to provide a legal basis for this, on 26 June the companies involved concluded a public law contract with the Federal Republic of Germany. This contract provides the companies with a higher level of legal certainty related to the release from liability and also establishes details on the conditions of transferring radioactive waste to the Federal authorities. Based on this contract, numerous legal disputes between the utilities and the state over nuclear energy related issues were terminated, and the companies involved withdrew their claims.

Germany reforms grid fee structure. The German Act on the Modernisation of the Grid Fee Structure (NEMoG) entered into force on 22 July 2017. The new legislation introduced through NEMoG governs the gradual uniformity of transmission system fees. This measure was triggered by the fact that the four German transmission system operators mainly pass their network operation, maintenance and expansion costs through to the grid users in their respective balancing zones. Therefore, there are significant regional differences among transmission grid fees, which account for approximately a quarter of grid costs. Now the fees will be aligned in annual increments from 2019 to 2023. The details of the implementation will be set out in a regulation. As a result of NEMoG, grid fees will tend to rise in western and southern Germany and fall in the north and east. Energy-intensive industries in the balancing zone of Amprion, which is situated in North Rhine-Westphalia, Rhineland-Palatinate and Saarland as well as parts of Lower Saxony and Bavaria, are among the losers of the reform: they will have additional costs, which will be significant in some cases.

The second key part of NEMoG is the partial abolition of the compensation received by operators of decentralised generation units for 'avoided grid fees'. So far, the justification for the payments has been that the higher network levels experience relief when electricity is fed into the local distribution system and also used locally and that this could reduce the cost of expanding the supra-regional network, amongst other things. However, the German government points out that the expansion of renewable energy increasingly leads to a local oversupply of decentrally generated electricity, which results in feed-ins back into the higher-voltage network. As regards the reduction in compensation for avoided grid fees, NEMoG distinguishes between units with volatile generation volumes (e. g. wind farms) and those with controllable production (e. g. combined heat and power stations). Concerning the former generation units, the law envisages new plant no longer receiving compensation from 2018 onwards and fees for existing stations being gradually reduced. The following applies to units with controllable generation: new plant will no longer be subsidised from 2023 onwards, whereas old stations will continue to receive compensation. However, NEMoG also introduces limitations for the latter type of plant: the law stipulates that the basis for calculating avoided grid fees (which is derived from the grid costs) will be frozen at the 2016 level from 2018 onwards. It also envisages no longer taking into account certain grid costs in the future. Some RWE power stations are affected by these two adjustments. By contrast, operators of generation units that are covered by the German Renewable Energy Act (EEG) are not disadvantaged by the reform, as income from avoided grid fees results in a commensurate reduction in compensation under the EEG.

German Network Agency decides to introduce new general productivity target for gas network operators. At the end of last year, the German Network Agency, which is the federal network regulator, determined the minimum efficiency improvements that it expects of gas network operators from 2018 onwards. Accordingly, companies must increase productivity by 0.49 % above the general rate. In addition, network operators which have been found to have inefficiencies on the basis of cost audits will be obliged to achieve additional increases. The aforementioned rate of increase is preliminary. This indicator – usually referred to as the 'general sectoral productivity factor' – is one of the key levers in the concept of German incentive-based regulation for network operators. Within the scope of this concept, the regulatory authorities establish revenue caps for each five-year regulatory period. These caps are adjusted on an annual basis – depending on the productivity increases demanded of companies, among other things. The third regulation period for gas began at the start of 2018, and for electricity it will begin a year later. The federal and state governments had set the general sectoral productivity factor at 1.25 % and 1.5 % per year for the first two regulatory periods. This determination has now been made by the Network Agency for the first time. The Federal Association of the German Energy and Water Industries (BDEW) and the network operators are of the opinion that the earlier rates were too high. The BDEW believes that they should be reduced to zero, as it feels that anything above this level implies that the network operators' progress in terms of productivity is above average or that increases in wages and the cost of materials and capital employed in the grid business are below those of the economy in general.

New Dutch government aims for exit from coal by 2030. In mid-October 2017, after more than 200 days of negotiations, the new Dutch government concluded its coalition agreement. It reflects the intent of the four coalition parties, under the leadership of Prime Minister Mark Rutte, to take ambitious steps to reduce greenhouse gas emissions. One objective is for the country to stop generating electricity from coal completely by 2030. Five hard coal-fired power stations are currently in operation in the Netherlands, including two owned by RWE. Furthermore, the new government intends to introduce a national carbon price floor, making CO_2 emissions in the electricity sector more expensive. The goal behind these and further measures is to lower the country's greenhouse gas emissions by 49 % by 2030 compared to the 1990 level. In spite of this, the government is putting a stop to the subsidisation of biomass co-firing: it intends to discontinue this completely from 2024 onwards. However, subsidies already pledged to RWE will probably not be affected by this. At present, it is impossible to predict the ramifications of the coalition agreement for the energy sector, as a lot depends on the details of the climate protection package. To this end, the government intends to enter into a broad-based dialogue involving all affected companies. The measures will then be written into a new national climate and energy agreement by the end of 2018.

Incremental capping of energy prices for UK households. In the United Kingdom, policymakers have begun to cap energy prices for certain customer groups. The first of this type of measure entered into force in April 2017. It applies to households with prepayment meters and is limited to three years. In February 2018, this scheme was expanded to standard-tariff customers that receive a price reduction as low-income households, known as the 'warm home discount'. This regulation has a limited term and will be abolished by no later than the end of 2019.

The government envisages all customers with standard-rate tariffs benefiting from a price cap in the future. In October 2017, the Department for Business, Energy and Industrial Strategy presented a corresponding bill to the UK Parliament for review. It stipulates that the planned price cap will expire at the end of 2020. However, policymakers reserve the right to prolong it for up to three years. The review of the bill was completed in February 2018. A revised bill is expected to be submitted to Parliament in the spring, with the legislative and approval steps scheduled to be taken by the end of 2018. Although there is no certainty on the details of the general price capping, it will probably have negative effects on the earnings of utilities.

1.5 MAJOR EVENTS

A number of pleasing events occurred for RWE last year. One was that the constitutional judges in Karlsruhe declared the German nuclear fuel tax null and void, resulting in the federal government refunding us the €1.7 billion in taxes we had paid in earlier years. We want to pay part of this sum to our shareholders as a special dividend in early May 2018. There was also some good news from innogy: our subsidiary paved the way for the continued expansion of its wind portfolio and positioned itself as an international supplier of solar farms and battery storage units by acquiring Belectric Solar & Battery. Furthermore, innogy came up with a convincing solution for its beleaguered UK retail customer business: together with its competitor SSE, it wants to create a strong, independent retail company in the United Kingdom. In the following, we will present the major events that occurred in 2017 and the beginning of 2018. We have limited ourselves to events that have not been commented on in detail elsewhere in this report.

Events in the fiscal year

German Constitutional Court declares nuclear fuel tax null and void. In the middle of April 2017, the German Constitutional Court ruled that the German Nuclear Fuel Tax Act was in violation of basic law and thus null and void. The decision was announced on 7 June. The Act had been passed by the German Lower House of Parliament at the end of October 2010 without involving the Upper House and expired at the end of 2016. It obligated the operators of nuclear power plants to pay a tax on the fuel used in their stations. Since 2011, RWE had filed appeals in court and with the authorities due to the doubts it had in relation to the Act's conformity with EU legislation and the German constitution. The Hamburg Fiscal Court shared our concerns and submitted the matter to the Constitutional Court. The constitutional judges found that the federal legislator was not authorised to introduce the nuclear fuel tax because it is not classified as a consumption tax within the meaning of Article 106 of German Basic Law. We had made payments totalling some €1.7 billion during the levy period, which was from 2011 to 2016. We were refunded this sum in addition to accrued interest. We recognised the tax refund in the non-operating result and the interest in the other financial result. This did not affect adjusted EBITDA or adjusted net income.

RWE AG Executive Board plans special dividend of €1 from nuclear fuel tax refund. Due to the reimbursement of the nuclear fuel tax at the beginning of May 2018, the Executive Board of RWE AG plans to pay a special dividend of €1 per share in addition to the regular dividend of €0.50 per share. We announced this in June 2017 after consulting with the Supervisory Board. The dividend proposal will be submitted to the Annual General Meeting on 26 April 2018 for the passage of a corresponding resolution. Based on the total of 614.7 million RWE shares, including 39 million preferred shares, the planned special disbursement amounts to €615 million. We are using most of the tax refund to increase our financial strength.

RWE sheds majority stake in Mátra. In the middle of December, RWE Power and EnBW signed a contract for the joint sale of their shareholdings of 50.9 % and 21.7 % in the Hungarian electricity generator Mátrai Erőmű Zrt. (Mátra for short). The buyer is a consortium made up of EP Holding, which is based in the Czech Republic, and Hungarian investor Lőrinc Mészáros. The transaction is scheduled for completion in the spring of 2018. Our rationale for the sale is that we want to focus our conventional electricity business on the core markets Germany, the United Kingdom and the Benelux region. Mátra specialises in producing and generating electricity from lignite. The company has slightly more than 2,000 people on its payroll and has a net generation capacity of about 840 MW.

Further divestments in the generation business. We completed the sale of the following investments and assets last year:

- Unit 5 of the Hamborn CHP station: the plant was sold to its former leaseholder thyssenkrupp Steel Europe (TKSE) at the end of May. It is located on the premises of the steel mill of TKSE in Duisburg, Germany, which is its operator. The unit is gas-fired and has a nominal electric capacity of 225 MW (net).
- Stakes in two residential property companies in the Rhenish lignite mining region: the interests of 50 % and 15 % held by RWE Power in Wohnungsbaugesellschaft für das Rheinische Braunkohlenrevier GmbH (WBG) and GSG Wohnungsbau Braunkohle GmbH were acquired by the Gelsenkirchen-based real estate company Vivawest in July. The price is a mid-range double-digit million euro amount. Together, WBG and GSG own approximately 1,800 rented apartments and 1,200 garages and parking spaces in 320 buildings in the Cologne-Aachen-Grevenbroich area. In addition, they manage some 150 residential units for third parties. The companies' original objective was to offer housing to miners, but there is hardly any need for this now.

- Littlebrook power plant site: in September, we sold most of the site to the UK property investor Tritax Big Box REIT plc. A smaller part had already been sold to the transmission system operator National Grid in August. The property sales resulted in total euro proceeds in the upper double-digit million range. The Littlebrook site is situated on the banks of the River Thames in Dartford, east of London. Until the end of March 2015, we operated an oil-fired power plant there. Due to stricter emission limits for large combustion plants, the station had to be shut down.

innogy and SSE intend to combine UK retail operations. At the beginning of November, innogy and its British competitor SSE agreed to establish an independent retail company in the United Kingdom by merging operations. innogy will transfer its entire UK retail business to the new company. SSE will contribute its residential customer business and its activities in the field of energy solutions but retain corporate customer sales and the Irish business. The merged retail company is expected to have a premium listing on the London Stock Exchange. innogy will take a 34.4 % non-controlling interest in the company, and SSE intends to demerge its 65.6 % interest to its shareholders. The transaction is subject to approval from the competition and regulatory authorities and SSE's shareholders. Including the listing, the deal is expected to close in the fourth quarter of 2018 or the first quarter of 2019. Until then, innogy and SSE will run their retail operations completely independently of one another.

This transaction is happening against the backdrop of the difficult framework conditions in the UK supply market, which is characterised by extremely high competitive pressure and continued political intervention to the detriment of the companies. In this challenging environment, the creation of a large independent retail company provides additional opportunities to win customers through attractive offers and good service. innogy's UK renewables business will not be affected by the transaction. This is an area in which our subsidiary wants to continue growing, in particular by investing in wind farm projects.

innogy receives subsidy contract for Triton Knoll offshore wind farm and becomes project's sole owner. In the middle of August, innogy won a tender for the Triton Knoll offshore wind project from the UK Department for Business, Energy and Industrial Strategy. The decision was reached by way of an auction. The project, which involves the construction of wind turbines with a combined capacity of approximately 860 MW off the eastern coast of England, has an estimated investment volume of £2 billion. The state guarantees £74.75 in compensation for each MWh of electricity fed into the grid from the wind farm for a period of 15 years. Until recently, Statkraft also held a stake in Triton Knoll, but in October 2017 the Norwegian energy utility sold its 50 % interest to innogy, which is now the project's sole owner. The Triton Knoll site has favourable wind conditions and moderate water depths. All of the permits necessary for the wind farm have already been obtained. The final investment decision is scheduled to be made in the middle of 2018 and, based on current plans, the turbines could start being commissioned in 2021.

In the United Kingdom, renewable energy has been subsidised via a mechanism called 'contract for difference' (CfD) since April 2015. If the price received by an operator on the wholesale market is lower than a guaranteed payment, the operator is reimbursed the difference. If the price is higher, the payment must be made by the operator. Projects qualifying for subsidies are chosen as follows: if a subsidy pool for a certain generation technology is large enough, all applicants receive a CfD. If the pool is insufficient, an auction determines who receives the awards.

Acquisition of Belectric Solar & Battery and wind power project pipeline in the USA. Last year, innogy took further steps for the successful implementation of its growth strategy. In early January 2017, it acquired the ground-mounted solar collector and battery storage specialist Belectric Solar & Battery GmbH for €74 million. The acquired company is headquartered in Kolitzheim, Germany, and has built solar collectors with a total net installed capacity of over 1.6 GW since its inception in 2001. Belectric is also the operator of a large number of these units. Furthermore, the company develops turnkey, large-scale battery storage solutions.

In the USA, innogy secured a project pipeline for onshore wind turbines with a total net installed capacity of over 2 GW. The seller is the British investment company Terra Firma Capital Partners. The transaction was contractually agreed in December 2017 and is scheduled to be completed in the second quarter of 2018. It requires the approval of the Committee on Foreign Investment in the United States. The acquired project portfolio encompasses more than 20 ventures distributed over seven states and in various phases of development. innogy will review the projects for profitability and keep all of its options open in terms of financing and ownership structure for the time being.

Zuidwester and Nordsee One wind farms officially go online. Last year, two large wind energy projects in which innogy was involved were completed successfully. First the wind farms constructed as part of the Noordoostpolder large-scale project were inaugurated in mid-June, including the innogy wind farm Zuidwester with a capacity of 90 MW. Zuidwester is located at the IJsselmeer. Its twelve onshore turbines are currently some of the most powerful in the world, capable of generating 7.5 MW each. They replace 50 smaller turbines installed in the 1980s and 1990s. As a result of this, the capacity of Zuidwester has increased six-fold. innogy has invested approximately €150 million in this wind farm, which has been generating electricity at full capacity since early 2017. Numerous companies are participating in Noordoostpolder. A total of 86 turbines with a total capacity of around 430 MW, located nearshore in the IJsselmeer and onshore along the dyke, have been built within the scope of Noordoostpolder.

In December, the Nordsee One offshore wind farm, with a generation capacity of 332 MW, was completed. Nordsee One is located approximately 40 kilometres north of the East Frisian Isle of Juist. Its main owner is the Canadian power utility Northland Power. innogy holds a 13.5 % stake. The wind farm has been generating electricity with all 54 of its turbines since September 2017. However, the construction work lasted until the end of the year. A total of €1.2 billion was invested in the project.

Starting shot for UK capacity market. The first twelve-month period of the UK capacity market began on 1 October 2017. During this period, the generators are paid £6.95 per kilowatt for the availability of the generation capacity that they guarantee. The payment was determined in early 2017 by way of an auction, in which all RWE stations involved qualified for a combined 7.9 GW in capacity payments. The bidding procedure involved a total of 59.3 GW in generation capacity, of which 54.4 GW won a contract. It was the fourth auction for the UK capacity market. The three preceding ones related to later periods. The auction procedure is as follows: the state calls for tenders for a certain amount of secured capacity. The participants submit bids as a minimum payment that they require for keeping their plant available during a pre-defined period. For old stations, this period generally lasts for twelve months, and for new stations, it can be extended to 15 years. The auction determines the level of the payment at which supply and demand are in line with each other. This is the amount received by all bidders which have submitted offers for a subsidy at or below that level. Participation in the capacity auctions is voluntary and technology-neutral. Plants that already receive other subsidies do not qualify. The first capacity auction was held in December 2014 and related to the period from October 2018 to September 2019, whereas the two following auctions each covered the next twelve months. This is because the original plan was to begin making payments in October 2018. To avoid supply shortfalls, which may have occurred if hard coal-fired power plants had been forced by the market to shut down, the UK government expedited the start of the capacity market by a year.

RWE equips Eemshaven and Amer 9 hard coal-fired power stations for biomass co-firing. In the first half of 2017, we decided to retrofit our hard coal-fired power plants Eemshaven and Amer 9 for co-firing with biomass. The Dutch state approved subsidies of up to €2.6 billion for the two plants. Along with the retrofits, the subsidies will also finance the additional expenses for procuring fuel. We will receive these funds over a period of eight years. The subsidies are allocated so that Eemshaven can achieve a biomass ratio of 15 % and Amer 9 a ratio of 80 % (instead of the previous 35 %). The Eemshaven power station has a net installed capacity of 1,554 MW and has been generating electricity since 2014. Amer 9 has a net capacity of 643 MW and has been in operation since 1993. In the event of a retrofit to achieve the aforementioned ratios, we would produce environmentally friendly electricity using a total of 2.5 million metric tons of biomass per year, allowing us to lower our annual CO_2 emissions by roughly 4 million metric tons. We will mainly source the ‘green’ fuel in Europe and America, ensuring that the requirements of the Dutch sustainability protocol for biomass are satisfied. The protocol was developed by the

Dutch government together with energy companies and non-governmental organisations and has been proven in tests.

Gundremmingen B nuclear power station shut down. Unit B of the Gundremmingen nuclear power plant was taken offline for good on 31 December 2017. The station's decommissioning is mandated by law as a result of the government's decision in 2011 to phase out nuclear energy. Unit C, which is identical and adjacent to Unit B at the Gundremmingen site, has permission to produce electricity until the end of 2021. RWE and E.ON hold stakes of 75 % and 25 % in the two units, respectively. Gundremmingen B had a net installed capacity of 1,284 MW and was commissioned in 1984 after eight years of construction. Since then, except during brief downtimes for inspection and maintenance, it contributed to the supply of electricity around the clock, both reliably and with zero carbon emissions. At approximately 330 billion kWh, its cumulative generation corresponds to half the amount consumed in Germany in a year.

Peter Terium leaves innogy. The Chairman and CEO of innogy SE, Peter Terium, left the company on 19 December 2017 by amicable and mutual agreement with the Supervisory Board. His successor had not yet been chosen when the review of operations was prepared. Uwe Tigges, who is in charge of the human resources office on the Executive Board, is the Board's Interim Chairman. In connection with this personnel decision, the Supervisory Board of innogy SE emphasised that it is generally supportive of the course charted by the Executive Board, but that it wishes that cost discipline be given a higher priority. Mr. Terium had held various positions in the RWE Group since 2003. He assumed chairmanship of the Executive Board of RWE AG in July 2012 and did the same at innogy SE in April 2016. After the successful IPO of our subsidiary in October 2016, he only worked for innogy. Mr. Terium was instrumental in the company advancing to become a trailblazer of sustainable and intelligent energy supply.

Events after the close of the fiscal year

UK capacity market auction for 2021/2022: RWE secures payment for 6.6 GW in generation capacity. Two further auctions for the UK capacity market were held at the beginning of 2018. The focus was on the bidding process for the delivery period from 1 October 2021 to 30 September 2022, which ended after three days on 8 February 2018. With the exception of the Aberthaw hard coal-fired power plant and some small new-build projects, all RWE stations entered in the auction qualified for a capacity payment. Together, they account for 6.6 GW of secured capacity. However, the £8.40/kW capacity payment (before adjustment for inflation) determined by the tender was far below market expectations. Existing stations and new build projects with a total of 74.2 GW in generation capacity entered the auction, 50.4 GW of which received a capacity payment.

A few days before, a further auction took place, relating to the period from 1 October 2018 to 30 September 2019. An auction had already been held for this period in December 2014, at which stations accounting for a combined 49.3 GW (including 8.0 GW of RWE) qualified for a payment of £19.40/kW. The recent auction served the purpose of closing remaining capacity gaps. Additional generation capacity of 5.8 GW was auctioned at a price of £6.00/kW. RWE had participated in the procedure with a small unit, which will not receive a payment.

1.6 BUSINESS PERFORMANCE

The RWE Group achieved its earnings goals for 2017. This was mainly thanks to a greatly improved performance in energy trading. In addition, we posted above-average income from the commercial optimisation of our power plant deployment. This is why our adjusted EBITDA was actually slightly higher than anticipated, totalling €5.8 billion, whereas adjusted net income was at the upper end of the forecast range, amounting to €1.2 billion. However, the encouraging overall picture should not belie the fact that the margins of our coal-fired and nuclear power stations have deteriorated further. The significant decline in electricity prices of earlier years came to bear here. However, we slightly cushioned the margin drops through our ongoing efficiency programme.

Business performance in 2017: What we forecast and what we accomplished

Outlook vs. actual	2016 actual € million	Outlook for fiscal 2017[1]	2017 actual € million	Forecast fulfilled?
Adjusted EBITDA	5,403	€5.4 billion to €5.7 billion	5,756	Actual > Outlook
Lignite & Nuclear	1,079	Significantly below previous year	671	Yes
European Power	377	Significantly below previous year	463	Actual > Outlook
Supply & Trading	−139	Significantly above previous year	271	Yes
innogy	4,203	Moderately above previous year	4,331	Yes
Adjusted net income	777	€1.0 billion to €1.3 billion	1,232	Yes

1 See page 87 et seq. of the 2016 Annual Report and page 13 of the Interim statement on the first quarter of 2017. Qualifiers such as 'moderately' or 'significantly' indicate percentage deviations from the previous year's figures.

Electricity production 6 % down on previous year. In the financial year that just came to a close, the RWE Group produced 202.2 billion kWh of electricity. In 2017, 37 % of our electricity generation was from lignite, 27 % from gas, 15 % from both hard coal and nuclear, and 6 % from renewables. Power production was 6 % lower year on year. The contribution made by hard coal dropped considerably. Unfavourable market conditions played a role. Furthermore, the Voerde A/B hard coal-fired power station was shut down as of 1 April 2017. The two units each had a net installed capacity of 695 MW and belonged to Steag (75 %) and RWE (25 %). As the sole marketer, we disclosed its electricity as part of our generation. There were no major changes in the amounts of electricity that we generated from other energy sources. Our gas-fired power plants increased their production slightly, because market conditions improved in Continental Europe. In the United Kingdom, however, some of these stations were taken offline for extended periods of time for retrofits. We also posted a marginal gain in electricity generation from renewables. This was mainly because innogy commissioned new wind turbines and utilisation of existing wind power capacity rose due to the weather. Conversely, dry weather curtailed the production output of German hydroelectric power stations. Volumes also shrank due to the sale of the 33.3 % stake in the wind energy producer Zephyr Investments Limited in July 2016 (see 2016 Annual Report, page 40): based on contractually agreed electricity purchases, our reporting had included a portion of the generation and capacity of Zephyr's UK wind farm portfolio. In lignite-based power generation, opposing factors almost neutralised each other. There was a decline in outages owing to damage at power plants and scheduled maintenance. At the same time, however, two lignite units with net installed capacities of 284 MW and 278 MW were decommissioned as of 1 October 2017 and put into legally-mandated standby (see page 20).

In addition to our in-house generation, we procure electricity from external suppliers. In the year being reviewed, these purchases totalled 76.0 billion kWh (previous year: 65.3 billion kWh). In-house generation and power purchases combined for 278.2 billion kWh in total electricity production (previous year: 281.4 billion kWh).

Power generation	Gas		Lignite		Hard coal		Nuclear		Renewables		Pumped storage, other		Total	
Billion kWh	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Lignite & Nuclear	–	–	74.2	74.3	–	–	30.3	30.1	–	–	0.7	0.4	105.2	104.8
European Power	52.9	52.6	–	–	29.3	44.2	–	–	1.1	1.1	2.4	2.6	85.7	100.5
of which:														
Germany[1]	7.4	6.3	–	–	13.3	22.4	–	–	0.7	0.7	2.4	2.6	23.8	32.0
United Kingdom	32.4	36.2	–	–	2.6	6.7	–	–	0.4	0.4	–	–	35.4	43.3
Netherlands/Belgium	9.3	6.9	–	–	13.4	15.1	–	–	–	–	–	–	22.7	22.0
innogy	1.0	0.7	–	–	0.1	0.1	–	–	10.2	10.0	–	–	11.3	10.8
RWE Group	**53.9**	**53.3**	**74.2**	**74.3**	**29.4**	**44.3**	**30.3**	**30.1**	**11.3**	**11.1**	**3.1**	**3.0**	**202.2**	**216.1**

1 Including electricity from generation assets not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. In 2017, it amounted to 6.3 billion kWh (previous year: 10.6 billion kWh).

One of Europe's biggest power producers, with 43.3 GW in generation capacity. At the end of 2017, we had a total installed power generation capacity of 43.3 GW, giving us a leading market position in Europe. This figure includes the two lignite units that we put into standby and mothballed stations which are not currently operated for economic reasons. It also includes plants owned by third parties that we can deploy at our discretion on the basis of long-term agreements. Our generation capacity declined by 3.1 GW last year. This was primarily because we shut down the Voerde A/B hard coal-fired power station (1,390 MW) as of 1 April 2017 and the Gundremmingen B nuclear power station (1,284 MW) as of 31 December 2017. At innogy, the closure of two hard coal units of the Saarland-based subsidiary VSE led to a drop in capacity, whereas the commissioning of new wind turbines had a counteracting effect. The sale of the Hungarian lignite-based electricity generator Mátra contractually agreed in December 2017 (see page 37) did not affect the disclosed generation capacity, as the transaction had not closed as of the balance-sheet date.

In terms of generation capacity, gas is our major source of energy. At the end of 2017, it accounted for 35 %. Lignite was in second place with 25 %, followed by hard coal, with 17 %. Renewables and nuclear energy had a share of 10 % and 6 %, respectively. The geographic focus of our generation business is Germany, where 59 % of our installed capacity is located. The United Kingdom and the Netherlands follow, accounting for shares of 22 % and 13 %, respectively.

Power generation capacity As of 31 Dec 2017, in MW	Gas	Lignite	Hard coal	Nuclear	Renewables	Pumped storage, other	Total	Total 31 Dec 2016
Lignite & Nuclear	460	11,017	–	2,770	23	27	14,297	15,764
European Power	14,382	–	7,292	–	261	2,792	24,727	26,116
of which:								
Germany[1]	3,867	–	3,675	–	55	2,528	10,125	11,518
United Kingdom	6,662	–	1,560	–	55	264	8,541	8,546
Netherlands/Belgium	3,066	–	2,057	–	151	–	5,274	5,265
Turkey	787	–	–	–	–	–	787	787
innogy	234	–	10	–	3,864	137	4,245	4,531
RWE Group	**15,076**	**11,017**	**7,302**	**2,770**	**4,148**	**2,956**	**43,269**	**46,411**

1 Including generation capacity not owned by RWE that we can deploy at our discretion on the basis of long-term agreements. As of the end of 2017, it amounted to 2,986 MW (previous year: 4,373 MW).

Significant decline in CO_2 emissions. Last year, our power stations emitted 132.4 million metric tons of carbon dioxide. Our own plants accounted for 129.3 million metric tons, and the remaining 3.1 million metric tons came from contractually secured capacity. Compared to 2016, our CO_2 emissions declined by 15.9 million metric tons, or 11 %. Specific emissions, i. e. carbon dioxide emissions per megawatt hour of electricity generated, also declined, dropping from 0.686 to 0.655 metric tons. This was mainly because last year we produced much less electricity from coal.

Since the beginning of the third emissions trading period, which started on 1 January 2013, the countries of Western Europe have only allocated free emission allowances to energy utilities in exceptional cases. Of the 131.0 million metric tons of carbon dioxide that we emitted in EU countries in 2017, we were only able to cover 1.6 million metric tons with such allocations. In the previous year, we had received free certificates for 4.5 million metric tons, more than half of which were for unit 5 of the Hamborn CHP station, which has since been sold.

Emissions balance	CO_2 emissions		Free allocation of CO_2 certificates		Shortage of CO_2 certificates	
Million metric tons of CO_2	2017	2016	2017	2016	2017	2016
Lignite & Nuclear	88.5	88.6	0.7	0.8	87.8	87.8
European Power[1]	43.3	59.0	0.6	3.4	41.3	54.4
of which:						
Germany[2]	14.1	24.7	0.6	3.4	13.5	21.3
United Kingdom	14.0	19.1	–	–	14.0	19.1
Netherlands/Belgium	13.8	14.0	–	–	13.8	14.0
innogy	0.6	0.7	0.3	0.3	0.3	0.4
RWE Group	**132.4**	**148.3**	**1.6**	**4.5**	**129.4**	**142.6**

1 Includes the CO_2 emissions of our gas-fired power station in the Turkish town of Denizli, which amounted to 1.4 million metric tons in 2017 (previous year: 1.2 million metric tons). As Turkey does not participate in European emissions trading, we do not need emission allowances for these volumes.

2 Including generation capacity not owned by RWE that we can deploy at our discretion on the basis of long-term contracts. In 2017, these stations emitted a total of 3.1 million metric tons of CO_2 (previous year: 7.1 million metric tons).

91.3 million metric tons of lignite produced. The fuel used by our power stations is procured by our generation companies either directly on the market or via RWE Supply & Trading. We source lignite from proprietary opencast mines. In our main mining region, which is west of Cologne, we produced 91.3 million metric tons of lignite last year (previous year: 90.5 million metric tons), of which 79.3 million metric tons were used to generate electricity in our power plants. The remainder was used to manufacture refined products (e. g. lignite briquettes) and, to a limited extent, to generate process steam and district heat.

External electricity sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2017	2016	2017	2016	2017	2016	2017	2016
Lignite & Nuclear	0.2	0.2	–	–	12.0	12.5	12.2	12.7
European Power	–	–	2.2	2.4	5.2	5.0	7.4	7.4
Supply & Trading	–	–	35.6	30.3	–	–	35.6[1]	39.3[1]
innogy	50.4	52.3	70.7	73.5	84.8	79.3	205.9	205.1
RWE Group[2]	**50.6**	**52.6**	**108.5**	**106.2**	**102.0**	**96.8**	**261.1**	**264.6**

1 Including volume effects of the sale of self-generated electricity on the wholesale market. If these sales volumes exceed the purchases made for supply purposes, the difference is recognised in the sales volume. This was not the case in fiscal 2017, whereas in 2016, there was a positive balance of 9.0 billion kWh.
2 Including volumes subsumed under 'other, consolidation'.

Electricity sales volume slightly down year on year. In the year under review, RWE sold 261.1 billion kWh of electricity to external customers, slightly less than in 2016. One reason for this decline was that our generation output shrank and RWE Supply & Trading therefore sold less electricity from RWE power plants on the wholesale market (see footnote 1 to the above table). Furthermore, innogy lost customers in the residential and corporate retail business, above all in the United Kingdom and the Netherlands. However, our subsidiary offset these sales shortfalls by adding new customers and intensifying its supply activities with existing customers at German distributors.

External gas sales volume	Residential and commercial customers		Industrial and corporate customers		Distributors		Total	
Billion kWh	2017	2016	2017	2016	2017	2016	2017	2016
Supply & Trading	–	–	26.8	24.7	0.7	0.3	27.5	25.0
innogy	100.6	102.9	67.6	83.1	58.4	54.1	226.6	240.1
RWE Group	**100.6**	**102.9**	**94.4**	**107.8**	**59.1**	**54.4**	**254.1**	**265.1**

Gas supply volume down 4 %. At 254.1 billion kWh, gas sales were 4 % lower year on year, despite marginal gains in the Supply & Trading division. A major reason for this was that industrial and corporate customers served by innogy switched suppliers. This comes to bear especially in sales volumes in Eastern Europe. Our subsidiary also suffered declines in volumes in the residential sector due to competition. However, these were moderate and predominantly related to the Dutch and UK businesses. Similar to electricity, the aforementioned drops in sales were contrasted by higher deliveries to German distributors.

External revenue € million	2017	2016	+/– %
Lignite & Nuclear	1,176	1,193	–1.4
European Power	728	774	–5.9
Supply & Trading	3,189	3,646	–12.5
innogy	39,475	40,149	–1.7
Other, consolidation	17	71	–76.1
RWE Group	**44,585**	**45,833**	**–2.7**
Natural gas tax/electricity tax	2,151	2,243	–4.1
RWE Group (excluding natural gas tax/electricity tax)	**42,434**	**43,590**	**–2.7**

External revenue slightly lower year on year. The RWE Group generated €44,585 million in external revenue. This figure includes natural gas and electricity tax. Compared to the preceding year, our revenue declined by 3 %. €31,665 million stemmed from the sale of electricity and €10,012 million from the sale of gas. We recorded declines of 3 % for both products, primarily due to the drop in supply volumes. The development of revenue was slightly affected by changes in foreign exchange rates. On average, sterling, our most important foreign currency, dropped from €1.22 to €1.14. As a consequence, revenue generated in the UK was lower when converted to euros.

Adjusted EBITDA € million	2017	2016	+/– %
Lignite & Nuclear	671	1,079	–37.8
European Power[1]	463	377	22.8
Supply & Trading	271	–139	295.0
innogy	4,331	4,203	3.0
Other, consolidation	20	–117	117.1
RWE Group	**5,756**	**5,403**	**6.5**

1 Thereof UK: €205 million (2017) and €270 million (2016).

Adjusted EBITDA of €5.8 billion slightly higher than forecast. In the fiscal year that just ended, we achieved adjusted EBITDA of €5,756 million. Compared to 2016, this represents a rise of 7 %, primarily due to a significantly improved performance in energy trading. In addition, costs incurred to operate and maintain distribution networks dropped, while declining generation margins weighed on earnings. The outlook that we published in March 2017 envisaged adjusted EBITDA in the range of €5.4 billion to €5.7 billion (see 2016 Annual Report, page 87 et seq.). We closed the reporting year slightly above this range in part due to unexpectedly high revenue from the commercial optimisation of our power plant dispatch.

The following is a breakdown by segment:

- Lignite & Nuclear: Here, adjusted EBITDA experienced a significant decline as expected, dropping by 38 % to €671 million. The main reason for this is that we realised lower wholesale prices for the generation from our lignite-fired and nuclear power stations than in 2016. We had already sold forward nearly all of the production of these plants in earlier years. Another reason for the decline in earnings was that in 2016 adjusted EBITDA included one-off income from the reversal of mining provisions. Moreover, the earnings of Mátra in Hungary deteriorated. Due to the company's impending sale, we stopped recognising the earnings it achieved after 1 April 2017 in adjusted EBITDA, recording them instead in the non-operating result. A positive effect was felt from the fact that we no longer have to pay a nuclear fuel tax. In addition, we benefited from the resolute continuation of our efficiency-enhancement programme.

- European Power: Adjusted EBITDA in this segment rose by 23 % to €463 million. We therefore exceeded the March forecast, which had envisaged a significant decline. Two factors were instrumental in this: we achieved above-average earnings from the commercial optimisation of our power plant deployment, and the sale of the former Littlebrook power plant site resulted in a book gain, which we had not planned (see page 38). The rise in adjusted EBITDA can also be traced back to efficiency-enhancing measures. Whereas the market conditions for our hard coal-fired power stations worsened, they improved for our gas-fired power plants. Our accrual of provisions for impending losses from an electricity procurement contract in the preceding year had a major effect on the development of earnings. However, we also recorded exceptional income in 2016: it stemmed in part from property sales, the reversal of restructuring provisions, and the final settlement of damage caused to the new hard coal-fired power plant at Hamm (Westphalia).

- Supply & Trading: Here, adjusted EBITDA grew from −€139 million to €271 million. The significant rise in earnings we had forecast was therefore achieved. The main reason for this was the normalisation of our trading performance compared to the extremely weak performance in the prior year. Moreover, we posted substantial earnings in the gas business. A counteracting effect was felt because adjusted EBITDA for 2016 included our profit on the sale of the Lynemouth hard coal-fired power station in the United Kingdom (see page 22).

- innogy: At €4,331 million, adjusted EBITDA of our subsidiary met our forecast, rising by 3 % compared to 2016. The grid business was the main contributor: in Germany, network operation and maintenance costs declined. In addition, the reversal of provisions resulted in a profit, whereas 2016 was burdened by the accrual of provisions. Moreover, in the Czech Republic, transit volumes in the gas distribution network were above average in 2017 due to the weather. innogy also posted a gain in renewable energy, albeit only to a moderate extent. One-off income resulting from the revaluation of our subsidiary's shares in the Triton Knoll offshore wind project played a role. The commissioning of new wind turbines and improved wind conditions also contributed to the increase in earnings. However, this was contrasted by negative effects of the reduction in the use of German hydroelectric power stations and the weak British pound. Furthermore, the previous year's figure included one-off income from minor divestments. Adjusted EBITDA in retail declined slightly, in part due to a drop in income from the reversal of provisions for legal risks in Germany. Efficiency-improving measures provided relief in the UK retail business, which is run by the innogy subsidiary npower. However, npower continued to have difficulty in coping with the high competitive pressure. Many of the company's customers switched providers or could only be retained by offering them contracts with more favourable conditions. In addition, there was a rise in upfront costs. An increase in standard tariffs for electricity and gas, which became effective in the middle of March, only partially offset the aforementioned burdens.

Adjusted EBIT € million	2017	2016	+/− %
Lignite & Nuclear	399	664	−39.9
European Power[1]	155	−37	518.9
Supply & Trading	265	−145	282.8
innogy	2,816	2,735	3.0
Other, consolidation	11	−135	108.1
RWE Group	**3,646**	**3,082**	**18.3**

1 Thereof UK: €40 million (2017) and €97 million (2016).

Adjusted EBIT characterised by significant drop in operating depreciation. Adjusted EBIT rose by 18 % to €3,646 million. The percentage increase was therefore much bigger than for adjusted EBITDA. The backdrop to this is that adjusted EBIT includes operating depreciation and amortisation, which decreased considerably. This drop is largely because we recognised substantial impairments in the 2016 consolidated financial statements (see 2016 Annual Report, page 48) and the asset base for scheduled depreciation was therefore lower.

Non-operating result € million	2017	2016	+/– € million
Capital gains/losses	118	94	24
Impact of derivatives on earnings	–719	–799	80
Goodwill impairment losses	–479	–	–479
Other	1,241	–5,956	7,197
Non-operating result	**161**	**–6,661**	**6,822**

Reconciliation to net income: substantial exceptional income from the nuclear fuel tax refund. The reconciliation from adjusted EBIT to net income was characterised by the positive effects we felt from the refund of the German nuclear fuel tax. However, opposing effects of impairments also came to bear.

The non-operating result, in which we recognise certain one-off effects which are not related to operations or to the period being reviewed, improved by €6,822 million to €161 million. Its components developed as follows:

- Book gains on the disposal of investments and assets totalled €118 million (previous year: €94 million). This includes income we achieved through the sale of Unit 5 of the Hamborn CHP station in Germany and stakes in two residential property companies in the Rhenish lignite mining region. More detailed information on the aforementioned transactions can be found on page 37.

- Changes in the value of certain derivatives which we use to hedge against price fluctuations reduced earnings by €719 million (previous year: €799 million). Pursuant to International Financial Reporting Standards (IFRS), derivatives are accounted for at fair value at the corresponding balance-sheet date, whereas the transactions which are hedged with the derivatives are only recognised as a profit or loss when they are realised. These timing differences result in short-term effects on earnings, which are neutralised over time.

- Unlike in the prior year, we recognised a goodwill impairment loss of €479 million. It relates to innogy's UK retail business, the medium-term earnings prospects of which have worsened.

- The earnings stated under 'other' improved by €7,197 million to €1,241 million. The main reason was that the financial statements for the preceding year included significant one-off burdens, including impairments of €4.3 billion for power plants and other property, plant and equipment. We also recognised impairment losses in 2017 primarily related to the Hungarian lignite-based power generator Mátra. However, at €0.3 billion, they were far below the figure recorded in the prior year. Another factor contributing to the improvement in earnings was that the German government refunded us the €1.7 billion in nuclear fuel tax levied from 2011 to 2016 after the German Constitutional Court declared the levy null and void (see page 37). In addition, splitting the Conventional Power Generation division into the Lignite & Nuclear and European Power segments led to one-off effects, which were positive on balance (see page 107 in the Notes).

Financial result € million	2017	2016	+/– € million
Interest income	220	271	–51
Interest expenses	–907	–914	7
Net interest	**–687**	**–643**	**–44**
Interest accretion to non-current provisions	–261	–1,288	1,027
Other financial result	197	–297	494
Financial result	**–751**	**–2,228**	**1,477**

Our financial result improved by €1,477 million to –€751 million. Its components changed as follows:

- Net interest decreased by €44 million to –€687 million. Last year, we sold a portion of the securities we held in order to pay into the nuclear energy fund, resulting in a reduction in interest income. Furthermore, hybrid bond buybacks in October 2017 led to one-off expenses because the repurchase prices were above the issue prices. A positive effect was felt from the fact that we redeemed several bonds with relatively high coupons in 2016 and 2017 and that we took advantage of very low market interest rates when raising debt capital.

- The interest accretion to non-current provisions improved by €1,027 million to –€261 million. This is in part due to the contribution to the nuclear energy fund, as this caused the level of the provisions that accrue interest to become much lower. Furthermore, we apply a lower real discount rate to the portion of the nuclear energy obligations remaining with RWE. This is one of the reasons why the interest accretion was lower. The reduction in interest had already been considered in the 2016 consolidated financial statements by a corresponding increase in provisions and had been reflected as a negative one-off effect in the interest accretion.

- The 'other financial result' rose by €494 million to €197 million. This item includes the interest which we received from the German government on the nuclear fuel tax which has been refunded. This played a major role in improving earnings. Moreover, we booked much lower losses from the sale of securities than in 2016.

Reconciliation to net income		2017	2016	+/– %
Adjusted EBITDA	€ million	**5,756**	**5,403**	**6.5**
Operating depreciation, amortisation and impairment losses	€ million	–2,110	–2,321	9.1
Adjusted EBIT	€ million	**3,646**	**3,082**	**18.3**
Non-operating result	€ million	161	–6,661	102.4
Financial result	€ million	–751	–2,228	66.3
Income before taxes	€ million	**3,056**	**–5,807**	**152.6**
Taxes on income	€ million	–741	323	–329.4
Income	€ million	**2,315**	**–5,484**	**142.2**
of which:				
Non-controlling interests	€ million	373	167	123.4
RWE AG hybrid capital investors' interest	€ million	42	59	–28.8
Net income/income attributable to RWE AG shareholders	€ million	**1,900**	**–5,710**	**133.3**
Adjusted net income	€ million	**1,232**	**777**	**58.6**
Earnings per share	€	3.09	–9.29	133.3
Adjusted net income per share	€	2.00	1.26	58.7
Number of shares outstanding (annual average)	millions	614.7	614.7	–
Effective tax rate	%	24	6	–

Income before tax grew by €8,863 million to €3,056 million. Our effective tax rate was 24 % and therefore below the (theoretical) standard rate of 32.5 %. A major factor was that we were able to offset tax losses from previous years, for which no deferred tax assets were recognised, against current earnings. Earlier, we did not believe that we could use the loss carryforwards for an extended period of time due to a lack of tax gains. However, this became possible in 2017 because the nuclear fuel tax refund made a substantial contribution to earnings. The low effective tax rate was also due to the fact that we booked tax income for earlier years following tax audits. A counteracting impact was felt from the goodwill impairment to the UK retail business, which reduced earnings, but did not affect taxes.

After taxes, we generated income of €2,315 million (previous year: –€5,484 million). Non-controlling interests rose by €206 million to €373 million, partly due to the fact that 23.2 % of the shares in innogy have been held by third parties since the IPO. The impairments recognised at Mátra in Hungary and in innogy's UK retail business had a counteracting impact.

Hybrid capital investors accounted for €42 million of our earnings (previous year: €59 million). This sum corresponds to our finance costs after tax. It relates solely to the £750 million hybrid bond, which is classified as equity under IFRS, because it has a theoretically perpetual tenor. The remainder of RWE's hybrid capital is classified as debt, and we record interest accrued on it in the financial result. The decline in the hybrid capital investors' interest is largely because the costs of hybrid financing reduced taxes in the year under review, whereas this was not the case in 2016.

The aforementioned developments resulted in significantly improvemed net income of €1,900 million (previous year: –€5,710 million). Based on the 614.7 million in RWE shares outstanding, earnings per share amounted to €3.09 (previous year: –€9.29).

Reconciliation to adjusted net income € million	Original figures 2017	Adjustment	Adjusted figures 2017	Adjusted figures 2016
Adjusted EBIT	**3,646**	**–**	**3,646**	**3,082**
Non-operating result	161	–161	–	–
Financial result	–751	–309	–1,060	–1,818
Income before taxes	**3,056**	**–470**	**2,586**	**1,264**
Taxes on income	–741	111	–630	–37
Income	**2,315**	**–359**	**1,956**	**1,227**
of which:				
Non-controlling interests	373	309	682	391
RWE AG hybrid capital investors' interest	42	–	42	59
Net income/income attributable to RWE AG shareholders	**1,900**	**–668**	**1,232**	**777**

Adjusted net income 59 % up year on year. Adjusted net income totalled €1,232 million, which was at the upper end of the forecast range of €1.0 billion to €1.3 billion. It differs from net income in that the non-operating result and further material special items along with their impact on income taxes are deducted from it. For example, adjusted net income does not contain the effects of the nuclear fuel tax refund. It grew considerably compared to the figure recorded a year before (€777 million). The improvement in operating earnings and the financial result came to bear here, whereas taxes on income and non-controlling interests had counteracting effects.

Capital expenditure on property, plant and equipment and on intangible assets € million	2017	2016	+/– € million
Lignite & Nuclear	269	267	2
European Power	147	66	81
Supply & Trading	7	4	3
innogy	1,839	1,679	160
Other, consolidation	–2	11	–13
RWE Group	**2,260**	**2,027**	**233**

Capital expenditure on financial assets € million	2017	2016	+/– € million
Lignite & Nuclear	1	1	–
European Power	1	4	–3
Supply & Trading	30	56	–26
innogy	327	290	37
Other, consolidation	10	4	6
RWE Group	**369**	**355**	**14**

More capital spent on power stations, IT and financial assets. The RWE Group's capital expenditure totalled €2,629 million in the financial year that just ended. This was 10 % above the previous year's figure and within the anticipated range of €2.5 billion to €3.0 billion. Our capital expenditure on property, plant and equipment and intangible assets totalled €2,260 million, 11 % more than in 2016. A large portion of these funds was used to maintain and modernise opencast mining equipment, power stations, grids and IT infrastructure, expand renewables and develop innovative products and services. The increase over 2016 is due in part to retrofits to power stations in the United Kingdom. Furthermore, innogy stepped up its capital expenditure on IT. At €369 million, spending on financial assets was 4 % higher than in 2016. It was mostly attributable to innogy, the single-largest transaction of which was the acquisition of Belectric Solar & Battery (see page 38).

Workforce[1]	31 Dec 2017	31 Dec 2016	+/– %
Lignite & Nuclear	13,132	12,980	1.2
European Power	2,656	2,672	−0.6
Supply & Trading	1,156	1,086	6.4
innogy	42,393	40,636	4.3
Other[2]	210	1,278	−83.6
RWE Group	**59,547**	**58,652**	**1.5**

1 Converted to full-time positions.
2 At 31 December 2017, almost only employees of the holding company, RWE AG, were stated here. The previous year's figure included employees of the in-house service providers RWE Group Business Services (922) and RWE Service (243), which have since been dissolved.

Additional personnel due to the acquisition of Belectric. As of 31 December 2017, the RWE Group had 59,547 people on its payroll, of which 35,344 worked at sites in Germany and 24,203 at locations in other countries. Part-time positions were calculated in these figures on a pro-rata basis. Headcount rose slightly compared to the end of 2016: 509 employees were added in Germany, and 386 were added abroad. One of the reasons was that innogy acquired Belectric Solar & Battery at the beginning of 2017. At the segment level, staff figures were also affected by intragroup transfers. Major changes resulted from folding RWE Group Business Services and RWE Service ('other' item) into an RWE subsidiary and transferring most of their personnel to operating Group companies. The headcount does not include young adults in professional training programmes. At the end of 2017, 2,215 young adults were learning a profession at RWE, nearly as many as in the previous year.

1.7 FINANCIAL POSITION AND NET WORTH

The RWE Group's financial position and net worth improved further in the financial year that just ended. The refund of the nuclear fuel tax by the German government played an important role in this. It helped us to reduce net debt and increase our equity ratio. However, our contribution to the German nuclear energy fund also placed a heavy financial burden on us in 2017. Therefore, our operating cash flow was negative. Last year, we successfully completed the transfer of debt from RWE AG to innogy. In addition, our subsidiary established the last preconditions for being able to refinance itself independently through banks and on the capital market.

Financing of the RWE Group. Responsibility for financing within the RWE Group has rested on two shoulders since the IPO of innogy in October 2016: innogy obtains financing for the business transferred to it, while RWE AG limits itself to financing the activities which remain under its operational management. Companies which are controlled by RWE AG or innogy SE only raise debt capital in specific cases, for example if it is more advantageous economically to make use of local credit and capital markets. RWE AG and innogy SE act as co-ordinators when subsidiaries assume a liability. This allows for the central management and monitoring of financial risks. Moreover, this strengthens our position when negotiating with banks, business partners, suppliers and customers.

Flexible tools for raising debt capital. As part of the reorganisation of the RWE Group, we laid the groundwork to ensure that RWE AG and innogy SE can fulfil their financing tasks completely independently of each other. This process was concluded in October 2017. Both companies have a range of tools which they can use in addition to cash flows from operating activities to meet their financing needs.

- RWE AG's and innogy's Debt Issuance Programmes (DIPs) give the companies latitude in procuring debt capital on the capital market over the long term. A DIP is a framework prospectus for the flexible issuance of senior bonds. RWE AG updated its programme in May 2017: the new DIP has a total volume of €10 billion. It is the successor programme to our former DIP, which had a volume of €30 billion, related to the RWE Group as a whole and was suspended in 2016. Since April 2017, innogy has had its own DIP, which allows a total of €20 billion in senior bonds to be issued. Under this programme, the company issued two bonds with an aggregate volume of €1.6 billion last year (see page 54).

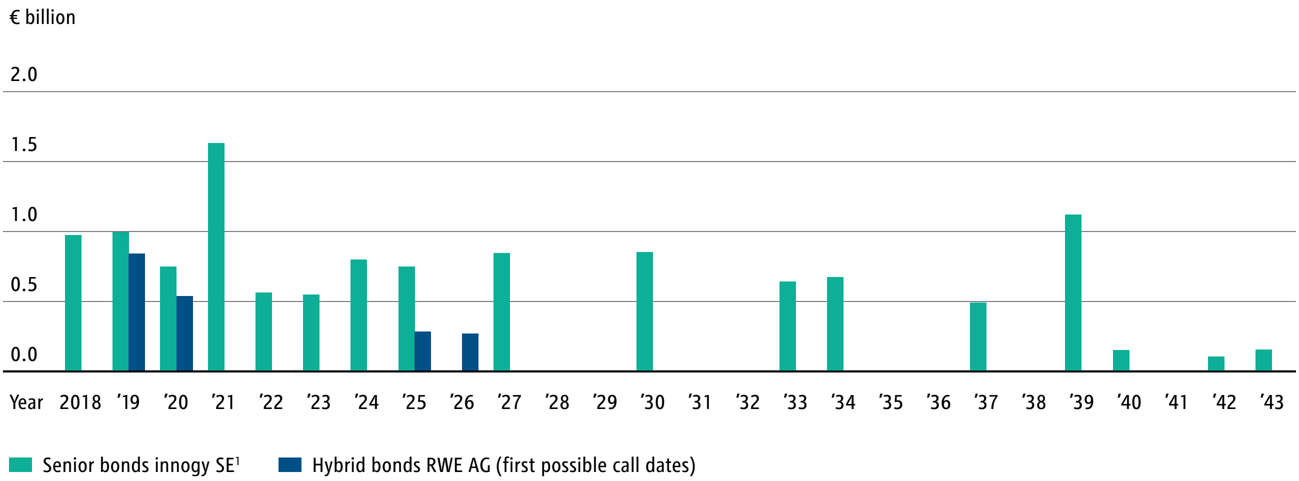
- RWE AG has a Commercial Paper Programme for short-term refinancing that enables it to raise funds equivalent to up to US$5 billion on the money market. We used a maximum of only €0.7 billion of this headroom in the past financial year. Since the end of 2016, innogy has also had a Commercial Paper Programme. It has a funding framework of €3 billion. Up to €1.5 billion thereof was used.

- Furthermore, RWE AG and innogy can resort to lines of credit granted them by international bank syndicates. These types of instrument serve to secure liquidity. Until recently, RWE AG had a credit line agreement with a volume of €4 billion, of which €1.5 billion had been transferred to innogy on an intra-group basis. On 6 October 2017, our subsidiary then took out its own line of credit, with a volume of €2 billion. It expires in October 2022, but can be prolonged twice for a year at a time. Moreover, the credit line can be topped up by €1 billion. Both options are subject to the approval of the consortium of banks. innogy cancelled its participation in RWE AG's existing line of credit when it concluded the new credit line agreement. RWE AG's existing credit line was adjusted thereafter and now has a volume of €3 billion. It expires in March 2021. So far, neither RWE AG nor innogy have made use of their lines of credit.

- Additional financial headroom for operating activities is provided by sureties which RWE AG and innogy SE have been granted by banks. A surety is a security or declaration of a guarantee by a bank on commission from the customer. The purpose is to collateralise transactions.

The aforementioned financing instruments do not contain conditions mandating compliance with specific limits in terms of leverage or capital structure. Their use is not subject to a specific rating.

RWE Group bonds: maturities/first possible call dates (as of 31 Dec 2017)



1 A small residual amount of a senior bond transferred to innogy remained with RWE AG; see commentary in the text.

innogy takes over the bulk of RWE's capital market debt. As part of the Group's financial reorganisation, innogy assumed most of RWE AG's capital market debt. We laid the foundation for this in the run-up to the IPO of innogy. The debt transfer was completed in the middle of last year.

In relation to the publicly-traded senior bonds issued by our former Dutch subsidiary RWE Finance B.V., the transfer was effected at the end of 2015 when we sold the issuer to a predecessor of innogy SE. Despite this sale, however, RWE AG was still the guarantor of the bonds at that point in time. In relation to the private placements made by RWE AG itself, the debt was initially transferred only in economic terms. To do this, internal lending agreements were concluded, in which the obligations of RWE AG to service the bonds were mirrored by corresponding payment obligations of innogy to RWE AG. Loans of €645 million and £350 million from the European Investment Bank (EIB) were economically allocated to innogy in the same manner. Above and beyond this, our subsidiary assumed obligations amounting to €2.9 billion vis-à-vis RWE AG, which cover the majority of the liabilities from RWE's hybrid bonds. The above measures were completed before innogy was listed on the stock market in October 2016.

Immediately after the public listing, we took the necessary steps to implement the debt transfer externally in relation to creditors. In early 2017, innogy replaced RWE AG as the guarantor for the public senior bonds, and in relation to the private issues, as the debtor. This was preceded by a vote of the bondholders, which is provided for in such cases by the German Debt Securities Act. The quorums and majorities necessary for a change in guarantor and debtor were achieved. Two senior bonds to which the Act could not be applied were transferred by a bond swap in December 2016. In one case, involving a bond with a volume of €500 million maturing in 2037, a small residual amount remained with RWE AG. Our two EIB loans were transferred to innogy in July 2017 after receiving creditor approval. On completion of the debtor exchange, the corresponding intra-group loans were redeemed or reduced.

Bond volume drops to €14.0 billion. At the end of 2017, the Group had bonds with a total nominal volume of an equivalent of €14.0 billion outstanding, compared to €14.7 billion a year before. The total of 24 issues are denominated in euros, sterling, US dollars and yen. We concluded hedges to manage our currency exposure. Taking such transactions into account, the RWE Group's debt broke down into 62 % in euros and 38 % in sterling on the balance-sheet date. At the end of the year, our senior bonds outstanding had an average remaining maturity of nine years.

The nominal volume of RWE AG hybrid bonds declined by €2.0 billion to €1.9 billion. This was mainly because we redeemed three bonds on the earliest possible date during the financial year that just ended: these were bonds of CHF 250 million (5.25 % coupon; redeemed in April), CHF 150 million (5 %; July) and US$1 billion (7 %; October). In addition to the redemptions, we bought back hybrid bonds with a total nominal value equivalent to €585 million in October of last year. Of this sum, €161 million was allocable to our €700 million bond (2.75 % coupon; earliest possible redemption in 2020), €268 million to our €550 million bond (3.5 %; 2025) and US$183 million to our US$500 million bond (6.625 %; 2026). This was preceded by a public buyback offer with a target volume of €550 million on 26 September. The only hybrid bond of which we did not buy any paper was the one with a volume of £750 million (7 %; 2019). The selection of paper bought back was based on yield considerations, amongst others.

The nominal volume of senior bonds, which are almost fully allocable to innogy SE, rose by €1.3 billion to €12.1 billion. This was primarily due to two new issuances: innogy placed a €750 million senior bond with a tenor of eight years and a coupon of 1 % in April. This was followed in October by the company's first 'green' bond, which has a nominal value of €850 million, a tenor of ten years and a coupon of 1.25 %. Green bonds are special-purpose financial vehicles, the issuance proceeds of which may only be used for projects with a positive effect on the environment. innogy will use the funds to refinance wind farms in Germany, the United Kingdom and the Netherlands. These plants are either under construction or in operation.

Shortly after the end of the reporting year, innogy took advantage of the favourable interest environment to issue a further senior bond. At the end of January 2018, the company placed paper with a nominal volume of €1 billion, a tenor of eleven-and-a-half years and a coupon of 1.5 %. Proceeds from this issuance will serve to refinance liabilities that fall due, among other things.

Significantly lower borrowing costs. In 2017, the cost of debt for RWE AG was 2.5 %, compared to 4.0 % in the previous year. This was calculated for the liabilities allocable to the Group parent from bonds, commercial paper and bank loans by the end of the year under review. Only hybrid bonds classified as debt pursuant to International Financial Reporting Standards were considered. The main reason for the decline in the cost of capital was that the redemption and buyback of hybrid bonds eliminated relatively high coupon payments. innogy calculated a cost of debt as of the balance-sheet date of 4.1 %, which was stable compared to 2016.

Credit rating of RWE AG (as of 31 Dec 2017)	Moody's	Standard & Poor's[1]	Fitch
Non-current financial liabilities			
Senior debt	Baa3	BBB–	BBB
Subordinated debt (hybrid bonds)	Ba2	BB	BB+
Current financial liabilities	P–3	A–3	F3
Outlook	Stable	Stable	Stable

1 At our request, Standard & Poor's withdrew its RWE rating after the balance-sheet date.

Rating agencies confirm RWE's investment-grade rating. The factors determining cost of debt also include the assessment of our creditworthiness by independent rating agencies. In 2017, the three leading agencies confirmed their credit ratings for RWE as a result of their regular rating reviews. In June, Moody's and Standard & Poor's announced that they kept their rating of our long-term creditworthiness at 'Baa3' and 'BBB–', respectively. In April, the agency Fitch confirmed its 'BBB' rating of RWE, which is one notch higher. All three agencies therefore issued an investment-grade rating for RWE – with a stable outlook. However, Standard & Poor's withdrew its RWE rating in February 2018 at our request. As next to no RWE senior bonds are outstanding due to the transfer of debt to innogy, we therefore deem the ratings by Moody's and Fitch sufficient.

By contrast, innogy continues to receive credit grades from all three agencies. They are a notch higher than those for RWE: innogy has been assigned a rating of 'Baa2' (negative outlook) by Moody's, 'BBB' (stable outlook) by Standard & Poor's and 'BBB+' (stable outlook) by Fitch. One of the reasons for the good grades is that innogy has a relatively stable earnings profile due to its high share of regulated business. The company provides detailed information on its credit rating in its 2017 Annual Report.

Cash flow statement € million	2017	2016	+/– € million
Funds from operations	–1,545	3,013	–4,558
Change in working capital	–209	–661	452
Cash flows from operating activities	**–1,754**	**2,352**	**–4,106**
Cash flows from investing activities	**2,691**	**–4,570**	**7,261**
Cash flows from financing activities	**–1,536**	**4,282**	**–5,818**
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents	–19	–24	5
Total net changes in cash and cash equivalents	**–618**	**2,040**	**–2,658**
Cash flows from operating activities	–1,754	2,352	–4,106
Minus capital expenditure[1]	–2,580	–2,308	–272
Plus proceeds from divestitures/asset disposals[1]	485	765	–280
Free cash flow	**–3,849**	**809**	**–4,658**

1 This item solely relates to items with an effect on cash.

Operating cash flows: significant decline due to contribution to the German nuclear energy fund. In the year under review, the RWE Group recorded negative cash flows from operating activities amounting to –€1,754 million (previous year: €2,352 million). The endowment of the German nuclear energy fund curtailed our liquidity by about €7 billion (see page 35). Excluding this, operating cash flows improved substantially compared to 2016. One reason for this is the reimbursement of the €1.7 billion in nuclear fuel tax paid from 2011 to 2016.

Investing activities led to cash flows of €2,691 million. In the year being reviewed, we liquidated a large volume of current securities and short-term cash investments in order to finance the contribution to the nuclear energy fund. Our capital expenditure on property, plant and equipment and financial assets had a counteracting effect. In the prior year, cash outflows from investing activities totalled €4,570 million, in part owing to significant purchases of securities, which we had funded using proceeds from the IPO of innogy.

Cash flows from financing activities amounted to –€1,536 million as opposed to the high cash flows of €4,282 million in 2016 resulting from the public listing of innogy. In the reporting year, €4.9 billion in financial liabilities were redeemed, contrasted by a total of €4.0 billion in refinancing. Additional outflows resulted from a total of €603 million in dividends paid to co-owners of fully consolidated RWE companies and hybrid capital investors, €206 million of which was allocable to dividends paid by innogy to its minority shareholders.

On balance, the presented cash flows from operating, investing and financing activities caused our cash and cash equivalents to decline by €618 million.

The high level of cash outflows resulting from the payment made into the nuclear energy fund also characterised the development of free cash flow, which amounted to –€3,849 million (previous year: €809 million). Since 2017 we are using a new definition of free cash flow: it now includes spending on financial assets and proceeds from divestments and asset disposals. The year-earlier figure was adjusted accordingly.

Lower net debt thanks to nuclear fuel tax refund. As of 31 December 2017, our net debt amounted to €20.2 billion, down €2.5 billion compared to 2016. We had anticipated a stable level. The decline is partially due to the reimbursement of the nuclear fuel tax, which was not foreseeable when we issued the forecast at the beginning of 2017. Furthermore, provisions for pensions decreased by €1.3 billion. The background to this is that the plan assets, with which we cover most of our pension obligations, increased due to positive market developments. Moreover, we raised the discount rates used to calculate the net present value of the German pension obligations. The new rates average 2.0 % throughout the Group as opposed to 1.8 % in the 2016 financial statements and reflect the most recent development of market interest rates. Besides the aforementioned factors, divestments also contributed to the drop in debt, whereas investing activities and our dividend payments had a counter-acting effect. The contribution to the nuclear energy fund did not have an impact on the level of net debt, because our nuclear energy provisions declined by the same amount.

Net debt € million	31 Dec 2017	31 Dec 2016	+/– € million
Cash and cash equivalents	3,933	4,576	–643
Marketable securities	5,131	10,065	–4,934
Other financial assets	1,863	1,621	242
Financial assets	**10,927**	**16,262**	**–5,335**
Bonds, other notes payable, bank debt, commercial paper	15,099	15,921	–822
Hedge transactions related to bonds	27	–263	290
Other financial liabilities	2,102	2,263	–161
Financial liabilities	**17,228**	**17,921**	**–693**
Net financial debt	**6,301**	**1,659**	**4,642**
Provisions for pensions and similar obligations	5,420	6,761	–1,341
Surplus of plan assets over benefit obligations	–103	–29	–74
Provisions for nuclear waste management	6,005	12,699	–6,694
Mining provisions	2,322	2,363	–41
Provisions for dismantling wind farms	359	334	25
Adjustment for hybrid capital	–77	–1,078	1,001
Plus 50 % of the hybrid capital stated as equity	470	471	–1
Minus 50 % of the hybrid capital stated as debt	–547	–1,549	1,002
Net debt	**20,227**	**22,709**	**–2,482**

Stable off-balance-sheet obligations from electricity and commodity purchases. Net debt does not include our off-balance-sheet obligations, which largely stem from long-term fuel and electricity purchase agreements. As of the balance-sheet date, payment obligations from material procurement contracts amounted to €26.2 billion for fuel (previous year: €26.0 billion) and €7.1 billion for electricity (previous year: €7.4 billion). These figures are based on assumptions regarding the prospective development of commodity prices. For further commentary on our off-balance-sheet obligations, please see page 144 et seq. in the Notes.

Equity ratio rises to 17.4 %. As of the cut-off date for the financial statements, the RWE Group had a balance-sheet total of €69.1 billion. This was €7.3 billion less than in the preceding year, primarily due to the payment made into the nuclear energy fund. Our contribution of roughly €7 billion was stated as part of current provisions on the previous year's balance sheet. Therefore, they dropped considerably. At the same time, cash outflows reduced current assets. The decrease in the balance-sheet total was also driven by a decline in derivatives, which fell by €2.2 billion on the assets side of the balance sheet and by €1.4 billion on the equity and liabilities side. By contrast, the refund of the nuclear fuel tax by the government extended the balance sheet. Due, among other things, to the last factor mentioned, the RWE Group's equity rose by €4.0 billion to €12.0 billion. Its share in the balance-sheet total (equity ratio) was 17.4 %, up 6.9 percentage points on the previous year's level.

Group balance sheet structure	31 Dec 2017		31 Dec 2016	
	€ million	%	€ million	%
Assets				
Non-current assets	45,694	66.2	45,911	60.1
of which:				
Intangible assets	12,383	17.9	12,749	16.7
Property, plant and equipment	24,904	36.1	24,455	32.0
Current assets	23,365	33.8	30,491	39.9
of which:				
Receivables and other assets[1]	12,487	18.1	14,122	18.5
Assets held for sale	128	0.2	–	–
Total	**69,059**	**100.0**	**76,402**	**100.0**
Equity and liabilities				
Equity	11,991	17.4	7,990	10.5
Non-current liabilities	36,774	53.3	39,646	51.9
of which:				
Provisions	19,249	27.9	20,686	27.1
Financial liabilities	14,414	20.9	16,041	21.0
Current liabilities	20,294	29.3	28,766	37.6
of which:				
Provisions	5,137	7.4	12,175	15.9
Other liabilities[2]	12,259	17.8	14,449	18.9
Liabilities held for sale	111	0.2	–	–
Total	**69,059**	**100.0**	**76,402**	**100.0**

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

1.8 NOTES TO THE FINANCIAL STATEMENTS OF RWE AG (HOLDING COMPANY)

The financial statements of RWE AG reflect significantly improved earnings. After recording losses due to significant impairments recognised for power plants in 2016, we posted a net profit of €1.4 billion in the year under review. The refund of the nuclear fuel tax by the government contributed to this. It was also one of the reasons why RWE AG's equity ratio improved by 7.7 percentage points to 17.9 %.

Financial statements. RWE AG prepares its financial statements in compliance with the rules set out in the German Commercial Code and the German Stock Corporation Act. The financial statements are submitted to Bundesanzeiger Verlag GmbH, located in Cologne, Germany, which publishes them in the Federal Gazette. The financial statements of RWE AG can be ordered directly from us and are also available on the internet at www.rwe.com/reports.

Balance sheet of RWE AG (abridged) € million	31 Dec 2017	31 Dec 2016
Assets		
Financial assets	24,901	32,115
Accounts receivable from affiliated companies	4,811	8,218
Other accounts receivable and other assets	505	753
Marketable securities and cash and cash equivalents	3,951	4,887
Total assets	**34,168**	**45,973**
Equity and liabilities		
Equity	6,104	4,697
Provisions	2,368	2,419
Accounts payable to affiliated companies	22,623	32,136
Other liabilities	3,073	6,721
Total equity and liabilities	**34,168**	**45,973**

Income statement of RWE AG (abridged) € million	2017	2016
Income from financial assets	2,268	−1,240
Net interest	−339	−368
Other income and expenses	−345	1,176
Taxes on income	−172	−569
Net profit/net loss	**1,412**	**−1,001**
Transfer to other retained earnings (previous year: withdrawal)	−490	1,006
Distributable profit	**922**	**5**

Assets. RWE AG had €34.2 billion in total assets as of 31 December 2017. This represents a decline of €11.8 billion compared to the previous year. Accounts receivable from and payable to affiliated companies dropped considerably. One reason for this was that innogy assumed the capital market debt of RWE AG in 2017 and that the corresponding intra-group loans were redeemed or reduced with effect from the debtor exchange (see page 53). Furthermore, a dividend claim vis-à-vis RWE Downstream Beteiligungs GmbH that arose in 2016 ceased to exist because the company, which holds our 76.8 % stake in innogy, made a corresponding dividend payment to RWE AG in the year under review. The decline in total assets is also due to the fact that RWE AG sold securities held as current and non-current assets. We used the proceeds to redeem a loan granted us by RWE Power and to offset the loss incurred by that company in the preceding year. As of 31 December 2017, RWE AG's equity ratio was 17.9 %, which was much higher than in the prior year (10.2 %). In addition to the aforementioned effects, the net profit we posted in 2017 also came to bear.

Financial position. RWE AG is set up solidly in financial terms and has a number of flexible financing tools at its disposal. Leading rating agencies certify our high creditworthiness. A detailed presentation of RWE's financial position and financing activity in the year under review has been made on page 52 et seqq.

Earnings position. In 2017, RWE AG's earnings position improved significantly compared to the previous year, which was characterised by substantial one-off burdens.

Income from financial assets rose by €3,508 million to €2,268 million. Following the power plant impairments recognised in 2016, RWE's two large generation companies returned to profitability in the reporting year. RWE Power benefited from the nuclear fuel tax refund, while RWE Generation profited from the successful commercial optimisation of power plant deployment among other things.

Net interest improved by €29 million to –€339 million. Our reduction in the volume of hybrid bonds outstanding last year through redemptions and buybacks resulting in less spend on financing came to bear here.

The net amount from other income and expenses decreased by €1,521 million to –€345 million in part due to the non-recurrence of positive one-off effects seen in the prior year: in 2016, the reorganisation of the RWE Group had revealed hidden reserves in the investments.

With a tax expense of €172 million (previous year: €569 million), RWE AG achieved a net profit of €1,412 million in fiscal 2017 after the loss of €1,001 million recorded in the preceding year. We also expect a net profit in the 2018 financial year, albeit lower than in 2017.

The distributable profit of €922 million reflects the planned dividend payment to our shareholders: the Supervisory and Executive Boards of RWE AG will propose to the Annual General Meeting on 26 April 2018 that a dividend of €1.50 be paid per common and preferred share for fiscal 2017. The sum is made up of the regular dividend of €0.50 and a special payment of €1.00 with which RWE shareholders are to partake of the nuclear fuel tax refund.

Corporate governance declaration in accordance with Section 289f and Section 315d of the German Commercial Code. On 15 February 2018, the Executive Board of RWE AG issued a corporate governance statement in accordance with Section 289f and Section 315d of the German Commercial Code and published it on the internet at www.rwe.com/corporate-governance-declaration.

1.9 PRESENTATION OF THE RWE GROUP WITH INNOGY AS A PURE FINANCIAL INVESTMENT

Since the public listing of our subsidiary innogy on the stock exchange, we have been managing it as a pure financial investment. A comprehensive agreement ensures that the company can conduct its business operations independently. Accordingly, when developing the planning for the RWE Group, we also consider Group figures in which innogy is not included as a fully consolidated company, but instead at the investment's fair value plus the dividend payment. In this chapter, we present some of these non-IFRS figures and explain how we calculated them.

Full consolidation only reflects the status of the investment in innogy to a limited extent. Pursuant to International Financial Reporting Standards (IFRS) we must include companies that are indirectly or directly controlled by RWE AG in the Group's financial statements on a fully consolidated basis. This means that the income, expenses, cash flows, assets, liabilities, etc. of these activities are considered in the Group figures. innogy is fully consolidated in the Group's financial statements, as we hold a majority stake of 76.8 % in the company. However, this representation only partially reflects the manner in which we manage our subsidiary. For us, innogy has the status of a pure financial investment, which we expect to deliver an attractive, reliable dividend. This is set out in a comprehensive agreement which stipulates that our subsidiary can act independently in business matters and that RWE AG may only exercise its influence as the majority owner by way of the legally mandated bodies, i. e. the Supervisory Board and the Annual General Meeting.

Adjusted figures. For planning purposes, we adopt a presentation that does not conform with IFRS and deviates from the principle of full consolidation. This involves assigning innogy to the 'other financial assets' line item on the balance sheet. The figure stated is calculated by multiplying the number of shares we hold in innogy with the share price on the stock market as of the cut-off date for the financial statements.

Adjusted EBITDA for 2017 only includes innogy's dividend payment of €683 million, whereas for adjusted EBITDA in 2016, innogy was considered based on the contribution of its companies to the RWE Group's income from investments and income from investments accounted for using the equity method, which totalled €730 million. innogy no longer has a direct effect on the RWE Group's non-operating result or financial result. However, RWE's figures are modified further, as we treat business transactions between the rest of the Group and innogy as transactions with third parties.

Adjusted EBITDA better than expected. The following is an overview of some key financial indicators calculated applying the aforementioned method. These figures trend in the same direction as they would if innogy were fully consolidated. At €2,066 million, adjusted EBITDA slightly exceeded our expectations, rising by 7 % compared to 2016. Adjusted net income amounted to €973 million, which is at the upper end of the range which we had forecast, after having been slightly negative in 2016 (–€20 million). We also displayed positive development regarding net debt: it dropped by 34 % to €4,510 million, primarily due to the nuclear fuel tax refund.

Key figures for the RWE Group including innogy as a financial investment that is not fully consolidated[1] € million	2017	2016	+/– %
Adjusted EBITDA	2,066	1,928	7.2
Adjusted EBIT	1,474	1,077	36.9
Income before tax	2,320	–5,795	140.0
Net income	2,160	–5,807	137.2
Adjusted net income	973	–20	–
Net financial debt	–6,070	–9,999	39.3
Net debt	4,510	6,858	–34.2

1 Figures not calculated according to IFRS. In addition to recognising innogy as a financial investment, this relates to the following items: supply and service agreements of the rest of the Group with innogy have all been accounted for as executory contracts, although they would have had to be measured at fair value according to IAS 39. We have not formed provisions for contingent losses from these transactions. Figures for supply and service relationships with external third parties and associated provisions have been accounted for as in the IFRS consolidated financial statements. The same applies to the accounting effects of hedges and deferred taxes.

1.10 DISCLOSURE RELATING TO GERMAN TAKEOVER LAW

The following disclosure is in accordance with Section 315a, Paragraph 1 and Section 289a, Paragraph 1 of the German Commercial Code as well as with Section 176, Paragraph 1, Sentence 1 of the German Stock Corporation Act. The information relates to company-specific regulations for example adjustments to the capital structure by the Executive Board and in the event of a change of control of the company. At RWE, these provisions are in line with the standards of German listed companies.

Composition of subscribed capital. RWE AG's subscribed capital consists of 575,745,499 no-par-value common shares and 39,000,000 no-par-value preferred shares without voting rights, each in the name of the bearer. They account for 93.7 % and 6.3 % of the subscribed capital, respectively. Holders of preferred shares are given priority when distributable profit is distributed. Pursuant to the Articles of Incorporation, it is appropriated in the following order:

1) to make any back payments on shares of the profit allocable to preferred shares from preceding years;

2) to pay a preferred share of the profit of €0.13 per preferred share;

3) to pay the share of the profit allocable to common shares of up to €0.13 per common share; and

4) to make equal payments of potential further portions of the profit allocable to common and preferred shares, unless the Annual General Meeting decides in favour of a different appropriation.

The composition of the subscribed capital and the rights and obligations of the shareholders comply with the requirements of the law and the Articles of Incorporation.

Shares in capital accounting for more than 10 % of voting rights. As of 31 December 2017, no holding in RWE AG exceeded 10 % of the voting rights. In the middle of the year, RWEB GmbH had informed us that its share of the voting rights had fallen from 14.18 % to 2.70 %.

Limitation of share transfers. Within the scope of the employee share plan of RWE AG, 340,920 RWE common shares were issued to employees in the financial year that just ended. These securities must be held until 31 December 2018.

Appointment and dismissal of Executive Board members/ amendments to the Articles of Incorporation. Executive Board members are appointed and dismissed in accordance with Section 84 et seq. of the German Stock Corporation Act in conjunction with Section 31 of the German Co-Determination Act. Amendments to the Articles of Incorporation are made pursuant to Section 179 et seqq. of the German Stock Corporation Act in conjunction with Article 16, Paragraph 6 of the Articles of Incorporation of RWE AG. According to the aforementioned provision in the Articles of Incorporation, unless otherwise required by law or the Articles of Incorporation, the Annual General Meeting shall adopt all resolutions by a simple majority of the votes cast or – if a capital majority is required – by the simple majority of the capital stock represented when the resolution is passed. Pursuant to Article 10, Paragraph 9 of the Articles of Incorporation, the Supervisory Board is authorised to pass resolutions to amend the Articles of Incorporation that only concern the wording without changing the content.

Executive Board authorisations for implementing share buybacks. Pursuant to a resolution passed by the Annual General Meeting on 16 April 2014, RWE AG is authorised to buy back up to 10 % of its capital stock as of the entry into force of said resolution or – if this figure is lower – at the exercise of this authorisation in shares of any kind until 15 April 2019. At the Executive Board's discretion, the acquisition shall be made on the stock exchange or via a public purchase offer.

Shares purchased in this way may then be cancelled. Furthermore, the purchased shares may be transferred to third parties or sold otherwise in connection with mergers or acquisitions of companies, parts of companies, operations, or of stakes in companies. Shares that are not sold on the stock exchange or through a tender to all shareholders may only be sold for cash. Moreover, in such cases, the sale price may not be significantly lower than the price at which the shares are listed on the stock market. The company may transfer shares bought back to the holders of option or convertible bonds. The company may also use the shares to fulfil its obligations resulting from employee share schemes. In the aforementioned cases, shareholder subscription rights are waived. These authorisations may be exercised in full or in part, or once or several times for partial amounts.

Executive Board authorisation for the issuance of new shares. Pursuant to the resolution passed by the Annual General Meeting on 16 April 2014, the Executive Board is authorised to increase the company's capital stock, subject to the Supervisory Board's approval, by up to €314,749,693.44 until 15 April 2019, through the issuance of up to 122,949,099 new bearer common shares in return for contributions in cash or in kind (authorised capital). These authorisations may be exercised in full or in part, or once or several times for partial amounts.

In principle, shareholders are entitled to subscription rights. However, subject to the approval of the Supervisory Board, the Executive Board may waive such rights in the following cases: they may be waived in order to prevent the number of shares allocated from the subscription resulting in fractional amounts (fractions of shares). Subscription rights may also be waived in order to issue shares in exchange for contributions in kind for the purposes of mergers or acquisitions of companies, parts of companies, operations, or of stakes in companies. Subscription rights may be waived in the event of a cash capital increase if the price at which the new shares are issued is not significantly lower than the price at which shares are quoted on the stock market and the portion of the capital stock accounted for by the new shares, for which subscription rights are waived, does not exceed 10 % in total. Furthermore, subscription rights may be waived in order to offer shares to potential holders of convertible or option bonds commensurate to the rights to which they would be entitled as shareholders on conversion of the bond or on exercise of the option.

The Executive Board is authorised, subject to the approval of the Supervisory Board, to determine the further details and conditions of the share issuance.

In sum, the capital stock may not be increased by more than 20 % through the issuance of new shares waiving subscription rights.

Effects of a change of control on debt financing. Our debt financing instruments often contain clauses that take effect in the event of a change of control. The following rule applies to a residual amount of a senior bond remaining with RWE AG after the transfer of debt to innogy (see page 53): in the event of a change of control in conjunction with a drop in RWE AG's credit rating below investment-grade status, creditors may demand immediate redemption. In such cases, RWE AG has the right to cancel its subordinated hybrid bonds within the defined change of control period; if this does not occur, the annual compensation payable on the hybrid bonds increases by 500 basis points.

RWE AG's €3 billion syndicated credit line also includes a change-of-control clause, which essentially has the following content: in the event of a change of control or majority at RWE, further drawings are suspended until further notice. The lenders shall enter into negotiations with us on a continuation of the credit line. Should we fail to reach an agreement with the majority of them within 30 days from such a change of control, the lenders may cancel the line of credit.

Effects of a change of control on Executive Board and executive compensation. Members of the Executive Board of RWE AG have the special right to terminate their employment contract in the event that shareholders or third parties obtain control over the company and this would be linked to significant disadvantages for the Executive Board members in question. In such a case, they may resign from their position within six months of the change of control with cause by giving three months' notice and request the termination of their employment contract and receive a one-off payment.

The amount of the one-off payment shall correspond to all compensation due until the end of the contractually agreed term of service, but no more than three times the total contractual annual compensation. Share-based compensation is not included in this. This is in line with the currently valid recommendations of the German Corporate Governance Code.

In the new Strategic Performance Plan presented on page 66 et seq., it is stipulated for the Executive Board and executives of RWE AG and subordinated associated companies that in the event of a change of control the granted performance shares which have already been finally determined but not yet been paid out, shall be paid out early. The pay-out amount shall correspond to the number of performance shares multiplied by the sum of the average closing price of the RWE common share over the last 30 trading days prior to the announcement of the change of control and the amount of dividend paid out per share up to that point in time, calculated starting from the time when the final number of performance shares was fully granted. All conditionally granted performance shares at the time of the change of control shall expire without replacement or compensation.

1.11 COMPENSATION REPORT

We believe that performance-oriented and transparent supervisory and management board compensation is a key element of good corporate governance. In this chapter, we have provided information on the structure and level of the compensation of the Supervisory Board and Executive Board of RWE AG. In addition to the requirements of German stock corporation and commercial law, we also consider the recommendations of the German Corporate Governance Code concerning the design and presentation of compensation systems.

Structure of Supervisory Board compensation

The remuneration of the Supervisory Board is governed by the provisions of the Articles of Incorporation of RWE AG. Accordingly, the Chairman of the Supervisory Board receives fixed compensation of €300,000 per fiscal year. Their Deputy receives €200,000 per fiscal year. The other members of the Supervisory Board receive fixed compensation of €100,000 and additional remuneration for committee mandates according to the following rules.

Members of the Audit Committee receive additional remuneration of €40,000. This additional payment is increased to €80,000 for the Chair of this committee. With the exception of the Nomination Committee, the members and the Chairs of all the other Supervisory Board committees receive an additional €20,000 and €40,000 in compensation, respectively. Remuneration for a committee mandate is only paid if the committee is active at least once in the fiscal year.

Supervisory Board members who concurrently hold several offices in this body only receive compensation for the highest-paid position. Compensation is prorated if a Supervisory Board member only performs a function for part of a fiscal year.

In addition to the remuneration paid, out-of-pocket expenses are refunded to the members of the Supervisory Board. Supervisory Board members also receive income from the exercise of Supervisory Board mandates at subsidiaries of RWE AG.

The members of the Supervisory Board imposed on themselves the obligation, subject to any obligations to relinquish their pay, to use 25 % of the total compensation paid (before taxes) to buy RWE shares and to hold them for the duration of their membership of the Supervisory Board of RWE AG. Last year, all of the members who do not donate their compensation met this self-imposed obligation for their compensation for 2016. For the new members elected to the Board in April 2017, this self-imposed obligation will apply to the compensation for fiscal 2017, which was paid out at the start of fiscal 2018.

Level of Supervisory Board compensation

In total, the remuneration of the Supervisory Board (including compensation for committee mandates at subsidiaries, but excluding out-of-pocket expenses) amounted to €3,637,000 in fiscal 2017 (previous year: €3,228,000). Of this sum, €459,000 (previous year: €442,000) was remuneration paid for mandates on committees of the Supervisory Board and €877,000 (previous year: €482,000) was remuneration paid for mandates at subsidiaries. The rise in compensation for the exercise of mandates is due in part to the fact that certain individuals also belong to the Supervisory Board of innogy SE and that they only received prorated compensation for the exercise of this mandate in 2016.

The remuneration of all individuals who have served on the Supervisory Board in 2016 and/or 2017 is shown in the following table.

Supervisory Board compensation[1]	Fixed compensation		Compensation for committee offices		Compensation for mandates at subsidiaries[2]		Total compensation[3]	
€ '000	2017	2016	2017	2016	2017	2016	2017	2016
Dr. Werner Brandt, Chairman	300	240	–	24	300	130	600	393
Dr. Manfred Schneider, Chairman (until 20 April 2016)	–	91	–	–	–	–	–	91
Frank Bsirske, Deputy Chairman	200	200	–	–	200	86	400	286
Reiner Böhle	100	100	20	20	120	48	240	168
Sandra Bossemeyer	100	70	20	14	–	–	120	84
Dieter Faust (until 20 April 2016)	–	30	–	12	–	12	–	55
Ute Gerbaulet (since 27 April 2017)	68	–	–	–	–	–	68	–
Reinhold Gispert (since 27 April 2017)	68	–	26	–	14	–	108	–
Roger Graef (until 20 April 2016)	–	30	–	–	–	–	–	30
Arno Hahn (until 27 April 2017)	32	100	13	40	18	54	63	194
Andreas Henrich	100	70	–	–	–	–	100	70
Maria van der Hoeven (20 April 2016 until 14 October 2016)	–	49	–	–	–	12	–	61
Manfred Holz (until 20 April 2016)	–	30	–	6	–	6	–	42
Prof. Dr. Hans-Peter Keitel	100	100	20	20	–	–	120	120
Dr. h. c. Monika Kircher	100	21	–	–	–	–	100	21
Martina Koederitz (20 April 2016 until 27 April 2017)	32	70	–	–	38	33	71	103
Monika Krebber	100	70	20	14	67	–	187	84
Frithjof Kühn (until 20 April 2016)	–	30	–	6	–	–	–	36
Hans Peter Lafos (until 20 April 2016)	–	30	–	–	–	12	–	42
Harald Louis	100	70	20	14	40	–	160	84
Christine Merkamp (until 20 April 2016)	–	30	–	–	–	–	–	30
Dagmar Mühlenfeld	100	100	20	20	–	–	120	120
Peter Ottmann	100	70	20	14	–	8	120	92
Günther Schartz	100	70	20	14	–	2	120	85
Dr. Erhard Schipporeit	100	70	80	56	–	–	180	126
Dagmar Schmeer (until 20 April 2016)	–	30	–	–	–	–	–	30
Prof. Dr.-Ing. Ekkehard D. Schulz (until 20 April 2016)	–	30	–	12	–	–	–	42
Dr. Wolfgang Schüssel	100	100	40	34	–	–	140	134
Ullrich Sierau	100	100	40	40	–	–	140	140
Ralf Sikorski	100	100	40	40	50	50	190	190
Marion Weckes	100	70	40	28	–	–	140	98
Dr. Dieter Zetsche (until 20 April 2016)	–	30	–	–	–	–	–	30
Leonhard Zubrowski	100	100	20	20	30	30	150	150
Total[3]	**2,301**	**2,303**	**459**	**442**	**877**	**482**	**3,637**	**3,228**

1 Supervisory Board members who joined or retired from the corporate body during the year receive prorated compensation.
2 Compensation for exercising mandates at subsidiaries is only included for periods of membership of the Supervisory Board of RWE AG.
3 The commercial rounding of certain figures can result in inaccurate sums.

Structure of Executive Board compensation

Principles of Executive Board compensation. The structure and level of the Executive Board's remuneration are determined by the Supervisory Board of RWE AG and reviewed on a regular basis to determine whether they are appropriate and in line with the market. The compensation system described in the following has been applied since 1 October 2016. It ensures that remuneration reflects individual performance, company performance and the development of the RWE share over the long term.

Executive Board compensation is composed of non-performance-based and performance-based components. The former consists of the fixed salary, the pension instalment as well as fringe benefits. The performance-based components include the bonus and a share-based payment, the latter of which is a long-term compensation component.

Recipients of Executive Board compensation. In the financial year that just ended, Rolf Martin Schmitz, Markus Krebber and Uwe Tigges received compensation for their work on the Executive Board of RWE AG. Rolf Martin Schmitz has been a member of the Executive Board since 1 May 2009 and its Chairman since 15 October 2016. Markus Krebber was appointed to the corporate body with effect from 1 October 2016 and has been in charge of finance since 15 October 2016. Uwe Tigges belonged to the Executive Board from 1 April 2013 to 30 April 2017. He was in charge of human resources and was the Labour Director. He resigned from his office in order to focus on his work on the Executive Board of innogy SE, which he joined on 1 April 2016. As of 1 May 2017, his tasks on the Executive Board of RWE AG were transferred to Rolf Martin Schmitz, who has since also been the company's Labour Director.

All of the members of the Executive Board entered into employment contracts based on the current compensation system with effect from 1 October 2016. Uwe Tigges, who belonged to the Executive Boards of RWE AG and innogy SE at the time, received his contract from innogy SE.

Non-performance-based Executive Board compensation

Fixed compensation and pension instalments. All Executive Board members receive a fixed salary, which is paid in twelve monthly instalments. As a second fixed compensation component, members of the Executive Board are entitled to a pension instalment for every year of service, which is determined on an individual basis. The pension instalment is paid in cash or retained in part or in full in exchange for a pension commitment of equal value through a gross compensation conversion. RWE has concluded a reinsurance policy to finance the pension commitment. The accumulated capital may be drawn upon on retirement, but not before the Executive Board member turns 62. Members of the Executive Board of RWE reach the established age limit when they are 63 years old. They can be reappointed for one year at a time thereafter, but may not hold office beyond their 65th birthday.

When retiring, Executive Board members can choose between a one-time payment and a maximum of nine instalments. They and their surviving dependants do not receive any further benefits. Vested retirement benefits from earlier activities within the RWE Group remain unaffected by this. The vested retirement benefits acquired by Uwe Tigges were transferred from RWE AG to innogy SE upon termination of his employment contract.

A different rule applies to Rolf Martin Schmitz, who was appointed to the Executive Board before the pension instalments were introduced. He was granted a pension benefit, which remains.

Fringe benefits. Non-performance-based compensation components also include fringe benefits, primarily consisting of the use of company cars and accident insurance premiums.

Performance-based Executive Board compensation

Bonus. Executive Board members receive a bonus, which is based on the economic performance of the company and the degree to which they achieve their individual goals and the collective goals of the Executive Board. The starting point for calculating the bonus is what is referred to as the 'company bonus', which depends on the level of adjusted EBIT and is determined as follows.

The Supervisory Board sets a target for adjusted EBIT at the beginning of every fiscal year. After the end of the fiscal year, the actual level of adjusted EBIT achieved is compared with the target figure. If the figures are identical, the target achievement is 100 %. In this case, the company bonus equals the contractually agreed baseline bonus. If adjusted EBIT is more or less than the established target, target achievement increases or decreases by a factor of 2.5. If adjusted EBIT is exactly 120 % of the target figure, the target achievement amounts to 150 %. The latter figure is also the cap, which cannot be exceeded even if adjusted EBIT is higher. The lower limit is reached if adjusted EBIT is exactly 80 % of the target figure. In this case, the target achievement for the company bonus amounts to 50 %. If the EBIT figure is lower than the 80 % threshold, no company bonus is paid out.

The performance of individual Executive Board members is considered by multiplying the company bonus by a performance factor. It may vary between 0.8 and 1.2. The value achieved depends on the following criteria, each of which is weighted by one-third: (1) achievement of the individual targets, (2) collective performance of the Executive Board, and (3) performance in corporate responsibility (CR) and employee motivation. Success in CR depends on the achievement of environmental and social goals and is documented in our sustainability reporting. Employee motivation is measured with a motivation index, which is based on anonymous surveys of employee commitment and satisfaction.

After the end of every financial year, the Supervisory Board evaluates the individual performance of the Executive Board members relative to the above three criteria and determines their individual performance factor. This is done in line with the binding goals and targets which it sets at the beginning of the financial year. The bonus determined in this manner is paid out in full to the Executive Board members after the end of the fiscal year.

Share-based payment. Executive Board members are granted a share-based payment according to RWE AG's Strategic Performance Plan (SPP). The SPP rewards the achievement of long-term goals. The key determinants of its success are the level of adjusted net income and the performance of the RWE common share (return on share price development and dividend) over a period of several years. By linking compensation to the development of the share price over the long term, the SPP motivates the Executive Board to consider the interests of the company's owners when taking decisions.

The SPP is based on conditionally granted performance shares. Performance shares are granted as of 1 January of every fiscal year. The SPP's conditions envisage a transitional tranche in fiscal 2016 (year of introduction) and three more regular tranches for 2017, 2018 and 2019. The Executive Board members receive a grant letter for each tranche. The – preliminary – number of performance shares is calculated based on the gross grant amount mentioned in the grant letter by dividing the grant amount by the average closing quotation of the RWE share on the last 30 days of trading on Xetra before the grant.

The granted performance shares have a term of four years (vesting period). After the end of the first year, the number of fully granted performance shares is determined. It depends on the adjusted net income achieved by the RWE Group for the year. The actual figure is compared to a pre-defined target figure. Determining this target figure is the responsibility of the Supervisory Board, which orientates itself towards the approved medium-term plan in doing so. If the target figure is achieved exactly, 100 % of the conditionally granted performance shares of the tranche is fully allocated. If the target figure is exceeded, the final grant is more than 100 % and vice-versa. Similar to determining the company bonus, there is an upper limit and a lower limit. If adjusted net income reaches or exceeds the upper threshold, 150 % of the conditionally granted performance shares is fully vested. If it is at the lower threshold, the final grant amounts to 50 %. If the actual figure is lower than the threshold, all of the conditionally granted performance shares from the tranche lapse. This means that the final number of performance shares can vary from 0 % to 150 % of the conditionally granted performance shares.

The fully vested performance shares are fully paid out in cash to the member of the Executive Board after the end of the four-year vesting period. The level of the payment depends on the performance of the RWE common share. It corresponds to the finalised number of performance shares multiplied by the average closing quotation of the RWE share of the last 30 days of trading on Xetra before the end of the vesting period added to the cumulative dividend paid during the holding period. However, a cap applies in this case as well: even in the event of extremely good share performance, the payment is limited to a maximum of 200 % of the initial gross grant amount.

The members of the Executive Board are obligated to reinvest 25 % of the payment (after taxes) in RWE shares. The shares must be held until at least the end of the third year after conclusion of the vesting period.

Upon introduction of the SPP in October 2016, the Executive Board members were granted share-based payments retroactively and in full for 2016, the transitional year. With regard to the introductory 2016 tranche, the final number of performance shares depends on the level of adjusted net income in 2017 and its relation to the target figure for 2017. This solution was chosen because, upon being granted in October 2016, it no longer made sense to establish a 2016 target figure for adjusted net income.

In 2016, the Supervisory Board established target figures for adjusted net income for the planned SPP tranches (2016 to 2019). As part of this, the aforementioned upper and lower thresholds were also determined. The Supervisory Board is only able to subsequently adjust these figures to a very limited degree and only in predefined situations, in order to be able to take into account the effects of capital measures, acquisitions, disposals or regulatory changes which were not known or foreseeable when the target figures were determined. RWE AG therefore complies with the recommendations of the German Corporate Governance Code (GCGC), in that – as a rule – changes to the performance targets or comparison parameters should not be subsequently made.

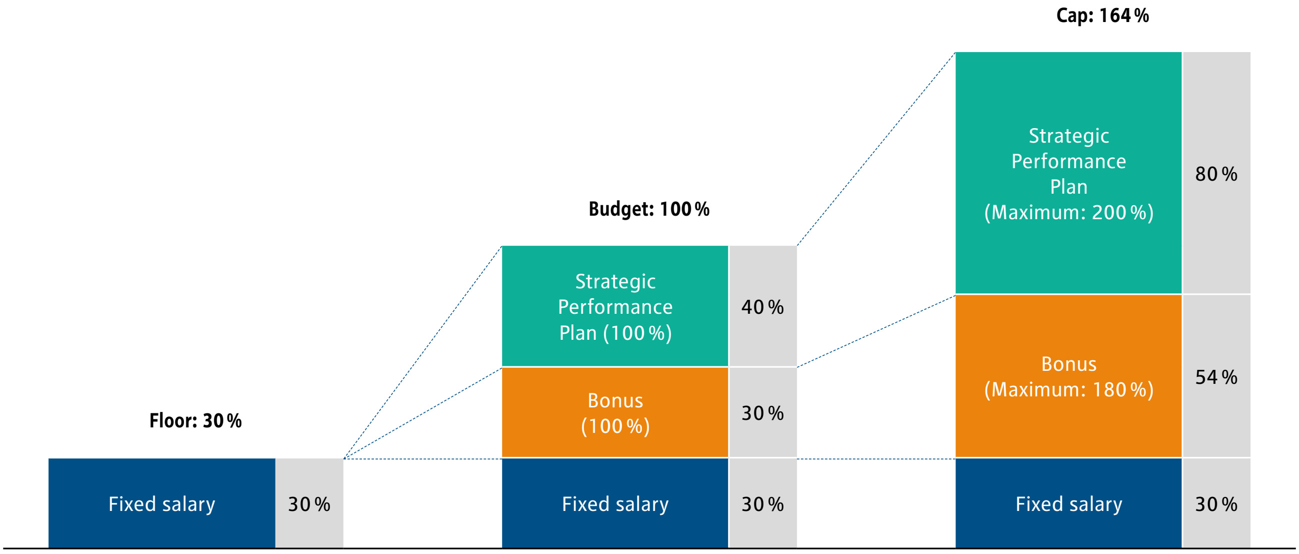
The performance shares remain unaffected after an Executive Board member leaves the body at the end of his or her contract and are paid out as planned at the end of the four-year vesting period. If an Executive Board member voluntarily leaves the company early or is dismissed with good cause, all performance shares which have not yet reached the end of the plan's duration lapse. The SPP also contains a demerit provision. This empowers the Supervisory Board to punish infractions by Executive Board members, for example for serious violations of the company's Code of Conduct, by reducing or completely voiding ongoing SPP tranches.

Compensation for exercising mandates. During the past fiscal year, members of the RWE AG Executive Board were paid to exercise supervisory board mandates at affiliates. This income is deducted from the bonus and therefore does not increase the total remuneration.

Shares of total compensation accounted for by the individual components. Assuming that both the company and the Executive Board members achieve their performance targets to a degree of 100 %, the compensation structure roughly breaks down as follows: the base salary accounts for around 30 % of total remuneration. Approximately 30 % is allocable to short-term variable compensation, i.e. the bonus. As a long-term compensation component, the SPP accounts for about 40 % of total remuneration.

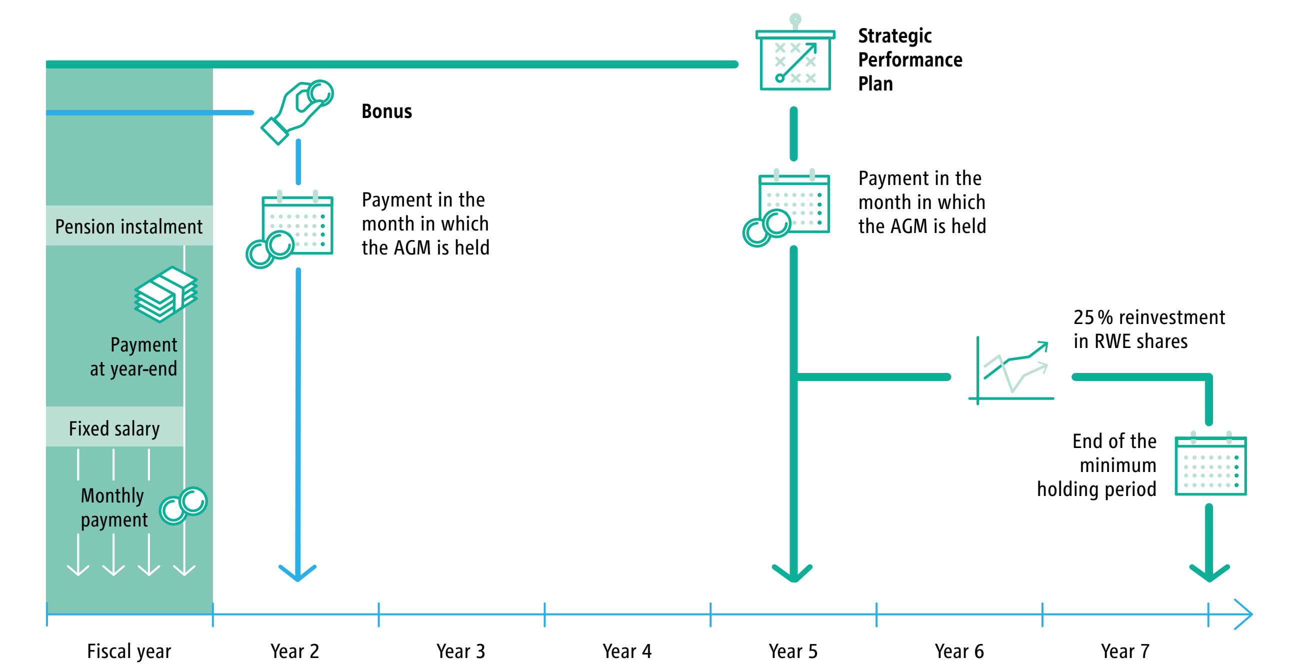
Limitation of Executive Board compensation. As set out earlier, the level of variable compensation components is limited. The company bonus amounts to a maximum of 150 % of the contractually agreed bonus budget. Multiplying this by the individual performance factor (0.8 to 1.2), it is possible to reach a maximum of 180 % of the bonus budget. With regard to share-based payment under the SPP, payout of the performance shares after the completion of the vesting period is limited to a maximum of 200 % of the grant budget. Based on the above maximum values, a cap can also be derived for the total compensation (see the diagram overleaf).

Range of Executive Board compensation



Payment dates. Executive Board members receive their fixed salary in twelve monthly instalments. The pension instalment is paid out at the end of the year, insofar as it is not converted into a pension commitment. After the fiscal year, the Supervisory Board determines the target achievement for the company bonus and the individual performance factor. The bonus is paid out in the month of the Annual General Meeting (AGM) which attends to the financial statements of RWE AG. After the end of the four-year vesting period, the performance shares from the SPP are paid out, during the month of the Annual General Meeting held in the following year. As explained earlier, Executive Board members must invest 25 % of the payment in RWE common shares and may not liquidate these shares until after three additional calendar years have passed from completion of the four-year vesting period. As a result, it takes a total of seven years for Executive Board members to obtain the full amount of their compensation.

Executive Board compensation payment timeline for a fiscal year



Pension scheme. Until the introduction of the pension instalment as of 1 January 2011 described earlier, pension benefits were granted to the members of the Executive Board. Of the Executive Board members in 2017, this only applies to Rolf Martin Schmitz; the pension commitment made to him in 2009 will remain unchanged. It entitles him to life-long retirement benefits in the event of retirement from the Executive Board of RWE AG upon turning 60, permanent disability, early termination or non-extension of the employment contract by the company. In the event of death, surviving dependants are entitled to the benefits. The amount of Rolf Martin Schmitz's qualifying income and the level of benefits determined by the duration of service are taken as a basis for his individual pension and surviving dependants' benefits.

Change in corporate control. If shareholders or third parties obtain control over the company and this results in major disadvantages for the Executive Board members, they have a special right of termination. They have the right to resign from the Executive Board and to request that their employment contract be terminated in combination with a one-off payment within six months of the change of control.

A change of control as defined by this provision occurs when one or several shareholders or third parties acting jointly account for at least 30 % of the voting rights in the company, or if any of the aforementioned can exert a controlling influence on the company in another manner. A change of control also occurs if the company is merged with another legal entity, unless the value of the other legal entity is less than 50 % of the value of RWE AG.

On termination of their employment contracts, Executive Board members receive a one-off payment equalling the compensation due until the end of the term of their contract: this amount will not be higher than three times their total contractual annual compensation. The share-based payments under the SPP are not considered here.

In the event of a change of control, all of the fully vested performance shares under the SPP that have not been paid out are paid out early. All performance shares granted under the SPP on a preliminary basis lapse on the date of the change of control.

Early termination and severance cap. Following a recommendation of the GCGC, the Executive Board's employment contracts include a provision stipulating that if an Executive Board mandate is otherwise terminated early without due cause, a severance payment of no more than the remuneration due until the end of the employment contract and no more than two total annual compensations including fringe benefits is made (severance cap).

Level of Executive Board compensation

The following section presents the compensation granted to the Executive Board members of RWE AG for their work in fiscal 2017. It was calculated in compliance with the rules set out in the German Commercial Code.

Total compensation for fiscal 2017. Pursuant to the calculation regulations of the German Commercial Code, the total compensation of the Executive Board for fiscal 2017 amounted to €7,274,000. This includes sums received by Uwe Tigges through to 30 April 2017 for his dual offices on the Executive Board of RWE AG and innogy SE. These emoluments were paid by innogy SE and were refunded by RWE AG on a prorated basis. Total compensation in 2016 amounted to €15,486,000. This figure includes the sums received by Peter Terium and Bernhard Günther until they resigned from the Executive Board of RWE AG on 14 October 2016.

Level of individual compensation components. In 2017, non-performance-based components, i.e. the fixed salary of the Executive Board members, fringe benefits and the pension instalment, amounted to €2,342,000 (previous year: €4,471,000). Pursuant to the German Commercial Code, the annual service cost of the pension commitment to Rolf Martin Schmitz is not recognised as compensation, as opposed to the pension instalment of €255,000 paid to Markus Krebber (previous year: a prorated €64,000). The pension instalment of €85,000 paid to Uwe Tigges for the period ending on 30 April 2017 is included in this figure (previous year: €255,000 for the full year).

In 2017, performance-based components, consisting of the Executive Board members' bonuses and grants under the SPP, amounted to a total of €4,932,000 (previous year: €11,015,000). This and the following figures for 2017 consider the prorated compensation of Uwe Tigges until his resignation. Accordingly, the prior-year figures also include the compensation paid to Peter Terium and Bernhard Günther until their resignation. Of the performance-based components of the Executive Board members, €2,365,000 (previous year: €4,115,000) was attributable to the bonus for fiscal 2017 paid directly and €2,567,000 (previous year: €2,987,000) to the allocation of performance shares under the SPP.

As set out on page 66, the level of the bonus largely depends on adjusted EBIT. For fiscal 2017, the Supervisory Board had set a target of €3,573 million (100 % target achievement) and a cap of €4,288 million (150 % target achievement). Including adjustments, this resulted in an actual figure of €3,676 million. Accordingly, the degree to which the target was achieved was 107 %. In calculating the actual figure, adjustments were made in order to account for structural differences between actual and target figures. These differences result in particular from impairments or unscheduled special items (e. g. sales proceeds).

The following table summarises the short-term remuneration paid in accordance with the German Commercial Code for fiscal 2017.

Short-term Executive Board compensation[1]	Dr. Rolf Martin Schmitz		Dr. Markus Krebber		Uwe Tigges		Peter Terium		Dr. Bernhard Günther		Total	
			since 1 Oct 2016		until 30 Apr 2017		until 14 Oct 2016		until 14 Oct 2016			
€ '000	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Non-performance-based compensation												
Fixed compensation	960	960	750	188	250	750	–	1,050	–	563	1,960	3,511
Fringe benefits (company car, accident insurance)	15	19	20	4	7	20	–	23	–	24	42	90
Other payments (pension instalments)	–	–	255	64	85	255	–	360	–	191	340	870
Total	**975**	**979**	**1,025**	**256**	**342**	**1,025**	**–**	**1,433**	**–**	**778**	**2,342**	**4,471**
Performance-based compensation												
Direct bonus payment	1,168	962	643	133	213	861	–	1,224	–	635	2,024	3,815
Compensation for mandates[2]	138	150	203	78	–	20	–	27	–	25	341	300
Bonus	**1,306**	**1,112**	**846**	**211**	**213**	**881**	**–**	**1,251**	**–**	**660**	**2,365**	**4,115**
Total	**2,281**	**2,091**	**1,871**	**467**	**555**	**1,906**	**–**	**2,684**	**–**	**1,438**	**4,707**	**8,586**

1 The table is based on the Group perspective. The figures include all the emoluments received by Uwe Tigges, Peter Terium and Bernhard Günther for their work on the Executive Boards of RWE AG and innogy SE until they resigned from the Executive Board of RWE AG. Pursuant to the German Commercial Code, RWE AG may only state in its separate financial statements the partial amounts that are allocable to it in economic terms. Only Uwe Tigges worked for both companies in fiscal 2017. In the separate financial statements of RWE AG, he is allocated non-performance-based compensation of €171,000 and performance-based compensation of €107,000.

2 In 2017, the compensation for exercising intragroup supervisory board offices was fully set off against the bonus.

Share-based payment according to the Strategic Performance Plan. In fiscal 2017, Rolf Martin Schmitz and Markus Krebber were granted performance shares under the SPP of RWE AG, whereas Uwe Tigges received performance shares under the SPP of innogy, which has a similar structure. The following overview shows the volume of performance shares issued. The main factor in determining the ratio of the number of performance shares granted on a preliminary basis to the final number of performance shares granted was the adjusted net income of the RWE Group in fiscal 2017. The Supervisory Board established an actual figure of €806 million for this. The amount differs from the figure mentioned on page 48 (€1,232 million) because more adjustments were necessary, as required by the SPP conditions. These adjustments are the same as the ones made to calculate the actual figure for adjusted EBIT (see above). Based on a target of €686 million (grant of 100 %) and a cap of €1,086 million (grant of 150 %) the final grant amounts to 115 % of the performance shares granted on a preliminary basis. The allocation ratio for Uwe Tigges was aligned to innogy's adjusted net income and was 88 % in 2017.

Long-term incentive payment[1] Strategic Performance Plan		Dr. Rolf Martin Schmitz		Dr. Markus Krebber since 1 Oct 2016		Uwe Tigges until 30 Apr 2017	
Tranche	Year	2017	2016	2017	2016	2017	2016
Company		RWE AG	RWE AG	RWE AG	RWE AG	innogy SE	innogy SE
Grant date		1 Jan 2017	1 Jan 2016	1 Jan 2017	1 Jan 2016	1 Jan 2017	1 Jan 2016
Fair value at grant date	€ ’000	1,250	769	988	247	329	706
Share price (average)	€	11.62	13.78	11.62	13.78	32.07	37.13
Number of performance shares allocated on a provisional basis		**107,573**	**55,787**	**84,983**	**17,915**	**10,264**	**19,021**
Measurement date of performance conditions		31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017
Target achievement in relation to adjusted net income	%	115	115	115	115	88	88
Final number of fully granted performance shares		123,709	64,155	97,730	20,602	9,032	16,738
End of the vesting period		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019

1 From the Group perspective, the compensation stated for Uwe Tigges under the SPP of innogy SE is share-based. In accordance with the German Commercial Code, the separate financial statements of RWE AG are based on a different perspective: as the payment depends on the innogy share instead of on the development of the RWE share, the SPP compensation received by UWE Tigges is classified as non-share-based and is only included in total remuneration once the payment conditions are met.

The table below shows the level of provisions formed for share-based payment obligations under the SPP.

Addition of provisions for long-term share-based incentive payments € ’000		2017	2016
Dr. Rolf Martin Schmitz		592	141
Dr. Markus Krebber	since 1 October 2016	393	46
Uwe Tigges	until 30 April 2017	124	134
Peter Terium	until 14 October 2016	–	143
Dr. Bernhard Günther	until 14 October 2016	–	82
Total		**1,109**	**546**

Obligations under the former pension scheme. The service cost of pension obligations to Rolf Martin Schmitz amounted to €538,000 in 2017 (previous year: €229,000). This is not a compensation component in accordance with the German Commercial Code. As of year-end, the net present value of the defined benefit obligation determined in accordance with International Financial Reporting Standards (IFRS) amounted to €12,391,000 (previous year: €13,923,000). The value of the pension obligation determined according to the German Commercial Code totalled €9,287,000 (previous year: €9,894,000). The pension obligation for 2017 decreased by €607,000 (previous year: increase of €435,000).

Based on the emoluments qualifying for a pension as of 31 December 2017, the projected annual pension of Rolf Martin Schmitz on retiring from the company as of the expiry of his appointment amounts to €556,000 (previous year: €484,000). This includes vested pension benefits due from former employers transferred to RWE AG.

Recommendations of the German Corporate Governance Code

According to the version of the German Corporate Governance Code (GCGC) published on 7 February 2017, the total remuneration of management board members comprises the monetary compensation elements, pension commitments, other awards, fringe benefits of all kinds and benefits from third parties which were granted or paid in the financial year with regard to management board work. Item 4.2.5, Paragraph 3 of the Code lists the compensation components that should be disclosed. Unlike under German commercial law, according to the GCGC the annual service cost of pension benefits is also part of total compensation.

The GCGC provides specific examples for the recommended presentation of management board compensation based on model tables, which distinguishes between 'benefits granted' and 'benefits received'.

- According to the GCGC, benefits or compensation are granted when a binding commitment to such is made to the management board member. In deviation from German commercial law, it is not relevant to what extent the management board member has already provided the services being remunerated.
- The term 'benefits received' defines the extent to which the management board member has already received payments. In this regard, the relevant aspect is the time at which the amount being paid is sufficiently certain and not the actual time of the payment.

This distinction made in the Code can be illustrated with the example of the bonus: the contractually agreed and promised budgeted bonus for the fiscal year in question is considered 'granted'. Conversely, the benefits received table shows the bonus level which will actually be paid with a high degree of probability. In this regard, it is not relevant that no payment actually took place during the year in question. The payment date is deemed to have been reached when the indicators and results needed to determine target achievement (and therefore the bonus) are known with sufficient certainty. The Code assumes that this is already the case at the end of the year. As a result, the one-year Executive Board bonuses are stated in the reporting year in the benefits granted table.

In the following, we present the compensation of the Executive Board of RWE AG in the manner recommended by the GCGC, based on the sample tables.

Benefits granted	Dr. Rolf Martin Schmitz since 1 May 2009, Chief Executive Officer since 15 Oct 2016				Dr. Markus Krebber since 1 Oct 2016, Chief Financial Officer since 15 Oct 2016			
€ '000	2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)
Fixed compensation	960	960	960	960	188	750	750	750
Pension instalment	–	–	–	–	64	255	255	255
Fringe benefits	19	15	15	15	4	20	20	20
Total fixed compensation	**979**	**975**	**975**	**975**	**256**	**1,025**	**1,025**	**1,025**
One-year variable compensation	**900**	**1,100**	**0**	**1,980**	**178**	**713**	**0**	**1,283**
Bonus	900	1,100	0	1,980	178	713	0	1,283
Multi-year variable compensation	**769**	**1,250**	**0**	**2,500**	**247**	**988**	**0**	**1,975**
SPP 2016 tranche[1] (term: 2016–2019)	769	–	–	–	247	–	–	–
SPP 2017 tranche (term: 2017–2020)	–	1,250	0	2,500	–	988	0	1,975
Total variable compensation	**1,669**	**2,350**	**0**	**4,480**	**425**	**1,701**	**0**	**3,258**
Total	**2,648**	**3,325**	**975**	**5,455**	**681**	**2,726**	**1,025**	**4,283**
Service cost	229	538	538	538	–	–	–	–
Total compensation	**2,877**	**3,863**	**1,513**	**5,993**	**681**	**2,726**	**1,025**	**4,283**

1 The grant contains the contractual bonus retention for the period up to 30 September 2016, which was transferred to the 2016 tranche of the SPP on this one occasion.

Benefits granted	Uwe Tigges Chief HR Officer/Labour Director until 30 Apr 2017			
€ '000	2016	2017	2017 (Min)	2017 (Max)
Fixed compensation	750	250	250	250
Pension instalment	255	85	85	85
Fringe benefits	20	7	7	7
Total fixed compensation	**1,025**	**342**	**342**	**342**
One-year variable compensation	**713**	**238**	**0**	**428**
Bonus	713	238	0	428
Multi-year variable compensation	**706**	**329**	**0**	**658**
SPP 2016 tranche[1] (term: 2016–2019)	706	–	–	–
SPP 2017 tranche (term: 2017–2020)	–	329	0	658
Total variable compensation	**1,419**	**567**	**0**	**1,086**
Total	**2,444**	**909**	**342**	**1,428**
Service cost	–	–	–	–
Total compensation	**2,444**	**909**	**342**	**1,428**

1 The grant contains the contractual bonus retention for the period up to 30 September 2016, which was transferred to the 2016 tranche of the SPP on this one occasion.

Benefits received	Dr. Rolf Martin Schmitz since 1 May 2009, Chief Executive Officer since 15 Oct 2016		Dr. Markus Krebber since 1 Oct 2016, Chief Financial Officer since 15 Oct 2016		Uwe Tigges Chief HR Officer/ Labour Director until 30 Apr 2017	
€ '000	2017	2016	2017	2016	2017	2016
Fixed compensation	960	960	750	188	250	750
Pension instalment	–	–	255	64	85	255
Fringe benefits	15	19	20	4	7	20
Total fixed compensation	**975**	**979**	**1,025**	**256**	**342**	**1,025**
One-year variable compensation	**1,306**	**1,112**	**846**	**211**	**213**	**881**
Bonus[1]	1,306	1,112	846	211	213	881
Multi-year variable compensation	**0**	**947**	**0**	**0**	**0**	**723**
Bonus retention 2013–2015 (released)	–	947	–	–	–	723
SPP 2016 tranche (term: 2016–2019)	0	0	0	0	0	0
SPP 2017 tranche (term: 2017–2020)	0	–	0	0	0	0
Total variable compensation	**1,306**	**2,059**	**846**	**211**	**213**	**1,604**
Total	**2,281**	**3,038**	**1,871**	**467**	**555**	**2,629**
Service cost	538	229	–	–	–	–
Total compensation	**2,819**	**3,267**	**1,871**	**467**	**555**	**2,629**

1 The bonus includes compensation for exercising intragroup supervisory board offices; also see the table 'Short-term Executive Board compensation' on page 70.

1.12 DEVELOPMENT OF RISKS AND OPPORTUNITIES

RWE's risk position is significantly affected by changes in the regulatory framework in the energy sector. State intervention with the object of reducing greenhouse gas emissions could have a very negative effect on us, in particular if it leads to an accelerated exit from coal-based electricity generation. This applies first and foremost to our home market Germany. The development of prices on wholesale markets for electricity, fuel and emission allowances also exposes us to substantial risks – as well as opportunities, as demonstrated by the recovery of electricity prices in the last two years. The RWE Group rests on a solid foundation in both financial and organisational terms. One of the key elements of this foundation is our risk management, which has proven itself over many years, enabling us to identify, assess and control risks systematically.

Redistribution of risk management responsibilities in the RWE Group. The restructuring of the RWE Group also involved the reorganisation of our risk management. Since its public listing in October 2016, innogy SE has controlled its risks independently – as well as those of its subsidiaries. As regards all of the other Group companies, responsibility remains with RWE AG. The manner in which RWE AG records innogy's risks has also changed. Since we fully consolidate our subsidiary in the Group's financial statements, but manage it as a financial investment, our analysis essentially focuses on the market value of our investment in innogy and changes in this value. We map the risk of losses in value inter alia using a mathematical model which tracks the history of the investment's share price. Furthermore, innogy provides us with semi-annual reports on its individual risks. Based on this information, we determine whether the market value risk we have calculated for the investment in innogy needs to be corrected. If, for example, we were to find that the individual risks reported by innogy have been underestimated, we would put the risk of negative changes in market value into a higher category.

The following is a detailed presentation of RWE AG's risk management. Corresponding information regarding innogy can be found in our subsidiary's latest annual report.

Organisation of RWE AG's risk management. The primary responsibility for our risk management lies with the Executive Board of RWE AG. It monitors and manages the overall risk of the Group and its operational subsidiaries. In doing so, it determines the risk appetite of RWE and defines upper limits for risk positions.

At the level below the Executive Board, the Controlling & Risk Management Department has the task of applying and developing the risk management system. It derives detailed limits for the individual business fields and operating units from the risk caps set by the Executive Board. Its tasks also include checking the identified risks for completeness and plausibility and aggregating them. In so doing, it receives support from the Risk Management Committee, which is composed of the heads of the following five RWE AG departments: Accounting, Controlling & Risk Management (Chair), Corporate Business Development, Finance & Credit Risk and Legal. The Controlling & Risk Management Department provides the Executive Board and the Supervisory Board of RWE AG with regular reports on the company's risk exposure.

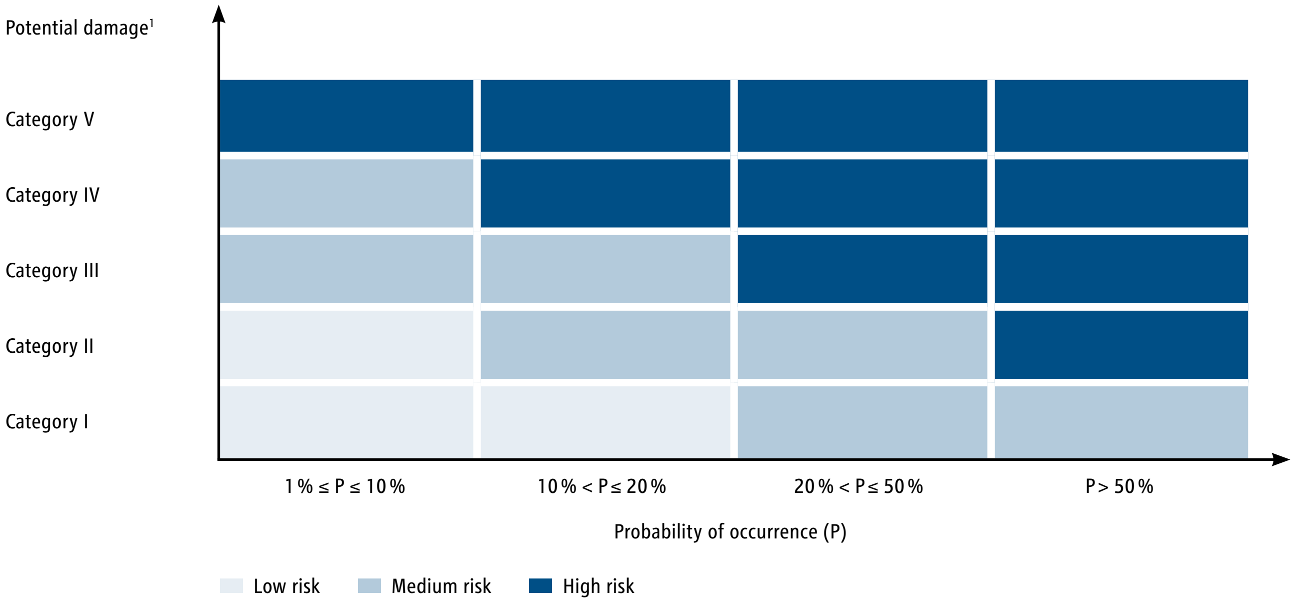
A number of additional organisational units and committees have been entrusted with risk management tasks:

- Financial risks and credit risks are managed by the Finance & Credit Risk Department, which reports directly to the CFO of RWE AG.
- The Accounting Department is responsible for risks involved in financial reporting. It also reports directly to the CFO of RWE AG and uses an accounting-related internal control system, which is described on page 82.
- The Internal Audit & Compliance Department monitors compliance with RWE's Code of Conduct. One of its main focal points is avoiding corruption risks. It reports to the CEO of RWE AG or, if members of the Executive Board are affected, directly to the Chairman of the Supervisory Board and the Chairman of the Supervisory Board's Audit Committee.
- In so far as they relate to the conventional electricity generation, energy trading and gas businesses, risks from changes in commodity prices are monitored by RWE Supply & Trading.
- Strategies to limit market risks from the generation business are approved by the Commodity Management Committee. This is an expert body which currently consists of the CFO of RWE AG, members of the management of RWE Supply & Trading and a representative of the Controlling & Risk Management Department.

- The strategic guidelines for the management of financial assets (including the funds of RWE Pensionstreuhand e.V.) are determined by the Asset Management Committee. This body also currently attends to this task for the financial investments of innogy SE. Its members include the CFO of RWE AG, the head of the Finance & Credit Risk Department, the head of the Portfolio Management/Mergers & Acquisitions Department and the head of Financial Asset Management from the Portfolio Management/Mergers & Acquisitions Department. The heads of the innogy Finance and Controlling & Risk Departments and the CFO of innogy's Grid & Infrastructure Division are also members.
- There is also a committee at RWE AG which supports the accounting teams and the functions of high relevance to accounting in preventing the incorrect financial reporting of risks (see page 82).

Under the expert management of the aforementioned organisational units, RWE AG and its operating subsidiaries are responsible for identifying risks early, assessing them correctly and managing them in compliance with central standards. The Internal Audit Department regularly assesses the quality and functionality of our risk management system.

RWE AG risk matrix



Potential damage	**Earnings risks**[2] Potential impact on net income – compared to adjusted EBITDA[3] and equity[4]	**Indebtedness/liquidity/equity risks**[2] Potential impact on net debt and equity
Category V	≥ 50 % of equity	≥ €8 billion
Category IV	≥ 100 % of adjusted EBITDA and < 50 % of equity	≥ €4 billion and < €8 billion
Category III	≥ 40 % and < 100 % of adjusted EBITDA	≥ €2 billion and < €4 billion
Category II	≥ 20 % of EBITDA and < 40 % of adjusted EBITDA	≥ €1billion and < €2 billion
Category I	< 20 % of adjusted EBITDA	< €1 billion

1 In relation to the aggregated level of damage from 2018 to 2020.
2 innogy is not included in the figures as a fully consolidated company, but as a pure financial investment (see page 60).
3 Average for 2018 to 2020 derived from the medium-term plan.
4 Equity as of 30 September 2017 (€14,990 million).

Risk management as a continuous process. Risks and opportunities are defined as negative or positive deviations from expected figures. Their management is an integral and continuous part of operating processes. We assess risks every six months, using a bottom-up analysis. We also monitor risk exposure between the regular survey dates. The Executive Board of RWE AG is immediately notified of any material changes. Our executive and supervisory bodies are updated on the risk exposure on a quarterly basis.

Our analysis normally covers the three-year horizon of our medium-term plan, but can extend beyond that for long-term risks. We evaluate risks to determine their impact on net income on the one hand and on net debt and equity on the other hand. We calculate the probability of occurrence for all risks as well as their potential damage. Risks that share the same cause are aggregated to a single risk. We analyse the material individual risks of the RWE Group using a matrix in which the risks' probability of occurrence and potential net damage are represented, i.e. taking account of hedging measures such as hedge transactions. Depending on their position in the matrix, we distinguish between low, medium and high risks. Based on this analysis, we determine whether there is a need for action and initiate measures to mitigate the risks if necessary.

We have made adjustments to the method used to quantify risks. Whereas in 2016 we used key figures in which innogy was included as a fully consolidated company, we now record our subsidiary as a purely financial investment. Details on this approach can be found on page 60. This change caused the figure for equity, which we use as a basis to scale earnings risks, to increase significantly. A second change in methodology relates to the effects which risks can have on net income. We now calculate them as percentages of adjusted EBITDA instead of adjusted EBIT. Adjusted EBITDA is the more important management parameter. Since it does not include depreciation or amortisation, it comes closer to the cash flows from operating activities, which are of huge significance especially for managing our power plant portfolio. Due to the adjustments described above, the limits that we use to categorise earnings risks changed substantially. By contrast, the limits that we use to classify the effects of risks on net debt and equity have not changed.

Risk classes[1]	Classification of the highest single risk	
	31 Dec 2017	31 Dec 2016
Market risks	Medium	Medium
Regulatory and political risks	High	High
Legal risks	Medium	Medium
Operational risks	Medium	Low
Financial risks	High	Medium
Creditworthiness of business partners	Medium	Medium
Other risks	Low	Medium

1 In the risk assessment as of 31 December 2017, innogy is only recorded based on the risk of changes in the market value of our investment in the company, whereas in the risk assessment as of 31 December 2016, innogy's individual risks were still considered.

Main risks for the RWE Group. As presented in the table above, our main risks can be classified into seven groups, depending on their nature. The highest individual risk determines the classification of the risk of the entire risk class. As mentioned earlier, we consider innogy in the assessment as a pure financial investment, the aggregated total risk of which consists of declines in its share price. The individual risks of our subsidiary, on which we provide information on page 80 et seq., are no longer presented separately in our risk matrix. As we record the possibility of a decline in innogy's share price in our matrix, the financial risks have been reclassified from 'medium' to 'high'. We also classify our regulatory and political risks as 'high'. This assessment did not change compared to the previous year.

In the following, we discuss the main risks and opportunities and explain what measures have been taken to counter the threat of negative developments.

- **Market risks.** In most of the countries in which we are active the energy sector is characterised by the free formation of prices. Declines in quotations on wholesale electricity markets can cause power plants and electricity procurement contracts concluded at fixed prices to become less economically feasible and, in some cases, even unprofitable. In such events, we may have to recognise impairments or form provisions. Following an extended downward trend, in 2016 and 2017, wholesale electricity prices picked up again in our most important generation markets, Germany, the United Kingdom and the Netherlands. The main reason for this was that fuel quotations recovered, especially of hard coal. It cannot be ruled out that this upward trend stops or that electricity prices decrease substantially again. However, there is also a chance that this recovery continues and that future realisable generation margins rise further.

  In addition to fuel costs, demand for electricity and the amount of generation capacity available to meet it are also decisive to the development of wholesale electricity prices. Risks also exist here due to the expansion of electricity storage. For example, the increased use of batteries could result in households with photovoltaic units becoming independent from the regular electricity market. Conversely, the electrification of the heating and transportation sector would have positive effects on demand for electricity. Above and beyond this, we expect the ongoing reduction of secured generation capacity in our home market Germany to increasingly lead to shortages with high electricity prices.

  We assess the price risks to which we are exposed on the procurement and supply markets taking account of current forward prices and expected volatility. For our power plants, we limit margin risks by selling most of our electricity forward and securing the prices of the fuel and CO_2 emission allowances needed for its generation. Our goal is to limit the consequences of negative price developments and tap into additional earnings potential.

  RWE Supply & Trading plays a central role when it comes to managing commodity price risks. It functions as the Group's interface to the global wholesale markets for electricity and energy commodities. The company markets large portions of our power generation and purchases the necessary fuels and CO_2 certificates needed to produce electricity. The role of RWE Supply & Trading as internal transaction partner makes it easier for us to limit the risks associated with price volatility on energy markets. However, the trading transactions are not exclusively intended to reduce risks. To a limited degree, the company also takes commodity positions to achieve a profit.

  Our risk management system for energy trading is firmly aligned with best practice as applied to the trading businesses of banks. As part of this, transactions are concluded with third parties only if the credit risks are within approved limits. There are guidelines governing the treatment of commodity price risks and associated credit risks. Our subsidiaries constantly monitor their commodity positions. Risks associated with trades conducted by RWE Supply & Trading for its own account are monitored daily.

  The Value at Risk (VaR) is of central importance for risk measurement in energy trading. It specifies the maximum loss from a risk position not exceeded with a given probability over a certain period of time. The VaR figures within the RWE Group are based on a confidence interval of 95 %. The assumed holding period for a position is one day. This means that, with a probability of 95 %, the daily loss will not exceed the VaR.

  The VaR for commodity positions in the trading business of RWE Supply & Trading may not rise above €40 million. In the financial year that just closed, it averaged €10 million (previous year: €17 million), and the daily maximum was €15 million (previous year: €34 million). In the middle of 2017, we pooled the management of our gas portfolio and our liquefied natural gas (LNG) business in a new organisational unit at RWE Supply & Trading and established a VaR cap of €12 million for these activities. The average VaR measured from the foundation of the organisation unit until the end of 2017 was €3 million. Additionally, we have set limits for each trading desk. Furthermore, we develop extreme scenarios and factor them into stress tests, determine their consequences for earnings, and take countermeasures if we deem the risks to be too high.

We also apply the VaR concept to measure the extent to which the commodity price risks that we are exposed to outside the trading business can affect the RWE Group's adjusted EBITDA. To this end, we calculate the overall risk for the Group on the basis of the commodity risk positions of the individual companies; this overall risk mainly stems from power generation. As the majority of our generation position is already fully hedged for 2018, only minor market price risks remain for this year. Additionally, profit opportunities arise, because we are able to adapt our power plant deployment to short-term market developments flexibly.

In certain cases, financial instruments used to hedge commodity positions are presented as on-balance-sheet hedging relationships in the consolidated financial statements. This also applies to the financial instruments we use to limit interest and currency risks. More detailed information can be found in the Notes to the consolidated financial statements on page 141 et seqq.

Our biggest market risks remain unchanged in the 'medium' category.

- **Regulatory and political risks.** Energy supply is a long-term business and companies involved in this industry are particularly dependent on a stable, reliable framework. Stricter thresholds for emissions can result in massive declines in earnings, if the transition periods are too short and existing plants have to be shut down early. This kind of risk emanates from the German Climate Action Plan 2050, which was adopted at the end of 2016 (see page 33 of the 2016 Annual Report). According to the Plan, by 2030 the energy sector must lower its emissions by more than 60 % compared to the level of 1990. We view this target as being very ambitious and see a risk that coal-fired power stations may have to be decommissioned earlier than planned. In the Netherlands, the new government is planning a complete exit from coal by 2030, and it intends to make carbon dioxide emissions by power plants more expensive by introducing a CO_2 tax. Such measures can place a huge burden on us. In a dialogue with policymakers, we want to point out the possible negative effects of an overly ambitious path of emissions reductions, in particular with regard to security of supply.

  We are also exposed to risks in the field of nuclear energy, albeit to a much lesser extent than in the past. Last year, a German law redistributing responsibility for nuclear waste management between the federal government and the power plant operators was enacted (see page 35). Since the companies made contributions to the new nuclear energy fund in the middle of 2017, they have no longer been liable for the costs of interim and final storage. We have reaffirmed this in legal terms with the Federal Republic of Germany by way of a contract. However, we are exposed to cost risks associated with disposal tasks for which we remain responsible in operating and financial terms. For example, it cannot be ruled out that the dismantling of nuclear power stations will be more expensive than planned.

  Another issue that has been clarified is the legality of the German nuclear fuel tax, which had been levied from 2011 to 2016. The German Constitutional Court declared the tax null and void, upon which the Federal government refunded us the €1.7 billion in tax payments made plus interest (see page 37). This caused one of our major opportunities to materialise. However, it cannot be ruled out that nuclear fuel may be taxed again, this time fulfilling the constitutional requirements.

  Even in the present political environment, we are exposed to risks associated for example with approvals when building and operating production facilities. This particularly affects our opencast mines and power stations. The danger here is that new-build projects receive late or no approval, or granted approvals are withdrawn. Depending on the progress of construction work and the contractual obligations to suppliers, this can have a very negative financial impact. We try to limit this risk as much as possible by preparing our applications for approval with great care and ensuring that approval processes are handled competently.

  For us, the regulatory and political risks of most significance are those resulting from intervention to limit carbon emissions and make them more expensive. As in the preceding year, we classified these risks as 'high'.

- **Legal risks.** Individual RWE Group companies are involved in litigation and arbitration proceedings due to their operations or the acquisition of companies. Out-of-court claims have been filed against some of them. Furthermore, companies from the RWE Group are directly involved in various procedures with public authorities or are at least affected by their outcomes. We have accrued provisions for possible losses resulting from pending proceedings before ordinary courts and arbitration courts.

Risks may also result from exemptions and warranties that we granted in connection with the sale of shareholdings. Exemptions ensure that the seller covers the risks that are identified within the scope of due diligence, the probability of occurrence of which is, however, uncertain. In contrast, warranties also cover risks that are unknown at the time of sale. The hedging instruments described above are standard procedure in sales of companies and equity holdings. The maximum classification of our legal risks is 'medium'. There was no change in this regard compared to the previous year.

- **Operational risks.** RWE operates technologically complex, interconnected production facilities. During their construction and modernisation, delays and cost increases can occur, for example due to accidents, material defects, late deliveries or time-consuming approval processes. We counter this through diligent plant and project management as well as high safety standards. We also regularly inspect and maintain our facilities. Nevertheless, it is impossible to prevent occasional outages. If economically viable, we take out insurance policies.

  In relation to capital expenditure on property, plant and equipment and intangible assets, there is a risk that the return may fall short of expectations. Furthermore, prices paid for acquisitions may retrospectively prove to be too high. However, it is also possible that the returns on investments turn out to be higher than originally assumed. We conduct extensive analyses to try and map the financial and strategic effects of transactions as realistically as possible. Moreover, RWE has specific accountability provisions and approval processes in place to prepare and implement investment decisions.

  Our business processes are supported by secure data processing systems. Nevertheless, we cannot rule out a lack of availability of IT infrastructure or a breach in data security. Our high security standards are designed to prevent this. In addition, we regularly invest in hardware and software upgrades. We now classify our operating risks as 'medium' as opposed to 'low' in the previous year. This is because we anticipate higher wholesale electricity prices than before. If this expectation materialises, power station outages would result in more significant drops in margins. However, our assumptions concerning the frequency of such events have not changed.

- **Financial risks.** The volatility of market interest rates, foreign exchange rates and share prices can have a significant effect on our financial position. Above all, the development of innogy's share price is important to us. A crash on the stock markets and negative developments at innogy can cause the market value of our stake in the company to decline significantly. This risk has partially materialised: the innogy share dropped considerably in value in December 2017 due to a profit warning issued by management. However, innogy may well regain the trust of the capital market and its share price may recover.

  RWE holds other shares besides those in innogy. The average VaR for the share price risk of this paper was €2 million (previous year: €8 million).

  We are exposed to foreign exchange risks primarily owing to our business activities in the United Kingdom. Furthermore, energy commodities such as coal and oil are traded in US dollars. Companies which are overseen by RWE AG have their currency risks managed by the parent company. RWE AG aggregates the risks to a net financial position for each currency and hedges it if necessary. In 2017, the average VaR for RWE AG's foreign currency position was less than €1 million. The same applies to the prior year.

  We differentiate between several categories of interest rate risks. For example, rises in interest rates can lead to reductions in the price of the securities we hold. This primarily relates to fixed-interest bonds. The VaR for the interest rate-related price risk of capital investments was €5 million on average at RWE AG (previous year: €9 million).

  Moreover, increases in interest rates cause our financing costs to rise. We measure this risk using the cash flow at risk (CFaR), applying a confidence level of 95 % and a holding period of one year. The average CFaR at RWE AG was €3 million. Due to the reorganisation, there is no average figure for the prior year.

  Furthermore, market interest rates have an effect on our provisions, as they are the point of reference for the discount rates used for determining the net present values of obligations. This means that in the case of declining market interest rates our provisions generally rise and vice versa.

Risks and opportunities from changes in the price of securities are controlled by a professional fund management system. Range of action, responsibilities and controls are set out in internal guidelines which the Group companies are obliged to adhere to when concluding financial transactions. All financial transactions are recorded using special software and are monitored by RWE AG.

The conditions at which we can finance our business on the debt capital market are dependent on the credit ratings we receive from international rating agencies. As set out on page 55, Moody's and Fitch place our long-term creditworthiness in the investment grade category with a stable outlook. However, the agencies may change their assessments and lower our credit rating at any time. This can result in additional costs if we have to raise debt capital or hedge trades.

We classify our financial risks as 'high' because they now also contain the share price risk associated with our stake in innogy (previous year: 'medium').

- **Creditworthiness of business partners.** Our business relations with key accounts, suppliers, trading partners and financial institutions expose us to credit risks. Therefore, we track the creditworthiness of our partners closely and assess their credit standing based on internal and external ratings, both before and during the business relationship. Transactions that exceed certain approval thresholds and all trading transactions are subject to a credit limit, which we determine before the transaction is concluded and adjust if necessary, for instance in the event of a change in creditworthiness. At times, we request cash collateral or bank guarantees. Credit risks and the utilisation of the limits in the trading and financing business are measured daily.

  We agree on collateral when concluding over-the-counter trading transactions. Furthermore, we enter into framework agreements, e.g. those of the European Federation of Energy Traders (EFET). For financial derivatives, we make use of the German master agreement for forward financial transactions or the master agreement of the International Swaps and Derivatives Association (ISDA).

  As in the past, our risks stemming from the creditworthiness of our business partners do not exceed the category 'medium'.

- **Other risks.** This risk class includes reputation risks and risks associated with non-compliance and criminal offences committed by employees of the Group. It also encompasses the possibility of planned divestments not being implemented, for example owing to regulatory requirements or the lack of acceptable bids. We consider other risks to be low. Including innogy, we had classified them as 'medium' in the previous year.

innogy's risk exposure. The development of the market value of our 76.8 % shareholding in innogy is mainly affected by the individual risks of our subsidiary. We have outlined some of these risks below. Detailed information on this topic can be found in innogy's current annual report.

- Earnings in the renewable energy business strongly depend on state subsidy systems. Here, there is a risk that the realisable compensation declines and new projects cease to be attractive. This can lead to investment undertaking being broken off. Reductions in the subsidisation of existing generation units cannot be fully ruled out. The revenue of these plants is also exposed to the risk of unfavourable market developments to the extent that it is partly determined by wholesale electricity prices. This particularly applies to wind farms when subsidies have expired. If such risks materialise, impairments may have to be recognised for these plants or they may have to be sold below their carrying amount. However, these plants can earn unexpectedly high returns if wholesale electricity prices increase.

- In the grid business, risks arise predominantly from the regular adjustments to the regulatory framework. In Germany, the new five-year regulatory period began on 1 January 2018 for gas network operators and on 1 January 2019 this will be the case for electricity network operators. Major decisions regarding these periods by the regulatory authorities are still pending. For example, cost reviews are yet to be completed for innogy's network companies, and the maximum allowable revenues must be established. There is the risk that regulatory authorities set low revenue caps and require the companies to achieve significant cost savings. However, it is also possible that the network operators are granted favourable conditions. Margins realisable in the gas storage business, which is assigned to the Grid & Infrastructure division, depend in part on seasonal differences in gas prices. If the differences are significant, high income can be achieved. In contrast, declines in differences can reduce earnings and lead to impairments.

- innogy faces significant competitive pressure in the retail business. When competition is tough, cost disadvantages and a weak performance on the market can quickly lead to declines in margins and customer losses. innogy mitigates the risk of sales and margin declines with customer retention measures, a differentiated price policy and a high quality of service in all of its retail markets. Our subsidiary does justice to changing customer demands by supplementing its offering with innovative products. In addition to the competitive landscape, regulatory intervention can also curtail earnings in the retail business. One such example is the cap on residential customer tariffs in the United Kingdom. As set out on page 36, households with prepayment tariffs are given price protection for a limited period. The same applies to low-income customers that receive a price reduction known as the 'warm home discount'. The government's plans envisage all standard-tariff customers benefiting from contractual price caps. This would cause margins in the UK supply business to deteriorate further. In view of the difficult market environment in the United Kingdom, innogy and SSE agreed to strengthen their UK retail operations by combining them to form a new, publicly listed company (see page 38).

- innogy has identified general risks and opportunities affecting all areas, inter alia in connection with investing activities. Our subsidiary intends to spur structural change in the energy sector and seize growth opportunities in doing so. Accordingly, substantial amounts of capital are spent on modernising grids, expanding renewable energy and developing innovative retail offerings. Capital expenditure on property, plant and equipment and financial assets can lead to returns below expectations. The price for acquiring companies may prove to have been too high in retrospect. Vice-versa, capital expenditure can be more profitable than originally assumed. innogy is also exposed to risks in relation to IT security. The damage that can potentially be caused by cyber attacks has risen due to progressive digitisation, the increasing interconnectivity of devices via the internet, and the mounting complexity of software and hardware. innogy has taken extensive technical and organisational measures in order to protect itself from such dangers. Another general risk results from changes in interest rates. Due to the expansionary monetary policy of leading central banks, market interest rates are currently low. Should they fall further, an upward adjustment may have to be made to the company's pension provisions. A rise in interest rates would usually lead to a decline in pension provisions, but would have the added disadvantage that refinancing would become more costly.

innogy monitors these and other risks continuously and takes countermeasures where necessary. The company does not currently see any risks that may jeopardise its existence.

Overall assessment of RWE's risk and opportunity situation: general assessment by company management. As demonstrated by the contents of this chapter, RWE's risk exposure is largely influenced by the development of economic and regulatory framework conditions and the market value of its majority interest in innogy. Regulatory risks arise inter alia from the German climate protection plan adopted at the end of 2016, which is to be concretised this year. We see the danger that we may have to shut down other coal-fired power plants in addition to the lignite-fired stations that are on standby. We may also experience significant burdens in the Netherlands if the government's current plans to exit from coal are implemented. By contrast, risk exposure in nuclear energy has dropped. It is now established by law how responsibility for nuclear waste management is divided between the Federal government and the power plant operators. In addition, the legal uncertainty over the nuclear fuel tax has been eliminated. As the German Constitutional Court declared the levy null and void and we were refunded the tax payments made, one of our most important opportunities materialised.

Market conditions in electricity generation have a significant influence on our earnings. German wholesale prices appear to have emerged from their trough. They are currently far above the record low recorded at the beginning of 2016. To a great extent, this is because global prices for hard coal have recovered. Should these trends reverse and electricity prices drop sharply once again, significant earnings shortfalls are to be expected, possibly as well as a downgrade of our credit rating and additional costs for hedging trading transactions. However, prices may continue to trend upwards and generation margins may improve. Such a development may then occur in Germany if the nuclear phase-out and additional power plant closures cause reliably available generation capacity to become tighter.

In view of the regulatory pressure and the market risks in the energy sector, utilities such as RWE must see to it that they are crisis-proof. On the strength of ambitious efficiency-enhancing programmes, strict investing discipline and the IPO of innogy, we have given the Group a solid financial foundation. By analysing the effects of risks on our liquidity and pursuing a conservative financing strategy, we ensure that we always have enough cash and cash equivalents in order to meet our payment obligations punctually. We have strong operating cash flows, considerable liquid funds and great financial leeway, thanks to our commercial paper programme and the unused line of credit. We budget our liquidity with foresight, based on the short, medium and long-term funding needs of our Group companies, and have a significant amount of minimum liquidity on a daily basis.

Thanks to our comprehensive risk management system and the measures for safeguarding our financial and earning power described earlier, we are confident that we can manage the current risks to RWE. At the same time, we are working hard to ensure that this remains the case in the future.

Report on the accounting-related internal control system: statements in accordance with Sec. 289, Para. 4, and Sec. 315, Para. 4 of the German Commercial Code. Risks associated with financial reporting reflect the fact that our annual, consolidated and interim financial statements may contain misrepresentations that could have a significant influence on the decisions made by their addressees. Our accounting-related Internal Control System (ICS) aims to detect potential errors that result from non-compliance with accounting standards. The foundations of the ICS are our basic principles, which are set out in RWE's Code of Conduct and, first and foremost, include our ambition to provide complete, objective, correct, clear and timely information, as well as the company's groupwide guidelines. Building on this, minimum requirements for the accounting-related IT systems are designed to ensure the reliability of data collection and processing. An effective ICS enables the mitigation of the risk of material misrepresentations. However, it cannot eliminate it entirely.

RWE AG is responsible for the design and monitoring of the ICS. These tasks are performed by the Accounting Department. Additionally, there is a group-wide set of rules for designing and monitoring the ICS. We also created the ICS Committee. Its objective is to ensure that the ICS is applied throughout the Group following uniform principles, meeting high ambitions in terms of correctness and transparency. Representatives from the Accounting, Controlling & Risk Management and Internal Auditing & Compliance departments, along with the representatives from the areas of finance, human resources, procurement, trading and IT – all of which play an important role in financial reporting – are members of this Committee.

We subject the ICS to a comprehensive review every year. As a first step, we examine whether the risk situation is presented appropriately and whether suitable controls are in place for the identified risks. In a second step, we test the effectiveness of the controls. If the ICS reviews are based on accounting-related processes, e. g. the receipt and processing of invoices in our service centre in Cracow, the preparation of financial statements and consolidation, they are conducted by employees from the Accounting Department. The representatives of the finance, human resources, purchasing, trading and IT functions certify whether the agreed ICS quality standards are adhered to by their respective areas. The Internal Audit Department and external auditing firms are also involved in the ICS reviews. The results of the reviews are documented in a report to the Executive Board of RWE AG. The review conducted in 2017 once again demonstrated that the ICS is an effective system.

Our ICS reviews do not cover innogy SE or its subsidiaries. However, these entities apply the aforementioned process analogously. The results obtained are considered in the assessment of the ICS of RWE AG.

Within the scope of external reporting, the members of the Executive Board of RWE AG took an external half-year and full-year balance-sheet oath, confirming that the prescribed accounting standards have been adhered to and that the figures give a true and fair view of the net worth, financial position and earnings. When in session, the Supervisory Board's Audit Committee regularly concerns itself with the effectiveness of the ICS. Once a year, the Executive Board of RWE AG submits a report on this to the committee.

1.13 OUTLOOK

Although the decline German wholesale electricity prices halted at the beginning of 2016, we continue to feel the consequences in 2018. The margins of our power stations, which we realised through forward sales for 2018, were down year on year. Therefore, in 2018, the RWE Group will probably fall short of the operating result achieved last year. We anticipate adjusted EBITDA of between €4.9 billion and €5.2 billion and adjusted net income of between €0.7 billion and €1.0 billion. We will continue to benefit from our ongoing efficiency-enhancement programme. Our participation in the UK capacity market will also have an increasingly positive effect on our earnings.

Experts predict that the economy will remain robust. Based on initial forecasts for 2018, the global economy will expand by some 3 %, roughly as much as last year. The economy of the Eurozone is predicted to grow by about 2 %. The German Council of Economic Experts is of the opinion that the country will record a gain of 2.2 %. The Dutch economy is expected to outgrow the Eurozone yet again, with the Belgian economy failing to keep pace with it. Experts anticipate an increase of 1.5 % in the United Kingdom. The general situation in the economies of the RWE Group's most important markets in Central Eastern Europe is unlikely to change much compared to 2017: posting growth of 3 % to 4 %, Poland, the Czech Republic, Hungary and Slovakia may well remain clearly above the European average.

Demand for energy probably higher than in 2017. Our forecast for this year's energy consumption is based on assumed economic developments. In addition, we anticipate that temperatures in 2018 will be normal and therefore lower overall than in 2017, which was characterised by relatively mild weather. If these conditions materialise, we expect that demand for electricity will be stable or rise marginally in Germany, the Netherlands and the United Kingdom. The stimulus of expanding economies and the possibly colder weather will be contrasted by the dampening effects of the increasingly efficient use of energy. Similar to 2017, electricity consumption in Poland, Hungary and Slovakia is expected to rise by between 2 % and 3 %.

We anticipate a general rise in gas usage. This is based on assumed normalised temperatures and a commensurate increase in the need for heating. In addition, the predicted economic growth should stimulate demand for gas. Stimulus may also come from the electricity generation sector, if the market conditions for gas-fired power plants improve further. We anticipate opposing effects from the trend towards saving energy.

Electricity production for 2018 nearly completely sold forward. In the last two years, the wholesale prices of electricity and major energy commodities trended back upwards following a prolonged downward spiral. Their development depends on a number of factors, which are almost impossible to predict. However, the future development of these prices is only of secondary importance to our earnings in the current fiscal year, as we have already sold almost all of our electricity generation for 2018 and secured the prices of the required fuel and emission allowances. The 2018 price we achieved for electricity from our German lignite-fired and nuclear power stations is below last year's average of €31 per MWh.

Adjusted EBITDA in 2018: range of €4.9 to €5.2 billion expected. We anticipate that the RWE Group's operating earnings in the financial year underway will be weaker than in 2017. We forecast adjusted EBITDA in the range of €4.9 billion to €5.2 billion. This would be significantly less than last year. The main reasons for this are lower generation margins, less income from special items and increased startup costs for innogy's growth projects. Assuming relatively stable operating depreciation, adjusted EBIT is also likely to drop considerably. Adjusted net income is expected to decline to between €0.7 billion and €1.0 billion. It differs from net income under International Financial Reporting Standards in that the non-operating result, which is characterised by one-off effects, and further material special items (including applicable taxes) are deducted from it.

Earnings forecast for 2018 € million	2017 actual	Forecast for 2018
Adjusted EBITDA	5,756	4,900 – 5,200
of which:		
Lignite & Nuclear	671	350 – 450
European Power	463	300 – 400
Supply & Trading	271	100 – 300
innogy	4,331	4,100 – 4,200
Adjusted net income	1,232	700 – 1,000

We expect earnings at the divisional level to develop as follows:

- Lignite & Nuclear: Adjusted EBITDA is anticipated to decline to between €350 million and €450 million. As mentioned earlier, most of this year's electricity generation has already been placed on the market. In sum, the margins realised were lower than in 2017. Moreover, the Gundremmingen B nuclear power station will stop contributing to earnings as we had to shut it down at the end of 2017. However, we are confident of being able to profit from further efficiency-enhancing measures.

- European Power: Adjusted EBITDA of this segment is expected to total between €300 million and €400 million. This would put it below last year's figure, which benefited from one-off income from property sales. Earnings contributed by the commercial optimisation of our power plant deployment are unlikely to match the high level achieved in 2017. Furthermore, we anticipate declining margins from electricity forward sales. By contrast, the premiums that we receive for participating in the UK capacity market will increase.

- Supply & Trading: We expect to post annual average adjusted EBITDA in the order of €200 million in this segment over the long term. We estimate a range of €100 million to €300 million for 2018. This assumes a normal trading performance. Earnings in the gas business are likely to close the year down on the above-average figure recorded in 2017.

- innogy: Our subsidiary anticipates adjusted EBITDA of between €4.1 billion and €4.2 billion, slightly less than in 2017. Earnings in the retail business may well decline considerably, in part due to rising startup costs for future-oriented projects. Moreover, exceptional income is likely to be lower than in 2017. This also applies to the Grid & Infrastructure division, which is expected to close fiscal 2018 slightly down year on year. If transit volumes in the Czech gas distribution network return to normal levels after the positive effect of the weather in 2017, they may contribute to the decline in earnings. innogy anticipates stable earnings in the field of renewable energy. The commissioning of new generation capacity will have a positive effect. Assuming average weather conditions, the capacity utilisation of wind turbines and run-of-river power stations will improve. This will be contrasted by higher costs incurred to develop new projects. In addition, last year's earnings benefited from income from the revaluation of the Triton Knoll wind power project.

Capex budget subject to counter-financing measures. Most of the capital spent in the RWE Group is attributable to innogy. Our subsidiary plans a net capital expenditure in the order of €2.5 billion in 2018. Gross capex exceeding this amount will be financed with proceeds from divestments and asset disposals. As before, the investment magnets are the maintenance and modernisation of distribution grids and the expansion of renewable energy. We plan to spend about €400 million in capital on property, plant and equipment in conventional power generation, primarily to maintain and modernise power stations and opencast mines. Some of the funds have been earmarked for small growth projects, e. g. the conversion of our Dutch hard coal-fired power stations to biomass co-firing.

Net debt probably higher year on year. Our net debt is likely to increase moderately in the current fiscal year. A major reason for this is the dividend payments to RWE shareholders and co-owners of fully consolidated RWE companies. Our forecast for net debt is based on the assumed stability of market interest levels and – in turn – of the discount factors that we use to calculate provisions.

Outlook for the RWE Group with innogy as a pure financial investment. For management purposes, we also use Group figures in which innogy is included as a pure financial investment instead of as a fully consolidated company. More detailed information on how these figures are calculated can be found on page 60. Adjusted EBITDA in 2018 calculated taking this approach is expected to total between €1.4 billion and €1.7 billion (last year: €2.1 billion). The figure predicted for adjusted net income is between €0.5 billion and €0.8 billion (last year: €1.0 billion). We expect net debt to post a moderate rise (last year: €4.5 billion).

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

References to the internet. The contents of pages on the internet and publications to which we refer in the review of operations are not part of the review of operations and are merely intended to provide additional information. The corporate governance declaration in accordance with Section 289a as well as Section 315d of the German Commercial Code is an exception.

2 RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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.

Essen, 26 February 2018

The Executive Board

Schmitz Krebber

03

Consolidated financial statements

3.1 INCOME STATEMENT

€ million	Note	2017	2016
Revenue (including natural gas tax/electricity tax)	(1)	**44,585**	**45,833**
Natural gas tax/electricity tax	(1)	2,151	2,243
Revenue	(1)	**42,434**	**43,590**
Other operating income	(2)	3,608	1,435
Cost of materials	(3)	31,326	33,397
Staff costs	(4)	4,704	4,777
Depreciation, amortisation and impairment losses	(5), (10)	2,939	6,647
Other operating expenses	(6)	3,686	4,323
Income from investments accounted for using the equity method	(7), (13)	302	387
Other income from investments	(7)	118	153
Financial income	(8)	2,315	1,883
Finance costs	(8)	3,066	4,111
Income before tax		**3,056**	**−5,807**
Taxes on income	(9)	741	−323
Income		**2,315**	**−5,484**
of which: non-controlling interests		373	167
of which: RWE AG hybrid capital investors’ interest		42	59
of which: net income/income attributable to RWE AG shareholders		**1,900**	**−5,710**
Basic and diluted earnings per common and preferred share in €	(26)	**3.09**	**−9.29**

3.2 STATEMENT OF COMPREHENSIVE INCOME

€ million[1]	Note	2017	2016
Income		**2,315**	**−5,484**
Actuarial gains and losses of defined benefit pension plans and similar obligations		1,346	−629
Income and expenses of investments accounted for using the equity method (pro rata)	(13)	−85	37
Income and expenses recognised in equity, not to be reclassified through profit or loss		**1,261**	**−592**
Currency translation adjustment	(21)	174	−59
Fair valuation of financial instruments available for sale	(27)	44	78
Fair valuation of financial instruments used for hedging purposes	(27)	818	976
Income and expenses of investments accounted for using the equity method (pro rata)	(13), (21)	−15	−17
Income and expenses recognised in equity, to be reclassified through profit or loss in the future		**1,021**	**978**
Other comprehensive income		**2,282**	**386**
Total comprehensive income		**4,597**	**−5,098**
of which: attributable to RWE AG shareholders		3,996	−5,284
of which: attributable to RWE AG hybrid capital investors		42	59
of which: attributable to non-controlling interests		559	127

1 Figures stated after taxes.

3.3 BALANCE SHEET

Assets € million	Note	31 Dec 2017	31 Dec 2016
Non-current assets			
Intangible assets	(10)	12,383	12,749
Property, plant and equipment	(11)	24,904	24,455
Investment property	(12)	43	63
Investments accounted for using the equity method	(13)	2,846	2,908
Other non-current financial assets	(14)	1,109	1,055
Financial receivables	(15)	359	403
Other receivables and other assets	(16)	1,187	1,175
Income tax assets		236	219
Deferred taxes	(17)	2,627	2,884
		45,694	**45,911**
Current assets			
Inventories	(18)	1,924	1,968
Financial receivables	(15)	1,745	1,471
Trade accounts receivable		5,405	4,999
Other receivables and other assets	(16)	4,892	7,418
Income tax assets		445	234
Marketable securities	(19)	4,893	9,825
Cash and cash equivalents	(20)	3,933	4,576
Assets held for sale		128	
		23,365	**30,491**
		69,059	**76,402**

Equity and liabilities € million	Note	31 Dec 2017	31 Dec 2016
Equity	(21)		
RWE AG shareholders' interest		6,759	2,754
RWE AG hybrid capital investors' interest		940	942
Non-controlling interests		4,292	4,294
		11,991	**7,990**
Non-current liabilities			
Provisions	(23)	19,249	20,686
Financial liabilities	(24)	14,414	16,041
Other liabilities	(25)	2,393	2,196
Deferred taxes	(17)	718	723
		36,774	**39,646**
Current liabilities			
Provisions	(23)	5,137	12,175
Financial liabilities	(24)	2,787	2,142
Trade accounts payable		5,077	5,431
Income tax liabilities		100	131
Other liabilities	(25)	7,082	8,887
Liabilities held for sale		111	
		20,294	**28,766**
		69,059	**76,402**

3.4 CASH FLOW STATEMENT

€ million	Note (30)	2017	2016
Income		2,315	−5,484
Depreciation, amortisation, impairment losses/write-backs		2,583	6,670
Changes in provisions		−7,045	2,043
Changes in deferred taxes		39	−1,136
Income from disposal of non-current assets and marketable securities		−267	−227
Other non-cash income/expenses		830	1,147
Changes in working capital		–209	−661
Cash flows from operating activities		**−1,754**	**2,352**
Intangible assets/property, plant and equipment/investment property			
Capital expenditure		−2,235	−2,027
Proceeds from disposal of assets		324	238
Acquisitions, investments			
Capital expenditure		−345	−281
Proceeds from disposal of assets/divestitures		162	527
Changes in marketable securities and cash investments		4,975	−2,587
Cash flows from investing activities (before initial/subsequent transfer to plan assets)		**2,881**	**−4,130**
Initial/subsequent transfer to plan assets		−190	−440
Cash flows from investing activities (after initial/subsequent transfer to plan assets)		**2,691**	**−4,570**
Net change in equity (incl. non-controlling interests)		−64	4,514
Dividends paid to RWE AG shareholders and non-controlling interests		−603	−407
Issuance of financial debt		3,996	5,732
Repayment of financial debt		−4,865	−5,557
Cash flows from financing activities		**−1,536**	**4,282**
Net cash change in cash and cash equivalents		−599	2,064
Effects of changes in foreign exchange rates and other changes in value on cash and cash equivalents		–19	−24
Net change in cash and cash equivalents		**–618**	**2,040**
Cash and cash equivalents at beginning of the reporting period		4,576	2,536
of which: reported as ‘Assets held for sale’			−14
Cash and cash equivalents at beginning of the reporting period as per the consolidated balance sheet		4,576	2,522
Cash and cash equivalents at the end of the reporting period		3,958	4,576
of which: reported as ‘Assets held for sale’		−25	
Cash and cash equivalents at end of the reporting period as per the consolidated balance sheet		**3,933**	**4,576**

3.5 STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity € million	Sub-scribed capital of RWE AG	Addi-tional paid-in capital of RWE AG	Retained earnings and distribut-able profit	Accumulated other Comprehensive Income			**RWE AG share-holders' interest**	RWE AG hybrid capital investors' interest	Non-con-trolling interests	**Total**
				Currency trans-lation adjust-ments	Fair value measure-ment of financial instruments					
Note (21)					Available for sale	Used for hedging purposes				
Balance at 1 Jan 2016	**1,574**	**2,385**	**3,612**	**5**	**22**	**−1,751**	**5,847**	**950**	**2,097**	**8,894**
Capital paid in									1,948	1,948
Dividends paid[1]			−5				−5	−67	−250	−322
Income			−5,710				−5,710	59	167	−5,484
Other comprehensive income			−745	160	37	974	426		−40	386
Total comprehensive income			−6,455	160	37	974	−5,284	59	127	−5,098
Other changes			2,196				2,196		372	2,568
Balance at 31 Dec 2016	**1,574**	**2,385**	**−652**	**165**	**59**	**−777**	**2,754**	**942**	**4,294**	**7,990**
Capital paid out									−45	−45
Dividends paid[1]			−5				−5	−60	−480	−545
Income			1,900				1,900	42	373	2,315
Other comprehensive income			1,110	139	34	813	2,096		186	2,282
Total comprehensive income			3,010	139	34	813	3,996	42	559	4,597
Other changes			14				14	16	−36	−6
Balance at 31 Dec 2017	**1,574**	**2,385**	**2,367**	**304**	**93**	**36**	**6,759**	**940**	**4,292**	**11,991**

1 Following reclassification of non-controlling interests to other liabilities as per IAS 32.

3.6 NOTES

Basis of presentation

RWE AG, headquartered at Huyssenallee 2, 45128 Essen, Germany, is the parent company of the RWE Group ('RWE' or 'Group'). RWE is a supplier of electricity and natural gas in Europe.

The consolidated financial statements for the period ended 31 December 2017 were approved for publication on 26 February 2018 by the Executive Board of RWE AG. The statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable in the EU, as well as in accordance with the supplementary accounting regulations applicable pursuant to Sec. 315e, Para. 1 of the German Commercial Code (HGB). The previous year's figures were calculated according to the same principles.

A statement of changes in equity has been disclosed in addition to the income statement, the statement of comprehensive income, the balance sheet and the cash flow statement. The Notes also include segment reporting.

Several balance sheet and income statement items have been combined in the interests of clarity. These items are stated and explained separately in the Notes to the financial statements. The income statement is structured according to the nature of expense method.

The consolidated financial statements have been prepared in euros. Unless specified otherwise, all amounts are stated in millions of euros (€ million). Due to calculation procedures, rounding differences may occur.

These consolidated financial statements were prepared for the fiscal year from 1 January to 31 December 2017.

The Executive Board of RWE AG is responsible for the preparation, completeness and accuracy of the consolidated financial statements and the Group review of operations, which is combined with the review of operations of RWE AG.

We employ internal control systems, uniform groupwide directives, and programmes for basic and advanced staff training to ensure that the consolidated financial statements and combined review of operations are adequately prepared. Compliance with legal regulations and the internal guidelines as well as the reliability and viability of the control systems are continuously monitored throughout the Group.

In line with the requirements of the German Corporate Control and Transparency Act (KonTraG), the Group's risk management system enables the Executive Board to identify risks at an early stage and take countermeasures, if necessary.

The consolidated financial statements, the combined review of operations, and the independent auditors' report are discussed in detail by the Audit Committee and at the Supervisory Board's meeting on financial statements with the independent auditors present. The results of the Supervisory Board's examination are presented in the report of the Supervisory Board on page 8 et seqq.

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. In determining whether there is control, in addition to voting rights, other rights in the company contracts or articles of incorporation and potential voting rights are also taken into consideration.

Material associates are accounted for using the equity method, and principal joint arrangements are accounted for using the equity method or as joint operations. Joint operations result in pro-rata inclusion of the assets and liabilities, and the revenues and expenses, in accordance with the rights and obligations due to RWE.

A company is deemed to be an associate if there is significant influence on the basis of voting rights between 20 % and 50 % or on the basis of contractual agreements. In classifying joint arrangements which are structured as independent vehicles, as joint operations, or as joint ventures, other facts and circumstances – in particular delivery relationships between the joint arrangement and the parties participating in such – are taken into consideration, in addition to legal form and the contractual agreements.

Investments in subsidiaries, joint ventures, joint operations or associates which are of secondary importance from a Group perspective are accounted for in accordance with IAS 39.

The list of Group shareholdings pursuant to Sec. 313, Para. 2 of the German Commercial Code (HGB) is presented on page 153 et seqq.

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

Number of fully consolidated companies	Germany	Abroad	Total
1 Jan 2017	**135**	**180**	**315**
First-time consolidation	15	22	37
Deconsolidation	−2	−1	−3
Mergers	−6	−2	−8
31 Dec 2017	**142**	**199**	**341**

Number of investments and joint ventures accounted for using the equity method	Germany	Abroad	Total
1 Jan 2017	**70**	**17**	**87**
Acquisitions		2	2
Other changes	2	−1	1
31 Dec 2017	**72**	**18**	**90**

Furthermore, six companies are presented as joint operations (previous year: six). Of these, Greater Gabbard Offshore Winds Limited, UK, is a material joint operation of the RWE Group. Greater Gabbard holds a 500 MW offshore wind farm, which innogy operates together with Scottish and Southern Energy (SSE) Renewables Holdings. Innogy Renewables UK owns 50 % of the shares and receives 50 % of the power generated (including green power certificates). The wind farm is a key element in the offshore portfolio of the segment innogy.

First-time consolidation and deconsolidation generally take place when control is transferred.

In total, sales of shares which led to a change of control resulted in sales proceeds from disposals amounting to €19 million, which were reported in other operating income and other operating expenses (previous year: €62 million). Of this, €14 million (previous year: €8 million) pertained to the remeasurement of remaining shares.

Within the framework of purchases and sales of subsidiaries and other business units which resulted in a change of control, purchase prices amounted to €159 million (previous year: €55 million) and sales prices amounted to €5 million (previous year: €84 million). All sales prices were paid in cash. The purchase prices amounted to €134 million and were paid in cash; €25 million in liabilities were assumed. In relation to this, cash and cash equivalents (excluding 'Assets held for sale') were acquired in the amount of €25 million (previous year: €0 million) and were disposed of in the amount of €5 million (previous year: €1 million).

Acquisitions

Belectric

At the beginning of January 2017, innogy SE acquired a 100 % stake in Belectric Solar & Battery GmbH and gained control of the company. The company constructs turnkey solar farms and battery storage facilities. Furthermore, it is active in the operation and maintenance (O&M) of solar farms.

The 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 value) at first-time consolidation
Non-current assets	56
Current assets	87
Non-current liabilities	7
Current liabilities	63
Net assets	**73**
Cost	74
Goodwill	**1**

The fair value of the receivables included in non-current and current assets amounted to €24 million and corresponded to the gross amount of the receivables that are fully recoverable.

Since its first-time consolidation, the company has contributed €204 million to the Group's revenue and –€11 million to the Group's income.

The purchase price amounted to €74 million and included a conditional payment obligation of €7 million, cash and cash equivalents of €49 million and assumed liabilities of €18 million. The conditional payment obligation depends on the occurrence of legal and tax risks and can lead to a nominal payment of between €0 and a maximum of €7 million, which would bear an interest rate equivalent to EURIBOR plus 3 %.

The goodwill essentially reflects expected future benefits and synergy effects.

Offshore wind project

In October 2017, innogy SE gained control of Great Britain-based Triton Knoll Offshore Wind Farm Limited, which was previously included in the consolidated financial statements using the equity method. Having acquired Statkraft's 50 % interest, innogy SE is now the sole owner of Triton Knoll – an offshore wind project with a planned capacity of 860 megawatts.

The fair value of the old shares amounted to €47 million. The first-time consolidation of Triton Knoll and the associated change in the status of the old shares resulted in income of €47 million, which has been recognised as 'other operating income' on the income statement.

The assets and liabilities assumed within the scope of the first-time consolidation are presented in the following table:

Balance-sheet items € million	IFRS carrying amounts (fair value) at first-time consolidation
Non-current assets	174
Current assets	5
Non-current liabilities	18
Current liabilities	85
Net assets	**76**
Cost	94
Goodwill	**18**

The fair value of the total consideration paid for the acquisition of Statkraft's 50 % stake on the date of acquisition was €47 million. The fair value of the old shares amounted to €47 million. As a result, a total of €94 million was recognised as a cost within the scope of the initial consolidation.

The fair value of the receivables included in non-current and current assets amounted to €2 million.

Since its first-time consolidation, the company has contributed €0 million to the revenue and –€1 million to the income of the Group.

The goodwill essentially reflects expected future benefits and synergy effects.

The initial accounting of the business combination has not yet been completed definitively due to the transaction's complex structure.

If all of the business combinations in the period under review had already been completed by 1 January 2017, the Group's income and revenue would total €2,317 million and €44,599 million, respectively.

Assets held for sale and disposal groups

Mátra

In the middle of December 2017, RWE Power sold Hungary-based Mátrai Erőmű Zrt. (Mátra) to a consortium. Mátra is assigned to the Lignite & Nuclear segment. The transaction is subject to approval from the relevant antitrust authorities and the Hungarian Energy Authority. It is expected to be completed in the first quarter of 2018.

As of 31 December 2017, the assets and liabilities of this company presented in the following table were stated as held for sale on the balance sheet.

Balance-sheet items € million	IFRS carrying amounts (fair value)
Non-current assets	27
Current assets	101
Non-current liabilities	73
Current liabilities	38
Net assets	**17**

€301 million in impairment losses were recognised in depreciation and amortisation. Furthermore, €12 million from the valuation of assets and liabilities held for sale were recognised in other operating income.

Income and expenses directly recognised in equity (accumulated other comprehensive income) amounted to €47 million as of the balance-sheet date.

Other disposals

Residential property management companies
Per a purchase agreement dated 9 February 2017, RWE Power AG sold its 50 % stake in Wohnungsbaugesellschaft für das Rheinische Braunkohlenrevier Gesellschaft mit beschränkter Haftung and its 15 % stake in GSG Wohnungsbau Braunkohle GmbH to Vivawest GmbH. The sale led to total proceeds in the medium double-digit million euro range. The investments had been assigned to the Lignite & Nuclear segment.

Hamborn 5 CCGT power station
RWE Generation sold the Hamborn 5 CCGT power station to thyssenkrupp Steel Europe (TKSE) with effect from 31 May 2017. Legal ownership of the CCGT leased and operated by TKSE was thus transferred as well. The asset was assigned to the European Power segment within the RWE Group.

Properties
At the end of July 2017, we reached an agreement with Tritax Big Box REIT plc that it would purchase most of the site of our former power station Littlebrook. The transaction became effective in the middle of September 2017. A smaller part of the site was sold to the transmission system operator National Grid. This transaction was completed at the beginning of August. The land sales resulted in total euro proceeds in the upper double-digit million range. The former power plant site is assigned to the European Power segment within the RWE Group.

Consolidation principles

The financial statements of German and foreign companies included in the scope of the Group's financial statements are prepared using uniform accounting policies. On principle, subsidiaries whose fiscal years do not end on the Group's balance-sheet date (31 December) prepare interim financial statements as of this date. Three subsidiaries have a different balance-sheet date of 31 March (previous year: one). Different fiscal years compared to the calendar year stem from tax-related reasons or country-specific regulations.

Business combinations are reported according to the acquisition method. This means that capital consolidation takes place by offsetting the purchase price, including the amount of the non-controlling interests, against the acquired subsidiary's revalued net assets at the time of acquisition. In doing so, the non-controlling interests can either be measured at the prorated value of the subsidiary's identifiable net assets or at fair value. The subsidiary's identifiable assets, liabilities and contingent liabilities are measured at full fair value, regardless of the amount of the non-controlling interests. Intangible assets are reported separately from goodwill if they are separable from the company or if they stem from a contractual or other right. In accordance with IFRS 3, no new restructuring provisions are recognised within the scope of the purchase price allocation. If the purchase price exceeds the revalued prorated net assets of the acquired subsidiary, the difference is capitalised as goodwill. If the purchase price is lower, the difference is included in income.

In the event of deconsolidation, the related goodwill is derecognised with an effect on income. Changes in the ownership share which do not alter the ability to control the subsidiary are recognised without an effect on income. By contrast, if there is a change in control, the remaining shares are revalued with an effect on income.

Expenses and income as well as receivables and payables between consolidated companies are eliminated; intra-group profits and losses are eliminated.

For investments accounted for using the equity method, goodwill is not reported separately, but rather included in the value recognised for the investment. In other respects, the consolidation principles described above apply analogously. If impairment losses on the equity value become necessary, we report such under income from investments accounted for using the equity method. The financial statements of investments accounted for using the equity method are prepared using uniform accounting policies.

For joint operations, the assets and liabilities and the expenses and income of the companies which are attributable to RWE are reported. In the event that RWE's shareholding differs from the share of the output from the activity to which RWE is entitled (share of output), the assets, liabilities, expenses and revenue are recognised in accordance with the share of output.

Foreign currency translation

In their individual financial statements, the companies measure non-monetary foreign currency items at the balance-sheet date using the exchange rate in effect on the date they were initially recognised. Monetary items are converted using the exchange rate valid on the balance-sheet date. Exchange rate gains and losses from the measurement of monetary balance-sheet items in foreign currency occurring up to the balance-sheet date are recognised on the income statement.

Functional foreign currency translation is applied when converting the financial statements of companies outside of the Eurozone. As the principal foreign enterprises included in the consolidated financial statements conduct their business activities independently in their national currencies, their balance-sheet items are translated into euros in the consolidated financial statements using the average exchange rate prevailing on the balance-sheet date. This also applies for goodwill, which is viewed as an asset of the economically autonomous foreign entity. We report differences to previous-year translations in other comprehensive income without an effect on income. Expense and income items are translated using annual average exchange rates. When translating the adjusted equity of foreign companies accounted for using the equity method, we follow the same procedure.

The following exchange rates (among others) were used as a basis for foreign currency translations:

Exchange rates	Average		Year-end	
in €	2017	2016	31 Dec 2017	31 Dec 2016
1 US dollar	0.88	0.91	0.83	0.95
1 pound sterling	1.14	1.22	1.13	1.17
100 Czech korunas	3.80	3.70	3.92	3.70
100 Hungarian forints	0.32	0.32	0.32	0.32
1 Polish zloty	0.24	0.23	0.24	0.23

Accounting policies

Intangible assets are accounted for at amortised cost. With the exception of goodwill, all intangible assets have finite useful lives and are amortised using the straight-line method. Useful lives and methods of amortisation are reviewed on an annual basis.

Software for commercial and technical applications is amortised over three to five years. 'Operating rights' refer to the entirety of the permits and approvals required for the operation of a power plant. Such rights are generally amortised over the economic life of the power plant, using the straight-line method. Easement agreements in the electricity and gas business, and other easement rights, usually have useful lives of 20 years. Concessions in the water business generally have terms of up to 25 years. Capitalised customer relations are amortised over a maximum period of up to ten years.

Goodwill is not amortised; instead it is subjected to an impairment test once every year, or more frequently if there are indications of impairment.

Development costs are capitalised if a newly developed product or process can be clearly defined, is technically feasible and it is the company's intention to either use the product or process itself or market it. Furthermore, asset recognition requires that there be a sufficient level of certainty that the development costs lead to future cash inflows. Capitalised development costs are amortised over the time period during which the products are expected to be sold. Research expenditures are recognised as expenses in the period in which they are incurred.

An impairment loss is recognised for an intangible asset if the recoverable amount of the asset is less than its carrying amount. A special regulation applies for cases when the asset is part of a cash-generating unit. Such units are defined as the smallest identifiable group of assets which generates cash inflows; these inflows must be largely independent of cash inflows from other assets or groups of assets. If the intangible asset is a part of a cash-generating unit, the impairment loss is calculated based on the recoverable amount of this unit. If goodwill was allocated to a cash-generating unit and the carrying amount of the unit exceeds the recoverable amount, the allocated goodwill is initially written down by the difference. Impairment losses which must be recognised in addition to this are taken into account by reducing the carrying amount of the other assets of the cash-generating unit on a prorated basis. If the reason for an impairment loss recognised in prior periods has ceased to exist, a write-back to intangible assets is performed. The increased carrying amount resulting from the write-back may not, however, exceed the amortised cost. Impairment losses on goodwill are not reversed.

Property, plant and equipment is stated at depreciated cost. Borrowing costs are capitalised as part of the asset's cost, if they are incurred directly in connection with the acquisition or production of a 'qualified asset'. What characterises a qualified asset is that a considerable period of time is required to prepare it for use or sale. If necessary, the cost of property, plant and equipment may contain the estimated expenses for the decommissioning of plants or site restoration. Maintenance and repair costs are recognised as expenses.

With the exception of land and leasehold rights, as a rule, property, plant and equipment is depreciated using the straight-line method, unless in exceptional cases another depreciation method is better suited to the usage pattern. We calculate the depreciation of RWE's typical property, plant and equipment according to the following useful lives, which apply throughout the Group:

Useful life in years	
Buildings	9–54
Technical plants	
Thermal power plants	10–60
Wind turbines	up to 23
Electricity grids	20–45
Water main networks	10–80
Gas and water storage facilities	10–60
Gas distribution facilities	10–40
Mining facilities	3–25
Mining developments	44–52
Other renewable generation facilities	4–40

Property, plant and equipment held under a finance lease is capitalised at the fair value of the leased asset or the present value of the minimum lease payments, depending on which is lower. They are depreciated using the straight-line method over the expected useful life or the lease term, whichever is shorter.

For operating leasing transactions, in which RWE is the lessee, the minimum leasing payments are recognised as an expense over the term of the lease. If RWE is the lessor, the minimum leasing payments are recognised as income over the term of the lease.

Impairment losses and write-backs on property, plant and equipment are recognised according to the principles described for intangible assets.

Investment property consists of all real property held to earn rental income or for long-term capital appreciation rather than for use in production or for administrative purposes. This property is measured at depreciated cost. Transaction costs are also included in the initial measurement. Depreciable investment property is depreciated over 16 to 50 years using the straight-line method. Fair values of investment property are stated in the Notes and are determined using internationally accepted valuation methods such as the discounted cash flow method or are derived from the current market prices of comparable real estate.

Impairment losses and write-backs for investment property are also recognised according to the principles described for intangible assets.

Investments accounted for using the equity method are initially accounted for at cost and thereafter based on the carrying amount of their prorated net assets. The carrying amounts are increased or reduced annually by prorated profits or losses, dividends and all other changes in equity. Goodwill is not reported separately, but rather included in the recognised value of the investment. Goodwill is not amortised. An impairment loss is recognised for investments accounted for using the equity method, if the recoverable amount is less than the carrying amount.

Other financial assets are comprised of shares in non-consolidated subsidiaries and in associates/joint ventures not accounted for using the equity method, as well as other investments and non-current marketable securities. These assets are shown in the category 'Available for sale'. This category includes financial instruments which are neither loans or receivables, nor financial investments held to maturity, and which are not measured at fair value through profit or loss. Upon recognition and in the following periods, they are recorded at fair value as long as such can be determined reliably. Initial measurement occurs as of the settlement date. Unrealised gains and losses are stated as other comprehensive income, with due consideration of any deferred taxes. Gains or losses are recognised on the income statement upon sale of the financial instruments. If there are objective, material indications of a reduction in the value of an asset, an impairment loss is recognised with an effect on income. Such indications can be that there is no longer an active market for a financial asset or that a debtor is experiencing significant financial difficulties, or is possibly delinquent on payments of interest and principal.

Receivables are comprised of **financial receivables, trade accounts receivable** and **other receivables**. Aside from financial derivatives, **receivables and other assets** are stated at amortised cost. Allowances for doubtful accounts are based on the actual default risk. As a rule, the amounts of receivables are corrected through the use of an allowance account, in accordance with internal Group guidelines. Prepayments received from customers for consumption which is yet to be metered and billed are netted out against trade accounts receivable of the utilities.

Loans reported under financial receivables are stated at amortised cost. Loans with interest rates common in the market are shown on the balance sheet at nominal value; as a rule, however, non-interest or low-interest loans are disclosed at their present value discounted using an interest rate commensurate with the risks involved.

CO_2 emission allowances and certificates for renewable energies are accounted for as intangible assets and reported under other assets. Allowances which are purchased and allowances allocated free of charge are both stated at cost and are not amortised.

Deferred taxes result from temporary differences in the carrying amount in the separate IFRS financial statements and tax bases, and from consolidation procedures. Deferred tax assets also include tax reduction claims resulting from the expected utilisation of existing loss carryforwards in subsequent years. Deferred taxes are capitalised if it is sufficiently certain that the related economic advantages can be used. Their amount is assessed with regard to the tax rates applicable or expected to be applicable in the specific country at the time of realisation. The tax regulations valid or adopted as of the balance-sheet date are key considerations in this regard. Deferred tax assets and deferred tax liabilities are netted out for each company and/or tax group.

Inventories are assets which are held for sale in the ordinary course of business (finished goods and goods for resale), which are in the process of production (work in progress – goods and services) or which are consumed in the production process or in the rendering of services (raw materials including nuclear fuel assemblies and excavated earth for lignite mining).

Insofar as inventories are not acquired primarily for the purpose of realising a profit on a short-term resale transaction, they are carried at the lower of cost or net realisable value. Production costs reflect the full costs directly related to production; they are determined based on normal capacity utilisation and, in addition to directly allocable costs, they also include adequate portions of required materials and production overheads. They also include production-related depreciation. Borrowing costs, however, are not capitalised as part of the cost. The determination of cost is generally based on average values. The usage of excavated earth for lignite mining is calculated using the 'first in – first out' method (FIFO).

If the net realisable value of inventories written down in earlier periods has increased, the reversal of the write-down is recognised as a reduction of the cost of materials.

Nuclear fuel assemblies are stated at depreciated cost. Depreciation is determined by operation and capacity, based on consumption and the reactor's useful life.

Inventories which are acquired primarily for the purpose of realising a profit on a short-term resale transaction are recognised at fair value less costs to sell. Changes in value are recognised with an effect on income.

Securities classified as current **marketable securities** essentially consist of marketable securities held in special funds as well as fixed-interest securities which have a maturity of more than three months and less than one year from the date of acquisition. All of these securities are classified as 'Available for sale' and are stated at fair value. The transaction costs directly associated with the acquisition of these securities are included in the initial measurement, which occurs on their settlement date. Unrealised gains and losses are included in other comprehensive income without an effect on income, with due consideration of any deferred taxes. If there are objective, material indications of a reduction in value, an impairment loss is recognised with an effect on income. The results of sales of securities are also recognised on the income statement.

Cash and cash equivalents consist of cash on hand, demand deposits and current fixed-interest securities with a maturity of three months or less from the date of acquisition.

Assets are stated under **Assets held for sale** if they can be sold in their present condition and their sale is highly probable. Such assets may be certain non-current assets, asset groups ('disposal groups') or operations ('discontinued operations'). Liabilities intended to be sold in a transaction together with assets are a part of a disposal group or discontinued operations, and are reported separately under **Liabilities held for sale**.

Non-current assets held for sale are no longer depreciated or amortised. They are recognised at fair value less costs to sell, as long as this amount is lower than the carrying amount.

Gains or losses on the valuation of specific assets held for sale and of disposal groups are stated under income from continuing operations until final completion of the sale.

The stock option plans are accounted for as cash-settled **share-based payment**. At the balance-sheet date, a provision is recognised in the amount of the prorated fair value of the payment obligation. Changes in the fair value are recognised with an effect on income. The fair value of options is determined using generally accepted valuation methodologies.

Provisions are recognised for all legal or constructive obligations to third parties which exist on the balance-sheet date and stem from past events which will probably lead to an outflow of resources, and the amount of which can be reliably estimated. Provisions are carried at their prospective settlement amount and are not offset against reimbursement claims. If a provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their probability of occurrence (expected value method).

All non-current provisions are recognised at their prospective settlement amount, which is discounted as of the balance-sheet date. In the determination of the settlement amount, any cost increases likely to occur up until the time of settlement are taken into account.

If necessary, the cost of property, plant and equipment may contain the estimated expenses for the decommissioning of plants or site restoration. Decommissioning, restoration and similar provisions are recognised for these expenses. If changes in the discount rate or changes in the estimated timing or amount of the payments result in changes in the provisions, the carrying amount of the respective asset is increased or decreased by the corresponding amount. If the decrease in the provision exceeds the carrying amount, the excess is recognised immediately through profit or loss.

As a rule, releases of provisions are credited to the expense account on which the provision was originally recognised.

Provisions for pensions and similar obligations are recognised for defined benefit plans. These are obligations of the company to pay future and ongoing post-employment benefits to entitled current and former employees and their surviving dependents. In particular, the obligations refer to retirement pensions. Individual commitments are generally oriented to the employees' length of service and compensation.

Provisions for defined benefit plans are based on the actuarial present value of the respective obligation. This is measured using the projected unit credit method. This method not only takes into account the pension benefits and benefit entitlements known as of the balance-sheet date, but also anticipated future increases in salaries and pension benefits. The calculation is based on actuarial reports, taking into account appropriate biometric parameters (as in the previous year, for Germany, in particular the 'Richttafeln 2005 G' by Klaus Heubeck, and the Standard SAPS Table S2PA of the current year for the United Kingdom, taking into consideration future changes in mortality rates). The provision derives from the balance of the actuarial present value of the obligations and the fair value of the plan assets. The service cost is disclosed in staff costs. Net interest is included in the financial result.

Gains and losses on the revaluation of net debt or net assets are fully recognised in the fiscal year in which they occur. They are reported outside of profit or loss, as a component of other comprehensive income in the statement of comprehensive income, and are immediately assigned to retained earnings. They remain outside profit or loss in subsequent periods as well.

In the case of defined contribution plans, the enterprise's obligation is limited to the amount it contributes to the plan. Contributions to the plan are reported under staff costs.

Waste management provisions in the nuclear energy sector are based on obligations under public law, in particular the German Atomic Energy Act and the Disposal Fund Act, and on restrictions from operating licenses. These provisions are measured using estimates, which are based on and defined in contracts, on information from internal and external specialists (e.g. experts).

Obligations existing as of the balance-sheet date and identifiable when the balance sheet is being prepared are recognised as provisions for mining damage to cover land recultivation and remediation of mining damage that has already occurred or been caused. The provisions must be recognised due to obligations under public law, such as the German Federal Mining Act, and formulated, above all, in operating schedules and water law permits. Provisions are generally fully related to the degree of mining in question. Such provisions are measured at full expected cost or according to estimated compensation payments. Cost estimates are based on external expert opinions to a significant extent.

A provision is recognised to cover the obligation to submit CO_2 emission allowances and certificates for renewable energies to the respective authorities; this provision is measured at the carrying amount of the CO_2 allowances or certificates for renewable energies capitalised for this purpose. If a portion of the obligation is not covered with the available allowances, the provision for this portion is measured using the market price of the emission allowances or certificates for renewable energies on the reporting date.

Liabilities consist of **financial liabilities, trade accounts payable, income tax liabilities** and **other liabilities**. Upon initial recognition, these are stated at fair value including transaction costs and are carried at amortised cost in the periods thereafter (except for derivative financial instruments). Liabilities from finance lease agreements are either measured at the fair value of the leased asset or the present value of minimum lease payments, depending on which amount is lower. For subsequent measurements, the minimum lease payments are divided into the financing costs and repayment portion of the outstanding debt. Financing costs are distributed over the term of lease in such a manner that a steady interest rate is created for the outstanding debt.

Other liabilities include advances and contributions in aid of construction and building connection that are carried as liabilities by the utilities and are generally amortised and included in income over the useful life of the corresponding asset.

Furthermore, certain non-controlling interests are also included in other liabilities. Specifically, this pertains to purchase price obligations from rights to tender non-controlling interests (put options).

Derivative financial instruments are recognised as assets or liabilities and measured at fair value, regardless of their purpose. Changes in this value are recognised with an effect on income, unless the instruments are used for hedge accounting purposes. In such cases, recognition of changes in the fair value depends on the type of hedging transaction.

Fair value hedges are used to hedge assets or liabilities carried on the balance sheet against the risk of a change in their fair value. The following applies: changes in the fair value of the hedging instrument and the fair value of the respective underlying transactions are recognised in the same line item on the income statement. Hedges of unrecognised firm commitments are also recognised as fair value hedges. Changes in the fair value of the firm commitments with regard to the hedged risk result in the recognition of an asset or liability with an effect on income.

Cash flow hedges are used to hedge the risk of variability in cash flows related to an asset or liability carried on the balance sheet or related to a highly probable forecast transaction. If a cash flow hedge exists, unrealised gains and losses from the hedging instrument are initially stated as other comprehensive income. Such gains or losses are only included on the income statement when the hedged underlying transaction has an effect on income. If forecast transactions are hedged and such transactions lead to the recognition of a financial asset or financial liability in subsequent periods, the amounts that were recognised in equity until this point in time are recognised on the income statement in the period during which the asset or liability affects the income statement. If the transactions result in the recognition of non-financial assets or liabilities, for example the acquisition of property, plant and equipment, the amounts recognised in equity without an effect on income are included in the initial cost of the asset or liability.

The purpose of hedges of a net investment in foreign operations is to hedge the currency risk from investments with foreign functional currencies. Unrealised gains and losses from such hedges are recognised in other comprehensive income until disposal of the foreign operation.

IAS 39 stipulates the conditions for the recognition of hedging relationships. Amongst other things, the hedging relationship must be documented in detail and be effective. According to IAS 39, a hedging relationship is effective when the changes in the fair value of the hedging instrument are within 80 % to 125 %, both prospectively and retrospectively, of the opposite change in the fair value of the hedged item. Only the effective portion of a hedge is recognised in accordance with the preceding rules. The ineffective portion is recognised immediately on the income statement with an effect on income.

Contracts on the receipt or delivery of non-financial items in accordance with the company's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts. If the contracts contain embedded derivatives, the derivatives are accounted separately from the host contract, insofar as the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract. Written options to buy or sell a non-financial item which can be settled in cash are not own-use contracts.

Contingent liabilities are possible obligations to third parties or existing obligations which will probably not lead to an outflow of economic benefits or the amount of which cannot be measured reliably. Contingent liabilities are only recognised on the balance sheet, if they were assumed within the framework of a business combination. The amounts disclosed in the Notes correspond to the exposure at the balance-sheet date.

Management judgements in the application of accounting policies. Management judgements are required in the application of accounting policies. In particular, this pertains to the following aspects:

- With regard to certain contracts, a decision must be made as to whether they are to be treated as derivatives or as so-called own-use contracts, and be accounted for as executory contracts.
- Financial assets must be allocated to the categories 'Held to maturity investments', 'Loans and receivables', 'Financial assets available for sale', and 'Financial assets at fair value through profit or loss'.
- With regard to 'Financial assets available for sale', a decision must be made as to if and when reductions in value are to be recognised as impairments with an impact on income.
- With regard to assets held for sale, it must be determined if they can be sold in their current condition and if the sale of such is highly probable. If both conditions apply, the assets and any related liabilities must be reported and measured as 'Assets held for sale' or 'Liabilities held for sale', respectively.

Management estimates and judgements. Preparation of consolidated financial statements pursuant to IFRS requires assumptions and estimates to be made, which have an impact on the recognised value of the assets and liabilities carried on the balance sheet, on income and expenses and on the disclosure of contingent liabilities.

Amongst other things, these assumptions and estimates relate to the accounting and measurement of provisions. With regard to non-current provisions, the discount factor to be applied is an important estimate, in addition to the amount and timing of future cash flows. The discount factor for pension obligations is determined on the basis of yields on high quality, fixed-rate corporate bonds on the financial markets as of the balance-sheet date.

The impairment test for goodwill and non-current assets is based on certain assumptions pertaining to the future, which are regularly adjusted. Property, plant and equipment is tested for indications of impairment on each cut-off date.

Power plants are grouped together as a cash-generating unit if their production capacity and fuel needs are centrally managed as part of a portfolio, and it is not possible to ascribe individual contracts and cash flows to the specific power plants.

Upon first-time consolidation of an acquired company, the identifiable assets, liabilities and contingent liabilities are recognised at fair value. Determination of the fair value is based on valuation methods which require a projection of anticipated future cash flows.

Deferred tax assets are recognised if realisation of future tax benefits is probable. Actual future development of income for tax purposes and hence the realisability of deferred tax assets, however, may deviate from the estimation made when the deferred taxes are capitalised.

Further information on the assumptions and estimates upon which these consolidated financial statements are based can be found in the explanations of the individual items.

All assumptions and estimates are based on the circumstances and forecasts prevailing on the balance-sheet date. Furthermore, as of the balance-sheet date, realistic assessments of overall economic conditions in the sectors and regions in which RWE conducts operations are taken into consideration with regard to the prospective development of business. Actual amounts may deviate from the estimated amounts if the overall conditions develop differently than expected. In such cases, the assumptions, and, if necessary, the carrying amounts of the affected assets and liabilities are adjusted.

As of the date of preparation of the consolidated financial statements, it is not presumed that there will be any material changes compared to the assumptions and estimates.

Capital management. The focus of RWE's financing policy is on ensuring uninterrupted access to the capital market, in order to enable the efficient refinancing of maturing debts at all times. This goal is pursued by maintaining a solid rating and by targeting positive operating cash flow.

During the reporting period, RWE's capital structure changed significantly mainly due to the payment made into the fund for financing nuclear waste disposal, the reimbursement of the nuclear fuel tax, the hybrid bond buyback programme, and the bonds issued and redeemed by innogy SE. These and further measures resulted in a decrease in financial assets and thus contributed to a significant rise in net financial debt to €6.3 billion (previous year: €1.7 billion). By contrast, provisions of relevance to net debt declined by €8.1 billion to €14.0 billion (previous year: €22.1 billion) primarily as payments were made to the fund for financing nuclear waste disposal. On average, provisions have a very long duration and are significantly influenced by external factors such as the general level of interest rates. A precise calculation of net debt and net financial debt is presented on page 56 of the review of operations.

Due to the strategic treatment of our subsidiary innogy SE as a financial investment and the ensuing separation of finances, the following commentary distinguishes between RWE and innogy.

innogy SE's successful IPO has caused RWE AG's capital structure to change fundamentally.

Net debt remains a point of reference. It is calculated by adding material non-current provisions to and deducting the net assets of funded pension obligations from net financial debt. Excluding the liabilities transferred to innogy SE, the liabilities of RWE AG of relevance to net debt primarily consist of hybrid bonds and provisions for pensions, nuclear waste management and mining. At the same time, RWE's share in the market capitalisation of innogy SE exceeds these liabilities significantly. Against this backdrop, financial indicators relating to net indebtedness are only of limited informational value.

RWE AG's approach with regard to provisions is essentially based on a balance sheet structure management system. Accordingly, financial assets are to cover 100 % and 75 % of the payments made from the provisions in the next five and ten years, respectively.

Due to the strengthened capital structure, the balance sheet structure was optimised further. Hybrid capital outstanding was reduced to about €1.9 billion within the scope of the hybrid bond buyback programme. Further financial requirements are to be fulfilled by operating liquidity management.

RWE's credit rating is influenced by a number of qualitative and quantitative factors. These include aspects such as the amount of cash flows and debt as well as market conditions, competition, and the political framework. Our hybrid bonds also support our rating. The leading rating agencies, Moody's and Fitch, classify part of hybrid capital as equity.

RWE's creditworthiness is currently rated 'Baa3' by Moody's and 'BBB' by Fitch. Our rating thus remains in the investment-grade range. The short-term credit ratings for RWE are 'P-3' and 'F3', respectively.

Among other things, innogy manages its capital structure on the basis of financial indicators. One key indicator is the debt factor, which is calculated using net debt. Net debt is calculated by adding material non-current provisions to net financial debt, and subtracting the surplus of plan assets over benefit obligations. The debt factor is the ratio of net debt to adjusted EBITDA. During the reporting period, it was 3.6 (previous year: 3.7).

Non-junior bonds issued by innogy SE are currently rated 'A-' with a stable outlook by Fitch and 'BBB' with a stable outlook by Standard & Poor's. Moody's current rating is 'Baa2' with a negative outlook. innogy SE thus has an investment grade rating. The creditworthiness grades issued for short-term innogy bonds are 'F-2', 'A-2' and 'P2'.

Changes in accounting regulations

The International Accounting Standards Board (IASB) has approved amendments of existing International Financial Reporting Standards (IFRSs), which became effective for the RWE Group as of fiscal 2017:

- Amendments to IAS 7 Cash Flow Statements Disclosure Initiative (2016)
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (2016)
- Annual Improvements to IFRS 2014–2016 Cycle (2016). This relates to the changes and clarifications to IFRS 12 included in the collective standard.

First-time application of these changes has no material effect on the consolidated financial statements.

New accounting standards

The IASB has adopted further standards and amendments to standards, which were not yet mandatory in the European Union (EU) in fiscal 2017. The most important changes are presented below. EU endorsement is still pending in some cases.

IFRS 9 Financial Instruments (2014) replaces the previous regulations of IAS 39 on financial instruments. The standard contains amended regulations on measurement categories for financial assets and includes some smaller changes in relation to the measurement of financial liabilities. Fair value measurement without an effect on income is stipulated for certain debt instruments reported under assets. It also contains regulations on the impairment of assets and hedge accounting. The rules on impairment will now apply to expected losses. The new regulations on hedge accounting are intended to enable better reporting of the risk management activities in the consolidated financial statements. To this end, IFRS 9 expands the range of underlying transactions qualifying for hedge accounting and simplifies effectiveness testing, amongst other things. The new Standard becomes effective for fiscal years starting on or after 1 January 2018.

As regards the classification and measurement of financial assets, RWE does not anticipate any material effects on the recognition of investments in debt instruments with a total carrying amount of approximately €5.2 billion. In the future, a portion of our cash investments in debt instruments will continue to be accounted for using the equity method without an effect on profit or loss (about €1.4 billion). Debt instruments with a carrying amount of approximately €3.8 billion, which were measured at fair value without an effect on profit or loss according to IAS 39, will be measured at fair value with an effect on profit or loss in the future.

The option to recognise changes in fair value in other comprehensive income is exercised for the lion's share of investments in equity instruments with a total carrying amount of approximately €1.6 billion. A small portion is measured at fair value with an effect on profit or loss.

No material changes are expected as regards the classification of financial assets that have been measured at amortised cost so far.

In sum, the recognition of expected losses pursuant to the new impairment model will result in the earlier recognition of impairments, higher volatility on the income statement, and lower equity at the time of transition. The financial assets held by RWE are expected to be additionally impaired in the range of €15 million to €35 million as of the transition date.

No material changes are anticipated concerning the recognition of financial liabilities.

RWE's previous hedge accounting can be continued. No additional hedge accounting relationships are designated due to IFRS 9. The exercise of the fair value option for own-use contracts is not envisaged. Under IFRS 9, instruments for hedging foreign currency risks continue to be fully designated. Foreign currency base risks are not excluded. Resulting ineffectivities do not have a material impact on RWE's consolidated financial statements. The possibility of excluding the fair value component for options in hedge accounting is not exercised. In the transition to the classification and measurement methods pursuant to IFRS 9, RWE will not restate any previous-year figures and will thus adjust retained earnings as of 1 January 2018, in order to recognise the impacts from first-time application of the standard.

IFRS 15 Revenue from Contracts with Customers (2014) including Amendments to IFRS 15, Effective Date of IFRS 15 (2015) and Clarifications to IFRS 15 Revenue from Contracts with Customers (2016) will replace IAS 18 Revenue and IAS 11 Construction Contracts and the associated interpretations. The new standard does not distinguish between different types of orders and performance. It establishes uniform criteria as to when revenue is realised for a performance obligation at a point in time or over time. Therefore, revenue is recognised when the customer obtains control of the agreed goods and services and can benefit from such. Application of the new standard is required for annual periods beginning on or after 1 January 2018. RWE will make use of the modified retrospective method for the first-time application as of 1 January 2018.

RWE has concluded its IFRS 15 contract analysis. We no longer anticipate there to be a significant impact on the following matters:

- Energy supply contracts with households containing free giveaways or goods at a reduced price. According to IFRS 15, free gifts may be recognised as separate performance obligations, to which a portion of the transaction price must be allocated, as a result of which revenue must be recognised when control is transferred. For goods that are offered at a reduced price, the allocation of the entire transaction price may also lead to a change in revenue, unlike the current accounting treatment according to IAS 18.

- Contracts with households including warranties and guarantees for customers. Warranties and guarantees may either represent an assurance that the product complies with contractually agreed specifications or may include assurances that go above and beyond this. According to IFRS 15, products containing assurances going beyond this constitute separate performance obligations, to which a portion of the transaction price must be allocated. Warranties that only assure contractually agreed specifications are accounted for according to the principles of IAS 37.

- Contract costs are additional costs incurred for the initiation of a contract with a customer. If the company assumes that these costs can be recovered, they are generally capitalised and written down depending on the transfer of these goods or services to the customer. If the expected depreciation period is not more than one year, the contract costs are simply offset with an effect on expenses when said costs are incurred. The implementation of this new rule under IFRS 15 will be limited to changes in presentation and disclosure in the Notes.

- Payments made to customers for sales purposes are generally recognised with a revenue-reducing effect. A payment on conclusion of a contract results in the recognition of an asset that must be reversed with a revenue-reducing effect over the term of the contract. If the payment that is to be made for sales-related purposes falls due in the future, a provision is formed, which is reversed upon payment.

- Contracts with households often grant the customer the right to early cancellation of the contract. If the customer can cancel the contract with one-month's notice, the contractual term amounts to just one month under IFRS 15.

- Contracts with business customers often include agreed ranges that allow the customer to deviate from the contractually agreed purchase volume. Such contracts also include provisions on penalty payments that must be made if the actual purchasing volume falls outside of the agreed range. If these penalty payments are classified as significant and consumption is not determined based on the monthly measurement of the purchase volume, this can have effects on the recognition of received prepayments.

The following effects of applying IFRS 15 for the first time have been identified:

- As regards regulatory fees, in particular in the field of renewable energy, individual situations were identified in which RWE qualifies as agent pursuant to IFRS 15 but not pursuant to IAS 18. This results in a decrease in the revenue and cost of materials in the Grid division within the innogy segment by about €2.5 billion, as performance bonuses of the transmission system operator no longer qualify as revenue pursuant to the direct marketing model of the German Renewable Energy Act. This does not have an impact on income.

- The first-time application of IFRS 15 will also change the statement of unrealised changes in the fair values of commodity derivatives. From 1 January 2018 onwards, they will no longer be recognised under revenue or the cost of materials as they will be stated as part of other operating income instead. The reclassification will stabilise revenue. This will not have an effect on income.

- Compared to the current guidance, the presentation and disclosure requirements under IFRS 15 are more detailed. RWE has reviewed the new disclosure notes and modified its systems and processes in order to comply with the new requirements.

IFRS 16 Leases (2016) will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. According to the new standard on leases, aside from short-term leases (less than 12 months) and leases of low-value assets, all leases are to be reported on the balance sheet. Consequently, regardless of economic ownership of the leased asset, the lessee must recognise a right-of-use asset and a corresponding lease liability in the amount of the present value of the lease payments. For lessors, the new Standard does not result in any significant changes to the current accounting treatment pursuant to IAS 17 and still requires the classification of leases.

The new standard becomes effective for fiscal years starting on or after 1 January 2019. RWE will not apply IFRS 16 early in 2018 in conjunction with IFRS 15 and will apply the modified retrospective method in transitioning to IFRS 16. The effects of IFRS 16 on the consolidated financial statements are being currently reviewed. Based on initial preliminary assessments, the application of IFRS 16 will cause RWE’s depreciation and amortisation to increase annually by a low triple-digit million euro amount from fiscal 2019 onwards, whereas the curtailment of the financial result is expected to be in low, double-digit million euro range. By contrast, other operating expenses receive relief in the amount of the two aforementioned effects. In consequence, RWE does not anticipate that this will have an impact on net income. Furthermore, based on the current preliminary assessment, RWE’s net financial debt is expected to increase by a low single-digit billion euro amount as a consequence of the implementation of IFRS 16.

The following standards, amendments to standards, and interpretations are not expected to have any material effects on RWE’s consolidated financial statements:

- Amendments to IAS 40 Transfers of Investment Property (2016)
- Annual Improvements to IFRS Standards 2014-2016 Cycle (2016). This relates to the amendments and clarifications to IFRS 1 and IAS 28 contained in the collective standard.
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (2016)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (2017)
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (2017)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (2017). The collective standard contains amendments and clarifications to IFRS 3 and IFRS 11 as well as to IAS 12 and IAS 23.
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and an Associate or Joint Venture (2014). First-time application of these amendments in the EU was delayed indefinitely.
- IFRS 17 Insurance Contracts (2017)
- Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance Contracts (2016)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (2016)
- IFRIC 23 Uncertainty over Income Tax Treatments (2017)

Notes to the Income Statement

(1) Revenue

As a rule, revenue is recorded when the goods have been delivered or the services have been rendered, and the risks related to the goods or services have been transferred to the customer.

To improve the presentation of business development, we report revenue generated by energy trading operations as net figures, reflecting realised gross margins. Energy trading revenue is generated in the Supply & Trading segment. By contrast, we report electricity, gas, coal and oil transactions that are subject to physical settlement on a gross basis. In fiscal 2017, gross revenue (including energy trading) totalled €86,725 million (previous year: €87,208 million).

A breakdown of revenue by division and geographical region is contained in the segment reporting on page 145 et seqq.

RWE did not generate more than 10 % of revenues with any single customer in the year under review or the previous year.

The item 'Natural gas tax/electricity tax' comprises the taxes paid directly by Group companies.

(2) Other operating income

Other operating income € million	2017	2016
Income from own work capitalised	312	252
Income from changes in finished goods and work in progress	11	11
Release of provisions	112	208
Cost allocations/refunds	137	68
Disposal and write-back of current assets (excluding marketable securities)	33	77
Disposal and write-back of non-current assets including income from deconsolidation	649	273
Income from derivative financial instruments	29	37
Compensation and insurance benefits	58	128
Rent and lease	94	18
Remeasurement gain in step acquisitions	19	
Miscellaneous	2,154	363
	3,608	**1,435**

The refund of the €1,797 million in nuclear fuel taxes paid in earlier periods contained in the 'Miscellaneous' item is based on a decision by the German Constitutional Court dated 7 June 2017. The nuclear fuel tax levied until 31 December 2016 could not be reconciled with constitutional rules, becoming null and void retroactively. The refund includes the €100 million share economically attributable to E.ON.

Income from the disposal of non-current financial assets and loans is disclosed under income from investments if it relates to investments; otherwise it is recorded as part of the financial result as is the income from the disposal of current marketable securities.

(3) Cost of materials

Cost of materials € million	2017	2016
Cost of raw materials and of goods for resale	19,132	20,977
Cost of purchased services	12,194	12,420
	31,326	**33,397**

The cost of raw materials also includes expenses for the use and disposal of spent nuclear fuel assemblies. This item also includes expenses for CO_2 emission allowances.

A total of €42,140 million in energy trading revenue (previous year: €41,375 million) was netted out against cost of materials.

(4) Staff costs

Staff costs € million	2017	2016
Wages and salaries	3,738	3,840
Cost of social security, pensions and other benefits	966	937
	4,704	**4,777**

Number of employees	2017	2016
Employees covered by collective agreements and other employees	46,757	46,543
Employees not covered by collective agreements	12,576	12,530
	59,333	**59,073**

The number of employees is arrived at by conversion to full-time positions, meaning that part-time and fixed-term employment relationships are included in accordance with the ratio of the part-time work or the duration of the employment to the annual employment time. On average, 1,998 trainees were employed (previous year: 2,070). Trainees are not included in the personnel headcount.

(5) Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses € million	2017	2016
Intangible assets	717	254
Property, plant and equipment	2,212	6,388
Investment property	10	5
	2,939	**6,647**

In respect of amortisation on intangible assets, €27 million (previous year: €26 million) pertained to customer bases of acquired enterprises.

Impairments € million	2017	2016
Intangible assets	488	25
Property, plant and equipment	375	4,354
Investment property	6	1
	869	**4,380**

The division of the former Conventional Power Generation segment into the two new Lignite & Nuclear and European Power segments had resulted in the division of the former cash-generating unit for the German power plant portfolio due to the resulting new management. The impairment test occasioned by this resulted in a write-up of €401 million for the Lignite & Nuclear cash-generating unit, which is recognised in other operating income (recoverable amount: €1.4 billion). In contrast, an impairment of €321 million was recognised for the new cash-generating unit for the German power plant portfolio in the European Power segment and provisions for impending losses were formed (recoverable amount: €0.0 billion). These effects stem from the non-recurrence of the compensatory effects of the division of the cash-generating unit. The assets are divided between the new cash-generating units analogously to the division of the former Conventional Power Generation segment into the two new Lignite & Nuclear and European Power segments, as presented in segment reporting on page 146. The recoverable amounts were determined on the basis of the fair values less costs to sell. In this context, the valuation models and parameters valid as of 31 December 2016 were applied.

In the year under review, an impairment loss of €301 million was recognised for property, plant and equipment of the Hungarian company Mátrai Erőmű Zrt. (Mátra) that is stated as being held for sale in the Lignite & Nuclear segment due to the intended sale (recoverable amount: €0 billion). The recoverable amount corresponds to the fair value less costs to sell that was derived from the binding purchase price offers available on the date of the classification as 'held for sale'. It is assigned to Level 2 of the fair value hierarchy.

In the previous year, €3,695 million of the impairment losses recognised in the former Conventional Power Generation segment were allocable to the German power plant portfolio, €168 million to a Turkish power station unit, €106 million to the Scottish biomass-fired power plant Markinch and €58 million to N.V. Elektriciteits-Produktiemaatschappij Zuid-Nederland EPZ, Borssele/Netherlands, which is presented as a joint operation.

The deteriorated commercial assumptions and more difficult regulatory framework conditions underlying the annual impairment test resulted in an impairment to the goodwill of the 'Retail UK' cash-generating unit within the innogy segment. Therefore, an impairment loss of €479 million was recognised (recoverable amount: €1.5 billion). The envisaged merger of the retail activities of innogy and SSE in Great Britain did not result in a reassessment of the impairment.

In the year under review, an impairment loss of €16 million was recognised for gas storage facilities in the innogy segment (€12 million of which for property, plant and equipment and €4 million of which for intangible assets) (recoverable amount: €0.0 billion), essentially due to changed price expectations. In the previous year, impairment losses of €204 million were recognised for gas storage facilities, of which €186 million were allocable to property, plant and equipment and €18 million were allocable to intangible assets (recoverable amount: €0.1 billion).

Furthermore, an impairment loss of €20 million was recognised for property, plant and equipment for the construction of offshore wind farms in the innogy segment due to permanent decreases in value (recoverable amount: €0.1 billion). In the prior year, €97 million of the impairment loss was attributable to onshore wind farms in Poland (of which €90 million were attributable to property, plant and equipment and €7 million were attributable to the operating rights recognised in intangible assets), essentially due to deteriorated regulatory framework conditions in Poland (recoverable amount: €0.2 billion).

Other impairments on intangible assets and property, plant and equipment were recognised primarily on the basis of cost increases and changes in price expectations.

Recoverable amounts are determined on the basis of fair values less costs to sell using valuation models based on planned cash flows. The valuation models used discount rates ranging from 4.25 % to 5.50 % (previous year: 4.00 % to 9.75 %). Our key planning assumptions relate to the development of wholesale prices of electricity, crude oil, natural gas, coal and CO_2 emission allowances, retail prices of electricity and gas, market shares and regulatory framework conditions. Based on the use of internal planning assumptions, the determined fair values are assigned to Level 3 of the fair value hierarchy.

(6) Other operating expenses

Other operating expenses € million	2017	2016
Maintenance and renewal obligations	790	320
Additions to provisions	362	1,787
Concessions, licenses and other contractual obligations	438	443
Structural and adaptation measures	76	– 108
Legal and other consulting and data processing services	279	267
Disposal of current assets and decreases in values (excluding decreases in the value of inventories and marketable securities)	179	239
Disposal of non-current assets including expenses from deconsolidation	109	36
Insurance, commissions, freight and similar distribution costs	149	178
General administration	141	128
Advertising	268	268
Expenses from derivative financial instruments	36	46
Lease payments for plant and grids as well as rents	129	130
Postage and monetary transactions	73	61
Fees and membership dues	117	136
Exchange rate losses		17
Other taxes (primarily on property)	221	78
Miscellaneous	319	297
	3,686	**4,323**

The ‘Miscellaneous’ item contains the €100 million share of the refund of the nuclear fuel tax paid in earlier periods economically allocable to E.ON.

In the previous year, expenses for structural and adaptation measures included income of €79 million from the release of provisions for restructuring measures.

(7) Income from investments

Income from investments includes all income and expenses which have arisen in relation to operating investments. It is comprised of income from investments accounted for using the equity method and other income from investments.

Income from investments € million	2017	2016
Income from investments accounted for using the equity method	**302**	**387**
Income from non-consolidated subsidiaries	–29	–9
of which: amortisation / impairment losses on non-consolidated subsidiaries	–37	–17
Income from other investments	41	28
of which: impairment of shares in other investments	–18	–18
Income from the disposal of investments	104	120
Income from loans to investments	2	14
Other income from investments	**118**	**153**
	420	**540**

Expenses of €19 million (previous year: €8 million) included in the item 'Income from loans to investments' relate exclusively to impairment losses.

(8) Financial result

Financial result € million	2017	2016
Interest and similar income	220	271
Other financial income	2,095	1,612
Financial income	**2,315**	**1,883**
Interest and similar expenses	907	914
Interest accretion to		
Provisions for pensions and similar obligations (including capitalised surplus of plan assets)	120	134
Provisions for nuclear waste management as well as to mining provisions	146	876
Other provisions	–5	277
Other finance costs	1,898	1,910
Finance costs	**3,066**	**4,111**
	–751	**–2,228**

The financial result breaks down into net interest, interest accretion to provisions, other financial income and other finance costs.

Interest accretion to provisions contains the annual amounts of accrued interest. It is reduced by the imputed interest income on plan assets for the coverage of pension obligations.

Net interest essentially includes interest income from interest-bearing securities and loans, income and expenses relating to marketable securities, and interest expenses.

In the year under review, €2 million in borrowing costs were capitalised as costs in connection with the acquisition, construction or production of qualifying assets (previous year: €7 million). The underlying capitalisation rate ranged from 3.8 % to 4.4 % (previous year: from 4.4 % to 5.0 %).

Net interest € million	2017	2016
Interest and similar income	220	271
Interest and similar expenses	907	914
	–687	**–643**

Net interest stems from financial assets and liabilities, which are allocated to the following categories:

Interest result by category € million	2017	2016
Loans and receivables	149	173
Financial assets available for sale	71	98
Financial liabilities carried at (amortised) cost	–907	–914
	–687	**–643**

Other financial income includes €130 million in gains realised from the disposal of marketable securities (previous year: €199 million). It also includes €257 million in interest income on portions of the nuclear fuel tax paid by RWE and refunded in 2017. €243 million thereof is allocable to RWE shareholders. Of the other finance costs, €109 million (previous year: €318 million) stem from realised losses on the disposal of marketable securities.

(9) Taxes on income

Taxes on income € million	2017	2016
Current taxes on income	702	819
Deferred taxes	39	–1,142
	741	**–323**

Of the deferred taxes, €27 million is related to temporary differences (previous year: –€1,521 million). In the year under review, changes in valuation allowances for deferred tax assets amounted to –€342 million (previous year: €1,460 million).

Current taxes on income contain €128 million in net tax income (previous year: expenses of €92 million) relating to prior periods.

Due to the utilisation of tax loss carryforwards unrecognised in prior years, current taxes on income were reduced by €272 million (previous year: €4 million). Expenses from deferred taxes declined by €33 million (previous year: €121 million), due to reassessments of and previously unrecognised tax carryforwards.

Income taxes recognised in other comprehensive income € million	2017	2016
Fair valuation of financial instruments available for sale	–3	5
Fair valuation of financial instruments used for hedging purposes	8	–579
Actuarial gains and losses of defined benefit pension plans and similar obligations[1]	–171	430
	–166	**–144**

1 Including valuation allowances.

Taxes in the amount of €16 million (previous year: €6 million) were offset directly against equity.

Tax reconciliation € million	2017	2016
Income before tax	**3,056**	**−5,807**
Theoretical tax expense	**993**	**−1,852**
Differences to foreign tax rates	−39	−62
Tax effects on		
Tax-free domestic dividends	−57	−55
Tax-free foreign dividends	−3	−5
Other tax-free income	−20	−3
Expenses not deductible for tax purposes	130	42
Accounting for associates using the equity method (including impairment losses on associates' goodwill)	−6	−46
Unutilisable loss carryforwards, utilisation of unrecognised loss carryforwards, write-downs on loss carryforwards, recognition of loss carryforwards	−214	1,247
Income on the disposal of investments	−20	64
Changes in foreign tax rates	21	−6
Other allowances for deferred taxes in the RWE AG tax group		752
Other changes in deferred taxes from Group restructuring		−560
Other	−44	161
Effective tax expense	**741**	**−323**
Effective tax rate in %	24.2	5.6

The theoretical tax expense is calculated using the tax rate for the RWE Group of 32.5 % (previous year: 31.9 %). This is derived from the prevailing 15 % corporate tax rate, the solidarity surcharge of 5.5 %, and the Group's average local trade tax rate.

Notes to the Balance Sheet

(10) Intangible assets

Intangible assets € million	Development costs	Concessions, patent rights, licences and similar rights	Customer relationships and similar assets	Goodwill	Prepayments	Total
Cost						
Balance at 1 Jan 2017	1,047	2,816	2,915	11,664	6	18,448
Additions/disposals due to changes in the scope of consolidation	3	143	4	17		167
Additions	74	92	8		29	203
Transfers	−29	39	3		−4	9
Currency translation adjustments	−30	−3	−83	−10		−126
Disposals	228	33	37			298
Balance at 31 Dec 2017	837	3,054	2,810	11,671	31	18,403
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2017	630	2,410	2,658	1		5,699
Additions/disposals due to changes in the scope of consolidation	3	−2				1
Amortisation/impairment losses in the reporting period	104	107	27	479		717
Transfers	−5	5				
Currency translation adjustments	−18	4	−84	−6		−104
Disposals	225	31	37			293
Balance at 31 Dec 2017	489	2,493	2,564	474		6,020
Carrying amounts						
Balance at 31 Dec 2017	348	561	246	11,197	31	12,383

Cost						
Balance at 1 Jan 2016	1,137	2,790	3,319	11,979	7	19,232
Additions/disposals due to changes in the scope of consolidation	−34	31	11	112	−1	119
Additions	107	67			5	179
Transfers	8	13	−6	1	−5	11
Currency translation adjustments	−144	−42	−401	−393		−980
Disposals	27	43	8	35		113
Balance at 31 Dec 2016	1,047	2,816	2,915	11,664	6	18,448
Accumulated amortisation/impairment losses						
Balance at 1 Jan 2016	664	2,312	3,040		1	6,017
Additions/disposals due to changes in the scope of consolidation	−33	29		1	−1	−4
Amortisation/impairment losses in the reporting period	108	120	26			254
Transfers	−1	2				1
Currency translation adjustments	−82	−17	−400			−499
Disposals	26	36	8			70
Balance at 31 Dec 2016	630	2,410	2,658	1		5,699
Carrying amounts						
Balance at 31 Dec 2016	417	406	257	11,663	6	12,749

In the reporting period, the RWE Group's total expenditures on research and development amounted to €182 million (previous year: €165 million).

Goodwill breaks down as follows:

Goodwill € million	31 Dec 2017	31 Dec 2016
Grid & Infrastructure Germany	2,736	2,768
Grid & Infrastructure Eastern Europe	1,159	1,107
Retail Netherlands/Belgium	2,704	2,670
Retail Germany	923	928
Retail United Kingdom	1,525	2,070
Retail Eastern Europe	429	409
Renewables	715	705
Supply & Trading	1,006	1,006
	11,197	**11,663**

In the third quarter of every fiscal year, an impairment test is performed to determine if there is any need to write down goodwill. In the course of this, goodwill is allocated to the cash-generating units.

In the year under review, goodwill increased by €53 million (previous year: €0 million) as a result of first-time consolidations. In the cash-generating units Retail Germany and Grid & Infrastructure Germany, changes in current redemption liabilities from put options resulted in a €36 million decrease in goodwill without an effect on income (previous year: increase of €92 million).

The recoverable amount of the cash-generating unit is determined, which is defined as the higher of fair value less costs to sell or value in use. Fair value is the best estimate of the price that an independent third party would pay to purchase the cash-generating unit as of the balance-sheet date. Value in use reflects the present value of the future cash flows which are expected to be generated with the cash-generating unit.

Fair value less costs to sell is assessed from an external perspective and value in use from a company-internal perspective. Values are determined using a business valuation model, based on planned future cash flows. These cash flows, in turn, are based on the business plan, as approved by the Executive Board and valid at the time of the impairment test. They pertain to a detailed planning period of three years. In certain justifiable cases, a longer detailed planning period is taken as a basis, insofar as it is necessary due to economic or regulatory conditions. The cash flow plans are based on experience as well as on expected market trends in the future. If available, market transactions in the same sector or third-party valuations are taken as a basis for determining fair value. Based on the use of internal planning assumptions, the determined fair values are assigned to Level 3 of the fair value hierarchy.

Mid-term business plans are based on country-specific assumptions regarding the development of key economic indicators such as gross domestic product, consumer prices, interest rate levels and nominal wages. These estimates are, amongst others, derived from macroeconomic and financial studies.

Our key planning assumptions for the business segments active in Europe's electricity and gas markets relate to the development of wholesale prices of electricity, crude oil, natural gas, coal and CO_2 emission allowances, retail prices of electricity and gas, market shares and regulatory framework conditions.

The discount rates used for business valuations are determined on the basis of market data. With regard to cash-generating units, during the period under review they ranged from 3.25 % to 5.50 % after tax (previous year: 4.00 % to 5.75 %).

For the extrapolation of future cash flows going beyond the detailed planning horizon, we used a growth rate of 0.0 % (previous year: 0.0 % to 1 %). As a rule, the growth rate for each division is derived from experience and expectations of the future and does not exceed the long-term average growth rates of the respective markets in which the Group companies are active. The annual cash flows assumed for the years after the detailed planning horizon include capital expenditure in the amount necessary to maintain the scope of business. The growth rates assumed for the cash flows are determined taking account of additionally necessary expansion investments.

The deterioration in commercial assumptions and more difficult regulatory framework conditions underlying the impairment test conducted in the third quarter resulted in an impairment to the goodwill of the Retail UK cash-generating unit within the innogy segment. An impairment loss of €479 million was recognised (recoverable amount: €1.5 billion). The envisaged merger of the retail activities of innogy and SSE in Great Britain did not result in a different assessment of the impairment. The fair value less costs to sell was determined using an enterprise valuation model based on cash flow budgets and a discount rate of 5.50 % after taxes (previous year: 4.75 %).

With the exception of the Retail UK cash-generating unit in the innogy segment, as of the balance-sheet date, the recoverable amounts of the cash-generating units – determined as the fair value less costs to sell – were higher than their carrying amounts. The surpluses react especially sensitively to changes in the discount rate, the growth rate and cash flows in terminal value.

The Retail Netherlands/Belgium cash-generating unit exhibited the smallest surplus of recoverable amount over the carrying amounts. The recoverable amount was €1.4 billion higher than the carrying amount. Impairment would have been necessary if the calculations had used an after-tax discount rate increased by more than 2.1 percentage points to above 5.8 %, a growth rate decreased by more than 2.3 percentage points to below –2.3 %, or cash flows reduced by more than €57 million in terminal value.

(11) Property, plant and equipment

Property, plant and equipment € million	Land, land rights and buildings incl. buildings on third-party land	Technical plant and machinery	Other equipment, factory and office equipment	Prepayments and plants under construction	Total
Cost					
Balance at 1 Jan 2017	7,339	74,257	2,152	1,708	85,456
Additions/disposals due to changes in the scope of consolidation	−149	−950	−6	162	−943
Additions	92	1,477	138	825	2,532
Transfers	30	237	1	−273	−5
Currency translation adjustments	41	−121	8	−10	−82
Disposals	197	620	170	95	1,082
Balance at 31 Dec 2017	7,156	74,280	2,123	2,317	85,876
Accumulated depreciation/impairment losses					
Balance at 1 Jan 2017	4,439	54,126	1,521	915	61,001
Additions/disposals due to changes in the scope of consolidation	−149	−890	−11	−8	−1,058
Amortisation/impairment losses in the reporting period	215	1,829	142	27	2,213
Transfers	−2				−2
Currency translation adjustments	20	−53	4		−29
Disposals	88	421	151	83	743
Additions	6	404			410
Balance at 31 Dec 2017	4,429	54,187	1,505	851	60,972
Carrying amounts					
Balance at 31 Dec 2017	2,727	20,093	618	1,466	24,904

Cost					
Balance at 1 Jan 2016	7,489	73,967	2,246	1,710	85,412
Additions/disposals due to changes in the scope of consolidation	−214	57	15	−30	−172
Additions	122	1,854	132	324	2,432
Transfers	107	171	−21	−261	−4
Currency translation adjustments	−68	−1,186	−25	−25	−1,304
Disposals	97	606	195	10	908
Balance at 31 Dec 2016	7,339	74,257	2,152	1,708	85,456
Accumulated depreciation/impairment losses					
Balance at 1 Jan 2016	4,206	49,358	1,569	922	56,055
Additions/disposals due to changes in the scope of consolidation	−216	43	3		−170
Amortisation/impairment losses in the reporting period	479	5,719	176	14	6,388
Transfers	42	−8	−16	−19	−1
Currency translation adjustments	−30	−472	−20	−3	−525
Disposals	36	512	191	−1	738
Additions	6	2			8
Balance at 31 Dec 2016	4,439	54,126	1,521	915	61,001
Carrying amounts					
Balance at 31 Dec 2016	2,900	20,131	631	793	24,455

Property, plant and equipment in the amount of €82 million (previous year: €87 million) were subject to restrictions from land charges, chattel mortgages or other restrictions. Of the total carrying amount of property, plant and equipment, €248 million (previous year: €250 million) was attributable to assets leased under finance leases. These assets essentially consist of technical plant and equipment. Disposals of property, plant and equipment resulted from sale or decommissioning.

(12) Investment Property

Investment Property € million	
Cost	
Balance at 1 Jan 2017	205
Additions	
Transfers	4
Disposals	40
Balance at 31 Dec 2017	169
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2017	142
Depreciation/impairment losses in the reporting period	10
Transfers	2
Disposals	28
Write-backs	
Balance at 31 Dec 2017	126
Carrying amounts	
Balance at 31 Dec 2017	43

Investment Property € million	
Cost	
Balance at 1 Jan 2016	218
Additions	
Transfers	2
Disposals	15
Balance at 31 Dec 2016	205
Accumulated depreciation/impairment losses	
Balance at 1 Jan 2016	146
Depreciation/impairment losses in the reporting period	5
Transfers	1
Disposals	9
Write-backs	1
Balance at 31 Dec 2016	142
Carrying amounts	
Balance at 31 Dec 2016	63

As of 31 December 2017, the fair value of investment property amounted to €115 million (previous year: €127 million), of which €19 million is assigned to Level 2 (previous year: €23 million) and €96 million is assigned to Level 3 (previous year: €104 million) of the fair value hierarchy. Of the fair value, €41 million (previous year: €48 million) is based on valuations by external, independent appraisers. Of the carrying amount of investment property, €0 million (previous year: €4 million) is attributable to assets leased under finance leases. Rental income in the reporting period amounted to €13 million (previous year: €12 million). Direct operating expenses totalled €9 million (previous year: €8 million).

(13) Investments accounted for using the equity method

Information on material and non-material investments in associates and joint ventures accounted for using the equity method is presented in the following summaries:

Material investments accounted for using the equity method	Amprion GmbH, Dortmund		KELAG-Kärntner Elektrizitäts-AG/ Kärntner Energieholding Beteiligungs GmbH, (KEH) Klagenfurt/Austria	
€ million	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Balance sheet[1]				
Non-current assets	3,607	3,062	1,626	1,607
Current assets	2,609	2,092	370	318
Non-current liabilities	1,092	648	874	837
Current liabilities	3,238	2,627	277	261
Share of equity[2]	474	472	354	341
Goodwill			198	198
Carrying amounts	474	472	552	540
Statement of comprehensive income[1]				
Revenue	12,418	12,210	1,320	1,383
Income	142	142	90	90
Other comprehensive income	−25	−8	−4	−6
Total comprehensive income	117	134	86	84
Dividends (prorated)	28	21	20	30
RWE shareholding	25 %	25 %	49 %	49 %

1 Figures based on shareholding of 100 % in KEH.
2 Figures based on proportional share of equity in KEH and KELAG.

Amprion GmbH, headquartered in Dortmund, Germany, is a transmission system operator (TSO) for the electricity sector, pursuant to the German Energy Act (EnwG). Amprion's main shareholder is a consortium of financial investors led by Commerz Real, a subsidiary of Commerzbank.

KELAG-Kärntner Elektrizitäts-AG, headquartered in Klagenfurt, Austria, is a leading Austrian energy supplier in the fields of electricity, district heating and natural gas. Via innogy SE, RWE has a share of 49 % in Kärntner Energieholding Beteiligungs GmbH (KEH), which is KELAG's largest shareholder.

Non-material investments accounted for using the equity method	Associates		Joint ventures	
€ million	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Income (pro-rata)	172	203	59	115
Other comprehensive income	−78	10	−22	14
Total comprehensive income	94	213	37	129
Carrying amounts	1,317	1,403	503	494

The RWE Group holds shares with a book value of €97 million (previous year: €98 million) in associates and joint ventures, which are subject to temporary restrictions or conditions in relation to their distributions of profits, due to provisions of loan agreements.

(14) Other non-current financial assets

Other non-current financial assets € million	31 Dec 2017	31 Dec 2016
Non-consolidated subsidiaries	254	280
Other investments	617	535
Non-current securities	238	240
	1,109	**1,055**

Non-current securities primarily consist of fixed-interest marketable securities and shares of listed companies. Long-term securities amounting to €87 million and €12 million (previous year: €102 million and €15 million) were deposited in a trust account for RWE AG and its subsidiaries, in order to cover credit balances stemming from the block model for pre-retirement part-time work, pursuant to Sec. 8a of the Pre-Retirement Part-Time Work Act (AltTZG) and from the management of long-term working hours accounts pursuant to Sec. 7e of the German Code of Social Law (SGB IV), respectively. This coverage applies to the employees of RWE AG as well as to the employees of Group companies.

(15) Financial receivables

Financial receivables	31 Dec 2017		31 Dec 2016	
€ million	Non-current	Current	Non-current	Current
Loans to non-consolidated subsidiaries and investments	237	5	249	5
Collateral for trading activities		1,051		719
Other financial receivables				
Accrued interest		117		86
Miscellaneous other financial receivables	122	572	154	661
	359	**1,745**	**403**	**1,471**

Companies of the RWE Group deposited collateral for the trading activities stated above for exchange-based and over-the-counter transactions. These are to guarantee that the obligations from the transactions are discharged even if the development of prices is not favourable for RWE. Regular replacement of the deposited collateral depends on the contractually agreed thresholds, above which collateral must be provided for the market value of the trading activities.

For the miscellaneous other financial receivables, there is limited control in the amount of €260 million (previous year: €87 million) related to the financing of the pension commitments of three companies in the innogy segment.

(16) Other receivables and other assets

Other receivables and other assets	31 Dec 2017		31 Dec 2016	
€ million	Non-current	Current	Non-current	Current
Derivatives	1,014	3,249	1,080	5,414
Capitalised surplus of plan assets over benefit obligations	103		29	
Prepayments for items other than inventories		217		305
CO_2 emission allowances		121		208
Miscellaneous other assets	70	1,305	66	1,491
	1,187	**4,892**	**1,175**	**7,418**
of which: financial assets	1,127	3,483	1,120	5,699
of which: non-financial assets	60	1,409	55	1,719

The financial instruments reported under miscellaneous other assets are measured at amortised cost. Derivative financial instruments are stated at fair value. The carrying values of exchange-traded derivatives with netting agreements are offset.

(17) Deferred taxes

Deferred tax assets and liabilities principally stem from the fact that measurements in the IFRS statements differ from those in the tax bases. As of 31 December 2017, no deferred tax liabilities were recognised for the difference between net assets and the carrying value of the subsidiaries and associates for tax purposes (known as 'outside basis differences') in the amount of €441 million (previous year: €463 million), as it is neither probable that there will be any distributions in the foreseeable future, nor will the temporary differences reduce in the foreseeable future. €4,135 million and €3,572 million of the gross deferred tax assets and liabilities, respectively, will be realised within twelve months (previous year: €3,018 million and €2,764 million).

The following is a breakdown of deferred tax assets and liabilities by item:

Deferred taxes	31 Dec 2017		31 Dec 2016	
€ million	Assets	Liabilities	Assets	Liabilities
Non-current assets	1,525	1,619	1,302	1,340
Current assets	1,401	2,312	1,262	2,075
Exceptional tax items		748	1	874
Non-current liabilities				
Provisions for pensions	932	11	1,786	161
Other non-current liabilities	1,252	325	1,030	183
Current liabilities	2,734	1,260	1,756	689
	7,844	**6,275**	**7,137**	**5,322**
Tax loss carryforwards				
Corporate income tax (or comparable foreign income tax)	328		334	
Trade tax	12		12	
Gross total	**8,184**	**6,275**	**7,483**	**5,322**
Netting	−5,557	−5,557	−4,599	−4,599
Net total	**2,627**	**718**	**2,884**	**723**

As of 31 December 2017, RWE reported deferred tax claims which exceeded the deferred tax liabilities by €417 million (previous year: €370 million), in relation to companies which suffered a loss in the current or previous period. The basis for the formation of deferred tax assets is the judgement of the management that it is likely that the companies in question will generate taxable earnings, against which unutilised tax losses and deductible temporary differences can be applied.

The capitalised tax reduction claims from loss carryforwards result from the expected utilisation of previously unused tax loss carryforwards in subsequent years.

It is sufficiently certain that these tax carryforwards will be realised. At the end of the reporting period, corporate income tax loss carryforwards and trade tax loss carryforwards for which no deferred tax claims have been recognised amounted to €2,513 million and €344 million, respectively (previous year: €7,935 million and €3,139 million). The decline in these loss carryforwards mainly results from the exercise of discretionary tax treatment options. Instead of the loss carryforwards that, as planned, are not usable, this causes future current tax write-downs to increase without the current estimation of the planned unusability of these additional amounts changing in the foreseeable future.

€2,440 million in corporate income tax loss carryforwards for which no deferred tax claims have been recognised will primarily apply to the following nine years. The other loss carryforwards are also subject to time-limited deduction limitations (mostly up to nine years), but they are expected to be used within the legal time limits.

As of 31 December 2017, temporary differences for which no deferred tax assets were recognised amounted to €12,185 million (previous year: €9,748 million).

In the year under review, a deferred tax expense of €14 million arising from the currency translation of foreign financial statements was offset against equity (previous year: €38 million).

(18) Inventories

Inventories € million	31 Dec 2017	31 Dec 2016
Raw materials, incl. nuclear fuel assemblies and earth excavated for lignite mining	998	1,144
Work in progress – goods/services	200	196
Finished goods and goods for resale	719	627
Prepayments	7	1
	1,924	**1,968**

The carrying amount of inventories acquired for resale purposes was €58 million (previous year: €69 million). Of this, €44 million related to gas inventories (previous year: €45 million), €10 million related to coal inventories (previous year: €18 million) and €4 million related to biomass inventories (previous year: €6 million).

The fair value of gas and coal inventories is determined every month on the basis of the current price curves of the relevant indices for gas (e.g. NCG) and coal (e.g. API#2). Biomass inventories are also measured at the end of each month, using the corresponding index prices depending on the location (e.g. ARA harbours). The valuations are based on prices which can be observed directly or indirectly (Level 2 of the fair value hierarchy). Differences between the fair value and the carrying value of inventories acquired for resale purposes are recognised on the income statement at the end of the month.

(19) Marketable securities

Of the current marketable securities, €4,065 million were fixed-interest marketable securities (previous year: €9,171 million) with a maturity of more than three months from the date of acquisition, and €828 million were stocks and profit-participation certificates (previous year: €654 million). Marketable securities are stated at fair value and were deposited with clearing banks as collateral in the amount of €185 million in the previous year.

(20) Cash and cash equivalents

Cash and cash equivalents € million	31 Dec 2017	31 Dec 2016
Cash and demand deposits	3,924	4,535
Marketable securities and other cash investments (maturity less than three months from the date of acquisition)	9	41
	3,933	**4,576**

RWE keeps demand deposits exclusively for short-term cash positions. For cash investments, banks are selected on the basis of various creditworthiness criteria. Such criteria include their rating from one of the three renowned rating agencies – Moody's, Standard & Poor's and Fitch – their equity capital and the prices for credit default swaps. As in the previous year, interest rates on cash and cash equivalents were at market levels in 2017.

(21) Equity

A breakdown of fully paid-up equity is shown on page 92.
The subscribed capital of RWE AG is structured as follows:

Subscribed capital	31 Dec 2017 Number of shares		31 Dec 2016 Number of shares		31 Dec 2017 Carrying amount	31 Dec 2016 Carrying amount
	in '000	in %	in '000	in %	€ million	€ million
Common shares	575,745	93.7	575,745	93.7	1,474	1,474
Preferred shares	39,000	6.3	39,000	6.3	100	100
	614,745	**100.0**	**614,745**	**100.0**	**1,574**	**1,574**

Common and preferred shares are no-par-value bearer share certificates. Preferred shares have no voting rights. Under certain conditions, preferred shares are entitled to payment of a preference dividend of €0.13 per share, upon allocation of the company's profits.

Pursuant to a resolution passed by the Annual General Meeting on 16 April 2014, the Executive Board was authorised to increase the company's capital stock with the Supervisory Board's approval by up to €314,749,693.44 until 15 April 2019 through the issue of up to 122,949,099 bearer common shares in return for contributions in cash and/or in kind (approved capital). In certain cases, with the approval of the Supervisory Board, the subscription rights of shareholders can be excluded.

Pursuant to a resolution passed by the Annual General Meeting on 16 April 2014, the Company was authorised until 15 April 2019 to acquire any kind of shares of the Company up to a volume of 10 % of the capital stock at the time when this authorisation becomes effective, or if the following is lower, at the time when this authorisation is exercised. Based on the authorisation, the Executive Board is also authorised to cancel treasury shares without a further resolution by the Annual General Meeting. Moreover, the Executive Board is authorised to transfer or sell such shares to third parties under certain conditions and excluding shareholders' subscription rights. Furthermore, treasury shares may be issued to holders of option or convertible bonds. The Executive Board is also authorised to use the treasury shares to discharge obligations from future employee share schemes; in this regard, shareholders' subscription rights shall be excluded.

No treasury shares were held as of 31 December 2017.

In fiscal 2017, RWE AG purchased a total of 340,960 RWE common shares for a purchase price of €7,634,911.49 on the capital market. This is equivalent to €872,857.60 of the capital stock (0.06 % of subscribed capital). Employees of RWE AG and its subsidiaries received a total of 340,920 common shares for capital formation under the employee share plan and 40 common shares for service anniversaries. This generated total proceeds of €7,581,949.81. The differences to the purchase price were offset against freely available retained earnings.

Furthermore, 4,080 RWE common shares were purchased on the capital market by innogy SE for a purchase price of €74,822.64. This is equivalent to €10,444.80 of the capital stock (0.00066 % of subscribed capital). Employees of innogy SE and its subsidiaries received 4,000 common shares for service anniversaries and a total of 80 common shares for capital formation under the employee share plan. This generated total proceeds of €67,171.02. The difference to the purchase price was recognised by innogy SE with an effect on expenses.

Pursuant to IAS 32, the following hybrid bond issued by Group companies must be classified as equity.

Hybrid bonds Issuer	Nominal value	First call date	Coupon in % p.a.[1]
RWE AG	£750 million	2019	7.0

1 Until the first call date.

Proceeds from the bond issue were reduced by the capital procurement costs and added to equity, taking account of taxes. Interest payments to bondholders will be booked directly against equity, after deduction of taxes. Such payments can be deferred by the company; under certain circumstances, however, they must be made up again, for example if the Executive Board and Supervisory Board propose to the Annual General meeting that a dividend be paid.

As a result of equity capital transactions with subsidiary companies which did not lead to a change of control, the share of equity attributable to RWE AG's shareholders changed by a total of –€4 million (previous year: €1,425 million) and the share of equity attributable to other shareholders changed by a total of –€15 million (previous year: €1,162 million). In the previous year, the shares of the Group's equity attributable to RWE AG shareholders rose substantially due to the difference between the consideration received for the shares sold and the carrying amount allocable to the shares sold within the scope of the IPO of innogy SE.

Accumulated other comprehensive income reflects changes in the fair values of financial instruments available for sale, cash flow hedges and hedges of the net investment in foreign operations, as well as changes stemming from foreign currency translation adjustments from foreign financial statements.

As of 31 December 2017, the share of accumulated other comprehensive income attributable to investments accounted for using the equity method amounted to €11 million (previous year: €26 million).

During the reporting year, €13 million in differences from currency translation which had originally been recognised without an effect on income were realised as an expense (previous year: income of €1 million). Income and expenses of investments accounted for using the equity method which had previously been recognised pro rata without an effect on income were realised in the amount of €0 million as an expense (previous year: €2 million) during the year under review.

Dividend proposal

We propose to the Annual General Meeting that RWE AG's distributable profit for fiscal 2017 be appropriated as follows:

Distribution of a dividend of €0.50 and a special dividend of €1.00 from the nuclear fuel tax refund per individual dividend-bearing common and preferred share.

Dividend	€922,118,248.50
Profit carryforward	€97,501.60
Distributable profit	€922,215,750.10

Based on a resolution of RWE AG's Annual General Meeting on 27 April 2017, the dividend for fiscal 2016 amounted to €0.13 per dividend-bearing preferred share. Distribution for holders of common shares was suspended. The dividend payment to shareholders of RWE AG amounted to €5 million.

Non-controlling interests
The share ownership of third parties in Group entities is presented in this item.

The income and expenses recognised directly in equity (other comprehensive income – OCI) include the following non-controlling interests:

Non-controlling interests in OCI € million	2017	2016
Actuarial gains and losses of defined benefit pension plans and similar obligations	165	182
Pro-rata income and expenses of investments accounted for using the equity method	−14	−29
Income and expenses recognised directly in equity, not to be reclassified through profit or loss	**151**	**153**
Currency translation adjustment	35	−219
Fair valuation of financial instruments available for sale	5	18
Fair valuation of financial instruments used for hedging purposes	−2	2
Pro-rata income and expenses of investments accounted for using the equity method	−3	6
Income and expenses recognised directly in equity, to be reclassified through profit or loss in the future	**35**	**−193**
	186	**−40**

Material non-controlling interests of the innogy Group:

Subsidiaries with material non-controlling interests	innogy Group	
€ million	31 Dec 2017	31 Dec 2016
Balance sheet		
Non-current assets	36,502	36,239
Current assets	10,312	10,651
Non-current liabilities	22,913	24,442
Current liabilities	12,649	11,781
Statement of comprehensive income		
Revenue	41,119	41,549
Other comprehensive income	722	−457
Total comprehensive income	1,871	1,329
Cash flows from operating activities	2,654	2,674
Non-controlling interests	4,135	3,997
Dividends paid to non-controlling interests	469	231
Income of non-controlling interests	492	219
Shareholdings of non-controlling interests	23.2 %	23.2 %

In addition to the 23.2 % share accounted for by non-controlling interests disclosed, there are also non-controlling interests in subsidiaries of innogy SE.

(22) Share-based payment

For executives of RWE AG and innogy SE as well as of subordinate affiliates, Long Term Incentive Plans (LTIPs) are in place as share-based payment systems known as Strategic Performance Plans (SPPs) and the predecessor model Beat 2010, which is being phased out. The expenses associated with these are borne by the Group companies which employ the persons holding notional stocks.

This LTIP SPP was introduced in 2016. It uses an internal performance target (adjusted net income) derived from the mid-term planning and takes into account the development of share prices of RWE AG and innogy SE. Executives receive a number of conditionally granted virtual shares (performance shares). The final number of virtual shares in a tranche is determined based on the achievement of the adjusted net income target. Each of the issued LTIP SPP tranches has a term of four years before payment is possible. The prerequisite for participating in the plan was the renouncement of the options of the predecessor model Beat 2010 which had not yet lapsed. The large majority of the participants made such renouncement declarations. The plan has expired with the exception of some immaterial remaining components.

RWE AG SPP	2016 tranche	2017 tranche
Start of term	1 Jan 2016	1 Jan 2017
Number of conditionally granted performance shares	486,436	1,338,027
Term	4 years	4 years
Performance target	Adjusted net income	Adjusted net income
Cap/number of performance shares	150 %	150 %
Cap/payment amount	200 %	200 %
Determination of payment	The payment amount is calculated on the basis of the determined number of performance shares multiplied by the sum of a) the mathematical average of the closing share price of the RWE common share (ISIN DE 000703129), with all available decimal places, in Xetra trading of Deutsche Börse AG (or a successor trading system which subsequently takes the place of the Xetra system) for the last 30 trading days prior to the end of the vesting period rounded according to standard commercial practice to two decimal places, and b) the dividend paid per share for the fiscal years between the determination of the final number of performance shares and the end of the vesting period. Dividends do not bear interest and are not reinvested. If a dividend payment occurs during the 30-day period for calculating the share price in accordance with item a), the share prices of the trading days leading up to the payment (CUM share prices) are adjusted by the dividend, as the dividend would otherwise be considered twice. Payment amount = (number of finally granted performance shares) x (mathematical average of the share price + dividends paid) The payment amount calculated in this manner is limited to no more than 200 % of the grant amount.	
Change in corporate control/merger	A change in corporate control (’change of control’) shall occur if a) a shareholder gains control in accordance with Sec. 29 of the German Securities Acquisition and Takeover Act (WpÜG) by holding at least 30 % of the voting rights including third-party voting rights attributable to it in accordance with Sec. 30 WpÜG, or b) a control agreement in accordance with Sec. 291 of the Stock Corporation Act (AktG) is concluded with RWE AG as the dependent company, or c) RWE AG is merged with another legal entity that does not belong to the Group in accordance with Sec. 2 of the German Company Transformation Act (UmwG), unless the value of the other legal entity is less than 50 % of the value of RWE AG based on the agreed conversion rate; in such a case, item a) shall not apply. In the event of a change of control, all of the performance shares which have been fully granted and have not been paid out shall be paid out early. The payment amount is determined according to the exercise conditions, with the deviation that the last 30 trading days prior to the announcement of the change in control is to be used; plus the dividends paid per share in the fiscal years between the determination of the final number of performance shares and the time of the change in control. The payment amount calculated in this manner shall be paid to the plan participant together with his or her next salary payment. All conditionally granted performance shares as of the effective date of the change of control shall lapse without consideration.	
Form of settlement	Cash settlement	Cash settlement
Payment date	2020	2021

innogy SE SPP	2016 tranche	2017 tranche
Start of term	1 Jan 2016	1 Jan 2017
Number of conditionally granted performance shares	352,834	1,178,133
Term	4 years	4 years
Performance target	Adjusted net income	Adjusted net income
Cap/number of performance shares	150 %	150 %
Cap/payment amount	200 %	200 %
Determination of payment	The payment amount is calculated on the basis of the determined number of finally granted performance shares multiplied by the sum of a) the mathematical average of the closing share price (including all available decimal places) of the innogy SE share (ISIN DE 000A2AADD2) in Deutsche Börse AG's Xetra trading (or a successor trading system which subsequently takes the place of the Xetra system) for the last 30 trading days prior to the end of the vesting period rounded to two decimal places according to standard commercial practice and b) the dividends paid per share for the fiscal years between the determination of the final number of performance shares and the end of the vesting period. Dividends do not bear interest and are not reinvested. If a dividend payment occurs during the 30-day period for calculating the share price in accordance with item a), the share prices of the trading days leading up to the payment (CUM share prices) are adjusted by the dividend, as the dividend would otherwise be considered twice. Payment amount = (number of finally granted performance shares) x (mathematical average of the share price + dividends paid) The payment amount calculated in this manner is limited to no more than 200 % of the grant amount.	
Change in corporate control/merger	A change in corporate control ('change of control') shall occur if a) a shareholder obtains control in the sense of Sec. 29 of the German Securities Acquisition and Takeover Act (WpÜG) by acquiring at least 30 % of the voting right, including the voting rights of third parties which can be attributed to the shareholder pursuant to Sec. 30 of WpÜG, whereby RWE AG or an RWE Group company may no longer have control in the sense of Sec. 29 of WpÜG (30 % of the voting rights), or b) a control agreement in accordance with Sec. 291 of the Stock Corporation Act (AktG) is concluded with a company which is not part of the RWE Group with innogy SE as the dependent company, or c) innogy SE is merged with another legal entity that does not belong to the Group in accordance with Sec. 2 of the German Company Transformation Act (UmwG), unless the value of the other legal entity is less than 50 % of the value of innogy SE based on the agreed conversion rate; in such a case, item a) shall not apply. In the event of a change of control, all of the performance shares which have been fully granted and have not been paid out shall be paid out early. The payment amount is determined according to the exercise conditions, with the deviation that the last 30 trading days prior to the announcement of the change in control is to be used; plus the dividends paid per share in the fiscal years between the determination of the final number of performance shares and the time of the change in control. The payment amount calculated in this manner shall be paid to the plan participant together with his or her next salary payment. All conditionally granted performance shares as of the effective date of the change of control shall lapse without consideration.	
Form of settlement	Cash settlement	Cash settlement
Payment date	2020	2021

The fair value of the performance shares conditionally granted under SPP included the following sums on the grant date:

Performance Shares from the RWE AG SPP €	2016 tranche	2017 tranche
Fair value per share	13.78	11.62

Performance Shares from the innogy SE SPP €	2016 tranche	2017 tranche
Fair value per share	37.13	32.07

The fair values of the tranches are based on RWE AG's/innogy SE's current share price plus the dividends per share which have already been paid to the shareholders during the term of the corresponding tranche. The limited payment per SPP was implemented via a sold call option. The option value calculated using the Black Scholes Model was deducted. The maximum payments per conditionally granted SPP (= option strike) established in the plan conditions, the discount rates relative to the remaining term as well as the volatilities and expected dividends of RWE AG/innogy SE were considered in determining the option price. The performance shares displayed the following development in the fiscal year that just came to a close

Performance Shares from the RWE AG SPP	2016 tranche	2017 tranche
Outstanding at the start of the fiscal year	486,436	
Granted		1,338,027
Change (granted/expired)	−40,401	
Paid out		
Outstanding at the end of the fiscal year	446,035	1,338,027
Payable at the end of the fiscal year		

Performance Shares from the innogy SE SPP	2016 tranche	2017 tranche
Outstanding at the start of the fiscal year	352,834	
Granted		1,178,133
Change (granted/expired)	107,738	
Paid out		
Outstanding at the end of the fiscal year	460,572	1,178,133
Payable at the end of the fiscal year		

During the period under review, expenses for the share-based payment system totalled €19 million (previous year: €5 million). As of the balance-sheet date, provisions for cash-settled share-based payment programmes amounted to €25 million (previous year: €6 million).

(23) Provisions

Provisions € million	31 Dec 2017 Non-current	 Current	 Total	31 Dec 2016 Non-current	 Current	 Total
Provisions for pensions and similar obligations	5,420		5,420	6,761		6,761
Provisions for nuclear waste management	5,725	280	6,005	5,404	7,295	12,699
Provisions for mining damage	2,263	60	2,323	2,288	75	2,363
	13,408	**340**	**13,748**	**14,453**	**7,370**	**21,823**
Other provisions						
Staff-related obligations (excluding restructuring)	723	844	1,567	430	633	1,063
Restructuring obligations	234	83	317	914	220	1,134
Provisions for taxes	1,620	349	1,969	1,643	312	1,955
Purchase and sales obligations	1,208	321	1,529	1,219	289	1,508
Provisions for dismantling wind farms	359	1	360	334		334
Other dismantling and retrofitting obligations	587	78	665	465	34	499
Environmental protection obligations	108	38	146	123	19	142
Interest payment obligations	398	11	409	391	41	432
Obligations to deliver CO_2 emission allowances/certificates for renewable energies		1,600	1,600		1,627	1,627
Miscellaneous other provisions	604	1,472	2,076	714	1,630	2,344
	5,841	**4,797**	**10,638**	**6,233**	**4,805**	**11,038**
	19,249	**5,137**	**24,386**	**20,686**	**12,175**	**32,861**

Provisions for pensions and similar obligations.
The company pension plan consists of defined contribution and defined benefit plans. The defined benefit commitments mainly relate to pension benefits based on final salary.

In the reporting period, €45 million (previous year: €44 million) was paid into defined contribution plans. This includes payments made by RWE for a benefit plan in the Netherlands which covers the commitments of various employers. This fund does not provide the participating companies with information allowing for the pro-rata allocation of defined benefit obligations, plan assets and service cost. In the consolidated financial statements, the contributions are thus recognised analogously to a defined contribution plan, although this is a defined benefit plan. The pension plan for employees in the Netherlands is administered by Stichting Pensioenfonds ABP (see www.abp.nl/). Contributions to the pension plan are calculated as a percentage rate of employees' salaries and are paid by the employees and employers. The rate of the contributions is determined by ABP. There are no minimum funding obligations. Approximately €20 million in employer contributions will be paid to the ABP pension fund in fiscal 2018 (previous year: €16 million). The contributions are used for all of the beneficiaries. If ABP's funds are insufficient, it can either curtail pension benefits and future post-employment benefits, or increase the contributions of the employer and employees. In the event that RWE terminates the ABP pension plan, ABP will charge a termination fee. Amongst other things, this depends on the number of participants in the plan, the amount of salary and the age structure of the participants. As of 31 December 2017, we had around 2,000 active participants in the plan (previous year: approximately 2,100).

RWE transferred assets to RWE Pensionstreuhand e.V. within the framework of a contractual trust arrangement (CTA) in order to finance the pension commitments of German Group companies. There is no obligation to provide further funds. From the assets held in trust, funds were transferred to RWE Pensionsfonds AG to cover pension commitments to most of the employees who have already retired. RWE Pensionsfonds AG falls under the scope of the Act on the Supervision of Insurance Undertakings and oversight by the Federal Financial Supervisory Agency (BaFin). Insofar as a regulatory deficit occurs in the pension fund, supplementary payment shall be requested from the employer. Independently of the aforementioned rules, the liability of the employer shall remain in place. The boards of RWE Pensionstreuhand e.V. and RWE Pensionsfonds AG are responsible for ensuring that the funds under management are used in compliance with the contract and thus fulfil the requirements for recognition as plan assets.

In the United Kingdom, it is legally mandated that defined benefit plans are provided with adequate and suitable assets to cover pension obligations. The corporate pension system in the United Kingdom is managed by the sector-wide Electricity Supply Pension Scheme (ESPS), in which RWE and innogy each have their own dedicated independent sections. The sections are managed by trustees which are elected by members of the pension plans or appointed by the funding companies. The trustees are responsible for managing the pension plans. This includes investments, pension payments and financing plans. The pension plans comprise the benefit obligations and plan assets for the subsidiaries of the innogy Group and the RWE Group. It is required by law to assess the required financing of the pension plans once every three years. This involves measuring pension obligations on the basis of conservative assumptions, which deviate from the requirements imposed by IFRS. The underlying actuarial assumptions primarily include the projected life expectancies of the members of the pension plans as well as assumptions relating to inflation, imputed interest rates and the market returns on the plan assets.

The last technical valuations of the RWE and innogy ESPS sections were carried out on 31 March 2016. In sum, they showed a financing deficit of £574.6 million. RWE, innogy and the trustees subsequently prepared a plan for annual payments to rectify this deficit. These payments were calculated for the period from 2017 to 2025. The amounts determined were as follows: £106 million for 2017, £76 million annually for 2018 to 2021, and £39.6 million annually for 2022 to 2025. In October 2016, an early payment in a nominal amount of £45.4 million was made. The next valuation has to occur by 31 March 2019. From this point in time, the company and the trustees have 15 months to approve the technical valuation.

The payments to settle the deficit are charged to the participating companies on the basis of a contractual agreement. Above and beyond this, payments are regularly made to finance the newly arising benefit obligations of active employees which increase the pension claims.

Provisions for defined benefit plans are determined using actuarial methods. We apply the following assumptions:

Calculation assumptions	31 Dec 2017		31 Dec 2016	
in %	Germany	Foreign[1]	Germany	Foreign[1]
Discount rate	2.00	2.30	1.80	2.50
Wage and salary growth rate	2.35	3.20	2.35	3.30
Pension increase rate	1.00, 1.60 and 1.75	2.10 and 3.00	1.00, 1.60 and 1.75	2.20 and 3.10

1 Pertains to benefit commitments to employees of the RWE Group in the UK.

Composition of plan assets (fair value)	31 Dec 2017				31 Dec 2016			
€ million	Germany[1]	Of which: Level 1 pursuant to IFRS 13	Foreign[2]	Of which: Level 1 pursuant to IFRS 13	Germany[1]	Of which: Level 1 pursuant to IFRS 13	Foreign[2]	Of which: Level 1 pursuant to IFRS 13
Equity instruments, exchange-traded funds	3,559	1,699	662	254	3,225	3,145	761	761
Interest-bearing instruments	6,874		4,793	2,109	6,603		4,653	2,458
Real estate	17				50			
Mixed funds[3]	1,326	364			1,427	800		
Alternative investments	1,412	544	922		1,345	936	988	
Other[4]	241	102	193	8	381	100	169	7
	13,429	**2,709**	**6,570**	**2,371**	**13,031**	**4,981**	**6,571**	**3,226**

1 Plan assets in Germany primarily pertain to assets of RWE AG and other Group companies which are managed by RWE Pensionstreuhand e.V. as a trust, as well as to assets of RWE Pensionsfonds AG.
2 Foreign plan assets pertain to the assets of two UK pension funds for covering benefit commitments to employees of the RWE Group in the UK.
3 Includes equity and interest-bearing instruments.
4 Includes reinsurance claims against insurance companies and other fund assets of provident funds.

The investment policy in Germany is based on a detailed analysis of the plan assets and the pension commitments and the relation of these two items to each other, in order to determine the best possible investment strategy (Asset Liability Management Study). Using an optimisation process, portfolios are identified which can earn the best targeted results at a defined level of risk. One of these efficient portfolios is selected and the strategic asset allocation is determined; furthermore, the related risks are analysed in detail.

The focus of the strategic investment policy is on domestic and foreign government bonds. In order to increase the average yield, corporate bonds with a higher yield are also included in the portfolio. The ratio of equities in the portfolio is lower than that of bonds. Investment occurs in various regions. The investment position in equities is intended to earn a risk premium over bond investments over the long term. Furthermore, in order to achieve consistently high returns, there is also investment in products which offer relatively regular positive returns over time. This involves products with returns which fluctuate similar to those of bond investments, but which achieve an additional return over the medium term, such as so-called absolute return products (including funds of hedge funds).

In the United Kingdom, the capital investment takes account of the structure of the pension obligations as well as liquidity and risk matters. The goal of the investment strategy in this context is to maintain the level of pension plan funding and ensure the full financing of the pension plans over time. To reduce financing costs, higher-risk investments are also made, with a view to earning surplus returns. The capital investment focusses on government and corporate bonds.

Pension provisions for pension commitments changed as follows:

Changes in pension provisions € million	Present value of pension commitments	Fair value of plan assets	Capitalised surplus of plan assets	Total
Balance at 1 Jan 2017	**26,334**	**19,602**	**29**	**6,761**
Current service cost	325			325
Interest cost/income	501	381		120
Return on fund assets less interest components		744		–744
Gain/loss on change in demographic assumptions	–145			–145
Gain/loss on change in financial assumptions	–528			–528
Experience-based gains/losses	–89			–89
Currency translation adjustments	–246	–233		–13
Employee contributions to funded plans	12	12		
Employer contributions to funded plans [1]		476		–476
Benefits paid by funded plans [2]	–1,069	–980		–89
Changes in the scope of consolidation/transfers	278	3		275
Past service cost	–57			–57
General administration expenses		–6		6
Change in capitalised surplus of plan assets			74	74
Balance at 31 Dec 2017	**25,316**	**19,999**	**103**	**5,420**
of which: domestic	18,613	13,429	103	5,287
of which: foreign	6,703	6,570		133

1 Of which: €190 million from initial and subsequent transfers to plan assets and €286 million in cash flows from operating activities.
2 Contained in cash flows from operating activities.

Changes in pension provisions € million	Present value of pension commitments	Fair value of plan assets	Capitalised surplus of plan assets	Total
Balance at 1 Jan 2016	**24,804**	**18,977**	**15**	**5,842**
Current service cost	290			290
Interest cost/income	632	498		134
Return on fund assets less interest components		1,409		–1,409
Gain/loss on change in demographic assumptions	110			110
Gain/loss on change in financial assumptions	3,031			3,031
Experience-based gains/losses	–664			–664
Currency translation adjustments	–1,064	–970		–94
Employee contributions to funded plans	13	13		
Employer contributions to funded plans[1]		637		–637
Benefits paid by funded plans[2]	–1,037	–953		–84
Changes in the scope of consolidation	278			278
Past service cost	–59			–59
General administration expenses		–9		9
Change in capitalised surplus of plan assets			14	14
Balance at 31 Dec 2016	**26,334**	**19,602**	**29**	**6,761**
of which: domestic	19,266	13,031	29	6,264
of which: foreign	7,068	6,571		497

1 Of which: €382 million from initial and subsequent transfers to plan assets and €255 million in cash flows from operating activities.
2 Contained in cash flows from operating activities.

Changes in the actuarial assumptions would lead to the following changes in the present value of the defined benefit obligations:

Sensitivity analysis of pension provisions	Change in the present value of defined benefit obligations			
€ million	31 Dec 2017		31 Dec 2016	
Change in the discount rate by +50/–50 basis points				
– In Germany	–1,370	1,554	–1,418	1,602
– Outside Germany	–485	554	–522	596
Change in the wage and salary growth rate by –50/+50 basis points				
– In Germany	–151	158	–151	159
– Outside Germany	–61	71	–65	76
Change in the pension increase rate by –50/+50 basis points				
– In Germany	–937	1,027	–991	1,087
– Outside Germany	–350	394	–380	416
Increase of one year in life expectancy				
– In Germany		772		779
– Outside Germany		245		260

The sensitivity analyses are based on the change of one assumption each, with all other assumptions remaining unchanged. Actual developments will probably be different than this. The methods of calculating the aforementioned sensitivities and for calculating the pension provisions are in agreement. The dependence of pension provisions on market interest rates is limited by an opposite effect. The background of this is that the commitments stemming from company pension plans are primarily covered by funds, and mostly plan assets exhibit negative correlation with the market yields of fixed-interest securities. Consequently, declines in market interest rates are typically reflected in an increase in plan assets, whereas rising market interest rates are typically reflected in a reduction in plan assets.

The present value of pension obligations, less the fair value of the plan assets, equals the net amount of funded and unfunded pension obligations.

The recognised amount of pension provisions totalled €3,694 million for funded pension plans (previous year: €4,883 million) and €1,726 million for unfunded pension plans (previous year: €1,878 million).

In fiscal 2017, past service costs predominantly consisted of effects related to restructuring measures in Germany and the remeasurement of one of our pension schemes. In the previous year, the past service cost was primarily based on restructuring measures in Germany.

Domestic company pensions are subject to an obligation to review for adjustment every three years pursuant to the Act on the Improvement of Company Pensions (Sec 16 of the German Company Pension Act (BetrAVG)). Additionally, some commitments grant annual adjustments of pensions, which may exceed the legally mandated adjustment obligation.

Some domestic pension plans guarantee a certain pension level, taking into account the statutory pension (total retirement earnings schemes). As a result, future reductions in the statutory pension can result in higher pension payments by RWE.

The weighted average duration of the pension obligations was 16 years in Germany (previous year: 16 years) and 16 years outside of Germany (previous year: 16 years).

In fiscal 2018, payments for defined benefit plans are expected to amount to €400 million (previous-year target: €500 million), as direct benefits and payments into plan assets.

Provisions for nuclear energy and mining € million	Balance at 1 Jan 2017	Additions	Unused amounts released	Interest accretion	Changes in the scope of consoli-dation, currency adjustments, transfers	Amounts used	Balance at 31 Dec 2017
Provisions for nuclear waste management	12,699	469		24		−7,187	6,005
Provisions for mining damage	2,363	75	−111	109	−44	−69	2,323
	15,062	**544**	**−111**	**133**	**−44**	**−7,256**	**8,328**

Provisions for nuclear waste management are recognised in the full amount for the nuclear power plants Biblis A and B, Mülheim-Kärlich, Emsland and Lingen, and at a rate of 75 % for the nuclear power plant Gundremmingen A, B and C, in accordance with RWE's share in the nuclear obligations. Provisions for waste disposal for the Dutch nuclear power plant Borssele are included at a rate of 30 %, in line with RWE's stake.

The law on the restructuring of responsibilities for nuclear waste disposal was enacted on 16 June 2017. According to the law, the Federal government is responsible for handling and financing the intermediate and final storage of radioactive waste, while responsibility for the decommissioning and dismantling of the facilities and packing of the radioactive waste remains with the companies. The responsibilities transferred to the Federal government are financed from a fund, which is paid into by the plant operators. On 3 July 2017, the nuclear power plant operators paid the full funding sum of €24.1 billion into the fund. RWE's share totalled €6.8 billion, consisting of the base amount pursuant to the German Nuclear Waste Disposal Fund Act plus €5.0 billion in interest as well as a 35.47 % risk surcharge in the amount of €1.8 billion. The obligation reported under provisions for nuclear waste management in the balance sheet is somewhat higher, at €7.0 billion, because it included obligations resulting from E.ON's minority share in the Emsland nuclear power plant, which was attributable to E.ON in an economic sense.

RWE's remaining provisions for nuclear waste disposal are almost exclusively reported as non-current provisions, and their settlement amount is discounted to the balance-sheet date. Based on the current state of planning, we will use most of these provisions by 2045. The discount rate calculated on the basis of the current level of market interest rates was 0.6 % as of the balance-sheet date (previous year: 0.4 %). The escalation rate based on expectations with regard to general increases in wages and prices, and productivity growth was 1.5 % (previous year: 1.3 %). As a result, the real discount rate used for nuclear waste management purposes, which is the difference between the discount rate and the escalation rate, amounted to – 0.9 % (previous year: – 0.9 %). An increase (decrease) in this rate by 0.1 percentage point would reduce (increase) the present value of the provision by roughly €50 million.

Excluding the interest accretion, additions to provisions for nuclear waste management amount to €469 million (previous year: €1,851 million). Besides quantity-related increases in the provisions, additions to provisions are due to the fact that the current estimates resulted in a net increase in the anticipated nuclear waste management costs. The interest accretion in the additions to provisions for nuclear waste management amounted to €24 million (previous year: €1,303 million). Of the changes in provisions, €272 million (previous year: €349 million) was capitalised under the corresponding costs of nuclear power plants and fuel elements still in operation. Prepayments for services in the amount of €8 million (previous year: €166 million) were deducted from these provisions. In the reporting period, we also used provisions of €131 million for the decommissioning of nuclear power plants (previous year: €135 million). Decommissioning and dismantling costs had originally been capitalised in a corresponding amount and reported under the cost of the power plants.

The German Nuclear Energy Act (AtG) requires RWE to harmlessly dispose of radioactive materials and dismantled or decommissioned radioactive components of facilities or to properly dispose of such as radioactive waste (final direct storage). We took the transfer of the obligation to implement and finance the interim and final storage of nuclear waste as an occasion to subdivide our remaining provisions for nuclear waste management. In the future, we will structure them to reflect the residual operation of nuclear power plants, the dismantling of nuclear power station facilities as well as the cost of residual material processing and radioactive waste treatment facilities.

Provisions for nuclear waste management € million	31 Dec 2017	31 Dec 2016
Residual operation	2,577	2,195
Dismantling	1,766	1,673
Processing of residual material and waste management	1,662	8,831
	6,005	**12,699**

The provisions of the law on the reassignment of responsibility for nuclear waste disposal stipulates that accountability for the shutdown and dismantling of the assets as well as for packaging radioactive waste remains with the companies. The shutdown and dismantling process encompasses all activities following the final termination of production by the nuclear power plant until the plant site is removed from the regulatory scope of the Nuclear Energy Act. Actual dismantling begins after a several-year post-operation phase, during which the fuel assemblies, operating equipment and radioactive operational waste are removed from the facility and the approval process is completed. Dismantling operations essentially consist of the dismantling of the facilities, removal of the radioactive contamination from the structures, radiation protection, and regulatory monitoring of the dismantling measures and residual operations.

Provisions for the residual operation of nuclear power station facilities that cover all steps that must be taken largely independent of dismantling and disposal but are necessary to ensure that the assets are safe and in compliance with permits or are required by the authorities are stated separately. In addition to works monitoring and facility protection, these mainly include radiation and fire protection as well as infrastructural adjustments.

Provisions for the dismantling of nuclear power plant facilities include all work done to dismantle plants, parts of plants, systems and components as well as on buildings that must be dismantled to comply with the Nuclear Energy Act. They also consider the conventional dismantling of nuclear power plant facilities to fulfil legal or other obligations.

Provisions for residual material processing and waste management include the costs of processing radioactive operational waste produced during the plant's service life and that will be produced by dismantling operations. This includes the various processes for conditioning, packaging of the low-level and intermediate-level radioactive waste in suitable containers and the transportation of such waste to third parties commissioned by the Federal government for intermediate storage. This item also contains the cost of transporting the waste produced by recycling and the cost of the proper packaging of spent nuclear fuel elements, i.e. the cost of loading and procuring freight and interim storage containers. In the previous year, this item also included the amount transferred to the fund.

Commissioned by the plant operator, the internationally renowned company NIS Ingenieurgesellschaft mbH (NIS), Alzenau, assesses the prospective residual operation and dismantling costs for the nuclear power plants on an annual basis. The costs are determined specifically for each facility and take into consideration the current state of the art, regulatory requirements and previous practical experience from ongoing and completed dismantling projects. Additionally, current developments are also incorporated into the cost calculations. They also include the cost of conditioning and packaging radioactive waste generated during dismantling operations and the transportation of such waste to third parties commissioned by the Federal government for intermediate storage. In addition, further cost estimates for the disposal of radioactive waste are based on contracts with foreign reprocessing companies and other disposal companies. Furthermore, they are based on plans by internal and external experts, in particular GNS Gesellschaft für Nuklear-Service mbH, (GNS) Essen.

In terms of their contractual definition, provisions for nuclear waste management break down as follows:

Provisions for nuclear waste management € million	31 Dec 2017	31 Dec 2016
Provisions for nuclear obligations, not yet contractually defined	4,453	4,046
Provisions for nuclear obligations, contractually defined	1,552	8,653
	6,005	**12,699**

The provision for obligations which are not yet contractually defined covers the costs of the remaining operational phase of the operating plants, the costs of dismantling as well as the residual material processing and waste treatment costs incurred in connection with waste produced as a result of shutdowns.

Provisions for contractually defined nuclear obligations relate to all obligations the value of which is specified in contracts under civil law. The obligations include the anticipated residual costs of reprocessing and returning the resulting radioactive waste. These costs stem from existing contracts with foreign reprocessing companies and with GNS. Moreover, these provisions also include the costs for transport and intermediate storage containers for and the loading of spent fuel assemblies within the framework of final direct storage. Furthermore, this item also includes the amounts for the professional packaging of radioactive operational waste as well as the in-house personnel costs incurred for the residual operation of plants which are permanently decommissioned. The previous year's figure also included the sum transferred to the fund.

Provisions for mining damage also consist almost entirely of non-current provisions. They are reported at the settlement amount discounted to the balance-sheet date. In addition to continuous recultivation of opencast mine sites until 2045, this is expected to cover a large part of the claims for site restoration of lignite opencast mining areas for the period 2030 to 2100. The cost estimates are to a great extent based on external expert opinions.

Due to the long-term nature of the obligations, both the escalation rate and the discount rate are determined as the average values for a longer period in the past. Since the development of inflation has an impact both on the fulfilment amounts and the level of interest rates, this approach results in a consistent real discount rate specific to the provisions, as the difference between the discount rate and the escalation rate. Due to developments in long-term interest rates on the capital markets, the discount rate was lowered from 4.4 % to 4.2 % in the 2017 reporting year. The escalation rate, which takes into consideration anticipated future increases in costs and prices, as well as a risk premium, declined to the same degree, from 3.1 % to 2.9 %. The real discount rate applied for mining purposes, which is the difference between the discount rate and the escalation rate, thus remained unchanged at 1.3 %. An increase (decline) in the real discount rate by 0.1 percentage point would reduce (increase) the present value of the provision by around €70 million.

Excluding the interest accretion, additions to provisions for mining damage amounted to €75 million (previous year: €154 million) in the reporting period. The reason for this was quantity-induced increases in the obligatory volume, of which €48 million (previous year: €108 million) was capitalised under 'Property, plant and equipment'. Releases of provisions in the amount of €111 million (previous year: €203 million) resulted in part from the fact that current estimates led to a reduction in the anticipated costs of restoration. The interest accretion increased provisions for mining damage by €109 million (previous year: €99 million).

Other provisions € million	Balance at 1 Jan 2017	Additions	Unused amounts released	Interest accretion	Changes in the scope of consoli-dation, currency adjust-ments, transfers	Amounts used	Balance at 31 Dec 2017
Staff-related obligations (excluding restructuring)	1,063	719	−24	−3	576	−764	1,567
Restructuring obligations	1,134	119	−39	1	−855	−43	317
Provisions for taxes	1,955	347	−76		8	−265	1,969
Purchase and sales obligations	1,508	591	−349	−4	6	−223	1,529
Provisions for dismantling wind farms	334	11	−29	49	−5		360
Other dismantling and retrofitting obligations	499	62	−22	33	114	−21	665
Environmental protection obligations	142	8	−4	1	1	−2	146
Interest payment obligations	432	14	−26			−11	409
Obligations to deliver CO_2 emission allowances/ certificates for renewable energies	1,627	1,814			−40	−1,801	1,600
Miscellaneous other provisions	2,344	685	−219	−22	−175	−537	2,076
	11,038	**4,370**	**−788**	**55**	**−370**	**−3,667**	**10,638**

Provisions for taxes primarily consist of income taxes.

Provisions for staff-related obligations mainly consist of provisions for pre-retirement part-time work arrangements, severance, outstanding vacation and service jubilees and performance-based pay components. Based on current estimates, we expect most of these to be used from 2018 to 2025.

Provisions for restructuring obligations pertain mainly to measures for socially acceptable payroll downsizing. We currently expect most of these to be used from 2018 to 2025. In so doing, sums earmarked for personnel measures are reclassified from provisions for restructuring obligations to provisions for staff-related obligations as soon as the underlying restructuring measure has been specified. This is the case if individual contracts governing socially acceptable payroll downsizing are signed by affected employees.

Provisions for purchase and sales obligations primarily relate to contingent losses from pending transactions.

From the current perspective, it is expected that the majority of the **provisions for the dismantling of wind farms** will be used from 2020 to 2037, and the **other dismantling and retrofitting obligations** are expected to be used from 2018 to 2060.

(24) Financial liabilities

Financial liabilities	31 Dec 2017		31 Dec 2016	
€ million	Non-current	Current	Non-current	Current
Bonds payable[1]	12,059	990	13,619	100
Commercial paper		456		532
Bank debt	1,333	261	1,434	236
Other financial liabilities				
Collateral for trading activities		389		569
Miscellaneous other financial liabilities	1,022	691	988	705
	14,414	**2,787**	**16,041**	**2,142**

1 Including hybrid bonds classified as debt as per IFRS.

€12,633 million of the non-current financial liabilities were interest-bearing liabilities (previous year: €14,859 million).

The legal transfer of RWE AG's liabilities arising from senior bonds to innogy SE was completed successfully at the end of February 2017. As a result, innogy SE replaced RWE AG as guarantor of the publicly placed bonds and as debtor of the privately placed bonds. Loans of €645 million and £350 million granted us by the European Investment Bank (EIB) were also transferred by RWE AG to innogy SE via a debtor exchange in the middle of July 2017.

At the earliest possible dates, RWE AG cancelled and redeemed a hybrid bond of CHF 250 million at the beginning of April 2017, of CHF 150 million at the end of July 2017, and of US$1,000 million in the middle of October 2017.

In October 2017, RWE AG bought back a nominal €585 million in hybrid bonds outstanding as part of a hybrid bond buyback programme. The partial repurchase was allocated as follows:

- €161 million to the bond with an earliest call date in 2020
- €268 million to the bond with an earliest call date in 2025
- US$183 million to the bond with an earliest call date in 2026

innogy issued its first senior bond on 5 April 2017. The bond has a volume of €750 million, a tenor of eight years, and a coupon of 1 %. innogy placed a further bond on 12 October 2017 – a green bond with a volume of €850 million, a tenor of ten years, and a coupon of 1.25 %. innogy SE redeemed a €100 million mature bond in November 2017.

The following overview shows the key data on the major bonds of the RWE Group as of 31 December 2017:

Bonds payable Issuer	Outstanding amount	Carrying amount € million	Coupon in %	Maturity
innogy Finance B.V.	€980 million	990	5.125	July 2018
innogy Finance B.V.	€1,000 million	999	6.625	January 2019
innogy Finance B.V.	€750 million	748	1.875	January 2020
innogy Finance B.V.	£570 million	643	6.5	April 2021
innogy Finance B.V.	€1,000 million	999	6.5	August 2021
innogy Finance B.V.	£500 million	561	5.5	July 2022
innogy Finance B.V.	£488 million	548	5.625	December 2023
innogy Finance B.V.	€800 million	800	3.0	January 2024
innogy Finance B.V.	€750 million	744	1.0	April 2025
innogy Finance B.V.	€850 million	839	1.25	October 2027
innogy Finance B.V.	£760 million	858	6.25	June 2030
innogy Finance B.V.	€600 million	596	5.75	February 2033
innogy SE	US$50 million	41	3.8	April 2033
innogy Finance B.V.	£600 million	673	4.75	January 2034
RWE AG/innogy SE	€489 million [1]	479	3.5	October 2037
innogy Finance B.V.	£1,000 million	1,111	6.125	July 2039
innogy SE	JPY20 billion	98	4.76 [2]	February 2040
innogy SE	€100 million	98	3.5	December 2042
innogy SE	€150 million	146	3.55	February 2043
RWE AG	€539 million [3]	536	2.75	April 2075
RWE AG	€282 million [3]	281	3.5	April 2075
RWE AG	US$317 million [3]	260	6.625	July 2075
Other	Various	1	Various	Various
Bonds payable [4]		**13,049**		

1 Of which, €21 million is allocated to RWE AG and €468 million to innogy SE.
2 After swap into euro.
3 Hybrid bonds classified as debt as per IFRS.
4 Including hybrid bonds classified as debt as per IFRS.

Other financial liabilities contain finance lease liabilities. Lease agreements principally relate to capital goods in the electricity business.

Liabilities arising from finance lease agreements have the following maturities:

Liabilities from finance lease agreements	Maturities of minimum lease payments					
	31 Dec 2017			31 Dec 2016		
€ million	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in the following year	11		11	15		15
Due after 1 to 5 years	41	1	40	37	1	36
Due after 5 years	197		197	201		201
	249	**1**	**248**	**253**	**1**	**252**

€85 million (previous year: €96 million) of the financial liabilities are secured by mortgages.

(25) Other liabilities

Other liabilities	31 Dec 2017		31 Dec 2016	
€ million	Non-current	Current	Non-current	Current
Tax liabilities		725		829
Social security liabilities	6	66	7	65
Restructuring liabilities				
Derivatives	975	3,282	765	4,938
Advances and contributions in aid of construction and building connection	1,168	168	1,187	159
Miscellaneous other liabilities	244	2,841	237	2,896
	2,393	**7,082**	**2,196**	**8,887**
of which: financial debt	1,033	5,337	816	7,143
of which: non-financial debt	1,360	1,745	1,380	1,744

The principal component of social security liabilities are the amounts payable to social security institutions.

Of the miscellaneous other liabilities, €1,451 million (previous year: €1,488 million) relate to financial debt in the form of current purchase price obligations from rights granted to tender non-controlling interests (put options).

Other information

(26) Earnings per share

Basic and diluted earnings per share are calculated by dividing the portion of net income attributable to RWE shareholders by the average number of shares outstanding; treasury shares are not taken into account in this calculation. The earnings per share are the same for both common and preferred shares.

Earnings per share		2017	2016
Net income for RWE AG shareholders	€ million	1,900	–5,710
Number of shares outstanding (weighted average)	thousands	614,745	614,745
Basic and diluted earnings per common and preferred share	€	3.09	–9.29
Dividend per common share	€	1.50[1]	
Dividend per preferred share	€	1.50[1]	0.13

1 Proposal for fiscal 2017.

(27) Reporting on financial instruments

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

The fair value of financial instruments 'Available for sale' which are reported under other financial assets and securities is the published exchange price, insofar as the financial instruments are traded on an active market. The fair value of non-quoted debt and equity instruments is determined on the basis of discounted expected payment flows, taking into consideration macro-economic developments and corporate business plan data. Current market interest rates corresponding to the remaining maturity or maturity are used for discounting.

Derivative financial instruments are recognised at their fair values as of the balance-sheet date, insofar as they fall under the scope of IAS 39. Exchange-traded products are measured using the published closing prices of the relevant exchange. Non-exchange traded products are measured on the basis of publicly available broker quotations or, if such quotations are not available, on generally accepted valuation methods. In doing so, we draw on prices on active markets as much as possible. If such are not available, company-specific planning estimates are used in the measurement process. These estimates encompass all of the market factors which other market participants would take into account in the course of price determination. Assumptions pertaining to the energy sector and economy are made within the scope of a comprehensive process 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, in accordance with IFRS 13.48.

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 2017	Level 1	Level 2	Level 3	Total 2016	Level 1	Level 2	Level 3
Other financial assets	1,109	80	208	821	1,055	64	202	789
Derivatives (assets)	4,263		4,230	33	6,494	2	6,455	37
of which: used for hedging purposes	1,456		1,456		2,175		2,175	
Securities	4,893	3,168	1,725		9,825	6,776	3,049	
Derivatives (liabilities)	4,257		4,253	4	5,703	8	5,685	10
of which: used for hedging purposes	643		643		1,240		1,240	

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

Level 3 financial instruments: Development in 2017 € million	Balance at 1 Jan 2017	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 31 Dec 2017
			Recognised in profit or loss	With a cash effect	
Other financial assets	789	−48	10	70	821
Derivatives (assets)	37	1	15	−20	33
Derivatives (liabilities)	10		4	−10	4

Level 3 financial instruments: Development in 2016 € million	Balance at 1 Jan 2016	Changes in the scope of consolidation, currency adjustments and other	Changes		Balance at 31 Dec 2016
			Recognised in profit or loss	With a cash effect	
Other financial assets	608	74	7	100	789
Derivatives (assets)	57		13	−33	37
Derivatives (liabilities)	21	2	28	−41	10

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 2017	Of which: attributable to financial instruments held at the balance-sheet date	Total 2016	Of which: attributable to financial instruments held at the balance-sheet date
Revenue	16	16	13	13
Cost of materials	−4	−4	−28	−28
Other operating income/expenses	15	15	20	20
Income from investments	−3	2	−13	−10
Financial income/finance costs	−3	−2		
	21	**27**	**−8**	**−5**

Level 3 derivative financial instruments essentially consist of energy purchase agreements, which relate to trading periods for which there are no active markets yet. The valuation of such depends on the development of gas prices in particular. All other things being equal, rising gas prices cause the fair values to increase, whereas declining gas prices cause them to drop. A change in pricing by +/−10 % would cause the market value to rise by €6 million or decline by €6 million.

The following impairments were recognised on financial assets which fall under the scope of IFRS 7 and are reported under the balance-sheet items stated below:

Impairments on financial assets € million	Other non-current financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2017	**127**	**233**	**469**	**11**	**840**
Additions	54	24	157		235
Transfers	9	−2	8	−2	13
Currency translation adjustments			−4		−4
Disposals	11	14	233	7	265
Balance at 31 Dec 2017	**179**	**241**	**397**	**2**	**819**

Impairments on financial assets € million	Other non-current financial assets	Financial receivables	Trade accounts receivable	Other receivables and other assets	Total
Balance at 1 Jan 2016	**133**	**279**	**627**	**11**	**1.050**
Additions	32	7	99		138
Transfers	−21	−36	−42		−99
Currency translation adjustments			−37		−37
Disposals	17	17	178		212
Balance at 31 Dec 2016	**127**	**233**	**469**	**11**	**840**

As of the cut-off date, there were unimpaired, past due receivables falling under the scope of IFRS 7 in the following amounts:

Receivables, past due	Gross	Receiva-	Receivables not impaired, past due by:				
€ million	amount as of 31 Dec 2017	bles, past due, impaired	less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	2,345	18					
Trade accounts receivable	5,808	474	343	40	33	25	138
Other receivables and other assets	4,509	3					4
	12,662	**495**	**343**	**40**	**33**	**25**	**142**

Receivables, past due	Gross	Receiva-	Receivables not impaired, past due by:				
€ million	amount as of 31 Dec 2016	bles, past due, impaired	less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	over 120 days
Financial receivables	2,108	14					28
Trade accounts receivable	5,467	638	283	51	29	27	125
Other receivables and other assets	6,801	8					2
	14,376	**660**	**283**	**51**	**29**	**27**	**155**

Financial assets and liabilities can be broken down into categories with the following carrying amounts:

Carrying amounts by category € million	31 Dec 2017	31 Dec 2016
Financial assets recognised at fair value through profit or loss	2,807	4,319
of which: held for trading	2,807	4,319
Financial assets available for sale	6,002	10,880
Loans and receivables	11,692	11,738
Financial liabilities recognised at fair value through profit or loss	3,614	4,463
of which: held for trading	3,614	4,463
Financial liabilities carried at (amortised) cost	19,754	22,448

The carrying amounts of financial assets and liabilities within the scope of IFRS 7 basically correspond to their fair values. The only deviations are for bonds, commercial paper, bank debt and other financial liabilities. The carrying amount of these is €17,201 million (previous year: €18,183 million), while the fair value amounts to €19,167 million (previous year: €20,541 million). Of this, €14,774 million (previous year: €15,251 million) is related to Level 1 and €4,393 million (previous year: €5,290 million) to Level 2 of the fair value hierarchy.

The following net results from financial instruments as per IFRS 7 were recognised on the income statement, depending on the category:

Net gain/loss by category € million	2017	2016
Financial assets and liabilities recognised at fair value through profit or loss	−591	−1,742
of which: held for trading	−591	−1,742
Financial assets available for sale	158	127
Loans and receivables	1,906	192
Financial liabilities carried at (amortised) cost	−619	−1,084

The net result as per IFRS 7 essentially includes interest, dividends and results from the measurement of financial instruments at fair value.

In fiscal 2017, changes of €74 million (previous year: €20 million) after taxes in the value of financial assets available for sale were recognised in accumulated other comprehensive income without an effect on income. Above and beyond this, €30 million in changes in the value of financial instruments available for sale which had originally been recognised without an effect on income was realised as income (previous year: expense of €58 million).

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

Netting of financial assets and financial liabilities as of 31 Dec 2017 € million	Gross amounts recognised	Amounts set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/pledged	
Derivatives (assets)	8,204	−7,419	785		−305	480
Derivate (liabilities)	8,291	−7,264	1,027	−118	−318	591

Netting of financial assets and financial liabilities as of 31 Dec 2016 € million	Gross amounts recognised	Amounts set off	Net amounts recognised	Related amounts not set off		Net total
				Financial instruments	Cash collateral received/ pledged	
Derivatives (assets)	8,359	−7,221	1,138		−520	618
Derivate (liabilities)	8,441	−7,695	746	−185	−181	380

The related amounts not set off include cash collateral received and pledged for over-the-counter transactions as well as collateral pledged in advance for exchange transactions.

As a utility enterprise with international operations, the RWE Group is exposed to market, credit and liquidity risks in its ordinary business activity. We limit these risks via systematic, groupwide risk management. The range of action, responsibilities and controls are defined in binding internal directives.

Market risks stem from changes in exchange rates and share prices as well as interest rates and commodity prices, which can have an influence on business results.

RWE AG manages its fully consolidated subsidiary innogy as a financial investment and exercise its control over innogy SE via the legal bodies of the Supervisory Board and its majority influence at the Annual General Meeting. One of the results of this is that RWE and innogy each have their own independent management of interest rate, currency, liquidity and credit risks. In accordance with this, the risk figures from these areas are reported for the respective parts of the Group.

Due to the RWE Group's international profile, currency management is a key issue. Sterling and US dollar are two important currencies for the RWE Group. In certain cases, fuels are traded in these two currencies. In addition, RWE does business in the UK currency area. The companies of the RWE Group are required to hedge their foreign currency risks via RWE AG or innogy SE, depending on which part of the Group they belong to. Only these two companies themselves may maintain open foreign currency positions, subject to predefined limits, or approve such limits for their Group companies.

Interest rate risks stem primarily from financial debt and the Group's interest-bearing investments. We hedge against negative changes in value caused by unexpected interest-rate movements using non-derivative and derivative financial instruments. The financial liabilities and interest-bearing bonds transferred to innogy SE within the scope of the realignment of RWE are managed exclusively by innogy SE.

Opportunities and risks from changes in the values of non-current securities are centrally controlled by a professional fund management system operated by RWE AG. This also includes fund management for the assets of the innogy subgroup.

The Group's other financial transactions are recorded using centralised risk management software, with RWE AG and innogy SE each monitoring their own transactions.

For commodity operations, risk management directives have been established by RWE AG's Controlling & Risk Management Department. These regulations stipulate that derivatives may be used to hedge price risks, optimise power plant schedules and increase margins. Furthermore, commodity derivatives may be traded, subject to limits. Compliance with limits is monitored daily. innogy does not hold derivatives for trading purposes.

Risks stemming from fluctuations in commodity prices and financial market risks (foreign currency risks, interest rate risks, securities risks) are monitored and managed by RWE using indicators such as Value at Risk (VaR), amongst other things. In addition, for the management of interest rate risk, a Cash Flow at Risk (CFaR) is determined. innogy exclusively manages financial risks using these key figures amongst others.

Using the VaR method, RWE and innogy determine and monitor the maximum expected loss arising from changes in market prices with a specific level of probability during specific periods. Historical price volatility is taken as a basis in the calculations. With the exception of the CFaR data, all VaR figures are based on a confidence interval of 95 % and a holding period of one day. For CFaR, a confidence interval of 95 % and a holding period of one year is taken as a basis.

In respect of interest rate risks, RWE and innogy distinguish between two risk categories: on the one hand, increases in interest rates can result in declines in the prices of securities from the holdings of RWE and innogy. This pertains primarily to fixed-rate instruments. A VaR is determined to quantify securities price risk. As of the balance-sheet date, it amounted to €2.7 million for RWE (previous year: €13.4 million) and €3.2 million for innogy (previous year: €5.0 million). On the other hand, financing costs also increase along with the level of interest rates. The sensitivity of interest expenses to increases in market interest rates is measured with CFaR. As of 31 December 2017 this amounted to €3.7 million for RWE (previous year: €0.7 million) and €10.8 million for innogy (previous year: €1.0 million). Unlike in the previous year, innogy's CFaR as of 31 December 2017 was calculated on the basis of the budgeted financing requirement instead of the former method, which was merely based on the assumption of the refinancing of maturing debt. Taking account of the new method, the figure for innogy as of 31 December 2016 would have been €6.1 million.

As of 31 December 2017, the VaR for foreign currency positions was less than €1 million for RWE (previous year: less than €1 million) and also less than €1 million for innogy (previous year: €1.1 million). This corresponds to the figure used internally, which also includes the underlying transactions for cash flow hedges.

As of 31 December 2017, the VaR for risks related to the RWE share portfolio amounted to €2.7 million for RWE (previous year: €1.4 million) and €3.0 million for innogy (previous year: €4.0 million).

As of 31 December 2017, VaR for the commodity positions of the trading business of RWE Supply & Trading amounted to €7.9 million (previous year: €9.4 million). This corresponds to the figure used for management purposes.

In the middle of 2017, we pooled responsibility for the management of our gas portfolio and our liquefied natural gas (LNG) business in a new organisational unit and established a VaR cap of €12 million. The VaR for the gas and LNG business of RWE Supply & Trading pooled in the year under review amounted to €2.2 million and corresponds to the key figure used for internal control.

Additionally, stress tests are carried out on a monthly basis in relation to the trading and pooled LNG and gas business of RWE Supply & Trading to model the impact of commodity price changes on the earnings conditions and take risk-mitigating measures if necessary. In these stress tests, market price curves are modified, and the commodity position is revalued on this basis. Historical scenarios of extreme prices and realistic, fictitious price scenarios are modelled. In the event that the stress tests exceed internal thresholds, these scenarios are then analysed in detail in relation to their impact and probability, and – if necessary – risk-mitigating measures are considered.

Commodity risks of the Group's power generation companies belonging to the Lignite & Nuclear and European Power segments are transferred on the basis of available market liquidity – in accordance with Group guidelines – at market prices to the Supply & Trading segment, where they are hedged. In accordance with the approach for long-term investments for example, it is not possible to manage commodity risks from long-term positions or positions which cannot be hedged due to their size and the prevailing market liquidity using the VaR concept. As a result, these positions are not included in the VaR figures. Above and beyond open production positions which have not yet been transferred, the Group companies belonging to the Lignite & Nuclear and European Power segments are not allowed to maintain significant risk positions, according to a Group guideline. Commodity price risks in the innogy segment can exist in relation to the renewable generation positions, in the gas storage business and in the retail business separate from fixed price products. As of 31 December 2017, the aggregated commodity price risk for 2018 in the innogy segment, which was calculated based on the as yet unhedged commodity risk positions of the divisions in the innogy segment, was €20 million.

One of our most important instruments to limit market risk is the conclusion of hedging transactions. The instruments most commonly used are forwards and options with foreign currency, interest rate swaps, interest rate currency swaps, and forwards, options, futures and swaps with commodities.

Maturities of derivatives related to interest rates, currencies, equities, indices and commodities for the purpose of hedging are based on the maturities of the underlying transactions and are thus primarily short term and medium term in nature. Hedges of the foreign currency risks of foreign investments have maturities of up to 21 years.

All derivative financial instruments are recognised as assets or liabilities and are measured at fair value. When interpreting their positive and negative fair values, it should be taken into account that, with the exception of trading in commodities, these financial instruments are generally matched with underlying transactions that carry offsetting risks.

Hedge accounting pursuant to IAS 39 is used primarily for mitigating currency risks from net investments in foreign entities with foreign functional currencies, risks related to foreign currency items and interest rate risks from non-current liabilities, as well as for price risks from sales and purchase transactions.

Fair value hedges are used to limit market price risks related to fixed-interest loans and liabilities. Fixed-interest instruments are transformed into variable-rate instruments, thereby hedging their fair value. Hedging instruments used are interest rate swaps and interest rate currency swaps. In the case of fair value hedges, both the derivative as well as the underlying hedged transaction (in relation to the hedged risk) are recorded at fair value with an effect on income. As of the reporting date, the fair value of instruments used as fair value hedges amounted to €10 million (previous year: €27 million).

In the year under review, a gain of €17 million (previous year: €15 million) was recognised from adjustment of the carrying amounts of the underlying transactions with hedged risk, while a loss of €17 million (previous year: €15 million) stemming from changes in the fair value of the hedges was recognised. Both of these are reported in the financial result.

Cash flow hedges are primarily used to hedge against foreign currency and price risks from future sales, investment and purchase transactions. Hedging instruments consist of forwards and options with foreign currency and interest rates, and forwards, futures and swaps with commodities. Changes in the fair value of the hedging instruments – insofar as they affect the effective portion – are recorded under other comprehensive income until the underlying transaction is realised. As a rule, the ineffective portion of changes in value is recognised in profit or loss. Upon realisation of the underlying transaction, the hedge's contribution to income from accumulated other comprehensive income is recognised on the income statement. As of the reporting date, the recognised fair value of instruments used as cash flow hedges amounted to €478 million (previous year: €622 million).

The future sales and purchase transactions hedged with cash flow hedges are expected to be realised in the following five years and recognised in profit or loss. The hedge of future capital expenditures concluded in a single case is expected to be realised in the following 29 years and recognised in profit or loss.

In the year under review, changes of €950 million after taxes in the fair values of instruments used for cash flow hedges (previous year: €504 million) were disclosed under accumulated other comprehensive income without an effect on income. These changes in value reflect the effective portion of the hedges.

Income of €0 million was recognised with an effect on income in relation to the ineffective portions of cash flow hedges (previous year: €11 million).

Above and beyond this, during the reporting period changes of €148 million after taxes in the value of cash flow hedges which had originally been recognised without an effect on income were realised as income (previous year: expense of €504 million).

The cost of non-financial assets increased by €208 million (previous year: €204 million), due to changes in the value of cash flow hedges reported in other comprehensive income and not recognised in profit or loss.

Hedges of net investment in a foreign operation are used to hedge the foreign currency risks of net investment in foreign entities whose functional currency is not the euro. We use bonds with various terms in the appropriate currencies, interest rate currency swaps, and other currency derivatives as hedging instruments. If there are changes in the exchange rates of currencies in which the bonds used for hedging are denominated or changes in the fair value of interest rate currency swaps, this is recorded under foreign currency translation adjustments in other comprehensive income. As of the reporting date, the fair value of the bonds amounted to €3,693 million (previous year: €1,546 million) and the fair value of the swaps and forwards (net asset position) amounted to €325 million (previous year: €279 million).

During the year under review, expense of €16 million (previous year: income of €21 million) was recognised on the income statement in relation to the ineffective portions of hedges of net investment in foreign operations.

Credit risks. In the fields of finance and commodities, RWE primarily has credit relationships with banks and other trading partners. innogy has such relationships primarily with banks and other business partners with good creditworthiness within the scope of large-scale projects such as the construction of wind farms.

RWE and innogy review counterparty default risks before contracts are concluded. Both companies mitigate counterparty risks by defining limits which are adjusted if necessary for reasons of creditworthiness. The credit risk is constantly monitored across all divisions. RWE and innogy initiate countermeasures if necessary.

RWE and innogy employ guarantees, cash collateral and other forms of security as well as credit insurance policies to protect against defaults.

The maximum balance-sheet default risk is derived from the carrying values of the receivables stated in the balance sheet. If default risks materialise, they are recognised through impairments. The default risks for derivatives correspond to their positive fair values. Risks can also stem from financial guarantees and loan commitments for external creditors. As of 31 December 2017, these obligations amounted to €161 million (previous year: €171 million). As of 31 December 2017, default risks were balanced against credit collateral, financial guarantees, bank guarantees and other collaterals amounting to €1.4 billion (previous year: €2.0 billion). Of this, €0 billion relates to financial receivables (previous year: €0 billion), €0.5 billion to trade receivables (previous year: €0.5 billion), €0.4 billion to derivatives used for hedging purposes (previous year: €0.5 billion) and €0.5 billion to other derivatives (previous year: €1.0 billion). There were no material defaults in fiscal 2017 or the previous year.

Liquidity risks. As a rule, RWE Group companies refinance with RWE AG or innogy SE, depending on which part of the Group they belong to. In this regard, there is a risk that liquidity reserves will prove to be insufficient to meet financial obligations in a timely manner. In 2018, bonds with a volume of approximately €1.0 billion (previous year: €1.4 billion) and liabilities owed to banks of €0.3 billion (previous year: €0.1 billion) are due. Short-term debt must additionally be repaid.

As of 31 December 2017, holdings of cash and cash equivalents and current marketable securities amounted to €8,826 million (previous year: €14,401 million).

Since the beginning of October 2017, innogy SE has had its own €2 billion syndicated credit line, which expires in October 2022. It may be prolonged twice by a year at a time. Furthermore, the credit line can be topped up by €1 billion. innogy SE cancelled its participation in RWE AG's existing €4 billion credit line by concluding the new credit line. When innogy SE exited RWE AG's credit line, it was reduced to €3 billion in October 2017. It expires in March 2021. As of the balance-sheet date, US$0.5 billion (previous year: US$0.5 billion) of RWE AG's US$5 billion commercial paper programme (previous year: US$5 billion) was used.

As of 31 December 2017, innogy SE had a commercial paper programme with a volume of €3 billion, but this programme has not yet been used. Above and beyond this, RWE and innogy can finance themselves using €10 billion and €20 billion debt issuance programmes, respectively; as of the balance-sheet date, outstanding bonds from this programme amounted to €0 billion at RWE and €12.1 billion at innogy SE (previous year: €10.7 billion in total at RWE AG and innogy SE). Accordingly, the medium-term liquidity risk can be classified as low for both RWE AG and innogy.

Financial liabilities falling under the scope of IFRS 7 are expected to result in the following (undiscounted) payments in the coming years:

Redemption and interest payments on financial liabilities € million	Carrying amount 31 Dec 2017	Redemption payments			Interest payments		
		2018	2019 to 2022	From 2023	2018	2019 to 2022	From 2023
Bonds payable[1]	13,049	990	4,495	7,677	666	1,912	3,189
Bank debt	1,594	262	810	522	35	84	3
Liabilities arising from finance lease agreements	248	11	41	197			
Other financial liabilities	1,464	712	92	684	12	28	434
Derivative financial liabilities	4,257	3,429	385	447	41	105	296
Collateral for trading activities	389	389					
Redemption liabilities from put options	1,451	1,451					
Miscellaneous other financial liabilities	5,601	5,525	30	74			

1 Including hybrid bonds classified as debt as per IFRS, taking into account the earliest possible call date.

Redemption and interest payments on financial liabilities € million	Carrying amount 31 Dec 2016	Redemption payments			Interest payments		
		2017	2018 to 2021	From 2022	2017	2018 to 2021	From 2022
Bonds payable[1]	13,719	1,421	5,972	6,360	774	2,313	3,656
Bank debt	1,670	129	819	723	35	108	21
Liabilities arising from finance lease agreements	252	15	37	201			
Other financial liabilities	1,441	630	86	746	12	30	445
Derivative financial liabilities	5,703	4,953	333	417	50	145	340
Collateral for trading activities	569	569					
Redemption liabilities from put options	1,488	1,488					
Miscellaneous other financial liabilities	6,064	6,007	40	36			

1 Including hybrid bonds classified as debt as per IFRS, taking into account the earliest possible call date.

Above and beyond this, as of 31 December 2017, there were financial guarantees for external creditors in the amount of €90 million (previous year: €104 million), which are to be allocated to the first year of repayment. Additionally, Group companies have provided loan commitments to third-party companies amounting to €71 million (previous year: €67 million), which is callable in 2018.

Detailed information on the risks of the RWE Group and on the objectives and procedures of the risk management is presented on page 74 et seqq. in the review of operations.

(28) Contingent liabilities and financial commitments

As of 31 December 2017, the amount of capital commitments totalled €489 million (previous year: €384 million). This mainly consisted of investment in property, plant and equipment. There were also unrecognised obligations to provide loans or other financial means to joint ventures, which amounted to €10 million (previous year: €26 million).

Commitments from operating leases refer largely to rental arrangements for power generation and supply plants as well as rent and lease contracts for storage and administration buildings. Minimum lease payments have the following maturity structure:

Operating leases	Nominal value	
€ million	31 Dec 2017	31 Dec 2016
Due within 1 year	265	243
Due after 1 to 5 years	685	665
Due after 5 years	1,261	1,142
	2,211	**2,050**

We have made long-term contractual purchase commitments for supplies of fuels, including natural gas in particular. Payment obligations stemming from the major long-term purchase contracts amounted to €26.2 billion as of 31 December 2017 (previous year: €26.0 billion), of which €1.3 billion is due within one year (previous year: €1.7 billion).

Gas purchases by the RWE Group are partially based on long-term take-or-pay contracts. The conditions in these contracts, which have terms up to 2036 in some cases, are renegotiated by the contractual partners at certain intervals, which may result in changes in the reported payment obligations. Calculation of the payment obligations resulting from the purchase contracts is based on parameters from the internal planning.

Furthermore, RWE has long-term financial commitments for purchases of electricity. As of 31 December 2017, the minimum payment obligations stemming from the major purchase contracts totalled €7.1 billion (previous year: €7.4 billion), of which €0.6 billion is due within one year (previous year: €0.4 billion). Above and beyond this, there are also long-term purchase and service contracts for uranium, conversion, enrichment and fabrication.

We bear legal and contractual liability from our membership in various associations which exist in connection with power plant projects, profit- and loss-pooling agreements and for the provision of liability cover for nuclear risks, amongst others.

On the basis of a mutual benefit agreement, RWE AG and other parent companies of German nuclear power plant operators undertook to provide approximately €2,244 million in funding to liable nuclear power plant operators to ensure that they are able to meet their payment obligations in the event of nuclear damages. From 1 January 2018, onwards, RWE AG has a 21.347 % contractual share in the liability, plus 5 % for damage settlement costs.

RWE AG and its subsidiaries are involved in official, regulatory and anti-trust proceedings, litigation and arbitration proceedings related to their operations and are affected by the results of such. In some cases, out-of-court claims are also filed. However, RWE does not expect any material negative repercussions from these proceedings on the RWE Group's economic or financial position.

(29) Segment reporting

RWE is divided into four (previous year: three) segments, which are separated from each other based on functional criteria.

With effect from 1 January 2017, the former Conventional Power Generation segment was divided into the two new Lignite & Nuclear and European Power segments. In order to ensure the comparability of the figures for fiscal 2017 with those of the previous years, we have adjusted the latter to reflect the new structure. Furthermore, we have renamed the Trading/Gas Midstream segment Supply & Trading. This is purely a name change and has not changed the nature of the business conducted in the segment.

German electricity generation from lignite and nuclear fuel is subsumed in the Lignite & Nuclear segment. This includes the Rhenish opencast lignite mining operations.

The European Power segment encompasses the German, British, Dutch/Belgian and Turkish power generation business via gas and hard coal-fired power stations, the Scottish biomass-fired power plant Markinch, and the project management and engineering specialist RWE Technology International. The segment is supplemented by several hydroelectric power stations in Germany and Luxembourg.

The Supply & Trading segment contains energy and commodities trading, the marketing and hedging of the RWE Group's electricity position and the gas midstream business. This segment is the responsibility of RWE Supply & Trading, which also supplies certain major industrial and commercial customers with electricity and natural gas.

The innogy segment essentially covers business in renewables, grids and supply. Along with electricity generation, activities in the field of renewables include the development and implementation of projects to expand capacities. Wind and hydroelectric power are the two dominant production technologies. The main production sites are located in Germany, the United Kingdom, the Netherlands, Poland, Spain and Italy. The second main area of innogy's business is the operation of distribution networks in Germany, the Czech Republic, and in Slovakia, Hungary and Poland. The third pillar of innogy's business is the supply of electricity, gas and energy solutions in Germany, the Netherlands, Belgium, the United Kingdom, the Czech Republic, Slovakia, Hungary, Poland and a few other Central Eastern European countries. The innogy segment also includes holding activities, internal service providers and consolidation effects of innogy SE.

'Other, consolidation' covers consolidation effects, RWE AG and the activities of other business areas which are not presented separately. These activities primarily include our non-controlling interest in the German transmission system operator Amprion.

Segment reporting Divisions 2017 € million	Lignite & Nuclear	European Power	Supply & Trading	innogy	Other, consolidation	RWE Group
External revenue (incl. natural gas tax/electricity tax)	**1,176**	**728**	**3,189**	**39,475**	**17**	**44,585**
Intra-group revenue	2,993	4,165	13,634	2,591	–23,383[1]	
Total revenue	4,169	4,893[2]	16,823	42,066	–23,366	44,585
Adjusted EBIT	399	155	265	2,816	11	3,646
Operating income from investments	63	10	–16	289	34	380
Operating income from investments accounted for using the equity method	63	–2		197	44	302
Operating depreciation, amortisation and impairment losses	272	308	6	1,515	9	2,110
Impairment losses	311	41	16	540	17	925
Adjusted EBITDA	**671**	**463**	**271**	**4,331**	**20**	**5,756**
Carrying amount of investments accounted for using the equity method	64	105	3	2,214	460	2,846
Capital expenditure on intangible assets, property, plant and equipment and investment property	269	147	7	1,839	–2	2,260

1 Of which: consolidation of intra-group revenue –€23.383 million and intra-group revenue of other companies €0 million.
2 Of which: total revenue from power generation in the United Kingdom of €2.166 million.

Regions 2017	EU			Rest of Europe	Other	RWE Group
€ million	Germany	UK	Other EU			
External revenue[1,2]	26,288	7,419	7,902	311	514	42,434
Intangible assets, property, plant and equipment and investment property	18,660	6,930	11,418		322	37,330

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

Segment reporting Divisions 2016 € million	Lignite & Nuclear	European Power	Supply & Trading	innogy	Other, consolidation	RWE Group
External revenue (incl. natural gas tax/electricity tax)	**1,193**	**774**	**3,646**	**40,149**	**71**	**45,833**
Intra-group revenue	3,489	4,732	15,734	1,811	–25,766[1]	
Total revenue	4,682	5,506[2]	19,380	41,960	–25,695	45,833
Adjusted EBIT	664	–37	–145	2,735	–135	3,082
Operating income from investments	67	13	–22	368	38	464
Operating income from investments accounted for using the equity method	66	8		276	37	387
Operating depreciation, amortisation and impairment losses	415	414	6	1,468	18	2,321
Impairment losses	2,780	1,288	17	327	3	4,415
Adjusted EBITDA	**1,079**	**377**	**–139**	**4,203**	**–117**	**5,403**
Carrying amount of investments accounted for using the equity method	60	130	3	2,256	459	2,908
Capital expenditure on intangible assets, property, plant and equipment and investment property	267	66	4	1,679	11	2,027

1 Of which: consolidation of intra-group revenue –€27,982 million and intra-group revenue of other companies €2,216 million.
2 Of which: total revenue from power generation in the United Kingdom of €2.820 million.

Regions 2016 € million	EU			Rest of Europe	Other	RWE Group
	Germany	UK	Other EU			
External revenue[1,2]	24,990	9,196	8,437	589	378	43,590
Intangible assets, property, plant and equipment and investment property	17,928	7,573	11,454		312	37,267

1 Excluding natural gas tax/electricity tax.
2 Broken down by the region in which the service was provided.

Products € million	RWE Group	
	2017	2016
External revenue[1]	42,434	43,590
of which: electricity	30,568	31,420
of which: gas	8,971	9,208

1 Excluding natural gas tax/electricity tax.

Notes on segment data. We report revenue between the segments as RWE intra-group revenue. Internal supply of goods and services is settled at arm's length conditions. Adjusted EBITDA is used for internal management. The following table presents the reconciliation of adjusted EBITDA to adjusted EBIT and income before tax:

Reconciliation of income items € million	2017	2016
Adjusted EBITDA	**5,756**	**5,403**
– Operating depreciation, amortisation and impairment losses	−2,110	−2,321
Adjusted EBIT	**3,646**	**3,082**
+ Non-operating result	161	−6,661
+ Financial result	−751	−2,228
Income before tax	**3,056**	**−5,807**

Income and expenses that are unusual from an economic perspective, or stem from exceptional events, prejudice the assessment of operating activities. They are reclassified to the non-operating result. Amongst other things, these can include book gains or losses from the disposal of investments or non-current assets not required for operations, impairment of the goodwill of fully consolidated companies, as well as effects of the fair valuation of certain derivatives.

Non-operating result € million	2017	2016
Capital gains/losses	118	94
Impact of derivatives on earnings	−719	−799
Goodwill amortisation	−479	
Other	1,241	−5,956
Non-operating result	**161**	**−6,661**

More detailed information is presented on page 47.

(30) Notes to the cash flow statement

The cash flow statement classifies cash flows according to operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to the amount stated in the balance sheet. Cash and cash equivalents consist of cash on hand, demand deposits and fixed-interest marketable securities with a maturity of three months or less from the date of acquisition.

Among other things, cash flows from operating activities include:

- cash flows from interest income of €188 million (previous year: €295 million) and cash flows used for interest expenses of €950 million (previous year: €904 million)
- €908 million (previous year: €627 million) in taxes on income paid (less refunds)
- income from investments, corrected for items without an effect on cash flows, in particular from accounting using the equity method, amounted to €349 million (previous year: €333 million)

Flows of funds from the acquisition and sale of consolidated companies are included in cash flows from investing activities. Effects of foreign exchange rate changes and other changes in value are stated separately.

Cash flows from financing activities include €5 million (previous year: €5 million) which was distributed to RWE shareholders, €538 million (previous year: €335 million) which was distributed to non-controlling shareholders, and €60 million (previous year: €67 million) which was distributed to hybrid capital investors. Furthermore, cash flows from financing activities include purchases of €19 million (previous year: €2 million) and sales in the amount of €0 million (previous year: €2,591 million) of shares in subsidiaries and other business units which did not lead to a change of control.

Changes in liabilities from financing activities are presented in the following table:

Statement of changes in financial liabilities € million	1 Jan 2017	Inrease/repayment according to the cash flow statement	Changes in the scope of consolidation	Currency effects	Changes in fair values	Other changes	31 Dec 2017
Current financial liabilities	2,142	−209	−39	175	−144	862	2,787
Non-current financial liabilities	16,041	−322	−13	−377		−915	14, 414
Other items		−338					

The amount stated in the 'Other items' line item contains cash-effective changes resulting from derivative financial instruments and margin payments, which are recognised in cash flows from financing activities in the cash flow statement.

Restrictions on the disposal of cash and cash equivalents amounted to €38 million (previous year: €19 million).

(31) Information on concessions

In the fields of electricity, gas and water supply, there are a number of easement agreements and concession contracts between RWE Group companies and the governmental authorities in the areas we supply.

Easement agreements are used in the electricity and gas business to regulate the use of public rights of way for laying and operating lines for public energy supply. These agreements are generally limited to a term of 20 years. After expiry, there is a legal obligation to transfer ownership of the local distribution facilities to the new operator, for appropriate compensation.

Water concession agreements contain rules for the right and obligation to provide water and wastewater services, operate the associated infrastructure, such as water utility plants, as well as to implement capital expenditure. Concessions in the water business generally have terms of up to 25 years.

(32) Related party disclosures

Within the framework of their ordinary business activities, RWE AG and its subsidiaries have business relationships with numerous companies. These include associated companies and joint ventures, which are classified as related parties. In particular, this category includes material investments of the RWE Group which are accounted for using the equity method.

Business transactions were concluded with major associates and joint ventures, resulting in the following items in RWE's consolidated financial statements:

Key items from transactions with associates and joint ventures € million	Associated companies		Joint ventures	
	2017	2016	2017	2016
Income	3,553	3,661	90	86
Expenses	2,992	3,001	74	148
Receivables	247	329	145	182
Liabilities	168	147	8	3

The key items from transactions with associates and joint ventures mainly stem from supply and service transactions. In addition to supply and service transactions, there are also financial links with joint ventures. During the reporting period, income of €7 million (previous year: €4 million) was recorded from interest-bearing loans to joint ventures. As of the balance-sheet date, financial receivables accounted for €142 million of the receivables from joint ventures (previous year: €177 million). All transactions were completed at arm's length conditions, i.e. on principle the conditions of these transactions did not differ from those with other enterprises. €285 million of the receivables (previous year: €371 million) and €139 million of the liabilities (previous year: €107 million) fall due within one year. Other obligations from executory contracts amounted to €1,426 million (previous year: €1,203 million).

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

With regard to fiscal 2017, in addition to the members of the Executive Board and Supervisory Board of RWE AG, the Executive Board members and Supervisory Board members of innogy SE are deemed to be key management personnel for the RWE Group. The following information pertains to total compensation pursuant to IAS 24.

Key management personnel (Executive and Supervisory Board members) received €22,121,000 in short-term compensation components for fiscal 2017 (previous year: €13,832,000). Additionally, share-based payments within the framework of LTIP SPP amounted to €3,183,000 (previous year: €1,131,000) and their pension service costs amounted to €538,000 (previous year: €229,000). Provisions totalling €32,624,000 (previous year: €23,775,000) were formed for obligations vis-à-vis key management personnel.

The compensation model and compensation of the Executive and Supervisory Boards of RWE AG calculated pursuant to the German Commercial Code is presented in the compensation report, which is included in the review of operations.

In total, the compensation of the Executive Board amounted to €7,274,000 (previous year: €15,486,000). This contains share-based payments amounting to €2,567,000 (192,556 RWE and 10,264 innogy performance shares) granted within the framework of the LTIP SPP. In the previous year, share-based payments amounting to €2,987,000 (73,702 RWE and 53,107 innogy performance shares) were granted.

Including compensation from subsidiaries for the exercise of mandates, the Supervisory Board received total compensation of €3,637,000 (previous year: €3,228,000) in fiscal 2017. The employee representatives on the Supervisory Board have labour contracts with the respective Group companies. Remuneration occurs in accordance with the relevant contractual conditions.

During the period under review, no loans or advances were granted to members of the Executive or Supervisory Boards.

Former members of the Executive Board and their surviving dependants received €10,699,000 (previous year: €11,653,000), of which €918,000 came from subsidiaries (previous year: €1,305,000). As of the balance-sheet date, €146,430,000 (previous year: €159,950,000) were accrued for defined benefit obligations to former members of the Executive Board and their surviving dependants. Of this, €8,601,000 was set aside at subsidiaries (previous year: €14,808,000).

Information on the members of the Executive and Supervisory Boards is presented on page 185 et seqq. of the Notes.

(33) Auditor's fees

The fees for audit services primarily contain the fees for the audit of the consolidated financial statements and for the audit of the financial statements of RWE AG and its subsidiaries, along with the review of the interim statements. In the previous year, fees for the review of the combined financial statements prepared for the IPO of innogy SE are also included here. Other assurance services include fees for review of the internal controlling system, as well as expenses related to statutory or court-ordered requirements. In particular, the fees for tax services include compensation for consultation in the preparation of tax returns and other national and international tax-related matters as well as review of resolutions of the tax authorities. Other services primarily include compensation for IT project consulting. The higher fees in the previous year were mainly related to the IPO of innogy SE. An expense of €5 million was recognised for this.

RWE recognised the following fees as expenses for the services rendered by the auditors of the consolidated financial statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) and companies belonging to PwC's international network:

PwC network fees	2017		2016	
€ million	Total	Of which: Germany	Total	Of which: Germany
Audit services	17.5	10.9	19.5	12.4
Other assurance services	3.4	3.2	5.0	4.6
Tax services	0.3	0.3	0.4	0.3
Other services	3.2	0.8	2.6	2.6
	24.4	**15.2**	**27.5**	**19.9**

(34) Application of Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code

In fiscal 2017, the following German subsidiaries made partial use of the exemption clause included in Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code (HGB):

- BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen
- GBV Dreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen
- Kernkraftwerk Lingen Gesellschaft mit beschränkter Haftung, Lingen (Ems)
- KMG Kernbrennstoff-Management Gesellschaft mit beschränkter Haftung, Essen
- Rheinbraun Brennstoff GmbH, Cologne
- Rheinische Baustoffwerke GmbH, Bergheim
- RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne
- RWE Downstream Beteiligungs GmbH, Essen
- RWE Rheinhessen Beteiligungs GmbH, Essen
- RWE Technology International GmbH, Essen
- RWE Trading Services GmbH, Essen

(35) Events after the balance-sheet date

In the period from 1 January 2018 until the completion of the consolidated financial statements on 26 February 2018, the following significant events occurred:

Placement of an innogy bond

On 24 January 2018, innogy placed a bond with a volume of €1 billion and a tenor of 11.5 years. The bond was issued by innogy Finance B.V. and backed by innogy SE. Based on a coupon of 1.5% and an issue rate of 98.785%, the annual yield amounts to 1.617%.

Acquisition of Regionetz GmbH

In early January 2018, based on a contractual agreement innogy obtained control over the 'Grids' division of Stadtwerke Aachen AG (STAWAG) and will include this in its consolidated financial statements from the first quarter of 2018 onwards.

Additionally, an agreement was reached to fold regionetz GmbH, a 100 % shareholding of innogy and thus a fully consolidated company of the RWE Group, into Regionetz GmbH, Aachen (‘INFRAWEST GmbH’ prior to renaming), with retroactive commercial effective to 1 January 2018. As consideration for granting a majority share in regionetz GmbH, innogy will obtain a minority interest of the shares in Regionetz GmbH, 100 % of which were previously held by STAWAG. According to the contractual agreement, innogy will have a controlling position in accordance with IFRS 10 and will thus fully consolidate Regionetz GmbH, in which it will hold a capital share of less than 50 %.

The company will essentially operate electricity, gas, heat and water distribution networks for the City of Aachen, Greater Aachen and parts of the Districts of Heinsberg and Düren. Its assets and liabilities will comprise the operation of the merging regionetz GmbH as a contribution by innogy and the ‘Grids’ division that is to be carved out of STAWAG and has been contractually controlled by innogy since the beginning of 2018 as a contribution by STAWAG.

In the RWE Group, this merger, which is to occur in several steps, will be reported as the acquisition of the former STAWAG ‘Grids’ division at the start of 2018. The accounting treatment of the assets and liabilities of the merging regionetz GmbH in the RWE Group is not affected by the transaction.

The assets and liabilities of the acquired company (former STAWAG ‘Grids’ division) will be recognised at fair value in RWE’s consolidated financial statements. After completion of the transaction, non-controlling interests will be reported within equity, in the amount of the capital share in Regionetz GmbH allocable to STAWAG. As part of this combination, an equity capital transaction thus occurs, within the framework of which a third party also obtains – via its capital share in the merged company – a corresponding share in the operations of the former regionetz GmbH, which was previously fully controlled by innogy and has now been folded into the merged company.

The portion of the enterprise value of the former regionetz GmbH corresponding to STAWAG’s prorated capital share in the future Regionetz GmbH is taken as the basis for the cost of the company acquired by innogy. Any positive difference between this amount and the RWE Group’s share of net assets in the former STAWAG ‘Grids’ division is recognised as goodwill; any negative difference would be reported as income.

The effects of the initial recognition of the business combination have not yet been determined definitively due to the complex structure of the transaction.

When the consolidated financial statements of the RWE Group were prepared, the assets and liabilities assumed as part of the merger of INFRAWEST GmbH had not yet been determined definitively. Consequently, it is not possible to present the information on the fair values of the assets assumed, including assumed receivables and liabilities, or the information on the factors which may comprise goodwill, or any necessary information on an acquisition at a price below market value.

(36) Declaration according to Sec. 161 of the German Stock Corporation Act

The declarations on the German Corporate Governance Code prescribed by Sec. 161 of the German Stock Corporation Act (AktG) have been submitted for RWE AG and innogy SE and have been made permanently and publicly available to shareholders on the Internet pages of RWE AG[1] and innogy SE[2].

Essen, 26 February 2018

The Executive Board

Schmitz Krebber

1 www.rwe.com/statement-of-compliance-2017
2 www.innogy.com/statement-of-compliance-2017

3.7 LIST OF SHAREHOLDINGS (PART OF THE NOTES)

List of shareholdings as per Sec. 285 No. 11 and No. 11a and Sec. 313 Para. 2 (in relation to Sec. 315 e I) of HGB as of 31 December 2017

I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Aktivabedrijf Wind Nederland B.V., Zwolle/Netherlands		100	181,751	−30,270
An Suidhe Wind Farm Limited, Swindon/United Kingdom		100	21,271	−171
Andromeda Wind S.r.l., Bolzano/Italy		51	7,593	2,078
Artelis S.A., Luxembourg/Luxembourg		90	39,002	2,928
A/V/E GmbH, Halle (Saale)		76	3,358	1,289
Bayerische Bergbahnen-Beteiligungs-Gesellschaft mbH, Gundremmingen		100	26,445	1,014
Bayerische Elektrizitätswerke GmbH, Augsburg		100	24,728	[1]
Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH, Gundremmingen		62	62,953	8,288
Belectric Solar & Battery - Group - (pre-consolidated)			62,802	−10,722[2]
Belectric France S.à.r.l., Vendres/France		100		
Belectric GmbH, Kolitzheim		100		
Belectric Israel Ltd., Be'er Scheva/Israel		100		
Belectric Italia S.R.L., Latina/Italy		100		
Belectric Photovoltaic India Private Limited, Mumbai/India		100		
Belectric PV Dach GmbH, Kolitzheim		100		
Belectric Solar & Battery GmbH, Kolitzheim		100		
Belectric Solar Ltd., Iver/United Kingdom		100		
hoch.rein Beteiligungen GmbH, Kolitzheim		100		
Jurchen Technology GmbH, Helmstadt		100		
Jurchen Technology India Private Limited, Mumbai/India		100		
ka-tek GmbH, Kolitzheim		100		
Padcon GmbH, Kitzingen		100		
Solar Holding Poland GmbH, Kolitzheim		100		
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen	100	100	4,317,938	[1]
Bilbster Wind Farm Limited, Swindon/United Kingdom		100	3,006	14
Bristol Channel Zone Limited, Swindon/United Kingdom		100	−2,087	−101
BTB-Blockheizkraftwerks, Träger- und Betreibergesellschaft mbH Berlin, Berlin		100	19,783	[1]
Budapesti Elektromos Muvek Nyrt., Budapest/Hungary		55	663,195	56,796
Carl Scholl GmbH, Cologne		100	638	28
Carnedd Wen Wind Farm Limited, Swindon/United Kingdom		100	−3,475	−115
Cegecom S.A., Luxembourg/Luxembourg		100	11,071	1,171
Channel Energy Limited, Swindon/United Kingdom		100	−17,207	−789
CR-Immobilien-Vermietungsgesellschaft mbH & Co. KG Cottbus, Cottbus		[8]	−1,134	454
Dromadda Beg Wind Farm Limited, Tralee/Ireland		100	3,005	−156
EGG Holding B.V. - Group - (pre-consolidated)			23,121	1,042[2]
Bakker CV Installatietechniek B.V., Zwaagdijk/Netherlands		100		
EGG Holding B.V., Meppel/Netherlands		100		
Energiewacht Facilities B.V., Zwolle/Netherlands		100		
Energiewacht Steenwijk B.V., Zwolle/Netherlands		100		
Energiewacht VKI B.V., Dalfsen/Netherlands		100		
Energiewacht-A.G.A.S.-Deventer B.V., Deventer/Netherlands		100		
Energiewacht-Gazo B.V., Zwolle/Netherlands		100		

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9 Immaterial.
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I. Affiliated companies which are included in the consolidated financial statements	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
GasWacht Friesland B.V., Gorredijk/Netherlands		100		
GasWacht Friesland Facilities B.V., Leeuwarden/Netherlands		100		
N.V. Energiewacht-Groep, Zwolle/Netherlands		100		
Sebukro B.V., Amersfoort/Netherlands		100		
ELE Verteilnetz GmbH, Gelsenkirchen		100	883	[1]
Electra Insurance Limited, Hamilton/Bermuda		100	31,327	1,045
Elektrizitätswerk Landsberg GmbH, Landsberg am Lech		100	1,447	432
ELMU DSO Holding Korlátolt Felelosségu Társaság, Budapest/Hungary		100	714,231	−6
ELMU Halozati Eloszto Kft., Budapest/Hungary		100	768,337	33,850
ELMU-ÉMÁSZ Energiakereskedo Kft., Budapest/Hungary		100	6,888	5,456
ELMU-ÉMÁSZ Energiaszolgáltató Zrt., Budapest/Hungary		100	6,076	85
ELMU-ÉMÁSZ Halozati Szolgáltató Kft., Budapest/Hungary		100	102	0
ELMU-ÉMÁSZ Ügyfélszolgálati Kft., Budapest/Hungary		100	739	731
ÉMÁSZ DSO Holding Korlátolt Felelosségu Társaság, Miskolc/Hungary		100	272,100	−6
ÉMÁSZ Halozati Kft., Miskolc/Hungary		100	281,341	9,270
Emscher Lippe Energie GmbH, Gelsenkirchen		50	56,917	36,492
Energiedirect B.V., Waalre/Netherlands		100	−52,980	−1,100
Energienetze Berlin GmbH, Berlin		100	25	[1]
Energies France S.A.S. - Group - (pre-consolidated)			31,131	−162[2]
Centrale Hydroelectrique d'Oussiat S.A.S., Paris/France		100		
Energies Charentus S.A.S., Paris/France		100		
Energies France S.A.S., Paris/France		100		
Energies Maintenance S.A.S., Paris/France		100		
Energies Saint Remy S.A.S., Paris/France		100		
Energies VAR 1 S.A.S., Paris/France		100		
Energies VAR 3 S.A.S., Paris/France		100		
SAS Île de France S.A.S., Paris/France		100		
Energiewacht N.V. - Group - (pre-consolidated)			39,434	2,982[2]
EGD-Energiewacht Facilities B.V., Assen/Netherlands		100		
Energiewacht installatie B.V., Assen/Netherlands		100		
Energiewacht N.V., Veendam/Netherlands		100		
Energiewacht West Nederland B.V., Assen/Netherlands		100		
energis GmbH, Saarbrücken		72	136,964	22,750
energis-Netzgesellschaft mbH, Saarbrücken		100	27,002	[1]
Energy Resources B.V., 's-Hertogenbosch/Netherlands		100	140,154	2,529
Energy Resources Holding B.V., 's-Hertogenbosch/Netherlands		100	44,326	53,963
Energy Resources Ventures B.V., 's-Hertogenbosch/Netherlands		100	24,421	236
envia Mitteldeutsche Energie AG, Chemnitz		59	1,709,000	203,052
envia SERVICE GmbH, Cottbus		100	3,316	1,362
envia TEL GmbH, Markkleeberg		100	18,998	3,004
envia THERM GmbH, Bitterfeld-Wolfen		100	63,463	[1]
enviaM Beteiligungsgesellschaft Chemnitz GmbH, Chemnitz		100	56,366	[1]
enviaM Beteiligungsgesellschaft mbH, Essen		100	175,723	31,707

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	Direct	Total	€ '000	€ '000
eprimo GmbH, Neu-Isenburg		100	4,600	1
Essent Belgium N.V., Antwerp/Belgium		100	94,680	6,633
Essent CNG Cleandrive B.V., 's-Hertogenbosch/Netherlands		100	−12	−12
Essent Energie Verkoop Nederland B.V., 's-Hertogenbosch/Netherlands		100	102,820	−25,400
Essent EnergieBewust Holding B.V., 's-Hertogenbosch/Netherlands		100	−4	−4
Essent Energy Group B.V., Arnhem/Netherlands		100	−534	−106
Essent IT B.V., Arnhem/Netherlands		100	−266,782	−3,357
Essent Nederland B.V., Arnhem/Netherlands		100	715,800	−3,986,800
Essent N.V., 's-Hertogenbosch/Netherlands		100	7,737,300	87,300
Essent Power B.V., Arnhem/Netherlands		100	18	43,772
Essent Retail Energie B.V., 's-Hertogenbosch/Netherlands		100	691,420	144,800
Essent Sales Portfolio Management B.V., 's-Hertogenbosch/Netherlands		100	272,828	700,384
Essent Wind Nordsee Ost Planungs- und Betriebsgesellschaft mbH, Helgoland		100	256	1
Eszak-magyarorszagi Aramszolgáltató Nyrt., Miskolc/Hungary		54	299,368	15,517
EuroSkyPark GmbH, Saarbrücken		51	558	282
EVIP GmbH, Bitterfeld-Wolfen		100	11,347	1
EWV Energie- und Wasser-Versorgung GmbH, Stolberg		54	49,347	13,570
FAMIS Gesellschaft für Facility Management und Industrieservice mbH, Saarbrücken		100	4,180	1,326
Fri-El Anzi Holding S.r.l., Bolzano/Italy		51	7,310	−31
Fri-El Anzi S.r.l., Bolzano/Italy		100	6,631	1,472
Fri-El Guardionara Holding S.r.l., Bolzano/Italy		51	10,721	1,379
Fri-El Guardionara S.r.l., Bolzano/Italy		100	10,304	2,502
GasNet, s.r.o., Ústí nad Labem/Czech Republic		100	901,564	177,959
GBV Dreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	25	1
Geas Energiewacht B.V., Enschede/Netherlands		100	13,889	1,633
Gemeinschaftskraftwerk Bergkamen A beschränkt haftende OHG, Bergkamen		51	6,277	594
Georgia Biomass Holding LLC, Savannah/USA		100	56,342	1,055
Georgia Biomass LLC, Savannah/USA		100	38,248	17,163
GfV Gesellschaft für Vermögensverwaltung mbH, Dortmund	100	100	103,680	92,908
Great Yarmouth Power Limited, Swindon/United Kingdom		100	0	0
Green Gecco GmbH & Co. KG, Essen		51	96,827	5,001
GridServices, s.r.o., Brno/Czech Republic		100	35,261	30,234
GWG Grevenbroich GmbH, Grevenbroich		60	23,648	4,250
Harryburn Wind Farm Limited, Swindon/United Kingdom		100	−1,426	−1,445
Hof Promotion B.V., Eindhoven/Netherlands		100	−66	−135
Immobilien-Vermietungsgesellschaft Schumacher GmbH & Co. Objekt Kundenzentren KG, Düsseldorf		8	−115	949
innogy Aqua GmbH, Mülheim an der Ruhr		100	233,106	1
innogy Benelux Holding B.V., 's-Hertogenbosch/Netherlands		100	2,990,200	2,269,100
innogy Bergheim Windparkbetriebsgesellschaft mbH, Hanover		100	25	1
innogy Beteiligungsholding GmbH, Essen		100	3,895,026	−1
innogy Brise Windparkbetriebsgesellschaft mbH, Hanover		100	226	1

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	Direct	Total	€ '000	€ '000
innogy Business Services Benelux B.V., Arnhem/Netherlands		100	–1,992	3,951
innogy Business Services Polska Sp. z o.o., Krakow/Poland		100	5,310	1,259
Innogy Business Services UK Limited, Swindon/United Kingdom		100	20,289	–13,350
innogy Ceská republika a.s., Prague/Czech Republic		100	2,139,381	209,039
innogy Company Building GmbH, Berlin		100	1,868	–657
innogy Energetyka Trzemeszno Sp. z o.o., Wroclaw/Poland		100	1,974	235
innogy Energie, s.r.o., Prague/Czech Republic		100	204,051	123,410
innogy Energo, s.r.o., Prague/Czech Republic		100	19,988	742
innogy Evendorf Windparkbetriebsgesellschaft mbH, Hanover		100	25	[1]
innogy Finance B.V., 's-Hertogenbosch/Netherlands		100	10,907	1,546
innogy Gas Storage NWE GmbH, Dortmund		100	350,087	[1]
innogy Gas Storage, s.r.o., Prague/Czech Republic		100	539,594	12,496
innogy Gastronomie GmbH, Essen		100	275	[1]
innogy Grid Holding, a.s., Prague/Czech Republic		50	1,143,966	150,629
Innogy Gym 2 Limited, Swindon/United Kingdom		100	–11,240	–6,265
Innogy Gym 3 Limited, Swindon/United Kingdom		100	–11,239	–6,266
Innogy Gym 4 Limited, Swindon/United Kingdom		100	–33,715	–18,804
innogy Hörup Windparkbetriebsgesellschaft mbH, Hanover		100	26	[1]
innogy Hungária Tanácsadó Kft., Budapest/Hungary		100	2,457	–56
innogy indeland Windpark Eschweiler GmbH & Co. KG, Eschweiler		100	60,722	1,761
innogy Innovation GmbH, Essen		100	130,038	[1]
innogy International Participations N.V., 's-Hertogenbosch/Netherlands		100	9,380,116	438,700
innogy IT Magyarország Kft., Budapest/Hungary		100	1,159	72
innogy Italia S.p.A., Milan/Italy		100	12,198	6,770
innogy Kaskasi GmbH, Hamburg		100	99	[1]
innogy Lengerich Windparkbetriebsgesellschaft mbH, Gersten		100	25	[1]
innogy Lüneburger Heide Windparkbetriebsgesellschaft mbH, Walsrode		100	25	[1]
innogy Metering GmbH, Mülheim an der Ruhr		100	25	[1]
innogy Mistral Windparkbetriebsgesellschaft mbH, Hanover		100	578	[1]
innogy Netze Deutschland GmbH, Essen		100	497,854	[1]
innogy New Ventures LLC, Palo Alto/USA		100	34,703	–7,113
innogy Offshore Wind Netherlands B.V., 's-Hertogenbosch/Netherlands		100	–2,527	384
innogy Polska Contracting Sp. z o.o., Wroclaw/Poland		100	5,722	0
innogy Polska S.A., Warsaw/Poland		100	424,028	100,446
innogy Renewables Benelux B.V., 's-Hertogenbosch/Netherlands		100	–17,936	–3,253
innogy Renewables Beteiligungs GmbH, Dortmund		100	7,350	[1]
Innogy Renewables Ireland Limited, Dublin/Ireland		100	–811	–807
innogy Renewables Polska Sp. z o.o., Warsaw/Poland		100	208,516	–82,713
Innogy Renewables UK Holdings Limited, Swindon/United Kingdom		100	1,939,665	314,574
Innogy Renewables UK Limited, Swindon/United Kingdom		100	1,524,877	142,590
Innogy Renewables US LLC, Delaware/USA		100	52,032	–614
innogy SE, Essen		77	8,926,111	907,605
innogy Seabreeze II GmbH & Co. KG, Essen		100	13,386	–19,149

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	Direct	Total	€ '000	€ '000
innogy Slovensko s.r.o., Bratislava/Slovakia		100	8,240	7,841
Innogy Solutions Ireland Limited, Dublin/Ireland		100	4,771	823
innogy solutions Kft., Budapest/Hungary		100	1,952	–51
innogy Solutions s.r.o., Banská Bystrica/Slovakia		100	1,177	147
innogy Sommerland Windparkbetriebsgesellschaft mbH, Hanover		100	26	[1]
innogy South East Europe s.r.o., Bratislava/Slovakia		100	1,058	–54
innogy Spain, S.A.U.- Group - (pre-consolidated)			131,098	–2,795[2]
Danta de Energías, S.A., Soria/Spain		99		
Explotaciones Eólicas de Aldehuelas, S.L., Soria/Spain		95		
General de Mantenimiento 21, S.L.U., Barcelona/Spain		100		
Hidroeléctrica del Trasvase, S.A., Barcelona/Spain		60		
innogy Spain, S.A.U., Barcelona/Spain		100		
Innogy Stallingborough Limited, Swindon/United Kingdom		100	–8,334	–181
innogy Stoen Operator Sp. z o.o., Warsaw/Poland		100	676,069	45,951
innogy Süderdeich Windparkbetriebsgesellschaft mbH, Süderdeich		100	106	[1]
innogy TelNet GmbH, Essen		100	25	[1]
innogy Titz Windparkbetriebsgesellschaft mbH, Essen		100	25	[1]
innogy Wind Onshore Deutschland GmbH, Hanover		100	77,373	[1]
innogy Windpark Bedburg GmbH & Co. KG, Bedburg		51	93,613	6,172
innogy Windpower Netherlands B.V., 's-Hertogenbosch/Netherlands		100	–36,246	70
innogy Zákaznické služby, s.r.o., Ostrava/Czech Republic		100	1,572	1,109
innogy Zweite Vermögensverwaltungs GmbH, Essen		100	350,026	[1]
INVESTERG - Investimentos em Energias, SGPS, Lda. - Group - (pre-consolidated)			16,907	610[2]
INVESTERG - Investimentos em Energias, Sociedade Gestora de Participações Sociais, Lda., São João do Estoril/Portugal		100		
LUSITERG - Gestão e Produção Energética, Lda., São João do Estoril/Portugal		74		
Isoprofs B.V., Meijel/Netherlands		100	–28	–155
iSWITCH GmbH, Essen		100	25	[1]
It's a beautiful world B.V., Amersfoort/Netherlands		100	4,691	1,262
Kernkraftwerk Gundremmingen GmbH, Gundremmingen		75	92,527	8,343
Kernkraftwerk Lingen Gesellschaft mit beschränkter Haftung, Lingen (Ems)		100	20,034	[1]
Kernkraftwerke Lippe-Ems Gesellschaft mit beschränkter Haftung, Lingen (Ems)		99	432,269	[1]
KMG Kernbrennstoff-Management Gesellschaft mit beschränkter Haftung, Essen		100	696,225	[1]
Knabs Ridge Wind Farm Limited, Swindon/United Kingdom		100	8,901	426
Koprivnica Opskrba d.o.o., Koprivnica/Croatia		75	285	0
Koprivnica Plin d.o.o., Koprivnica/Croatia		75	8,786	0
Kraftwerksbeteiligungs-OHG der RWE Power AG und der PreussenElektra GmbH, Lingen/Ems		88	144,433	–66
Krzecin Sp. z o.o., Warsaw/Poland		100	12,763	–4,583
Lechwerke AG, Augsburg		90	522,812	123,149
Leitungspartner GmbH, Düren		100	100	[1]
LEW Anlagenverwaltung Gesellschaft mit beschränkter Haftung, Gundremmingen		100	290,715	8,644
LEW Beteiligungsgesellschaft mbH, Gundremmingen		100	471,290	14,983

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	Direct	Total	€ '000	€ '000
LEW Netzservice GmbH, Augsburg		100	87	1
LEW Service & Consulting GmbH, Augsburg		100	1,250	1
LEW TelNet GmbH, Neusäß		100	8,358	7,117
LEW Verteilnetz GmbH, Augsburg		100	139,816	1
Little Cheyne Court Wind Farm Limited, Swindon/United Kingdom		59	44,436	5,702
Mátrai Erömü Zártkörüen Müködö Részvénytársaság, Visonta/Hungary		51	299,124	–29,258
MI-FONDS 178, Frankfurt am Main		100	800,195	20,504
MI-FONDS F55, Frankfurt am Main		100	606,114	18,336
MI-FONDS G50, Frankfurt am Main	100	100	1,323,501	–23,448
MI-FONDS G55, Frankfurt am Main		100	286,700	10,963
MI-FONDS J55, Frankfurt am Main		100	15,589	287
MI-FONDS K55, Frankfurt am Main		100	124,357	26,180
MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)		75	129,245	37,289
Mitteldeutsche Netzgesellschaft Gas mbH, Halle (Saale)		100	25	1
Mitteldeutsche Netzgesellschaft Strom mbH, Halle (Saale)		100	4,171	1
Mittlere Donau Kraftwerke AG, Munich		40[8]	5,113	0
ML Wind LLP, Swindon/United Kingdom		51	82,464	5,038
NEW AG, Mönchengladbach		40[4]	175,895	65,248
NEW Netz GmbH, Geilenkirchen		100	95,699	28,498
NEW Niederrhein Energie und Wasser GmbH, Mönchengladbach		100	15,587	36,406
NEW NiederrheinWasser GmbH, Viersen		100	46,613	12,169
NEW Smart City GmbH, Mönchengladbach		100	825	136
NEW Tönisvorst GmbH, Tönisvorst		98	13,961	1,674
NEW Viersen GmbH, Viersen		100	13,330	6,689
Nordsee Windpark Beteiligungs GmbH, Essen		100	8,087	1
Npower Business and Social Housing Limited, Swindon/United Kingdom		100	3,985	17
Npower Commercial Gas Limited, Swindon/United Kingdom		100	1,270	3,097
Npower Direct Limited, Swindon/United Kingdom		100	101,838	–23,280
Npower Financial Services Limited, Swindon/United Kingdom		100	–172	15
Npower Gas Limited, Swindon/United Kingdom		100	–215,893	3,085
Npower Group plc, Swindon/United Kingdom		100	263,741	142,740
Npower Limited, Swindon/United Kingdom		100	211,895	–4,568
Npower Northern Limited, Swindon/United Kingdom		100	–1,084,270	–47,961
Npower Yorkshire Limited, Swindon/United Kingdom		100	–729,513	–33,057
Npower Yorkshire Supply Limited, Swindon/United Kingdom		100	0	0
NRW Pellets GmbH, Erndtebrück		100	312	1
Octopus Electrical Limited, Swindon/United Kingdom		100	2,440	0
OIE Aktiengesellschaft, Idar-Oberstein		100	11,190	1
Park Wiatrowy Nowy Staw Sp. z o.o., Warsaw/Poland		100	59,111	–8,524
Park Wiatrowy Opalenica Sp. z o.o., Warsaw/Poland		100	18,317	–4,842
Park Wiatrowy Suwalki Sp. z o.o., Warsaw/Poland		100	52,536	–6,330
Park Wiatrowy Tychowo Sp. z o.o., Warsaw/Poland		100	25,459	–17,680
Piecki Sp. z o.o., Warsaw/Poland		51	21,091	–12,703

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Plus Shipping Services Limited, Swindon/United Kingdom		100	27,283	–834
Powerhouse B.V., Almere/Netherlands		100	48,818	5.900
PS Energy UK Limited, Swindon/United Kingdom		100	–874	–885
Regenesys Holdings Limited, Swindon/United Kingdom		100	0	0
Regenesys Technologies, Swindon/United Kingdom		100	0	9
regionetz GmbH, Eschweiler		100	113,360	1
Rheinbraun Brennstoff GmbH, Cologne		100	82,619	1
Rheinische Baustoffwerke GmbH, Bergheim		100	9,236	1
Rheinkraftwerk Albbruck-Dogern Aktiengesellschaft, Waldshut-Tiengen		77	31,664	1,757
Rhein-Sieg Netz GmbH, Siegburg		100	20,774	1
rhenag Rheinische Energie Aktiengesellschaft, Cologne		67	159,949	45,836
Rhenas Insurance Limited, Sliema/Malta	100	100	58,270	224
Rhyl Flats Wind Farm Limited, Swindon/United Kingdom		50	167,609	8,733
RL Besitzgesellschaft mbH, Gundremmingen		100	114,039	13,636
RL Beteiligungsverwaltung beschr. haft. OHG, Gundremmingen		100	362,958	34,371
RUMM Limited, Ystrad Mynach/United Kingdom		100	91	–259
RV Rheinbraun Handel und Dienstleistungen GmbH, Cologne		100	36,694	1
RWE & Turcas Güney Elektrik Üretim A.S., Ankara/Turkey		70	304,549	0
RWE Aktiengesellschaft, Essen			6,103,456	1,411,691
RWE Cogen UK (Hythe) Limited, Swindon/United Kingdom		100	11,050	1,430
RWE Cogen UK Limited, Swindon/United Kingdom		100	164,341	2,262
RWE Cogen UK Trading Limited, Swindon/United Kingdom		100	0	0
RWE Corner Participations B.V., 's-Hertogenbosch/Netherlands		100	35,259	5,153
RWE Downstream Beteiligungs GmbH, Essen	100	100	13,874,855	1
RWE East, s.r.o., Prague/Czech Republic		100	311	92
RWE Eemshaven Holding B.V., 's-Hertogenbosch/Netherlands		100	20	–14,751
RWE Eemshaven Holding II B.V., Geertruidenberg/Netherlands		100	–53,422	–67,163
RWE Energie S.R.L., Bucharest/Romania		100	–8,512	–8,088
RWE Energija d.o.o., Zagreb/Croatia		100	706	–1,063
RWE Generation Belgium N.V., Antwerp/Belgium		100	71,040	3,542
RWE Generation NL B.V., Arnhem/Netherlands		100	229,496	157,231
RWE Generation NL Participations B.V., Arnhem/Netherlands		100	380,771	–1,764
RWE Generation NL Personeel B.V., Arnhem/Netherlands		100	12,152	7,215
RWE Generation SE, Essen	100	100	264,673	1
RWE Generation UK Holdings plc, Swindon/United Kingdom		100	3,057,822	1,823,646
RWE Generation UK plc, Swindon/United Kingdom		100	1,591,465	–302,609
RWE Hrvatska d.o.o., Zagreb/Croatia		100	9,553	–2,705
RWE Ljubljana d.o.o., Ljubljana/Slovenia		100	399	–1,702
RWE Markinch Limited, Swindon/United Kingdom		100	–102,179	–11,228
RWE Nuclear GmbH, Essen	100	100	99,858	1
RWE Personeel B.V., Geertruidenberg/Netherlands		100	–40	–40
RWE Plin d.o.o., Zagreb/Croatia		100	181	–328
RWE Power Aktiengesellschaft, Cologne and Essen	100	100	2,037,209	1

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9 Immaterial.
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	Direct	Total	€ '000	€ '000
RWE Rheinhessen Beteiligungs GmbH, Essen		100	57,840	[1]
RWE Supply & Trading Asia-Pacific PTE. LTD., Singapore/Singapore		100	2,729	3,861
RWE Supply & Trading CZ, a.s., Prague/Czech Republic		100	1,072,918	104,400
RWE Supply & Trading CZ GmbH, Essen		100	100,669	337
RWE Supply & Trading GmbH, Essen	100	100	446,778	[1]
RWE Supply & Trading (India) Private Limited, Mumbai/India		100	612	237
RWE Supply & Trading Participations Limited, London/United Kingdom		100	9,143	−1,639
RWE Supply & Trading Switzerland S.A., Geneva/Switzerland		100	28,012	22,646
RWE Technology International GmbH, Essen		100	12,463	[1]
RWE Technology Tasarim ve Mühendislik Danismanlik Ticaret Limited Sirketi, Istanbul/Turkey		100	847	66
RWE Technology UK Limited, Swindon/United Kingdom		100	1,442	341
RWE Trading Americas Inc., New York City/USA		100	19,421	8,572
RWE Trading Services GmbH, Essen		100	5,735	[1]
RWEST Middle East Holdings B.V., 's-Hertogenbosch/Netherlands		100	3,348	0
RWW Rheinisch-Westfälische Wasserwerksgesellschaft mbH, Mülheim an der Ruhr		80	79,480	9,609
SARIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Würzburg KG, Würzburg		[8]	−10,112	417
SRS EcoTherm GmbH, Salzbergen		90	16,561	1,398
Stadtwerke Düren GmbH, Düren		50[4]	27,378	5,414
Südwestsächsische Netz GmbH, Crimmitschau		100	1,117	47
Süwag Energie AG, Frankfurt am Main		78	581,905	104,750
Süwag Grüne Energien und Wasser GmbH, Frankfurt am Main		100	6,441	[1]
Süwag Vertrieb AG & Co. KG, Frankfurt am Main		100	680	[1]
Syna GmbH, Frankfurt am Main		100	8,053	[1]
Taciewo Sp. z o.o., Warsaw/Poland		100	18,033	−6,988
The Hollies Wind Farm Limited, Swindon/United Kingdom		100	496	−159
Transpower Limited, Dublin/Ireland		100	4,576	−136
Triton Knoll Offshore Wind Farm Limited, Swindon/United Kingdom		100	75,427	−875
Überlandwerk Krumbach GmbH, Krumbach		75	5,576	634
Verteilnetz Plauen GmbH, Plauen		100	22	[1]
VKB-GmbH, Neunkirchen		50	42,998	3,633
Volta Energycare N.V., Houthalen-Helchteren/Belgium		100	−310	−68
Volta Limburg B.V., Schinnen/Netherlands		100	30,894	6,327
Volta Service B.V., Schinnen/Netherlands		100	102	0
Volta Solar B.V., Heerlen/Netherlands		95	523	154
Volta Solar VOF, Heerlen/Netherlands		60	1,377	1,143
VSE Aktiengesellschaft, Saarbrücken		51	213,863	43,070
VSE Net GmbH, Saarbrücken		100	14,393	2,307
VSE Verteilnetz GmbH, Saarbrücken		100	3,109	[1]
VWS Verbundwerke Südwestsachsen GmbH, Lichtenstein/Sa.		98	26,908	2,266
Východoslovenská distribucná, a.s., Kosice/Slovakia		100	600,975	30,626

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	Direct	Total	€ '000	€ '000
Východoslovenská energetika a.s., Kosice/Slovakia		100	123,008	1,870
Východoslovenská energetika Holding a.s., Kosice/Slovakia		49[4]	576,445	15,824
Wendelsteinbahn GmbH, Brannenburg		100	3,318	556
Wendelsteinbahn Verteilnetz GmbH, Brannenburg		100	38	[1]
Westerwald-Netz GmbH, Betzdorf-Alsdorf		100	9,875	[1]
Westnetz GmbH, Dortmund		100	281,306	[1]
Windpark Kattenberg B.V., Zwolle/Netherlands		100	205	242
Windpark Zuidwester B.V., 's-Hertogenbosch/Netherlands		100	10,785	–359
WKN Windkraft Nord GmbH & Co. Windpark Wönkhausen KG, Hanover		100	1,138	240
WTTP B.V., Arnhem/Netherlands		100	11,954	300
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt MEAG Halle KG, Düsseldorf		[8]	–720	459

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	Direct	Total	€ '000	€ '000
Adensis GmbH, Dresden		100	322	62
Agenzia Carboni S.R.L., Genoa/Italy		100	284	5
Alfred Thiel-Gedächtnis-Unterstützungskasse GmbH, Essen	50	100	5,113	0
Alte Haase Bergwerks-Verwaltungs-Gesellschaft mbH, Dortmund		100	−70,051	−2,572
Alvarado Solar S.L., Barcelona/Spain		100		[3]
AQUAVENT Gesellschaft für Umwelttechnik und regenerierbare Energien mbH, Lützen		100	3,111	2,292
Aura Merger Sub LLC, Dover/USA		100		[3]
Belectric Australia Pty. Limited, Victoria/Australia		100	−494	370
Belectric Chile Energia Fotovoltaica LTDA, Santiago de Chile/Chile		100	−1,034	−662
Belectric Espana Fotovoltaica S.L., Madrid/Spain		100	21	−17
Belectric Inc., San Mateo/USA		100	−478	647
Belectric International GmbH, Kolitzheim		100	45	29
Belectric Inversiones Latinoamericana S.L., Madrid/Spain		100	192	−47
Belectric JV GmbH, Kolitzheim		100	14	−5
Belectric Mexico Fotovoltaica S.de R.L. de C.V., Bosques de las Lomas/Mexico		100	−471	−107
Belectric Polska Sp. z o.o., Warsaw/Poland		100	−149	−45
Belectric PV 10 (SARL), Vendres/France		100	−5	−2
Belectric PV 5 (SARL), Vendres/France		100	−8	−2
Belectric PV 6 (SARL), Vendres/France		100	−5	0
Belectric PV 9 (SARL), Vendres/France		100	−15	−2
Beteiligungsgesellschaft Werl mbH, Essen		51	1,182	499
bildungszentrum energie GmbH, Halle (Saale)		100	613	138
Bioenergie Bad Wimpfen GmbH & Co. KG, Bad Wimpfen		51	2,266	162
Bioenergie Bad Wimpfen Verwaltungs-GmbH, Bad Wimpfen		100	32	1
Bioenergie Kirchspiel Anhausen GmbH & Co. KG, Anhausen		51	166	28
Bioenergie Kirchspiel Anhausen Verwaltungs-GmbH, Anhausen		100	31	1
Biogas Schwalmtal GmbH & Co. KG, Schwalmtal		66	787	−119
Biogasanlage Schwalmtal GmbH, Schwalmtal		99	44	4
Burgar Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Catalina-Cypress Holding Limited, Swindon/United Kingdom		100		[3]
Causeymire Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Ciriè Centrale PV s.a.s. (SRL), Rome/Italy		100	−5	0
Clavellinas Solar, S.L., Barcelona/Spain		100		[3]
Climagy Photovoltaikprojekt GmbH & Co. KG, Kolitzheim		100	−29	−3
Climagy Photovoltaikprojekt Verwaltungs-GmbH, Kolitzheim		100	29	0
Climagy PV-Freifeld GmbH & Co. KG, Kolitzheim		100	−29	−5
Climagy PV-Freifeld Verwaltungs-GmbH, Kolitzheim		100	29	0
Climagy PV-Sonnenanlage GmbH & Co. KG, Kolitzheim		100	−25	−6
Climagy PV-Sonnenanlage Verwaltungs-GmbH, Kolitzheim		100	29	0
Climagy Sonneneinstrahlung GmbH & Co. KG, Kolitzheim		100	−16	−3
Climagy Sonneneinstrahlung Verwaltungs-GmbH, Kolitzheim		100	24	0
Climagy Sonnenkraft GmbH & Co. KG, Kolitzheim		100	−30	−4

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	Direct	Total	€ '000	€ '000
Climagy Sonnenkraft Verwaltungs GmbH, Kolitzheim		100	28	0
Climagy Sonnenstrom GmbH & Co. KG, Kolitzheim		100	−28	−4
Climagy Sonnenstrom Verwaltungs GmbH, Kolitzheim		100	28	0
Climagy Stromertrag GmbH & Co. KG, Kolitzheim		100	−16	−3
Climagy Stromertrag Verwaltungs-GmbH, Kolitzheim		100	27	0
Clocaenog Wind Farm Limited, Swindon/United Kingdom		100	0	0
Cloghaneleskirt Energy Supply Limited, Tralee/Ireland		100		[3]
COMCO MCS S.A., Luxembourg/Luxembourg		100	286	127
Curns Energy Limited, Dublin/Ireland		70		[3]
DigiKoo GmbH, Essen		100		[3]
Doggerbank Project 3B Innogy Limited, Swindon/United Kingdom		100	0	0
Doggerbank Project 3C Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 3D Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 3E Limited, Swindon/United Kingdom		100		[3]
Doggerbank Project 3F Limited, Swindon/United Kingdom		100		[3]
E & Z Industrie-Lösungen GmbH, Essen		100	19,759	1,619
easyOptimize GmbH, Essen		100	−2,771	−4,795
Eko-En 1 Sp. z o.o., Warsaw/Poland		100	1,305	−1,028
El Algarrobo (SpA), Santiago de Chile/Chile		100	1	0
El Chañar (SpA), Santiago de Chile/Chile		100	1	0
El Navajo Solar, S.L., Barcelona/Spain		100		[3]
El Pimiento (SpA), Santiago de Chile/Chile		100	1	0
El Solar SpA, Santiago de Chile/Chile		100	1	0
El Tamarugo (SpA), Santiago de Chile/Chile		100	1	0
ELMU-ÉMÁSZ Energiatároló Kft., Budapest/Hungary		100		[3]
Energenti plus d. o. o., Cerknica/Slovenia		100	21	6
Energetyka Wschod Sp. z o.o., Wroclaw/Poland		100	98	20
Energiegesellschaft Leimen GmbH & Co. KG, Leimen		75	198	14
Energiegesellschaft Leimen Verwaltungsgesellschaft mbH, Leimen		75	28	1
energienatur Gesellschaft für Erneuerbare Energien mbH, Siegburg		64	112	4
Energieversorgung Timmendorfer Strand GmbH & Co. KG, Timmendorfer Strand		51	3,196	155
Energy Ventures GmbH, Saarbrücken		100	6	−2
enervolution GmbH, Bochum		100	48	[1]
enviaM Erneuerbare Energien Verwaltungsgesellschaft mbH, Markkleeberg		100	35	2
enviaM Neue Energie Management GmbH, Halle (Saale)		100	26	1
enviaM Zweite Neue Energie Management GmbH, Halle (Saale)		100		[3]
Eólica de Sarnago, S.A., Soria/Spain		52	1,563	−32
ESK GmbH, Dortmund		100	128	[1]
Fernwärmeversorgung Saarlouis-Steinrausch Investitionsgesellschaft mbH, Saarlouis		100	7,567	[1]
"Finelectra" Finanzgesellschaft für Elektrizitäts-Beteiligungen AG, Hausen/Switzerland		100	9,760	34
Free Electrons LLC, Palo Alto/USA		100		[3]

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	Direct	Total	€ '000	€ '000
Fresh Energy GmbH, Berlin		62		9
FUCATUS Vermietungsgesellschaft mbH & Co. Objekt Recklinghausen KG, Düsseldorf		94	0	0
Fundacja innogy w Polsce, Warsaw/Poland		100	40	37
Gazules I Fotovoltaica S.L., Barcelona/Spain		100		3
Gazules II Solar S.L., Barcelona/Spain		100		3
GBV Dreiunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	1
GBV Einunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	30	1
GBV Siebte Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	100	1
GBV Vierunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen		100	21	−4
GBV Zweiunddreißigste Gesellschaft für Beteiligungsverwaltung mbH, Essen	100	100	25	1
GKB Gesellschaft für Kraftwerksbeteiligungen mbH, Cottbus		100	268	−24
Goole Fields II Wind Farm Limited, Swindon/United Kingdom		100		3
Green Gecco Verwaltungs GmbH, Essen		51	38	1
GWG Kommunal GmbH, Grevenbroich		100	100	−470
Hennef (Sieg) Stromnetz GmbH & Co. KG, Hennef		100	100	0
Infraestructuras de Aldehuelas, S.A., Barcelona/Spain		100	428	0
Infrastrukturgesellschaft Netz Lübz mbH, Hanover		100	16	−16
innogy Charge Tech GmbH, Dortmund		100		3
innogy Consulting Americas, LLC, Cambridge/USA		100		3
innogy Consulting GmbH, Essen		100	3,833	4,626
innogy Dritte Vermögensverwaltungs GmbH, Essen		100	100	1
innogy e-Mobility Limited, London/United Kingdom		100		3
innogy e-mobility US LLC, Delaware/USA		100		3
innogy Energetyka Zachod Sp. z o.o., Wroclaw/Poland		100	196	71
innogy indeland Windpark Eschweiler Verwaltungs GmbH, Eschweiler		100	41	6
INNOGY INNOVATION CENTER LTD, Tel Aviv/Israel		100	20	−135
innogy Innovation UK Ltd., London/United Kingdom		100		3
innogy Middle East & North Africa Ltd., Dubai/UAE		100	1,602	−1,488
innogy Offshore Wind Netherlands Participations I B.V., 's-Hertogenbosch/Netherlands		100	0	0
innogy Offshore Wind Netherlands Participations II B.V., 's-Hertogenbosch/Netherlands		100	0	0
innogy Offshore Wind Netherlands Participations III B.V., 's-Hertogenbosch/Netherlands		100	0	0
innogy Offshore Wind Netherlands Participations IV B.V., 's-Hertogenbosch/Netherlands		100	0	0
innogy Polska Solutions Sp. z o.o., Warsaw/Poland		100	148	0
innogy Renewables Canada Inc., Vancouver/Canada		100	2,562	−2,119
Innogy Renewables US Wind Holdings LLC, Dover/USA		100		3
innogy Seabreeze II Verwaltungs GmbH, Essen		100	53	7
innogy Solar Netherlands B.V., 's-Hertogenbosch/Netherlands		100		3
innogy Stiftung für Energie und Gesellschaft gGmbH, Essen		100	54,968	−3,104

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	Direct	Total	€ '000	€ '000
innogy TelNet Holding, s.r.o., Prague/Czech Republic		100	–31	–1
innogy Turkey Energi Anonim Sirketi, Istanbul/Turkey		100	720	–359
Innogy US Renewable Projects LLC, Delaware/USA		100	0	0
innogy Ventures GmbH, Essen		100	52,749	–3,688
innogy Ventures Vermögensverwaltung 4 GmbH, Essen		100		[9]
innogy Ventures Vermögensverwaltung 5 GmbH, Essen		100		[9]
innogy Windpark Bedburg Verwaltungs GmbH, Bedburg		51	43	2
innogy Windpark Jüchen A44n GmbH & Co. KG, Essen		100	284	–16
Innogy Windpark Jüchen A44n Verwaltungs GmbH, Essen		100	34	8
Inversiones Belectric Chile LTDA, Santiago de Chile/Chile		100	–24	–9
Jerez Fotovoltaica S.L., Barcelona/Spain		100		[3]
Jurchen Technology USA Inc., San Mateo/USA		100	8	–3
Kieswerk Kaarst GmbH & Co. KG, Bergheim		51	1,108	501
Kieswerk Kaarst Verwaltungs GmbH, Bergheim		51	30	0
Kiln Pit Hill Wind Farm Limited, Swindon/United Kingdom		100	0	0
Korproject Energy Sp. z o.o., Warsaw/Poland		100		[3]
KWS Kommunal-Wasserversorgung Saar GmbH, Saarbrücken		100	195	61
Las Vaguadas I Fotovoltaica S.L., Barcelona/Spain		100		[3]
Las Vaguadas II Solar S.L., Barcelona/Spain		100		[3]
Lech Energie Gersthofen GmbH & Co. KG, Gersthofen		100	9	–1
Lech Energie Verwaltung GmbH, Augsburg		100	25	0
Lemonbeat GmbH, Dortmund		100	9.952	–3.169
Lochelbank Wind Farm Limited, Swindon/United Kingdom		100	0	0
Lößnitz Netz GmbH & Co. KG, Lößnitz		100	10	–3
Lößnitz Netz Verwaltungs GmbH, Lößnitz		100	27	0
Mátrai Erömü Központi Karbantartó KFT, Visonta/Hungary		100	3.306	72
Middlemoor Wind Farm Limited, Swindon/United Kingdom		100	0	0
Mitteldeutsche Netzgesellschaft Gas HD mbH, Halle (Saale)		100	25	[1]
Mitteldeutsche Netzgesellschaft mbH, Chemnitz		100	21	–1
MotionWerk GmbH, Essen		60		[9]
Netzwerke Saarwellingen GmbH, Saarwellingen		100	50	[1]
NEW b_gas Eicken GmbH, Schwalmtal		100	–879	11
NEW Re GmbH, Mönchengladbach		95	10,035	50
NEW Windenergie Verwaltung GmbH, Mönchengladbach		100	25	0
NEW Windpark Linnich GmbH & Co. KG, Mönchengladbach		100	20	–10
NEW Windpark Viersen GmbH & Co. KG, Mönchengladbach		100		[3]
Novar Two Wind Farm Limited, Swindon/United Kingdom		100	0	0
Npower Northern Supply Limited, Swindon/United Kingdom		100	0	0
NRF Neue Regionale Fortbildung GmbH, Halle (Saale)		100	172	30
Oranje Wind Power B.V., 's-Hertogenbosch/Netherlands		100		[3]
Oranje Wind Power C.V., 's-Hertogenbosch/Netherlands		100		[3]
Oschatz Netz GmbH & Co. KG, Oschatz		75	561	217

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Oschatz Netz Verwaltungs GmbH, Oschatz		100	26	0
Park Wiatrowy Dolice Sp. z o.o., Warsaw/Poland		100	1,039	–65
Park Wiatrowy Elk Sp. z o.o., Warsaw/Poland		100	618	602
Park Wiatrowy Gaworzyce Sp. z o.o., Warsaw/Poland		100	1,104	–1,806
Park Wiatrowy Msciwojów Sp. z o.o., Warsaw/Poland		100	269	–1,720
Park Wiatrowy Prudziszki Sp. z o.o., Warsaw/Poland		100	39	–21
Park Wiatrowy Smigiel I Sp. z o.o., Warsaw/Poland		100	675	–1,956
Photovoltaikkraftwerk Götz GmbH & Co. KG, Kolitzheim		100	–29	–3
Photovoltaikkraftwerk Götz Verwaltungs GmbH, Kolitzheim		100	29	0
Photovoltaikkraftwerk Groß Dölln Infrastruktur GmbH & Co. KG, Kolitzheim		100	–15	–4
Photovoltaikkraftwerk Groß Dölln Infrastruktur Verwaltungs-GmbH, Kolitzheim		100	28	0
Photovoltaikkraftwerk Reinsdorf GmbH & Co. KG, Kolitzheim		100	–28	–3
Photovoltaikkraftwerk Reinsdorf Verwaltungs GmbH, Kolitzheim		100	29	0
Photovoltaikkraftwerk Tramm GmbH & Co. KG, Kolitzheim		100	–29	–5
Photovoltaikkraftwerk Tramm Netzanschluss GmbH & Co. KG, Kolitzheim		100	–27	–6
Photovoltaikkraftwerk Tramm Netzanschluss Verwaltungs GmbH, Kolitzheim		100	27	0
Photovoltaikkraftwerk Tramm PV-Finanzierung GmbH & Co. KG, Kolitzheim		100	–17	–3
Photovoltaikkraftwerk Tramm PV-Finanzierung Verwaltungs GmbH, Kolitzheim		100	27	0
Photovoltaikkraftwerk Tramm Verwaltungs-GmbH, Kolitzheim		100	29	0
PI E&P Holding Limited, George Town/Cayman Islands		100	4,550	0
PI E&P US Holding LLC, New York City/USA		100	4,539	–12
Powerhouse Energy Solutions S.L., Madrid/Spain		100	26	0
Primus Projekt GmbH & Co. KG, Hanover		100	359	–172
PT Rheincoal Supply & Trading Indonesia, PT, Jakarta/Indonesia		100	238	6
Qualitas-AMS GmbH, Siegen		100		3
Quintana Fotovoltaica SLU, Madrid/Spain		100		3
RD Hanau GmbH, Hanau		100	0	0
REV LNG SSL BC LLC, Ulysses/USA		85	5,601	–178
Rheinland Westfalen Energiepartner GmbH, Essen		100	5,369	1
rhenagbau GmbH, Cologne		100	4,058	1
ROTARY-MATRA Kútfúró és Karbantartó KFT, Visonta/Hungary		100	775	–26
Rowantree Wind Farm Ltd., Swindon/United Kingdom		100	0	0
RWE & Turcas Dogalgaz Ithalat ve Ihracat A.S., Istanbul/Turkey		100	976	62
RWE Australia Pty. Ltd., Brisbane/Australia		100	74	–19
RWE Enerji Toptan Satis A.S., Istanbul/Turkey		100	6,179	–3,131
RWE Ingen!us Limited, Swindon/United Kingdom		100	1,187	–2,062
RWE Innogy Serbia d.o.o., Belgrade/Serbia		100	75	4
RWE NSW PTY LTD, Sydney/Australia		100	30,938	0
RWE Pensionsfonds AG, Essen	100	100	3,757	34
RWE Power Climate Protection China GmbH, Essen		100	25	1
RWE Power Climate Protection Clean Energy Technology (Beijing) Co., Ltd., Beijing/China		100	2,072	7
RWE Power Climate Protection GmbH, Essen		100	23	1

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9 Immaterial.
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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
RWE Power Climate Protection Southeast Asia Co., Ltd., Bangkok/Thailand		100	59	5
RWE Power International Ukraine LLC, Kiev/Ukraine		100	0	0
RWE Rhein Oel Ltd., London/United Kingdom		100	–1	0
RWE SUPPLY TRADING TURKEY ENERJI ANONIM SIRKETI, Istanbul/Turkey		100	1,344	–35
RWE Trading Services Ltd., Swindon/United Kingdom		100	1,227	94
RWE-EnBW Magyarország Energiaszolgáltató Korlátolt Felelösségü Társaság, Budapest/Hungary		70	391	20
RWEST PI FRE Holding LLC, New York City/USA		100	9,708	–5,375
RWEST PI LNG HOLDING LLC, New York City/USA		100	5,593	0
RWEST PI LNG 1 LLC, New York City/USA		100	1,331	0
RWEST PI LNG 2 LLC, New York City/USA		100	4,688	0
RWEST PI WALDEN HOLDING LLC, New York City/USA		100	6,318	–30
RWEST PI WALDEN 1 LLC, New York City/USA		100	6,320	0
Santa Severa Centrale PV s.a.s. (SRL), Rome/Italy		100	–151	0
Scarcroft Investments Limited, Swindon/United Kingdom		100	0	0
Scharbeutzer Energie- und Netzgesellschaft mbH & Co. KG, Scharbeutz		51	4,371	199
SchlauTherm GmbH, Saarbrücken		75	301	82
SEG Solarenergie Guben GmbH & Co. KG, Guben		100	3,159	–1
SEG Solarenergie Guben Management GmbH, Halle (Saale)		100		[3]
Sofia Offshore Wind Farm Holdings Limited, Swindon/United Kingdom		100	0	0
SOLARENGO Energia, Unipessoal, Lda., Cascais/Portugal		100		[3]
Solarkraftwerk Herlheim GmbH & Co. KG, Kolitzheim		100	–28	–4
Solarkraftwerk Herlheim Verwaltungs GmbH, Kolitzheim		100	28	0
Solarkraftwerk Meuro GmbH & Co. KG, Kolitzheim		100	–29	–3
Solarkraftwerk Meuro Verwaltungs GmbH, Kolitzheim		100	28	0
Solarkraftwerk Oberspiesheim GmbH & Co. KG, Kolitzheim		100	–27	–5
Solarkraftwerk Oberspiesheim Verwaltungs GmbH, Kolitzheim		100	28	0
SP Solarprojekte GmbH & Co. KG, Kolitzheim		100		[3]
SP Solarprojekte 1 GmbH & Co. KG, Kolitzheim		100		[3]
SP Solarprojekte 1 Verwaltungs-GmbH, Kolitzheim		100		[3]
SP Solarprojekte 2 GmbH & Co. KG, Kolitzheim		100		[3]
SP Solarprojekte 2 Verwaltungs-GmbH, Kolitzheim		100		[3]
SP Solarprojekte 3 Verwaltungs-GmbH, Kolitzheim		100		[3]
SP Solarprojekte 4 GmbH & Co. KG, Kolitzheim		100		[3]
SP Solarprojekte 4 Verwaltungs-GmbH, Kolitzheim		100		[3]
SP Solarprojekte 5 GmbH & Co. KG, Kolitzheim		100		[3]
SP Solarprojekte 5 Verwaltungs-GmbH, Kolitzheim		100		[3]
SP Solarprojekte 6 GmbH & Co. KG, Kolitzheim		100		[3]
SP Solarprojekte 6 Verwaltungs-GmbH, Kolitzheim		100		[3]
SP Solarprojekte 7 GmbH & Co. KG, Kolitzheim		100		[3]
SP Solarprojekte 7 Verwaltungs-GmbH, Kolitzheim		100		[3]
Stadtwerke Korschenbroich GmbH, Mönchengladbach		100	46	–6
Storage Facility 1 Ltd., Slough/United Kingdom		100		[3]

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II. Affiliated companies which are not included in the consolidated financial statements due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Stromnetz Friedberg GmbH & Co. KG, Friedberg		100		[3]
Stromnetz Pulheim Verwaltung GmbH, Pulheim		100		[3]
Sun Data GmbH, Kolitzheim		100	74	70
Sunpow 1 Sp. z o.o., Warsaw/Poland		100		[3]
Sunrise Energy Generation Pvt. Ltd., Mumbai/India		100	69	4
Süwag Vertrieb Management GmbH, Frankfurt am Main		100	27	1
SVFR 12 (SAS), Vendres/France		100	–110	–2
Thermolux S.a.r.l., Luxembourg/Luxembourg		100	98	–484
TWS Technische Werke der Gemeinde Saarwellingen GmbH, Saarwellingen		51	4,721	1,699
ucair GmbH, Berlin		85		[9]
Versuchsatomkraftwerk Kahl GmbH, Karlstein am Main		80	573	31
Verwaltungsgesellschaft Energieversorgung Timmendorfer Strand mbH, Timmendorfer Strand		51	27	1
Verwaltungsgesellschaft Scharbeutzer Energie- und Netzgesellschaft mbH, Scharbeutz		51	27	1
VKN Saar Geschäftsführungsgesellschaft mbH, Ensdorf		51	32	1
VSE - Windpark Merchingen GmbH & Co. KG, Saarbrücken		100	2,800	–30
VSE - Windpark Merchingen VerwaltungsGmbH, Saarbrücken		100	63	1
VSE Agentur GmbH, Saarbrücken		100	131	116
VSE Call centrum, s.r.o., Kosice/Slovakia		100	72	17
VSE Ekoenergia, s.r.o., Kosice/Slovakia		100	92	–39
VSE-Stiftung gGmbH, Saarbrücken		100	2,571	–8
Wärmeversorgung Schwaben GmbH, Augsburg		100	86	55
Warsun Project Sp. z o.o., Warsaw/Poland		100		[3]
Wasser-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		100		[3]
WEK Windenergie Kolkwitz GmbH & Co. KG, Kolkwitz		100	–1,184	–1,143
WIJA GmbH, Bad Neuenahr-Ahrweiler		100	481	19
Windkraft Hochheim GmbH & Co. KG, Hochheim		100	2,820	70
Windpark Büschdorf GmbH, Perl		100		[3]
Windpark Eekerpolder B.V., 's-Hertogenbosch/Netherlands		100		[3]
Windpark Eschweiler Beteiligungs GmbH, Stolberg		59	9,767	–321
Windpark Oostpolderdijk B.V., 's-Hertogenbosch/Netherlands		100		[3]
Windpark Paffendorf GmbH & Co. KG, Essen		100		[3]
Windpark Paffendorf Verwaltungs GmbH, Essen		100		[3]
Windpark Verwaltungsgesellschaft mbH, Lützen		100	31	0
Windpark Wadern-Felsenberg GmbH, Wadern		100		[3]
WK Solar Project Sp. z o.o., Warsaw/Poland		100		[3]
WKH Windkraft Hochheim Management GmbH, Halle (Saale)		100		[3]
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Naumburg KG, Düsseldorf		[8]	–711	0
4Motions GmbH, Leipzig		100		[3]

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III. Joint operations	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
EnergieRegion Taunus - Goldener Grund - GmbH & Co. KG, Bad Camberg		49	29,913	1,767
Gas-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		49	4,211	1,155
Gas-Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Bergheim		49	3,656	1,167
Greater Gabbard Offshore Winds Limited, Reading/United Kingdom		50	1,170,493	85,301
Netzgesellschaft Südwestfalen mbH & Co. KG, Netphen		49	12,264	[11]
N.V. Elektriciteits-Produktiemaatschappij Zuid-Nederland EPZ, Borssele/Netherlands		30	59,162	6,674

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9 Immaterial.
10 Financial statements not available.
11 Profit and loss-pooling agreement with non-Group companies.

IV. Affiliated companies of joint operations	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
EnergieRegion Taunus - Goldener Grund Verwaltungsgesellschaft mbH, Bad Camberg		100	27	1
Gas-Netzgesellschaft Kolpingstadt Kerpen Verwaltungs-GmbH, Kerpen		100	31	2

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5 No control by virtue of company contract.
6 Significant influence via indirect investments.
7 Significant influence by virtue of company contract.
8 Structured entity pursuant to IFRS 10 and 12.
9 Immaterial.
10 Financial statements not available.
11 Profit and loss-pooling agreement with non-Group companies.

V. Joint ventures accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
AS 3 Beteiligungs GmbH, Essen		51[5]	38,579	1,486
AVU Aktiengesellschaft für Versorgungs-Unternehmen, Gevelsberg		50	99,413	14,400
BEW Netze GmbH, Wipperfürth		61[5]	6,534	–63
Budapesti Disz- es Közvilagitasi Korlatolt Felelössegü Tarsasag, Budapest/Hungary		50	30,358	465
C-Power N.V., Oostende/Belgium		27	211,124	12,431
Energie Nordeifel GmbH & Co. KG, Kall		33	8,374	5,427
FSO GmbH & Co. KG, Oberhausen		50	43,453	14,372
Galloper Wind Farm Holdco Limited, Swindon/United Kingdom		25	–144,596	8,955
Gwynt Y Môr Offshore Wind Farm Limited, Swindon/United Kingdom		50	–102	–845
Innogy Venture Capital GmbH, Dortmund		75[5]	472	75
Konsortium Energieversorgung Opel beschränkt haftende oHG, Karlstein		67[5]	32,775	5,467
PRENU Projektgesellschaft für Rationelle Energienutzung in Neuss mbH, Neuss		50	178	–2
Rain Biomasse Wärmegesellschaft mbH, Rain		75[5]	5,693	521
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb/Croatia		50	410	–26
Société Electrique de l'Our S.A., Luxembourg/Luxembourg		40	513	4,089[2]
Stadtwerke Dülmen Dienstleistungs- und Beteiligungs-GmbH & Co. KG, Dülmen		50	27,700	4,942
Stadtwerke Lingen GmbH, Lingen (Ems)		40	13,471	[11]
Stromnetz Gersthofen GmbH & Co. KG, Gersthofen		49	443	12
Stromnetz Günzburg GmbH & Co. KG, Günzburg		49	2,999	141
SVS-Versorgungsbetriebe GmbH, Stadtlohn		30	20,340	2,953
TCP Petcoke Corporation, Dover/USA		50	22,310	8,067[2]
URANIT GmbH, Jülich		50	70,733	114,500
Zagrebacke otpadne vode d.o.o., Zagreb/Croatia		48	205,257	24,027

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VI. Associates accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Amprion GmbH, Dortmund	25	25	1,651,100	158,100
ATBERG - Eólicas do Alto Tâmega e Barroso, Lda., Ribeira de Pena/Portugal		40	4,283	595
Belectric Gulf Limited, Abu Dhabi/UAE		49	2,465	2,065
Dortmunder Energie- und Wasserversorgung GmbH (DEW 21), Dortmund		40	188,831	[11]
EnergieServicePlus GmbH, Düsseldorf		49	2,501	75
Energieversorgung Guben GmbH, Guben		45	16,895	1,241
Energieversorgung Hürth GmbH, Hürth		25	4,961	[11]
Energieversorgung Oberhausen AG, Oberhausen		10[6]	32,345	13,699
ENNI Energie & Umwelt Niederrhein GmbH, Moers		20	32,915	[11]
e-regio GmbH & Co. KG, Euskirchen		43	85,218	14,006
EWR Aktiengesellschaft, Worms		2[6]	74,307	7,914
EWR Dienstleistungen GmbH & Co. KG, Worms		50	135,649	7,941
EWR GmbH - Energie und Wasser für Remscheid, Remscheid		20	83,816	14,920
Freiberger Stromversorgung GmbH (FSG), Freiberg		30	10,038	1,283
Gas- und Wasserwerke Bous-Schwalbach GmbH, Bous		49	14,137	3,178
GNS Gesellschaft für Nuklear-Service mbH, Essen		28	34,950	29,849[2]
Grosskraftwerk Mannheim Aktiengesellschaft, Mannheim		40	114,141	6,647
HIDROERG - Projectos Energéticos, Lda., Lisbon/Portugal		32	12,601	2,234
Innogy Renewables Technology Fund I GmbH & Co. KG, Dortmund		78[5]	26,907	977
Kärntner Energieholding Beteiligungs GmbH, Klagenfurt/Austria		49	844,507	89,665[2]
KELAG-Kärntner Elektrizitäts-AG, Klagenfurt/Austria		13[6]	817,158	86,993
Kemkens B.V., Oss/Netherlands		49	35,548	9,313
KEW Kommunale Energie- und Wasserversorgung AG, Neunkirchen		29	74,764	11,550
MAINGAU Energie GmbH, Obertshausen		47	34,833	11,183
medl GmbH, Mülheim an der Ruhr		39	21,829	[11]
Mingas-Power GmbH, Essen		40	7,002	6,333
Nebelhornbahn-Aktiengesellschaft, Oberstdorf		27	5,361	419
PEARL PETROLEUM COMPANY LIMITED, Road Town/British Virgin Islands		10[7]	2,401,402	341,238
Pfalzwerke Aktiengesellschaft, Ludwigshafen		27	244,154	51,212
Projecta 14 GmbH, Saarbrücken		50	38,315	2,090
Propan Rheingas GmbH & Co KG, Brühl		30	7,737	898
Recklinghausen Netzgesellschaft mbH & Co. KG, Recklinghausen		50	16,030	1,112
RheinEnergie AG, Cologne		20	886,918	154,826
Rhein-Main-Donau AG, Munich		22	110,169	0
Schluchseewerk Aktiengesellschaft, Laufenburg Baden		50	59,339	2,809
Siegener Versorgungsbetriebe GmbH, Siegen		25	24,872	4,586
SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus		33	34,516	5,944
SSW Stadtwerke St. Wendel GmbH & Co. KG, St. Wendel		50	20,215	2,223
Stadtwerke Aschersleben GmbH, Aschersleben		35	17,459	2,969
Stadtwerke Bernburg GmbH, Bernburg (Saale)		45	32,759	6,306
Stadtwerke Bitterfeld-Wolfen GmbH, Bitterfeld-Wolfen		40	20,039	1,812
Stadtwerke Duisburg Aktiengesellschaft, Duisburg		20	189,336	4,700
Stadtwerke Emmerich GmbH, Emmerich am Rhein		25	12,115	[11]

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VI. Associates accounted for using the equity method	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Stadtwerke Essen Aktiengesellschaft, Essen		29	128,679	27,426
Stadtwerke Geldern GmbH, Geldern		49	12,875	3,094
Stadtwerke GmbH Bad Kreuznach, Bad Kreuznach		25	39,925	[11]
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort		49	14,868	3,678
Stadtwerke Kirn GmbH, Kirn		49	2,154	268
Stadtwerke Meerane GmbH, Meerane		24	14,846	2,443
Stadtwerke Merseburg GmbH, Merseburg		40	22,092	4,108
Stadtwerke Merzig GmbH, Merzig		50	15,906	3,135
Stadtwerke Neuss Energie und Wasser GmbH, Neuss		25	88,344	14,761
Stadtwerke Radevormwald GmbH, Radevormwald		50	6,037	2,445
Stadtwerke Ratingen GmbH, Ratingen		25	55,812	5,465
Stadtwerke Reichenbach/Vogtland GmbH, Reichenbach im Vogtland		24	13,835	1,786
Stadtwerke Saarlouis GmbH, Saarlouis		49	37,022	4,586
Stadtwerke Velbert GmbH, Velbert		50	82,005	[11]
Stadtwerke Weißenfels GmbH, Weißenfels		24	24,825	4,981
Stadtwerke Willich GmbH, Willich		25	13,981	4,144
Stadtwerke Zeitz GmbH, Zeitz		24	21,379	3,645
SWTE Netz GmbH & Co. KG, Ibbenbüren		33	36,751	4,988
Vliegasunie B.V., De Bilt/Netherlands		60[5]	9,949	1,642
Wasser- und Energieversorgung Kreis St. Wendel GmbH, St. Wendel		28	22,960	1,867
wbm Wirtschaftsbetriebe Meerbusch GmbH, Meerbusch		40	23,543	4,336
Xelan SAS, Saint-Denis La Plaine/France		34	264	–159
Zagrebacke otpadne vode-upravljanje i pogon d.o.o., Zagreb/Croatia		31	2,887	3,548
Zwickauer Energieversorgung GmbH, Zwickau		27	43,360	10,466

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VII. Companies which are not accounted for using the equity method due to secondary importance for the assets, liabilities, financial position and profit or loss of the Group	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Abwasser-Gesellschaft Knapsack, Gesellschaft mit beschränkter Haftung, Hürth		33	461	231
Alt Han Company Limited, London/United Kingdom		21	0	0
Ascent Energy LLC, Wilmington/USA		50	8,312	–985
Awotec Gebäude Servicegesellschaft mbH, Saarbrücken		48	91	–9
Bäderbetriebsgesellschaft St. Ingbert GmbH, St. Ingbert		49	86	6
Balve Netz GmbH & Co. KG, Balve		25		3
Bayerische Ray Energietechnik GmbH, Garching		49	1,251	551
Biogas Wassenberg GmbH & Co. KG, Wassenberg		32	1,248	71
Biogas Wassenberg Verwaltungs GmbH, Wassenberg		32	38	1
Breer Gebäudedienste Heidelberg GmbH, Heidelberg		45	504	224
Breitband-Infrastrukturgesellschaft Cochem-Zell mbH, Cochem		21	–592	45
Brüggen.E-Netz GmbH & Co. KG, Brüggen		25	3,249	556
Brüggen.E-Netz Verwaltungs-GmbH, Brüggen		25	29	2
CARBON Climate Protection GmbH, Langenlois/Austria		50	2,347	1,291
CARBON Egypt Ltd., Cairo/Egypt		49	–1,366	–1,067
CECEP Ningxia New Energy Resources Joint Stock Co., Ltd., Yinchuan/China		25	18,645	59
Centralny System Wymiany Informacji Sp. z o.o., Poznan/Poland		20		3
Conjoule GmbH, Essen		40		9
DES Dezentrale Energien Schmalkalden GmbH, Schmalkalden		33	280	28
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen AG & Co. oHG, Gorleben		31	1,256	745
Dii GmbH, Munich		20	288	–124
Discovergy GmbH, Aachen		24		3
Dorsten Netz GmbH & Co. KG, Dorsten		49	5,805	833
EfD Energie-für-Dich GmbH, Potsdam		49	29	6
ELE-GEW Photovoltaikgesellschaft mbH, Gelsenkirchen		49	64	39
ELE-RAG Montan Immobilien Erneuerbare Energien GmbH, Bottrop		50	50	15
ELE-Scholven-Wind GmbH, Gelsenkirchen		30	667	142
Elsta B.V., Middelburg/Netherlands		25	47,499	33,814
Elsta B.V. & CO C.V., Middelburg/Netherlands		25	47,722	33,892
EMDO S.A.S., Paris/France		30		3
Energie BOL GmbH, Ottersweier		50	35	3
Energie Mechernich GmbH & Co. KG, Mechernich		49	4,194	451
Energie Mechernich Verwaltungs-GmbH, Mechernich		49	31	2
Energie Nordeifel Beteiligungs-GmbH, Kall		33	26	1
Energie Schmallenberg GmbH, Schmallenberg		44	29	1
Energiepartner Dörth GmbH, Dörth		49	32	3
Energiepartner Elsdorf GmbH, Elsdorf		40	49	7
Energiepartner Hermeskeil GmbH, Hermeskeil		20	23	0
Energiepartner Kerpen GmbH, Kerpen		49	26	1
Energiepartner Niederzier GmbH, Niederzier		49		3
Energiepartner Projekt GmbH, Essen		49	49	23
Energiepartner Solar Kreuztal GmbH, Kreuztal		40	24	–1

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	Direct	Total	€ '000	€ '000
Energiepartner Wesseling GmbH, Wesseling		30	27	2
Energie-Service-Saar GmbH, Völklingen		50	−1,796	−6
Energieversorgung Bad Bentheim GmbH & Co. KG, Bad Bentheim		25	2,919	566
Energieversorgung Bad Bentheim Verwaltungs-GmbH, Bad Bentheim		25	31	2
Energieversorgung Beckum GmbH & Co. KG, Beckum		34	5,410	3,117
Energieversorgung Beckum Verwaltungs-GmbH, Beckum		34	59	2
Energieversorgung Horstmar/Laer GmbH & Co. KG, Horstmar		49	2,300	308
Energieversorgung Kranenburg Netze GmbH & Co. KG, Kranenburg		25	1,698	206
Energieversorgung Kranenburg Netze Verwaltungs GmbH, Kranenburg		25	29	2
Energieversorgung Marienberg GmbH, Marienberg		49	3,007	1,173
Energieversorgung Niederkassel GmbH & Co. KG, Niederkassel		49	2,745	164
Energieversorgung Oelde GmbH, Oelde		25	8,260	2,685
Energotel, a.s., Bratislava/Slovakia		20	6,805	1,293
energy4u GmbH & Co. KG, Siegburg		49	25	0
ENERVENTIS GmbH & Co. KG, Saarbrücken		33	1,090	513
Erdgasversorgung Industriepark Leipzig Nord GmbH, Leipzig		50	436	6
Erdgasversorgung Schwalmtal GmbH & Co. KG, Viersen		50	3,109	3,654
Erdgasversorgung Schwalmtal Verwaltungs-GmbH, Viersen		50	37	1
Erneuerbare Energien Rheingau-Taunus GmbH, Bad Schwalbach		25	479	48
eShare.one GmbH, Dortmund		25		[3]
Esta VOF, Ridderkerk/Netherlands		50		[10]
evm Windpark Höhn GmbH & Co. KG, Höhn		33	−655	−550
EWV Baesweiler GmbH & Co. KG, Baesweiler		45	2,420	1,047
EWV Baesweiler Verwaltungs GmbH, Baesweiler		45	30	1
FAMOS - Facility Management Osnabrück GmbH, Osnabrück		49	100	3
Fassi Coal Pty. Ltd., Newcastle-Rutherford/Australia		40	−7,259	405
Fernwärmeversorgung Zwönitz GmbH (FVZ), Zwönitz		50	3,296	331
First River Energy LLC, Denver/USA		36	−1,321	−7,479
Focal Energy Photovoltaic Holdings Limited, Nicosia/Cyprus		50	1,476	−4
Foton Technik Sp. z o.o., Warsaw/Poland		50	162	32
FSO Verwaltungs-GmbH, Oberhausen		50	34	0
Gasgesellschaft Kerken Wachtendonk mbH, Kerken		49	4,405	588
Gas-Netzgesellschaft Bedburg GmbH & Co. KG, Bedburg		49		[3]
Gas-Netzgesellschaft Elsdorf GmbH & Co. KG, Elsdorf		49	1,301	202
Gasnetzgesellschaft Mettmann GmbH & Co. KG, Mettmann		25	1,000	0
Gas-Netzgesellschaft Rheda-Wiedenbrück GmbH & Co. KG, Rheda-Wiedenbrück		49		[3]
Gas-Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		49		[3]
Gasnetzgesellschaft Wörrstadt mbH & Co. KG, Saulheim		49	2,184	785
Gasnetzgesellschaft Wörrstadt Verwaltung mbH, Wörrstadt		49	32	2
Geiger Netzbau GmbH, Mindelheim		49	−159	−184
Gemeindewerke Bad Sassendorf Netze GmbH & Co. KG, Bad Sassendorf		25	2,129	302
Gemeindewerke Bad Sassendorf Netze Verwaltung GmbH, Bad Sassendorf		25	29	2

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	Direct	Total	€ '000	€ '000
Gemeindewerke Bissendorf Netz GmbH & Co. KG, Bissendorf		49	2,786	511
Gemeindewerke Bissendorf Netz Verwaltungs-GmbH, Bissendorf		49	27	0
Gemeindewerke Everswinkel GmbH, Everswinkel		45	6,935	498
Gemeindewerke Namborn GmbH, Namborn		49	828	48
Gemeinschaftswerk Hattingen Gesellschaft mit beschränkter Haftung, Essen		52	2,045	−189
GfB, Gesellschaft für Baudenkmalpflege mbH, Idar-Oberstein		20	13	−64
GfS Gesellschaft für Simulatorschulung mbH, Essen		31	56	3
Gichtgaskraftwerk Dillingen GmbH & Co. KG, Saarbrücken		25	30,989	4,445
GISA GmbH, Halle (Saale)		24	9,184	3,584
GkD Gesellschaft für kommunale Dienstleistungen mbH, Cologne		50	55	4
G&L Gastro-Service GmbH, Augsburg		35	29	4
GNEE Gesellschaft zur Nutzung erneuerbarer Energien mbH Freisen, Freisen		49	13	−5
GREEN GECCO Beteiligungsgesellschaft mbH & Co. KG, Troisdorf		21	52,921	2,003
GREEN GECCO Beteiligungsgesellschaft-Verwaltungs GmbH, Troisdorf		21	38	1
GREEN Gesellschaft für regionale und erneuerbare Energie mbH, Stolberg		49	677	15
Green Solar Herzogenrath GmbH, Herzogenrath		45	3,822	404
Greenergetic GmbH, Bielefeld		35	921	−2,361
Greenplug GmbH, Hamburg		49	610	−2
HaseNetz GmbH & Co. KG, Gehrde		25	2.180	356
HCL Netze GmbH & Co. KG, Herzebrock-Clarholz		25	3.254	0
Heizkraftwerk Zwickau Süd GmbH & Co. KG, Zwickau		40	1.000	352
hmstr GmbH, Saarbrücken		25		3
Hochsauerland Netze GmbH & Co. KG, Meschede		25	5.643	1.453
Hochsauerland Netze Verwaltung GmbH, Meschede		25	27	1
H.W.B. Solar Ltd., Be'er Scheva/Israel		30		3
innogy International Middle East, Dubai/UAE		49	−1.972	0
innogy.C3 GmbH, Essen		25		3
IWW Rheinisch-Westfälisches Institut für Wasserforschung gemeinnützige GmbH, Mülheim an der Ruhr		30	901	11
Kavernengesellschaft Staßfurt mbH, Staßfurt		50	886	0
KAWAG AG & Co. KG, Pleidelsheim		49	14.561	841
KAWAG Netze GmbH & Co. KG, Abstatt		49	2.328	153
KAWAG Netze Verwaltungsgesellschaft mbH, Abstatt		49	29	1
KDT Kommunale Dienste Tholey GmbH, Tholey		49	1.307	82
KEN Geschäftsführungsgesellschaft mbH, Neunkirchen		50	52	0
KEN GmbH & Co. KG, Neunkirchen		46	2.845	60
KEVAG Telekom GmbH, Koblenz		50	2.236	501
Kiwigrid GmbH, Dresden		20	9,302	−7,605
KlickEnergie GmbH & Co. KG, Neuss		65	−832	−664
KlickEnergie Verwaltungs-GmbH, Neuss		65	21	−1
KnGrid, Inc., Laguna Hills/USA		42		9
Kommunale Dienste Marpingen GmbH, Marpingen		49	2,672	−9
Kommunale Netzgesellschaft Steinheim a. d. Murr GmbH & Co. KG, Steinheim a. d. Murr		49	4,968	348

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	Direct	Total	€ '000	€ '000
Kommunalwerk Rudersberg GmbH & Co. KG, Rudersberg		50	167	6
Kommunalwerk Rudersberg Verwaltungs-GmbH, Rudersberg		50	25	1
Kraftwerk Buer GbR, Gelsenkirchen		50	5,113	0
Kraftwerk Wehrden GmbH, Völklingen		33	93	63
KSG Kraftwerks-Simulator-Gesellschaft mbH, Essen		31	564	26
KSP Kommunaler Service Püttlingen GmbH, Püttlingen		40	153	49
KÜCKHOVENER Deponiebetrieb GmbH & Co. Kommanditgesellschaft, Bergheim		50	41	−15
KÜCKHOVENER Deponiebetrieb Verwaltungs-GmbH, Bergheim		50	39	0
KVK Kompetenzzentrum Verteilnetze und Konzessionen GmbH, Cologne		75	135	80
LDO Coal Pty. Ltd., Ruthersford/Australia		40	−185	1,435
Mainzer Wärme PLUS GmbH, Mainz		45	7,632	1,346
MeteringSüd GmbH & Co. KG, Augsburg		34	404	−21
MNG Stromnetze GmbH & Co. KG, Lüdinghausen		25	20,440	2,841
MNG Stromnetze Verwaltungs GmbH, Lüdinghausen		25	27	2
Moravske Hidroelektrane d.o.o., Belgrade/Serbia		51	3,700	−16
Murrhardt Netz AG & Co. KG, Murrhardt		49	2,790	229
Naturstrom Betriebsgesellschaft Oberhonnefeld mbH, Koblenz		25	159	0
Netzanbindung Tewel OHG, Cuxhaven		25	699	−12
Netzgesellschaft Bedburg Verwaltungs GmbH, Bedburg		49		3
Netzgesellschaft Betzdorf GmbH & Co. KG, Betzdorf		49		3
Netzgesellschaft Bühlertal GmbH & Co. KG, Bühlertal		50	2,288	159
Netzgesellschaft Elsdorf Verwaltungs-GmbH, Elsdorf		49	33	4
Netzgesellschaft Grimma GmbH & Co. KG, Grimma		49	7,670	507
Netzgesellschaft Hüllhorst GmbH Co. KG, Hüllhorst		49		3
Netzgesellschaft Korb GmbH & Co. KG, Korb		50	1,416	99
Netzgesellschaft Korb Verwaltungs-GmbH, Korb		50	28	1
Netzgesellschaft Kreisstadt Bergheim Verwaltungs-GmbH, Bergheim		49	30	2
Netzgesellschaft Lauf GmbH & Co. KG, Lauf		50	759	54
Netzgesellschaft Leutenbach GmbH & Co. KG, Leutenbach		50	1,528	104
Netzgesellschaft Leutenbach Verwaltungs-GmbH, Leutenbach		50	27	1
Netzgesellschaft Maifeld GmbH & Co. KG, Polch		49	6,162	644
Netzgesellschaft Maifeld Verwaltungs GmbH, Polch		49	28	0
Netzgesellschaft Ottersweier GmbH & Co. KG, Ottersweier		50	2,033	158
Netzgesellschaft Rheda-Wiedenbrück GmbH & Co. KG, Rheda-Wiedenbrück		49	3,079	483
Netzgesellschaft Rheda-Wiedenbrück Verwaltungs-GmbH, Rheda-Wiedenbrück		49	29	2
NFPA Holdings Limited, Newcastle Upon Tyne/United Kingdom		25	2,017	273
NiersEnergieNetze GmbH & Co. KG, Kevelaer		51	6,167	507
NiersEnergieNetze Verwaltungs-GmbH, Kevelaer		51	33	2
Novenerg limited liability company for energy activities, Zagreb/Croatia		50	64	0
Offshore Trassenplanungs-GmbH OTP i.L., Hanover		50	163	0
pear.ai Inc., San Francisco/USA		40		9
Peißenberger Wärmegesellschaft mbH, Peißenberg		50	5,905	−433
prego services GmbH, Saarbrücken		50	−2,624	5,097

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	Direct	Total	€ '000	€ '000
Propan Rheingas GmbH, Brühl		28	51	2
PV Projects GmbH & Co. KG, Kolitzheim		50	377	285
PV Projects Komplementär GmbH, Kolitzheim		50	24	0
Recklinghausen Netz-Verwaltungsgesellschaft mbH, Recklinghausen		49	28	1
Renergie Stadt Wittlich GmbH, Wittlich		30	27	–1
Rhegio Natur Dienstleistungen GmbH, Rhede		25		3
RIWA GmbH Gesellschaft für Geoinformationen, Kempten		33	1,282	369
RurEnergie GmbH, Düren		30	10,454	–138
Sandersdorf-Brehna Netz GmbH & Co. KG, Sandersdorf-Brehna		49	4,826	175
Selm Netz GmbH & Co. KG, Selm		25	4,003	778
SHS Ventures GmbH & Co. KGaA, Völklingen		50	185	–15
Sofia Offshore Wind Farm Limited, Reading/United Kingdom		25	0	0
SolarProjekt Mainaschaff GmbH, Mainaschaff		50	45	–2
SPX, s.r.o., Zilina/Slovakia		33	153	11
SSW Stadtwerke St. Wendel Geschäftsführungsgesellschaft mbH, St. Wendel		50	124	4
Stadtentwässerung Schwerte GmbH, Schwerte		48	51	0
Städtische Werke Borna GmbH, Borna		37	5,316	885
Städtisches Wasserwerk Eschweiler GmbH, Eschweiler		25	2,209	683
Stadtwerke - Strom Plauen GmbH & Co. KG, Plauen		49	5,699	1,442
Stadtwerke Ahaus GmbH, Ahaus		36	11,086	0
Stadtwerke Aue GmbH, Aue		24	12,851	1,656
Stadtwerke Dillingen/Saar GmbH, Dillingen		49	6,929	1,968
Stadtwerke Dülmen Verwaltungs-GmbH, Dülmen		50	29	0
Stadtwerke Gescher GmbH, Gescher		25	3,307	661
Stadtwerke Geseke Netze GmbH & Co. KG, Geseke		25	3,880	837
Stadtwerke Geseke Netze Verwaltung GmbH, Geseke		25	26	1
Stadtwerke Goch Netze GmbH & Co. KG, Goch		25	2,886	319
Stadtwerke Goch Netze Verwaltungsgesellschaft mbH, Goch		25	29	2
Stadtwerke Haan GmbH, Haan		25	20,454	1,604
Stadtwerke Kerpen GmbH & Co. KG, Kerpen		25		3
Stadtwerke Kerpen Verwaltungs-GmbH (in Gründung), Kerpen		25		3
Stadtwerke Langenfeld GmbH, Langenfeld		20	8,551	500
Stadtwerke Oberkirch GmbH, Oberkirch		33	7,192	608
Stadtwerke Roßlau Fernwärme GmbH, Dessau-Roßlau		49	1,599	418
Stadtwerke Schwarzenberg GmbH, Schwarzenberg/Erzgeb.		28	14,551	1,327
Stadtwerke Siegburg GmbH & Co. KG, Siegburg		49	100	0
Stadtwerke Steinfurt GmbH, Steinfurt		33	10,945	250
Stadtwerke Unna GmbH, Unna		24	15,110	3,217
Stadtwerke Verl Netz GmbH & Co. KG, Verl		25		3
Stadtwerke Vlotho GmbH, Vlotho		25	4,880	123
Stadtwerke Wadern GmbH, Wadern		49	4,678	875
Stadtwerke Waltrop Netz GmbH & Co. KG, Waltrop		25	2,862	318
Stadtwerke Weilburg GmbH, Weilburg		20	8,177	874

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	Direct	Total	€ '000	€ '000
Stadtwerke Werl GmbH, Werl		25	7,035	2,291
STEAG Windpark Ullersdorf GmbH & Co. KG, Jamlitz		21	17,772	22
Stromnetz Diez GmbH & Co. KG, Diez		25	1,483	100
Stromnetz Diez Verwaltungsgesellschaft mbH, Diez		25	30	1
Stromnetz Euskirchen GmbH & Co. KG, Euskirchen		25	4,100	581
Stromnetz Günzburg Verwaltungs GmbH, Günzburg		49	29	1
Stromnetz Hofheim GmbH & Co. KG, Hofheim am Taunus		49	3,455	255
Stromnetz Hofheim Verwaltungs GmbH, Hofheim am Taunus		49	27	1
Stromnetz Verbandsgemeinde Katzenelnbogen GmbH & Co. KG, Katzenelnbogen		49	2,279	178
Stromnetz Verbandsgemeinde Katzenelnbogen Verwaltungsgesellschaft mbH, Katzenelnbogen		49	27	1
Stromnetz VG Diez GmbH & Co. KG, Altendiez		49	2,401	173
STROMNETZ VG DIEZ Verwaltungsgesellschaft mbH, Altendiez		49	29	1
Strom-Netzgesellschaft Bedburg GmbH & Co. KG, Bedburg		49		[3]
Stromnetzgesellschaft Bramsche mbH & Co. KG, Bramsche		25		[3]
Strom-Netzgesellschaft Elsdorf GmbH & Co. KG, Elsdorf		49	3,612	419
Stromnetzgesellschaft Gescher GmbH & Co. KG, Gescher		25	3,305	305
Strom-Netzgesellschaft Kolpingstadt Kerpen GmbH & Co. KG, Kerpen		49	4,717	607
Strom-Netzgesellschaft Kreisstadt Bergheim GmbH & Co. KG, Bergheim		49		[3]
Stromnetzgesellschaft Mettmann mbH & Co. KG, Mettmann		25		[3]
Stromnetzgesellschaft Neuenhaus mbH & Co. KG, Neuenhaus		49	3,358	343
Stromnetzgesellschaft Neuenhaus Verwaltungs-GmbH, Neuenhaus		49	25	1
Stromnetzgesellschaft Neunkirchen-Seelscheid mbH & Co. KG, Neunkirchen-Seelscheid		49	2,626	314
Stromnetzgesellschaft Schwalmtal mbH & Co. KG, Schwalmtal		51	3,566	571
Stromverwaltung Schwalmtal GmbH, Schwalmtal		51	30	2
Südwestfalen Netz-Verwaltungsgesellschaft mbH, Netphen		49	26	1
SWL-energis Netzgesellschaft mbH & Co. KG, Lebach		50	3,239	177
SWL-energis-Geschäftsführungs-GmbH, Lebach		50	37	1
SWT trilan GmbH, Trier		26	1,299	499
SWTE Netz Verwaltungsgesellschaft mbH, Ibbenbüren		33	26	2
Technische Werke Naumburg GmbH, Naumburg (Saale)		47	10,625	650
TEPLO Votice s.r.o., Votice/Czech Republic		20	103	0
The Bristol Bulk Company Limited, London/United Kingdom		25	1	0
TNA Talsperren- und Grundwasser-Aufbereitungs- und Vertriebsgesellschaft mbH, Saarbrücken		23	1,067	98
Toledo PV A.E.I.E., Madrid/Spain		33	1,926	587
TRANSELEKTRO, s.r.o., Kosice/Slovakia		26	627	−51
TWE Technische Werke der Gemeinde Ensdorf GmbH, Ensdorf		49	2,119	168
TWL Technische Werke der Gemeinde Losheim GmbH, Losheim		50	7,218	1,585
TWM Technische Werke der Gemeinde Merchweiler GmbH, Merchweiler		49	2,084	83
TWN Trinkwasserverbund Niederrhein GmbH, Grevenbroich		33	143	−5
TWRS Technische Werke der Gemeinde Rehlingen-Siersburg GmbH, Rehlingen		35	4,686	161
Umspannwerk Putlitz GmbH & Co. KG, Frankfurt am Main		25	0	−197

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	Direct	Total	€ '000	€ '000
Untere Iller Aktiengesellschaft, Landshut		40	1,134	41
Untermain EnergieProjekt AG & Co. KG, Kelsterbach		49	1,992	100
Untermain Erneuerbare Energien Verwaltungs-GmbH, Raunheim		25	33	2
Untermain ErneuerbareEnergien GmbH & Co. KG, Raunheim		25	8	–14
Veiligebuurt B.V., Enschede/Netherlands		45		9
VEM Neue Energie Muldental GmbH & Co. KG, Markkleeberg		50	58	–8
Verteilnetze Energie Weißenhorn GmbH & Co. KG, Weißenhorn		35	906	310
Verwaltungsgesellschaft Dorsten Netz mbH, Dorsten		49	29	2
Verwaltungsgesellschaft Energie Weißenhorn GmbH, Weißenhorn		35	26	1
Verwaltungsgesellschaft GKW Dillingen mbH, Saarbrücken		25	181	7
Voltaris GmbH, Maxdorf		50	2,431	1,648
Wadersloh Netz GmbH & Co. KG, Wadersloh		25		3
Wadersloh Netz Verwaltungs GmbH, Wadersloh		25		3
WALDEN GREEN ENERGY LLC, New York City/USA		61	6,342	–1,167
Wärmeversorgung Limburg GmbH, Limburg an der Lahn		50	455	–1
Wärmeversorgung Mücheln GmbH, Mücheln		49	894	74
Wärmeversorgung Wachau GmbH, Markkleeberg OT Wachau		49	89	–2
Wärmeversorgung Würselen GmbH, Würselen		49	1,524	75
Wasserverbund Niederrhein Gesellschaft mit beschränkter Haftung, Krefeld		38	11,188	633
Wasserversorgung Main-Taunus GmbH, Frankfurt am Main		49	136	2
Wasserzweckverband der Gemeinde Nalbach, Nalbach		49	1,758	23
WeAre GmbH, Essen		50		9
WEV Warendorfer Energieversorgung GmbH, Warendorf		25	12,243	1,963
Windenergie Briesensee GmbH, Neu Zauche		31	1,248	–89
Windenergie Frehne GmbH & Co. KG, Marienfließ		41	5,796	32
Windenergie Merzig GmbH, Merzig		20	3,837	522
Windenergiepark Heidenrod GmbH, Heidenrod		45	12,798	927
Windesco Inc, Electron/USA		22	1,234	–460
Windkraft Jerichow - Mangelsdorf I GmbH & Co. KG, Burg		25	4,167	579
Windpark Losheim-Britten GmbH, Losheim		50	1,972	–19
Windpark Nohfelden-Eisen GmbH, Nohfelden		50	3,448	–20
Windpark Oberthal GmbH, Oberthal		35	4,659	136
Windpark Perl GmbH, Perl		42	7,985	256
WINDTEST Grevenbroich GmbH, Grevenbroich		38	1,175	276
WLN Wasserlabor Niederrhein GmbH, Mönchengladbach		45	523	23
WVG-Warsteiner Verbundgesellschaft mbH, Warstein		25	3,600	0
WVL Wasserversorgung Losheim GmbH, Losheim		50	5,193	449
WWS Wasserwerk Saarwellingen GmbH, Saarwellingen		49	3,628	228
WWW Wasserwerk Wadern GmbH, Wadern		49	3,704	298

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6 Significant influence via indirect investments.
7 Significant influence by virtue of company contract.
8 Structured entity pursuant to IFRS 10 and 12.
9 Immaterial.
10 Financial statements not available.
11 Profit and loss-pooling agreement with non-Group companies.

VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Abel & Co., Tilburg/Netherlands		1		[3]
Adom Intelligent Transport Ltd., Tel Aviv-Jaffa/Israel		19		[9]
aiPod Inc, Pasadena/USA		6		[9]
APEP Dachfonds GmbH & Co. KG, Munich	36	36	362,527	70,192
BeeRides Kft., Székesfehérvár/Hungary		18		[9]
BEW Bergische Energie- und Wasser-GmbH, Wipperfürth		19	30,814	6,467
BFG-Bernburger Freizeit GmbH, Bernburg (Saale)		1	9,996	–1,379
BIDGELY Inc., Sunnyvale/USA		7	9,240	–5,079
BigchainDB GmbH, Berlin		2		[9]
Blackhawk Mining LLC, Lexington/USA		6	–194,225	–160,597
Bürgerenergie Untermain eG, Kelsterbach		4	93	33
CELP II Chrysalix Energy II US Limited Partnership, Vancouver/Canada		6	10,290	–966
CELP III Chrysalix Energy III US Limited Partnership, Vancouver/Canada		11	121,044	–7,168
DCUSA Ltd, London/United Kingdom		10	0	0
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern		4	16,899	1,426
Die BürgerEnergie eG, Dortmund		0	1,797	111
Doozer Real Estate Systems GmbH, Berlin		12		[9]
Dry Bulk Partners 2013 LP, Grand Cayman/Cayman Islands		23	4,884	–4,949
eins energie in sachsen GmbH & Co. KG, Chemnitz		9	464,069	79,267
eluminocity GmbH, Munich		18		[3]
Energías Renovables de Ávila, S.A., Madrid/Spain		17	595	0
Energie Rur-Erft GmbH & Co. KG, Essen		0	1,120	1,095
Energie Rur-Erft Verwaltungs-GmbH, Essen		0	29	1
Energieagentur Region Trier GmbH, Trier		14	25	8
Energiegenossenschaft Chemnitz-Zwickau eG, Chemnitz		7	614	24
Energiehandel Saar GmbH & Co. KG, Neunkirchen		1	396	–5
Energiehandel Saar Verwaltungs-GmbH, Neunkirchen		2	25	0
Energieversorgung Limburg GmbH, Limburg an der Lahn		10	28,038	4,958
Entwicklungsgesellschaft Neu-Oberhausen mbH-ENO, Oberhausen		2	657	–945
ESV-ED GmbH & Co. KG, Buchloe		4	370	65
Focal Energy Solar Three Ltd., Nicosia/Cyprus		8	5,430	–4
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen		10	65	2
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen		10	77,213	36,213
Gemeinschafts-Lehrwerkstatt Arnsberg GmbH, Arnsberg		8	1,465	52
Gemserv Limited, London/United Kingdom		14	8,203	1,812
Gesellschaft für Wirtschaftsförderung Duisburg mbH, Duisburg		1	721	25
Globus Steel & Power Pvt. Limited, New Delhi/India		18	–435	–378
Gründerfonds Ruhr GmbH & Co. KG, Essen		2		[9]
Heliatek GmbH, Dresden		13	8,414	–7,701
High-Tech Gründerfonds II GmbH & Co. KG, Bonn		1	77,263	0
HOCHTEMPERATUR-KERNKRAFTWERK Gesellschaft mit beschränkter Haftung (HKG). Gemeinsames Europäisches Unternehmen, Hamm		31	0	0

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VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Hubject GmbH, Berlin		13	551	−1,900
INDI Energie B.V., 's-Hertogenbosch/Netherlands		30	−23	−123
Intertrust Technologies Corporation, Sunnyvale/USA		12	70,580	−17,640
iTy Labs Corp., Dover/USA		19		9
IZES gGmbH, Saarbrücken		8	480	−144
KEV Energie GmbH, Kall		2	457	0
Kreis-Energie-Versorgung Schleiden GmbH, Kall		2	16,098	1,906
LEW Bürgerenergie e.G., Augsburg		0	1,744	20
LIBRYO LTD, London/United Kingdom		8		9
Moj.io Inc., Vancouver/Canada		2		9
Move24 Group GmbH, Berlin		10	7,964	−1,628
MRA Service Company Limited, London/United Kingdom		11	0	0
Neckar-Aktiengesellschaft, Stuttgart		12	10,179	0
Neue Energie Ostelbien eG, Arzberg		29	4	1
Neustromland GmbH & Co. KG, Saarbrücken		5	2,757	128
Nordsee One GmbH, Hamburg		15	38,263	−8,172
Nordsee Three GmbH, Hamburg		15	122	−22
Nordsee Two GmbH, Hamburg		15	122	−23
Ökostrom Saar Geschäftsführungsgesellschaft mbH & Co. Biogas Losheim KG, Merzig		10	0	190
OPPENHEIM PRIVATE EQUITY Institutionelle Anleger GmbH & Co. KG, Cologne	29	29	442	742
Parque Eólico Cassiopea, S.L., Oviedo/Spain		10	−21	−74
Parque Eólico Escorpio, S.A., Oviedo/Spain		10	481	−18
Parque Eólico Leo, S.L., Oviedo/Spain		10	126	0
Parque Eólico Sagitario, S.L., Oviedo/Spain		10	−29	−153
PEAG Holding GmbH, Dortmund	12	12	17,926	3,117
People Power Company, Redwood City/USA		12	837	−2,275
pro regionale energie eG, Diez		2	1,392	39
Promocion y Gestion Cáncer, S.L., Oviedo/Spain		10	−29	0
PSI AG für Produkte und Systeme der Informationstechnologie, Berlin		18	83,251	3,130
REV LNG LLC, Ulysses/USA		5	3,072	237
ROSOLA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG, Düsseldorf		100	2,610	426
Royal Armouries (International) plc, Leeds/United Kingdom		2	7,937	1,916
Rydies GmbH, Hanover		15		9
SALUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Leipzig KG, Düsseldorf		100	20	15
ScanTrust SA, Lausanne/Switzerland		7		9
Sdruzení k vytvorení a vyuzívání digitální technické mapy mesta Pardubic, Pardubice/Czech Republic		12	1	0
SE SAUBER ENERGIE GmbH & Co. KG, Cologne		17	1,590	264
SE SAUBER ENERGIE Verwaltungs-GmbH, Cologne		17	134	7
SET Fund II C.V., Amsterdam/Netherlands		13	22,212	342
SET Sustainable Energy Technology Fund C.V., Amsterdam/Netherlands		50	17,177	−611

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VIII. Other investments	Shareholding in %		Equity	Net income/loss
	Direct	Total	€ '000	€ '000
Smart Energy Code Company Limited, London/United Kingdom		7	0	0
Solarpark Freisen "Auf der Schwann" GmbH, Freisen		15	367	56
Solarpark St. Wendel GmbH, St. Wendel		15	1,126	94
SolarRegion RengsdorferLAND eG, Rengsdorf		2	314	8
Sole-Thermalbad Rilchingen GmbH & Co. KG, Kleinblittersdorf		1		[3]
SPAA Ltd, London/United Kingdom		10	15	0
St. Clements Services Limited, London/United Kingdom		12	1,859	–92
Stadtmarketing-Gesellschaft Gelsenkirchen mbH, Gelsenkirchen		2	84	34
Stadtwerke Delitzsch GmbH, Delitzsch		18	15,595	2,884
Stadtwerke Detmold GmbH, Detmold		12	31,495	0
Stadtwerke ETO GmbH & Co. KG, Telgte		3	33,567	6,085
Stadtwerke Porta Westfalica GmbH, Porta Westfalica		12	16,208	569
Stadtwerke Sulzbach GmbH, Sulzbach		15	11,431	1,786
Stadtwerke Tecklenburger Land Energie GmbH, Ibbenbüren		15	0	–982
Stadtwerke Tecklenburger Land GmbH & Co. KG, Ibbenbüren		1	799	668
Stadtwerke Völklingen Netz GmbH, Völklingen		18	16,387	1,998
Stadtwerke Völklingen Vertrieb GmbH, Völklingen		18	7,301	3,289
Stem Inc., Milbrae/USA		11	7,210	–33,981
Store-X storage capacity exchange GmbH, Leipzig		12	262	–38[2]
SWT Stadtwerke Trier Versorgungs-GmbH, Trier		19	54,663	0
SWTE Verwaltungsgesellschaft mbH, Ibbenbüren		1	26	2
Technologiezentrum Jülich GmbH, Jülich		5	1,432	163
TechSee Augmented Vision Ltd., Herzliya/Israel		10		[9]
Telecom Plus plc, London/United Kingdom		1	223,483	36,283[2]
TGZ Halle TECHNOLOGIE- UND GRÜNDERZENTRUM HALLE GmbH, Halle (Saale)		15	14,544	46
Transport- und Frischbeton-Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft Aachen, Aachen		17	390	146
T-REX Group Inc., New York City/USA		7		[9]
Trianel Erneuerbare Energien GmbH & Co. KG, Aachen		2	64,750	–1,112
Trianel GmbH, Aachen		3	83,938	–4,133
Trinkaus Secondary GmbH & Co. KGaA, Düsseldorf	43	43	1,685	487
Umspannwerk Lübz GbR, Lübz		18	49	17
Union Group, a.s., Ostrava/Czech Republic		2	90,068	0
WASSERWERKE PADERBORN GmbH, Paderborn		10	24,105	0
Westly Capital Partners Fund III, L.P., Dover/USA		6	1,149	–272
WiN Emscher-Lippe Gesellschaft zur Strukturverbesserung mbH, Herten		2	154	–280
Windenergie Schermbeck-Rüste GmbH & Co. KG, Schermbeck		14	474	0
Windenergie Schermbeck-Rüste Verwaltungsgesellschaft mbH, Schermbeck		14	27	3
Windpark Jüchen GmbH & Co. KG, Essen		15	2,253	143
Windpark Mengerskirchen GmbH, Mengerskirchen		15	3,013	297
Windpark Saar GmbH & Co. Repower KG, Freisen		10	9,165	410
Windpark Saar 2016 GmbH & Co. KG, Freisen		15	4,091	–189
xtechholding GmbH, Berlin		10		[9]

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Changes in shareholding with change of control	Shareholding in % 31 Dec 2017	Shareholding in % 31 Dec 2016	Change
Additions to affiliated companies which are included in the consolidated financial statements			
Belectric France S.à.r.l., Vendres/France	100		100
Belectric GmbH, Kolitzheim	100		100
Belectric Israel Ltd., Be'er-Sheva/Israel	100		100
Belectric Italia S.R.L., Latina/Italy	100		100
Belectric Photovoltaic India Private Limited, Mumbai/India	100		100
Belectric PV Dach GmbH, Kolitzheim	100		100
Belectric Solar & Battery GmbH, Kolitzheim	100		100
Belectric Solar Ltd., Iver/United Kingdom	100		100
Dromadda Beg Wind Farm Limited, Tralee/Ireland	100		100
Essent EnergieBewust Holding B.V., 's-Hertogenbosch/Netherlands	100		100
hoch.rein Beteiligungen GmbH, Kolitzheim	100		100
Hof Promotion B.V., Eindhoven/Netherlands	100		100
innogy Beteiligungsholding GmbH, Essen	100		100
innogy Company Building GmbH, Berlin	100		100
innogy Evendorf Windparkbetriebsgesellschaft mbH, Hanover	100		100
Isoprofs B.V., Meijel/Netherlands	100		100
It's a beautiful world B.V., Amersfoort/Netherlands	100		100
Jurchen Technology GmbH, Helmstadt	100		100
Jurchen Technology India Private Limited, Mumbai/India	100		100
ka-tek GmbH, Kolitzheim	100		100
Koprivnica Opskrba d.o.o., Koprivnica/Croatia	75		75
Koprivnica Plin d.o.o., Koprivnica/Croatia	75		75
Padcon GmbH, Kitzingen	100		100
RWE Personeel B.V., Geertruidenberg/Netherlands	100		100
Solar Holding Poland GmbH, Kolitzheim	100		100
Volta Solar VOF, Heerlen/Netherlands	60		60
Additions to associates accounted for using the equity method			
Belectric Gulf Limited, Abu Dhabi/UAE	49		49
Xelan SAS, Saint-Denis La Plaine/France	34		34
Transfers of affiliated companies which are included in the consolidated financial statements to associates accounted for using the equity method			
Stadtwerke Kamp-Lintfort GmbH, Kamp-Lintfort	49	51	–2
Transfers of affiliated companies which are not included in the consolidated financial statements to joint ventures accounted for using the equity method			
Stromnetz Gersthofen GmbH & Co. KG, Gersthofen	49	100	–51
Transfers of joint ventures accounted for using the equity method to affiliated companies which are included in the consolidated financial statements			
Triton Knoll Offshore Wind Farm Limited, Swindon/United Kingdom	100	50	50
Disposals of affiliated companies which are included in the consolidated financial statements			
Stadtwärme Kamp-Lintfort GmbH, Kamp-Lintfort		100	–100

Changes in shareholding without change of control	Shareholding in % 31 Dec 2017	Shareholding in % 31 Dec 2016	Change
Affiliated companies which are included in the consolidated financial statements			
Artelis S.A., Luxembourg/Luxembourg	90	53	37
NEW Smart City GmbH, Mönchengladbach	100	97	3
VSE Aktiengesellschaft, Saarbrücken	51	50	1
Associates accounted for using the equity method			
medl GmbH, Mülheim an der Ruhr	39	49	–10

3.8 BOARDS (PART OF THE NOTES)

As of: 27 February 2018

Supervisory Board

Dr. Werner Brandt
Bad Homburg
Chairman of the Supervisory Board of ProSiebenSat.1 Media SE
Year of birth: 1954
Member since: 18 April 2013

Other appointments:
- ▪ ProSiebenSat.1 Media SE (Chairman)
- ▪ Siemens AG

Frank Bsirske[1]
Berlin
Deputy Chairman
Chairman of ver.di Vereinte Dienstleistungsgewerkschaft
Year of birth: 1952
Member since: 9 January 2001

Other appointments:
- ▪ Deutsche Bank AG
- ▪ Deutsche Postbank AG
- ▪ innogy SE
- - KfW Bankengruppe

Reiner Böhle[1]
Witten
Independent Works Council Representative
Year of birth: 1960
Member since: 1 January 2013

Sandra Bossemeyer[1]
Duisburg
Chairwoman of the Works Council of RWE AG
Representative of the disabled
Year of birth: 1965
Member since: 20 April 2016

Ute Gerbaulet
Düsseldorf
General Partner of Bankhaus Lampe KG
Year of birth: 1968
Member since: 27 April 2017

Other appointments:
- ▪ Gerry Weber AG
- - NRW.Bank

Reinhold Gispert[1]
Worms
Chairman of the Group Works Council of RWE AG
Year of birth: 1960
Member since: 27 April 2017

Arno Hahn[1,2]
Waldalsgesheim
Chairman of the Group Works Council of RWE AG
Chairman of the General Works Council of innogy SE
Year of birth: 1962
Member from 1 July 2012 until 27 April 2017

Other appointments:
- ▪ innogy SE (until 31 May 2017)

Andreas Henrich[1]
Mülheim an der Ruhr
Head of Human Resources at RWE AG
Year of birth: 1956
Member since: 20 April 2016

Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter Keitel
Essen
Former Chairman of the Executive Board of HOCHTIEF AG
Year of birth: 1947
Member since: 18 April 2013

Other appointments:
- ▪ Airbus Defence and Space GmbH
- ▪ National-Bank AG
- ▪ thyssenkrupp AG
- ▪ Voith GmbH & Co. KGaA (Chairman)
- - Airbus Group SE

Mag. Dr. h.c. Monika Kircher
Pörtschach, Austria
Consultant
Year of birth: 1957
Member since: 15 October 2016

Other appointments:
- - Andritz AG
- - Austrian Airlines AG
- - Kärntner Energieholding Beteiligungs GmbH (Chairwoman)
- - KELAG-Kärntner Elektrizitäts AG
- - Siemens AG Österreich

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.
2 Information valid as of the date of retirement.

Martina Koederitz[2]
Stuttgart
Chairwoman of the Management of IBM Central Holding GmbH
Chairwoman of the Management of IBM Deutschland GmbH
Chairwoman of the Management of IBM Deutschland Management & Business Support GmbH
Managing Director of IBM Munich Center GmbH
Year of birth: 1964
Member from 20 April 2016 until 27 April 2017

Other appointments:
▪ IBM Deutschland Research & Development GmbH
▪ innogy SE

Monika Krebber[1]
Mülheim an der Ruhr
Deputy Chairwoman of the General Works Council of innogy SE
Deputy Chairwoman of the Group Works Council of RWE AG
Year of birth: 1962
Member since: 20 April 2016

Other appointments:
▪ innogy SE

Harald Louis[1]
Jülich
Chairman of the General Works Council of RWE Power AG
Year of birth: 1967
Member since: 20 April 2016

Other appointments:
▪ RWE Power AG

Dagmar Mühlenfeld
Mülheim an der Ruhr
Former Mayor of Mülheim an der Ruhr
Year of birth: 1951
Member since: 4 January 2005

Other appointments:
▪ RW Holding AG

Peter Ottmann
Nettetal
Managing Director of Verband der kommunalen RWE-Aktionäre GmbH
Attorney, Former Chief Administrative Officer
Year of birth: 1951
Member since: 20 April 2016

Other appointments:
▪ RW Holding AG

Günther Schartz
Wincheringen
Chief Administrative Officer of the District of Trier-Saarburg
Year of birth: 1962
Member since: 20 April 2016

Other appointments:
▪ RW Holding AG (Deputy Chairman)
- A.R.T. Abfallberatungs- und Verwertungsgesellschaft mbH (Chairman)
- Kreiskrankenhaus St. Franziskus Saarburg GmbH (Chairman)
- LBBW-Rheinland-Pfalz-Bank Verwaltungsrat (Deputy Member)
- Sparkasse Trier (Deputy Chairman)
- Sparkassenverband Rheinland-Pfalz
- Trierer Hafengesellschaft mbH
- Zweckverband Abfallwirtschaft Region Trier

Dr. Erhard Schipporeit
Hanover
Independent Corporate Consultant
Year of birth: 1949
Member since: 20 April 2016

Other appointments:
▪ BDO AG
▪ Deutsche Börse AG (until 16 May 2018)
▪ Fuchs Petrolub SE
▪ Hannover Rück SE (group-level appointment at Talanx AG)
▪ HDI V. a. G.
▪ innogy SE (Chairman)
▪ SAP SE
▪ Talanx AG

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.
2 Information valid as of the date of retirement.

Dr. Wolfgang Schüssel
Vienna, Austria
Former Federal Chancellor of the Republic of Austria
Year of birth: 1945
Member since: 1 March 2010

Other appointments:
- Adenauer Stiftung (Chairman of the Board of Trustees)

Ullrich Sierau
Dortmund
Mayor of the City of Dortmund
Year of birth: 1956
Member since: 20 April 2011

Other appointments:
▪ Dortmunder Energie- und Wasserversorgung GmbH (Chairman)
▪ Dortmunder Stadtwerke AG (Chairman)
▪ KEB Holding AG (Chairman)
- KSBG Kommunale Verwaltungsgesellschaft GmbH
- Schüchtermann-Schiller'sche Kliniken Bad Rothenfelde GmbH & Co. KG
- Sparkasse Dortmund (Chairman)

Ralf Sikorski[1]
Hanover
Member of the Main Executive Board of IG Bergbau, Chemie, Energie
Year of birth: 1961
Member since: 1 July 2014

Other appointments:
▪ CHEMIE Pensionsfonds AG (Chairman)
▪ KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG
▪ Lanxess AG
▪ Lanxess Deutschland GmbH
▪ RAG AG
▪ RAG Deutsche Steinkohle AG
▪ RWE Generation SE
▪ RWE Power AG

Marion Weckes[1]
Dormagen
Head of Unit, Dept. Mitbestimmungsförderung der Hans-Böckler-Stiftung
Year of birth: 1975
Member since: 20 April 2016

Leonhard Zubrowski[1]
Lippetal
Chairman of the Group Works Council of RWE Generation SE
Year of birth: 1961
Member since: 1 July 2014

Other appointments:
▪ RWE Generation SE

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Employee representative.

Supervisory Board Committees

Executive Committee of the Supervisory Board
Dr. Werner Brandt (Chairman)
Frank Bsirske
Sandra Bossemeyer
Prof. Dr. Hans-Peter Keitel
Monika Krebber
Dagmar Mühlenfeld
Dr. Wolfgang Schüssel
Leonhard Zubrowski

Mediation Committee in accordance with Sec. 27, Para. 3 of the German Co-Determination Act (MitbestG)
Dr. Werner Brandt (Chairman)
Frank Bsirske
Dr. Wolfgang Schüssel
Ralf Sikorski

Personnel Affairs Committee
Dr. Werner Brandt (Chairman)
Reiner Böhle
Frank Bsirske
Harald Louis
Peter Ottmann
Dr. Wolfgang Schüssel

Audit Committee
Dr. Erhard Schipporeit (Chairman)
Reinhold Gispert
Dr. Wolfgang Schüssel
Ullrich Sierau
Ralf Sikorski
Marion Weckes

Nomination Committee
Dr. Werner Brandt (Chairman)
Prof. Dr. Hans-Peter Keitel
Peter Ottmann

Strategy Committee
Dr. Werner Brandt (Chairman)
Frank Bsirske
Reinhold Gispert
Prof. Dr. Hans-Peter Keitel
Günther Schartz
Ralf Sikorski

NewCo IPO Committee
Dr. Werner Brandt (Chairman)
Frank Bsirske
Sandra Bossemeyer
Prof. Dr. Hans-Peter Keitel
Monika Krebber
Dagmar Mühlenfeld
Dr. Erhardt Schipporeit
Dr. Wolfgang Schüssel
Leonhard Zubrowski

The Executive Board

Dr. Rolf Martin Schmitz (Chief Executive Officer)
Chairman of the Executive Board of RWE AG since 15 October 2016
Member of the Executive Board of RWE AG since 1 May 2009, appointed until 30 June 2021
Labour Director of RWE AG since 1 May 2017

Other appointments:
▪ Amprion GmbH
▪ RWE Generation SE (Chairman)
▪ RWE Power AG (Chairman)
▪ RWE Supply & Trading GmbH
▪ TÜV Rheinland AG
- Jaeger-Gruppe (Chairman)
- Kärntner Energieholding Beteiligungs GmbH
- KELAG-Kärntner Elektrizitäts-AG

Dr. Markus Krebber (Chief Financial Officer)
Member of the Executive Board of RWE AG since 1 October 2016, appointed until 30 September 2019

Other appointments:
▪ innogy SE
▪ RWE Generation SE
▪ RWE Pensionsfonds AG
▪ RWE Power AG
▪ RWE Supply & Trading GmbH (Chairman)

Exiting members of the Executive Board

Uwe Tigges (Former Labour Director and Chief HR Officer)[1]
Member of the Executive Board of RWE AG until 30 April 2017

Other appointments:
▪ Amprion GmbH
▪ RWE Pensionsfonds AG (Chairman)
- VfL Bochum 1848 Fußballgemeinschaft e. V.

▪ Member of other mandatory supervisory boards.
- Member of comparable domestic and foreign supervisory boards of commercial enterprises.

1 Information valid as of the date of retirement.

3.9 INDEPENDENT AUDITOR'S REPORT

To RWE Aktiengesellschaft, Essen

Report on the audit of the consolidated financial statements and of the group management report

Audit opinions

We have audited the consolidated financial statements of RWE Aktiengesellschaft, Essen, and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of RWE Aktiengesellschaft, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Changes in segment reporting
❷ Recoverability of goodwill
❸ Recognition and measurement of pension provisions
❹ Recognition and measurement of tax items

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Changes in segment reporting**

① The executive directors of RWE Aktiengesellschaft made changes to its internal management and reporting structures in financial year 2017. The former "Conventional Power Generation" segment was divided into the "Lignite & Nuclear" and "European

Power" segments with effect as of 1 January. The "Lignite & Nuclear" segment covers electricity generation in Germany using lignite and nuclear power, while the "European Power" segment mainly comprises the electricity generation business in Germany, the UK, the Netherlands and Belgium using gas and hard coal power plants. This required a redefinition of the segments shown in the Group's segment reporting. Changes were also made to intra-Group trading relationships as a result of the new segmentation. The management approach required by IFRS 8 for the identification of segments involves the exercise of judgment to a high degree. The changes to segment reporting were therefore of particular significance in the context of our audit.

② In the course of our audit, among other things we assessed whether segment reporting in accordance with the requirements of the management approach is consistent with the Company's internal reporting and management structures. For this purpose, we evaluated in particular the internal reporting to the Executive Board and satisfied ourselves by inspecting the minutes of Executive Board meetings that the new segment structure corresponds to the Company's regular internal reporting. In addition, we assessed the adjustments to the consolidation accounting entries required for the presentation of the new segments. In our view, the redefinition of the reportable segments has been clearly documented and properly implemented overall.

③ The RWE Group's segment reporting is contained in the notes to the consolidated financial statements in section "Other information" in note "(29) Segment reporting".

❷ **Recoverability of goodwill**

① In the consolidated financial statements of RWE Aktiengesellschaft, goodwill amounting to EUR 11.2 billion (16 % of consolidated total assets) is reported under the balance sheet item "Intangible assets". Goodwill is tested for impairment annually or when there are indications of impairment, to determine any possible need for write-downs.

The carrying amounts of the relevant cash-generating units, including goodwill, are compared with the corresponding recoverable amounts in the context of the impairment tests. The recoverable amount is generally calculated on the basis of fair value less costs of disposal. The impairment tests are performed at the level of the cash-generating units or groups of cash-generating units to which the respective goodwill is allocated. The measurements to calculate the fair value less costs of disposal carried out for the purposes of the impairment tests are based on the present values of the future cash flows derived from the planning projections for the next three years (medium-term plan) prepared by the executive directors and acknowledged by the supervisory board. In doing so, expectations relating to future market developments and country-specific assumptions about the performance of macroeconomic indicators are also taken into account. Present values are calculated using discounted cash flow models. The discount rate applied is the weighted average cost of capital for the relevant cash-generating unit. The impairment test resulted in the recognition of a write-down for the Retail United Kingdom cash-generating unit amounting to EUR 479 million. The outcome of these valuations is dependent to a large extent on the estimates made by the executive directors of the future cash inflows of the cash-generating units, and on the respective discount rates and rates of growth employed as well as on further assumptions. The valuation is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we evaluated the methodology used for the purpose of performing the impairment tests and assessed the calculation of the weighted average cost of capital, among other things. In addition, we assessed whether the future cash inflows underlying the measurements together with the weighted cost of capital used represent an appropriate basis for the impairment tests overall. We evaluated the appropriateness of the future cash inflows used in the calculations, among other things by comparing this data with the Group's medium-term plan and by reconciling it against general and sector-specific market expectations. In this context, we also assessed whether the costs of Group functions were properly included in the respective cash-generating unit. In the knowledge that even relatively small changes in the discount rate applied can in some cases have a material impact on the value of the entity calculated using this method, we also evaluated the parameters used to determine the discount rate applied and assessed the measurement model. Furthermore, we evaluated the sensitivity analyses performed by the Company in order to evaluate any impairment risk (carrying amount higher than recoverable amount) in the event of a reasonably possible change in a material assumption underlying the measurement. Overall, the measurement parameter and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures relating to goodwill are contained in the notes to the consolidated financial statements in section "Notes to the Balance Sheet" in note "(10) Intangible assets".

❸ **Recognition and measurement of pension provisions**

① In the consolidated financial statements of RWE Aktiengesellschaft provisions for pensions and similar obligations are reported under the balance sheet item "Provisions". The pension provisions comprise obligations from defined benefit pension plans amounting to EUR 25.3 billion, plan assets of EUR 20.0 billion and a reported surplus of plan assets over benefit obligations of EUR 0.1 billion. The obligations from defined benefit pension plans were measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy, and staff turnover. The discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since there is an insufficient number of long-term corporate bonds. The plan assets are measured at fair value, which in turn involves making estimates that are subject to uncertainties.

In our view, these matters were of particular significance in the context of our audit because the recognition and measurement of this significant item in terms of its amount are based to a material extent on estimates and assumptions made by the Company's executive directors.

② For the purposes of our audit, we firstly assessed whether the criteria for recognition as defined benefit or defined contribution pension commitments were met and evaluated the actuarial expert reports obtained and the professional qualifications of the external actuarial experts. We also examined the specific features of the actuarial calculations and evaluated the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with standards and appropriateness, in addition to other procedures. In addition, we analyzed the changes in the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and assessed their plausibility. For the audit of the fair value of the plan assets, we obtained bank and fund confirmations and evaluated the methods on which the respective valuation was based and the valuation parameters applied.

Based on our audit procedures, we were able to satisfy ourselves that the estimates applied and assumptions made by the executive directors are justified and sufficiently documented.

③ The Company's disclosures relating to the pension provisions are contained in the notes to the consolidated financial statements in section "Notes to the Balance Sheet" in note "(23) Provisions".

❹ **Recognition and measurement of tax items**

① In the consolidated financial statements of RWE Aktiengesellschaft, taxes on income decreased income before tax by 24 %. A material portion of this net figure for tax income and expenses results from the recognition of deferred taxes on temporary differences in the statement of financial position that will not be realized until future financial years. Furthermore, the "Deferred taxes" balance sheet line item includes under "Non-current assets" recognized claims for tax reductions amounting to EUR 340 million, resulting from loss carryforwards that based on the Company's executive director's estimates can be utilized in the future. The measurements underlying the tax items recognized are based, to the extent that insufficient deferred tax liabilities are available, on the expected future taxable earnings, which are primarily derived on the basis of the medium-term business plans prepared by the executive directors. The result of these measurements depends to a large extent on the executive directors' estimation of future financial performance, and is therefore subject to material uncertainties. Against this background, the recognition and measurement of tax items overall was of particular significance in the context of our audit.

② As part of our audit, we evaluated the methodology used for the determination, accounting treatment and measurement of deferred taxes and for the impairment testing of the tax items recognized, among other things. We also assessed whether the planning projections underlying the measurements constitute an appropriate basis for the measurements. In addition, we evaluated whether the items were properly accounted for either through profit or loss in the income statement or in equity in the statement of comprehensive income, in accordance with the respective underlying transaction. Based on our audit procedures, we were able to satisfy ourselves that the methods applied and measurement assumptions made by the executive directors for the purpose of calculating and recognizing tax items, including the impairment testing of the deferred tax items, are justified and sufficiently documented.

③ The Company's disclosures relating to income taxes are contained in the notes to the consolidated financial statements in sections "Notes to the Income Statement" in note "(9) Taxes on income" and "Notes to the Balance Sheet" in note "(17) Deferred taxes".

Other information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section 1.8 of the group management report

- the separate non-financial group report pursuant to § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 27 April 2017. We were engaged by the supervisory board on 15 May 2017. We have been the group auditor of RWE Aktiengesellschaft, Essen, without interruption since the financial year 2001.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Ralph Welter.

Essen, 27 February 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

3.10 INFORMATION ON THE AUDITOR

The consolidated financial statements of RWE AG and its subsidiaries for the 2017 fiscal year – consisting of the Group balance sheet, Group income statement and statement of comprehensive income, Group statement of changes in equity, Group cash flow statement and Group notes to the financial statements – were audited by the auditing company PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

The auditor at PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft responsible for RWE is Mr Ralph Welter. Mr Welter has performed this function in four previous audits of RWE.

FIVE-YEAR OVERVIEW

Five-year overview RWE Group		2017	2016	2015	2014	2013
External revenue	€ million	44,585	45,833	48,090	48,468	52,425
Income						
Adjusted EBITDA	€ million	5,756	5,403	7,017	7,131	7,904
Adjusted EBIT	€ million	3,646	3,082	3,837	4,017	5,369
Income before tax	€ million	3,056	−5,807	−637	2,246	−2,016
Net income/RWE AG shareholders' share in income	€ million	1,900	−5,710	−170	1,704	−2,757
Earnings per share	€	3.09	−9.29	−0.28	2.77	−4.49
Adjusted net income	€ million	1,232	777	1,125	1,282	2,314
Adjusted net income per share	€	2.00	1.26	1.83	2.09	3.76
Cash flow/capital expenditure/depreciation and amortisation						
Cash flows from operating activities	€ million	−1,754	2,352	3,339	5,556	4,803
Free cash flow[1]	€ million	−3,849	809	441	2,311	960
Free cash flow per share[1]	€	−6.26	1.32	0.72	3.76	1.56
Depreciation, amortisation, impairment losses and asset disposals	€ million	2,886	6,857	5,838	3,369	8,121
Degree of asset depreciation	%	71.0	71.4	65.6	62.6	61.6
Asset/capital structure						
Non-current assets	€ million	45,694	45,911	51,453	54,224	56,905
Current assets	€ million	23,365	30,491	27,881	32,092	24,476
Balance sheet equity	€ million	11,991	7,990	8,894	11,772	12,137
Non-current liabilities	€ million	36,774	39,646	45,315	46,324	47,383
Current liabilities	€ million	20,294	28,766	25,125	28,220	21,861
Balance sheet total	€ million	69,059	76,402	79,334	86,316	81,381
Equity ratio	%	17.4	10.5	11.2	13.6	14.9
Net financial debt	€ million	6,301	1,659	7,353	8,481	10,320
Net debt	€ million	20,227	22,709	25,463	30,972	30,727
Leverage factor		3.5	4.2	3.6	3.8[2]	3.5[2]
Workforce						
Workforce at year-end[3]		59,547	58,652	59,762	59,784	64,896
Research & development						
Operating R&D costs	€ million	182	165	101	110	151
Emissions balance						
CO_2 emissions	million metric tons	132.4	148.3	150.8	155.2	163.9
Free allocation of CO_2 certificates	million metric tons	1.6	4.5	5.6	5.8	7.4
Shortage of CO_2 certificates[4]	million metric tons	129.4	142.6	143.9	148.3	156.5
Specific CO_2 emissions	metric tons/MWh	0.655	0.686	0.708	0.745	0.751

1 New definition; see explanation on page 56.
2 Adjusted figure; see page 64 of the 2014 Annual Report.
3 Converted to full-time positions.
4 As Turkey does not participate in the European Union Emissions Trading System, we do not need emission allowances for our CO_2 emissions in that country.

IMPRINT

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For annual reports, interim reports, interim statements and further information on RWE, please visit us on the internet at www.rwe.com.

This annual report was published on 13 March 2018. This is a translation of the German annual report. In case of divergence from the German version, the German version shall prevail.

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RWE is a member of DIRK –
the German Investor Relations Association.

Financial Calendar 2018/2019

26 April 2018	Annual General Meeting
2 May 2018	Dividend payment
15 May 2018	Interim statement on the first quarter of 2018
14 August 2018	Interim report on the first half of 2018
14 November 2018	Interim statement on the first three quarters of 2018
14 March 2019	Annual report for fiscal 2018
3 May 2019	Annual General Meeting
8 May 2019	Dividend payment
15 May 2019	Interim statement on the first quarter of 2019
14 August 2019	Interim report on the first half of 2019
14 November 2019	Interim statement on the first three quarters of 2019

The Annual General Meeting (until the beginning of the Q & A session) and all events concerning the publication of our financial reports are broadcast live on the internet and recorded. We will keep the recordings on our website for at least twelve months.

RWE

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